



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

PPI data update note 34

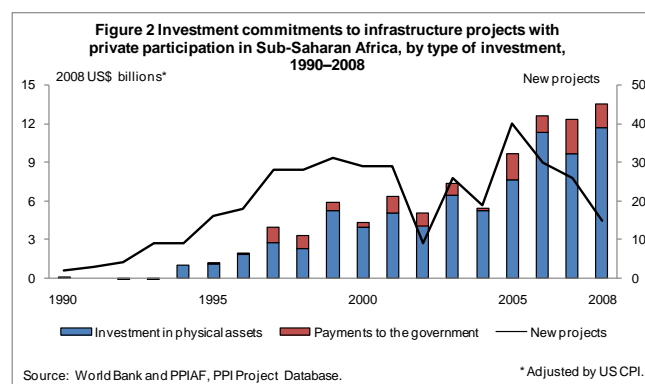
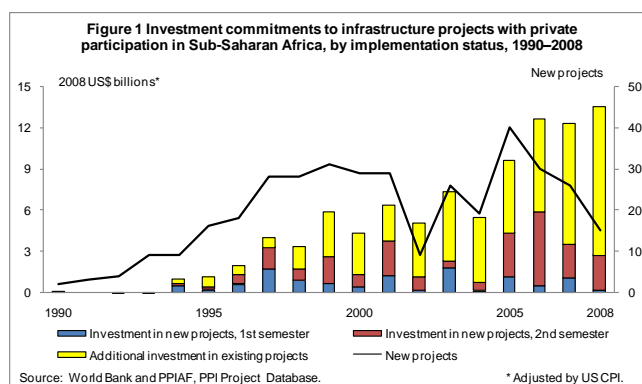
December 2009

Investment commitments reach a new peak in Sub-Saharan Africa while the number of new projects declines

Private activity in infrastructure in Sub-Saharan Africa showed mixed results in 2008, according to just-released data from the Private Participation in Infrastructure Project Database. While investment commitments to infrastructure projects with private participation reached a new peak, the number of projects reaching closure continued to decline. Existing telecommunications operators accounted for most regional investment as well as the growth in investment. The region accounted for almost 9% of the year's total investment commitments in developing countries.

In 2008, 15 infrastructure projects with private participation reached financial or contractual closure in 10 low- or middle-income countries in the region.¹ These involve investment commitments (hereafter, *investment*) of US\$2.7 billion. Infrastructure projects implemented in previous years had additional commitments of US\$10.8 billion, bringing total investment in 2008 to US\$13.5 billion. That total represented an increase of 10% from the level reported in 2007 and a new peak for the region (figure 1).² Investment in existing projects accounted for the increase, growing by 22% from the level in 2007. By contrast, investment in new projects fell by 22%.

When investment is classified by type, investment in physical assets explains the growth. Such investment rose by 21% from the level in 2007 to US\$11.7 billion, the highest level in 1990–2008 (figure 2). By contrast, payments to governments (such as concession or lease fees and divestiture revenues) fell by 33% to US\$1.8 billion.



New projects and associated investment were more concentrated in the second half of the year in 2008 than in previous years. Eleven of the 15 new projects reached closure in that period. These accounted for US\$2.5 billion in investment, 93% of the total for new projects in 2008. Yet investment in the second half of 2008 was down 3% compared with the same period of 2007, suggesting a continuation of the investment slowdown seen since 2007. Preliminary data for the first semester of 2009 indicate that investment in new projects amounted to US\$0.9 billion, a recovery from the level reported in the

