



You are cordially invited to

## **UCLouvain Economics Seminar**

On **Thursday** November 17, 2016 from **12:45 to 14:00** at  
**Doyen 22, Place des Doyens, 1**

**Fabian Herweg**  
(University of Bayreuth)

Will give a presentation on

### **Optimal Cost Overruns: Procurement Auctions with Renegotiation**

**Abstract:** Cost overrun is ubiquitous in public procurement. We argue that this can be the result of a constraint optimal award procedure when the procurer cannot commit not to renegotiate. If cost differences are more pronounced for more complex designs, it is optimal to fix a simple design *ex ante* and to renegotiate to a more complex and costlier design *ex post*. Specifying a simple design initially enhances competition in the auction. Moreover, the procurer cannot benefit from using a multi-dimensional auction, as the optimal scoring rule depends only on the price.

*Information:*

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