

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

**FINANCIAL SUSTAINABILITY OF TRANSPORT SYSTEMS IN LATIN AMERICA AND THE
CARIBBEAN (LAC)**

(RG-T4921)

PROJECT DOCUMENT

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REGIONAL FINANCIAL SUSTAINABILITY OF TRANSPORT SYSTEMS IN LATIN AMERICA AND THE CARIBBEAN (LAC) RG-T4921		
PROJECT SUMMARY		
Operation Type:	Technical Cooperation	
Sector:	TRANSPORT	
Subsector:	URBAN TRANSPORT INFRASTRUCTURE	
TC Taxonomy:	Research and Dissemination	
Project Number under the Operational Support Taxonomy:	N/A	
Technical Responsible Unit:	INE/TSP-Transport	
Unit with Disbursement Responsibility (UDR):	INE/TSP-Transport	
Executing Agency:	Inter-American Development Bank	
PROJECT OBJECTIVE		
The broad objective of this Technical Cooperation (TC) is to improve the financial sustainability, equity, and efficiency of transport funding systems in Latin America and the Caribbean (LAC). This TC will analyze the financial sustainability of transport systems in LAC and generate evidence-based policy recommendations to strengthen funding frameworks. The main value added by the present TC will be: (a) the assessment of current funding structures—including subsidies, tariffs, and other revenue sources—across transport subsectors; (b) the evaluation of their fiscal implications and efficiency; (c) identifying and assessing alternative and innovative funding sources to diversify revenues and reduce fiscal pressure; and (d) examining the institutional, regulatory, and political economy factors influencing the feasibility of funding reforms.		
FINANCIAL INFORMATION		
Financing Type	Fund	Amount in US\$
TCN - Nonreimbursable	P3D - OC SDP Pillar 3 - Sustainable, Resilient, and Inclusive Infrastructure	400,000
Total IDB Financing		400,000
Counterpart Financing		0
Total Project Budget		400,000
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	
ADDITIONAL FINANCIAL INFORMATION		
N/A		

I. Justification and Objective

1.1 Diagnostic. Transport systems in LAC face persistent financial sustainability challenges. Across subsectors (public transport, roads, railways, ports, and airports) transport services and infrastructure require significant resources to operate, expand networks, and maintain assets. However, public investment in LAC averaged only 0.95% of GDP (2008-2023), well below the 1.38% needed to meet LAC's transport infrastructure needs by 2030, leaving a cumulative gap of US\$1 trillion ([Brichetti et al., 2021](#)). Revenue streams are often insufficient to cover these needs. In urban public transport, fare revenues typically cover less than half of operating costs, requiring growing subsidies that strain fiscal budgets ([Rivas et al., 2025](#)). Similar challenges exist in other subsectors: while tolls, cargo tariffs, and user charges support some interurban roads, freight railways, ports, and airports, many assets—particularly rural roads, smaller airports, and shared port infrastructure—remain heavily dependent on public funding.

1.2 These constraints contribute to deteriorating service quality, deferred maintenance, and underinvestment, generating additional costs. Inadequate maintenance could raise transport asset replacement costs by at least 50% in low-and middle-income countries between 2015 and 2030 ([Hallegatte et al., 2019](#)). In LAC, approximately 21% of the paved primary road network is currently in poor condition ([Pastor, 2020](#)), underscoring the urgency of rethinking transport funding.

1.3 Request. Strengthening the financial sustainability of transport systems is a strategic priority for the IDB as transport is a critical enabler of economic productivity, social inclusion, regional integration, and climate resilience in LAC. Persistent funding gaps and growing fiscal pressures threaten the quality, affordability, and long-term viability of transport infrastructure and services, undermining development outcomes and the effectiveness of public investment. By generating evidence on sustainable funding models, subsidy reform, and innovative revenue mechanisms, this TC will help countries advance more efficient and equitable transport systems while supporting the IDB's broader objective of promoting sustainable infrastructure, fiscal responsibility, and inclusive growth across the region.

1.4 Objective. The broad objective of this Technical Cooperation (TC) is to improve the financial sustainability, equity, and efficiency of transport funding systems in Latin America and the Caribbean (LAC). This TC will analyze the financial sustainability of transport systems in LAC and generate evidence-based policy recommendations to strengthen funding frameworks. The main value added by the present TC will be: (a) the assessment of current funding structures—including subsidies, tariffs, and other revenue sources—across transport subsectors; (b) the evaluation of their fiscal implications and efficiency; (c) identifying and assessing alternative and innovative funding

sources to diversify revenues and reduce fiscal pressure; and (d) examining the institutional, regulatory, and political economy factors influencing the feasibility of funding reforms.