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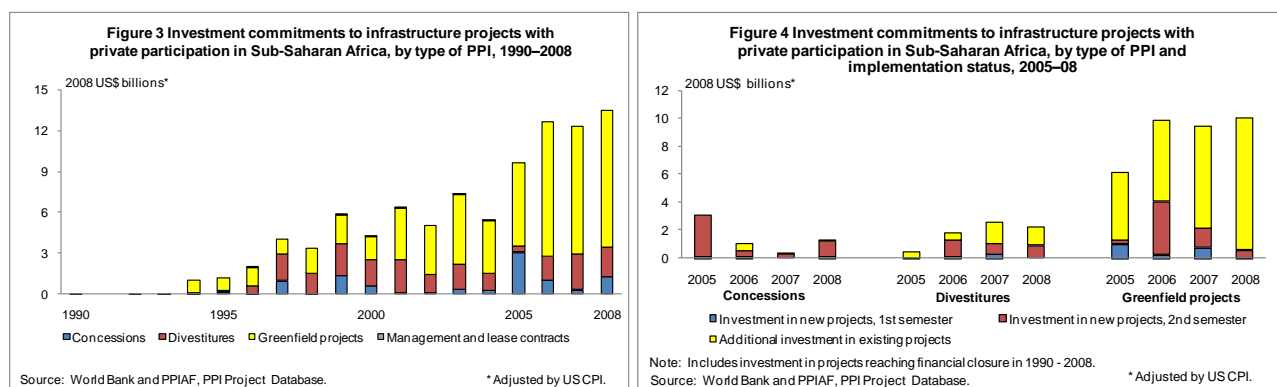
¹ The data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. Additional investment in some projects may have been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

² Investment data are reported in 2008 U.S. dollars, using the U.S. consumer price index and 2008 as the base year. Data at <http://ppi.worldbank.org/> are reported in millions of current U.S. dollars unless otherwise indicated.

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

first half of 2008.³ Similar analysis is not possible for existing projects because the data do not allow the separation by semester of additional investment.

As in previous years, greenfield projects were the most common type of private participation in 2008, accounting for 75% of regional investment (figure 3).⁴ Investment in greenfield projects totaled US\$10.1 billion, up 7% from the level in 2007. Existing projects, which account for most of this investment, explain the growth (figure 4). Investment in new greenfield projects, by contrast, dropped by 73% to US\$570 million. The nine new greenfield projects include seven power plants and two mobile telecommunications operators.



Divestitures attracted the second largest share of regional investment in 2008, amounting to US\$2.18 billion. That represented a 16% drop from the level in 2007, a decline explained by both new projects and existing ones. Only one new divestiture took place in 2008: Ghana Telecom (see section on activity by sector). The other five new projects in the region are three transport concessions (in the Republic of Congo, Nigeria, and Senegal), a lease contract for a water utility in Côte d'Ivoire, and a management contract for a water treatment plant in Mauritius.⁵

Private activity in the region in 2008 was relatively concentrated by country, with Nigeria accounting for 25% of regional investment and South Africa for 14%. While these two countries usually attract large shares of the regional investment, their shares have declined in the past four years (figure 5). Existing projects accounted for most of the investment in these two countries in 2008. South Africa had only one new project, while Nigeria had none (figure 6).

Activity by sector. As in previous years, telecommunications attracted the largest share of investment in 2008 (87%). Investment in this sector increased by 9% to US\$11.73 billion, the highest level in 1990–2008 (figure 7). Network expansion by existing telecommunications operators drove that growth (figure 8). In energy, investment amounted to US\$522 million, less than half the level in 2007. In transport, investment increased from US\$210 million in 2007 to US\$1.25 billion in 2008. New projects accounted for all the investment in energy and transport.

³ "Assessment of the Impact of the Crisis on New PPI Projects: Update 4," PPI data update note 24 (October 2009).

⁴ This note uses the term *greenfield project* as defined in the PPI Project Database methodology. The definition includes the following schemes: build, lease, and transfer (BLT); build, operate, and transfer (BOT); build, own, and operate (BOO); merchant; and rental.

⁵ This note uses the term *concession* as defined in the PPI Project Database methodology. The definition includes contracts under which a private entity takes over the management of a state-owned enterprise or asset for a given period during which it also assumes significant investment risk. The following schemes are considered concessions: build, rehabilitate, operate, and transfer (BROT); rehabilitate, lease or rent, and transfer (RLT); and rehabilitate, operate, and transfer (ROT).



