

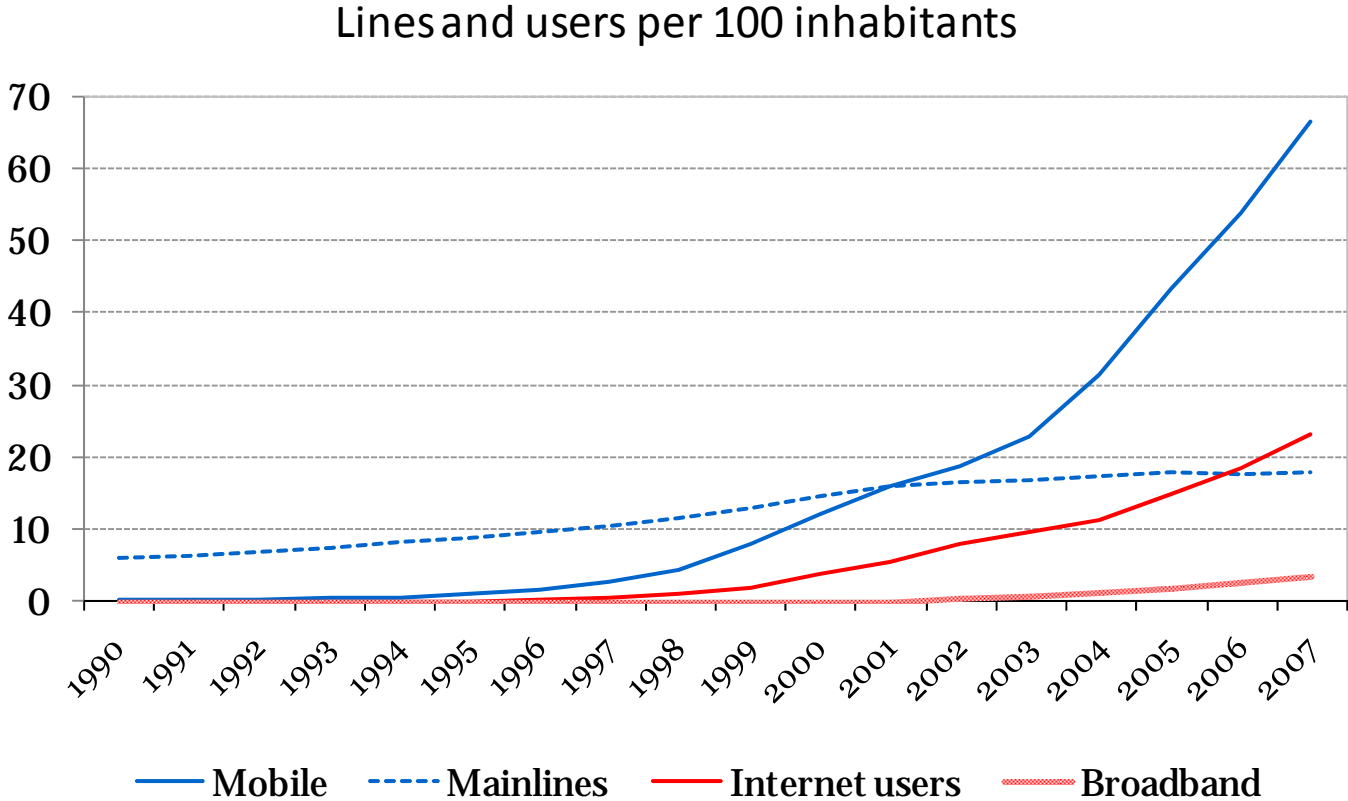
Innovation, Investment and Access to Telecommunications in Latin America

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Telecommunications performance and FDI in Latin America

- Much improved performance by usual indicators (line density) ...
...associated with the large inward FDI flows
- However **inequality in access** remains high and has not been dented by foreign enterprises' entry
- Greater access across the income distribution is both the **result** and the **source** of technological and institutional innovations
- Telephony markets are not very competitive and consolidation has not helped
- The challenge: creating regulatory frameworks and access promotion strategies to increase coverage, service and affordability.

