



This virtual conference on USAID involvement in infrastructure was hosted by the USAID Global Bureau's Center for Economic Growth and Agriculture Development (EGAD) and its private partner, CARANA Corporation, from August 16, 1999 through September 12, 1999. Conference proceedings will be available for reading only through October 12. Below we provide the conference proceedings structured around six discussion threads as they emerged during the conference.

DISCUSSION THREAD 1

ABOUT THE CONFERENCE

Topic: Layout and Expectations, Read 37 times
From: Sveta (webmaster@carana.com)
Date: Friday, August 13, 1999 07:24 PM

You are in the "ABOUT THIS CONFERENCE" thread. This page explains the conference structure and what you can expect from this conference. So read on!

The conference has a two-frame structure with a toolbar on top. The toolbar has a number of functional buttons that allow you to post your messages, refresh (update) the conference, search for other users and/or content, mark the messages you have finished reading as read, etc. Try clicking on any of the buttons to find out about different operations you can perform.

The left-side frame shows the structure of the conference, giving a list of threads (topics) and messages within the threads. We have set up these original threads in order to start the discussion. As participants express interest in new topics, we will add new threads. Click on the thread or the "+" sign next to it to view messages posted. Click on the subject of the message and the message will appear in the right frame of your browser. Some of the messages will have replies posted to them that will also show in the conference tree on the left.

The right-side frame is the place where you read messages, reply to messages, and write your own comments. Refer to the welcome letter from the Conference Administrator for instructions on how to reply and post messages or click on "HELP". The "Frequently Asked Questions (FAQ)" section in the "ABOUT THIS CONFERENCE" thread is a place where participants can share enthusiasm or frustrations about the virtual conference process and/or software.

While it is possible to participate in the conference as an observer and simply read, we strongly encourage you to become actively involved and post your own comments. We suggest that you check into the conference several times a week to read through new responses and post new thoughts. To facilitate a dialogue among the participants, we encourage you to reply to other people's messages (click "REPLY" or "REPLY/QUOTE"), thus building a thread. In the real world this would compare to a group of people in one room discussing a certain topic. If you want to break away from a larger group and make a comment different from what other people are saying, in the virtual environment you would

have to start a new topic within the discussion thread. You can do this by clicking "POST" and typing your new message. Do not forget to invite others to react to it!

This conference represents asynchronous communication, i.e., people log on at different times. At any given moment, there might be only one or two participants on line. So be patient and do not expect to get immediate responses. Remember that your own participation is the key to getting others involved.

There are a number of individuals orchestrating this event. There is a Conference Administrator and there are several Conference Moderators. The administrator's job is to deal with technical problems much like a webmaster. Technical questions should be referred to: webmaster@carana.com Moderators help structure the discussion. All content questions should go to the moderator for the week.

Last but not least, we ask you to keep your comments appropriate to the thread. Avoid using abbreviations except for acronyms common to most participants. Feel free to use greetings and your name in postings. Should it become necessary for Moderators to edit your comments or move your posting to the appropriate thread, we will notify you by e-mail about this change.

Thanks for being part of the discussion. We will look for you online.

Svetlana Poskotinova
Conference Administrator
CARANA Corporation

Topic: Welcome from Sarah Helmstadter, Read 47 times
From: [shelmstadter \(shelmstadter@carana.com\)](mailto:shelmstadter@carana.com)
Date: Friday, August 13, 1999 07:18 PM

Welcome to our virtual conference! This virtual conference forms the third stage in a discussion which began with the development of a report titled "A Framework for Examining USAID Involvement in Infrastructure". The second stage in the discussion took place at a workshop in Washington, D.C. Should there be interest, there will be a fourth stage, consisting of a workshop in Cairo, in an attempt to generate additional involvement from our field mission staff.

For the purposes of this discussion, infrastructure is considered to include sectors such as power, telecommunications, transport, water and wastewater, and the like. The virtual conference builds on the hypothesis that it is important to build the significance of infrastructure efforts back into the USAID strategy and reform process.

The virtual conference will be moderated, with moderators shifting on a weekly basis. The moderator for the first week is Sarah Helmstadter, a Senior Associate from CARANA Corporation. Mark Gellerson, an Economist in USAID/ANE, will moderate the second week. Participants are encouraged to jump into the discussion and to post messages. The moderators will help to focus the discussion and to synthesize the thoughts put forward by all of you.

