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and Its Effects -- Profile of a Typical Municipal Concession: Common Problems of Process and Design -- Macroeconomic Shocks -- 5. Renegotiation in Theory and Practice -- Reasons for Incomplete Contracts -- Incomplete Contracts, Concession Successes and Failures, and the Theory of Renegotiation -- Renegotiation Issues in Latin America and the Caribbean -- 6. Confirming Anecdote and Theory: Empirical Analysis of the Determinants of Renegotiation -- Basic Findings -- Empirical Analysis of the Determinants of Renegotiation -- Significant Variables Influencing the Incidence of Renegotiation -- Marginal Effects on the Probability of Renegotiation. Interpretation of Empirical Results -- 7. Policy Implications and Lessons: Guidelines for Optimal Concession Design -- Shortcomings in Concession Designs and Regulations That Lead to Renegotiation -- Guidelines for Optimal Concession Design -- The Process for Awarding Concessions and Award Criteria -- Implementation of an Optimal Concession Award Criteria -- Financial Equilibrium Clauses for the Operation of the Concession in the Concession Contract -- Renegotiation Clauses and Triggers for Renegotiation -- Sanctity of the Bid -- Concession Length and Financing -- Investment Commitments -- Determining Future Tariffs -- Regulatory Structure: Rate of Return Versus Price Caps -- Cost of Capital and How It Should Be Determined -- Tariff and Revenue Implications of Increased Cost of Capital -- Concession Risks and Their Allocation -- Valuation of Concession Assets -- Informational Requirements Set in the Concession Contract -- Regulatory Accounting Norms -- Addressing Termination of the Concession and Dispute Resolution -- Arbitration Rules Stated in Concession Contract -- Institutional Structure of Regulatory Agencies -- 8. Conclusion -- Appendix 1. Data Description -- Appendix 2. Choice and Definition of Independent Variables -- Definition of Terms -- Detailed Description of the Variables -- Appendix 3. Econometric Analysis: Results of the Probit Estimations -- Summary Results -- Complete Estimates -- References -- Index.

Sommario/riassunto

Little over a decade ago, infrastructure concessions promised to solve Latin America's endemic infrastructure deficit. Awarded in competitive auctions, these concessions were supposed to combine private sector efficiency with rent dissipation brought about by competition. Yet something did not go quite right, as concessions were plagued with opportunistic renegotiations, most of them at the expense of taxpayers. This book is a major contribution toward understanding what went wrong and what should be done differently in the future to reap the potential benefits of infrastructure reform and private participation in infrastructure provision. It begins by analyzing a rich data set on more than 1,000 infrastructure concessions, uncovering a series of puzzling stylised facts. It then considers alternative explanations for the patterns it has uncovered, and concludes with a series of insightful policy proposals aimed at avoiding the common mistakes and make concessions to efficiently contribute to economic growth and poverty reduction.
