

Policy Risk, Distance and Private Participation Projects in Latin America

Abstract: *In this paper we investigate how differences in policy risk levels between the home and the host country affect private participation projects. Traditionally, distance has been associated to obstacles and challenges, adversely affecting investments. Yet, a recent stream of the literature has emphasized the potential positive effects of distance. Drawing on a sample of 3,971 projects from 1990 to 2013 in 21 Latin American host countries from 47 home countries, we find a strong positive effect for higher distance in absolute terms. However, our results also show that distance in nominal terms has no significant effect, pointing to a potential confounding effect between positive and negative distance.*

Keywords: *Policy Risk; Distance; Latin America; Infrastructure Projects; Corporate Political Strategy*

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1. Introduction

Historically, private participation projects were largely unavailable to foreign investors as governments were reluctant to let multinational firms take significant ownership stakes in this kind of projects which, according to the World Bank, refer to partially privatized infrastructure projects where private domestic or multinational enterprises play a significant role (Jiang et al. 2013). However, a dramatic shift has occurred in the last two decades and now private ownership in infrastructure development has notably risen as a result of most governments not only allowing but even actively seeking foreign investors (Henisz et al. 2005).

Private participation projects have indeed caught the attention of researchers, and various papers have been published on the role of the state as an owner (Doh, 2000; Doh et al. 2004; Inoue, 2013), government credibility (Ramamurti, 2003), the privatization method (Djankov, 1999) or host country reforms (Henisz et al. 2005). Recently, Jiang et al. (2013) have called the attention on the role of policy risk in the host country as one of the critical factors affecting the success of private participation projects.

Policy risk refers to “*the risk that a government will opportunistically alter policies to directly or indirectly expropriate a firm’s profits or assets*” (Holburn and Zelner, 2010, p. 1290). In other words, it accounts for the degree to which policy makers may unilaterally alter the terms and conditions governing firms and market transactions in a country (Henisz, 2000). As a component at the micro level of the broader concept of political risk, policy risk

affects only given companies or industries rather than the whole territory (Oetzel, 2005; Alon and Herber, 2009).

Yet, the role of distance between the host and the home country in policy stability has been largely overlooked. Besides, the vast majority of previous studies on private participations projects have focused on developed countries, with a few on emerging economies such as India and China (Rammamurti and Doh, 2004).

However, and despite recent trends of liberalization (Anand et al. 2006), the Latin American region has been so far ignored. This is in fact striking given the particular characteristics of many Latin American countries, where the levels of policy risk due to instability are relatively high (Fenmore and Volgy, 1978; Fatehi, 1994; García-Canal and Guillén, 2008; Blanco and Grier, 2009). Foreign investment in utility and infrastructure projects played a key role in the development of Latin America until the 1929 Great Depression. Sectors most benefited were construction of railroads, electrical facilities, ports, telecommunication and energy. However, following an import-substitution industrialization model, most Latin American states gradually replaced foreign investors. Policy risk peaked in the 60s and 70s when governments of many countries took over the properties of several MNEs in utility sectors (Bucheli and Salvaj, 2014). Governments maintained their leading role as the main infrastructure developer until the 90s, when foreign investors regain their importance.

This paper aims to take one step further and address both gaps in the literature by analyzing the role of distance in policy stability between the home and the host country. More specifically, we seek to answer the following research questions: 1) How does the

home-host distance in policy stability affect private participation projects' success? and 2) are there differences between the effects of distance between the host and the home country in nominal and in absolute terms? To do so, we analyze a dataset of 3,971 projects from 1990 to 2013 in 21 Latin American host countries from 47 home countries and find a strong positive association between the home-host distance in absolute terms and the probability of success of the project. However, we do not find any statistically significant effect for home-host distance in nominal terms.

By addressing these research questions, we aim to contribute to the literature on private participation projects by showing that the success of these projects is in fact associated to the differences between the home and the host countries in terms of policy risk, and not that much to the host-country level. Besides, we also aim contribute to the growing literature on non-market strategy and, more specifically, on the proactive approach to political and policy risk (Bucheli and Salvaj, 2009; García-Canal and Guillén, 2008; Holburn and Zelner, 2010; Jiménez, 2011; Jiménez et al. 2014), by showing that higher distance in policy risk is actually associated to a higher probability of success in our geographical setting. Last, but not least, the paper also aims to make a contribution to the literature on distance and international management (Zaheer et al. 2012), by highlighting the very different effects that the concept of distance may have depending on the specific conceptualization of distance chosen in the research design (Hernandez and Nieto, 2015; Trapczynski and Banalieva, 2016) and, more specifically, by showing the different effects of distance in nominal and in absolute terms.

