Infrastructure—Latin America's Perennial Challenge

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No nation can hope to achieve, maintain and expand its competitiveness without a strong foundation—namely, infrastructure: roads, ports, airports, and transportation systems, as well as water, electricity, telecommunications, and information technology.

The current situation of the region is not favorable: Latin America falls short when it comes to infrastructure investments. According to the World Bank, while East Asia and the Pacific invest approximately 8% of GDP in infrastructure, Sub-Saharan Africa invests approximately 2 percent, and Latin America and the Caribbean invest close to 3 percent of GDP.

The current state of the region's physical infrastructure does not meet the development or competitiveness needs of the region and are not aligned with the expectations of its populations. Data from the World Bank indicates that current annual investments in infrastructure range from 2 to 4 percent of GDP on average, placing Latin America at a disadvantage when compared to most regions.

An important question arises then: *how much should Latin America be spending on infrastructure?* Expert opinions vary but the general agreement is that there should be investments in infrastructure that amount to at least 4-5 percent of regional GDP.

The transportation sector is illustrative; for it is a mixed bag. According to *The Economist* , Latin America confronts serious problems in this area: it lacks a dense transportation network, is exacerbated by the region's low population density; additionally, its paved road density is quite low as is the quality of the existing roads.

However, urban transportation performs somewhat better. During the last few decades significant investments have been made in large-scale public transportation systems, especially in the most densely populated cities, most of which now have multiple modes of public transport. Medellin's metro system and Santiago's subway system are shining examples.

As for airports, the region's airports had been better than those of other developing regions, but they have fallen behind due to both a lack of investment to expand and modernize the airports, and an increase in passenger demand brought forth by a growing middle class.

Ports, on the other hand, are a bright spot as they manifest greater connectivity to global shipping networks. UNCTAD's 2020 liner shipping connectivity index indicates that the Manzanillo port in Panama, the Cartagena port in Colombia, and the Manzanillo port in Mexico stand out in terms of multimodal connectivity.

In sum, Latin America's infrastructure is not on par with its growing upper-middle income population and the expectations of economic growth. Investing in infrastructure is essential to the region's economic growth, to reduce inequality, and to achieve sustainability. Latin America has the means to improve its infrastructure, but first it must work on prioritizing its investment needs and goals, on improving the efficiency of public spending, and on attracting cost effective funding. In doing so, Latin America can become more strategic in allocating its resources for infrastructure improvements and achieve a level of infrastructure that can contribute to sustained economic growth.

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