



INFRASTRUCTURE DELIVERY MODELS AND MANAGEMENT

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<https://www.itf-oecd.org/private-investment-infrastructure>



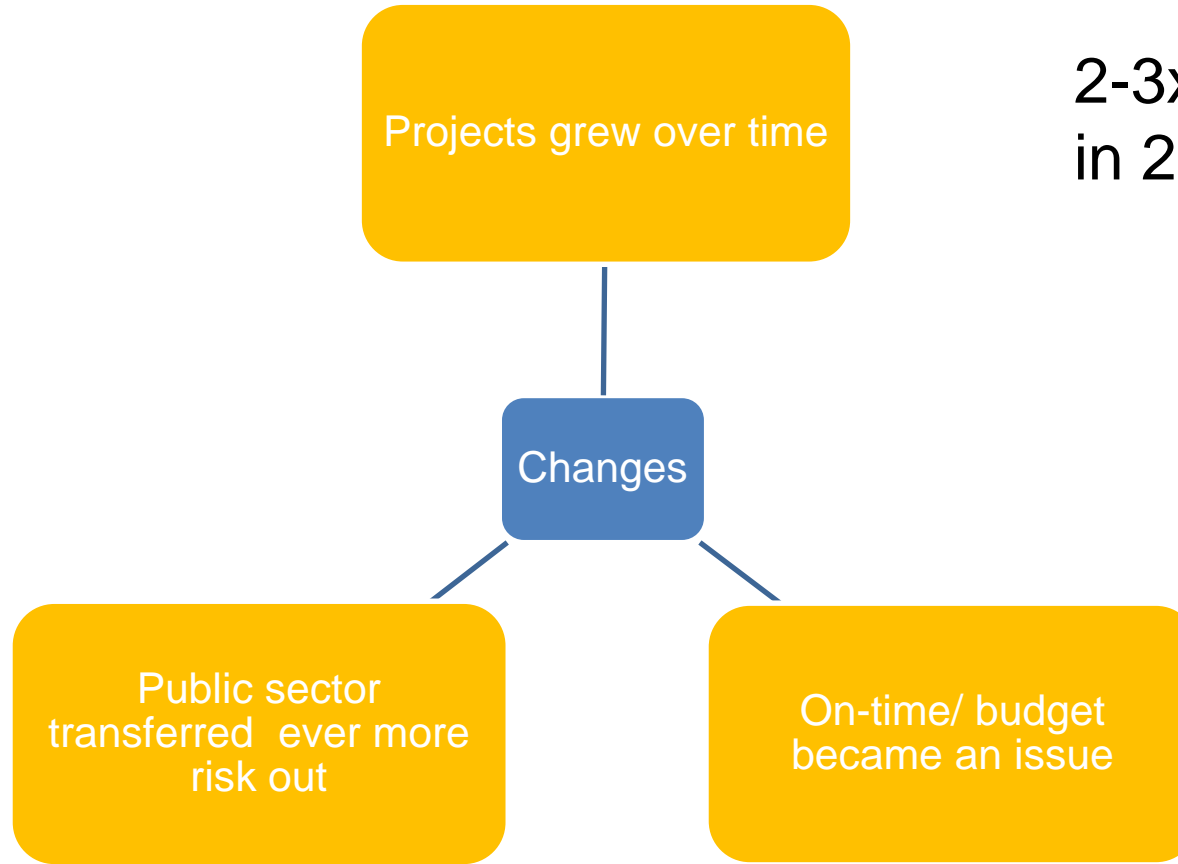
What happened in the 20th century

- The traditional Design-Bid-Build model has been the back-bone of infrastructure procurement to date
- The average project was smaller
- The state retained most of the risk



...but major changes are underway...

