

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

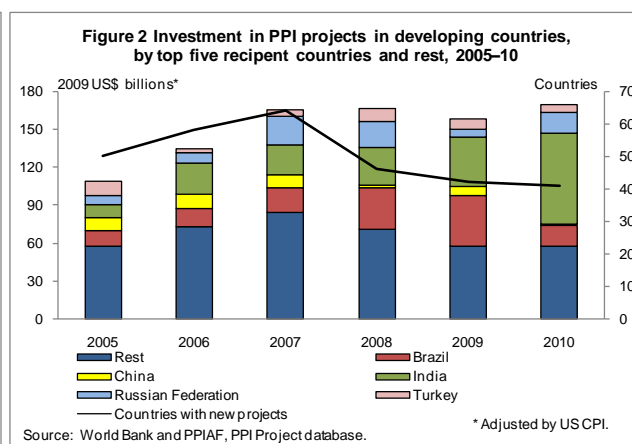
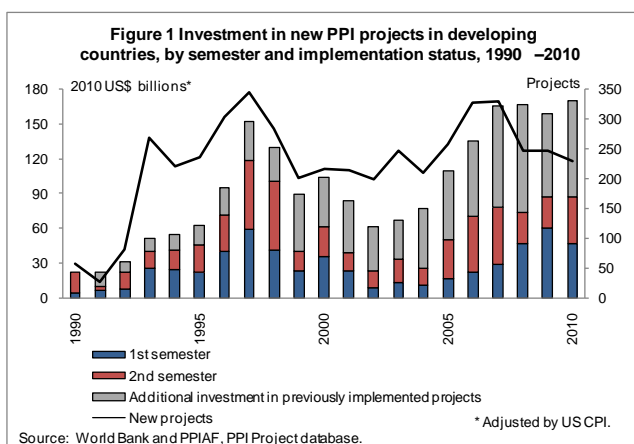
PPI data update note 55

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Private activity in infrastructure remained at peak levels and highly selective in 2010

While remaining strong, private activity in infrastructure in developing countries continued to be highly selective in 2010, according to data from the Private Participation in Infrastructure Project Database. Investment commitments to infrastructure projects with private participation in 2010 were at their highest level, but most of the new activity was concentrated on a few countries, particularly India, and greenfield projects.

In 2010, 231 infrastructure projects with private participation reached financial or contractual closing in 41 low and middle-income countries.¹ These projects involved investment commitments (hereafter, *investment*) of US\$87.5 billion.² Infrastructure projects implemented in 1990–2009 had additional commitments of US\$82.5 billion, bringing total investment in 2010 to US\$170 billion. This level of activity represents an increase of 7% by investment, but a decline of 6% by number of projects from the levels reported in 2009 (figure 1). Additional investment in projects implemented in 1990–2000 accounted for most of the investment growth, raising by 15% from the level in 2009. Investment in new projects remained stable compared with 2009.



Investment in new projects was roughly equally spread out across the first and second semesters of 2010, suggesting a stable investment throughout the year. By contrast, the previous two years saw almost 70% of new investment concentrated on the first semester due to sharp increases of investment in the first half of the year and sharp declines in the second half.

PPI activity in 2010, however, was highly concentrated in just one country: India. This country, which has been a top recipient of PPI activity since 2006, implemented 95 new projects and attracted total investment of US\$74.4 billion in 2010, doubling its level of activity from 2009. With this, India has become the largest market for private participation in infrastructure in the developing world. The country alone accounted for 43% of the total investment in projects with private participation in developing countries in 2010. Private activity outside India was less vibrant. If India were excluded, total PPI investment to developing countries would have fallen by 18% in 2010 compared with 2009 (figure 2). In addition, the number of countries with new PPI projects in 2009 (41) was the lowest number since the early 1990s.

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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. Data at <http://ppi.worldbank.org/> are reported in millions of current U.S. dollars unless otherwise indicated.

