



2015 Europe and Central Asia (ECA) PPI¹ Update

- Total investment² in infrastructure³ with private participation in emerging economies in ECA surged by 235 percent to US\$48.7 billion in 2015, a dramatic leap from US\$14.5 billion in 2014.
- 2015 saw the highest ever investment in ECA, driven by the largest project ever recorded in the database: the US\$35.6 billion IGA Airport (Third International Airport) in Turkey.
- Six countries had private participation; Turkey captured 92 percent of the total.
- Road and airport projects comprised 92 percent of regional investment.

This note is a product of the Public-Private Partnership Group of the World Bank, and the Private Participation in Infrastructure Database (PPI Database), written by Henry Kasper and edited by Jenny Chao.

1

OVERVIEW

Higher PPI investment was driven by mega transport deals in Turkey. Overall, PPI investment in ECA jumped from US\$14.5 billion in 2014 to US\$48.7 billion in 2015, representing a 235 percent year-over-year increase and eclipsing the five- and 10-year averages. However, the number of projects (15) was the lowest since 1999, when only nine deals closed financially. This indicates fewer, but much larger projects in 2015; PPI data confirms that the average deal topped US\$3.2 billion, the highest ever recorded by far. Among the three major sectors, transport commitments reached a record high of US\$44.9 billion, which benefited from a pair of outsized projects in Turkey, including the US\$35.6 billion airport deal and a US\$6.4 billion toll road. In the energy sector, US\$2.5 billion in commitments was 74 percent below last year's level and 81 percent below the 10-year average of US\$13.1 billion. Investment in Turkey comprised the majority of regional commitments, absorbing US\$44.7 billion of the US\$48.7 billion, or 92 percent of the total. Moreover, several countries reemerged from a short hiatus to close deals in 2015, including Georgia (US\$417 million), Armenia (US\$250 million), Montenegro (US\$155 million), and Lithuania (US\$130 million). See Figure 1 below.

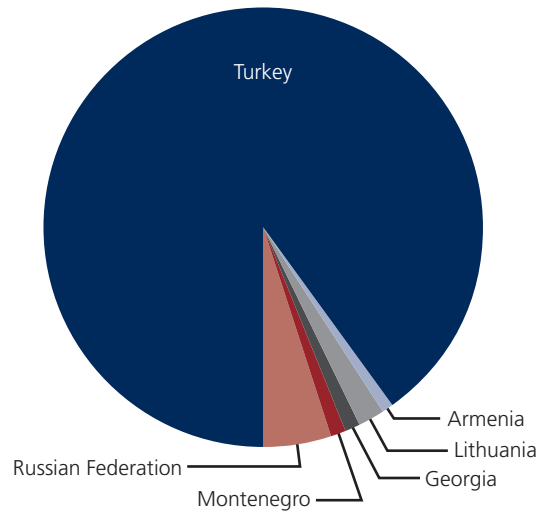
Support from multilateral development banks (MDBs). MDB support was present in 33 percent of all deals in ECA in 2015, or in five out of 15 projects. This represents an increase over the period from 2005 to 2014, when MDBs supported 23 percent of the projects. The support was split evenly among the energy and transport sectors, with each receiving financing in seven projects along with one in water and sanitation.

¹ Private Participation in Infrastructure (PPI) as defined by the Private Participation in Infrastructure Database <http://ppi.worldbank.org>

² "Investment" refers to investment commitments at the time of financial closure.

³ "Infrastructure" refers to energy, transport, and water projects serving the public in low- and middle-income countries, including natural gas transmission and distribution, but excluding oil and gas extraction.

