



2014 Transport Sector Update

- Private Participation in Infrastructure (PPI)¹ in transport increased 42% from US\$38.8 billion in 2013 to US\$55.3 billion in 2014
- LAC continues to gain share of global transport investment, capturing 82% of the total
- Top five countries account for 96% of total investment
- Investment in India falls to a 9-year low; Brazil hits all time high

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 J. Chao.

1

TRANSPORT SECTOR OVERVIEW

Total investment² in transport projects in developing countries in 2014 was US\$55.3 billion, up 42% from 2013 (US\$38.8 billion). The increase in transport investment is mainly due to Latin America and the Caribbean (LAC) which captured US\$45.6 billion of the US\$55.3 billion, or 82% of the total. Behind LAC was Europe and Central Asia (ECA) with a 9% share; South Asia (SAR) with 6%; East Asia and Pacific (EAP) with 3%; Middle East and North Africa (MNA) with <1% and Sub-Saharan Africa (AFR) with 0% (Figure 1).

Although the US\$55.3 billion was the second highest transport PPI ever recorded, the number of new projects (49) was the fewest since 48 closed in 2004. This trend of fewer but larger deals corresponds with the fact that average project sizes have been slowly but consistently increasing over the past decade.

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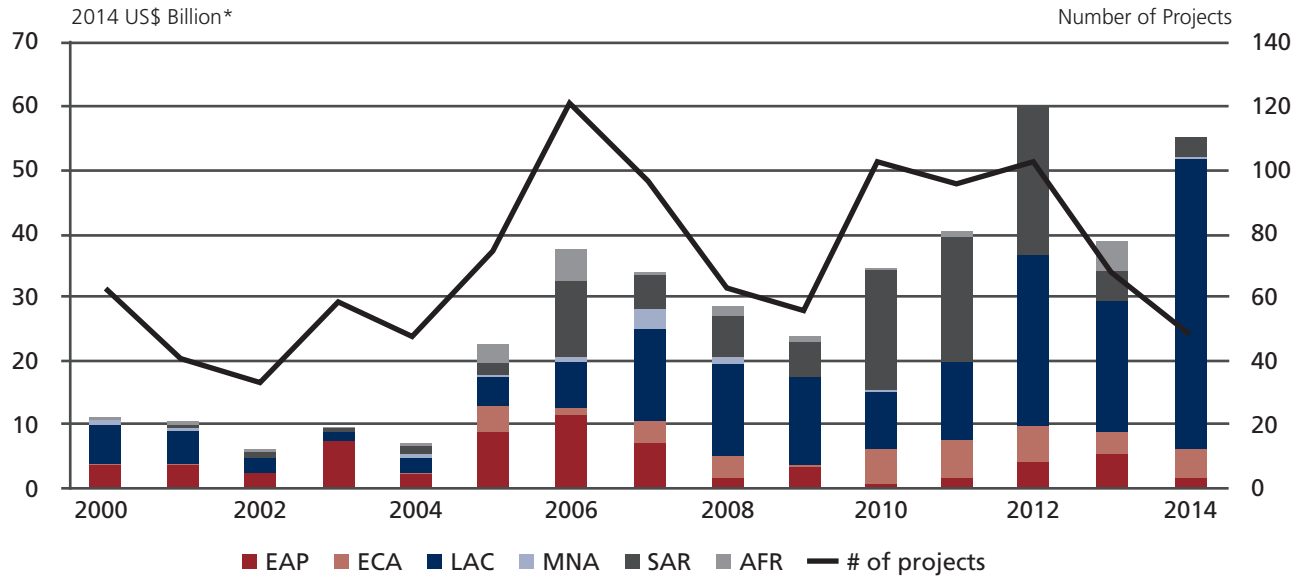
SUBSECTOR OVERVIEW

Roads. As in previous years, roads attracted the most investment with US\$28.5 billion in 33 new projects, approximately the same number as in 2013. The average road project, however, was much larger at US\$863 million, which also boosted the overall average size of transport projects to record levels. The greatest commitments were in Latin America and the Caribbean, which captured US\$22.6 billion of the US\$28.5 billion total. Specifically, two road projects in Brazil—the 937 kilometer BR 040 - 116 - 381 Toll Road and the 1,177 kilometer BR 060 - 153 - 262 Toll Road were the second and third largest transport projects by investment volume. They totaled US\$3.4 billion and US\$3 billion, respectively. Turkey had the third largest road project overall, but Brazil had five of the top six. The decline in the number of road projects in India continued with only 13 new deals in 2014. This compares to 72 in 2012. In addition, the average size of each road project in India fell to US\$181 million, the lowest level since 2007.

