

# ”Table of content” of presentation

1. Importance of infrastructure on Social Impact
2. Informal transport as a Social Benefit

# GDP per capita, PPP (current international \$)

World Bank, International Comparison Program database.

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Line

Bar

Map

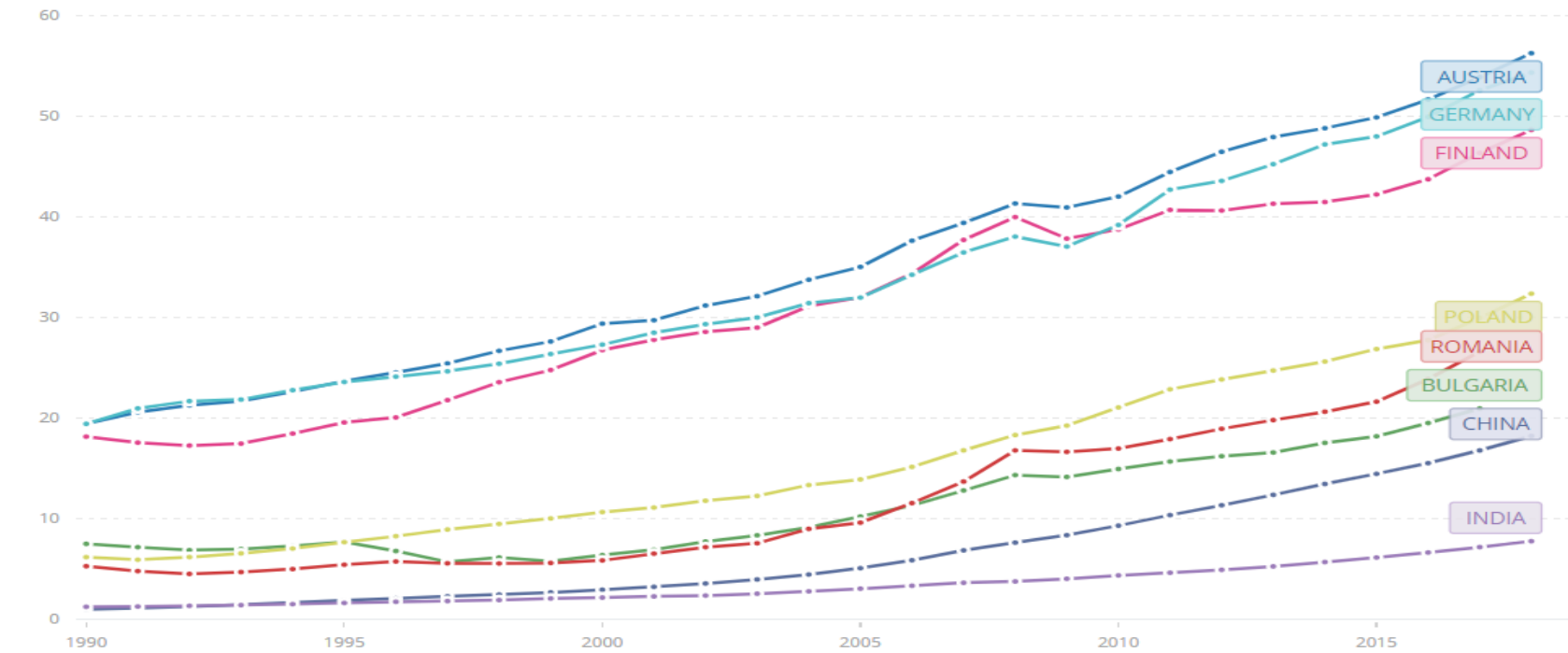
⋮ Also Show

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Thousand

LABEL



# Social Impact of Informal Transport

## □ **Scheduled Service**

- Incurs large fixed costs
- Displays economies of densities
  - Declining average cost
  - Requires large level of demand to be profitable
- Develops congregating passengers
- Often lacks property rights in developing countries
- Faces residual demand

## □ **Paratransit Service**

- Incurs low fixed costs
  - Labor is primary cost
  - Depends on opportunity cost of informal operation
  - Rising marginal cost curve
- Displays market advantage
- Interlopes on Scheduled service
- Gets first cut of the market

# Informal Sector Has Market Advantages...

## □ **Supply Advantage**

- Flexible entry and exit
- Flexibility on choosing route and schedule
- Flexibility in negotiating traffic

## □ **Demand Advantage**

- Available “now”
- Smaller and faster
- Sometimes door-to-door
- Sometimes more pleasant
- Often safer (from crimes from other riders, waiting at bus stops, etc.)

# Informal Passenger Transport



# Informal Transport: Armenia

- ❑ Vibrant informal bus service. At Republican Square a bus every 5-7 seconds. People knew the right bus. Low fares.
- ❑ Political leadership and public officials disliked the “chaos” and wanted a scheduled service with large buses.
- ❑ A sophisticated travel models were developed. A trial scheduled service was started in a high demand corridor.
- ❑ The experiment failed. Travelers favoured the value of informal transport with low fares and frequent service.

## ...But Informal Transport Causes Externalities

- Curbside conflicts, “chaos”, congestion, safety, environmental problems
- Drivers often poorly trained and discourteous
- Enforcement is done through extralegal means
- Incentive Structure is Misaligned
  - Revenue sharing arrangement leads to destructive behavior
  - Excess supply is possible
- Difficult to regulate through administrative measures

# Freight Transport





# Informal Goods Transport



# Conclusions—Policy Implications

- ❑ Size of informal sector determined by macroeconomics
- ❑ Extent of scheduled service limited by the informal sector
- ❑ Administrative measures to eliminate informal sector are unproductive and unpopular
- ❑ Formalizing the informal sector, without harm to the formal sector, should be the policy choice.
- ❑ Establish separate bus stops/terminals for informal sector
- ❑ Involve route associations in regulation and enforcement.
- ❑ Must include both passenger and goods transport. Both need infrastructure

# Infrastructure: Case of Azerbaijan

- ❑ Village of Poladli unconnected from road network by Pirsaat river. There was a bridge for small cars.
- ❑ For 6-8 months of the year the farmers could not get their products to market – wheat, pomegranates, and meat.
- ❑ A new bridge was built with World Bank support, and the 13 km local road was “improved” (gravel was not graded, graders were ‘ponies’, the grader drivers were untrained, etc).
- ❑ Poladli and the neighboring village promised to maintain the road. Key to success: Motivation.
- ❑ (Political dimension: the Palladia chairman lost its job; the Pres was not consulted!)

# Pirsaat River



# Poladli Road



# Infrastructure: The Outcomes are popular

- ❑ Poladli experienced visible rapid growth.
- ❑ The team wanted to make a ‘Social impact study’ from building the bridge and included money for it in the next loan.
- ❑ However, the new team took the money to develop the next project! The Study was never made.
- ❑ The team heard the villagers. The Palladia chairman became a friend. He and others gave opinions about what was important.
- ❑ The team had interest in the village’s ‘other economy’; textiles they’d made, especially the old ones, and talked with the families involved.

# Improving Infrastructure Is Popular



# Conclusions

- Informal transport supports local economy
- Informal transport needs infrastructure
- Improving infrastructure seems more popular than social impact studies!