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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

WORLD INVESTMENT REPORT

Transnational Corporations and the Infrastructure Challenge

UNITED NATIONS

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WIR

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Transnational Corporations, and the Infrastructure Challenge

UNITED NATIONS
New York and Geneva, 2008

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Reference to “dollars” ($) means United States dollars, unless otherwise indicated;

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates;

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PREFACE

World foreign direct investment inflows rose last year to a record level of $1.8 trillion. Developing and transition economies attracted more flows than ever before, reaching nearly $600 billion – a 25 per cent increase over 2006, and a third of the global total. While global foreign direct investment flows are projected to decline this year, those to developing and transition economies are expected to suffer less, despite the current financial and credit crisis.

One of the main challenges for the international community is to mobilize greater financial flows for investment conducive to poverty reduction and the achievement of the Millennium Development Goals. In particular, developing countries require investments that will strengthen the infrastructure industries and services that are so essential for future growth and for the social well-being of the poor. The *World Investment Report 2008* examines the ways, extent and conditions under which transnational corporations can contribute to meeting the infrastructure challenge.

The *Report* argues that while the participation of transnational corporations in the infrastructure sector of developing countries has risen significantly, a huge gap remains between current investment levels and what is still needed. Filling the investment gap is particularly urgent in the case of essential infrastructure industries, such as water and electricity; and is critically important in sectors such as telecommunications and transport.

The *Report* cautions against unrealistic expectations about the contribution of transnational corporations. Companies will only invest in infrastructure projects that can assure adequate returns for commensurate risks. It has proven difficult for countries with small economies and weak governance systems to attract transnational corporations into infrastructure. The policy challenge is to create the appropriate conditions to facilitate investments that can contribute to poverty alleviation and accelerated development.

There is a need to encourage greater involvement by transnational corporations and to maximize host-country benefits from their technological and other assets. This implies improved governance and capacity-building in host countries, the provision of greater financial and technical support from development partners, and responsible infrastructure investors. A concerted effort by all parties is required. Toward that end, this *Report* offers valuable information and analysis, and I commend it to a wide global readership.

Ban Ki-moon
Secretary-General of the United Nations

New York, July 2008

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ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
ASEAN	Association of Southeast Asian Nations
BIT	bilateral investment treaty
BLO	build, lease and own
BOO	build, own and operate
BOOT	build, own, operate and transfer
BOT	build, operate, transfer
BROT	build, rehabilitate, operate and transfer
CDO	collateralized debt obligation
CIS	Commonwealth of Independent States
COMESA	Common Market for Eastern and Southern Africa
DTT	double taxation treaty
DR-CAFTA	Dominican Republic-Central American Free Trade Agreement (with the United States
EFTA	European Free Trade Association
EMU	European Monetary Union
EPA	Energy Poverty Action Alliance
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	foreign direct investment
FSA	firm-specific advantage
FTA	free trade area (or agreement)
GATS	General Agreement on Trade in Services (of WTO)
GCC	Gulf Cooperation Council
GDP	gross domestic product
GSI	Geographical Spread Index
ICA	Infrastructure Consortium for Africa
ICSID	International Centre for Settlement of Investment Disputes
ICT	information and communications technology
IFC	International Finance Corporation
II	Internationalization Index (of UNCTAD)
IIA	international investment agreement
IMF	International Monetary Fund
IPA	investment promotion agency
IPP	independent power producer
JBIC	Japan Bank for International Cooperation
LAC	Latin America and the Caribbean
LBO	leveraged buyout transaction
LDC	least developed country
M&A	merger and acquisition
MBS	mortgage-backed security
MDG	Millennium Development Goal
MERCOSUR	Southern Common Market (Mercado Común del Sur)
MFN	most-favoured nation
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnership for Africa's Development
OBA	Output-Based Aid
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PCG	partial credit guarantee
PPI	private participation in infrastructure (also PPI Database of the World Bank)
PPP	public-private partnership
PRG	partial risk guarantee
PRI	political risk insurance
ROS	return on sales

ROT	rehabilitate-own-transfer
SADC	Southern African Development Community
SEE	South-East Europe
SEZ	special economic zone
SIC	Standard Industrial Classification
SOE	State-owned enterprise
SWF	sovereign wealth fund
TEU	20-foot equivalent unit
TNC	transnational corporation
TNI	Transnationality Index (of UNCTAD)
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WAIPA	World Association of Investment Promotion Agencies
WEF	World Economic Forum
WIR	World Investment Report