

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

PPI data update note 8

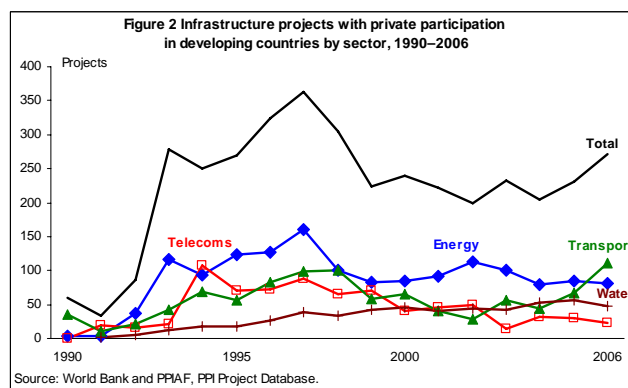
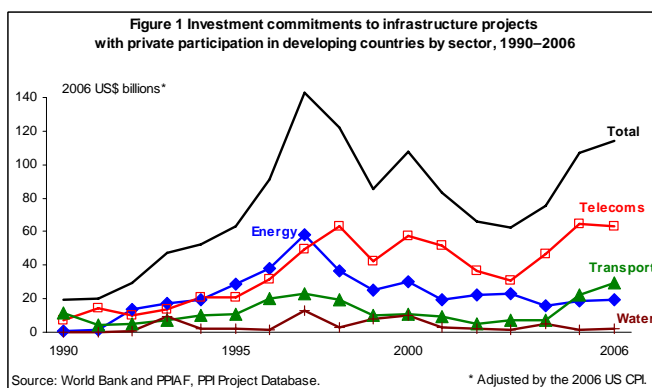
December 2007

Private activity in infrastructure continued its recovery in 2006

Investment commitments to infrastructure projects with private participation grew for the third consecutive year in 2006, according to just-released data from the Private Participation in Infrastructure Project Database.¹ The number of projects reaching financial or contractual closure also showed a recovery.

Investment commitments (hereafter, "investment") in low- and middle-income countries grew by 10% to US\$114 billion (table 1). In real terms that was just 20% less than the peak in 1997. But the picture varied across sectors. Telecommunications remained in the US\$63–64 billion range, maintaining its highest level ever in real terms (figure 1). The sector accounted for more than 55% of investment in 2006. Transport had growth of more than 30%, reaching its highest level ever in real terms for the second consecutive year. Investment in transport was less concentrated in large transactions (those over US\$800 million) than in the previous year: these transactions accounted for 35% of investment in 2006, down from 50% in 2005. Energy investment grew by 9% but in real terms remained at just a third of its peak in 1997. Water investment amounted to US\$2 billion, well below its peak but within the US\$1–2 billion range of the previous five years (excluding the US\$2.5 billion Syabas concession in Malaysia in 2004).

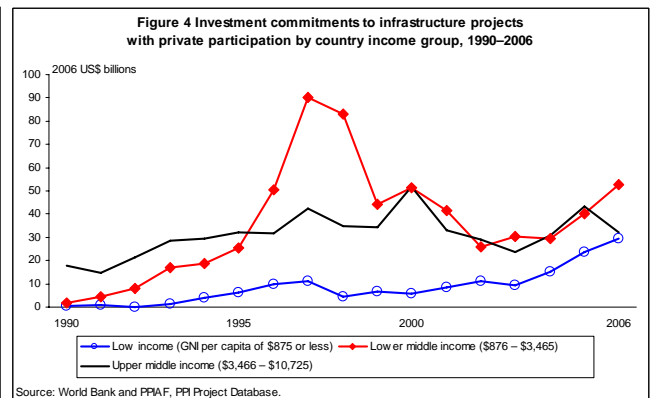
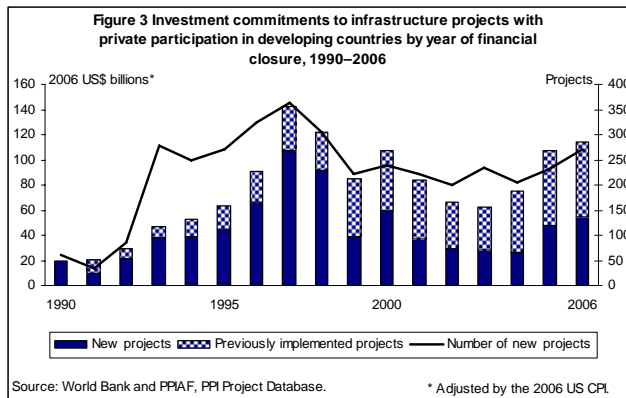
The number of private infrastructure projects implemented in 2006 grew by 17% to 271 (table 2). Here again trends differed across sectors. Energy projects remained at around 80, as in the previous two years (figure 2). Telecommunications projects rose by a third to around 30, returning to a level similar to those in 2003 and 2004. Transport had a record year, with 111 transactions. And water projects totaled 48, down slightly from the record 57 in 2005.