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

² “Investment” refers to investment commitments at the time of financial closure or in the case of brownfield concessions, contract signing.

FIGURE 1: TOTAL INVESTMENT IN TRANSPORT BY REGION



Source: World Bank and PPIAF, PPI Project Database.

*Adjusted by US CPI

Airports. Airports captured the second highest investment totals with US\$13.2 billion committed in five projects. This compares to US\$862 million for 2013. The year-on-year increase is mostly due to one mega deal—Rio de Janeiro’s Galeao Airport—which accounted for over US\$10 billion of the total. Of this amount, US\$8 billion was a payment to the government. The Middle East and North Africa had its first airport investment since 2007, and three regions—EAP, SAR, and AFR—had no new investments in airports at all.

FIGURE 2: NUMBER OF NEW PROJECTS BY SUBSECTOR

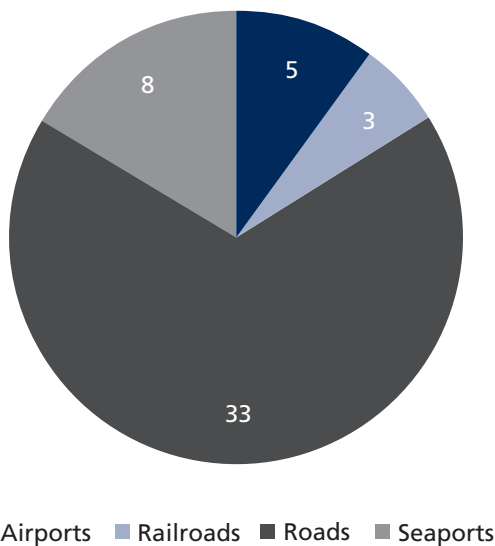
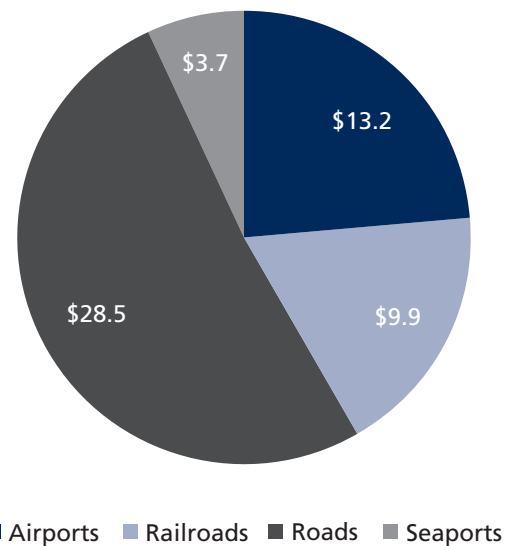


FIGURE 3: TOTAL INVESTMENT IN TRANSPORT BY SUBSECTOR (US\$BILLION)