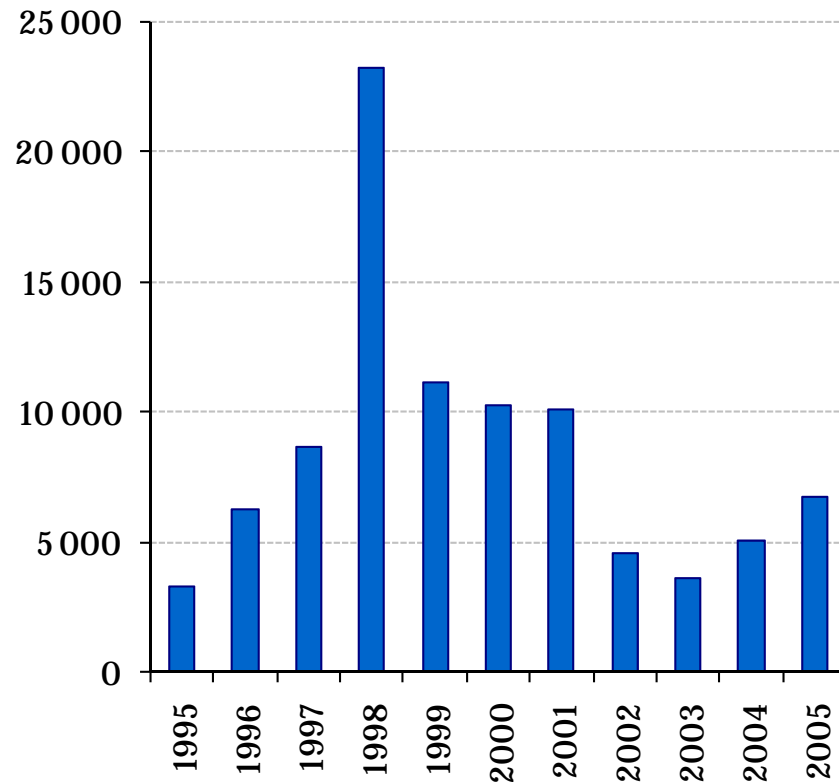
Telecommunications performance in Latin America



Source: ITU, 2008, World Telecommunications Database

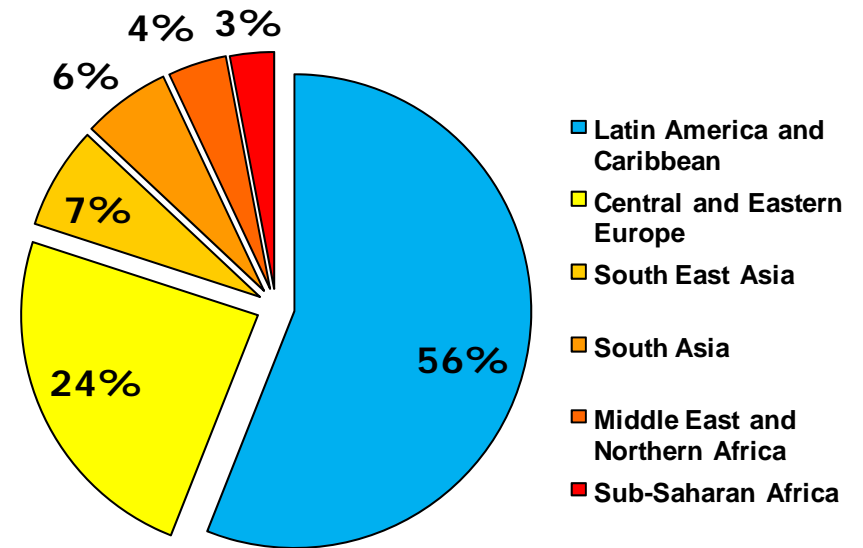
Latin America leads the developing world in telecoms FDI