To kick off the virtual conference, we are building a number of "threads" revolving around two main questions:

1. WHY is infrastructure development important? This question is posed as part of an "Internal USAID Dialogue."

2. HOW should USAID approach infrastructure development projects?

Click on the respective links in the left frame of the browser to enter the discussion threads. As the discussion progresses, our moderators may add additional topics. Should you require help in participating in the conference, you can:

- Click on the Help button above for more detailed information
- Contact our Conference Administrator at webmaster@carana.com

Sarah Helmstadter
Senior Associate
CARANA Corporation

Topic: Welcome from Sarah Helmstadter (Response), Read 20 times
From: pfarley@usaid.gov (pfarley@usaid.gov)
Date: Friday, August 13, 1999 07:18 PM

A "introductory" comment from the AID side:

A virtual conference like this, open and time-flexible as it is, offers a terrific way for a large number of USAID (and other) people to deal with each other directly on fundamental issues of development technology - in this case, USAID's role in developing infrastructure. In my role in Global bureau, I get many requests from the field on who can do what, how, in this area. Many field missions have been in touch with CDIE, and each other, but not all (many haven't). I enjoy responding, to be in touch with my colleagues in the field. But a conference of this sort is a virtual exchange of helpful information among the people directly responsible for making it happen on the ground, experience both pro and con about how to do this work in a cost-effective manner is often best learned directly from those who are doing it. If contributed into this forum, for example, this informal, spontaneous experience would surely add to USAID's body of experience. I urge you to participate and converse with each other!

Penny Farley

Topic: Your Interest in Infrastructure, Read 73 times
From: [Sveta](mailto:Sveta@webmaster@carana.com) (webmaster@carana.com)
Date: Friday, August 13, 1999 07:13 PM

Dear Conference Participant!

Please take a few minutes to list out the infrastructure-related projects in which you have been involved, and the topics you would like to see discussed at this virtual conference. This will give us all a sense of who is participating, as well as give you a chance to test out the conference software. Hit the REPLY button to begin composing your message. If you have any difficulty posting, do not hesitate to contact our Conference Administrator at webmaster@carana.com to ask for help. Or you can always pick up the old-fashioned telephone and call Sveta at (703) 243-1700.

Svetlana Poskotinova
Conference Administrator
CARANA Corporation

Topic: From USAID-Romania (Response), Read 48 times
From: [danghel \(danghel@usaid.gov\)](mailto:danghel@usaid.gov)
Date: Wednesday, August 18, 1999 03:46 PM

Hi,

Privatization is one of the most exciting subjects for me, and USAID-Romania was very instrumental in developing a positive policy environment in this area. In addition to privatization programs, the local mission has demonstrated its comparative advantage in technology transfer and in policy and institutional reform for the Romanian financial markets development. CARANA was since the beginning one of the successful contractor involved in these programs.

Regarding the virtual discussion proposed by CARANA, I consider that this idea is a great opportunity for everybody to improve their knowledge and experience, which should be strengthened with live discussions in workshops, like the May one.

Dan Anghel

Topic: Experience in Sudan, Bangladesh, Egypt (Response), Read 30 times
From: [jaf \(jfranckiewicz@usaid.gov\)](mailto:jaf@usaid.gov)
Date: Friday, August 27, 1999 08:51 AM

Previous experience in institutional strengthening and/or construction of infrastructure projects.

Sudan: water systems in villages and cities, electricity billing and accounting.

Bangladesh: rural electrification, roads, buildings.

Egypt: industrial plants, wastewater treatment, power.

How can USAID arrange financing of infrastructure through either loan guarantee or partial funding arrangements?

DISCUSSION THREAD 2

WHY INTERNAL USAID DIALOGUE ON INFRASTRUCTURE

Topic: The Development Story, Read 108 times
From: [shelmstadter \(shelmstadter@carana.com\)](mailto:shelmstadter@carana.com)
Date: Friday, August 13, 1999 10:47 AM

At the Washington DC workshop, Frank Martin of the Global Bureau spoke of the importance of formulating a coherent message within USAID as to why infrastructure development is important to meeting agency goals. A number of participants agreed that the world is changing rapidly and the business paradigm is shifting. If USAID wants to stay in business and find its niche in the next century, it has to view infrastructure as being at the core of economic development.

