

Infrastructure in Latin America: from the Investment Gap to Spending Efficiency

Evidence-Based Policy-Making

22 October 2020

16:00 – 17:15 p.m.

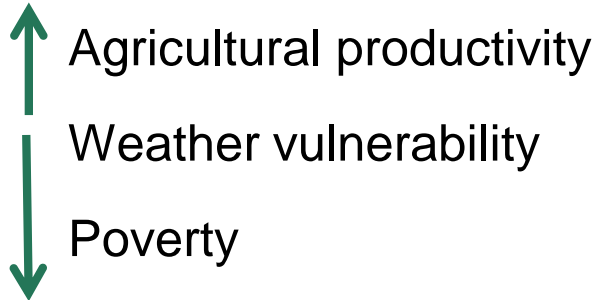
Zoom

@antonellabanca

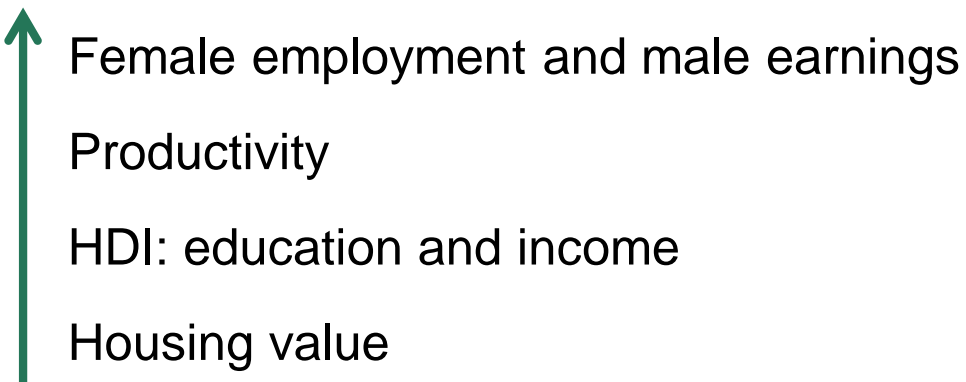
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Infrastructure and living standards

- Irrigation dams (Duflo & Pande 2007) - downstream



- Electricity networks (Dinkelman 2011; Rud 2012; Lipscomb et al. 2013)



Infrastructure and living standards

- Roads (Banerjee et al. 2020; Asher & Novosad 2020)

↑ GDP per capita
Labor mobility
Employment



- Railroads (Donaldson 2018)

↓ Trade costs and interregional price gaps
↑ Interregional and international trade
Real income



- Water sewerage (Cutler & Miller 2005; Alsan and Goldin 2019)

↓ Early-life mortality

Life-cycle of infrastructure projects



Project implementation

- **Inefficient allocation**

 - Favor coastal areas with greater environmental risks (Balboni 2019)

 - Political favoritism (Burgess et al. 2015)

- **White elephants** (Bancalari 2020)

 - Mid-construction abandonment

 - Temporary delays (cost overruns, poor technical design)

