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PPPs for the Poor

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The link between delivering infrastructure to the poor and improved health and educational outcomes and increases in productivity is generally accepted. However, basic infrastructure is often not accessible to the poor: water and electricity are not provided to poorer neighbourhoods, roads are unfinished. This may lead to the poor paying more for substitute services such as tankered water and diesel generators.

Historically, few incentives have been given to infrastructure service providers, and in particular private sector providers, to focus on access to services for the poor. The typical approach for managing affordability has been blanket subsidies provided to existing consumers, irrespective of their ability to pay, and little emphasis on generating new connections. These policies have generally done little to benefit the poor. For example the World Bank study *The Political Economy of Energy Subsidy Reform* states that “Energy consumption subsidies, although often intended to benefit the poor, are typically regressive as the bulk of the benefits accrue to those with the highest levels of consumption - those at the top of the income distribution.” Additionally, the law can hinder options for reaching the poor, with restrictions on service delivery to informal settlements.

A PPP - including management and operations contracts through to leases, affermages and concessions/BOT projects- can be an excellent opportunity to generate services access to the poor as incentives and penalties can be crafted into the arrangements between the government and the service provider. For example, minimum performance criteria in the contract can include new connections to poor areas and delivery of services to the poor. Similarly, the government can provide certain financial incentives - such as subsidies - to new connections that particularly benefit the poor. Such incentives can push the service provider to be innovative in findings solutions to access for the poor. To be successful, these mechanisms need to be at the heart of each infrastructure project, and drafted into the legal documentation underpinning the project. The challenge with a pro-poor PPPs, then, lies in the structuring of such incentives and penalties.

It is important to note that without a proper enabling environment (such as strong regulators) and proper project structuring, PPPs may not achieve improved services delivery to the poor, and may only deepen existing structural fault-lines. The political economy and affordability of the sector and project must also be understood in order to generate maximum benefits for the poor.

This section looks at key issues to be considered to ensure that PPPs can reach the poor and sets out possible legal and contractual mechanisms and solutions to facilitate and incentivize service delivery to the poor, including innovations in billing and collection, technological solutions to allow more flexibility in service levels, education and dissemination of information, complaints systems and dispute resolution and methods of limiting monopoly of service:

Related Content

- **Key Issues in PPPs for the Poor**

- **Laws and Regulations Supporting Pro-Poor Services Delivery**
- **Contractual examples supporting pro-poor service delivery**
- **Other Mechanisms Supporting Pro-Poor Service Delivery**
- **Case Studies on Pro-Poor PPPs**
- **Further Readings on Pro-Poor PPPs**

Additional Resources

- Sub-national and Municipal PPPs
- Rural Electrification Funds: Sample Operational Documents and Resources
- Concession and PPP Laws
- Water & Sanitation PPPs
- Renewable Energy

Subsections

Key Issues in PPPs for the Poor Hanging Clothes

Key Issues in PPPs for the Poor

Pro-Poor PPPs - A picture containing building, water, scene, outdoor

Laws and Regulations Supporting Pro-Poor Services Delivery

PPPs for the Poor: A picture containing underprivileged person, child

Contractual examples supporting pro-poor service delivery

Other Mechanisms Supporting Pro-Poor Service Delivery - donkey carrying water

Other Mechanisms Supporting Pro-Poor Service Delivery

Pro-Poor PPPs Case : Shanty Mumbai

Case Studies on Pro-Poor PPPs

PPPs for the Poor further Reading

Further Readings on Pro-Poor PPPs

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