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BIZCLIR

Business
Climate
Legal &
Institutional
Reform

Infrastructure: Who Cares?

or

Why Infrastructure Matters for Food, Business and Development

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EGAT/EG/TI/WC

December 13, 2010

Why do Investors Invest?

- Reasons to Invest
 - To feed others
 - Love of polyvinylchloride products
 - Because they enjoy it
 - No other choices
 - To support noble causes
 - To earn a living
- Many reasons, but –



**If you can't earn a living,
you don't keep investing**

The Paradigm: *Return on Investment*

$$\int(\text{ROI}) = \frac{\text{Revenues} - \text{Recurring Costs}}{\text{Sunk Costs}} \times \text{Risk Premium}$$

Revenues < Cost + Risk  Bankruptcy

Revenues = Cost + Risk  Subsistence

Revenues > Cost + Risk  Profitability

The Paradigm, Part 2: *Successful Investment*

Investment is
successful
when

Revenues $>$ Cost + Risk  Profitability

The Complete Paradigm

Investment

is a **Function** *of*

Return & Investment

is a **Function** *of*

Costs

Risks

Revenues

The Problem



High Risks

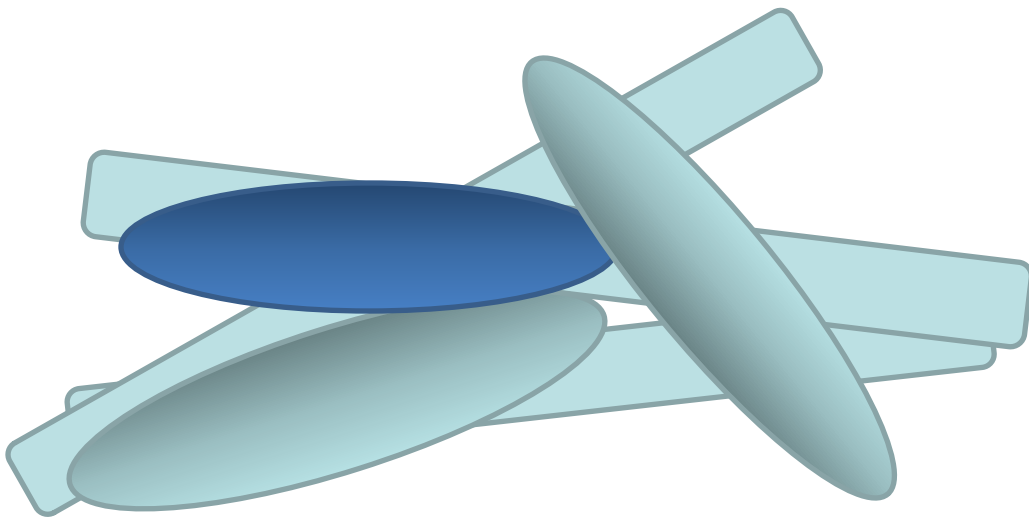


Low Revenues

High Costs

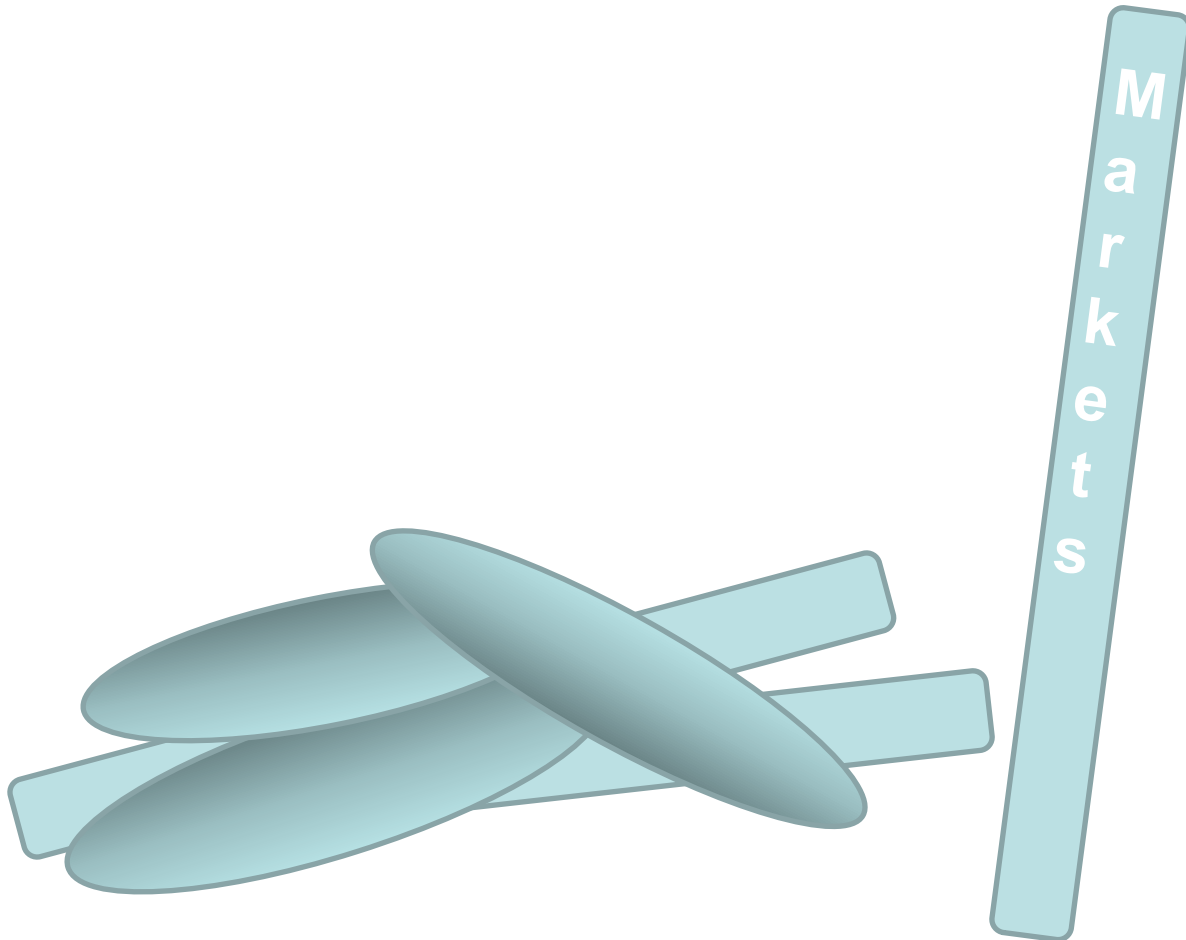


Tools for ROI



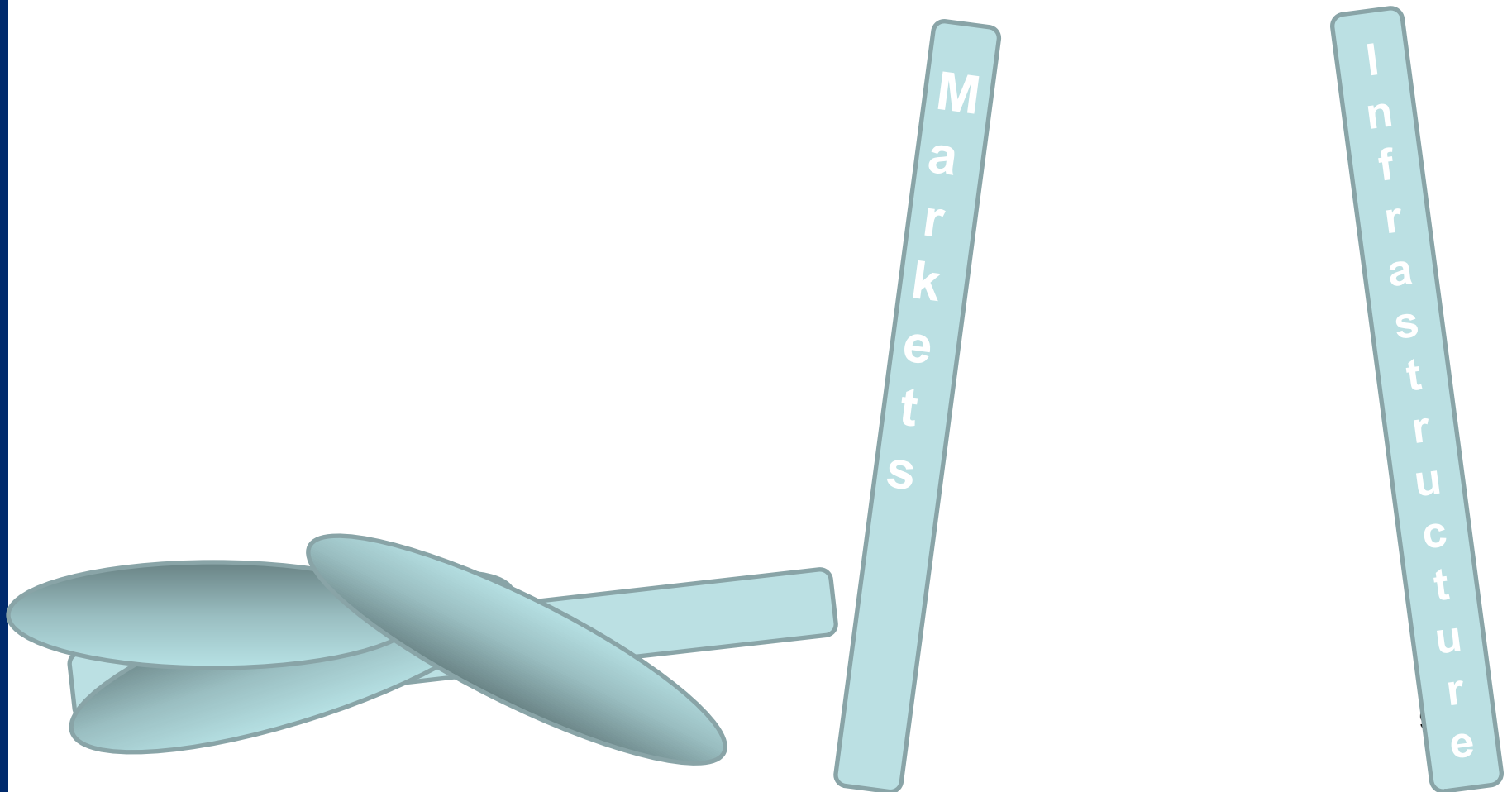
Markets

local, national, regional, international trade



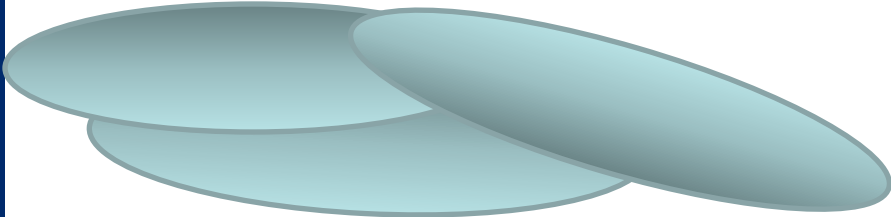
Infrastructure

energy, roads, ports, telecoms



Business Enabling Environment

laws & regs



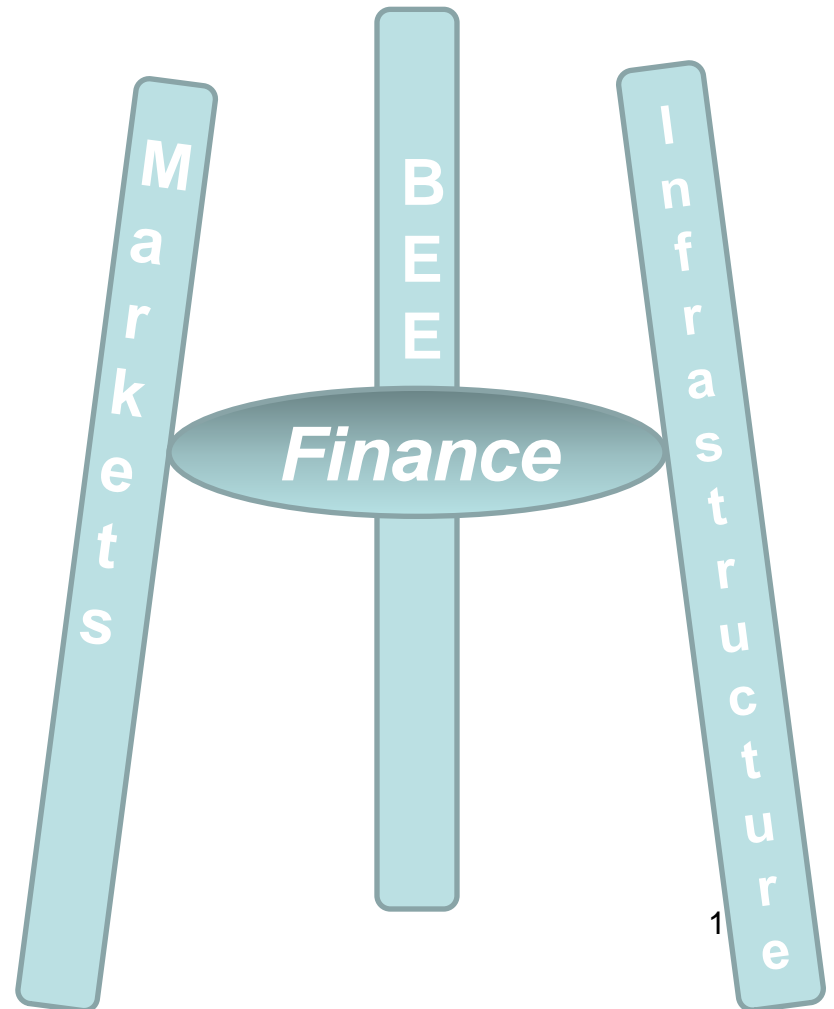
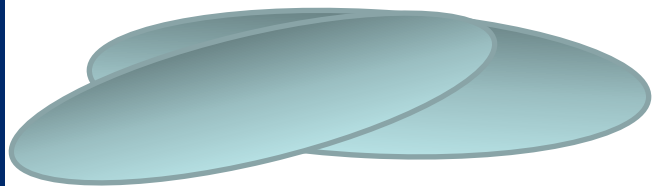
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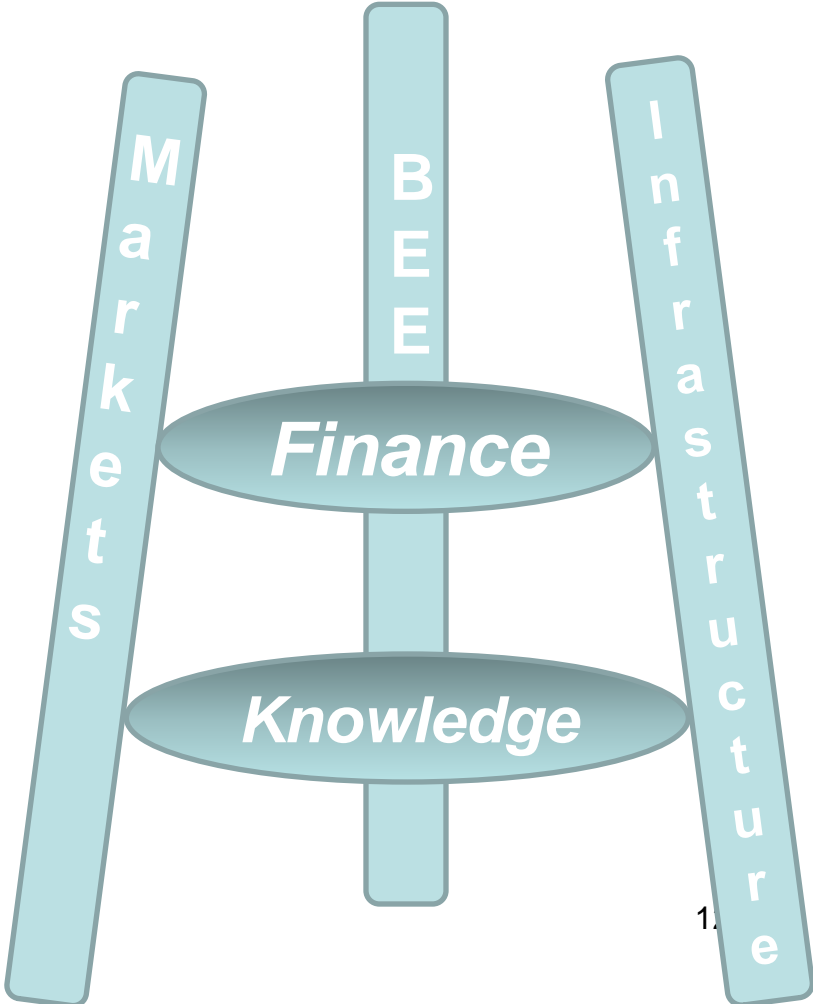
Finance

