The impact this has on traditional international capital projects is profound. Most importantly, governments are trying to keep their contributions and commitments off their balance sheet, leaving scarce resources for other activities. This implies that others are being encouraged to assume certain risks.

Privatization efforts have become a feature of many governments, including the United Kingdom, France, Malaysia, Argentina and Chile. These efforts have been aimed at a number of traditional capital project sectors including, energy generation and distribution, transportation (including toll roads, bridges and airports), environment (including waste water management and water supply), and financial services.

Heightened private sector competition is a driving force in the international capital project market. Competition is increasing as a result of new (and often indigenous) competitors in project countries, increased efforts from traditional competitors, a higher concentration of geographic opportunities (particularly in Latin America and Asia), accelerating technical innovation, and new competitor risk sharing, financing and packaging capabilities.

The new competition is emerging in non-traditional segments of some infrastructure sectors, including power generation (Indian manufacturers), transportation (Malaysian highway contractors), and other sectors. Traditional competitors have also intensified their major project export efforts. For example, the UK. recently announced that it plans to double its export earnings from major project exports, from the current level of approximately £10 billion to £20 billion by the year 2000.

Competition is also increasing in terms of the risk attitudes and abilities of private firms. Private sector firms in major capital projects are being pressured into facing and accepting these new risks, or bring in risk-sharing partners. This changing risk environment is leading to both an increasing number of joint ventures and more complex consortia arrangements. Attractive consortia partners are those who can supply a mix of the key competitiveness components, including advanced technology, an international network of subsidiaries or partners, access to financing, a strong balance sheet and income statement, a packaging capability, or familiarity with government and private sector in the project country. Increased competition requires a heightened ability to distinguish each potential project participant along one or more of these dimensions.

4.1.2 Trend Towards Design-Build and Turn Key Projects

Capital projects are increasingly being completed on a design-build and turn-key model compared to the traditional design-bid-build delivery system. The design-build model is a construction delivery system where one entity signs a single contract accepting responsibility for both the design and construction phases of the project. The traditional and design-build systems are contrasted below.