There is information available that links infrastructure development and expansion to economic growth: for example, the 1994 World Development Report suggests that for all countries, a 1% increase in the stock of infrastructure leads to a 1% increase in GDP. Workshop participants agreed, however, that this type of information needs to be supplemented by a strong "development story" that would help USAID to justify its infrastructure activities and to develop a strategy for coherent involvement.

Has anyone out there started compiling "success stories" or "lessons learned" that could be used to help flesh out the development story? If there is a lot out there, we can develop a section in this conference for gathering these stories, and later we can sort and organize them in a more meaningful way.

Sarah Helmstadter
Senior Associate
CARANA Corporation

Topic: The Development Story (Response), Read 110 times
From: [Joe Willmore \(willmore@juno.com\)](mailto:willmore@juno.com)
Date: Monday, August 16, 1999 09:22 AM

Sarah,

I agree very strongly with the idea of starting to share success stories and benchmarks. Not only is this a powerful tool for being able to make a case for policy funding and/or policy direction, simply sharing info about useful cases, interesting results, success stories (or even partial successes) is a very effective way for folks to be able to gain insights into what they might incorporate into future projects in their region or sector. Examples about useful infrastructure projects will be valuable for everyone. I think this is especially true for sectors where a lot of infrastructure development hasn't been attempted. I also suspect that any example of successful infrastructure initiative will also include some pretty hefty "lessons learned" as well that everyone can benefit from--it would be useful to see people share those as well.

Joe Willmore

Topic: Infrastructure in the Context of Global Competitiveness (Response), Read 109 times
From: [KLanza \(klanza@usaid.gov\)](mailto:KLanza@usaid.gov)
Date: Tuesday, August 17, 1999 02:44 PM

Chuck,

AID has had a long and distinguished history infrastructure development...CDIE has volumes. Now that the money has dried up, we're able to continue our work in infrastructure by leveraging our policy work oriented toward infrastructure...TELCOM work in Southern Africa is our best, most recent example here. Check RCSA work through CDIE for more info.

On a more important and cogent note, infrastructure as a stand-alone topic of involvement for AID is dead-on-arrival. The reasons for this are numerous, but it is nonetheless true. If AID is to rekindle the spirit of physical infrastructure development (as opposed to institutional infrastructure), then it must find a way to make the relevance of infrastructure resonate in some larger context...I would suggest that the context be one called global competitiveness. In that way, Missions will be able to link specific policy work in infrastructure, i.e., telcoms, to a broader more expansive theme called competitiveness, where the work can be viewed as one element of many....KL

Topic: Response to Ken's Message (Response), Read 118 times
From: [shelmstadter \(shelmstadter@carana.com\)](mailto:shelmstadter@carana.com)
Date: Tuesday, August 17, 1999 03:48 PM

Ken and Chuck:

Your points about placing infrastructure in the context of competitiveness, and I would add economic growth, are exactly on target. One of the things I would like to see coming out of the "development story" is the link between better infrastructure and improved competitiveness and/or growth. In fact, I think it should be possible to illustrate the linkages between infrastructure and most of USAID Strategic Objectives, whether they be Economic Growth (telecoms, energy, roads, etc.) or Population and Health (water/wastewater) or Environment (irrigation), etc.

If we can collect impact stories that explicitly draw out the linkages, and formulate a cohesive story, it will be easier to promote the need for a strategic approach within USAID to infrastructure development.

Sarah
Sarah Helmstadter
Senior Associate
CARANA Corporation

Topic: Response to Ken's Message (Response), Read 27 times
From: [etugendhat \(etugendhat@carana.com\)](mailto:etugendhat@carana.com)
Date: Monday, August 30, 1999 04:51 PM

I agree with Ken that infrastructure development as an end in itself will never fly. It has to be clearly understood as being the means to achieving other broader goals. The "Competitiveness" angle is a good one. I wonder, however, if there has been much

experience in systematically analyzing a country/region's competitiveness and then focusing AID's efforts on those areas deemed to be most critical.

Ken, the Global Bureau pioneered a number of analytical products such as the "investor roadmaps". Do these take a broad look at competitiveness, or are they more focused on the regulatory/policy climate? If the former, are there cases where the analysis and prioritization of constraints to competitiveness has been used as the basis for programming AID resources, and specifically in the infrastructure area?