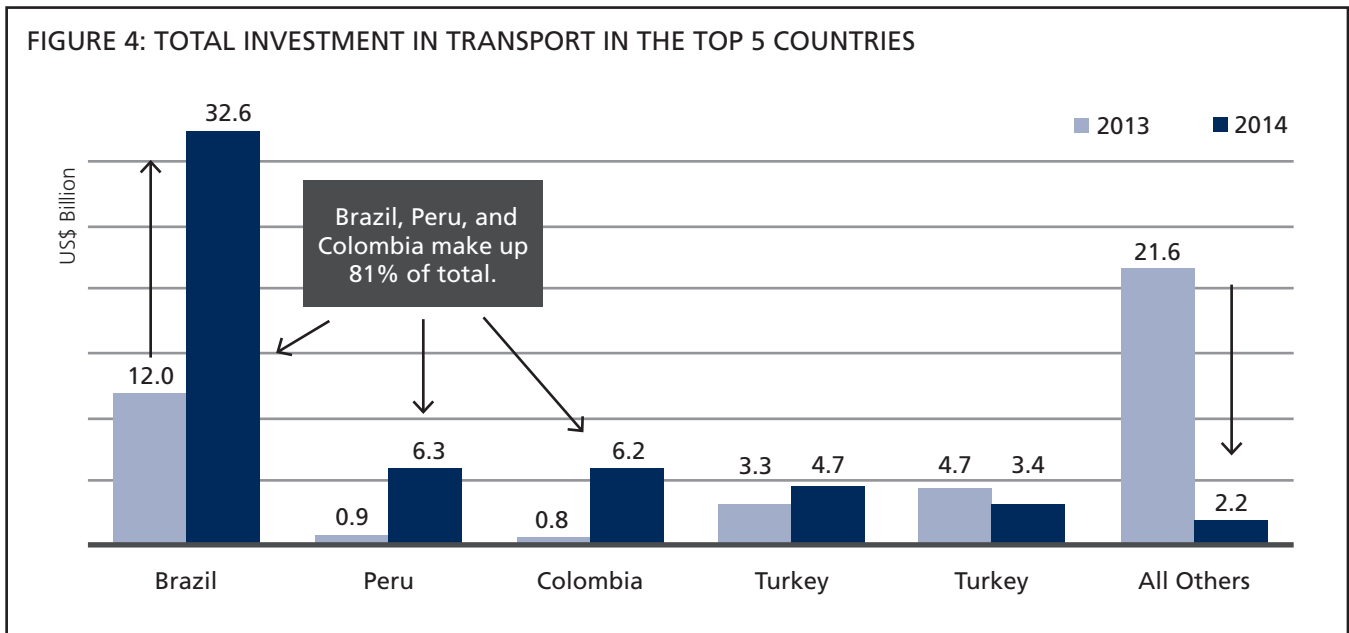


Rail. Three large rail projects closed in Brazil, China and Peru—one in each country. Of the US\$9.9 billion invested in rail, LAC captured US\$9.2 billion of the total. The US\$9.2 billion is not only the largest amount ever committed to rail in a single year in LAC, but it is 136% above its five-year average of US\$3.9 billion. The largest of the three projects—Lima Metro Line 2—was heavily subsidized by the Government of Peru with a US\$3 billion capital grant. China had a single rail project—the Baluntai-Yiergen Railway—a greenfield BOT for US\$733 million which made up much of the remainder.

Seaports. Investment in seaports fell year-over-year, receiving only US\$3.7 billion in commitments, which is approximately 33% below the five-year average of \$US5.5 billion. Of the eight new projects, Istanbul’s Salipazari was the largest at US\$1.1 billion, followed by India’s US\$765 million Bharat Mumbai Container Terminal. Both were 30-year concessions, each with a single sponsor. For Salipazari, Turkish-based Dogus sponsored the project exclusively, while Singapore’s PSA International sponsored India’s container terminal. AFR had no new investment in seaports, which is a departure from historical trends.

3 TOP COUNTRIES

The top five countries with the highest investment in transport PPI in 2014 were the following: (1) Brazil, (2) Peru, (3) Colombia, (4) Turkey, and (5) India. In 2014, these five countries together attracted US\$53.1 billion, representing 96% of investment commitments in the transport sector in the developing world (Figure 4).



In 2014, private participation in the largest market for transport PPI—**Brazil**—continued to show strength by attracting US\$32.6 billion, or 59% of the global total. Of this amount, investment was spread across several subsectors: roads reached US\$15.9 billion; airports captured US\$12.9 billion; and rail had US\$3.8 billion. By closing a record number of significant deals throughout the year, Brazil recorded its highest ever transport PPI in a single year.

Three deals in **Peru** was enough to make it the second largest destination for transport PPI’s in 2014. Much of the US\$6.3 billion total was driven by a single project—the US\$5.3 billion Lima Metro Line 2. The 35-year BOT metro line will stretch 35 kilometers and eventually connect Lima with Callao, including the international airport. Line 1 began operation in 2012, and the Peruvian government plans to launch the tender process for Line 3 in late 2015.