Several factors explain the divergence within sectors between the trends in investment and project numbers. First, new projects accounted for just part of annual investment. Projects achieving financial or contractual closure in 2006 accounted for US\$54 billion, or 48% of the total for the year, while projects closing in 1990–2005 represented the other 52% (figure 3). Telecommunications played the biggest part in this: projects reaching closure in 2006 accounted for just 18% of the year's investment in the sector, while those closing in previous years represented 82%. Second, in real terms the median project size in 2006 (US\$77 million) was more than twice those for the previous four years. Third, the recovery in energy investment was driven by six large projects (those over US\$800 million), which accounted for 45% of commitments in 2006. Finally, new private activity in water focused on smaller projects.

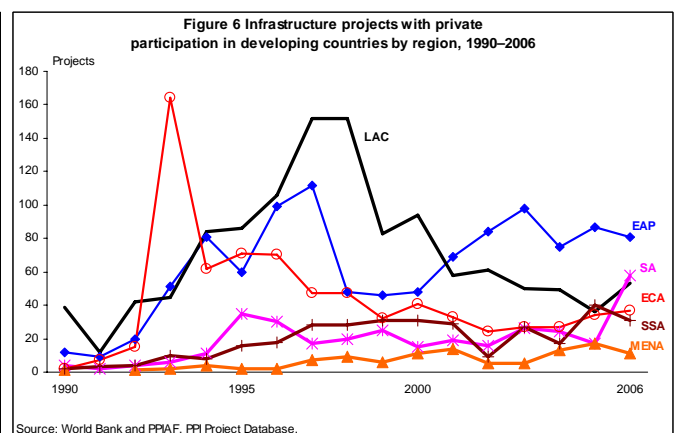
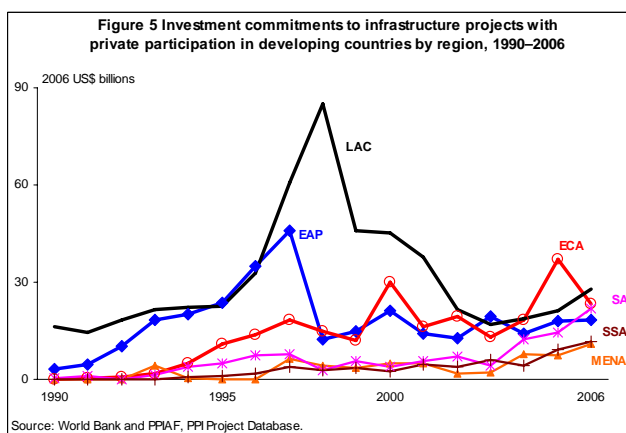
¹ Data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of the lack of public information. Additional investments in some projects may also have been omitted for the same reason.

Country income groups saw diverging trends in 2006. Investment grew in low-income and lower-middle-income countries, driven in both cases by telecommunications and transport (figure 4). Meanwhile, investment fell in upper-middle-income countries, again because of telecommunications and transport. Energy investment remained stable in both low-income and lower-middle-income countries while showing some growth in upper-middle-income countries.



Investment also showed diverse trends across regions. Three developing regions saw investment grow to record levels: the Middle East and North Africa, South Asia, and Sub-Saharan Africa (figure 5). In South Asia most of the growth came from telecommunications and transport, while in the other two regions most came from telecommunications alone. In Latin America investment showed some recovery for the third consecutive year, while in East Asia it remained stable at around US\$18 billion. But in both regions, which had led the boom of the late 1990s, investment stayed well below peak levels. In Europe and Central Asia investment fell by more than 30% from its peak in 2005, mainly because of a lack of large projects like those closing in 2005 (such as the divestiture of Turk Telekom).

Trends in the number of projects reaching closure also varied across regions. In South Asia the number of transactions grew to a record level in 2006 (figure 6). In Latin America the number grew for the first time since 2000 but still remained at a third of its peak. In East Asia and Europe and Central Asia the number of projects remained at levels similar to those in 2005. And in the Middle East and North Africa and Sub-Saharan Africa the number reaching closure declined from the record levels in 2005.



