

## TC Abstract

### I. Basic project data

• Country/Region:	REGIONAL/IDB
• TC Name:	Cost overruns in infrastructure projects: lessons in LAC and enhancement of the analytical tools to manage IDB Projects
• TC Number:	RG-T2914
• Team Leader/Members:	PEREYRA DA LUZ, ANDRES - Team Leader PEREYRA DA LUZ, ANDRES - Creator DI FABIO FASCIOLI, CLAUDIA - Operational Analyst TORRES, ADRIANA INES - Project Assistant DIEZ ROUX, ESTEBAN - Alternate Team Leader MAYORAL GABALDON, OLGA IOSUNE - Project Assistant CORBACHO MORALES, IVAN - Team Member FIORAVANTI, REINALDO DANIEL - Team Member JIMENEZ MOSQUERA, JAVIER I. - Attorney FRANZINI, VIRGINIA - Attorney
• Indicate if: Operational Support, Client Support, or Research & Dissemination:	Research and Dissemination
• If Operational Support TC, give number and name of Operation Supported by the TC:	
• Reference to Request : (IDB docs #):	
• Date of TC Abstract:	05 Apr 2017
• Beneficiary (countries or entities which are the recipient of the technical assistance):	All borrowing countries of the Bank
• Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {if Bank: Contracting entity} {if the same as Beneficiary, please indicate}:	US-IDB - Andrés Pereyra
• IDB Funding Requested:	\$ 345,000.00
• Local counterpart funding, if any:	\$ 0.00
• Disbursement period (which includes execution period):	24 months
• Required start date:	
• Types of consultants (firm or individual consultants):	Individuals
• Prepared by Unit:	Transport
• Unit of Disbursement Responsibility:	INFRASTRUCTURE AND ENVIRONMENT SECT DEPT
• Included in Country Strategy (y/n):	No
• TC included in CPD (y / n):	No
• Strategic Alignment:	Productivity and innovation, Institutional capacity and rule of law

### II. Objective and Justification

This TC aims to continue contributing to the analysis of cost overruns on large investment projects and their causes, to improve the design and implementation of projects by the IDB and LAC countries. Specifically, this implies:

- (i) Improving the methodology for stochastic analysis of infrastructure project costs by testing the predictive capacity of the model and facilitating its application through a computer tool
- (ii) Complete the analysis of design cases and Implementation of Infrastructure megaprojects, focused on establishing evidence of the impact of the institutional environment on their success (measured by the existence of overcharges and overdrafts)
- (iii) Produce recommendations regarding the use of different contracting mechanisms for

large infrastructure projects

(iv) Systematize lessons learned from innovations in the structuring of infrastructure financing, and support for their diffusion

The existence of cost overruns is a recurring phenomenon in projects involving the construction and operation of infrastructures. Flyvbjerg (2005) reports a large number of major projects throughout the world and reports that 9 out of 10 have cost overruns, varying by sector, on average, between 20% and 45%. The problem fundamentally affects the credibility of governments in their role of leadership in projects of long duration and high value (Altshuler and Luberoft, 2003), and in parallel, the organizations that finance these projects.

### III. Description of activities and outputs

Component 1. Improvement of the Method of Estimating Cost Overruns.

Component 2. Documentation of Lessons Learned in Megaprojects

Component 3. Contracting Mechanisms

Component 4. Innovation in financing structuring

#### Components

##### **Name: 1. Improvement of the Method of Estimating Cost Overruns.**

Description: This component will finance a comparative analysis of the results of the application of the methodology of stochastic estimation of cost overruns in different projects.

##### **Name: 2. Documentation of Lessons Learned in Megaprojects**

Description: This component will finance the next stage of case study development to analyze the details of the institutional linkage of the different countries and sub-sectors of transport and the success or failure of mega-projects measured by their cost overruns and delays.

##### **Name: 3. Contracting Mechanisms**

Description: This component will finance documentation and analysis of the use of the contracting mechanism called design and construction.

##### **Name: 4. Innovation in financing structuring**

Description: This component will finance documentation and analysis of recent innovations in infrastructure (particularly transportation) financing.

##### **Name: 5. Monitoring and knowledge dissemination**

Description: Monitoring of CT components and knowledge dissemination of results

### IV. Budget

#### Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
1. Improvement of the Method of Estimating Cost Overruns	\$ 70,000.00	\$ 0.00	\$ 70,000.00
2. Documentation of Lessons Learned in Megaprojects	\$ 70,000.00	\$ 0.00	\$ 70,000.00
3. Contracting Mechanisms	\$ 80,000.00	\$ 0.00	\$ 80,000.00
4. Innovation in financing structuring	\$ 80,000.00	\$ 0.00	\$ 80,000.00
5. Monitoring and knowledge dissemination	\$ 45,000.00	\$ 0.00	\$ 45,000.00

## **V. Executing agency and execution structure**

The TC will be executed by the IDB's Transportation Division (INE/TSP). This is the main activity of the Strategic Area of Major Projects of the Division, which aims to strengthen the Bank's capacity to manage project cost overruns and generate knowledge and tools so that the countries of the region can also improve their understanding and cost management in large investment projects. For this reason, it is considered that the best arrangement is the implementation by the Bank, with the support of the information of the countries of the region, who will be the main beneficiaries of the products that are developed.

## **VI. Project Risks and issues**

No significant risks are anticipated in the execution of this TC.

## **VII. Environmental and Social Classification**

The ESG classification for this operation is [C].