With nine projects totaling US\$6.2 billion, **Colombia** made the top three in 2014. The largest deal—the US\$1.4 billion Autopista Rio Magdalena 2—is the second phase of a nine part project called Autopistas

de la Prosperidad. The 25-year BOT concession consists of a two-lane highway (150 KM) with numerous bridges and tunnels. Once complete, the project will stretch 1,160 kilometers and cost an estimated US\$7.5 billion.

With four new projects, **Turkey** was able to secure the fourth highest investment volume. A pair of transport deals—the US\$1.1 billion Salipazari Cruise Port and the US\$2.9 billion Third Bosphorus Bridge and Northern Marmara Highway Project boosted Turkish investment. In the case of Salipazari, a Turkish-based company exclusively took over the Federal Maritime Organization as growing tourism continues to drive Turkey’s expansion of passenger terminals.

	Average Investment	Total Investment	% Total Investment
Brazil	\$2,713	\$32,557	59%
Peru	\$2,097	\$6,260	11%
Colombia	\$688	\$6,195	11%
Turkey	\$1,186	\$4,743	9%
India	\$209	\$3,351	6%
All Other Countries	\$217	\$2,167	4%
Total	\$1,020	\$55,273	100%

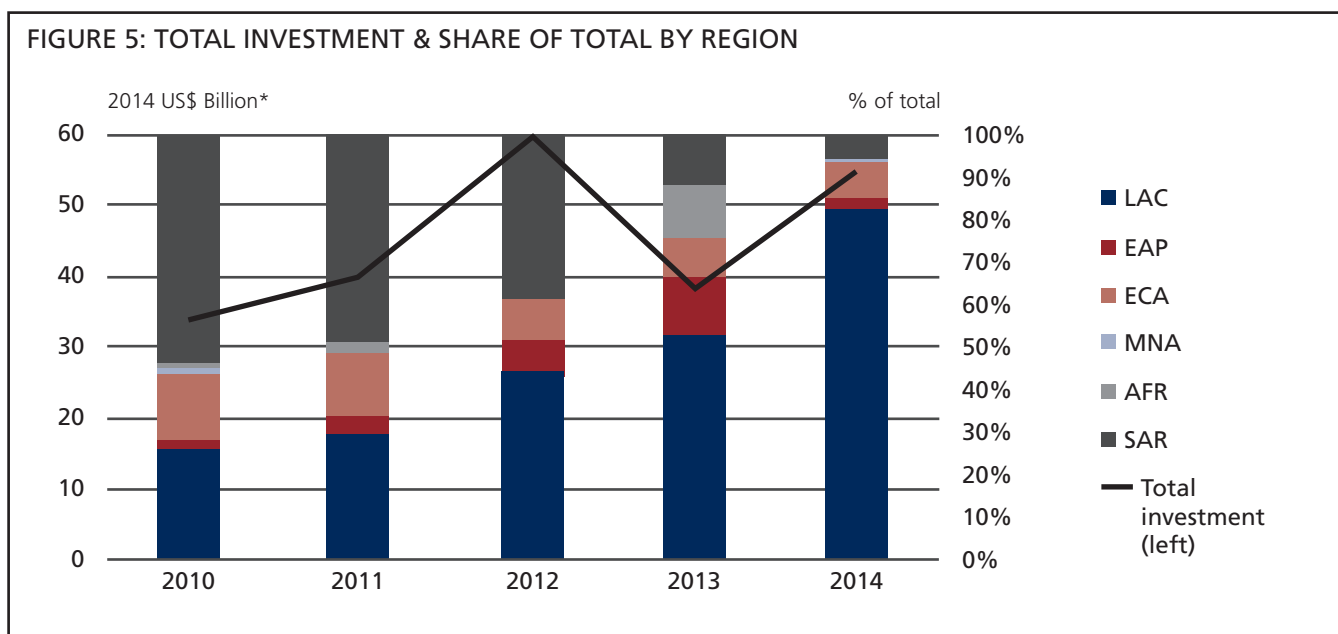
India continues to show a decline in PPI investment by recording only US\$3.4 billion in transport commitments. Of this amount, only US\$2.4 billion were for roads, the lowest level since 2004. The 13 road projects is also the fewest since 2004. Since experiencing record levels of road investment in 2012 (US\$23.1 billion), commitments have fallen precipitously, including an 85% drop from 2012 to 2013. Road projects continue to experience cost overruns and delays. In fact, a significant portion of India’s capital expenditure in 2014 was earmarked to cover cost overruns in projects which had achieved financial closure years earlier. As a result, India is now facing its lowest investment in transport since 2005. Despite having 15 new projects and making the top five in transport investment in 2014, few notable deals closed during the year. Moreover, when removing India’s largest project—Bharat Mumbai Container Terminals Private Limited for US\$765 million—not only would the country fall out of the top 5 for the first time in a decade, but the average project size would fall to US\$172 million, which is the lowest for the country since 2005.