Projects reaching closure in 2006 accounted for most of the annual investment in East Asia and the Middle East and North Africa. In the other four developing regions, by contrast, previously implemented projects accounted for most of the investment in 2006. The share ranged from around 50% in South Asia and Sub-Saharan Africa to more than 60% in Europe and Central Asia and Latin America.

Continuing the trend of the previous four years, private activity in 2006 was more evenly distributed across regions than it had been during the boom of the late 1990s.

A forthcoming note will analyze private activity in infrastructure in more depth.

Table 1 Investment commitments to infrastructure projects with private participation in developing countries by sector or region, 1996–2006
US\$ billions

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sector											
Energy	29.4	46.1	29.3	20.9	25.5	17.2	20.2	21.0	15.1	17.8	19.5
Electricity	26.8	42.8	23.3	18.1	23.3	13.8	11.1	16.9	11.9	15.4	15.9
Natural gas	2.6	3.3	6.7	2.9	2.2	3.7	9.0	4.1	3.3	2.4	3.6
Telecommunications	24.6	39.2	51.3	34.9	48.9	45.5	32.7	28.1	43.9	62.7	63.1
Transport	15.6	18.3	15.9	8.1	9.1	8.4	4.6	6.3	7.0	21.7	29.7
Airports	0.4	0.7	3.0	0.5	2.1	1.4	0.2	0.7	0.8	7.5	7.0
Railways	5.9	4.6	3.3	2.9	1.1	1.1	0.2	0.9	1.1	0.9	8.2
Seaports	7.5	9.7	8.1	2.2	3.8	4.7	2.2	2.7	3.5	6.3	10.1
Roads	1.8	3.3	1.5	2.4	2.0	1.3	2.0	2.0	1.6	7.0	4.3
Water and sewerage	1.3	10.2	2.3	6.5	8.6	2.3	1.6	1.5	4.7	1.7	2.0
Region											
East Asia and Pacific	27.2	36.6	10.1	12.2	18.0	12.6	11.4	17.8	13.4	17.6	18.5
Europe and Central Asia	10.7	14.6	11.9	9.8	25.8	14.2	17.3	12.1	17.2	35.8	23.4
Latin America and the Caribbean	25.6	48.3	68.9	38.0	38.5	33.3	19.3	15.4	17.4	20.6	27.9
Middle East and North Africa	0.1	5.1	3.4	2.9	4.1	4.4	1.6	1.9	7.4	7.1	11.0
South Asia	5.8	6.2	2.3	4.6	3.5	4.9	6.2	4.0	11.4	14.2	21.8
Sub-Saharan Africa	1.4	3.0	2.2	2.9	2.2	4.0	3.3	5.6	3.9	8.7	11.8
Total	70.9	113.7	98.8	70.4	92.0	73.3	59.1	56.8	70.7	103.9	114.3

Source: World Bank and PPIAF, PPI Project Database.

Note: Includes annual investment commitments to projects reaching closure in 1990–2006.

Table 2 Infrastructure projects with private participation in developing countries by sector or region, 1996–2006

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sector											
Energy	127	160	100	83	85	91	112	101	79	84	81
Electricity	119	132	84	74	74	64	64	55	49	58	69
Natural gas	8	28	17	9	11	28	48	46	30	26	12
Telecommunications	88	65	71	40	45	50	14	32	30	23	31
Transport	83	99	100	58	65	40	29	57	44	67	111
Airports	9	7	14	8	18	12	3	3	5	10	15
Railways	12	12	11	11	9	4	2	7	4	3	6
Seaports	21	22	26	18	21	10	9	15	18	37	30
Roads	41	58	49	21	17	14	15	32	18	17	60
Water and sewerage	27	39	33	42	45	41	44	43	52	57	48
Region											
East Asia and Pacific	99	112	48	46	48	69	84	98	75	87	81
Europe and Central Asia	70	47	47	32	41	33	24	27	27	34	37
Latin America and the Caribbean	106	152	152	83	94	58	61	50	49	36	53
Middle East and North Africa	2	7	9	6	11	14	5	5	13	17	11
South Asia	30	17	20	25	15	19	16	26	24	17	58
Sub-Saharan Africa	18	28	28	31	31	29	9	27	17	40	31
Total	325	363	304	223	240	222	199	233	205	231	271

Source: World Bank and PPIAF, PPI Project Database.