



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

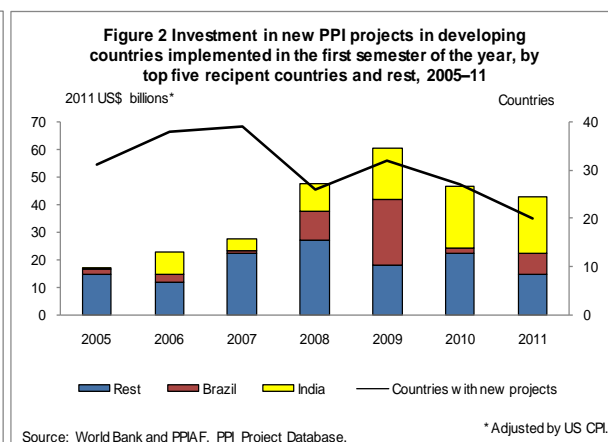
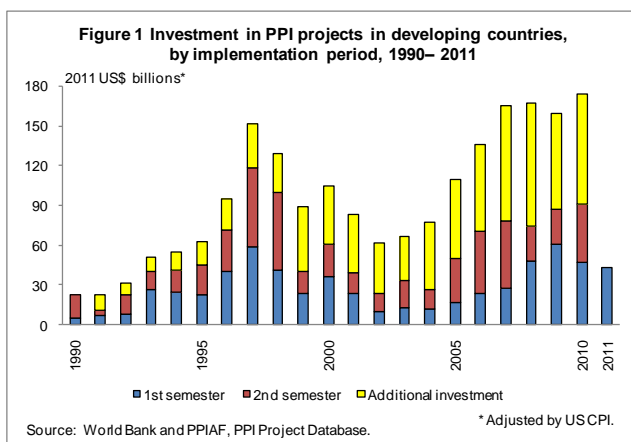
PPI data update note 68

January 2012

Private activity in infrastructure slowed down in the first half of 2011

New private activity in infrastructure in developing countries declined in the first semester of 2011, but remained strong and continued to be highly selective, according to data from the Private Participation in Infrastructure Project Database. Most of the new activity was concentrated in a few countries, particularly India, and greenfield projects.

In the first semester of 2011, 117 infrastructure projects with private participation reached financial or contractual closing in 20 low and middle-income countries.¹ These projects involved investment commitments (hereafter, *investment*) of US\$42.9 billion.² Such level of activity represents a decline of 8% by investment and 8% by number of projects from the level reported in the first semester of 2010 (figure 1 and tables 1 and 2). Although investment declined from 2010, private activity in the first semester of 2011 remained high when compared with previous periods and was the fourth highest level since 2000.



Similar to the trends experienced in the previous two years, private participation in infrastructure (PPI) in the first semester of 2011 was highly concentrated in just one country: India (figure 2). This country—a top recipient of PPI activity since 2006—implemented 43 new projects which attracted total investment of US\$20.7 billion in 2011. The country alone accounted for almost half of the investment in new PPI projects in developing countries implemented in the first semester of 2011. Such investment was the third highest reported in India in any semester. The two highest levels by semester in India were reported in the second and first semester of 2010, respectively. Thus, India remained as the largest market for PPI in the developing world. Brazil was the second most active PPI country in this period, accounting for 22 new projects which attracted US\$7.6 billion in investment. With this investment, Brazil accounted for 18% of total investment in the first semester of 2011. Private activity outside India and Brazil was less vibrant. If these two countries were excluded, PPI investment in new projects in developing countries would have fallen by 34% in the first semester of 2011 compared with the similar period in 2010. In addition, the number of developing countries with new PPI projects in the first half of 2011 (20) was the lowest number since the early 1990s.

Large projects continued to concentrate most of the investment, but investment was lower than in previous years. Investment in new projects of US\$1 billion or more fell by 21% to US\$19.4 billion in the first semester of 2011

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¹ The PPI Project Database currently uses the FY12 World Bank country classification released in July 2011. Investment data are in 2011 US dollar using the US CPI to adjust to 2011 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.

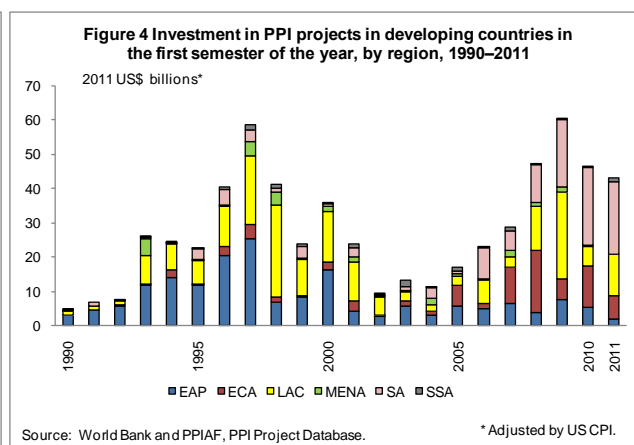
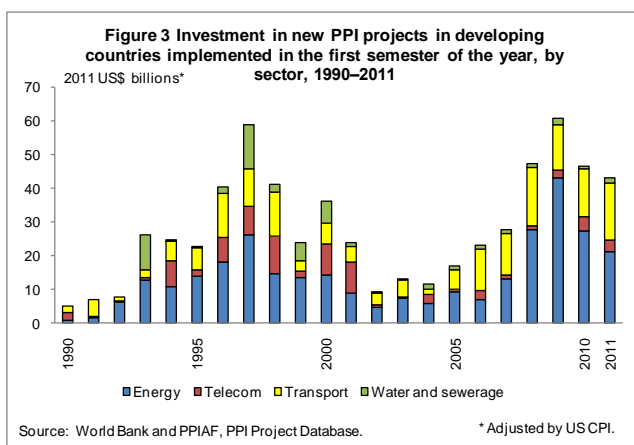