FIGURE 1: DISTRIBUTION OF TOTAL INVESTMENT

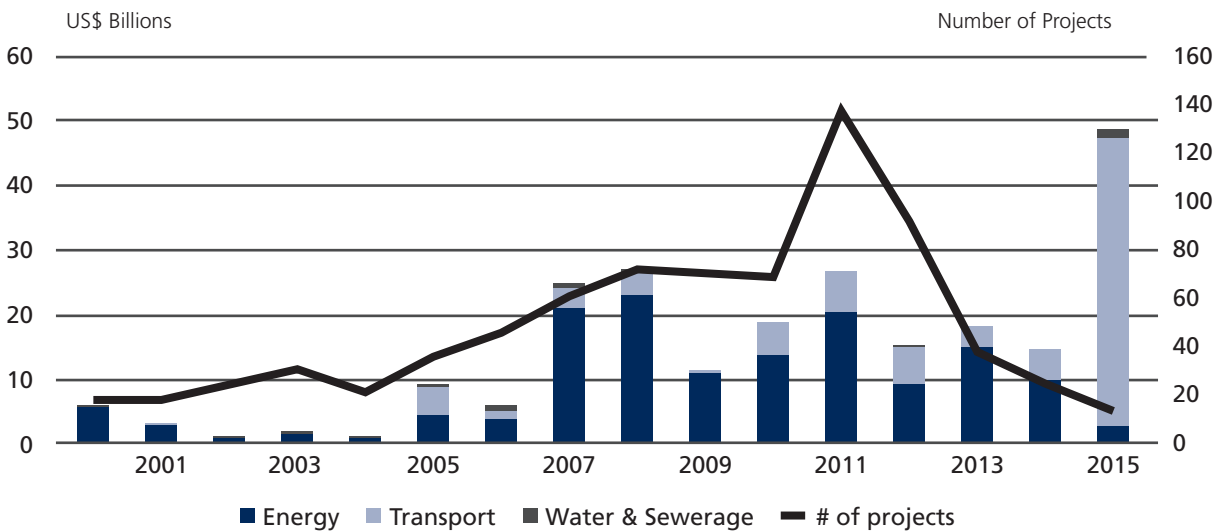


The vast majority of MDB support consisted of direct loans, with projects worth US\$2.8 billion receiving US\$728 million through eight loans and two equity deals.

2 SECTOR OVERVIEW

The largest number of projects was split between **transport** (7) and **energy** (7), followed by **water and sewerage** (1). Despite having fewer than half of all transactions, the transport sector had the greatest investment, taking in US\$44.9 billion, or 92 percent of regional investment. Energy made up 5 percent, while water and sewerage accounted for the remaining 2 percent (Figure 2 and Table 1).

FIGURE 2: TOTAL INVESTMENT IN ENERGY, TRANSPORT, AND WATER & SEWERAGE



Source: World Bank, PPI Project Database.

* Adjusted by 2014 US CPI

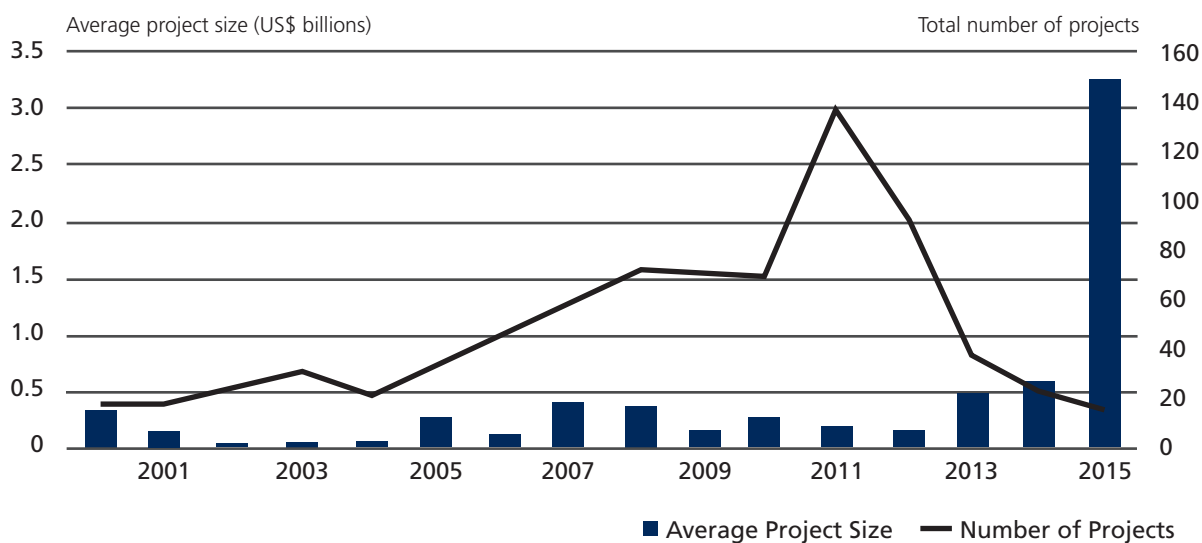
TABLE 1: TOTAL INVESTMENT COMMITTED BY SECTOR IN 2015

