

## macroeconomía del desarrollo

# **C**oordination of public expenditure in transport infrastructure: analysis and policy perspectives for Latin America

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## Abstract

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Multinational transport infrastructure (MTI) projects are fraught with coordination issues. This paper contributes by identifying the key issues necessary for effective MTI coordination, analyzing them using economic theory and putting them into perspective within the framework of major ongoing coordination efforts for MTI in Europe and Latin America. Specifically, this paper carries out the following. First, after mentioning the importance of transport infrastructure for growth and integration, we describe the characteristics of transport networks that make coordination essential. Second, we motivate the need for public funding of MTI projects. Third, we analyze interaction between countries in MTI projects using game theory, highlighting how coordination problems arise in both static and dynamic settings, focusing on the Stag Hunt and iterative-move coordination games under perfect information. Fourth, we evaluate the experience of the Trans-European Transport Networks (TEN-T), a key element of European transport policy, trying to identify lessons that might be useful for ongoing coordination efforts in Latin America. Fifth, we review the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), describing how it works and how it has contributed to coordination of MTI projects. Sixth, we present policy implications derived from our analysis of economic theory and both the European and South American coordination experiences, specifically proposing how the coordination solutions that have been put in place in IIRSA could be improved through better evaluation and selection of MTI projects, measures aimed at easing the binding financial constraints, and closer coordination between governments. Finally, we conclude with a discussion that brings together the main results and implications of the paper, and suggests avenues for future work.

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