

Renegotiation of Concession Contracts in Latin America*

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Abstract

We construct a regulation model in which renegotiation occurs due to the imperfect enforcement of concession contracts. This enables us to provide theoretical predictions for the impact, on the probability of renegotiation of a concession, of regulatory institutions, institutional features, economic shocks and of the characteristics of the concession contracts themselves.

Then we use a data set of nearly 1000 concessions awarded in Latin America and the Caribbean countries from 1989 to 2000, covering the sectors of telecommunications, energy, transport and water, to test these predictions.

Finally, we derive some policy implications of our theoretical and empirical work.

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