Expansion of
alternative
contracting models
after 1990

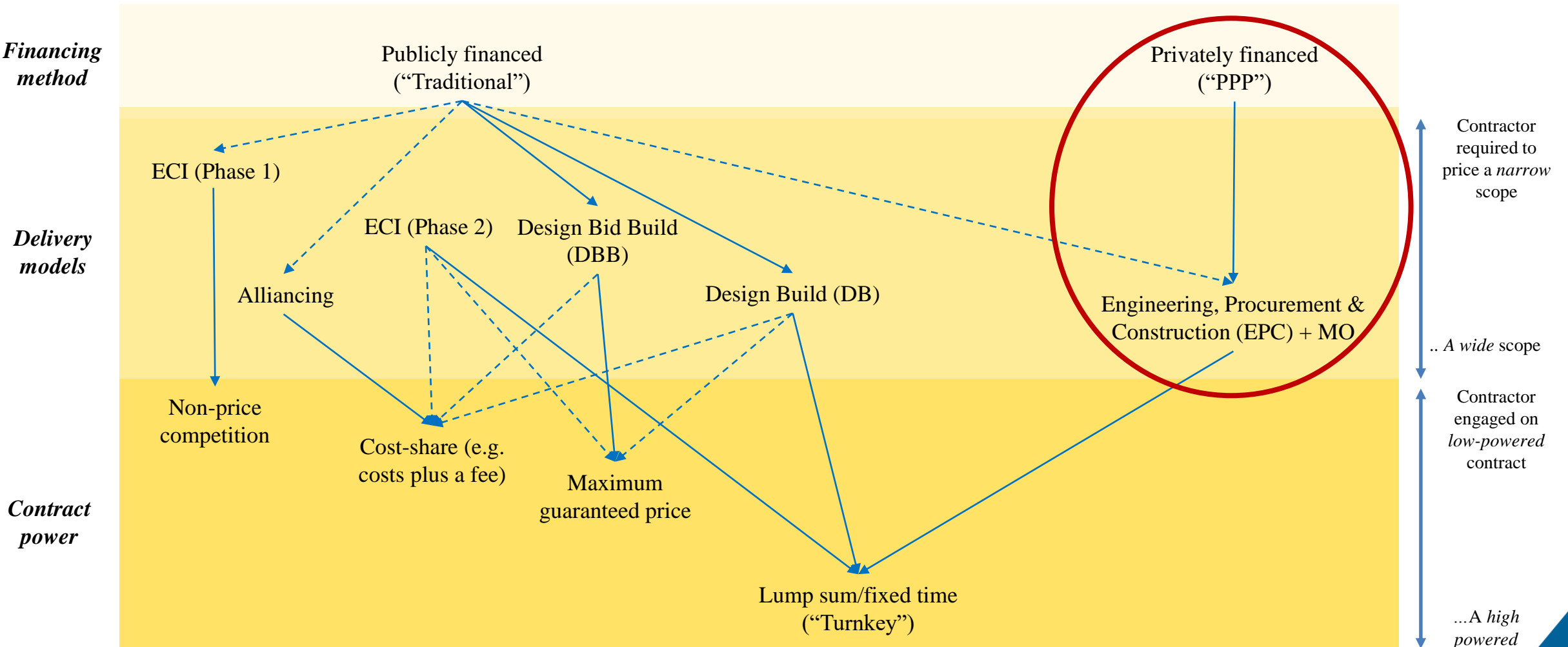


2-3x in real terms
in 20th century

Popularized by B.
Flyvbjerg



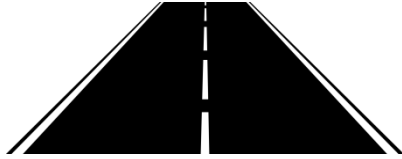
From the DBB to a panoply of options...



Note – Solid lines denote predominant choice, with dashed lines representing less common but observed options



Evidence on PPP performance in transport infrastructure



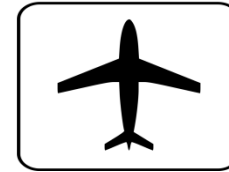
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Mixed/limited experience