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

In *energy* four countries implemented seven greenfield projects for power generation, involving investment of US\$522 million and total capacity of 366 megawatts (MW) (table 1). Angola signed a 60-MW rental contract (no information on the contract's duration was publicly available). Kenya secured financing for two power plants: the US\$155 million, 90-MW Rabai power plant and the US\$35 million, 35-MW Mumias power plant. Togo implemented the 100-MW Centrale thermique de Lome power project under a 25-year build-operate-transfer (BOT) contract. Uganda signed three BOT contracts representing 81 MW in total capacity and US\$142 million in investment.

Figure 5 Investment commitments to infrastructure projects with private participation in main recipients and rest of countries in Sub-Saharan Africa, 1990–2008

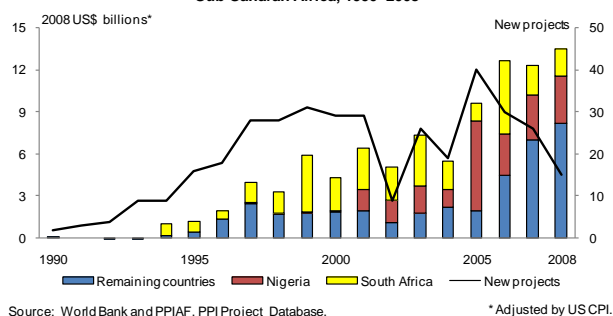
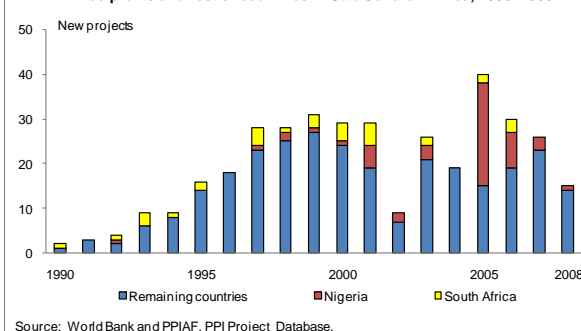


Figure 6 Infrastructure projects with private participation in main recipients and rest of countries in Sub-Saharan Africa, 1990–2008



In *telecommunications* two countries implemented three new projects involving investment of US\$950 million. In addition, investment in previously implemented projects amounted to US\$10.8 billion, bringing the total to US\$11.73 billion. Ghana had two new projects. Its National Communications Authority awarded Ghana's sixth mobile license to Nigerian Globacom for US\$50 million. And the national government sold 70% of Ghana Telecom, the national fixed and mobile operator, to the United Kingdom's Vodafone for US\$900 million. This was the second time that the government had divested Ghana Telecom. The first time was in 1996, when a 30% stake in the company was sold to a consortium led by Telekom Malaysia. The government canceled this divestiture in 2002 because of disagreements over compliance with the divestiture agreement. Norwegian Telenor then managed Ghana Telecom under a three-year management contract that started in 2003.

A third new project was implemented in Uganda. The Orange Uganda mobile telecommunications project reached financial closure after France Telecom acquired 53% of Hits Telecom Uganda, the company that acquired Uganda's fourth GSM license in 2007. Orange Uganda started network development in 2008 and commercial operation in March 2009. No information on investment in network development was publicly available.