equity, credit, leasing, loans, assets, cash flow, insurance



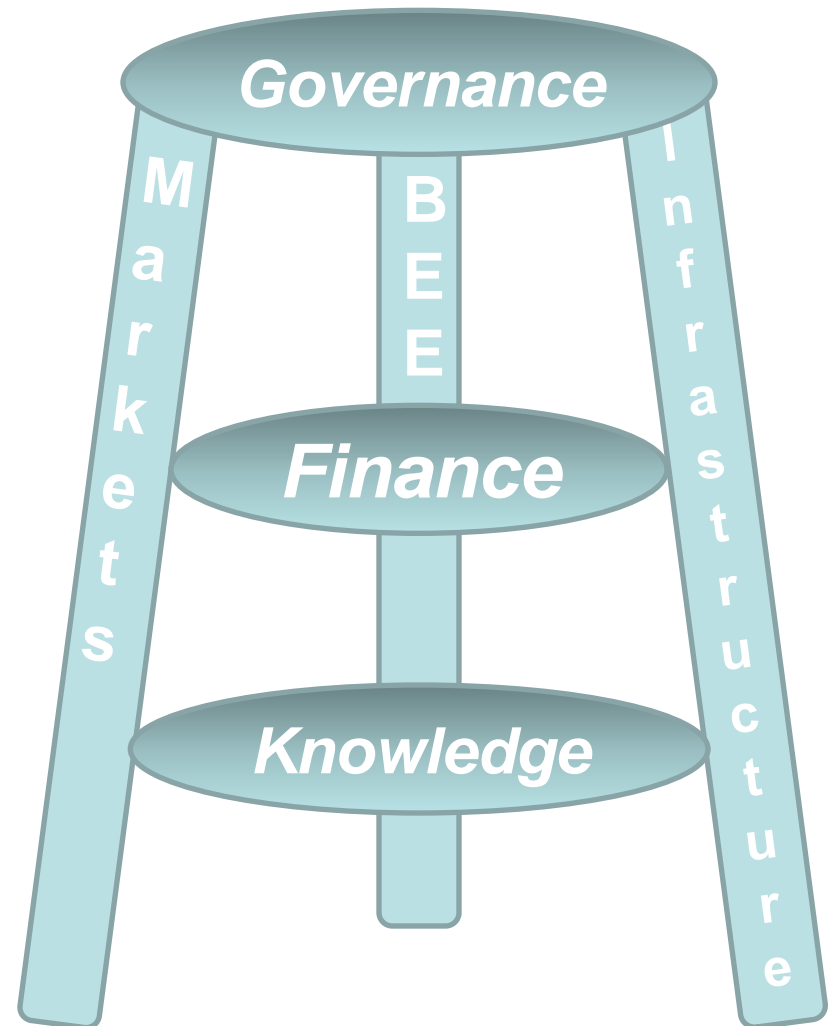
Knowledge

science, technology, r&d, market info, skills, education



Governance

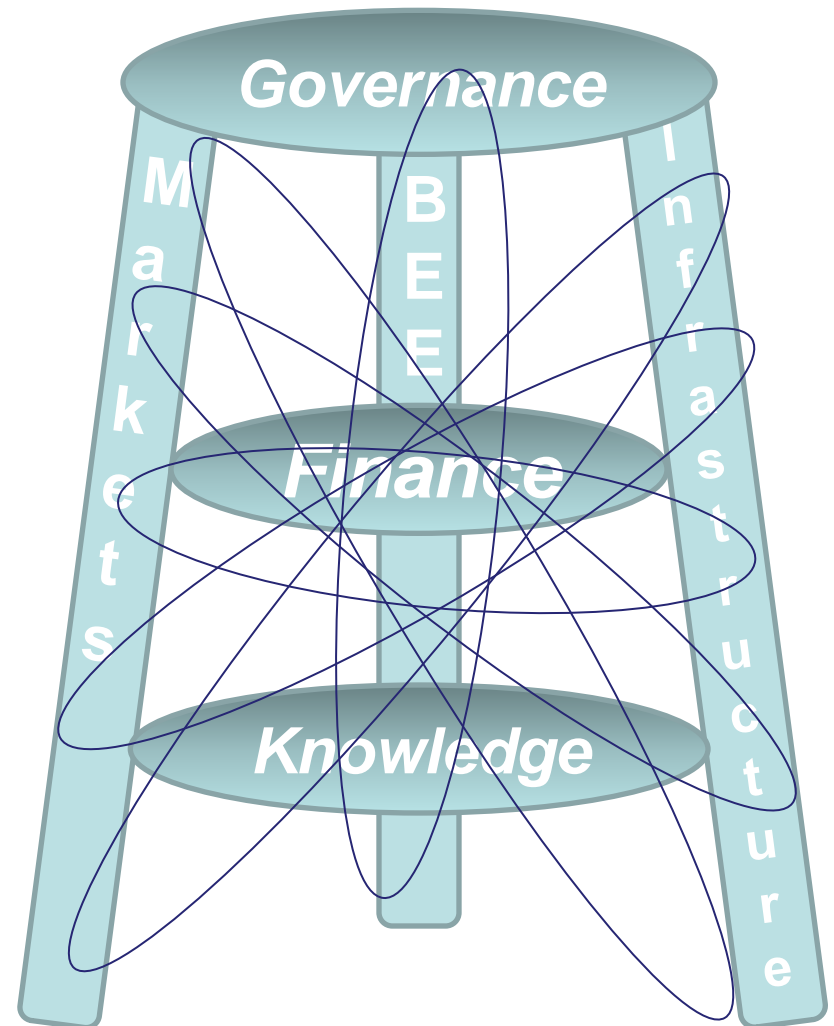
voice, integrity, participation, transparency, justice