The paper is structured as follows: we review the literature and set out our hypotheses in section two. In section three, we describe our sample, variables, statistical estimation

technique and collinearity diagnosis. In section four we describe our results. Finally, in section five we discuss the findings, limitations and future avenues for research.

2. Literature Review and Hypotheses

The notion of distance is employed to refer to the differences between two countries (Hakanson and Ambos, 2010). It has a pivotal role on international business research (Ambos and Hakanson, 2014; Hutzschenreuter et al. 2014) and it has even claimed that international management is essentially the management of distance (Zaheer et al. 2012).

The majority of the literature assume an association between distance and higher challenges for investments (Berry et al. 2010). For instance, Hakanson and Ambos ((2010, p. 195) argue that “the general assumption in most studies is that the more different a foreign environment is as compared to that of a firm's (or an individual's) country of origin, the more difficult it will be to collect, analyse and correctly interpret information about it, and the higher are therefore the uncertainties and difficulties – both expected and actual – of doing business there”.

However, a recent trend in the literature has started to emerge pointing out the potential benefits of distance. Thus, distance can be seen as an opportunity rather than a challenge and researchers should avoid falling into the trap that higher distance systematically engenders negative outcomes (Tung and Verbeke, 2010; Stahl and Tung, 2014; Stahl et al. 2016). In fact, there are various reasons why distance can potentially be advantageous for investments. First, according to the so-called “inverse resonance” (Carr et al. 2001; Yildiz and Fey, 2016), sometimes individuals or firms from more distant locations

received a more positive (or at least neutral) reception in the host country due to xenophile reasons. Second, distance can also offer opportunities for arbitrage, complementarity or creative diversity (Ghemawat, 2001, 2003; Shenkar et al. 2008; Zaheer et al. 2012). Third, distance can develop new capabilities and get access to resources (including knowledge and learning sources) that are unavailable in closer countries (Nachum et al. 2008). Overall, distance can provide advantages in multiple domains ranging from innovation, operating costs, human capital, networks, image, etc (for a review, see the recent contribution by Edman (2016)).

This notion of distance as a potential opportunity rather than a threat parallels another stream of literature focusing on the proactive approach of some firms towards political and policy risk. While in general firms are reluctant to invest in locations where the levels of risk are high, some studies have empirically shown that some firms behave differently and, instead, tend to invest in risky locations (García-Canal and Guillén, 2008; Holburn and Zelner, 2010; Jiménez, 2011). Building on the resource and capability-based view of the firm (Wernerfelt, 1984; Barney, 1991) and on the corporate political activity and non-market strategy literature (Hillman and Hitt, 1999; Hillman et al. 2004; Bonardi et al. 2006; Holtbrügge et al. 2007; Oliver and Holzinger, 2008; Doh et al. 2012), this stream of literature argue that some firms develop political capabilities¹ that allow them to achieve great efficiency at assessing the real level of risk, negotiating with governments, lobbying, creating political coalitions and networks, identifying the best way to align with the government's

¹ Political capabilities can be defined as: “organizational and strategic activities by which senior or acting representatives reconfigure, leverage and release political resources to achieve new resource configurations that enable the company to adapt to, anticipate or even shape changes in the corporate political environment” (Lawton et al. 2013, p. 230).

interests or even bribing (Holburn, 2001; Wan, 2005; García-Canal and Guillén, 2008; Bucheli and Salvaj, 2009; Jiménez, 2010).

Given the relatively high levels of political discretion and policy risk in Latin America, and the particular nature of private participations projects, characterized by a high public visibility, government involvement and even nationalistic pressures from public opinion and special interest groups (Newman 2000), we argue that this type of investments is particularly apt for adopting a proactive approach towards policy risk. In fact, a substantial part of the literature on political capabilities has focused on the electricity sector (Holburn, 2001; Holburn and Zelner, 2010), the air transport sector (Lawton and Rajwani, 2011; Lawton et al. 2013), or regulated industries (García-Canal and Guillén, 2008; Jiménez, 2014) as the exposure to the specific threat of policy risk and the frequent interactions with authorities trigger the organizational learning mechanism that transform routines into knowledge and capabilities (Adger, 2000; Dai et al. 2013).

