

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

PPI data update note 3

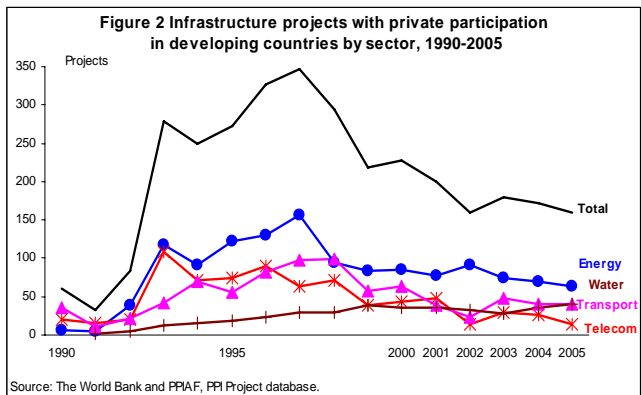
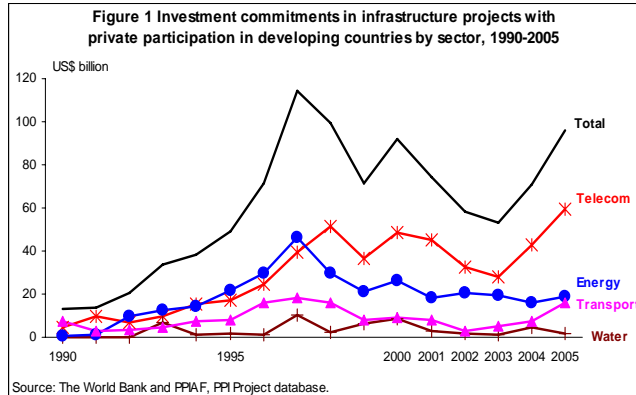
September 2006

Private activity in infrastructure shows mixed results in 2005

Investment commitments to infrastructure projects with private participation grew in 2005, but the number of infrastructure projects reaching financial closure fell, according to just-released data from the Private Participation in Infrastructure Database.

In 2005, investment commitments to private infrastructure projects in low- and middle-income countries grew by over 30% to almost US\$96 billion, a level just 16% lower than the peak in 1997. The picture was, however, quite different across sectors. Telecommunications drove most of the recovery and reached its highest level ever (figure 1). The sector accounted for over 60% of investment commitments in 2005 (table 1). Transport also experienced significant growth, returning to the peak levels of the mid-1990s. Energy saw growth of 18% in investment commitments, but from its lowest level since 1994. Water received investment commitments for US\$1.5 billion, which was well below its peak levels but within the US\$1–2 billion range of the past five years (excluding the US\$2.5 billion Syabas concession in Malaysia in 2004).

The number of private infrastructure projects implemented in 2005 declined by 7% to 159 (figure 2). The trends differed across sectors. In energy, the number of transactions declined for a third consecutive year, to 64 projects, the lowest since the early 1990s. Similarly, in telecommunications the number of transactions fell to 14 projects, also one of the lowest since 1990. In transport, the number of transactions remained around 40 projects. In water, 2005 was a record year with 41 projects reaching financial closure, the most since 1990.

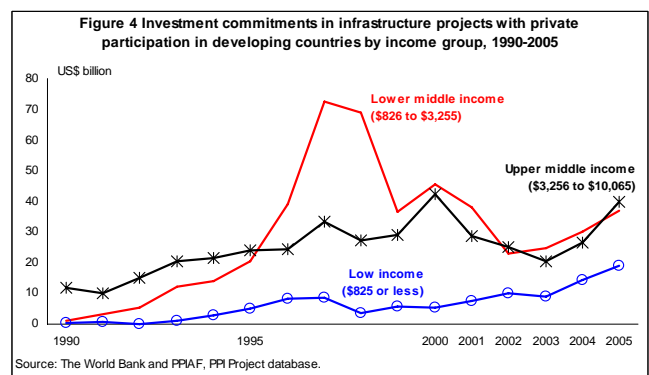
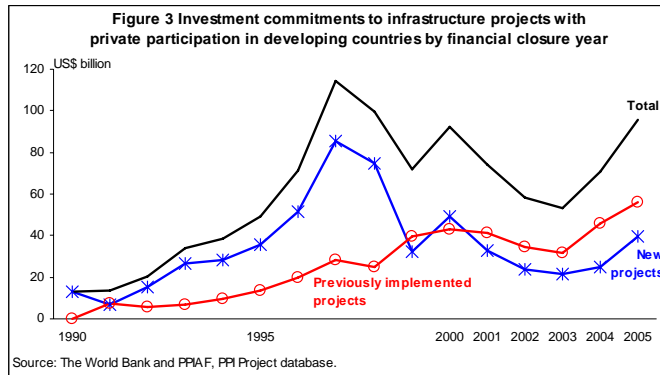


Several factors explain the divergence between trends in investment commitments and number of transactions across sectors. First, new projects accounted for just part of annual investment commitments. Projects implemented in 2005 accounted for almost US\$40 billion, or 42% of total investment commitments in that year (figure 3); while projects implemented in 1990-2004 represented the remaining 58%. Telecommunications accounted for most of the investments in previously implemented projects. In 2005, telecom projects reaching financial closure that year, accounted for just 16% of annual investment commitments to the sector, while telecom contracts granted in previous years represented the remaining 84%. Second, the average project size in transport grew by more than two times in 2005 compared to the previous year. But most of that growth was driven by five large projects (over US\$800 million), which accounted for 48% of transport investment commitments in 2005. Third, in energy, the recovery in investment flows was driven primarily by five large projects (over US\$800 million), which accounted for 33% of annual investment commitments. Finally, new private activity in water focused on smaller projects, which explained the growth in the number of transactions while investment commitments declined.