Eduardo Tugendhat
CARANA Corporation

Topic: Response to Ken's Message (Response), Read 91 times
From: [patalive \(chuck@patalive.com\)](mailto:chuck@patalive.com)
Date: Wednesday, August 18, 1999 03:59 PM

Ken, I agree with everything you are saying. It is in the spirit or concept of world competitiveness that countries must open their telecommunications sectors and allow market forces to work. It will be the exception that a government in the developing world maintains strict control and its economy flourishes in today's communications and market environment. That is why I am interested in the privatization of state-owned telecommunications organizations.

Chuck Patalive

Topic: The Development Story (Response), Read 87 times
From: [patalive \(chuck@patalive.com\)](mailto:chuck@patalive.com)
Date: Wednesday, August 18, 1999 03:56 PM

I would be very interested to learn about AID 's experience with, or plans to privatize state-owned telecommunications organizations. Clearly, in my mind, to participate effectively in today's electronic world, countries cannot be held hostage to archaic state-owned and operated telecommunications companies.

Chuck Patalive

Topic: The Development Story (Response), Read 87 times
From: [DaciaDan \(dpotash@compuserve.com\)](mailto:dpotash@compuserve.com)
Date: Wednesday, August 25, 1999 11:33 AM

Yo Chuck:

No kidding, here in Moldova, the state-owned telephone company doesn't allow 1-800 calls, doesn't allow collect calls, and doesn't allow credit card calls. I guess because they lose revenue in those cases.

Too bad because the people here are smart, they used to have good technical education and telephone and internet access could be a future here.

I agree with you totally.

- Dan Potash

Topic: The Development Story (Response), Read 49 times
From: [maine \(mgellerson@usaid.gov\)](mailto:mgellerson@usaid.gov)
Date: Thursday, August 26, 1999 12:39 PM

It may be worth keeping in mind that the telecommunications sector is typically quite different than other infrastructure sectors that USAID may deal with. Telecomms is typically a cash cow--even with restrictive environment typical of many LDCs. Private sector firms are often fighting each other for the right to buy a former state monopoly telecommunications firms. This is not the case for most other types of infrastructure in most countries. Many of these are not profitable (water/wastewater) or at best offer only moderate returns over a very long time horizon (power). So while the host gov't basically just has to "get out of the way" for telecommunication privatization, a much more creative level of involvement or partnership between public and private sectors may be needed (e.g. ports/roads). USAID potentially can play a very useful role in this type of situation, but it won't necessarily be easy and interventions will need to be specifically tailored to the country context.

I'm curious, does anyone out there have some good examples of USAID success in supporting a greater private sector role in roads or ports?

Mark Gellerson
ANE/SEA

Topic: The Development Story (Response), Read 25 times
From: [etugendhat \(etugendhat@carana.com\)](mailto:etugendhat@carana.com)
Date: Monday, August 30, 1999 05:22 PM

Mark, I know of two examples where USAID has been involved in port privatization: Murmansk in Russia and the ports in Georgia (ongoing). I am not familiar with the results.

I do agree that it has been easiest to leverage private investment in telecoms and power. Both strategic (direct) and portfolio/ institutional investors have been attracted. AID has clearly been behind quite a number of these programs.

I am also much less familiar with examples of AID efforts to leverage private investment in other types of infrastructure, especially roads, railroads (other than Malawi), ports, airports, and water/ wastewater systems. There is anecdotal info on a number of successful and unsuccessful programs, but most of them have not directly involved AID.

Eduardo Tugendhat
CARANA Corporation

Topic: The Development Story (Response), Read 39 times
From: [jaf \(jfranckiewicz@usaid.gov\)](mailto:jfranckiewicz@usaid.gov)
Date: Friday, August 27, 1999 10:59 AM

USAID/Cairo has been supporting privatization in power and telecomm through policy reform and institutional strengthening. Telecomm has taken the lead mainly due to fact that the private sector will push aggressively to enter the market. Four private sector companies have started up in spite of the fact that the regulatory board is not fully operational.

The power sector has been successful with BOOT projects on the last three power stations. The private sector will finance future power generation because the gas is supplied at minimal cost, and Egypt is planning to export power throughout the region.

Sale of state owned assets is expected to start in both sectors in the near future. The political will is supportive. However, overall coordination is poor, and many pieces are still missing (functioning regulatory boards, enabling legislation, and comprehensive action plans).