	Number of Transactions	Average Investment Commitment (US\$ millions)	Total Investment (US\$ billions)	% of Total	% Change from 5-year average
Transport	7	\$2,300	\$44.9	92%	+781%
Energy	7	\$361	\$2.5	5%	-81%
Water & Sewerage	1	\$1,200	\$1.2	2%	+2,519%
Total	15	\$279	\$48.7*	100%	+4%

Source: World Bank, PPI Project Database.

Transport investment of US\$44.9 billion was almost ten times the amount from the previous year (US\$4.7 billion), largely due to several mega road and airport deals in Turkey, primarily the US\$35.6 billion IGA Airport in Istanbul. The US\$44.9 billion is also 781 percent above the five-year average of US\$5.1 billion per year and 1,114 percent above the 10-year average of US\$3.7 billion. Notable deals in transport include Turkey's US\$35.6 billion IGA Airport in Istanbul and the US\$6.4 billion Gebze-Orhangazi-Izmir Motorway. These two projects alone accounted for 94 percent of transport investment and 86 percent of the regional investment. As a result, the average project size in the region was dramatically affected by these two transactions, climbing to over US\$3.2 billion per project. Without these two deals, however, the average project size would have dropped to US\$517 million, which is closer to the historical average (Figure 3).

FIGURE 3: TOTAL NUMBER OF PROJECTS AND AVERAGE PROJECT SIZE



Source: World Bank, PPI Project Database.

*Adjusted by 2014 US CPI

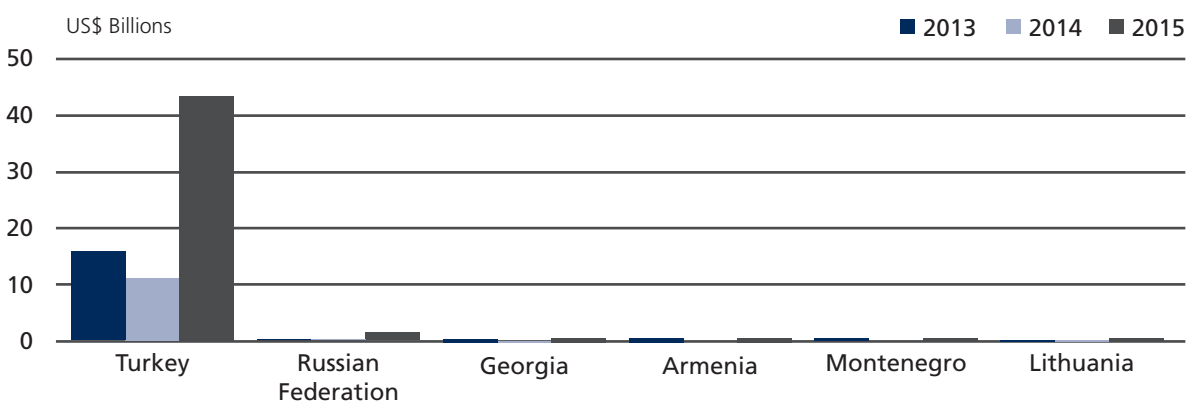
In 2015, investment in the **energy** sector fell from US\$9.8 billion to US\$2.5 billion year over year. The US\$2.5 billion compares to the five-year average of US\$13.2 billion and 10-year average of US\$13.1 billion. The seven energy projects, too, are the lowest since 1995, when only four deals closed. The seven deals compare to the five-year average of 65 projects per year and 10-year average of 55. Electricity generation projects continued to decline in both number and investment: US\$1.7 billion in 2015 was 79 percent lower than the five-year annual average of US\$7.9 billion, while the three generation projects were also 93 percent below the five-year average of 45 deals per year. Nonetheless, electricity generation projects were broadly distributed among energy sources: natural gas (US\$595 million), geothermal (US\$940 million), and wind (US\$155 million).