4 REGIONAL OVERVIEW

The top region by volume and investment totals was LAC (Table 2). The driving factor behind Latin America and the Caribbean in 2014 is Brazil and, to a lesser extent, Peru and Colombia.

	# of Projects	Total Investment	% of Total	% Change from 5-year Average
LAC	26	\$45,566	82%	+277%
ECA	4	\$4,743	9%	+13%
SAR	15	\$3,351	6%	-77%
EAP	3	\$1,446	3%	-52%
MNA	1	\$167	<1%	-53%
AFR	0	\$0	0%	--
Total	49	\$55,273	100%	+40%

Latin America and the Caribbean. Latin America and the Caribbean attracted investments of US\$45.6 billion, comprising a robust 82% of global investment totals, by far the greatest share of any region. Notably, the US\$45.6 billion invested is nearly three times higher than the five-year average of US\$16.4 billion. In addition, LAC has shown a strong upward trend since 2010 when it captured only 26% of the global total, rising consistently to capture a hefty 82% of transport PPI in 2014 (Figure 5). Much of this share gain was at the expense of South Asia and, specifically, India. While investment commitments in Brazil rose eight-fold from 2010 to 2014 (US\$4 billion to US\$32.6 billion), investment in India declined 80% over the same five-year period (US\$16.8 billion to US\$3.4 billion).



Overall, there were 26 new projects including 18 roads, three seaports, three airports and two railroads. Most of the new investment was made in Brazil with 11 new projects, followed by Colombia with nine and Peru with two. An additional four projects closed in Guatemala (1), Honduras (1), Haiti (1), and Mexico (1), totaling US\$550 million.

LATIN AMERICA AND THE CARIBBEAN (LAC), TOP DEALS			
Country	Project	US\$ Million	Sponsors
Brazil	Rio de Janeiro Airport	\$10,508	Odebrecht SA (31% / Brazil), Changi Airports International Pte Ltd (CAI) (20% / Singapore)
Peru	Lima Metro—Line 2	\$5,373	ACS Group (Actividades de Construccion y Servicios) (25% / Spain), Ferrovial Group (18% / Spain), Impregilo SpA (18% / Italy)
Brazil	Sao Paulo Metro—Orange Line	\$3,786	Odebrecht SA (20% / Brazil), Construtora Queiroz Galvao (20% / Brazil), UTC Participacoes S/A (14% / Brazil)
Brazil	BR 040–116–381 Toll Road	\$3,369	Invepar (100% / Brazil)
Brazil	BR 060–153–262 Toll Road	\$3,042	Triunfo Participacoes e Investimentos (100% / Brazil)

Europe and Central Asia. Europe and Central Asia had four new projects totaling US\$4.7 billion, all of which were in Turkey. ECA's share of the global total was 9% in 2014—the same as in 2013 but below the 15% attained in 2011 and 16% in 2010. Of the four projects, two were road; one was a seaport and one was an airport.

