

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

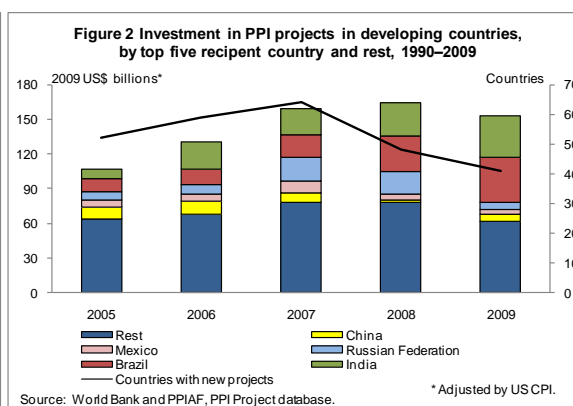
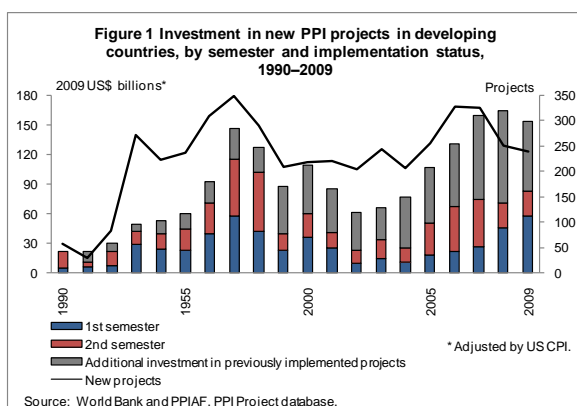
PPI data update note 42

December 2010

Private activity in infrastructure remains at peak levels but is becoming more selective

While remaining strong, private activity in infrastructure declined and became more selective in 2009, according to data from the Private Participation in Infrastructure Project Database. Investment commitments to infrastructure projects with private participation in 2009 were at their third highest level, but most of the new activity was concentrated in projects of US\$1 billion or more and in a few countries.

In 2009, 241 infrastructure projects with private participation reached financial or contractual closing in 42 low- and middle-income countries.¹ These projects involved investment commitments (hereafter, *investment*) of US\$83 billion. Infrastructure projects implemented in previous years had additional commitments of US\$70 billion, bringing total investment in 2009 to US\$153 billion. This level of activity represents a drop of 7% by investment and 4% by number of projects from the levels reported in 2008 (figure 1).² Investment projects implemented in previous years accounted for the decline, falling by 25% from the level in 2008. By contrast, investment in new projects rose by 17% from 2008.



PPI activity in new projects was concentrated in the first half of 2009, when 70% of investment in new projects reached closure. Some of this activity might have been in projects that were unable to reach closure in the second half of 2008 due to the more difficult financial and investment environment that came with the full onset of the global financial crisis. By the first half of 2009, many countries such as Brazil and India had put in place countercyclical policy measurements that improved liquidity in the financial markets and stimulated demand. Preliminary data on new projects in the first quarter of 2010 indicate a decline of investment compared with the same quarter in 2009.

PPI activity also became more selective. Brazil and India saw a strong growth in investment, and they attracted half of the total investment in 2009. If Brazil and India are excluded, total PPI investment to developing countries would have fallen by 26% in 2009 compared with 2008 (figure 2). In addition, the number of countries with new PPI projects in 2009 (42) was the lowest number since the early 1990s. Investment was also concentrated in large projects. Investment in projects of US\$1 billion or more grew by 30% to US\$42 billion in 2009, and investment in projects of US\$500 million–US\$1 billion by 24% to US\$18 billion while investment in smaller projects declined by 4%.

As in previous years, the picture varied across sectors (figure 3). Energy was the only sector where investment grew in 2009. Driven by the financial closing of mega projects in Brazil and India, investment in the sector grew by 24% to US\$68.5 billion, its highest level for the entire 1990–2009 period (table 1). This growth also reflects the need of many developing countries to keep up with the growing demand for electricity. Energy accounted for 45% of investment in 2009. In telecommunications, investment fell by 23% to US\$60.8 billion, driven by the slowdown in network expansion

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¹ The data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. Additional investment in some projects may have been omitted for the same reason.