Egypt provides us with a good example of how the infrastructure privatization process will move once the political decision is made.

Topic: The Development Story (Response), Read 37 times
From: [maine \(mgellerson@usaid.gov\)](mailto:mgellerson@usaid.gov)
Date: Monday, August 30, 1999 09:10 AM

Jim:

It would be interesting to hear your assessment (as well as the assessment of others closely involved with the work in Cairo) as to the impact which USAID TA, policy dialogue, etc. had on the progress made in Egypt on infrastructure reform/privatization. Did we facilitate what the GOE wanted to do anyway, or did we raise the GOE's consciousness as to the benefits of a greater private sector role in infrastructure?

It would also be useful to hear from folks concerning other infrastructure sectors.

Mark Gellerson
ANE/SEA

DISCUSSION THREAD 3

HOW: FOCUSING/CLASSIFYING AN AID APPROACH

Topic: Leveraging aid, Read 36 times
From: [shelmstadter](mailto:shelmstadter@carana.com) (shelmstadter@carana.com)
Date: Wednesday, August 25, 1999 05:22 AM

In thinking about classifying a variety of USAID approaches to infrastructure development, an important question that arises is how to identify the countries or cases in which aid will be best utilized. One of the themes which emerged from the Washington DC infrastructure workshop, and the accompanying infrastructure report, was the importance of applying donor aid to leverage private sector investment. This theme was addressed in A November 1998 World Bank report, titled "Assessing Aid: What Works, What Doesn't, and Why." The report highlights the potential that directing aid money at countries with good economic policies has for leveraging private sector investment.

A recent Economist article summarized and commented on the report. Here is a brief excerpt:

"Badly run countries showed negligible or negative growth, and no amount of aid altered this. Well run countries [good economic policies and good institutions] that received little aid grew steadily, with GDP per head increasing by 2.2% a year. Well run countries with a lot of aid grew faster, at 3.7% per head a year...."

The Economist article goes on to say that the effectiveness of aid "is often limited...by the fact that it tends to displace, rather than complement, private investment. In countries with good management, aid "crowds in" private investment: if an economy is growing fast, the returns on road building or setting up a new airline are likely to be high. A poorly managed, stagnant economy offers private investors fewer opportunities."

While it seems obvious that USAID should be directing resources to countries with good policies that will be able to maximize the effectiveness of the aid, political, geo-strategic concerns play heavily into where money is allocated. I would be curious to hear from some of the USAID people how USAID balances these two competing forces with respect to its involvement in infrastructure development. I imagine the ENI folks would have some interesting thoughts to contribute on this subject.

Sarah Helmstadter
Senior Associate
CARANA Corporation

Topic: Leveraging aid (Response), Read 32 times
From: [maine](mailto:mgellerson@usaid.gov) (mgellerson@usaid.gov)
Date: Wednesday, August 25, 1999 12:40 PM

Sarah:

Clearly the allocation of USAID funds is heavily influenced by political/strategic considerations. Probably virtually everyone agrees that the development impact of these funds would be increased if some resources were re-allocated from ESF to DA countries. Nevertheless, most ESF countries do not have the policies and institutions in place that are

needed to attract greater private investment in infrastructure--look at Jordan and Egypt, for example. Thus USAID efforts to improve these policies and institutions can play a very important role. The bigger challenge, however, may be found in DA countries. The needs are great--relating to infrastructure and most other areas--but USAID's resources are typically very limited, the private sector is often repressed, and the foreign investor is reluctant to enter the market.

Mark Gellerson
ANE/SEA

Topic: Leveraging aid (Response), Read 19 times
From: pfarley@usaid.gov (pfarley@usaid.gov)
Date: Wednesday, September 01, 1999 02:31 PM

Good comments above, all.

However, one of the most potent points made in the presentation and discussion at the May workshop, and a point that comes out clearly in the Carana case studies (several of them) is that AID has the on-the-ground presence and credibility to build into our conditionality and Strategic Objective planning explicit references to linkages to infrastructure development, which in turn allows for well targeted, (and low cost) USAID policy interventions which help to break through the barriers to change at the policy level. (EG. Central America, S. Africa region). It took a while for some of those cases, but now we surely have in hand more economic data (the macro data Sarah refers to), the Competitiveness Studies and other materials which are excellent fodder for discussion with (recalcitrant) host governments.