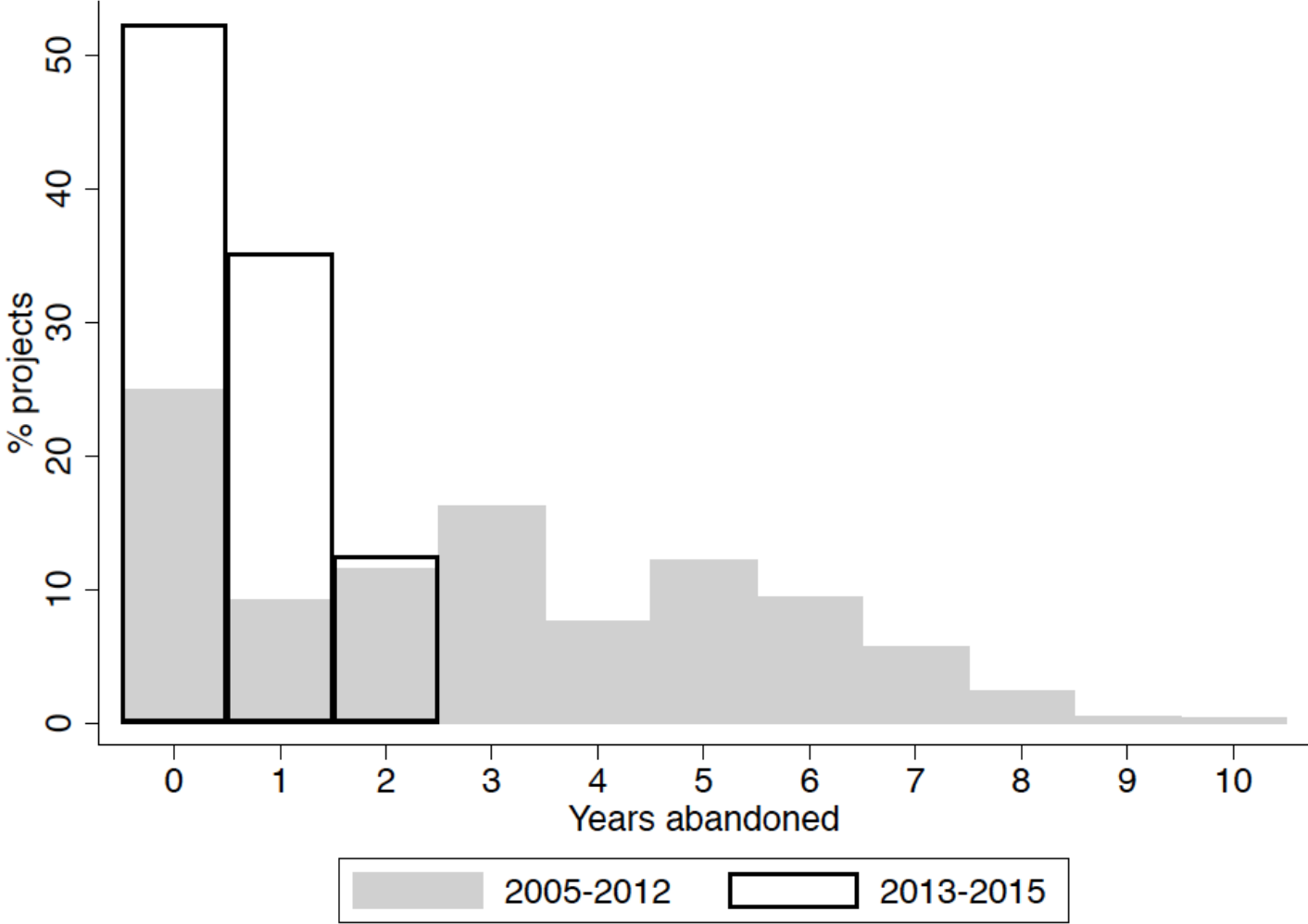
Which are the consequences?

Can white elephants kill? Sewerage infrastructure in Peru



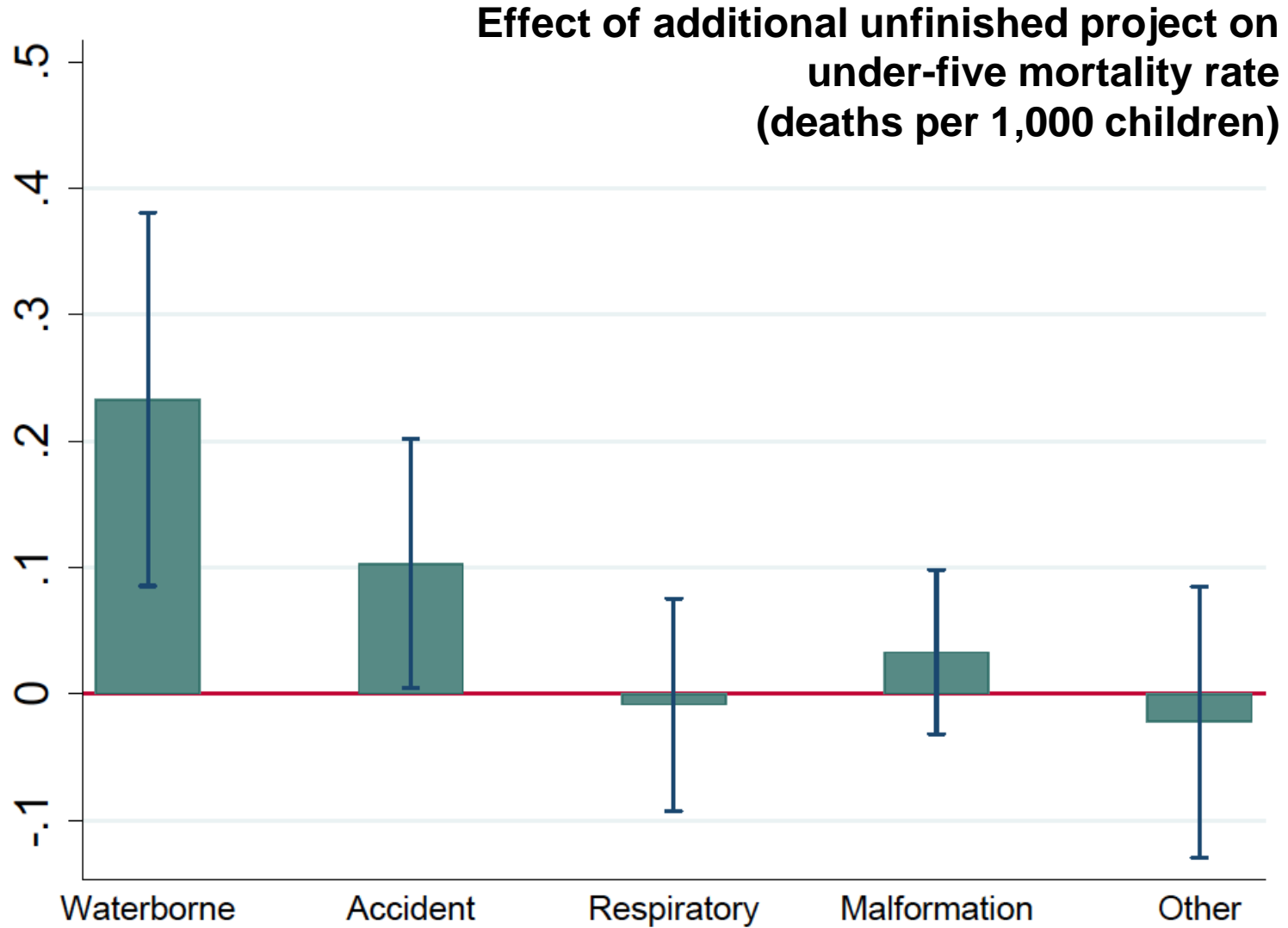
Source: Defensoria del Pueblo (2015) “Por qué hay tantas obras de agua y saneamiento paralizadas?”