We therefore expect that investors from politically stable (usually developed) countries find in these locations opportunities to take advantage of their political capabilities and obtain preferential treatment in those countries where the host government have greater discretion power which, in turn, provide better conditions for the success of the project. However, when the distance is negative (indicating investors from more unstable countries than the Latin American region), we also expect greater distance to have a positive effect. In this case, larger distance between the home country and the home country indicates that the investor comes from an environment with a very high level of policy risk, and the host country can offer a safer environment for the correct development of the project.

We therefore propose the following hypothesis:

Hypothesis 1: *A higher absolute distance in policy risk levels between the host country and the home country have a positive effect on the success of private participation projects in Latin America.*

While in the previous hypothesis we argue that distance in absolute terms could be associated with a higher probability of success in private participation projects in Latin America, we must note that distance has also been frequently operationalized in nominal and not only in absolute terms. However, we claim that distance in nominal terms does not take into a potential confounding effect between positive and negative distances (Hernandez and Nieto, 2015). By treating cases in which the score of policy risk in the home country is higher than that of the home country as a “+” and cases in which the score of policy risk in the home country is lower than that of the home country as a “-”, nominal distance puts large differences between home and host countries as two end of a continuum and small differences in the middle. In contrast, absolute difference puts large differences as one of the ends of the spectrum, and small differences on the other.

As a result, nominal distance positive and negative effects may compensate each other, making the overall effect of distance negligible. In fact, in a recent paper Trapczynski and Banalieva (2016) propose that not addressing correctly the issue of direction is the main cause of the contradictory results in the literature devoted to the relationship between institutional distance and firm performance, with some authors finding a negative relationship due to increased uncertainty and transaction costs (Ghemawat, 2001; Dow and

Ferencikova, 2010) and others findings a positive one due to increased awareness of potential problems and better decision-making process (Nachum et al. 2008; Dikova, 2009).

We therefore propose the following hypothesis:

Hypothesis 2: *As positive and negative distance between host and home countries offset each other, a higher nominal distance in policy risk levels has an ambiguous effect on the success of private participation projects in Latin America.*

3. Method

3.1. Sample

In order to analyze the role of policy risk distance in private participation projects in Latin America, we collected data from the World Bank's Private Participation in Infrastructure (PPI) dataset. This dataset has been previously employed to study private participation projects (see for instance Jiang et al. 2015). We collected information on all projects located in Latin America for which data on policy risk was available. Overall, we found 3,971 projects ranging from 1990 to 2013. The list of host (21) and home (47) countries covered in our sample are included in Tables 1a and 1b. The greatest numbers of projects are located in Brazil, Argentina, Mexico and Peru. The lion's share of home countries of the main investors of the projects corresponds to Brazil, Spain, Mexico and the United States.

*** Insert Tables 1a and 1b about here ***

3.2. Variables

3.2.1. Dependent variable

We assess the success of a project through a binary measure. The PPI database distinguishes between six types of potential outcomes: “under construction”, “operational”, “merged”, “concluded”, “cancelled” or “distressed” (when the government or the operator has either requested termination or is under international arbitration). Following previous research (Jiang et al. 2015), we consider the first four categories as successful (coded 1) and the latter two as failed (coded 0).

3.2.2. Independent Variable

To measure policy risk, we rely on the Political Constraints Index (POLCONV) by Henisz (1998). This index has been frequently employed in the literature (see, for instance, García-Canal and Guillén, 2008; Holburn and Zelner, 2010 or Jiménez et al. 2014), as it captures a critical component for investments, which is political discretion and the credibility of a government to maintain policies unchanged. The index measures the number of independent political branches able to veto government, reflecting how easily a government can modify the existing status quo and change laws and regulations arbitrarily. Thus, in countries where the number of independent political veto points is high, the likelihood of arbitrary policy changes is lower. In contrast, “*systems in which policymaking authority is more concentrated, or is shared among actors with similar preferences, are characterized by lower policy stability and thus pose a higher level of policy risk*” (Holburn and Zelner, 2010, p. 6).

To calculate the distance between the host and the home country, we subtract the corresponding score of POLCONV of the host country from the one for the home country of the main investor and we also calculate the absolute value of such subtraction.