Its worth adding the point that a number of missions have contacted me on a one-on-one basis asking about recent USAID experience in infrastructure development (who, what, where, and how?) I'd like to add to the appeal others in this forum have made for relevant examples from the field either positive or negative to help us learn directly from each other. This forum, if more of you folks out there could contribute from your experience and files, is an excellent way to dialogue with each other directly. I'm a happy "middleman", but I'd love to check in on your experiences and download them for my reference and files as you discuss this together.

Penny Farley

Topic: Choosing the Appropriate Approach, Read 38 times
From: [shelmstadter](mailto:shelmstadter@carana.com) (shelmstadter@carana.com)
Date: Friday, August 13, 1999 11:03 AM

USAID has been involved in infrastructure development both directly and indirectly since its inception. Building on the fact that agency resources are limited, as well as on lessons of experience, should AID be concentrating its efforts on a particular approach to infrastructure development? Can a menu of approaches be developed for particular sets of circumstances, such as sector involved, political/economic system, and geographic location? For example, in a number of recent telecom cases, USAID has focused on setting the policy environment in order to encourage privatization. In other cases, such as municipal water in Ukraine, USAID has taken a dual approach of encouraging change in the policy environment and running a demonstration program on physical improvement in order to bring immediate results and encourage government attention to the policy environment.

What experience has been particularly successful? Can we develop a toolkit for missions working on infrastructure related issues, that would help guide their approaches? It would be great to hear from those who have been working on infrastructure activities in the field.

Sarah Helmstadter
Senior Associate
CARANA Corporation

DISCUSSION THREAD 4

HOW: APPROACH TO FINANCING

Topic: Choosing A Financing Mechanism, Read 50 times
From: [shelmstadter \(shelmstadter@carana.com\)](mailto:shelmstadter@carana.com)
Date: Friday, August 13, 1999 11:35 AM

Increasingly, governments are looking to sources other than tax revenue and borrowing for financing infrastructure development. In the late 1980s and early 1990s, about 90% of financing for infrastructure was derived from government tax revenues and borrowing. Multilateral and bilateral donors accounted for about 12% (much of it loans or grants to governments) and the private sector about 7 percent. More recently, governments are tapping private resources both domestically and abroad. With time, governments are becoming increasingly creative in their approach and the mechanisms they use, with instruments such as bond issues, securitization, leasing, trusts, concessions, and a range of BOT type contracts.

The USAID Latin America Center for Urban Management (LACUM) hosts an annual conference on Habitat Financing to discuss financing issues with respect to urban infrastructure, housing, and services. It would be great to hear from them and any others out there who are focusing on these issues.

Sarah Helmstadter
Senior Associate
CARANA Corporation

DISCUSSION THREAD 5

HOW: A REGIONAL APPROACH

Topic: Benefits and Limitations, Read 41 times
From: [shelmstadter](mailto:shelmstadter@carana.com) (shelmstadter@carana.com)
Date: Friday, August 13, 1999 11:06 AM

A number of participants at the Washington D.C. workshop commented on the advantages of a regional approach, where USAID works with multiple countries simultaneously. Some of the advantages include:

- Economies of scale: much of the work that is done is replicable. In addition, holding regional seminars and training programs can be quite effective.
- Flexibility with respect to Strategic Objectives: missions can respond to regional opportunities.
- Stimulus of their neighbors' experience: for example, when one country in the region successfully privatizes a power plant, this can galvanize its neighbors into undertaking similar privatizations. Networks of officials and professionals can be developed, and these can prove very helpful in sharing experience.
- A regional approach is helpful for promoting harmonization of rules.
- Finally, the outputs of infrastructure reform can and should be shared within regions.

What are the limitations of a regional approach? When can it be used and when not? Any comments out there?

Sarah Helmstadter
Senior Associate
CARANA Corporation

DISCUSSION THREAD 6

HOW: URBAN VERSUS RURAL APPROACH

Topic: Addressing Urban and Rural Issues, Read 72 times
From: [shelmstadter](mailto:shelmstadter@carana.com) (shelmstadter@carana.com)
Date: Friday, August 13, 1999 11:09 AM

Basic infrastructure services are particularly limited in rural areas. According to the 1994 World Development Report, roughly 65% of rural inhabitants have no electricity, while 33% do not have potable water. In addition, poor roads limit access to markets thus depressing income opportunities for rural inhabitants. At the same time, urban populations are growing faster than their infrastructure can sustain, resulting in environmental and economic problems. What are the implications for directing USAID activities? What are the implications for the variety of privatization mechanisms—for example, should the private sector be obliged to expend a certain amount on rural development?