The System

costs, risks, revenues

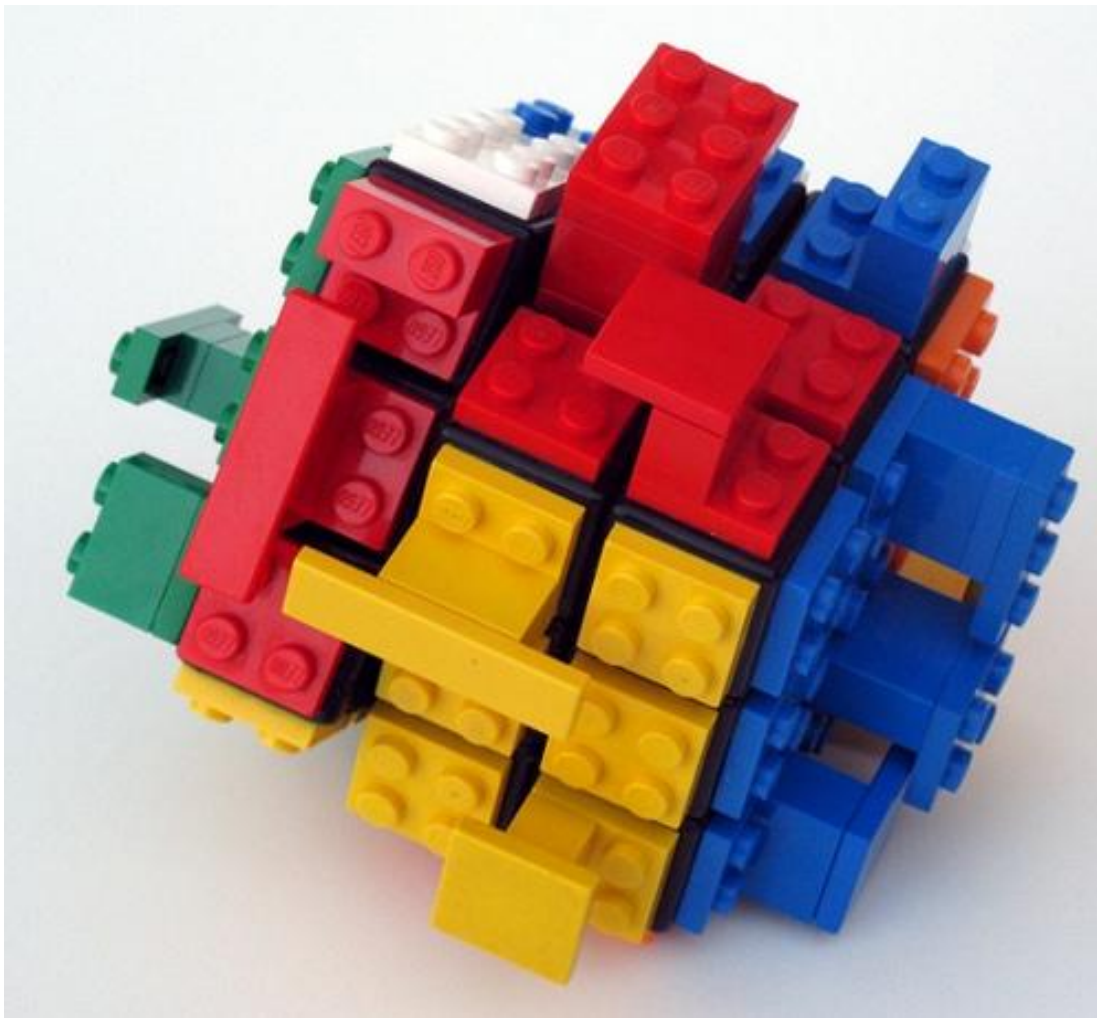
**Return on
Investment
Happens
Here**



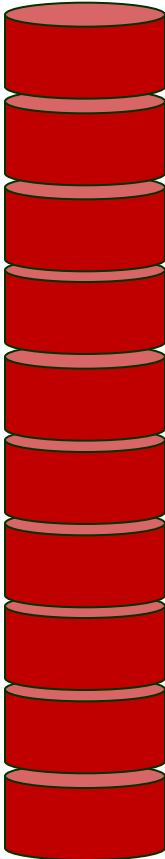
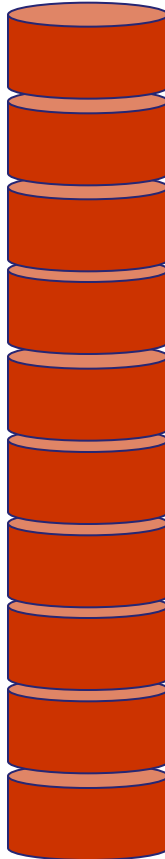
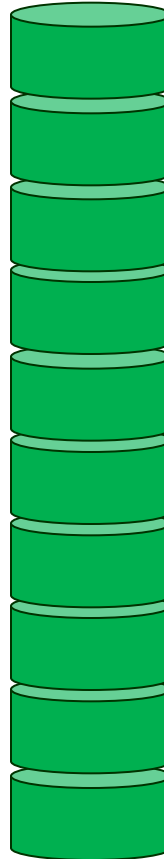
Return on Investment?



Same System (Different Model)



Identifying Costs and Risks

Area	Costs	Risks	Revenues
• Electricity			
• Transport			
• Water			
• Business Environment			
• Markets			
• Finance			
• Knowledge			
• Governance			

Where Costs and Risks are Found [in Infrastructure]