1.5 If successfully delivered, this TC is expected to strengthen the knowledge base and institutional capacity of governments and key stakeholders in LAC to design and implement more sustainable transport funding frameworks. It will generate evidence on current funding structures, subsidy schemes, and fiscal implications across transport subsectors, while identifying funding gaps, fiscal pressures, and the distributional impacts of existing policies.

1.6 It will also identify and assess alternative funding mechanisms and international experiences that could be adapted to the regional context, providing evidence-based policy recommendations to diversify revenue sources, improve cost recovery, and strengthen the financial sustainability of transport systems while maintaining affordability and equity.

1.7 Finally, this TC will promote knowledge exchange and informed policy dialogue among governments, transport authorities, operators, and development partners, contributing to more effective decision-making and consensus-building around feasible funding reforms.

1.8 **Gender gaps.** The TC will incorporate an equity perspective by examining how transport funding structures and subsidy frameworks affect low-income households and women, particularly in terms of affordability and access to transport services. The analysis will explore how existing funding and fare policies may shape mobility constraints for these groups and, where applicable, assess whether current subsidy schemes effectively support vulnerable populations. The findings will contribute to policy recommendations aimed at improving the targeting of subsidies and ensuring that funding reforms strengthen both financial sustainability and equitable access to transport systems.

1.9 **Complementarity.** The TC will provide new insights into current and past work carried out by the TSP division. In particular, this project will complement the study on subsidies schemes addressed in the 2025 Funding and Financing Flagship ([Rivas et al., 2025](#)) and the multiannual TSP ESWs Agenda (2026-2027) on accessibility and affordability (RG-E2077).

1.10 **Strategic Alignment.** This TC aligns with four Operational Focus Areas of IDBStrategy+ (GN-3159-12) by addressing structural challenges in the funding and financial sustainability of transport systems in LAC: (a) Sustainable, Resilient, and Inclusive Infrastructure. The TC supports the development of sustainable transport systems by analyzing how infrastructure and transport services are funded and maintained over time. Financially sustainable funding frameworks are essential to ensure adequate maintenance

of assets, stable service provision, and long-term infrastructure resilience. By identifying funding gaps, assessing subsidy schemes, and evaluating alternative revenue sources, the TC will contribute to strengthening transport systems that support inclusive access to opportunities while remaining fiscally viable; (b) Productive Development and Innovation through the Private Sector. The proposal will examine mechanisms that can mobilize private participation and diversify funding sources for transport infrastructure and services. By assessing models such as toll-based concessions, public–private partnerships, and innovative funding instruments, the TC will identify opportunities to leverage private capital and improve the efficiency of public spending. Strengthening funding and financing frameworks can help unlock investment, enhance service provision, and support productive sectors that rely on efficient transport and logistics systems; (c) Institutional Capacity, Rule of Law, and Citizen Security. The TC will strengthen institutional capacity by generating evidence, analytical tools, and policy recommendations to support better decision-making in transport funding and subsidy design. It will also examine institutional, regulatory, and political economy factors that shape the feasibility of funding reforms. By fostering knowledge exchange and policy dialogue, the TC will support governments in designing transparent, accountable, and financially sustainable funding mechanisms, ultimately improving governance and public sector effectiveness in the transport sector; and (d) Gender Equality and Inclusion of Diverse Population Groups. The TC will incorporate an equity perspective by examining how transport funding structures and subsidy frameworks affect low-income households and women, particularly in terms of affordability and access to transport services. The analysis will explore how existing funding and fare policies may shape mobility constraints for these groups and assess whether current subsidy schemes effectively support vulnerable populations. The findings will contribute to policy recommendations aimed at improving the targeting of subsidies and ensuring that funding reforms strengthen both financial sustainability and equitable access to transport systems.

1.11 The TC is closely aligned with the Transport Thematic Framework Document 2026-2030 (TFD), which identifies financial sustainability, funding gaps, and weak institutional capacity as core structural challenges limiting transport performance in LAC. By analyzing existing funding arrangements across subsectors, assessing their fiscal and equity implications, and identifying alternative and innovative revenue sources, the TC directly supports the TFD's call for more stable, efficient, and equitable funding frameworks.