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compared to 2010. Similarly, investment in new projects of less than US\$500 million reported a decline of 13% to US\$11.9 billion. By contrast, investment in new projects of US\$500 million–US\$1 billion grew by 40% to US\$11.7 billion.

As in previous years, the picture varied across sectors (figure 3). In energy, investment fell by 24% to US\$20.9 billion (table 1), explaining the slowdown in global activity in the first semester of 2011 compared to 2010. Except for Latin American and the Caribbean, all developing regions experienced a decline in investment in energy projects. Electricity generation accounted for 57 projects and 74% of investments in the sector, natural gas transmission attracted 23% of investment and electricity transmission accounted for the remaining 3% of sector investment. Transport saw investment rise by 17% to US\$17 billion, the second highest level reported for the sector in the first half of the year. Road projects and two metro railway projects in India (Mumbai Metro phase II and Hyderabad Metro Rail) explained the higher private activity in transport. Telecommunications saw investment in new projects amounted to US\$3.5 billion. The largest projects were the divestiture of Ukrtelecom (US\$1.3 billion) and the license fees for a mobile license to Nextel in Brazil (around US\$845 million). Costa Rica also signed two mobile licenses with private operators, opening its market to competition. Water and sewerage reported 12 new projects with investments of US\$1.6 billion. Such investment, however, was highly concentrated: one project (the second phase of the divestiture of Empresa Metropolitana de Obras de Santiago de Chile or Aguas Andinas) accounted for roughly 60% of investment in the sector. Except for energy, all sectors saw a decline in the number of projects reaching closure in the first semester of 2011 (table 2).

Activity also varied by type of private participation. Investment in new greenfield projects (BOT, BOO, merchant, and rental) declined by 19% to US\$30.2 billion in the first semester of 2011 compared to 2010. Nevertheless, greenfield projects continued to account for the bulk of new private activity. Of the 117 new projects implemented in the first semester of 2011, greenfield projects accounted for 77 projects and 70% of the semester's investment. Investment in new concessions totaled US\$8.5 billion, a level similar to the one reported in the first semester of 2010. Investment in divestitures totaled US\$4 billion, the highest level reported since the first semester of 2008.



Except for Latin America and the Caribbean (LAC), investment fell or remained stable in all developing regions in the first semester of 2011 (figure 4). In **Latin America and the Caribbean (LAC)**, investment in new projects totaled US\$12.4 billion, more than doubling the level reported in the region in the first semester of 2010 and returning to a level similar to the one experienced in the first semester of 2008. Brazil and, to a lesser degree, Mexico and Peru drove the recovery in investment. Investment was almost evenly divided between energy and transport, and the two sectors accounted for 76% of investment in new projects in the region in the first semester of 2011.

In **South Asia (SA)**, investment fell by 6% and the number of projects by 12% compared with the first semester of 2010. Private activity in the region, however, remained strong with investment totaling US\$21.2 billion in the first semester of 2011. India attracted 98% of regional investment and implemented 43 of the 44 new projects in the region. Pakistan was the only other country in the region that implemented new PPI projects in the first half of 2011. The second phase of Uch power plant reached financial closing in Pakistan in January 2011. Transport accounted for 56% of the investment in new projects in the first half of 2011, and energy for the remaining 44%. This trend differs from the one experienced in the previous four years when energy represented the bulk of new private activity in the region.



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In **Sub-Saharan Africa (SSA)**, investment totaled US\$700 million in the first semester of 2011. The region implemented three new projects: a hydro power plant in Zambia, a mobile operator in Malawi, and a road in South Africa.

Europe and Central Asia (ECA) saw investment declined by almost 50% and the number of projects by 30% from the levels reported in the first semester of 2010. The region implemented eleven new projects and the second phase of the Nord Stream Gas Pipeline to export natural gas from Russian Federation to Germany. The twelve projects totaled investment of US\$6.6 billion. The absence of large projects accounted for most of the decline in investment. In the first semester of 2011, the region implemented three large transport projects in Russian Federation (Pulkovo Airport, Moscow St. Petersburg Toll Road - Section 1, and Moscow-Minsk M1 Section) and the concessioning of six electricity distribution companies in Turkey.