3.2.3. Control Variables

We also include several control variables in our model. First, at the project-level, we include a dummy variable for projects including at least one local investor. We also control with another dummy variable whether the main investor of the project is a foreign company. We include three more dummy variables to control for greenfield versus brownfield projects, publicly traded projects and projects with host government participation. Finally, we also include the project's total investment (log), age, sector and delay of the project. The age of the project measures the time lapsed from when the project was set up until the final year covered in the sample. Since some projects are more recent than others, it is important to control for this variable in order to minimize this potential bias (Jiang et al. 2015). Regarding sector, the PPI distinguishes between energy, telecommunication, transport, and water sewerage projects. We include the first three and use the fourth one as the category of reference. Finally, delay controls for the time lag between the project commitment and closure.

Second, at the country-level, we control for the GDP (log), GDP growth, GDP per capita (log) and unemployment rate of the host country. We also include the host-country level of POLCONV to control for the level of risk in addition to the distance between the home and the host country. Table 2 reports the descriptive statistics of the variables included in the model.

*** Insert Table 2 about here ***

3.3. Statistical estimation technique

We rely on logistic regression to account for the binary nature of our dependent variable. It is important to note that limited dependent variable models subject to non-linearity, which means that the estimated coefficients are not equal to the marginal effects and therefore not appropriate to interpret the size of the effect (Wieserma and Bowen, 2009). In order to interpret the size of the effect, it is necessary to estimate the average marginal effects (Boellis et al. 2016).

3.4. Collinearity Diagnosis

Tables 3a and 3b shows the two correlation matrices and the Variance Inflation Factors (VIFs). Since the correlations are relatively low and all VIFs are below the limit of 10 recommended by Neter et al. (1985), Kennedy (1992) and Studenmund (1992), and also the stricter limit of 5.3 proposed by Hair et al. (1999), we can affirm that no problems of collinearity affect the sample.

*** Insert Tables 3a and 3b about here ***

4. Results

Table 4 reports the logistic regression results of the two models. Model 1 includes the difference in POLCONV scores between the home and the host country in absolute terms whereas Model 2 includes the difference in nominal terms.

*** Insert Table 4 about here ***

In Hypothesis 1 we proposed that a broader distance in absolute terms should be associated to a higher probability of success for private participation projects in Latin America. The coefficient of the POLCONV distance is indeed positive and significant ($\beta = 1.130, p = 0.018$). As expected, investors from home countries with low levels of policy risk pursue a proactive approach towards policy risk and have better chances of success in countries where the government discretion is large enough to provide advantageous conditions. Conversely, investors from home countries with higher levels of policy risk can find safer investment opportunities than in their home countries. Notably, it is the distance in POLCONV scores and not the POLCONV score of the host country the variable that is significant, confirming the relevance of distance between the home and host countries as the critical variable affecting private participation projects.

However, as previously mentioned, average marginal effects need to be estimated to assess the size of the effect. Table 5 reports the average marginal effects and shows that when the absolute difference in POLCONV between the host and the home country increases by 1, the likelihood of success of the private participation project increases by 7% ($p = 0.018$).

*** Insert Table 5 about here ***

In Hypothesis 2 we proposed that a broader distance in nominals terms should not be associated with the probability of success for private participation projects in Latin America. The coefficient of the POLCONV distance is indeed not significant ($\beta = -0.0800, p > 0.10$). This result indicates that, as expected, the effect of positive and negative distance offset each other.

Regarding the control variables, the results show that the three sectors included in the models are associated with higher probabilities of success compared to the reference category (water sewerage projects). Age, delay, host country GDP and unemployment (probably signalling availability of workers (Disdier and Mayer 2004)) have a positive effect of the success probability. In contrast, the total investment logarithm, greenfield projects and host country GDP per capita have a negative impact.

As robustness tests we run various additional models excluding from the sample the host and home countries with the fewer amount of investments to avoid the results being influenced by outliers. In addition, and despite the collinearity tests show no serious concerns, we also tested the model removing the score of POLCONV in the host country. However, the results of these sensitivity tests do not differ significantly from those presented above².

5. Discussion and conclusion

² Results available from the authors upon request.

In this paper we study the association between differences in policy risk between the home and the host countries and private participation projects in Latin America. To do so, we analyze a sample of 3,971 projects in 21 host countries in the Latin American region, led by investors from 47 home countries. We propose and find empirical evidence that larger absolute differences in levels of policy risk have a positive effect on the probability of success of the project. This is due to the fact that investors from home countries where policy risk is low follow a proactive approach towards policy risk and are able to obtain advantageous conditions from governments with more political discretion. Simultaneously, and keeping in mind that policy risk levels are relatively high in Latin America, investors from home countries where policy risk are even higher can find a more stable and safer environment in the region.