FDI in telecommunications toward Latin America
Millions of US dollars



Source: OECD Development Centre, based on PPI Database, World Bank

FDI in telecommunications, by region

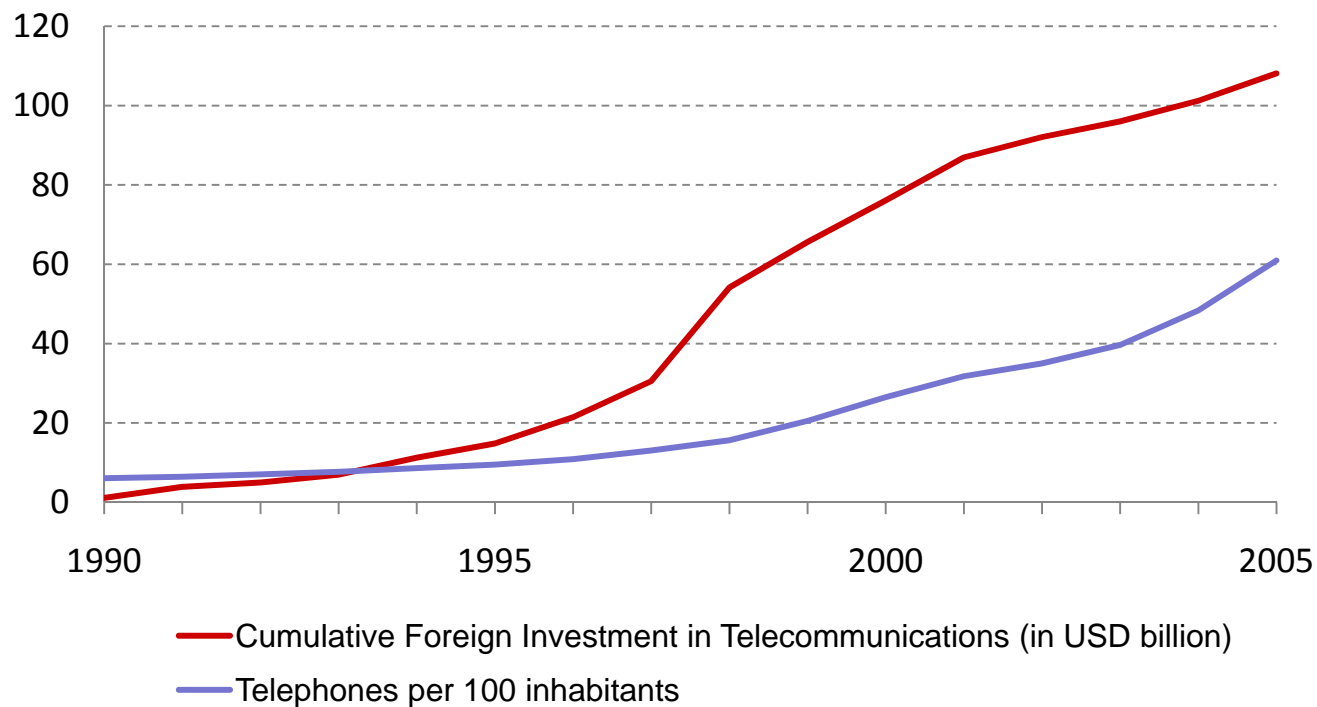


Source: Information and Communications for Development 2006, World Bank