In **East Asia and Pacific (EAP)**, investment declined by 63% compared with the first semester of 2010. The slowdown was driven by absence of large greenfield power plants projects similar to those implemented in the first half of 2010. The region implemented 21 new projects which totaled investment of US\$2 billion. Most of those projects were small water treatment plants or small power plants.

In the **Middle East and North Africa**, there was only one new PPI project implemented in the first semester of 2011: the five year management contract for Yarmouk Water Company, a water utility in Jordan. The political and social uncertainty brought by the Arab Spring stalled the progress on implementing new private infrastructure projects in the region.

Table 1. Investment commitments to new infrastructure projects with private participation in the first semester by sector or region, 2001–2011 (2011 US\$ billions)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SECTOR	9.0	4.5	7.2	5.9	9.2	7.0	13.1	27.8	43.0	27.4	20.9
Energy	6.7	3.8	8.1	5.4	7.2	6.6	11.7	27.7	42.6	22.2	16.2
Electricity	2.3	0.8	2.2	0.5	2.0	0.5	1.4	0.1	0.4	5.2	4.8
Natural gas	9.3	0.7	0.6	2.6	0.7	2.7	1.2	0.9	2.3	4.0	3.5
Telecommunications	4.5	3.5	4.8	1.6	6.1	12.4	12.0	17.3	13.5	14.4	17.0
Transport	0.5	-	0.2	0.8	3.7	4.6	2.8	1.7	0.1	1.5	0.4
Airports	0.8	-	0.7	-	1.1	1.4	-	0.6	1.5	0.2	6.1
Railways	2.8	1.7	3.1	0.6	0.9	4.6	5.3	12.6	9.9	10.6	9.1
Roads	0.4	1.8	0.9	0.3	0.4	1.8	3.9	2.4	1.9	2.0	1.4
Seaports	1.1	0.5	0.5	1.4	1.1	1.0	1.5	1.4	1.9	0.9	1.6
Water and sewerage	0.2	0.3	0.4	1.0	0.6	0.2	0.5	1.0	0.7	0.6	0.2
Treatment plant	1.0	0.2	0.1	0.4	0.4	0.8	1.0	0.4	0.3	0.2	1.4
Utility	-	-	-	-	-	-	-	-	1.0	0.1	-
Water Transfer System	9.0	4.5	7.2	5.9	9.2	7.0	13.1	27.8	43.0	27.4	21.0
REGION											
East Asia and Pacific	4.3	2.8	5.8	3.0	5.8	5.1	5.6	3.6	7.6	5.3	2.0
Europe and Central Asia	3.0	0.0	1.2	1.1	5.9	1.5	10.6	18.4	5.9	12.2	6.6
Latin America and the Caribbean	11.3	5.3	2.6	1.8	2.6	6.7	3.0	12.7	25.6	5.5	12.4
Middle East and North Africa	1.4	0.4	0.4	2.2	0.9	0.4	2.0	1.3	1.6	0.5	-
South Asia	2.5	0.6	1.1	3.3	0.6	8.9	5.5	11.2	19.5	22.6	21.2
Sub-Saharan Africa	1.3	0.1	1.9	0.1	1.2	0.5	1.1	0.2	0.6	0.5	0.7
Total	23.9	9.3	13.1	11.5	17.0	23.1	27.8	47.5	60.7	46.7	42.9

Source: World Bank and PPIAF, PPI Project Database

*Adjusted by 2011 US CPI



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Table 2. New infrastructure projects with private participation in developing countries in the first semester of the year, by sector or region, 2001–11*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SECTOR											
Energy											
Electricity	40	54	52	46	56	45	53	59	79	56	66
Natural gas	30	24	32	31	39	38	44	57	74	55	61
Telecommunications	10	30	20	15	17	7	9	2	5	1	5
Transport											
Airports	28	8	12	13	5	17	13	4	10	6	5
Railways	16	19	29	19	19	49	42	40	35	49	34
Roads	4	2	1	4	5	6	6	5	3	3	3
Seaports	3	-	4	1	2	2		2	2	1	3
Water and sewerage	6	10	15	7	7	28	27	22	21	36	23
Treatment plant	3	7	9	7	5	13	9	11	9	9	5
Utility	20	23	14	29	25	16	26	35	25	16	12
Water Transfer System	9	7	8	17	20	11	18	28	21	12	8
Region	11	16	6	12	5	5	8	7	3	3	4
East Asia and Pacific	-	-	-	-	-	-	-	-	1	1	-
Europe and Central Asia	30	48	42	38	44	34	49	44	42	23	21
Latin America and the Caribbean	6	4	12	10	16	9	24	25	19	16	11
Middle East and North Africa	35	33	21	25	18	31	18	34	39	31	37
South Asia	6	3	1	8	6	3	4	5	5	1	1
Sub-Saharan Africa	12	11	15	20	13	36	29	26	36	50	44
Total	15	5	16	6	8	14	10	4	8	6	3
Total	104	104	107	107	105	127	134	138	149	127	117

Source: World Bank and PPIAF, PPI Project Database.

*Adjusted by 2011 US CPI