

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

PPI data update note 54

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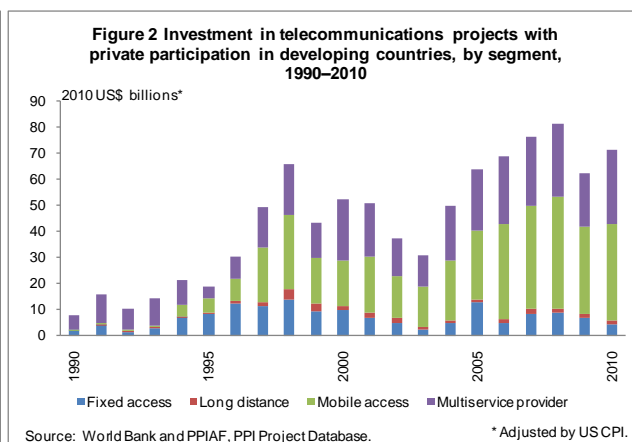
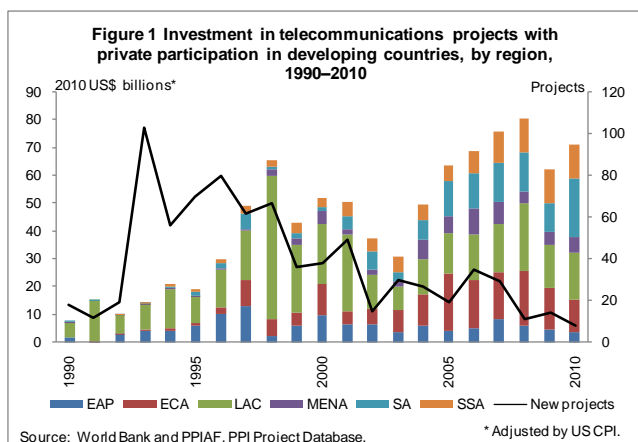
Private activity in telecommunications recovered in 2010 but remained below pre-financial crisis levels

In 2010, eight new telecom projects with private participation reached financial or contractual closure in seven low and middle income countries.¹ These projects involved investment commitments of US\$4.2 billion.² Telecommunications projects implemented in the 1990–2009 period attracted new investment of US\$67 billion, bringing total investment commitments (hereafter, investment) to the sector to US\$71.2 billion in 2010.³

Total investment in the sector grew by 15% in 2010 compared with 2009, recovering from the sharp drop in 2009, but remained below the pre-financial crisis levels of 2007–08 (figure 1). The number of new projects reaching financial closure (eight) was the lowest of the entire period of 1990–2010, suggesting that activity in most countries focused on network expansion of existing operators rather than increasing the number of operators. Certainly, telecommunications operators in many developing countries have merged or consolidated in the last few years.

The growth in investment in 2010 was driven by the acquisition of new licenses. Payments to the government (such as spectrum or concession fees and divestiture revenues) more than tripled from 2009, reaching US\$15.2 billion in 2010, its highest level since 2000. By contrast, investment in physical assets (that is, network expansion) fell by 4% to US\$56 billion in 2010, declining for second consecutive year.

Investment was directed mainly to stand-alone mobile operators which accounted for 52% of the sector investment in 2010 and multiservice providers attracted 40% of the sector investment (figure 2). All developing regions experienced similar trends.



The concentration of investment in telecommunications across countries was less pronounced than in the other infrastructure sectors. Brazil and India accounted for 41% of investment in telecommunications in 2010, while these two countries attracted 61% of the investment in the three other infrastructure sectors (energy, transport and water).

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¹ The PPI Project Database currently uses the FY10 World Bank country classification released in July 2010. Latvia and Poland became high-income economies according to the World Bank country classification released in July 2010 and are therefore excluded from the 2010 update of the PPI Project Database. Investment data are in 2010 US dollar using the US CPI to adjust to 2010 values.

² Data on telecommunications projects with private participation include primarily medium-size and large projects in low and middle income countries as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. More information is available at <http://ppi.worldbank.org/>.

³ The telecommunications projects covered include those that provide basic telephone services (fixed access and long distance) or mobile access using their own physical infrastructure. The data do not include voice over Internet protocol (VoIP) services or operators providing services with leased infrastructure.