Investment in telecommunications has accompanied a marked increase connectivity

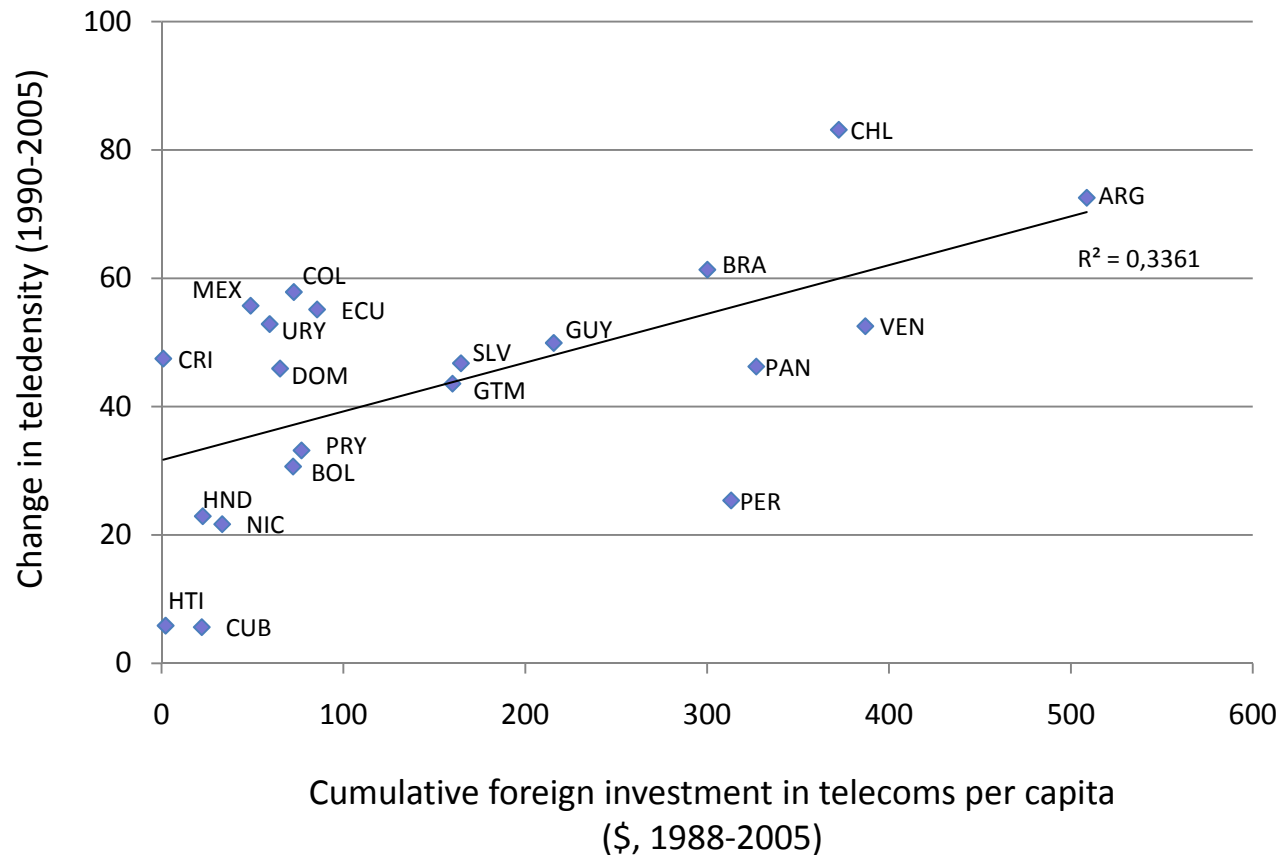
The number of telephone lines has increased by a factor of 10 in Latin America, in part because of foreign investment