1.12 The TC is strongly aligned with the TFD's Line of Action 4, which prioritizes strengthening funding mechanisms, improving subsidy design, and enhancing the enabling conditions for sustainable financing and private-sector participation. The TFD explicitly encourages the adoption of new payment sources—such as value capture, congestion charging, and dedicated taxes—and calls for better-targeted subsidies and evidence-based policymaking to

enhance financial sustainability across transport systems. By producing harmonized data, applied research, and actionable policy recommendations, the TC provides the analytical foundation needed to operationalize these priorities. In doing so, it advances the TFD's overarching objectives of fostering equitable, resilient, and fiscally sustainable transport systems that support inclusive growth and long-term service quality in the region.

1.13 The TC is aligned with Pillar 3 (P3D) of the Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-25) as it will generate essential analytical work, datasets, and knowledge products to support evidence-based decision-making on the financial sustainability of transport systems in LAC. By strengthening the availability of comparable information and analytical tools on transport financing, the TC will help inform the design of more sustainable, resilient, and inclusive infrastructure policies and investments across eligible borrowing member countries.

II. Components

2.1 Component 1. Dataset on transport subsidies and funding structures (US\$90,000). This component aims to compile and harmonize data on subsidies, fare structures, and public funding mechanisms across selected countries and transport subsectors, creating a structured evidence base to support comparative analysis and policy discussions. The dataset will consolidate information from government sources, operators, and existing databases, creating a structured and comparable evidence base to support empirical analysis and policy discussions. The dataset will consider all eligible borrowing member countries, subject to information availability.

2.2 The dataset will provide a systematic evidence base for research and analysis, providing an essential input for component 2.

2.3 This component will include the following activities: develop a workplan, design a methodology (including surveys, data extraction and consolidation from primary sources, interviews with experts, and data validation, among other methods), and create databases containing the quantitative and qualitative data gathered.

2.4 All data gathering and storage procedures will be closely monitored to guarantee a correct alignment with the Bank's policies on data storage and management.

2.5 Component 2. Applied research on financial sustainability of transport systems (US\$180,000). This component will finance the preparation of rigorous

research projects -two working papers- examining funding structures, subsidy schemes, fiscal implications, and alternative revenue mechanisms across transport subsectors in LAC. The research will address key questions such as: (a) how transport systems are currently funded and what structural factors explain persistent financial gaps; (b) how effective and well-targeted existing subsidy schemes are in achieving financial sustainability and social objectives across subsectors; (c) the fiscal implications of current funding arrangements and potential reforms; and (d) the potential role of alternative revenue mechanisms—such as dedicated taxes, user charges or value capture—in strengthening financial sustainability. This component will consider all eligible borrowing member countries, subject to information availability.

2.6 The results from the applied research in this component will provide novel and rigorous evidence on key questions on sustainable funding of transport systems and infrastructure. The lessons learned from this component will highlight the most urgent challenges and opportunities on the nexus of infrastructure services and funding. The results of this research and the lessons learned will be crucial to create policy recommendations in component 3.

2.7 This component will include the following activities: developing a workplan, conducting an analytical review of academic literature, conducting an analysis of the compiled dataset to address key questions (applying statistical and econometric methods where required), and producing two reports based on the conclusions of the literature review and the analysis of the compiled dataset.

2.8 **Component 3.** Evidence-based policy recommendations (US\$55,000). This component will finance the elaboration of one regional policy paper synthesizing the analytical findings and proposing policy options to improve the financial sustainability of transport systems in LAC. The paper will examine issues such as the design and targeting of subsidy schemes, the regulatory and institutional conditions required to implement funding reforms, and the feasibility of alternative revenue mechanisms. This component will consider all eligible borrowing member countries, subject to information availability.

2.9 The lessons learned from this component will consist of actionable policy actions and recommendations that rely on rigorous evidence-based research. Particular effort will be devoted to systematizing the conclusions and recommendations emerging from this TC in order to inform future interventions.

2.10 This component will include the following activities: the development of a workplan, an analytical review of global current best policies and practices to identify and assess alternative funding mechanisms and international

experiences that could be adapted to the regional context, an analysis of the compiled dataset and findings from working papers, and the production of a report and presentation on policy recommendations for the region.

2.11 Component 4. Knowledge exchange and dissemination activities (US\$75,000). This component supports the organization of two in-person regional knowledge-sharing workshops, bringing together policymakers, transport authorities, operators, and development partners -these include the International Association of Public Transport (UITP) together with national and local transport authorities from cities and countries. These events will disseminate the analytical findings, facilitate dialogue on policy options, and promote the exchange of experiences across countries and transport subsectors, necessary for the project's success. Relevant knowledge products generated by this TC will be integrated into the IDB research & policy discussion paper series.