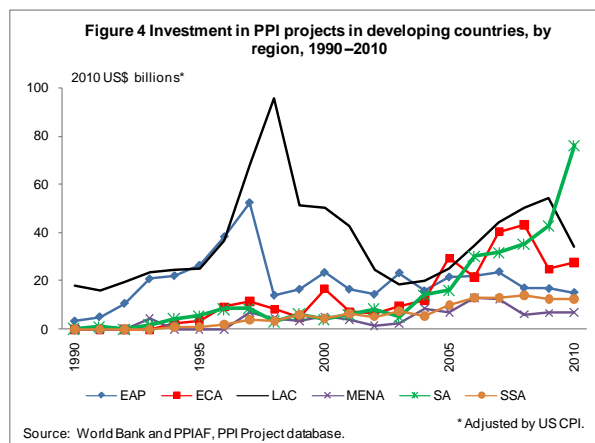
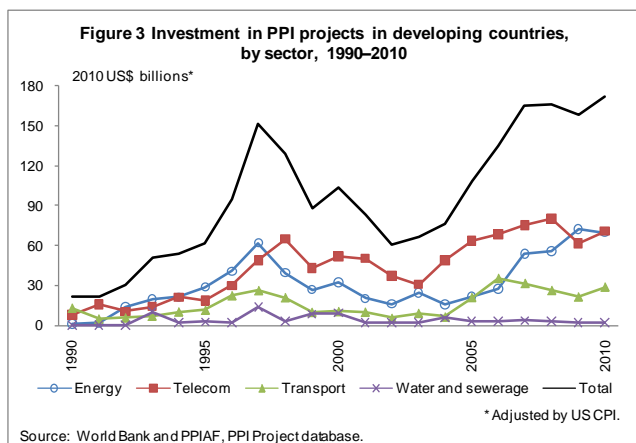
² The data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. Additional investment in some projects may have been omitted for the same reason.

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

Investment was also concentrated on large projects. Investment in new projects of US\$1 billion or more grew by 7% to US\$45.1 billion in 2010. Investment in these projects had been growing steadily since 2005 and represented approximately half of the annual investment in new projects in 2010. By contrast, investment in new projects of US\$500 million–US\$1 billion declined by 27% to US\$15.2 billion. Investment in new projects of less than US\$500 million grew by 15% to US\$27.2 billion.

As in previous years, the picture varied across sectors (figure 3). In telecommunications, investment grew by 15% to US\$71.2 billion (table 1), driven by the issue of 22 new 3G licenses in India. Payments to the government for spectrum allocation accounted for the investment growth in the sector. By contrast, investment in network expansion slowed down across most regions for the second consecutive year. Telecommunications accounted for 42% of investment in 2010. Transport saw investment rise by 23% to US\$26.67 billion, reversing the downward trend reported since 2006. Road projects and, to lesser degree, airport projects explained the higher private activity in transport. This sector accounted for 16% of investment in 2010. In energy, investment declined by 4% compared with 2009, but remained close to the peak level reached in 2009. The slowdown in investment was driven by the absence of large electricity projects in Brazil as the mega hydro power plants of San Antonio and Jiaru that reached financial closure in 2009. Most developing regions experienced investment growth in energy in 2010 compared with 2009. If Brazil were excluded, Latin America and the Caribbean would have also seen an increase in investment in this sector. Energy accounted for 41% of investment in 2010. In water and sewerage, investment amounted to US\$2.3 billion, falling below the US\$2.6–3.7 billion range of the previous five years. Water and sewerage accounted for 1% of investment in 2010. Except for transport, all sectors saw a decline in the number of projects reaching closure (table 2).

Activity also varied by type of private participation. Investment in new and existing greenfield projects (BOT, BOO, merchant, and rental) grew by 11% to US\$123.1 billion in 2010, its highest level ever. With this, greenfield projects accounted for 72% of the year's investment in infrastructure projects with private participation in developing countries and 128 of the 231 new projects in 2010. Investment in concessions also grew by 15% from 2009, to US\$25.2 billion in 2010. Investment in divestitures totaled US\$21.6 billion, down 16% from 2009, and the lowest level since 2003.



In 2010, investment fell or remained stable in all developing regions except South Asia (SA) and Europe and Central Asia (ECA) (figure 4). In **South Asia (SA)**, investment grew by 72% and the number of projects by 70% compared with 2009. Private activity in the region was at a peak level. Both new projects and previously implemented projects accounted for the investment growth in 2010. India attracted 98% of investment and implemented 94 of the 102 new projects in the region. Energy accounted for half of the year's investment, followed by telecommunications with 29% and transport with 19%.