Foreign Investment in Telecommunications and connectivity

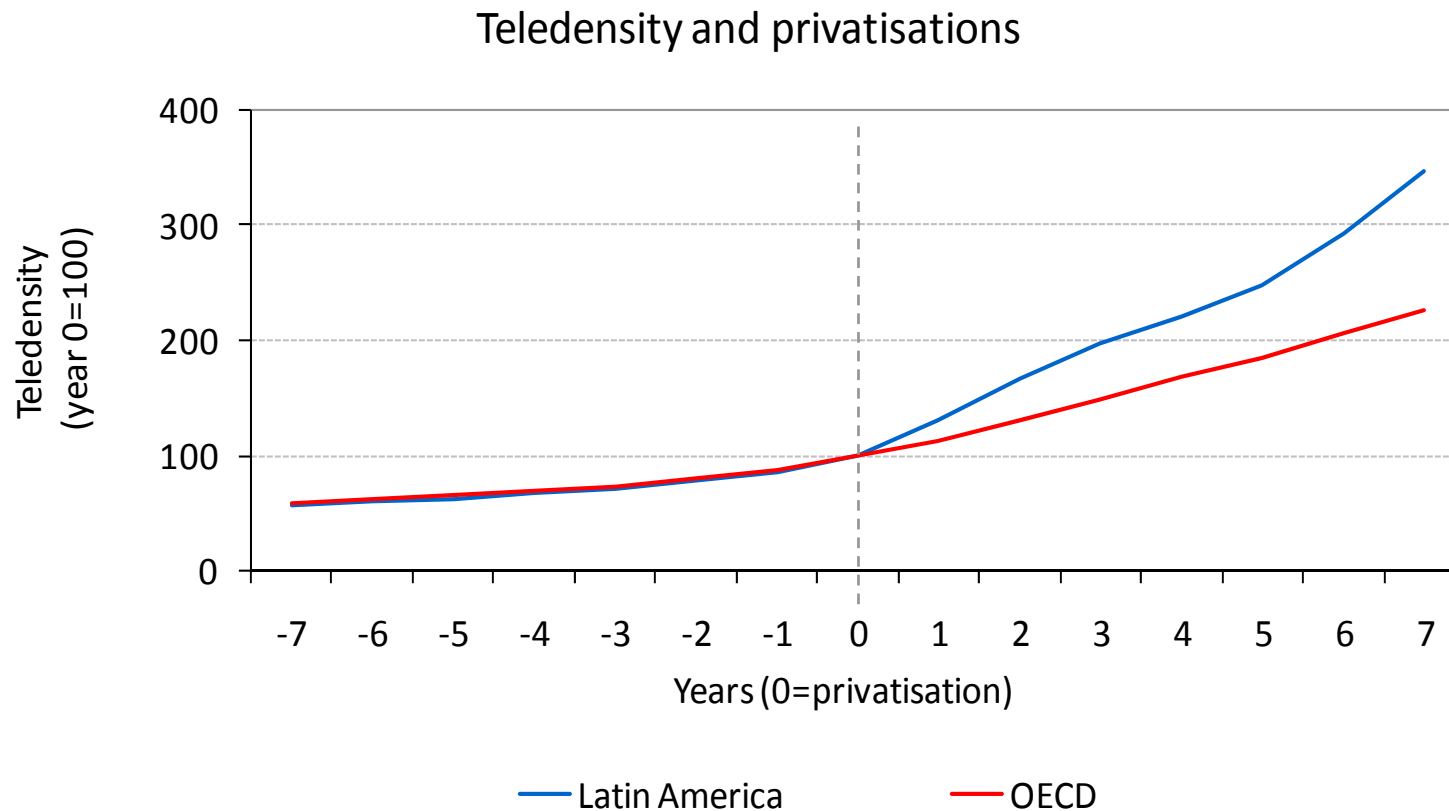


Source: OECD Development Centre, based on PPI database (World Bank) and ITU data.

Across countries, foreign investment has gone hand in hand with increased connectivity



Part of the story is the relative success of privatisations, but competition matters!