After two years of no PPI investment in the **water** sector, 2015 had a massive deal close—the US\$1.2 billion Volgograd Water Communal Infrastructure Concession in the Russian Federation. This deal singlehandedly eclipsed the 10-year average investment of US\$470 million per year and was the second largest water project ever realized in the region. The 30-year greenfield build-own-operate project was awarded to Water Supply Concessions LLC by the City of Volgograd, Russia. The project consists of building and rehabilitating the city’s water infrastructure, including constructing a 193-kilometer water supply network and a 42-kilometer sewer network as well as reconstructing 72 water supply pump stations and 41 water disposal pump stations.

3 TOP COUNTRIES

The ECA region secured 15 deals totaling US\$48.7 billion in six countries. Although Turkey had slightly less than half of all transactions, with seven of the 15 projects, the country gained 92 percent of the region’s investment totals; Russia captured 6 percent, while Georgia, Armenia, Montenegro, and Lithuania comprised the remaining 2 percent (Figure 4 and Table 2).

FIGURE 4: TOTAL INVESTMENT IN TOP COUNTRIES IN THE ECA REGION IN 2015



Source: World Bank, PPI Project Database.

* Adjusted by 2014 US CPI

The top market for PPI investment in 2015 in ECA was **Turkey**, where two mega deals helped drive up the totals. Investment commitments in 2015 reached US\$44.7 billion—US\$43.1 billion in transport and US\$1.6 billion in energy. The US\$43.1 billion in transport investment is Turkey’s highest ever, while the US\$1.6 billion in energy investment was 80 percent below the five-year average of US\$8.0 billion. All three energy deals were in power generation—geothermal, wind, and a natural gas-fired power plant. The four

TABLE 2: TOTAL INVESTMENT IN THE ECA REGION BY COUNTRY IN 2015

	Number of Projects	Average Investment (US\$ millions)	Total Investment (US\$ millions)	% of Total Regional Investment
Turkey	7	\$6,383	\$44,681	92%
Russian Federation	4	\$756	\$3,024	6%
Georgia	1	\$417	\$417	1%
Armenia	1	\$250	\$250	1%
Montenegro	1	\$155	\$155	0%*
Lithuania	1	\$130	\$130	0%*
Total	15	\$1,304	\$48,657	100%

Source: World Bank, PPI Project Database.

*Rounded off

transport deals consisted of three airports and one road project. All but one were large projects in excess of US\$1 billion.

4 TOP DEALS IN THE ECA REGION

The top two projects in 2015 absorbed over 86 percent of regional investment: US\$41.9 billion out of US\$48.7 billion.