EUROPE AND CENTRAL ASIA (ECA), TOP DEALS			
Country	Project	US\$ Million	Sponsors
Turkey	Third Bosphorus Bridge and Northern Marmara Highway Project	\$2,900	IC Holding (67% / Turkey), Astaldi SpA (33% / Italy)
Turkey	Istanbul Salipazari Cruise Port	\$1,052	Dogus Holding (100% / Turkey)
Turkey	Gebze-Orhangazi-Izmir Motorway—Phase 2A	\$600	Astaldi SpA (18% / Italy)
Turkey	Milas Bodrum Airport	\$191	TAV Airports Holding Co. (100% / Turkey)

South Asia. In South Asia, 15 new projects totaling US\$3.4 billion reached financial closure in 2014. All 15 projects were in India—13 roads and two seaports.³ The 15 projects represent only 6% of transport investment—markedly below past years' totals, including 2011 when commitments comprised 50% of transport investment—US\$19.8 billion of US\$40.4 billion. In fact, SAR's five-year average annual investment level is US\$14.4 billion, making 2014's total of US\$3.4 billion approximately 77% below that average. In addition, average project sizes continue to fall. In 2014, the average transport deal in India was only US\$209 million, the lowest since 2007.

SOUTH ASIA (SAR), TOP DEALS			
Country	Project	US\$ Million	Sponsors
India	Bharat Mumbai Container Terminals Private Limited	\$765	PSA Corp (100% / Singapore)
India	Srinagar Sonamarg Tunnelway Limited	\$539	Soma Enterprise Ltd (51% / India), Infrastructure Leasing & Financial Services (IL&FS) (49% / India)
India	Yedeshi Aurangabad Tollway Private Limited	\$525	IRB Infrastructure Developers Ltd (100% / India)
India	L&T Sambalpur Rourkela Tollway Limited	\$282	Larsen & Toubro Limited (100% / India)
India	Solapur Yedeshi Tollway Private Limited	\$245	IRB Infrastructure Developers Ltd (100% / India)

East Asia and Pacific. East Asia and Pacific was the fourth largest destination for transport PPIs, attracting US\$1.4 billion in one rail and two seaport projects. This total is 73% below 2013's investment amount of US\$5.6 billion. In addition, EAP's share of global investment in 2014 was 3%, which is lower than any of the previous three years. It is also roughly 52% below its five-year average investment of US\$3 billion. The US\$1.4 billion in transport investment in China is 64% below the country's 10-year average of US\$4 billion.

³ Pakistan closed the 357 KM M-2 Islamabad to Lahore Motorway Refurbishment PPP, but the private equity was only 10%, below the 25% threshold of the PPI Database.

EAST ASIA AND PACIFIC (EAP), TOP DEALS

Country	Project	US\$ Million	Sponsors
China	Baluntai-Yiergen Railway	\$733	Xinjiang Jinyanguang Railway Construction and Management Company Limited (100% / China)
China	Qingdao Port Dongjiakou Ore Terminal	\$619	IMC Group (20% / Singapore)
China	Tianjin Port Shenghan Petrochemical Wharf	\$94	Tianjin Hongfa Investment Group (49% / China)

Middle East and North Africa. MNA had just one project and comprised less than 1% of global transport investment. The single project is below MNA's 10-year average of three projects per year. It is also 82% below MNA's 10-year average of US\$944 million per year, despite not having a single transport commitment in 2011, 2012 or 2013.

MIDDLE EAST AND NORTH AFRICA (MNA), TOP DEAL

Country	Project	US\$ Million	Sponsors
Jordan	Queen Alia International Airport Phase II	\$167	Abu Dhabi Investment Company (38% / United Arab Emirates), Joannou & Paraskevides Ltd (19% / Channel Islands), National Industries Group Holding (24% / Kuwait)

Sub-Saharan Africa. Sub-Saharan Africa fell two places from fourth to sixth with no new transport projects in 2014. This lack of activity is in stark contrast to 2013 when AFR had US\$4.7 billion in transport commitments, including several large seaport projects in Nigeria. This marks only the second time in 21 years (along with 2012) that Sub-Saharan Africa had no new transport deals for the year.

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 6,000 infrastructure projects dating from 1984 to 2014 and is updated with last year's data six months after year-end (July 2015). It contains over 30 fields per project record, including country, financial closure year, infrastructure services provided, type of private participation, technology, capacity, project location, contract duration, private sponsors, 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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