Europe and Central Asia (ECA) saw investment grow by 11% from the level in 2009, but the number of new projects fell by 23%. New projects drove the investment growth, with their investment doubling to US\$14.8 billion. Three large transport projects and one export oriented gas pipeline in Russia, and the concessioning of six electricity distribution companies in Turkey accounted for most of the investment in new projects. By contrast, previously implemented projects saw their investment decline by 26% to US\$12.8 billion. Together energy and telecommunications accounted for 82% of the year's investment.



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

In **Sub-Saharan Africa (SSA)**, investment remained stable at US\$12.6 billion compared with the level in 2009. Investment in new projects rose by 21% to US\$1.5 billion. By contrast, investment in previously implemented projects declined by 3% to US\$11.1 billion. Telecommunications accounted for 95% of the year's investment.

In the **Middle East and North Africa**, investment remained stable at US\$6.9 billion compared with the level in 2009. The decline in investment in new projects was compensated by the growth in investment in previously implemented projects. Telecommunications accounted for 85% of the year's investment in the region, followed by water and sewerage with 8%.

In **East Asia and Pacific (EAP)**, investment declined by 9% compared with 2009. The slowdown was driven by lower investment in both new projects and previously implemented projects. Energy accounted for 68% of the year's investment in the region followed by telecommunications with 23%.

In **Latin America and the Caribbean (LAC)**, investment fell by 37% compared with 2009, driven by the slowdown in new projects which saw their investment drop by 62% to US\$12.3 billion. By contrast, investment in previously implemented projects remained stable at US\$21.9 billion. Brazil accounted for the decline in regional investment. The absence of large electricity and road projects in 2010 as those implemented in 2009 accounted for the investment decline in Brazil. If Brazil were excluded, investment in the region would have grown by 50% in 2010 compared with 2009. Telecommunications accounted for almost half of the year's investment in the region, followed by energy with 30% and transport with 17%.

Table 1 Investment commitments to infrastructure projects with private participation in developing countries, by sector or region, 2000–10
2010 US\$ billions

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|-------|------|------|------|------|-------|-------|-------|-------|-------|-------|
| Sector | | | | | | | | | | | |
| Energy | 32.1 | 20.1 | 16.2 | 24.8 | 15.6 | 21.3 | 27.7 | 53.8 | 55.9 | 72.5 | 69.9 |
| Electricity | 29.3 | 15.8 | 13.0 | 19.7 | 13.5 | 18.0 | 24.4 | 48.3 | 53.9 | 71.0 | 63.4 |
| Natural gas | 2.8 | 4.3 | 3.2 | 5.0 | 2.1 | 3.3 | 3.4 | 5.4 | 1.9 | 1.5 | 6.5 |
| Telecommunications | 52.3 | 50.7 | 37.5 | 31.0 | 49.6 | 63.8 | 68.7 | 76.0 | 80.8 | 62.1 | 71.2 |
| Transport | 10.6 | 10.2 | 5.5 | 9.3 | 6.5 | 21.2 | 35.6 | 31.8 | 26.5 | 21.6 | 26.6 |
| Airports | 2.7 | 1.5 | 0.2 | 0.8 | 1.0 | 5.7 | 9.0 | 4.6 | 2.2 | 0.1 | 2.4 |
| Railways | 1.1 | 1.0 | 0.2 | 1.1 | 0.4 | 1.6 | 9.7 | 3.8 | 2.2 | 2.1 | 0.5 |
| Roads | 4.5 | 6.0 | 2.8 | 5.1 | 3.0 | 6.7 | 10.9 | 15.3 | 15.4 | 14.8 | 20.0 |
| Seaports | 2.4 | 1.6 | 2.3 | 2.3 | 2.1 | 7.3 | 5.9 | 8.0 | 6.8 | 4.6 | 3.7 |
| Water and sewerage | 9.5 | 2.4 | 1.9 | 1.8 | 5.6 | 2.9 | 2.9 | 3.7 | 3.0 | 2.1 | 2.3 |
| Treatment plant | 0.9 | 0.9 | 0.5 | 0.8 | 1.4 | 1.5 | 0.6 | 1.8 | 2.1 | 0.8 | 1.4 |
| Utility | 8.6 | 1.5 | 1.4 | 1.0 | 4.1 | 1.4 | 2.3 | 2.0 | 0.9 | 0.3 | 0.8 |
| Region | | | | | | | | | | | |
| East Asia and Pacific | 23.4 | 16.5 | 14.4 | 23.2 | 15.8 | 21.5 | 21.8 | 23.7 | 17.0 | 16.7 | 15.2 |
| Europe and Central Asia | 16.8 | 7.3 | 6.6 | 9.6 | 12.3 | 29.4 | 21.7 | 40.4 | 43.2 | 25.0 | 27.6 |
| Latin America and the Caribbean | 50.3 | 42.6 | 25.0 | 18.9 | 20.5 | 25.1 | 34.7 | 44.1 | 50.3 | 54.4 | 34.2 |
| Middle East and North Africa | 5.4 | 4.2 | 1.7 | 2.3 | 8.8 | 7.0 | 13.2 | 12.5 | 6.3 | 6.9 | 6.9 |
| South Asia | 4.1 | 6.1 | 8.3 | 5.1 | 14.0 | 16.1 | 30.4 | 31.6 | 35.2 | 42.7 | 73.5 |
| Sub-Saharan Africa | 4.5 | 6.7 | 5.3 | 7.7 | 5.7 | 10.1 | 13.3 | 13.1 | 14.2 | 12.6 | 12.6 |
| Total | 104.4 | 83.3 | 61.2 | 66.9 | 77.2 | 109.2 | 135.0 | 165.3 | 166.2 | 158.3 | 170.0 |