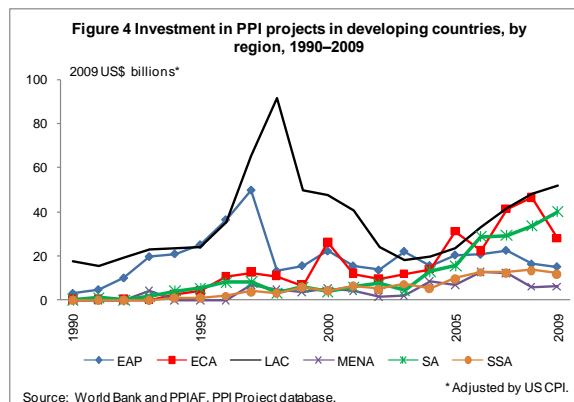
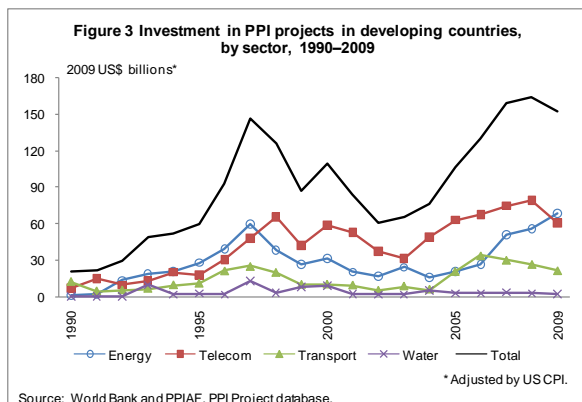
² Investment data are reported in 2009 U.S. dollars, using the U.S. consumer price index and 2009 as the base year. Data at <http://ppi.worldbank.org/> are reported in millions of current U.S. dollars unless otherwise indicated.



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across most regions. It was the first time since 2003 that investment in telecommunications declined. Transport saw investment drop by 20% to US\$21.7 billion, and has been consistently dropping since 2006. In water and sewerage, investment amounted to US\$2 billion, falling below the US\$2.6–3.7 billion range of the previous four years. Except for energy, all sectors saw a decline in the number of projects reaching closure (table 2).

Activity also varied by type of private participation. Investment in greenfield projects (BOT, BOO, merchant, rental) grew by 15% to US\$107.4 billion in 2009, its highest level ever. New greenfield projects accounted for this growth. By contrast, previously implemented greenfield projects saw investment drop by 22% compared with 2008. Investment in concessions fell by 22% to US\$20.7 billion. Investment in divestitures totaled US\$24.9 billion, down 44% from 2008.



Investment fell or remained stable in all developing regions except South Asia (SA) and Latin America and the Caribbean (LAC) (figure 4). In **South Asia (SA)**, investment grew by 19% compared with 2008, driven by higher investment in new projects. Investment in new projects grew by 50% to US\$27.5 billion. By contrast, investment in previously implemented projects fell by 17% to US\$12.4 billion. India accounted for 90% of investment and 70% of the new projects in the region. Energy and telecommunications accounted for 90% of the year's investment.

In **Latin America and the Caribbean (LAC)**, investment grew by 8% compared with 2008. New projects accounted for the growth, with their investment rising by 80% to US\$31 billion. By contrast, investment in previously implemented projects dropped by 32% to US\$21 billion. Brazil accounted for 75% of investment and 70% of the new projects in the region mainly due to the financial closing of two large hydro power plants. Energy accounted for almost half of the year's investment, followed by telecommunications with 28%.

In the **Middle East and North Africa**, investment remained stable at US\$6 billion. The decline in investment in new projects was compensated by the growth in investment in previously implemented projects. Telecommunications accounted for 66% of the year's investment, followed by water and sewerage with 23%.

In **East Asia and Pacific (EAP)**, investment declined by 7% compared with 2008, driven by lower investment in previously implemented projects. Investment in new projects, by contrast, grew by 28% to US\$11.5 billion. Energy and telecommunications accounted for 77% of the year's investment in the region.

Europe and Central Asia (ECA) saw investment drop by 40% from the level in 2008, which was the region's highest level in the 1990–2009 period. New projects drove the decline, with their investment falling by 54% to US\$9.9 billion. Besides the global financial crisis, the absence of a major privatization program, after the privatization of Russian RAO UES's generating companies concluded in June 2008, was another reason for the decline in investment. Previously implemented projects also contributed to the decline, with investment dropping by 28% to US\$18.1 billion. Energy and telecommunications accounted for over 90% of the year's investment.

In **Sub-Saharan Africa (SSA)**, investment fell by 13% compared with 2008, driven by a slowdown in the implementation of new projects. Investment in new projects fell by 60% to US\$1 billion. Investment in previously implemented projects, by contrast, remained stable at US\$10.8 billion. Telecommunications accounted for 96% of the year's investment.



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Table 1 Investment commitments to infrastructure projects with private participation in developing countries, by sector or region, 1999–2009
2009 US\$ billions