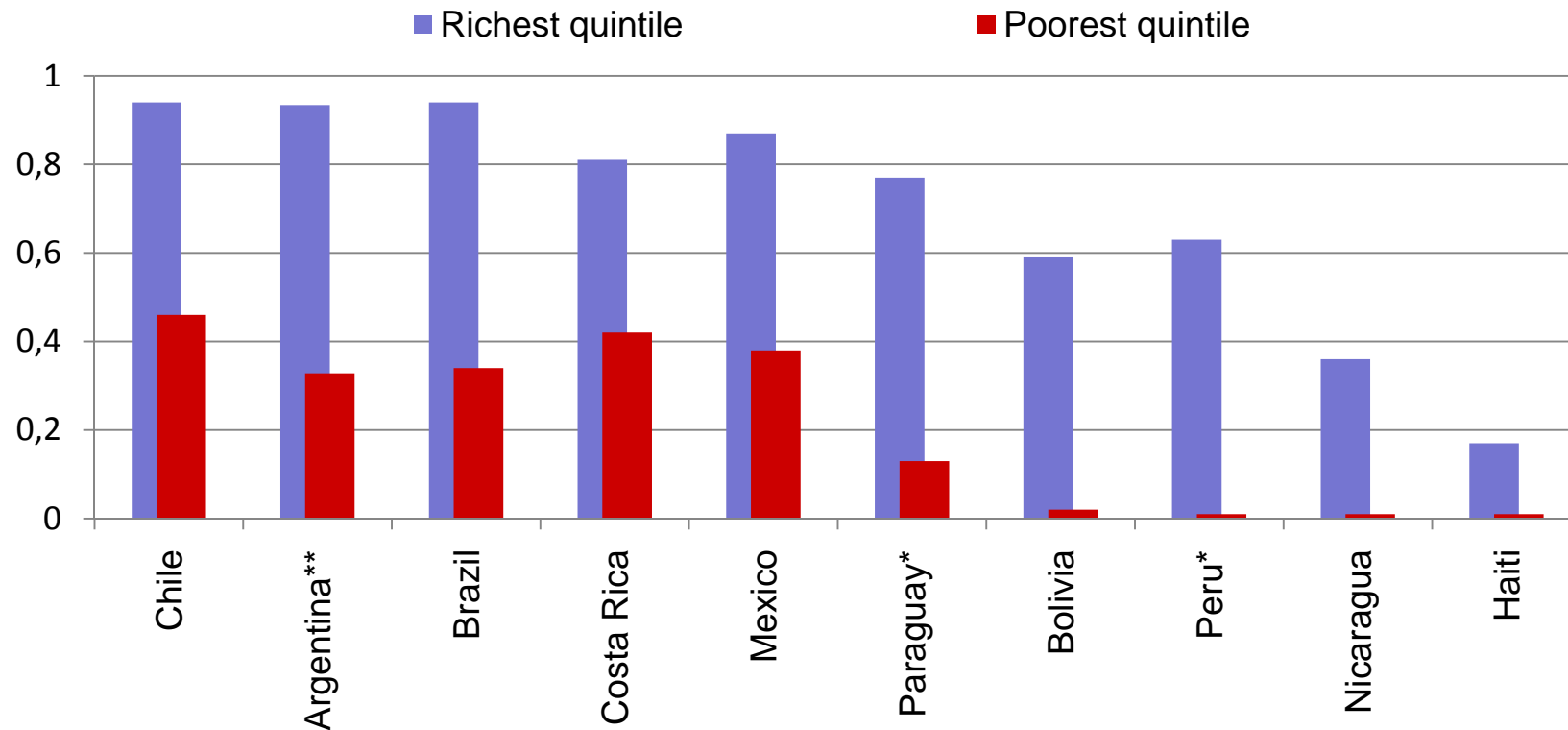
Note: Includes only countries with available data for Latin America (Argentina, Belize, Bolivia, Brazil, Chile, El Salvador, Guatemala, Guyana, Mexico, Panama, Peru, Trinidad and Tobago, Venezuela)

Source: OECD Development Centre, based on ITU (2007)

