

University of Florida

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Legal & Policy Issues in the Americas

**Infrastructure Development &
Foreign Direct Investment**

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■ **Environment**

- Favorable economic conditions
 - Well balanced & stable economy
 - Sustained growth
 - Booming export sector
 - High prices for commodities expected to prevail in the near future
- Need for substantial investment in infrastructure to increase coverage & enhance quality (over US\$ 22 billion)
- Change of administration is expected to bring about new priorities and changes in policy

■ Beyond 28 July

- Long term perspective and focused action are key
 - Continue successful programs
 - Design & implement new infrastructure development programs
- Renewed drive
 - Interact and communicate with all Peruvians
 - Leadership to satisfy infrastructure needs
 - Inform population in simple and direct terms
 - Political will: carry out all necessary projects, even those most sensitive from the political viewpoint
 - Highlight key projects and seek widespread support

■ Beyond 28 July *(cont)*

- Well defined strategy
 - Strengthen participation of regional & local governments
 - Define objectives & sort out priorities
 - Rank projects
 - Promote private investment
 - Private investment is key to stretch budget so as to accelerate program
 - Private implementation and management promote efficiency
 - Select the best scheme to carry out selected projects
 - Concessions are well known and accepted
 - PPPs are key to allow feasibility
 - Assure fast implementation; get obstacles out of the way

- Beyond 28 July *(cont)*
 - Sectors to focus on at national and local levels
 - The “conventional”
 - Water & sewerage
 - Ports & airports
 - Roads
 - Power (increasing coverage is of prime concern)
 - Generation
 - Transmission
 - Distribution
 - Gas distribution (spreading the benefits of Camisea)
 - Telecoms
 - “Non-traditional”
 - Health
 - General hospitals
 - Clinics
 - Testing & diagnostic centers
 - Education (new ways to improve coverage and quality of service)

- Beyond 28 July *(cont)*
 - Otros projects required to provide employment and sustain growth
 - Tourism
 - Mining
 - Municipal services
 - Public mass transportation
 - Waste management

- Beyond 28 July (*cont*)
 - Regional projects
 - Infrastructure needs in the Regions are far greater than in Lima
 - Regions are obtaining substantial inflows from the “Canon” which allow significant future investment
 - Regional institutions urgently need strengthening; those involved in project preparation and evaluation, if they exist, are very poorly developed
 - Well conceived programs could have a great impact on regional development

- Widening options for implementation
 - Conventional concessions for those areas in which the business can “capture” a significant proportion of the benefits which are generated
 - PPP schemes for projects with significant externalities which cannot be captured by the private entrepreneur
 - Cofinancing
 - Access to subsidized financing (concessional loans)
 - Complement in order to complete the financial plan
 - Guarantees
 - Loan or credit enhancement schemes to facilitate financing
 - Support from multilaterals to reduce risks
 - Subsidies
 - Get direct subsidies “in the open”
 - Use cross-subsidies where needed

- **Concessions: strengths in Perú**
 - Well developed legal structure
 - Established institutional framework
 - Experienced institutions & officials
 - Creativity: authorities have been creative in developing solutions

- **Obstacles to overcome**
 - Political risk
 - Changes in laws and regulations, especially of utilities & natural resource based businesses
 - Regulatory risk
 - Changes in tariffs
 - Changes in conditions affecting costs

- **Some necessary changes**
 - Alignment of all governmental institutions involved with agreed upon developmental objectives
 - Assist Regions in structuring and promoting adequate projects
 - Strengthen regulators
 - Support independence
 - Strengthen professional staff
 - Complement legislation, where necessary
 - Reorient *Contraloría*
 - Focus on supporting correct performance of duties
 - Emphasis on understanding & coordination

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