

Incomplete contract and partnerships: A case study on promotion of private participation in infrastructure projects

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Abstrak

The economists develop the incomplete contracting theory to analyze how to furthest avoid the inefficiency due to contractual completeness. The contract for the exchange is incomplete so that the buyer and seller have room for discretion, which means to behave in ways the other did not fully agree to. Incomplete contracts create a zone of discretion in which both parties can make choices that influence the outcomes they both receive. Unfortunately, empirical analyses relating to PPPs and incomplete contracting theory are few. Our knowledge of contract management is largely rooted in complete contracts, yet as we move beyond contract specification and further into the contract lifecycle, we know little about how and why public and private managers exert their residual rights of control, and its potential impacts on the efficiency of contract. In this research, the author will turn to case study approach to assess current and past PPP relationships and to exact lessons for future partnerships. A semi-structured interview protocol will be developed to interview respondents. Contract documentation and supplemental documentation will also be obtained from interviewed public managers. Our expected results will contribute to the literature on contract management capacity as well as our better understanding of how public and private contract managers use incomplete contracting theory, property rights theory, and relational contracting to consciously discern and overcome managerial challenges of long-term contract in the field of PPP.