An unequal distribution of access

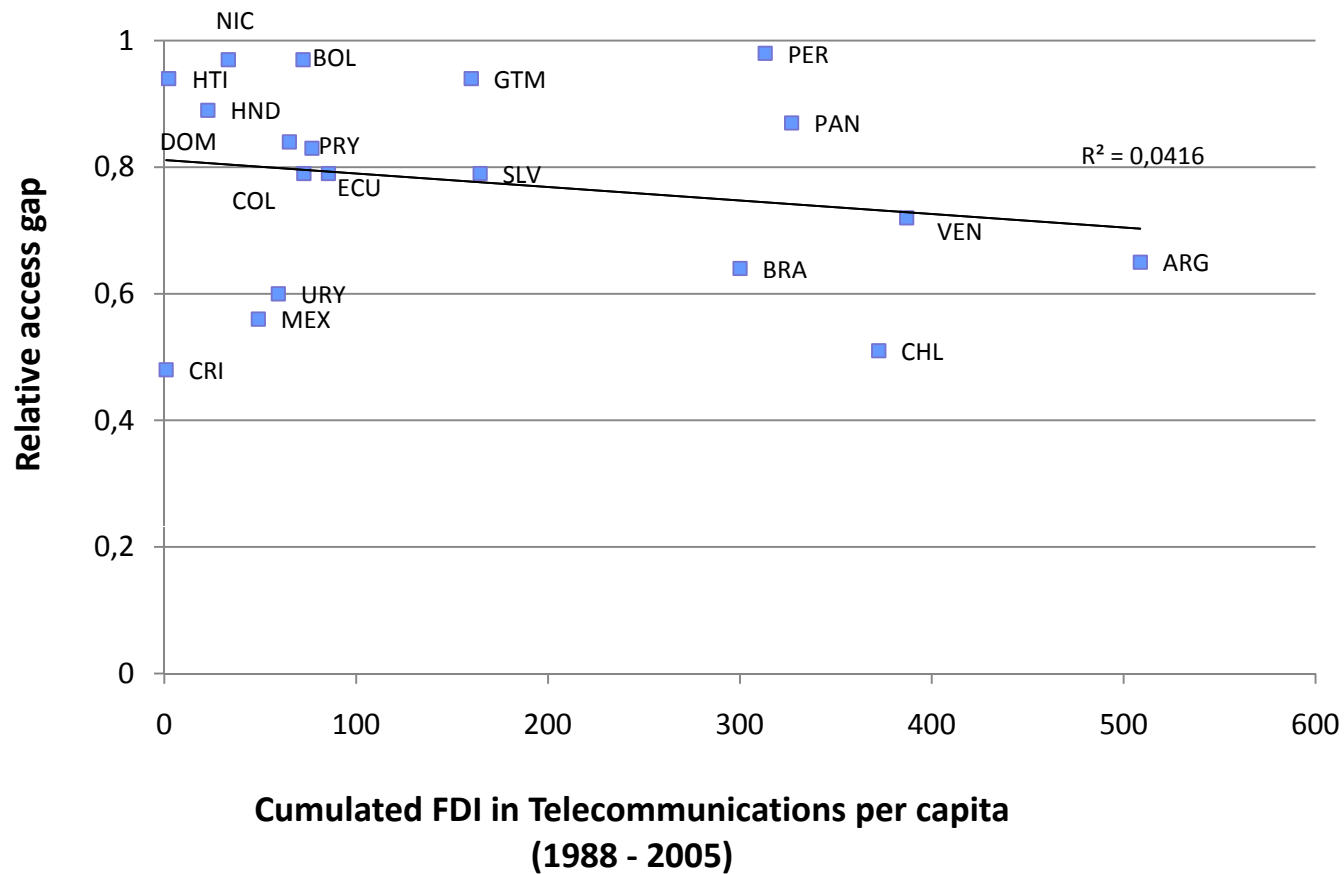
Inequality is high: a quarter of the poorer households have a telephone at home, 3 times less than high-income households

Proportion of the population with a telephone at home



Source: OECD Development Centre, based on SEDLAC data. Definitions as per national surveys; Argentina data for urban areas only. Fixed lines only for Paraguay and Peru.