Featured project: IGA Airport in Istanbul, a 25-year greenfield build-operate-transfer project: IGA Airport is Turkey's third International airport, located in the Arnavutkoy district on the European side of Istanbul. The airport will have at least three runways and three taxi ways. IGA Havalimani Isletmesi S.A. is a special purpose vehicle owned by a consortium comprising Limak Holding, Cengiz Holding, Kolin Group, MNG Holding, and Kalyon Group, each with a 20 percent stake. IGA was awarded the project in 2013 by the General Directorate of the State Airports Authority (DHMI). Among the 17 bids submitted, IGA won with an unprecedented US\$29.1 billion concession fee, paid incrementally over the life of the concession. IGA signed a 25-year build-operate-transfer agreement with DHMI in 2014; the project reached financial closure in October 2015. The investment in physical assets is expected to cost nearly US\$6.5 billion, with US\$1.6 billion as sponsor equity and US\$4.9 billion as debt finance. The US\$1.6 billion in equity will be provided in five equal payments by each of the five sponsors (Limak, Cengiz, Kolin, MNG, Kalyon). The debt will be financed by Vakifbank (US\$1,063 million), Halkbank (US\$1,063 million), Ziraat Bankasi (US\$1,595 million), DenizBank (US\$532 million), Finansbank (US\$319 million), and Garanti Bank (US\$319 million). IGA Airport is expected to be operational in 2018. Table 3 lists all 15 private participation projects reaching financial closure in 2015.

TABLE 3: TOP 10 DEALS IN THE ECA REGION IN 2015

Country	Project	Total Amount (US\$ million)	Sponsors (% Ownership/Sponsor Country)
Turkey	IGA Airport	\$35,587	Limak Holding (20%/Turkey); Cengiz Holding (20%/Turkey); Kolin Group (20%/Turkey); MNG Holding (20%/Turkey); Kalyon Group (20%/Turkey)
Turkey	Gebze-Orhangazi-Izmir Motorway	\$6,356	Astaldi S.p.A. (19%/Italy); Gocay Group 19%/Turkey); Makyol (19%/Turkey); Nurol Holding (19%/Turkey); Ozaltin (19%/Turkey); Yuksel Insaat A.S. (9%/Turkey)
Russian Federation	Volgograd Water Communal Infrastructure Concession	\$1,200	Water Supply Concession LLC (100%/Russian Federation)
Turkey	Dalaman Airport Domestic Terminal	\$1,086	YDA (100%/Turkey)
Turkey	Efeler Geothermal Project	\$940	Guris Group (100%/Turkey)
Russian Federation	Kutuzovsky Northern Bypass Toll Road	\$775	OJSC Transstroy Corporation (Not Available/Russian Federation)
Turkey	Hamitabat Combined Cycle Power Plant	\$595	Limak Holding (75%/Turkey); InfraMed (25%/France; Morocco)
Russian Federation	M11 Moscow-St Petersburg (543-684km)	\$529	Vinci (50%/France); VTB Group (50%/Russian Federation)
Russian Federation	Russian Toll Collection System PPP	\$520	RT investment (50%/Russia); Rotenberg (50%/Russia)
Georgia	Shuakhevi Hydropower Plant (187MW)	\$417	Tata Enterprises (40%India); International Finance Corporation (20%/NA; Clean Energy Group 40%/Norway)

About the Private Participation in Infrastructure Projects Database:

The Private Participation in Infrastructure Database is a product of the World Bank's Public-Private Partnerships Group. Its purpose is to identify and disseminate information on private participation in infrastructure projects in low- and middle-income countries. The database highlights the contractual arrangements used to attract private investment, the sources and destination of investment flows, and information on the main investors. The site currently provides information on more than 8,000 infrastructure projects dating from 1984 to 2015. It contains over 50 fields per project record, including country, financial closure year, infrastructure services provided, type of private participation, technology, capacity, project location, contract duration, private sponsors, debt providers, and development bank support. This project represents the best efforts of a research team to compile publicly available information on those projects, and should not be seen as a fully comprehensive resource. Some projects—particularly those involving local and small-scale operators—tend to be omitted because they are usually not reported by major news sources, databases, government websites, and other sources used by the PPI Projects database staff. For more information, please visit: <http://ppi.worldbank.org/>.

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