However, we also argue and empirically validate that this significant effect of distance in policy risk only takes place when the absolute value of distance is taken into account. When the nominal distance is employed, the positive and negative distances between home and host countries cancel the effect of each other. This might be in fact the reason why previous research has found mixed findings regarding the relationship between distance and performance (Trapczynski and Banalieva, 2016).

We believe that this study makes some relevant contributions. First, we contribute to the literature on private participation projects (Doh, 2000; Ramamurti, 2003; Doh et al. 2004; Inoue, 2013; Jiang et al. 2013) by showing that it is the distance between the levels of risk between the host and the home country, and not so much the level of risk of the host location, what matters for the success of private participation projects. Second, we also contribute to the non-market literature and, more precisely, to the literature on the proactive approach to

political and policy risk and political capabilities (García-Canal and Guillén, 2008; Holburn and Zelner, 2010; Jiménez, 2011; Jiménez et al. 2014), by empirically showing that higher distance in the levels of policy risk between the home and the host countries are positively associated to a higher probability of success in private participation projects in Latin America, a region so far neglected in previous studies. Finally, our paper also contributes to the nascent literature on the role of distance as a pivotal variable in international management (Zaheer et al. 2012) by underlining the importance of distinguishing between distance in absolute and nominal terms, and by pointing to the potential confounding effect that negative and positive distances can have on each other if the research setting is not properly defined (Hernandez and Nieto, 2015; Trapczynski and Banalieva, 2016).

Also, as managerial implications, our results highlight the fact that managers should be aware and ready to exploit the potential positive aspects of distance, and embrace the perspective that differences do not always engender negative outcomes for the firm (Tung and Verbeke, 2010; Stahl and Tung, 2014; Stahl et al. 2016). In addition, our paper also emphasizes that managers should pay special attention to the analysing the differences between the home and host countries and not only to the specific characteristics of the host environment.

We must acknowledge that our paper is subject to some limitations. First of all, our sample only covers countries in Latin America, so any extrapolation of the results to other regions must be done with caution. An interesting avenue of future research could lie in testing the generalizability of our results to other geographic contexts. Second, we are unable to test the internal political capabilities of companies involved in the projects to deal with host governments. Despite recent advances on the theoretical conceptualization of political capabilities (Lawton and Rajwani, 2011; Lawton et al. 2013), their tacit measure and

sensitive nature makes them difficult to either directly measure or collect through surveys (Jiménez et al. 2014). Finally, we must acknowledge that we only analyze the impact of distance in policy risk on the success of private participation projects. Future studies could enlarge the scope and investigate the impact on other variables related to private participation projects such as financial performance or levels of equity ownership. Notwithstanding these limitations, we hope our paper encourages other researchers to conduct further studies and enlarge our understanding of private participation projects.

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Table 1a. List of host countries.

Argentina	Dominican Rep.	Mexico
Bolivia	Ecuador	Nicaragua
Brazil	El Salvador	Panama
Chile	Guatemala	Paraguay
Colombia	Haiti	Peru
Costa Rica	Honduras	Uruguay
Cuba	Jamaica	Venezuela

Table 1b. List of home countries.

Argentina	Germany	Panama
Australia	Guatemala	Peru
Belgium	Honduras	Philippines
Bermuda	Hong Kong	Portugal
Bolivia	India	Russia
Brazil	Ireland	Singapore
Canada	Israel	Spain
Chile	Italy	Sweden
China	Jamaica	Switzerland
Colombia	Japan	United Arab Emirates
Costa Rica	Korea (Rep)	United Kingdom
Cuba	Luxembourg	United States
Denmark	Mexico	Uruguay
Dominican Rep.	Netherlands	Venezuela
Ecuador	Nicaragua	Vietnam
France	Norway	