Mid-construction abandonment



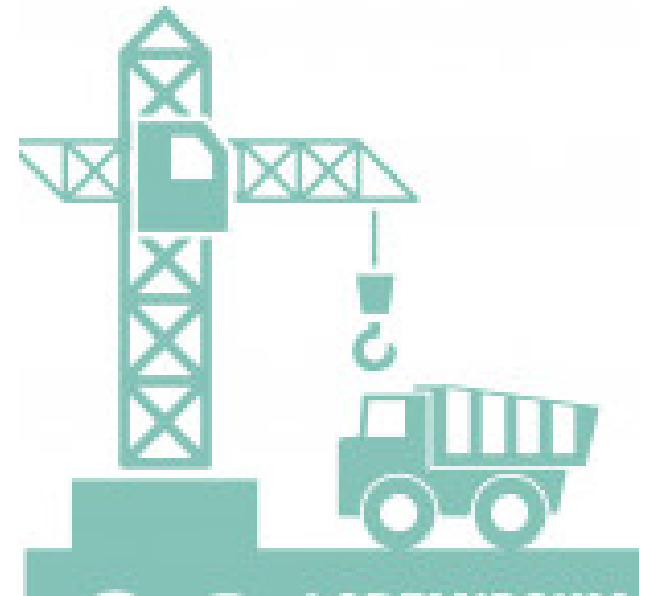
~ 30% public infrastructure projects not completed by 2015

White elephants can kill



How to guarantee project completion?

- Management practices of local bureaucrats (Rasul and Rogger 2018)
- Overcome unstable local political dynamics (Williams 2017)
 - Inter-governmental transfer condition on finishing started projects
- Heavier regulation of procurement in LMICs (Bosio et al. 2020)



After project completion - Demand

- Low demand

 - “Last-mile problem” (Ashraf et al. 2016)

 - Low ability to pay and willingness-to-pay (Greenstone & Jack 2015; Dupas 2011)

- How to promote demand?

 - Information/ sensitization campaigns (Guiteras et al. 2015)

 - Demand-side subsidies releasing liquidity constraints (Devoto et al. 2012; Ashraf et al. 2013; Ben Yishay et al. 2017)

 - Conditional cash transfers in Mexico (Attanasio et al. 2015)

After project completion - Supply

- Poor operation & maintenance → low infrastructure quality

Degrading status

Intermittent supply

Insufficient supply

- How to upgrade supply?

Privatization in Argentina (Galiani et al 2015), but not in Colombia (Granados & Sanchez 2014)

Remove supply-side subsidies that generate distortions in Colombia (McRae 2015)

Promote payment (Burgess et al. 2020; Coville et al. 2020; Armand et al. 2020)

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