

## Poverty Alleviation

The development of an efficient transport system (supply of infrastructure and services) is necessary to promote and facilitate economic growth. Lower cost and better quality transport services reduce the delivered price of domestic products and inputs to production and living activities. Investment in the transport sector contributes to economic diversification, enabling economies of scope and reducing an area's vulnerability to economic shifts.

Furthermore the transport sector is a major source of employment in many poor countries. Transport commonly accounts for 5 to 8 percent of total formal sector employment, and in some countries, total employment (formal and informal) engaged in transport is estimated at 15 to 20 percent.

Transport problems and the needs of the poor are also about accessibility, a central concept used in relating transport to the basic needs and well-being of the poor. Accessibility in this case typically focuses on the transport time, cost, availability and service reliability to move from the residential areas to destinations of work or social activities.

While private sector participation in transport infrastructure PPP development and financing is growing in many developing countries (major toll roads, railways, ports, and airports), public investment in transport will continue to be significant in low-income countries, where market size and risks are high and private financial markets are not well-established. More importantly, public investment in the transport sector, especially for road upgrading, will contribute considerably, both directly and indirectly, to economic growth.

Indirect effects of infrastructure management schemes may help or harm different groups, including the poor. Following the terminology of the World Development Report 2000, the effects of transport on the personal welfare of the poor can be examined in terms of three fundamental aspects: economic opportunity, security, and empowerment;

- **Economic opportunity:** adequate physical access to jobs, markets, schools, and health clinics is an important determinant of an individual's ability to earn money, and keep a lengthy, satisfying and productive life.
- **Security:** seasonal road closure, common in many poor rural areas regularly affected by severe weather conditions (such as monsoon), often isolates a large population for long periods. These closures affect the living standards of the affected population and their vulnerability to factors such as famine, violence, etc. For instance, the impact of famine can be substantially reduced if a country can move food easily from areas with surplus to those with a deficit.
- **Empowerment:** geographic isolation can prevent poor people from participating in social, economic and political processes, or enjoying a fair treatment of grievances or legal due processes.

The over-arching concern with transport to address the needs of poor should be establishing the conditions to support the lowest-cost/most-affordable transport services that will provide adequate accessibility to an area. The private sector has a major role to play in meeting this objective.

Where adequate capacity of the private sector exists or can be developed—such as development of microenterprises for maintenance (the functions associated with operating or maintaining the road system may be contracted out to the private sector under performance contract arrangements). However, a key question usually remains: is public expenditure for the sector adequate and responsive for addressing the needs of the poor? What is the local fiscal capacity if some transport responsibilities (for example, road maintenance) are decentralized?



A Sourcebook for Poverty Reduction Strategies, World Bank, 2002

In a first stage, the specific needs of the poor must be assessed; in a second stage, an evaluation of the best road management system likely to satisfy these needs will be carried out; in a third stage, if a PPP scheme is adopted, the commitments of the private contractor shall be thoroughly stated in the contract.

The overarching objective leads to the need to consider the following key dimensions/strategies:

- **Poverty focus.** How are interventions selected in the context of the characteristics of the possible targeted areas? In order to achieve a noticeable impact the requirements for the selection of the investment likely will require being part of a network connecting the poor areas to markets and other economic centers or social services. In addition, it is important to evaluate the effects of the arrangements for the interventions or their maintenance on local employment, as this is often a mechanism for the reduction of poverty.
- **Participatory emphasis.** To ensure responsiveness to community needs and the consideration of local solutions, a participatory approach must usually be applied to the selection and design of the project investments. Local government officials, community leaders and communities at large can be called to participate in the screening of subprojects and in validating the design of the selected projects to include local solutions and respond to local needs. NGOs can also be involved in these activities and participate in project monitoring and evaluation. Other stakeholders are government agencies involved in development activities in poor areas.
- **Gradual financial arrangements.** Given the limited revenue-raising and mobilization capacity of poor communities, a PPP initiative should include the analysis of the amount of support that may be necessary to ensure that the maintenance of the road infrastructure is adequately funded. A plan of incremental contributions from the community (which would depend on the specific characteristics of the decentralization framework in the country or the prospects for the transfer of specific resources to the local level) can help increase the participation of the poor communities in the ultimate management and financing of the maintenance of their road networks.

Beneficiary participation and a clear perception of the social impact of a project invigorate the sustainability of PPP interventions by incorporating local priorities in

project design and facilitating the ownership of the project by its eventual beneficiaries. Furthermore, the pro-poor design of those interventions, with low-cost investments and local micro-enterprise activities, can help communities take ownership of the project and support the various activities related to it.



The economic analysis of sector investment programs, Suthiwart and Narueput, the World Bank, 1998