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

Lines and users per 100 inhabitants

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 in connectivity.

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

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

Source: OECD Development Centre, based on PPI Database, the World Bank
Part of the story is the relative success of privatisations, but competition matters!

**Teledensity and privatisations**

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