Note: Includes annual investment commitments to projects reaching closure in 1990–2010.

Source: World Bank and PPIAF, PPI Project Database.



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

Table 2 New infrastructure projects with private participation in developing countries, by sector or region, 2000–10

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Sector | | | | | | | | | | | |
| Energy | 77 | 90 | 108 | 113 | 80 | 102 | 120 | 125 | 110 | 142 | 106 |
| Electricity | 66 | 63 | 63 | 67 | 54 | 74 | 105 | 106 | 103 | 134 | 104 |
| Natural gas | 11 | 27 | 45 | 46 | 26 | 28 | 15 | 19 | 7 | 8 | 2 |
| Telecommunications | 38 | 49 | 15 | 30 | 27 | 19 | 35 | 29 | 11 | 14 | 8 |
| Transport | 61 | 39 | 33 | 59 | 48 | 73 | 119 | 95 | 62 | 53 | 92 |
| Airports | 18 | 10 | 4 | 3 | 5 | 9 | 15 | 13 | 7 | 3 | 6 |
| Railways | 7 | 3 | 2 | 7 | 3 | 5 | 8 | 4 | 5 | 5 | 1 |
| Roads | 17 | 15 | 16 | 35 | 18 | 22 | 66 | 61 | 30 | 32 | 69 |
| Seaports | 19 | 11 | 11 | 14 | 22 | 37 | 30 | 17 | 20 | 13 | 16 |
| Water and sewerage | 41 | 38 | 45 | 45 | 57 | 64 | 55 | 81 | 65 | 38 | 25 |
| Treatment plant | 9 | 17 | 16 | 27 | 33 | 45 | 42 | 56 | 53 | 30 | 17 |
| Utility | 32 | 21 | 29 | 18 | 24 | 19 | 13 | 25 | 12 | 7 | 7 |
| Region | | | | | | | | | | | |
| East Asia and Pacific | 47 | 72 | 87 | 103 | 84 | 106 | 105 | 123 | 79 | 66 | 36 |
| Europe and Central Asia | 20 | 21 | 11 | 27 | 15 | 27 | 33 | 45 | 37 | 30 | 23 |
| Latin America and the Caribbean | 96 | 64 | 70 | 55 | 52 | 43 | 68 | 57 | 58 | 71 | 54 |
| Middle East and North Africa | 11 | 9 | 4 | 5 | 13 | 14 | 11 | 12 | 10 | 9 | 3 |
| South Asia | 14 | 21 | 20 | 31 | 29 | 28 | 82 | 65 | 49 | 60 | 102 |
| Sub-Saharan Africa | 29 | 29 | 9 | 26 | 19 | 40 | 30 | 28 | 15 | 11 | 13 |
| Total | 217 | 216 | 201 | 247 | 212 | 258 | 329 | 330 | 248 | 247 | 231 |

Source: World Bank and PPIAF, PPI Project Database.