Investment commitments grew in all three income groups in 2005. In low-income, the growth was exclusively driven by telecommunications. In lower-middle-income, energy accounted for most of the

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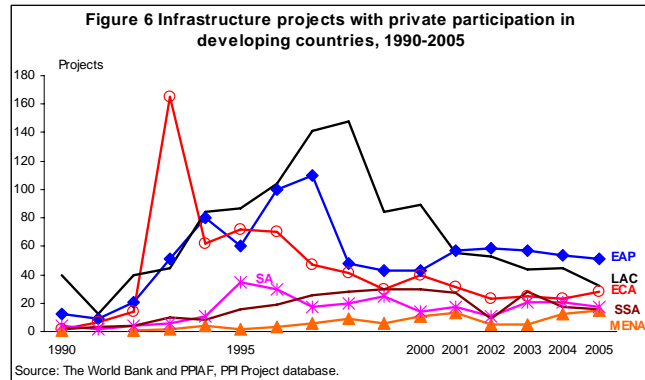
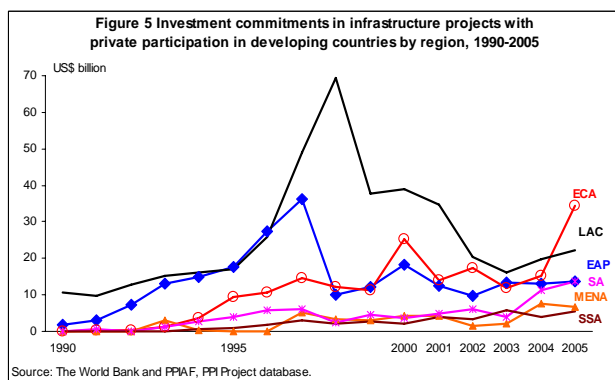
recovery followed by transport. In upper-middle-income, telecommunications and transport accounted for the growth in investment commitments.



Investment commitments by region also showed diverse trends. In Europe and Central Asia, investment commitments grew by over 120%, reaching their highest levels since 1990, and accounting for most of the growth in total annual commitments (figure 5). South Asia and Sub-Saharan Africa experienced similar trends, reaching or keeping peak levels. Latin America had a gradual recovery on investments commitments for a second year, while East Asia saw investment commitments remaining around US\$13 billion for the third consecutive year. In both regions, which were the leaders of the late 1990s boom, investment commitments continued well below their peak levels. The Middle East and North Africa was the only region with a decline in investment commitments, but this was from a peak level, and remained close to its highest level.

The number of projects reaching financial closure declined in most regions except for Europe and Central Asia and the Middle East and North Africa (figure 6). Projects reaching financial closure in 2005 accounted for most of the annual investment commitments in East Asia, Europe and Central Asia, and the Middle East and North Africa. In the three other developing regions (Latin America, South Asia, and Sub-Saharan Africa), previously implemented projects accounted for most of the investment commitments in 2005.

Similar to the trends of the previous three years, private activity in 2005 was more evenly distributed across regions than the activity during the boom of the late 1990s.



A forthcoming note will analyze private activity in infrastructure in more depth. See [sector](#) and [regional](#) data snapshots on the PPI website for more details on region and sector data.

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Table 1 Investment commitments in infrastructure projects with private participation in developing countries, by region or sector, 1990-2005 (nominal billions)

Sector/region	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Energy	21.8	29.8	46.2	29.6	21.0	26.1	18.2	20.7	19.4	15.9	18.8
Electricity	18.2	27.2	43.2	23.6	18.3	23.3	15.0	11.8	16.5	14.4	17.3
Natural Gas	3.6	2.6	3.0	6.0	2.7	2.8	3.2	8.9	2.9	1.5	1.4
Telecom	17.3	24.6	39.3	51.6	36.3	48.4	45.2	32.7	27.9	42.8	59.5
Transport	8.2	15.8	18.4	15.8	7.8	9.3	8.0	3.0	5.0	7.3	16.1
Airports	0.5	0.4	0.7	3.1	0.5	2.1	1.3	0.2	0.6	0.8	7.5
Railways	3.2	5.9	4.6	3.3	2.6	1.1	1.1	0.2	0.9	1.1	0.2
Seaports	2.0	1.7	3.3	1.5	2.4	2.4	1.0	0.8	1.6	1.7	4.2
Roads	2.5	7.8	9.8	8.0	2.2	3.6	4.6	1.8	1.8	3.7	4.1
Water and Sewerage	1.8	1.3	10.2	2.5	6.5	8.6	2.7	1.6	0.9	4.8	1.5
East Asia and Pacific	17.8	27.3	36.2	10.1	12.2	18.2	12.5	9.6	13.3	13.1	13.6
Europe and Central Asia	9.5	10.7	14.6	12.2	11.3	25.3	14.1	17.2	11.8	15.1	34.4
Latin America and the Caribbean	17.1	25.8	49.0	69.3	37.9	39.0	34.6	20.3	16.2	19.8	22.1
Middle East and North Africa	0.1	0.1	5.1	3.4	2.9	4.1	4.3	1.6	2.0	7.6	6.7
South Asia	3.8	5.7	6.2	2.3	4.6	3.5	4.7	6.0	3.9	11.2	13.6
Sub-Saharan Africa	0.8	1.7	3.0	2.2	2.8	2.1	4.0	3.3	5.9	4.0	5.4
Total	49.1	71.4	114.1	99.5	71.7	92.3	74.2	58.0	53.2	70.8	95.8

Source: The World Bank and PPIAF, PPI Project database.