Global Enabling Environment

Global Retailers

National Enabling Environment

Sector-specific providers

Exporters

National Retailers

Wholesalers

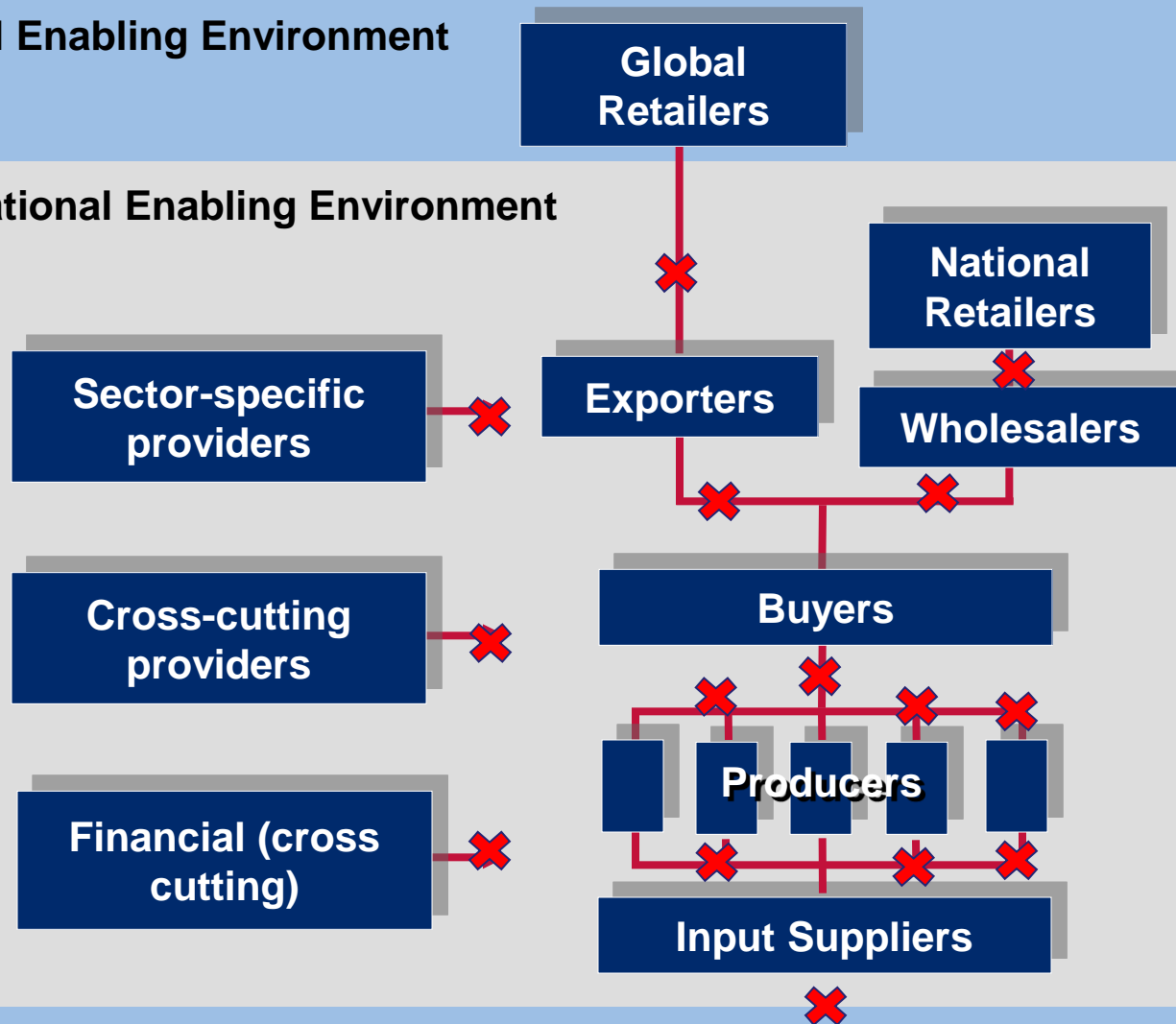
Cross-cutting providers

Buyers