Figure 7 Investment commitments to infrastructure projects with private participation in Sub-Saharan Africa, by sector, 1990–2008

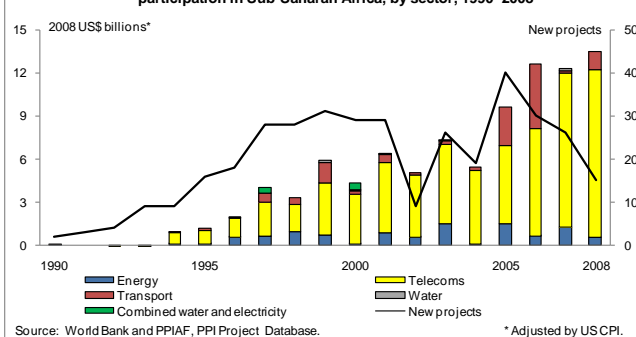
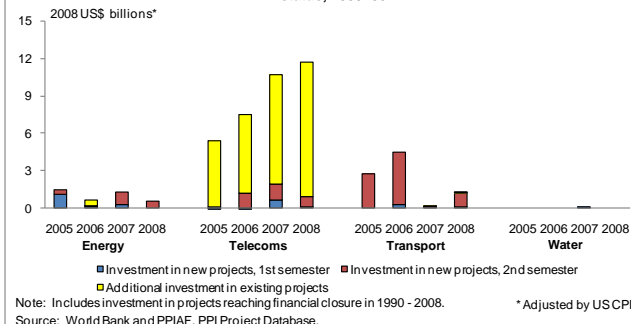


Figure 8 Investment commitments to infrastructure projects with private participation in Sub-Saharan Africa, by sector and implementation status, 2005–08





PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

In *transport* three countries had new private activity. The Republic of Congo signed a 27-year concession to upgrade the 200,000-TEU (twenty-foot equivalent unit) Pointe-Noire container terminal with investment of US\$735 million. In Nigeria the state of Lagos implemented the 30-year Lekki-Epe Toll Road concession, representing US\$382 million in investment. Senegal signed a 25-year concession with DP World for Dakar Seaport, for which the previous concession had concluded in October 2007. DP World agreed to invest US\$134 million in the existing terminal.

In *water and sewerage* two countries had new projects. Côte d'Ivoire and Sodeci, a consortium led by French Bouygues, signed a new 15-year lease contract for the national water utility, Société de Distribution d'Eau de Côte d'Ivoire, under private management since the 1960s. Mauritius implemented one project, a seven-year management contract for the operation of the St. Martin wastewater treatment plant.

Potential projects. In addition to the 15 new projects reaching financial or contractual closure in 2008, at least 10 other projects were awarded but had not reached closure by the end of the year. Of these potential projects, four were in energy: an electricity distribution business in a rural area of Senegal and three electricity generation plants in Angola, Côte d'Ivoire, and Ghana. Four were in telecommunications: mobile licenses awarded in Burundi, Comoros, Rwanda, and Uganda. There was one potential transport project, a deepwater seaport in São Tomé and Príncipe. And there was one potential water project, a BOT contract for a desalination treatment plant in Doraleh, Djibouti.

Canceled and distressed projects. In 2008 two projects in Sub-Saharan Africa were canceled and one became distressed, bringing the total number of those canceled or distressed in the region to 34. These represent 9.2% of all projects and 2.9% of investment commitments in the region in 1990–2008.

In Cape Verde the national electricity and water utility, Electra, became a fully state-owned enterprise in May 2008 when Electricidade de Portugal signed an agreement with the government returning the stake it had acquired in the company. Electra had been partially divested to a consortium led by Electricidade de Portugal in 1999.

In The Gambia the government canceled a telecommunications partnership with Spectrum Group, a Lebanese consortium, after only one year of operation because of “fundamental breaches of the provisions of the partnership agreement.” No further information was publicly available.

In Senegal the mobile telecommunications operator Sentel, a subsidiary of Millicom, requested arbitration by the International Centre for Settlement of Investment Disputes after the government argued that Sentel had never paid its license fee to operate until 2018.

Concluded projects. Two projects concluded in 2008. In Kenya the two-year management contract for the public utility Kenya Power and Lighting Company (KPLC), awarded in 2006 to Canadian Manitoba Hydro International, concluded in July 2008. KPLC, which manages about 800,000 connections, returned to public sector management, and the government has not announced any plan to reengage the private sector in the company. In Mozambique the management contract for water supply in Beira, Nampula, Pemba, and Quelimane concluded in June 2008.