Positive

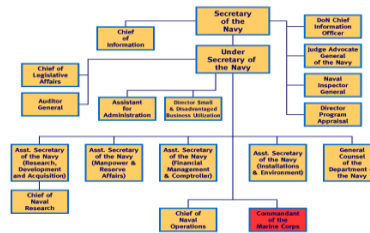


Positive

“Positive” is subject to conditions



+






+





The role of PPP's in transport

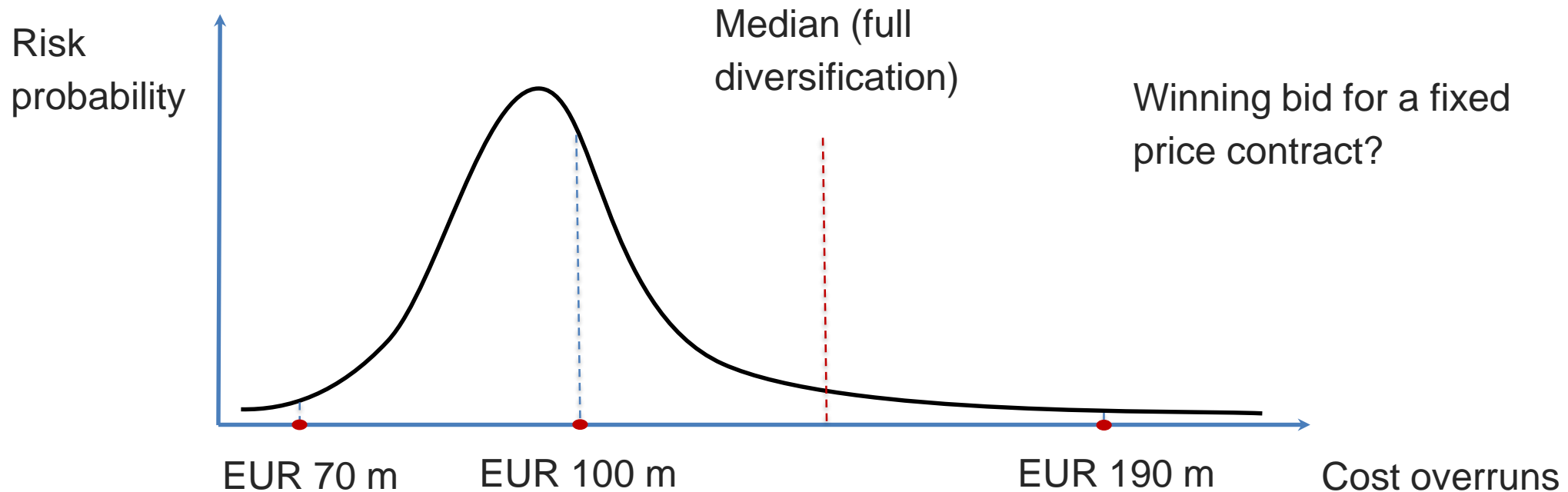
Efficiency type	Relevance
Productive (cost efficiency under very specific conditions)	
Allocative (preventing bridges to nowhere)	
Dynamic (extending the public borrowing constraint)	



A key issue of the PPP model – risk transfer

- What if we place a very strict requirement (e.g. 100 % insurance) on an agent (contractor) with limited risk info?