Financial (cross cutting)

Producers

Input Suppliers



Applying the Paradigm (Round 1)

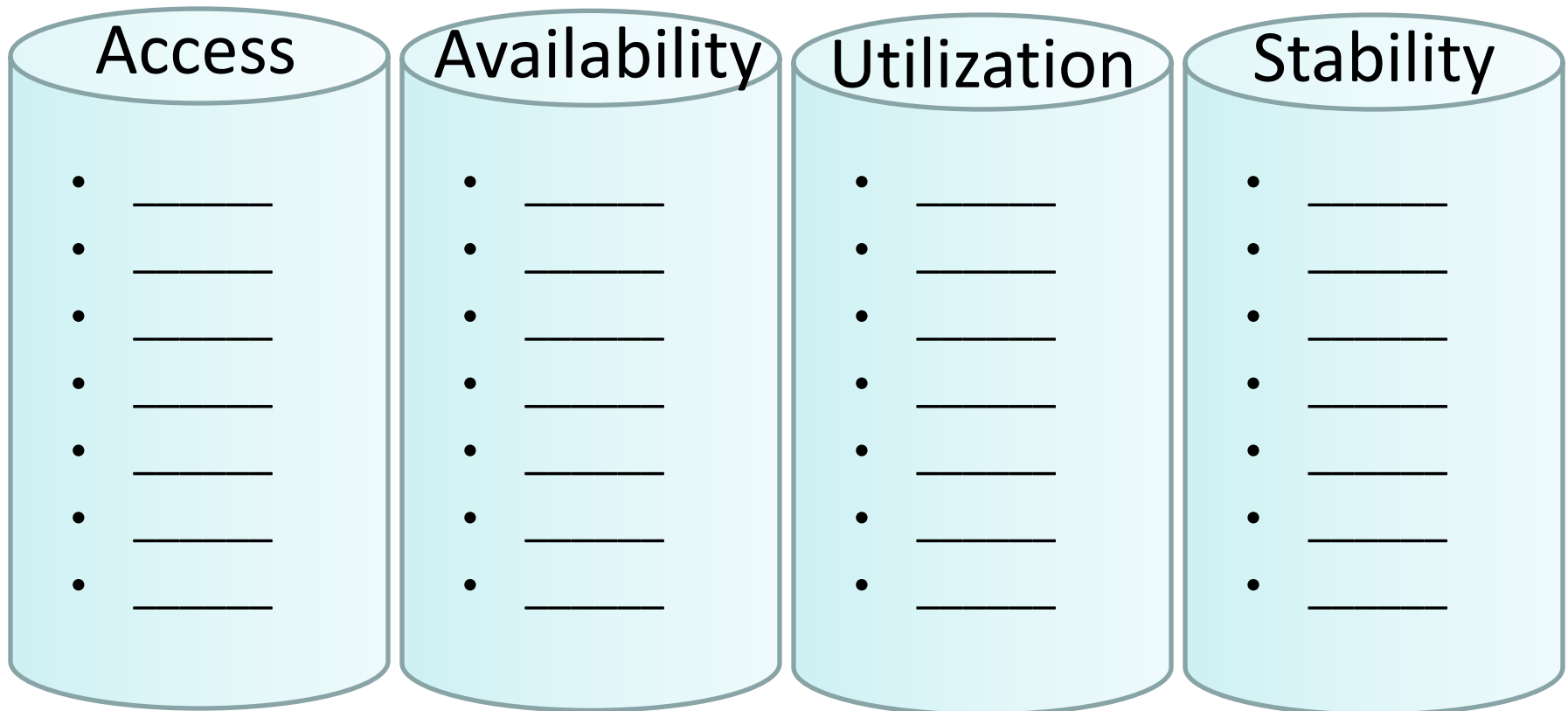
	Costs	Risks	Revenues
Markets			
Infrastructure			
BEE			
Finance			
Knowledge			
Governance			