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

Table 1 Infrastructure projects with private participation reaching financial or contractual closure in Sub-Saharan Africa in 2008

Note: .. = not available; n.a. = not applicable.

Energy										
	Country	Project name	Project status	Sub-sector	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Contract period (years)	Main sponsors
1	Angola	Aggreko Luanda Temporary Power Stations 1 and 2	Operational	Electricity	Greenfield project (rental)	100	..	60 MW	..	Aggreko Plc (100%, United Kingdom)
2	Kenya	Mumias Power Plant	Construction	Electricity	Greenfield project (BOO)	100	35	35 MW	..	Mumias Sugar Company Limited (100%, Kenya)
3	Kenya	Rabai Power Plant	Construction	Electricity	Greenfield project (BOT)	100	155	90 MW	20	Aldwych International Ltd. (..%, United Kingdom), Mitsui Engineering & Shipbuilding Co. Ltd. (MES) (..%, Japan)
4	Togo	Centrale thermique de Lome	Construction	Electricity	Greenfield project (BOT)	100	190	100 MW	25	ContourGlobal (100%, United States)
5	Uganda	Bugoye Hydroelectric Power Project	Construction	Electricity	Greenfield project (BOT)	100	35	13 MW	20	Tronder Power Limited (100%, Norway)
6	Uganda	Mpanga Hydropower Project	Construction	Electricity	Greenfield project (BOT)	100	14	18 MW	20	South Asia Energy Management Systems (SAEMS) (100%, United States)
7	Uganda	Namanve Power Plant	Operational	Electricity	Greenfield project (BOT)	100	93	50 MW	6	Jacobsen Elektro (100%, Norway)



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

Telecommunications									
	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors
1	Ghana	Ghana Telecom Second Divestiture	Operational	Fixed access, mobile access, and long distance	Divestiture (partial)	70	900	1,400,000 connections	Vodafone (70%, United Kingdom)
2	Ghana	Globacom Ghana	Operational	Mobile access	Greenfield project	100	50	..	Globacom (100%, Nigeria)
3	Uganda	Orange Uganda	Construction	Mobile access	Greenfield project	100	France Telecom (53%, France), International Investments House (47%, United Arab Emirates)

Transport											
	Country	Project name	Project status	Sub-sector	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Government cash support (US\$ millions)	Type of government support	Capacity size and type	Main sponsors
1	Congo, Rep.	Pointe-Noire Container Terminal	Operational	Seaports	Concession (BROT)	100	735	n.a.	n.a.	200 throughput (thousands)	Bollore Group (60%, France), Societe Congolaise De Transports Sarl (Socotrans) (40%, Congo, Rep.)
2	Nigeria	Lekki-Epe Expressway	Operational	Roads	Concession (BROT)	100	382	n.a.	n.a.	50 km	Asset & Resource Management Ltd. (ARM) (..%, Nigeria), Larue Projects International Ltd. (..%, Nigeria)
3	Senegal	Dakar Seaport	Operational	Seaports	Concession (BROT)	100	134	n.a.	n.a.	250 throughput (thousands)	DP World (100%, United Arab Emirates)



PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

Water and sewerage									
	Country	Project name	Project status	Sub-sector	Type of PPI	Investment commitment (US\$ millions)	Capacity type	Capacity	Main sponsors
1	Côte d'Ivoire	Société de Distribution d'Eau de Côte d'Ivoire Renewal	Operational	Utilities	Management and lease contract (lease contract)	n.a.	Population (thousands)	9,000	Bouygues (46%, France)
2	Mauritius	St. Martin Wastewater Treatment Plant	Operational	Treatment plants	Management and lease contract (management contract)	n.a.	Cubic meters per day (thousands)	70	Berlinwasser International AG (100%, Germany)