It would be interesting to hear how different missions around the world have tackled these issues.

Sarah Helmstadter
Senior Associate
CARANA Corporation

Topic: Addressing Urban and Rural Issues (Response), Read 71 times
From: [KLanza](mailto:KLanza@usaid.gov) ([kLANza@usaid.gov](mailto:KLanza@usaid.gov))
Date: Tuesday, August 17, 1999 04:13 PM

Sarah,

I don't think requiring the Private Sector to invest in Rural infrastructure is the answer. It smacks of central planning and will likely be ineffective. Rather, changes the incentive structure to attract private investment in infrastructure is a much better approach. Creating the conditions in rural areas where, for example, FTZ can be created will attract private sector businesses, create jobs and provide some investment into infrastructure...I've seen this happen successfully in several countries including the Dominican Republic where some remote areas, with policy incentives from National and municipal government were sufficient to attract private development capital into infrastructure which benefited the whole community. Also, BOO/BOTs for road development is another good way to provide the right infrastructure with "directing" private investment and without taxing the government coffers to extensively. KL

Topic: Addressing Urban and Rural Issues (Response), Read 74 times
From: [Joe Willmore](mailto:willmore@juno.com) (willmore@juno.com)
Date: Wednesday, August 18, 1999 02:25 PM

Hi,

First, good example with the Dominican Republic. Could you share more details in your next response about that work?

Second, in the Urban vs. Rural approaches, I wonder if there isn't a natural tendency for

most local governments to focus on urban development/infrastructure which only leads to more flight to the cities (overwhelming the infrastructure) and making it harder to demonstrate results from the project.

Third, if government entities (USAID or the National bodies) need to be accountable for programs, I imagine it would be difficult to show the influence of incentive programs aimed at stimulating infrastructure development--just because development took place would not be an indication it was due to the incentives. Any suggestions for how to address this issue?

Topic: Addressing Urban and Rural Issues (Response), Read 26 times
From: [etugendhat](mailto:etugendhat@carana.com) (etugendhat@carana.com)
Date: Monday, August 30, 1999 05:35 PM

It is interesting that Ken has raised the issue of "Free Trade Zones". It is interesting that these are often seen more as a haven for escaping onerous duties and other regulatory hassles, than as a solution to infrastructural bottlenecks. I think that the Mexico experience with maquila and private industrial parks, which have kept growing after NAFTA (which presumably eliminates most regulatory obstacles) proves the value of this concept as a solution to infrastructure problems. In effect, private developers provide foreign manufacturers with turn-key infrastructure, including factory space, telecoms, electricity, access to transport, etc.

I imagine that this kind of approach could have a rural counterpart. Perhaps for ag processing and storage? Has this been tried anywhere?

FTZ's and similar concepts more or less got wiped out of the AID lexicon along with Section 599 (is that the right reference?) which prohibits AID from financing programs that put US jobs at risk. Has it been possible to continue any such initiatives with AID money?

Eduardo Tugendhat

Topic: Addressing Urban and Rural Issues (Response), Read 30 times
From: pfarley@usaid.gov (pfarley@usaid.gov)
Date: Wednesday, September 01, 1999 02:44 PM

Right. But private concessions, under well conceived and well negotiated concession agreements may not necessarily find it onerous to reach to the rural areas, or to sponsor or encourage or contract with existing small scale rural suppliers (NGOs, PVOs,) to expand upon or start up rural infrastructure, and maintain it, without being dependent on government at either central or local level to take the initiative. Some roads in Kenya are being developed and maintained this way; possibly roadway linkages could be build upon this way. Local power entrepreneurs is another case (even in Mongolia there are local tiny power entrepreneurs making do with what they; trade, barter build to serve their communities until they are assisted by larger network linkups).

The cellular phone phenomenon is everywhere, even in remote areas (we've all seen them!) But here's where USAID could help with establishing regulatory frameworks to protect the consumers (and the state) against costly private monopoly agreements "dictated" by the first supplier to go into the country.