



## INFRASTRUCTURE

### Overview

- Investment in infrastructure is lowest in the regions that need it most: the developing world's stock of infrastructure is far lower than that of developed countries.<sup>1</sup>
- Around 70% of infrastructure investment in developing countries in 2002 was estimated to be financed by governments or public utilities from their own resources or from non-concessional borrowings, 3% from aid, and the balance from the private sector.<sup>2</sup>
- However, foreign direct investment (FDI) in infrastructure has increased rapidly. From 1990-2006, global FDI committed to infrastructure increased 31-fold, to US\$ 786 billion. The amount directed to developing countries increased 29-fold, to an estimated \$199 billion.<sup>3</sup>
- From 1996-2006, about four-fifths of all foreign investment commitments (including FDI, but also concessions) in infrastructure in developing and transition economies was undertaken in two industries: telecommunications and energy (primarily electricity), according to World Bank data. Less went into transportation (17%) and, water and sewage (4%).<sup>4</sup>
- UNCTAD's annual survey of changes in national laws and regulations that may influence the entry and operations of TNCs suggests that policymakers are continuing in their efforts to make the investment climate more attractive.<sup>5</sup>
- The World Bank reports that over the last decade many developing countries initiated major infrastructure sector reforms that separate policy making from service delivery and promote projects with various forms of private sector participation or public private partnerships (PPPs).<sup>6</sup>

- China, India, and a few Middle Eastern Gulf nations are financing a record number of infrastructure projects across Sub-Saharan Africa, says a new World Bank report. Investment commitments in Africa by these emerging financiers jumped from less than \$1 billion per year before 2004 to \$8 billion in 2006 and \$5 billion in 2007, signaling a growing trend in cooperation among developing economies.<sup>7</sup>

**Table III.17. Origin of foreign investment commitments in the infrastructure industries of Africa, Asia and Oceania and Latin America and the Caribbean, 1996–2006**  
(Per cent)

Host region/industry	Developed economies	Developing economies	Transition economies
<b>Africa total</b>	<b>60.8</b>	<b>39.1</b>	<b>0.1</b>
Energy	91.3	8.5	0.2
Telecom	42.0	58.0	-
Transport	82.1	17.9	-
Water	100.0	-	-
<b>Asia and Oceania total</b>	<b>57.1</b>	<b>42.8</b>	<b>0.1</b>
Energy	78.7	21.3	-
Telecom	24.1	75.7	0.2
Transport	43.5	56.1	0.4
Water	76.0	24.0	-
<b>Latin America and the Caribbean total</b>	<b>83.9</b>	<b>15.7</b>	<b>0.4</b>
Energy	92.3	7.7	-
Telecom	73.6	25.3	1.1
Transport	85.6	14.4	-
Water	97.6	2.4	-

Source: UNCTAD's estimates, based on data from the World Bank's PPI Database.

### Utilities

- Almost 1.6 billion people lack access to modern energy sources.<sup>8</sup>
- African manufacturing enterprises lose 5-6% of sales revenues annually due to power outages – with losses as high as 20% of sales in the informal sector.<sup>9</sup>
- Today some 1 billion people lack access to safe drinking water, while 2.6 billion people are without adequate sanitation.<sup>10</sup>



- It is estimated that publicly-owned utilities in developing countries had losses of around \$180 billion a year in the early 1990s - almost equal to annual investments in those sectors.<sup>11</sup>
- Approximately \$120 billion a year is needed by developing countries from now until 2010 in infrastructure investments in the electricity sector, and \$49 billion a year up to 2015 for water and sanitation.<sup>12</sup>

## Transport

- Demand for freight and passenger transport in most developing and transition countries is growing 1.5 to 2 times faster than GDP- the bulk of this increase is for road transport.<sup>13</sup>
- Over 1 billion of the world's rural population lacks access to transport.
- Among developing country regions, sub-Saharan Africa has the lowest level of rural access to an all-season road.<sup>14</sup>
- Recent research finds that landlockedness reduces average growth per year by about 1.5% percentage points. This is particularly true in Sub-Saharan Africa, home to half of the world's landlocked developing countries.<sup>15</sup>
- Poor transportation infrastructure is a major impediment to trade competitiveness. In East Africa, transportation costs account for 35% of the value of exports.<sup>16</sup>

## Infrastructure & Development

**Infrastructure services provide the foundation for the development of any country and contribute to poverty reduction and growth, both directly through improving access to vital resources such as water and electricity, and indirectly by enabling access to other key resources such as schools, hospitals and markets. In partnership with governments, the private sector has an important role to play in building infrastructure for development.**

## Notes

<sup>1</sup> The World Bank, *Global Development Finance 2004*, Ch 6, [http://siteresources.worldbank.org/GDFINT2004/Home/20177051/gdf\\_chapter%206.pdf](http://siteresources.worldbank.org/GDFINT2004/Home/20177051/gdf_chapter%206.pdf)

<sup>2</sup> DfID, *Making the Connections: Infrastructure for Poverty Reduction*, London, 2002.

<sup>3</sup> UNCTAD, *World Investment Report 2008: Transnational Corporations and the Infrastructure*,

<sup>4</sup> UNCTAD, *World Investment Report 2008: Transnational Corporations and the Infrastructure*,

<sup>5</sup> UNCTAD, *World Investment Report 2008: Transnational Corporations and the Infrastructure*,

<sup>6</sup> The World Bank. 2007. SD Network.

<http://go.worldbank.org/0EJJE2HKC0> (accessed 20 Nov 2007)

<sup>7</sup> World Bank, News & Broadcast, New Financiers are Narrowing Africa's Infrastructure Deficit, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21836057~pagePK:34370~piPK:34424~theSitePK:4607,00.html>

<sup>8</sup> The World Bank, *Global Development Finance 2004*, Ch 6, [http://siteresources.worldbank.org/GDFINT2004/Home/20177051/gdf\\_chapter%206.pdf](http://siteresources.worldbank.org/GDFINT2004/Home/20177051/gdf_chapter%206.pdf)

<sup>9</sup> The World Bank, Africa, *World Bank calls for a "New Deal" to solve Africa's Energy Crisis*, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21794512~pagePK:146736~piPK:226340~theSitePK:258644,00.html>

<sup>10</sup> WBCSD, *Doing Business with the World: The new role of corporate leadership in global development*, 2007.

<sup>11</sup> The World Bank, News & Broadcast, Credible Regulation Vital For Infrastructure Reform To Reduce Poverty, Says World Bank, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20212113~menuPK:34464~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html>

<sup>12</sup> The World Bank, *Global Development Finance 2004*, Ch 6, [http://siteresources.worldbank.org/GDFINT2004/Home/20177051/gdf\\_chapter%206.pdf](http://siteresources.worldbank.org/GDFINT2004/Home/20177051/gdf_chapter%206.pdf)

<sup>13</sup> United Nations. 2006. "Enhancing Regional Cooperation in Infrastructure Development Including that Related to Disaster Management." [http://www.unescap.org/pdd/publications/themestudy2006/9\\_ch3.pdf](http://www.unescap.org/pdd/publications/themestudy2006/9_ch3.pdf)

<sup>14</sup> The World Bank, *Atlas of Global Development*, 2007.

<sup>15</sup> United Nations, *Enhancing Regional Cooperation in Infrastructure Development Including that Related to Disaster Management*, 2006, [http://www.unescap.org/pdd/publications/themestudy2006/9\\_ch3.pdf](http://www.unescap.org/pdd/publications/themestudy2006/9_ch3.pdf)

<sup>16</sup> OECD, *African Economic Outlook 2005-2006: Uganda*, 2006.