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Interactive thematic session

INFRASTRUCTURE DEVELOPMENT

Summary prepared by the Conference secretariat

1. Weak infrastructure is a major impediment to trade, competitiveness and sustainable development in most LDCs, particularly land-locked developing and small island developing States. Infrastructure development is a key element of countries' poverty reduction strategies. At the macro level, infrastructure investment is closely connected with growth and integration in the global economy. At the micro level, access to infrastructure provides households with the opportunity to escape from poverty – for example, by providing access to markets, reducing time spent on securing water supplies, and more generally by increasing productivity.
2. Governments should establish a policy environment conducive to productive investment in infrastructure. In this context, competition has proved to be a powerful tool for expanding and improving the quality of infrastructure services. It was noted that privatization must be accompanied by strong regulatory policies to ensure a competitive environment. Moreover, foreign investors in infrastructure development require guarantees and undertakings from Government, such as guarantees against expropriation and breach of contract, full repatriation rights and international arbitration clauses. In particular, where competition can be introduced, public monopolies should not be replaced by private monopolies.

3. The “new paradigm” of the 1990s of market liberalization and privatization has been successful in the telecommunications and energy sectors, but much less so in other infrastructure sectors, where returns on investment are more difficult to realize and even slower to materialize. LDCs have yet to benefit from this new paradigm to the same extent as other developing and transition countries. Also, rural areas tend to be overlooked in favour of urban areas for infrastructure programmes. This gap needs to be narrowed.

4. Upgrading of infrastructure requires a degree of financing far exceeding the means of individual LDCs. Of special concern is the decrease in private and ODA financing experienced by LDCs in recent years. There is a need for increased ODA, to supplement private investment. This in turn requires a better business environment in the countries concerned.

5. Regional cooperation and integration involving LDCs can be an asset to pool limited resources and achieve needed economies of scale. Transport plays a pivotal role for trade and regional integration. Examples include the Mekong Basin Sub-region Project and the Trans-African Highway Project that are underway, as well as the African open-sky initiative established by the Yamousokro Decision. Regional transport networks facilitate connectivity between regions and subsequently enhance regional and international trade. Furthermore, it has been recognized that access to transport networks contribute positively to the reduction of poverty. Special attention needs to be devoted to the complementarity between large infrastructure developments and domestic road networks including local infrastructure needs which benefit rural communities, particularly, women who are mainly responsible for household needs and agricultural production.

6. In any infrastructure development project, special care must be taken to ensure that local users – especially the poor – are included. This demand-driven approach is also essential to avoid duplication of efforts and waste. Therefore, closer a meaningful partnership between the public and private sectors including civil society, local NGOs and small entrepreneurs is required. The World Bank has given examples of “smart subsidies” specifically targeted to the poor, which reduce waste and corruption and allow Governments to assist the poor more effectively and at a lower cost. Additional proposals envisioned the participation of small-scale providers in order to stimulate employment. In order to ensure suitable and efficient allocation of infrastructure investment it is vital for local and national authorities to exercise true ownership over such programmes and projects. It is also vital that Governments, financial institutions and private investors better coordinate projects in order to avoid duplication and waste.

7. Because infrastructure is essential to every economy, it is one of the main targets for destruction during conflicts. For this reason, LDCs emerging from conflict have an urgent need for extensive investment in infrastructure rehabilitation and reconstruction.

8. Solid feasibility studies are needed whenever large-scale infrastructure projects are planned to assess the impact on the local community, including social and environmental effects. This will ensure long-term sustainability of such projects.

9. There is an upturn in telecommunications development in LDCs arising from sector reform and introduction of new technologies. The deployment of information communication technologies (ICTs), including telecommunications, plays a pivotal role in bridging not only the digital divide but also other divides in political, economic and social domains. Enhanced cooperation between LDCs, ITU, United Nations, development agencies and the private sector in the development and deployment of the required telecommunications infrastructure is needed in order to integrate LDCs into the world economy and to reach the goal of providing universal access.

10. In conclusion, the session called for:

- A reversal of the current downward trend of ODA and private financing for LDC infrastructure development;
- The acceleration of the introduction of competition in infrastructure sectors, including support for the liberalization of transport and other infrastructure sectors in the context of WTO/GATS;
- Specific financing for the missing elements of the Trans-African Highway Network;
- The establishment of regional infrastructure funds to support multi-country projects and advanced regional integration;
- Innovative ways to involve small-scale local infrastructure providers that make use of local resources and create employment and dismantle existing barriers to service delivery by small providers;
- More efficient use of scarce public funds, including better targeting of subsidies to the poor;
- Greater involvement of beneficiaries in the design and implementation of infrastructure projects;
- Expansion of the ITU Special Programme for LDCs, 2000 to 2003.