2.12 More specifically, this component will provide support for editing, systematization and dissemination of the knowledge products generated under Components 1, 2 and 3. The cost of publications is included in this component.

2.13 This component will include the following activities: the design of the workshop agenda, methodology, and format (e.g., presentations, breakout sessions, roundtables); the preparation or coordination of background materials, presentations, and discussion guides; the invitation of expert speakers, panelists, and facilitators, ensuring thematic alignment; the securing of the venue and required equipment; the coordination of participant invitations, registration, and follow-up confirmations; the management of travel and accommodation for external speakers or participants, if needed; the collection of participant feedback through surveys or debriefs; the preparation of a workshop summary report including key takeaways, policy recommendations, and next steps; and support for the dissemination of outcomes to relevant institutions and stakeholders.

III. Budget

3.1 Budget. The total project cost amounts to US\$400,000 and is financed entirely by the Ordinary Capital Strategic Development Program Pillar 3 - Sustainable, Resilient, and Inclusive Infrastructure (OC SDP) P3D. The unit responsible for execution and disbursement is the Transport Division (INE/TSP). The TC does not include counterpart financing of any kind.

Budget in US\$		
Components	IDB/P3D	Total
Component 1: Primary Dataset	90,000	90,000
Component 2: Applied research on financial sustainability	180,000	180,000
Component 3: Evidence-based policy recommendations	55,000	55,000
Component 4: Knowledge exchange and dissemination activities	75,000	75,000
Total	400,000	400,000

IV. Execution Structure

4.1 The Bank, through the Transport Division (TSP), will be responsible for the execution and supervision of activities, in accordance with the guidelines and requirements established in the Technical Cooperation Policy (GN-2470-2). These activities will be guided by the information included in the Results Matrix and Procurement Plan of this TC. The Bank is ideally positioned, given its vast presence in LAC, its capacity to engage the most relevant stakeholders, and its knowledge across all eligible borrowing member countries of the Bank, to undertake the data collection and studies necessary to complete the project, and to disseminate the results among relevant actors in the region. This has been evidenced in the active dialogue that is in place between TSP staff and governments across LAC, for example within the context of the G-20 group, where the IDB is leading studies on the role of infrastructure to achieve the Sustainable Development Goals. Indeed, in line with the IDB Institutional Strategy for LAC, which positions sustainable, resilient, and inclusive infrastructure as one of the main goals of the IDB, the Bank is expected to serve as a catalyzer of transport systems knowledge, innovation, and impact policy on multiple scales within LAC making the regional coordination of the IDB a necessary condition of this TC. TSP is best equipped to manage this operation and to ensure the coordination needed. Active engagement with and awareness of the work of other organizations operating in the field will also help avoid any potential overlaps with on-going efforts. Prior to the initiation of specific in-country activities in eligible borrowing member countries of the Bank, the Bank will obtain the letter of non-objection from the corresponding liaison office.

4.2 All procurement to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650); and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.

4.3 During the execution of this work, there will be recurring meetings to track the progress. The IDB team responsible for this project will deem each deliverable as acceptable or not. In the latter case, the team will provide clear guidelines to the consultant on specific revisions to be made. The delivery of the products must be made in English, through the official email address of the selected candidate. Delays in delivery must be communicated to the Bank and duly approved.

V. Potential Risks

5.1 The risk assessment carried out has identified two implementation risks and defined mitigation risks for each of them. First, it is possible that the findings and policy recommendations are not adopted by policymakers and practitioners. To that end, the project team will work closely with partners, policymakers, and stakeholders in all phases of the project to ensure findings resonate with policymaker's needs and priorities. These include the UITP together with national and local transport authorities from cities and countries, where applicable.

5.2 A second implementation risk is the scarcity and quality of reliable data and information. In this regard, the team will leverage IDB's relationship with governments and stakeholders in LAC to facilitate access to information. Project partners will engage with data collection agencies, civil society organizations, and relevant private firms to achieve its goals.

5.3 All knowledge products prepared and generated by this TC will be the sole and exclusive property of the Bank and as such the Bank has exclusive title, rights (including copyright) and interest in the products. The Bank may copy, reproduce, distribute, disseminate, publish and/or display the products in any format or media now known or hereafter developed, in any publication, website, blog, catalog, event, exhibit, archive, as well as in any Bank materials.

VI. Exceptions to Bank Policies

6.1 It is not expected to request exceptions to any Bank policy.

VII. Environmental and Social Aspects

7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

REQUIRED ANNEXES:

- Annex I: Request from Client
- Annex II: Results Matrix
- Annex III: Terms of Reference
- Annex IV: Procurement Plan

