

### 8.3 Life cycle perspective in infrastructure procurement

The life cycle of an infrastructure project includes its planning, prioritisation and funding, design, procurement, construction, operation, maintenance, and decommissioning. A life cycle perspective in infrastructure procurement means that all these stages are considered when making procurement decisions. Considerations should also include the project's impact on other objectives, such as environmental protection or gender equality, over its entire lifespan. Such a perspective can lead to more sustainable, inclusive and cost-effective infrastructure decisions. The OECD Recommendation on the Governance of Infrastructure highlights that contracting authorities must carefully evaluate the optimal risk allocation and use value for money analytical tools to compare assessments of service delivery options throughout the project's life cycle. In addition, contracting authorities can support their procurement officials to make use of the whole life cycle of infrastructure projects to achieve important complementary objectives such as inclusion, responsible business conduct or environmental goals.

Considering the limited resources available to governments, one of the first and most important stages of the procurement process is identifying and choosing the proposals offering the best value for money. A large majority of Latin America and Caribbean (LAC) countries with data available (12 out of 14, 86%) use a combination of financial and qualitative criteria to identify the proposals offering the best value for money. To make the procurement process fair and ensure that enough resources are allocated to the projects to achieve the expected results, half of the LAC countries with data available also use mechanisms to manage abnormally low or high tenders. Abnormally low bids raise concerns about the bidder's capability to perform the contract, while high ones suggest overpricing and a potential lack of value for money. These issues can compromise fair competition between tenderers, so governments try to identify them early. One of the most important criteria for identifying the proposals that offer the best value for money is to evaluate the life cycle perspective of the infrastructure project but only Brazil uses this when assessing project proposals (Figure 8.5).

During their life cycle, infrastructure projects are exposed to risks including inefficiency, financial uncertainty, cost overruns, low quality and integrity breaches. Managing and assessing risks during the entire procurement life cycle is key to distinguishing and foreseeing factors that may hamper the projects' realisation. In 2022, 10 out of 14 LAC countries surveyed (71%) conducted

risk management activities to cover the entire infrastructure procurement life cycle (Figure 8.6).

Finally, having a life cycle perspective should mean public procurement officers can leverage the infrastructure project procurement process to achieve complementary policy objectives. For instance, some LAC countries are making their infrastructure procurement processes more environmentally sustainable by enabling public procurement officials to identify projects that promote responsible business conduct (6 countries out of 14), and environmental protection (5 countries out of 14). Fewer countries are taking advantage of infrastructure projects to promote gender equality (three countries), or innovation or social policy objectives (two countries each) (Figure 8.7).

#### Methodology and definitions

Data are from the 2022 IDB-OECD Survey of Infrastructure Governance conducted in July 2022, with responses from 15 LAC countries. Respondents were predominantly senior officials in central/federal ministries of infrastructure, public works and finance, as well as in infrastructure agencies and other line ministries.

The life cycle of public infrastructure means all the stages of a public infrastructure asset's lifespan, from planning, prioritisation and funding to design, procurement, construction, operation, maintenance and decommissioning.

Value for money is what the government judges as an optimal combination of quality, features and price, calculated over the whole project's lifetime.

#### Further reading

IDB (2020), Public Investment Profile for Disaster Risk Reduction: A Macro-Economic Study, <http://dx.doi.org/10.18235/0002697>.

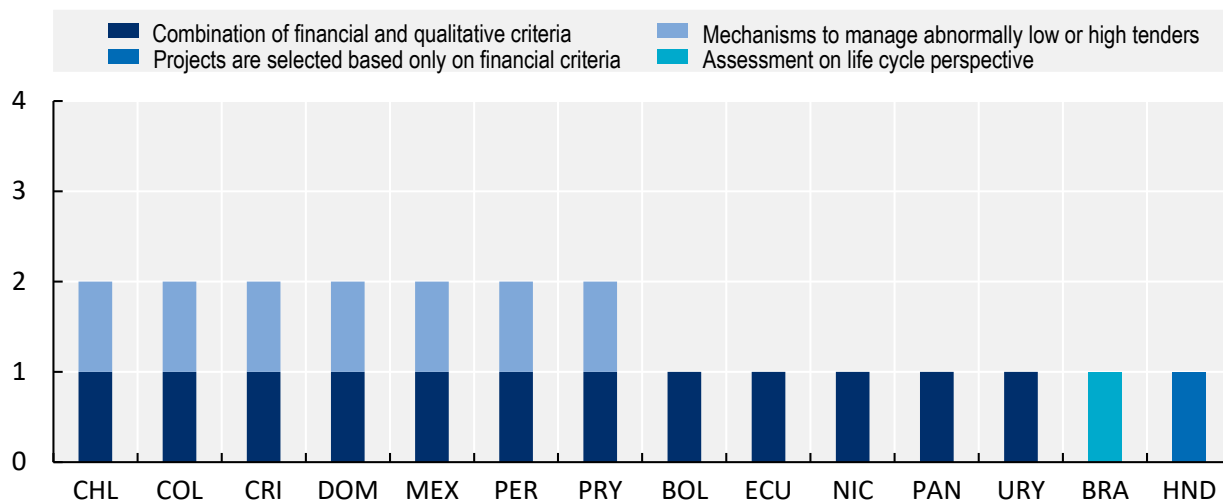
OECD (2021), "Women in infrastructure: Selected stocktaking of good practices for inclusion of women in infrastructure", *OECD Public Governance Policy Papers*, No. 07, OECD Publishing, Paris, <https://doi.org/10.1787/9eab66a8-en>.

