

Financing Rural Transport Services in the Asia-Pacific Region



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SLoCaT Partnership

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Mission: Integrate Sustainable Transport in Global Policies on Sustainable Development and Climate Change

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I. CHALLENGES FOR RURAL TRANSPORT SERVICES IN ASIA

General Challenges for Financing Rural Transport Services

- Reluctance of governments and aid agencies to provide **service subsidies** to increase service/reduce costs
- **Bank finance** not readily available to informal rural transport operators
- A lack of **systematic knowledge** relating to financing the start-up and operation of rural transport services
- Complexity of **financial arrangements** among finance providers, vehicle owners and service operators

Rural Transport Services: User Perspectives and Challenges

- In *Myanmar* motorcycle **transport fares** can cost 20 times bus fare per psg-km
- Rural populations in *India* at greater risk for **traffic deaths** than urban populations
- Lack of **emergency services** in the *Philippines* increases risk for the sick and elderly



Inefficiencies of the Rural Transport Services Market

- **Cartels** distort supply and carry inefficient loads on low-cost vehicles
- Restrictive **informal service practices** keep fares, employment high
- **Lack of demand** is main barrier to efficient rural transport services in Asia

Country	GDP per Unit Area
United Kingdom	12,325
Sri Lanka	1,202
P.R. China	1,082
India	623
Nepal	134
Myanmar	95
Cambodia	93
Bhutan	51
Laos	51
Afghanistan	31
Mongolia	8



II. SOLUTIONS FOR RURAL TRANSPORT SERVICES IN ASIA

Innovative Financing Sources of Rural Transport Services

- Informal sector has limited access to **bank finance**; *Thailand* lends with strong family or village support
- A strong **hire-purchase market** in *Pakistan* has reduced fleet age and increased service reliability



Case Study: Financing Rural *Passenger* Transport Services

- A community bus project was established in *Sri Lanka* in 1997 with support from IFRTD
- The project had financial difficulties in early stages due to substantial loan repayments
- The project reached the breakeven point by the second year and earned profits from the third year



Case Studies: Financing Rural *Freight* Transport Services

- *Malaysia's* government funds motorcycle sidecars, common collection centres to facilitate movement of **agricultural produce**
- *India* subsidizes rural transport services to **promote industrialization** in remote regions by transporting raw materials and finished goods



Financing Models and Approaches from Developed World

- ‘**Right to transport**’ perceived as civil rights issue in some countries (e.g. in *French law*)
- *United Kingdom* provides **subsidised transport passes** for youth and elderly in rural areas
- Increasing use of **demand-flexible transport** over fixed-schedule services





III. NEXT STEPS FOR RURAL TRANSPORT SERVICES IN ASIA

Recommendations to Improve Financing of Rural Transport Services

- Increase efforts to collect **basic data** on rural transport services
- Develop new approaches to **regulating and managing** rural transport
- Incorporate rural transport services into **infrastructure programs**
- Introduce (competitive) **subsidy schemes** for rural transport services
- Expand **innovative use of ICT** to increase efficiency of rural transport

- Express **national commitments** to promote inclusive and affordable rural transport services through the Vientiane Declaration
- Incorporate and expand discussion of financing rural transport services into SDGs and other **global processes** (where possible)

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