

Poverty and Transport

The provision of transport services has a direct impact on the poor. Transport both facilitates the delivery of goods and services, and helps people to gain access to them. It thereby influences poor people's economic, social, and cultural lives.

Both transport and energy have indirect impacts on the poor by facilitating other socioeconomic development to improve poor people's incomes and well-being. Virtually all the activities commonly associated with poverty reduction depend indirectly on transport, including elements of economic growth, such as agriculture, industry, tourism, and mining; government services, such as education and health; and social safety nets and emergency relief programs.

In some cases, improved transport or energy is an essential requirement for poverty reduction interventions (e.g., increasing economic opportunities for people living in remote areas). In others, transport and energy infrastructure contribute to poverty reduction by increasing the efficiency, growth, and spread of socioeconomic activities. Transport is essential for the free movement of goods and services required for market-based private sector development. It helps to empower the poor by ending their physical isolation, enabling communities to work together, and giving poor people a voice in society.

The contribution of transport and energy infrastructure to poverty reduction is likely to vary between and within countries, depending on the underlying causes of poverty and requirements for reducing poverty, the macroeconomic environment, and cultural and other factors.

While the existence of these indirect impacts is generally appreciated, there is at present only a limited understanding of their precise nature and extent. It is difficult to trace the complex chain of relationships through which transport and energy indirectly impact upon poor people's lives.

The different impacts may sometimes be hard to identify separately. In some cases the impact on individual beneficiaries may be relatively small and hard to identify, although the macro-level impact may be significant. Over a period of some years transport and energy may have dramatic impacts in terms of the transformation of economic or social activities in the areas served, but their enabling role may not be noticed by outside observers, or may be taken for granted, confused with other factors, or forgotten.

Comparatively little attention has been paid to documenting and quantifying the many influences of transport and energy on poverty reduction. Multilateral and bilateral project economic analysis has rarely required this. In the case of transport investments, the main emphasis has been on demonstrating economic efficiency, based on estimates of the savings in transport operating costs and journey time for forecast traffic. Although useful as a test of economic soundness, such analysis has offered little insight into how or how much the poor will benefit.

This conservative approach has been used because it is difficult to forecast the impact of transport and energy improvements on the numerous socioeconomic activities they make possible.

Poverty reduction goals require a shift in strategic focus in the transport and energy sectors, from formulating projects on the basis of economic efficiency and economic value added alone, to supporting transport and energy projects that best perform the complementary role of facilitating socioeconomic activities that reduce poverty.

To do so, all those involved in socio-economic development urgently need to develop an improved understanding of how different types of transport and energy infrastructure fulfill this complementary role, directly and indirectly, and to establish benchmarks in quantifying the contribution of transport and energy to poverty reduction.

This need is shared by other development agencies that have adopted poverty reduction as their goal, including the World Bank, the Japan Bank for International Cooperation (JBIC), and the Department for International Development (DFID) of the United Kingdom.

There are also important gaps in knowledge about how private sector participation modalities can contribute to the poverty reduction impact of transport. Developing countries are turning increasingly to the private sector to develop infrastructure and provide transport services. The private sector has often proved better at (i) mobilizing additional investment resources to finance service expansion and improvement; and (ii) introducing new technologies, better management, and competition.

Private sector participation is often an important factor in ensuring the sustainability of transport and energy sector projects. Poverty reduction and private sector development strategies recognize that private sector participation in transport can contribute to poverty reduction through the expansion of facilities and services, and improvement of corporate governance and responsibility.

How to ensure benefits to the Poor

However, comparatively little attention has been paid to examining which models of private sector participation contribute most effectively to poverty reduction. This is somewhat surprising given the importance of the issue and length of time PPPs have been in operation in some countries. However, in most countries PPPs are still at an early stage. Certainly, in the future, for example, another question that will be increasingly asked in project studies, “what are the best ways of ensuring that the private sector extends affordable services to the poor”?

There is a need for analysis of (i) the poverty reduction impacts of the many approaches followed by the private sector and private-public partnerships in developing infrastructure, and (ii) the models for structuring and regulating the market to protect the interests of the public, particularly the poor.

Multi lateral agencies have been developing and examining the range of methodologies and tools are needed for examining the poverty reduction impacts of different types of infrastructure in different settings.

Some types of infrastructure, such as rural roads, may have a vital but relatively localized area of influence. In such cases, it may be possible to trace the various contributions to socioeconomic activities leading to poverty reduction. In other cases the influence of an infrastructure improvement may extend far beyond its physical location, and more complex methodologies may be required to distinguish impacts. This is generally the case with primary transport links, such as trunk roads that form part of national and international networks that can also have a general influence on trade.

This also links into concerns by all agencies that merely building or providing the infrastructure may not generate full or any benefits to the poor because of market deficiencies for example in the trucking and bus industries in being able or wanting to respond to market opportunities at least until business builds up. Further expansion of public and private facilities related to the road may take some time to develop due to a number of different types of constraints e.g. funding, cultural etc.



Fighting Poverty in Asia and the Pacific:
The Poverty Reduction Strategy of the Asian Development Bank. 1999.



Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction.
Asian Development Bank. 2004.