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## PAPERS

## Real option application in PPP/PFI project negotiation

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## Abstract

Over the past two decades, many developing countries have grown to become more familiar with the notions and the use of public-private partnership/private financing initiative (PPP/PFI) schemes in building large-scale infrastructure assets. However, owing to higher levels of complexity and longer contractual durations, PPP/PFI projects are often embedded with higher risks. On the one hand, any private sector concessionaire would strive to secure some forms of subsidies or guarantees from the host government.

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which would enlarge the feasible bargaining range for both parties. The risk implications of two disparate bidding scenarios found in the case will also be discussed.

Keywords: [Concession](#) [negotiation](#) [real option](#) [public-private partnerships](#) [private finance initiative](#)

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