

11 PROPOSITIONS

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EDLE

Proposition 1: A concession is an incentive-compatible ownership arrangement in an incomplete contract setting where the transaction involves superior financial and technical resources and the political bargaining process is highly redistributive.

Proposition 2: Where inefficient political interference is pervasive, imposing tight financial sustainability criteria on corporatized utilities can generate perverse incentive effects.

Proposition 3: The efficiency of private utilities is afforded by the bargaining and informational advantage of the private party which delivers the efficiency and investment gains.

Proposition 4: State-owned utilities perform poorly relative to private utilities due to the former's strong spending bias towards personnel expenses and proclivity to anchor staff compensation on revenues rather than on staff productivity.

Proposition 5: The significance of establishing a national regulator lies in promoting competition between privately-owned utilities and state-owned utilities and their respective regulatory agencies.

Proposition 6: A low-powered relational approach to contracting is preferred at the early stage of concession when there is a wide information deficit about the market and the capacities of the parties.

Proposition 7: In an incomplete contracting setting where ex-post bargaining is inevitable, a regulatory contract would have to provide not only for the price regulatory method as an ex-ante incentive device but also for standards for the establishment and operation of an independent regulator and arbitration mechanisms as additional ex-post governance mechanisms to facilitate proper implementation of an incomplete contract.

Proposition 8: The cost of regulating utilities can be minimized through the infusion of limited public capital under sufficient private ownership rather than via corporatization under public ownership.

Proposition 9: The demand for bribery emanates from uncertainty surrounding the probability of realizing long-term profits brought by poorly-defined and weakly enforced access and utilization rights.

Proposition 10: Logging and timber trade translates to rapid deforestation only under a highly corrupt government where bribery is cheaply supplied, making bribery affordable to almost all logging companies.

Proposition 11: A dissertation should be like a woman's skirt: long enough to cover the subject and short enough to sustain interest.