Applying the Paradigm (Round 2)

	Markets	Infra-structure	BEE	Finance	Know-ledge	Gover-nance
Markets						
Infra-structure						
BEE						
Finance						
Know-ledge						
Gover-nance						

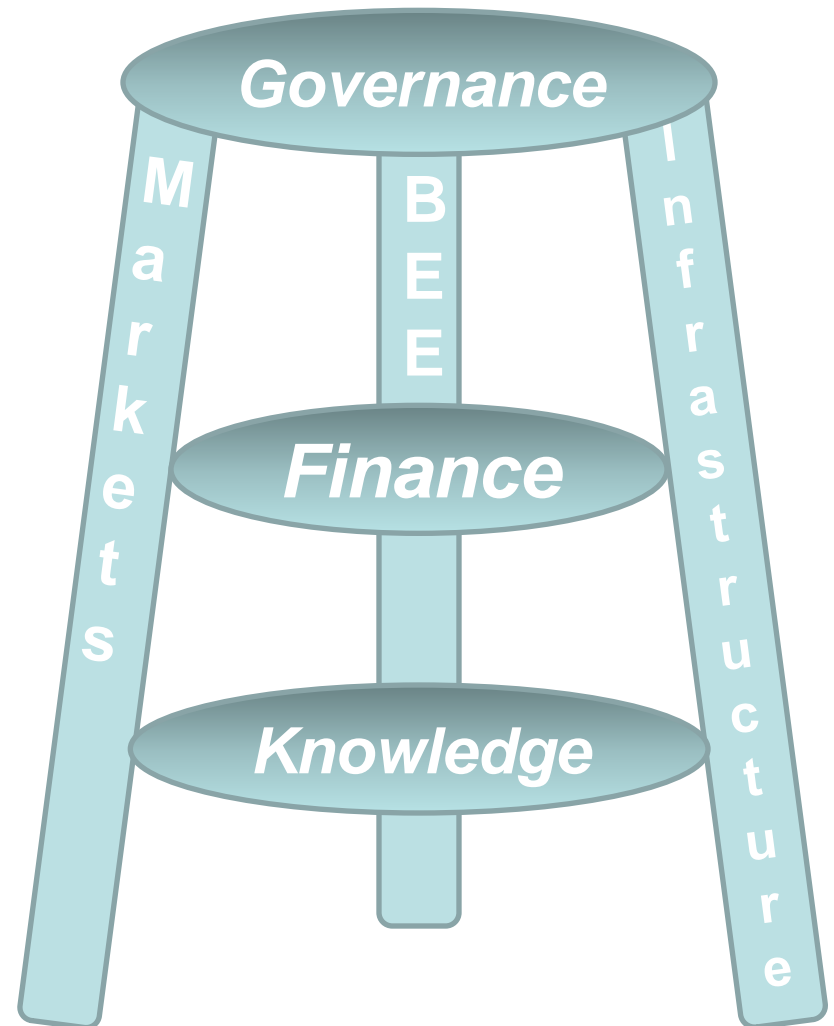
Another Angle

Feed the Future Framework



Next Step

implement
the
paradigm



“Business as usual is NOT an option.”

Hans Heren, Millennium Institute



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