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Sector | | | | | | | | | | | |
| Energy | 26.2 | 31.4 | 20.1 | 16.4 | 24.1 | 15.7 | 20.4 | 26.4 | 50.7 | 55.4 | 68.7 |
| Electricity | 22.6 | 28.6 | 16.0 | 13.4 | 19.2 | 13.7 | 17.2 | 23.1 | 45.4 | 53.5 | 67.2 |
| Natural gas | 3.6 | 2.7 | 4.1 | 3.0 | 4.8 | 2.1 | 3.2 | 3.3 | 5.3 | 1.9 | 1.5 |
| Telecommunications | 42.8 | 58.8 | 52.8 | 37.7 | 31.5 | 49.2 | 63.2 | 67.4 | 74.8 | 79.2 | 60.8 |
| Transport | 10.2 | 10.4 | 9.7 | 5.3 | 8.9 | 6.2 | 21.0 | 34.2 | 30.5 | 27.0 | 21.7 |
| Airports | 0.7 | 2.5 | 1.4 | 0.2 | 0.8 | 0.9 | 5.4 | 8.6 | 4.4 | 2.1 | 0.1 |
| Railways | 3.7 | 1.0 | 1.0 | 0.2 | 1.1 | 0.4 | 1.5 | 9.3 | 3.6 | 2.1 | 2.0 |
| Roads | 2.9 | 4.5 | 5.7 | 2.7 | 4.8 | 2.9 | 6.9 | 10.3 | 14.8 | 16.5 | 15.8 |
| Seaports | 2.9 | 2.3 | 1.6 | 2.2 | 2.2 | 2.0 | 7.2 | 6.0 | 7.7 | 6.3 | 3.8 |
| Water and sewerage | 8.3 | 9.1 | 2.3 | 1.9 | 1.8 | 5.3 | 2.7 | 2.8 | 3.6 | 2.9 | 2.0 |
| Region | | | | | | | | | | | |
| East Asia and Pacific | 15.7 | 22.4 | 15.6 | 13.7 | 22.2 | 15.8 | 20.6 | 20.8 | 22.7 | 16.5 | 15.3 |
| Europe and Central Asia | 6.8 | 26.2 | 12.2 | 9.5 | 11.9 | 14.0 | 31.2 | 22.5 | 41.5 | 46.7 | 28.0 |
| Latin America and the Caribbean | 49.5 | 47.8 | 40.8 | 23.9 | 18.1 | 19.6 | 23.8 | 33.4 | 41.9 | 48.1 | 52.0 |
| Middle East and North Africa | 3.5 | 5.1 | 4.1 | 1.6 | 2.2 | 8.5 | 6.7 | 12.6 | 12.0 | 6.0 | 6.1 |
| South Asia | 6.0 | 3.8 | 5.8 | 7.4 | 4.4 | 13.1 | 15.5 | 28.7 | 29.2 | 33.5 | 39.9 |
| Sub-Saharan Africa | 5.9 | 4.3 | 6.4 | 5.0 | 7.4 | 5.5 | 9.7 | 12.7 | 12.4 | 13.6 | 12.0 |
| Total | 87.4 | 109.7 | 84.9 | 61.3 | 66.2 | 76.5 | 107.4 | 130.7 | 159.5 | 164.4 | 153.2 |

Note: Includes annual investment commitments to projects reaching closure in 1990–2009.

Source: World Bank and PPIAF, PPI Project Database.

Table 2 New infrastructure projects with private participation in developing countries, by sector or region, 1999–2009

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sector | | | | | | | | | | | |
| Energy | 79 | 81 | 93 | 109 | 111 | 77 | 98 | 120 | 120 | 113 | 140 |
| Electricity | 70 | 70 | 66 | 64 | 65 | 51 | 70 | 105 | 101 | 106 | 132 |
| Natural gas | 9 | 11 | 27 | 45 | 46 | 26 | 28 | 15 | 19 | 7 | 8 |
| Telecommunications | 36 | 38 | 50 | 16 | 31 | 27 | 21 | 33 | 30 | 11 | 13 |
| Transport | 56 | 59 | 38 | 32 | 58 | 46 | 74 | 119 | 95 | 62 | 50 |
| Airports | 8 | 17 | 10 | 4 | 3 | 5 | 9 | 15 | 13 | 8 | 2 |
| Railways | 10 | 7 | 3 | 2 | 7 | 2 | 5 | 8 | 4 | 5 | 4 |
| Roads | 21 | 16 | 14 | 15 | 33 | 17 | 22 | 65 | 61 | 30 | 32 |
| Seaports | 17 | 19 | 11 | 11 | 15 | 22 | 38 | 31 | 17 | 19 | 12 |
| Water and sewerage | 38 | 41 | 39 | 47 | 45 | 57 | 64 | 57 | 82 | 65 | 38 |
| Region | | | | | | | | | | | |
| East Asia and Pacific | 45 | 46 | 71 | 87 | 103 | 84 | 106 | 105 | 123 | 80 | 65 |
| Europe and Central Asia | 19 | 26 | 26 | 18 | 29 | 14 | 32 | 38 | 50 | 45 | 35 |
| Latin America and the Caribbean | 83 | 94 | 64 | 69 | 55 | 52 | 42 | 66 | 55 | 58 | 69 |
| Middle East and North Africa | 6 | 11 | 10 | 4 | 5 | 13 | 14 | 11 | 12 | 10 | 8 |
| South Asia | 25 | 13 | 20 | 17 | 27 | 25 | 23 | 79 | 61 | 43 | 53 |
| Sub-Saharan Africa | 31 | 29 | 29 | 9 | 26 | 19 | 40 | 30 | 26 | 15 | 11 |
| Total | 209 | 219 | 220 | 204 | 245 | 207 | 257 | 329 | 327 | 251 | 241 |

Source: World Bank and PPIAF, PPI Project Database.