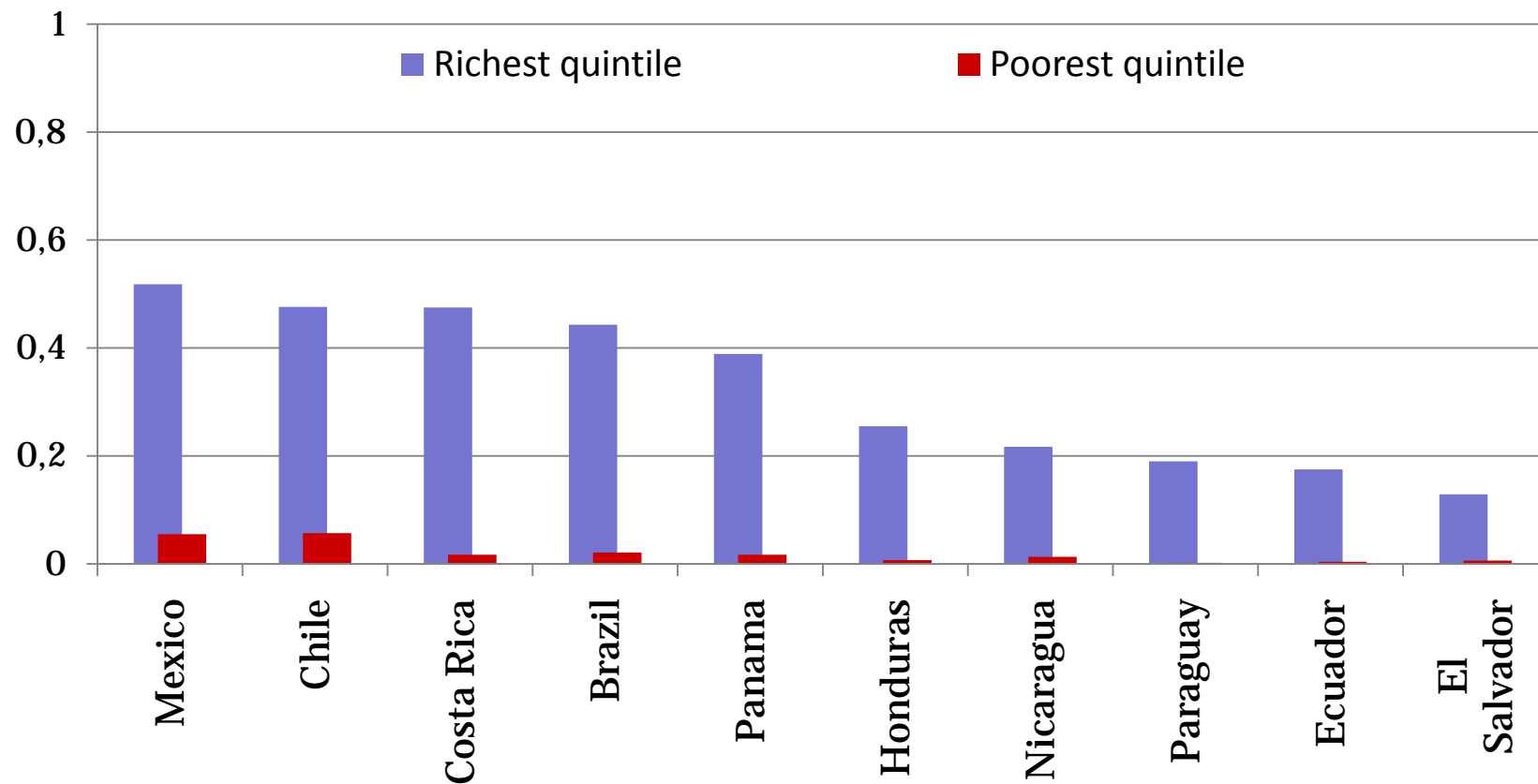
Foreign actors are not associated with lower inequality



Source: OECD Development Centre, based on PPI Database, the World Bank and SEDLAC.

The picture is not brighter for internet use

Proportion of internet users, by income quintile



Source: OECD Development Centre, based on OSILAC/ECLAC data. Definitions as per national surveys

Sources of increased access for lower income groups

- Investment in network expansion
 - Competition
 - Technological innovations (mobile)
 - Innovation in delivery and pricing:
 - pre-paid, micro-charges, “Calling Party Pays”
 - Adoption and adaptation:
 - international push-to-talk and cross-border service
 - from remittance notification to remittance reception
- Also sources of innovation!

How to reach the next billion(s)?

- Not so much a matter of GDP
- Fair and stable regulatory frameworks ...
 - ... complemented by access promotion
- Will mobile phones bridge the digital divide?
- Expand other services through telephony:
 - Mobile Banking
 - Remittances
 - E-government