Construction risk distribution in major projects

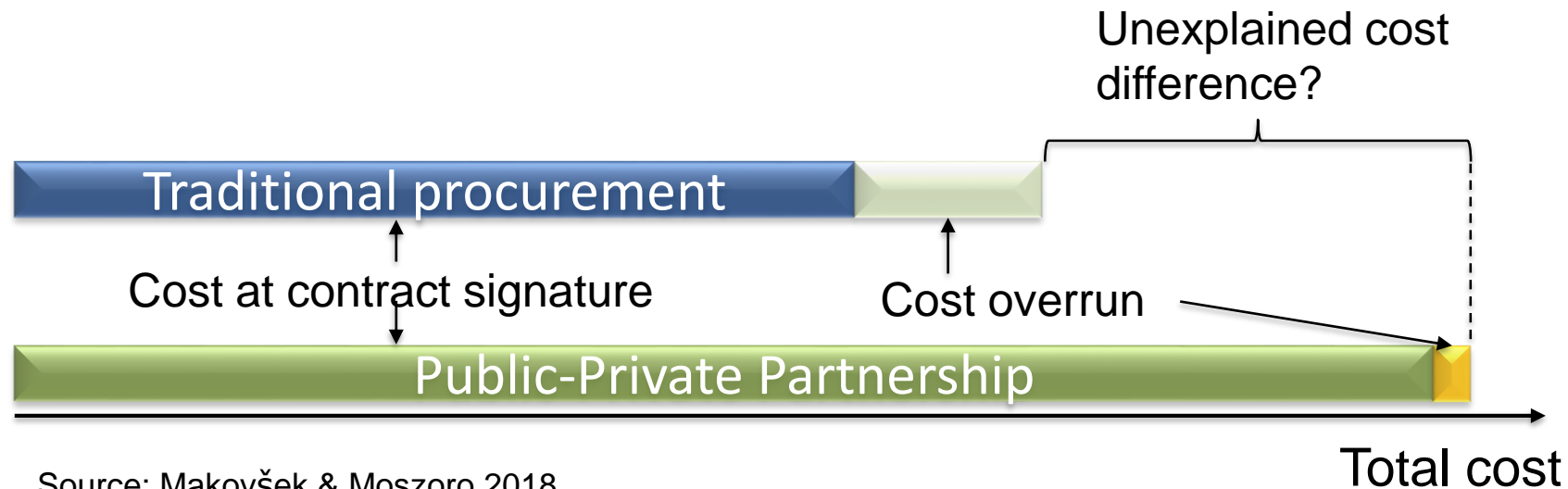




In a PPP contract risk contingencies can easily offset efficiency gains

Applying a fixed price contract on a complex project

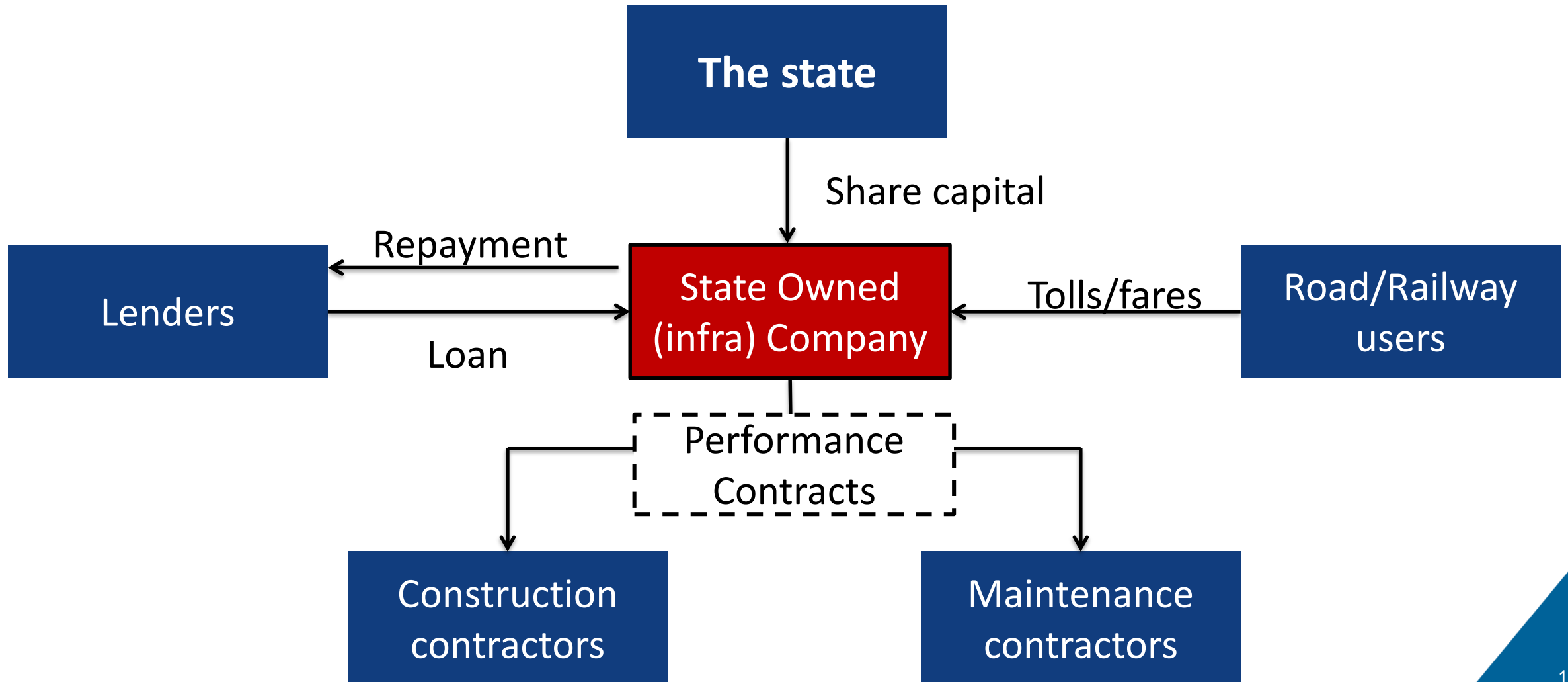
- Construction risk: risk premium in roads above ex-post risk (+20% in EU), LCC does not explain diff.)



Source: Makovšek & Moszoro 2018.



The best delivery solution adapts to the project, not the choice of finance





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Procurement Choices and Infrastructure Costs



Dejan Makovšek & Adrian Bridge

<https://www.nber.org/books-and-chapters/economic-analysis-and-infrastructure-investment/procurement-choices-and-infrastructure-costs>



THANK YOU



Long-term contracts, complexity, and unknown unknowns

Year 20
End of
contract

Competition
for the
contract