Table 2. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Successful	3971	0.918	0.273	0	1
Energy	3971	0.466	0.498	0	1
Telecom	3971	0.266	0.442	0	1
Transport	3971	0.193	0.394	0	1
Water Sewerage	3971	0.074	0.262	0	1
Total investment (log)	3971	3.710	2.101	-3.50	11.98
Age	3971	9.873	5.616	1	24
Delay	3971	4.934	5.563	-3	23
Publicly traded	3971	0.110	0.313	0	1
Greenfield	3971	0.423	0.494	0	1
Host government ownership	3971	0.259	0.438	0	1
Host country POLCONV	3971	0.561	0.226	0	0.89
GDP (log)	3971	11.42	0.692	9.24	12.42
GDP growth	3971	3.703	3.485	-14.88	18.29
GDP Capita (log)	3971	3.689	0.275	2.45	4.18
Unemployment	3971	7.723	4.301	0	20.1
Foreign main investor	3971	0.595	0.490	0	1
Local investor presence	3971	0.482	0.499	0	1
Nominal Distance POLCONV	3971	0.128	0.249	-0.78	0.86
Absolute Distance POLCONV	3971	0.172	0.220	0	0.86

Table 3a. Correlation matrix and VIFs (with absolute distance)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	VIF
1. Successful	1																		
2. Energy	-0.01	1																	4.64
3. Telecom	0.12	-0.56	1																5.09
4. Transport	-0.08	-0.45	-0.29	1															3.03
5. Total investment (log)	-0.09	-0.01	0.12	-0.00	1														1.26
6. Age	0.10	-0.06	-0.07	0.11	-0.05	1													1.9
7. Delay	0.19	-0.03	0.35	-0.22	-0.08	-0.44	1												2
8. Publicly traded	0.09	-0.09	0.22	-0.09	0.14	0.04	0.22	1											1.25
9. Greenfield	-0.10	-0.01	0.30	-0.22	0.10	-0.20	-0.10	-0.17	1										1.66
10. Host government ownership	0.05	0.37	-0.20	-0.19	0.00	0.07	0.04	-0.02	-0.26	1									1.34
11. Host country POLCONV	0.02	0.14	-0.24	0.05	0.10	0.13	-0.23	-0.00	-0.1	0.09	1								2.49
12. GDP (log)	0.05	0.18	-0.28	0.06	0.18	-0.27	0.01	0.08	-0.09	0.08	0.43	1							2.85
13. GDP growth	-0.01	0.08	-0.03	-0.04	0.06	-0.08	0.06	-0.00	0.03	0.02	-0.13	-0.02	1						1.16
14. GDP capita (log)	-0.04	0.14	-0.17	0.02	0.21	-0.45	0.17	0.10	0.03	-0.03	0.22	0.69	0.13	1					2.65
15. Unemployment	0.08	0.04	-0.03	-0.04	-0.11	0.26	-0.01	0.05	-0.16	0.04	0.03	-0.16	-0.23	-0.08	1				1.25
16. Foreign main investor	0.02	0.04	0.28	-0.27	0.13	-0.01	0.15	0.03	0.13	0.05	-0.20	-0.35	0.04	-0.15	0.05	1			4.7
17. Local investor presence	-0.01	-0.07	-0.24	0.27	-0.11	0.02	-0.12	0.01	-0.11	-0.08	0.16	0.30	-0.04	0.15	-0.02	-0.85	1		3.79
18. Absolute Distance POLCONV	0.02	-0.05	0.27	-0.17	0.00	-0.09	0.21	0.00	0.13	-0.04	-0.62	-0.40	0.09	-0.22	-0.00	0.6	-0.53	1	2.78

Table 3b. Correlation matrix and VIFs (with nominal distance)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	VIF
1. Successful	1																		
2. Energy	-0.00	1																	4.64
3. Telecom	0.12	-0.56	1																5.12
4. Transport	-0.08	-0.45	-0.29	1															3.03
5. Total investment (log)	-0.09	-0.01	0.12	-0.00	1														1.26
6. Age	0.10	-0.06	-0.07	0.11	-0.05	1													1.9
7. Delay	0.19	-0.03	0.35	-0.22	-0.08	-0.44	1												2.03
8. Publicly traded	0.09	-0.09	0.22	-0.09	0.14	0.04	0.22	1											1.25
9. Greenfield	-0.10	-0.01	0.30	-0.22	0.10	-0.20	-0.10	-0.17	1										1.66
10. Host government ownership	0.05	0.37	-0.20	-0.19	0.00	0.07	0.04	-0.0	-0.26	1									1.33
11. Host country POLCONV	0.02	0.14	-0.24	0.05	0.10	0.13	-0.23	-0.00	-0.10	0.09	1								2.08
12. GDP (log)	0.05	0.18	-0.28	0.06	0.18	-0.27	0.01	0.08	-0.09	0.08	0.43	1							2.85
13. GDP growth	-0.01	0.08	-0.03	-0.04	0.06	-0.08	0.06	-0.00	0.03	0.02	-0.13	-0.02	1						1.16
14. GDP capita (log)	-0.04	0.14	-0.17	0.02	0.21	-0.45	0.17	0.10	0.03	-0.03	0.22	0.69	0.13	1					2.63
15. Unemployment	0.08	0.04	-0.03	-0.04	-0.11	0.26	-0.01	0.05	-0.16	0.04	0.03	-0.16	-0.23	-0.08	1				1.26
16. Foreign main investor	0.02	0.04	0.28	-0.27	0.13	-0.01	0.15	0.03	0.13	0.05	-0.20	-0.35	0.04	-0.15	0.05	1			4.36
17. Local investor presence	-0.01	-0.07	-0.24	0.27	-0.11	0.02	-0.12	0.01	-0.11	-0.09	0.16	0.30	-0.04	0.15	-0.02	-0.85	1		3.8
18. Nominal Distance POLCONV	0.00	0.00	0.14	-0.13	-0.06	-0.08	0.24	-0.00	0.04	-0.00	-0.63	-0.32	0.08	-0.16	-0.02	0.41	-0.33	1	2.03

