

*Group of Latin American and Caribbean Countries (GRULAC)*

*MetMUNC XLVIII*

*Topic: Infrastructure Rebuilding of Latin American Countries*

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## **Introduction**

The infrastructure of a country depends on the quality and accessibility of utilities (such as water or electricity) and transportation. Latin America lacks infrastructure proportional to its average income level. Among developing nations, Latin America spends only 2.8% of its GDP (gross domestic product) on infrastructure, placing it only slightly above Sub-Saharan Africa. Services across the region are unsatisfactory, unable to meet the demands of its growing middle class. It is crucial for Latin America to invest more money, more efficiently in order to narrow its cavernous infrastructure gap. Otherwise, the region will be severely stunted in its attempts to advance social integration and stimulate economic growth.<sup>1</sup>

## **Latin American Infrastructure**

The infrastructure of a country includes the facilities and services (such as roads, bridges, water supply, electric grids, etc.) necessary for the integration and survival of the nation's economy. When infrastructure is underdeveloped, the nation and its citizens suffer. This is the case in Latin America where more than 60% of the region's roads are unpaved, two thirds of the sewage is untreated, and rates of power outages are among the highest in the world. According to the Joint Monitoring Program of the World Health Organization and UNICEF, 50 million people

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<sup>1</sup> <https://pdfs.semanticscholar.org/dab5/42059e8f793991ba15cfaa4f791ea3b3bdb0.pdf>

(or 9% of Latin America and the Caribbean) do not have access to safe water supplies, and 125 million (or 23%) do not have access to adequate sanitation. Consequently, poor sanitation and lack of water are the second-biggest killers of children in the region.<sup>2</sup>

## GDP Expenditure

This deficiency in infrastructure is a result of Latin Americans spending a smaller share of GDP on infrastructure than any other region except sub-Saharan African (Figure 1). Currently, the infrastructure

Region	Percentage of GDP
East Asia and the Pacific	7.7
Central Asia	4.0
Latin America and the Caribbean	2.8
Middle East and North Africa	6.9
South Asia	5.0
Sub-Saharan Africa	1.9

Figure 1: Latin American GDP expenditure in comparison to other regions in the world

investment gap amounts to roughly 2.8%, or \$150 billion per year of the region's annual income, which significantly trails the investment requirement of 5.2% by the United Nations. Not only does this minimal investment in infrastructure have implications for the Latin American economy, but more specifically, it hurts the poor. Failure to invest in infrastructure hurts the poor the most as they spend most of their income on infrastructure services. Due to the widespread poverty present throughout Latin American and the Caribbean, improvements are necessary. However, high debt and tight fiscal budgets exist.<sup>3</sup>

## Infrastructure Rebuilding

As a result of poor infrastructure, Latin America falls behind in social integration, growth, and prosperity. The region invests little in infrastructure on average, and this already low average is inflated by the largest countries in Latin America, such as Argentina, Brazil, and

<sup>2</sup> <https://www.economist.com/the-americas/2018/03/10/latin-america-needs-an-infrastructure-upgrade>

<sup>3</sup> <https://www.americasquarterly.org/content/how-latin-america-holding-back-its-own-growth>

Mexico. Instead of focusing on the investment gap (how much money is needed?), the focus should be on the service (how much money is needed *for what?*) Focusing in on closing the service gap should not be just about spending more money. Rather the gap can be narrowed by ensuring that spending — particularly of scarce public resources — is well targeted.

**Private Investment in Infrastructure**

Private investment in infrastructure in Latin America is significantly higher than in any other developing region. Latin American’s infrastructure is 50% privately funded, whereas in comparison only 10% of Asia's infrastructure is privately funded. (Figure 2) .

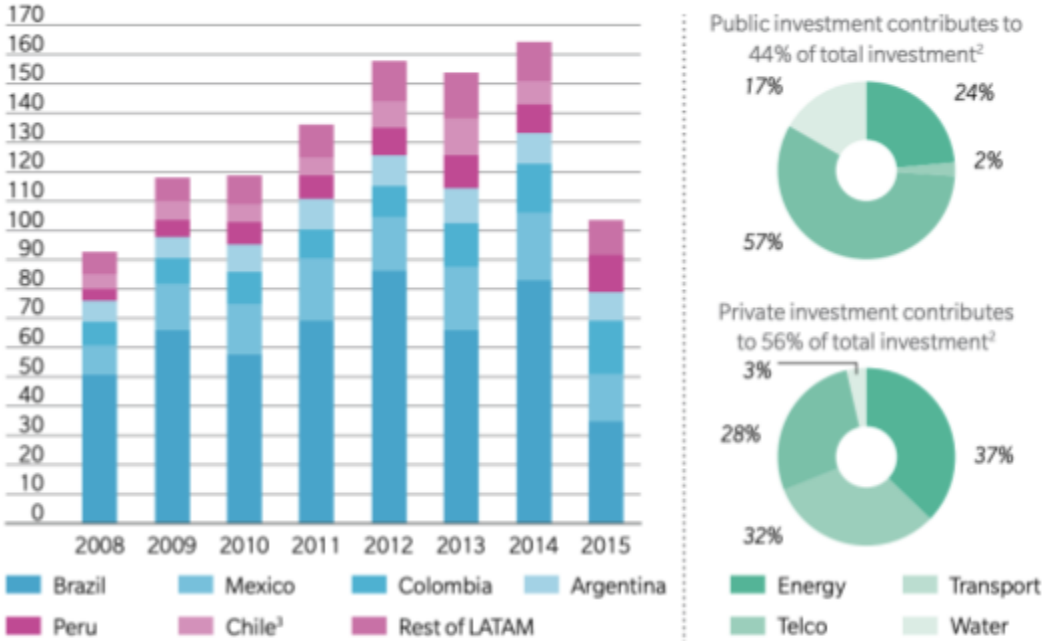


Figure 2. Total Latin American and Caribbean infrastructure investment

However, due to slower levels of economic growth in Latin America and the Odebrecht corruption scandal (one of the largest corruption cases in history), hesitancy among private investors has drastically increased.<sup>4</sup> In order to improve the infrastructure of Latin America and

<sup>4</sup> Overview Of Infrastructure Investment In Latin America

the Caribbean, potential alternatives need to be put in place. The most beneficial method has been to attract institutional investors like pension funds, insurance companies, and sovereign wealth funds that have the available resources and match them with the project that meets their needs for long-term returns in their investment.<sup>5</sup> Getting the mix right between transportation - including better roads, bridges, and tunnels- energy, and construction will not only benefit Latin American economies significantly, but the region as a whole.

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<sup>5</sup> <https://www.americasquarterly.org/content/how-latin-america-holding-back-its-own-growth>

## Questions to Consider

1. What is the current status of your nation's infrastructure?
2. What issues, if any, are your nation's citizens facing because of infrastructure deficiencies?
3. How much does your government spend on infrastructure? Could it afford to spend more?
4. What plans are currently being implemented in your nation to solve infrastructure issues?

## Helpful Links

- <https://www.economist.com/the-americas/2018/03/10/latin-america-needs-an-infrastructure-re-upgrade>
- <https://www.americasquarterly.org/content/how-latin-america-holding-back-its-own-growth>
- <https://www.reuters.com/article/latam-pe/private-equity-eyes-long-term-with-latin-america-infrastructure-buys-idUSL1N1ZZ0XS>
- <https://pdfs.semanticscholar.org/dab5/42059e8f793991ba15cfaa4f791ea3b3bdb0.pdf>
- <https://pdfs.semanticscholar.org/dab5/42059e8f793991ba15cfaa4f791ea3b3bdb0.pdf>