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In **East Asia and the Pacific**, previously implemented projects attracted investment of US\$3.5 billion in 2010 (figure 2). This investment represents a 27% drop compared with 2009. No new projects reached financial closure in the region.

In **Europe and Central Asia**, previously implemented projects accounted for US\$11.9 billion. This investment represents a 20% decline compared with 2009. The Russian Federation accounted for 53% of regional investment. No new projects reached financial closure in the region.

In **Latin America and the Caribbean**, previously implemented projects attracted investment of US\$16.7 billion. This investment represents a 7% increase when compared with 2009. No new projects reached financial closure in the region. Brazil accounted for 53% of regional investment.

In the **Middle East and North Africa** investment in previously implemented projects accounted for US\$5.9 billion, an increase of 23% when compared with 2009. No new projects reached financial closure in the region.

In **South Asia**, previously implemented projects attracted investment of US\$17.8 billion while two new merchant mobile providers in India attracted investment of US\$3.4 billion (Videocon Telecommunications Limited and Etisalat DB Telecom Pvt. Ltd). Total investment amounted to US\$21.2 billion, more than doubling when compared with 2009. This investment growth was driven by the issue of 3G spectrum in India. The country, which accounted for 96% of regional investment in telecommunications, auctioned 3G for its 22 circles in May 2010 and raised US\$11.8 billion in license fees from the private mobile operators.

In **Sub-Saharan Africa**, previously implemented projects accounted for US\$11.1 billion while six new projects attracted US\$851 million, bringing total investment to almost US\$12 billion. This investment is similar to the level reported in 2009. Angola partially divested its state-owned mobile operator, Chad brought a strategic investor to its national multi-service operator, and Zambia divested its national fixed access provider, in 2010. Mozambique and Republic of Congo each launched new (merchant) mobile operators while Ethiopia awarded a two year management contract to France Telecom for its national multi-service provider Ethio Telecom.


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Table 1 Telecom projects with private participation reaching financial or contractual closure in 2010

| South Asia | | | | | |
|------------|------------------------------------|-------------------------------|---------------|-------------------|---|
| Country | Project Name | PPI Type (subtype) | Segment | Total Investment* | Sponsor |
| India | Videcon Telecommunications Limited | Greenfield project (Merchant) | Mobile access | 1,390 | Videcon Group (100% / India) |
| India | Etisalat DB Telecom Pvt. Ltd | Greenfield project (Merchant) | Mobile access | 2,000 | Dynamix Balwas Group (55% / India), Emirates Telecommunications Corporation (Etisalat) (45% / United Arab Emirates) |

| Sub-Saharan Africa | | | | | |
|--------------------|--|--|-------------------------|-------------------|--|
| Country | Project Name | PPI Type (subtype) | Segment | Total Investment* | Sponsor |
| Angola | Movicel Angola | Divestiture (Partial) | Mobile access | 200 | Porturil Investimentos (40% / Angola), Modus Comunicare-Comunicacoes e Imagem Lda (19% / Angola) |
| Chad | Société de telecommunications du Tchad (Sotel) | Divestiture (Partial) | Fixed and mobile access | 303 | Libya Africa Portfolio for Investments (LAP) (60% / Libya) |
| Congo, Rep. | Azur Congo | Greenfield project (Merchant) | Mobile access | Not available | Bintel (100% / United Arab Emirates) |
| Ethiopia | Ethio Telecom | Management and lease contracts (Management contract) | Fixed and mobile access | Not applicable | France Telecom (100% / France) |
| Mozambique | Movitel | Greenfield project (Merchant) | Mobile access | 29 | Viettel Telecom (Vietnam), SPI Holding (Mozambique) |
| Zambia | Zamtel | Divestiture (Partial) | Fixed access | 319 | Libya Africa Portfolio for Investments (LAP) (75% / Libya) |

Note: BOT= Build, Operate, and Transfer; BOO = Build, Own, and Operate; ROT = Rehabilitate, Operate, and Transfer; BROT = Build, Rehabilitate, Operate, and Transfer.

*in current US\$ millions

Source: World Bank and PPIAF, PPI Database.