Table 4. Logit regression result

VARIABLES	(1) SUCCESFUL	(2) SUCCESFUL
Energy	0.986*** (0.230)	0.975*** (0.230)
Telecom	1.998*** (0.329)	1.945*** (0.329)
Transport	0.470** (0.219)	0.442** (0.220)
Total Investment (Log)	-0.164*** (0.0369)	-0.159*** (0.0367)
Age	0.103*** (0.0148)	0.103*** (0.0149)
Delay	0.159*** (0.0219)	0.162*** (0.0220)
Publicly Traded	0.851* (0.479)	0.830* (0.478)
Greenfield	-0.514*** (0.166)	-0.500*** (0.166)
Host Government Participation	-0.298* (0.177)	-0.295* (0.177)
Host country POLCONV	0.621 (0.380)	0.109 (0.376)
GDP (Log)	1.195*** (0.142)	1.214*** (0.142)
GDP Growth	0.0335 (0.0210)	0.0333 (0.0210)
GDP per capita (Log)	-1.021*** (0.378)	-1.086*** (0.377)
Unemployment	0.0577*** (0.0168)	0.0584*** (0.0168)
Foreign Sponsor Main	0.197 (0.293)	0.456 (0.282)
Local investor presence	0.180 (0.267)	0.154 (0.267)
Absolute Distance POLCONV	1.130** (0.478)	
Nominal Distance POLCONV		-0.0800 (0.339)
Constant	-10.08*** (1.441)	-9.732*** (1.433)
Log likelihood	-879.24***	-882.05***
Pseudo R2	0.2149	0.2124
Observations	3,971	3,971

Table 5. Average marginal effects

VARIABLES	(1) SUCCESFUL	(2) SUCCESFUL
Energy	0.0619*** (0.0144)	0.0614*** (0.0144)
Telecom	0.125*** (0.0206)	0.122*** (0.0207)
Transport	0.0295** (0.0138)	0.0278** (0.0138)
Total Investment (Log)	-0.0103*** (0.00231)	-0.0100*** (0.00230)
Age	0.00648*** (0.000919)	0.00648*** (0.000927)
Delay	0.00995*** (0.00139)	0.0102*** (0.00140)
Publicly Traded	0.0534* (0.0301)	0.0523* (0.0301)
Greenfield	-0.0323*** (0.0104)	-0.0315*** (0.0105)
Host Government Participation	-0.0187* (0.0111)	-0.0186* (0.0112)
Host country POLCONV	0.0390 (0.0239)	0.00684 (0.0237)
GDP (Log)	0.0750*** (0.00882)	0.0764*** (0.00881)
GDP Growth	0.00211 (0.00131)	0.00209 (0.00132)
GDP per capita (Log)	-0.0641*** (0.0237)	-0.0683*** (0.0237)
Unemployment	0.00362*** (0.00105)	0.00367*** (0.00106)
Foreign Sponsor Main	0.0123 (0.0184)	0.0287 (0.0177)
Local investor presence	0.0113 (0.0168)	0.00970 (0.0168)
Absolute Distance POLCONV	0.0709** (0.0300)	
Nominal Distance POLCONV		-0.00503 (0.0213)
Observations	3,971	3,971