

**USAID ECONOMIC GROWTH OFFICERS CONFERENCE
OCTOBER 15-19, 2007
WASHINGTON, D.C.**

Session Title: Design/management of USAID infrastructure projects in post-conflict environments

Date and Time: October 16, 2007, 1:00-2:30 p.m.

Type of Session: Plenary

Speaker(s): Juan Belt, USAID

Moderator: David Dod

Overview of Session:

This session described the characteristics and challenges of USAID infrastructure projects in post-conflict situations, including cost, sustainability, and community participation. Mr. Belt illustrated his comments with examples from Guatemala and brief references to El Salvador. While the overall message was that infrastructure must be restored rapidly, the focus was really on the restoration of power.

Speaker's Remarks:



Juan Belt addresses workshop attendees. Photo by Paul Goodman.

Scope of the discussion is the infrastructure of post-conflict situations. USAID infrastructure programs are at times costly, neglect sustainability, and do not take account of the fact that private participation is possible. Lessons will be illustrated in the case studies of Guatemala and El Salvador.

Although most USAID infrastructure programs are high cost, they can actually be low cost. Using regulatory reforms to promote competition and private participation is one way to achieve lower costs. It should also be noted that private sector participation is not necessarily privatization. Privatization can come in the form of concessions, corporatizations and commercialization, and outsourcing and operating contracts.

Post-conflict countries are “lousy” for economic government. Even “good” countries are difficult, which means the basket case countries are even more problematic. However, it is important that infrastructure must be restored rapidly in spite of problems, such as asset stripping and difficulties with private investment.

The importance of sustainability within sectors cannot be emphasized enough regardless of the fact that all sectors are different and require different levels of commitment and resources. For example, cellular, power, water and transport are listed in order of increasing difficulty. Of the different sectors, power is the most important. A survey in Iraq revealed that lack of power bothers Iraqi citizens more than violence.

In Guatemala, they started with privatizing power as there was a financial crisis in power sector. Initially, USAID was engaged in stop-gap activities. In order to promote sustainability, they engaged in legal and regulatory reforms, such as: seminars and technical assistance to open private sector participation to

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promote private investment; technical assistance to draft electricity law and regulations, including training for regulators and other market participation; technical assistance for unbundling and privatization; increased access to modern energy services in rural areas; and promotion of clean and sustainable energy.

These reforms resulted in \$2 million in private investment in the power sector, a dramatic increase in access to electricity (from 37% to more than 90% today) to electricity, and over \$180 million in private investment in renewable energy.

In conclusion, difficult situations present problems with corporate governance (asset stripping, tunneling, or theft). There are needs for asset management, establishment of “receivership,” a focus on “customer facing functions”, and private ownership.

Key Points Discussed During Question & Answer Segment:

Please see Question & Answer segment of Session 16.