OECD (2020), "Recommendation of the Council on the Governance of Infrastructure", *OECD Legal Instruments*, OECD, Paris, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0460>.

#### Figure notes

Data for Argentina are not available.

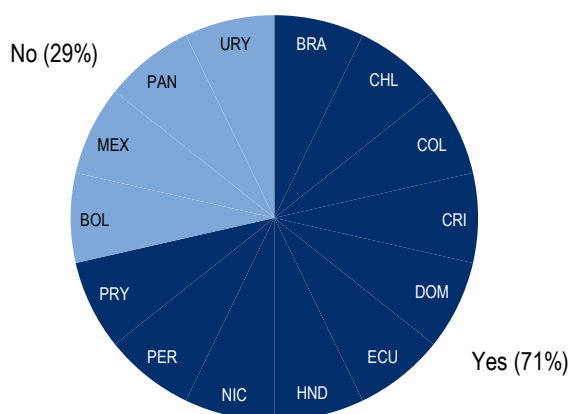
**Figure 8.5. Mechanisms to help identify proposals offering the best value for money, 2022**



Source: 2022 IDB-OECD Survey on the Governance of Infrastructure.

StatLink <https://stat.link/grm5ny>

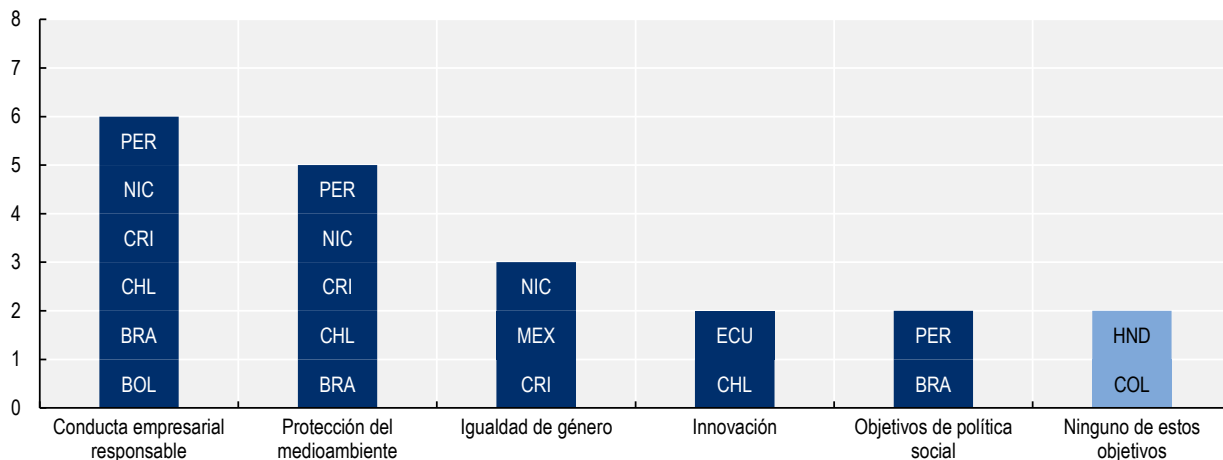
**Figure 8.6. Risk management activities covering the entire infrastructure procurement life cycle, 2022**



Source: 2022 IDB-OECD Survey on the Governance of Infrastructure.

StatLink <https://stat.link/kf0myz>

**Figure 8.7. Support to procurement officials to leverage infrastructure procurement to achieve complementary objectives, 2022**



Source: 2022 IDB-OECD Survey on the Governance of Infrastructure.

StatLink <https://stat.link/04ygal>



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