

BRAZILIAN PPP PROGRAM

Lessons and Challenges



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SUMMARY

Brazilian PPP Framework

Overview Brazilian PPP Program

Lessons Learned

PPP in Brazil main challenges

Future assistance

Brazilian PPP Framework

- PPP Self funded (tolls only)= Common Concession
 - Brazilian Federal Acts 8.987 and 9.074, 1995
 - Roads, Railways, Water/ Sanitation, Energy, Telecom, Ports
- PPP Government funded(PFI)= Subsidised Concession
 - Brazilian Federal Act 11.079, 2004
 - Administrative concession –public payments only
 - Sponsored concession –public payments + tolls
 - Around 15 projects currently in operation in Brazil (specially in the state and municipal levels) –Roads, Health, Housing, Water, Soccer Stadiums and Prisons.

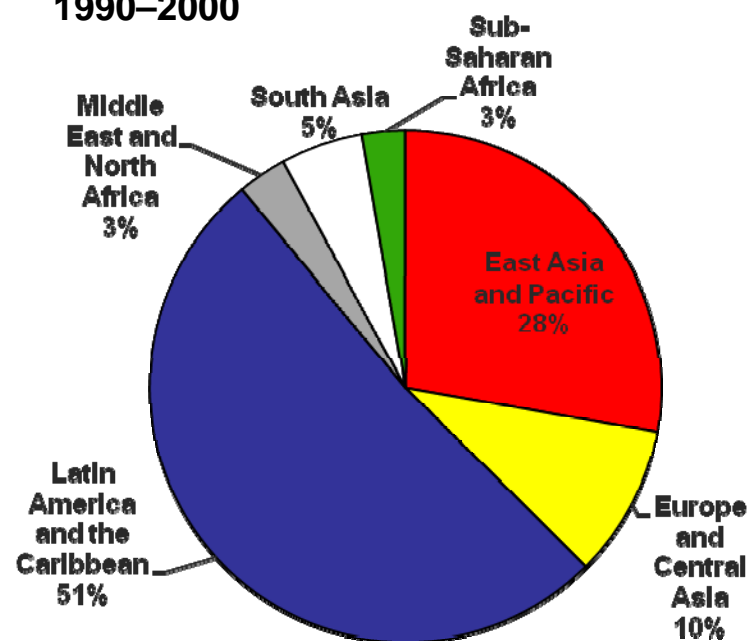
OVERVIEW

- The '80 marked the beginning of a deep change in economic action State governments.
- Need to establish a fiscal discipline to meet the limits deficit and debt
- In this context, the PPP was seen as viable alternative for investment, particularly infrastructure, without immediate impact on the framework public debt.
- Two issues :
 - the achievement of fiscal space and efficiency in providing public services.

OVERVIEW

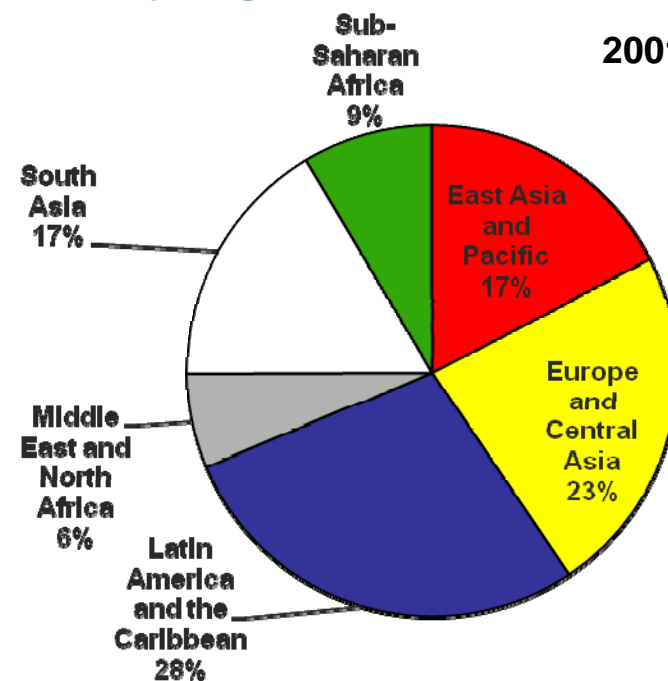
Total investment commitments to infrastructure projects with private participation in developing countries, by region, 1990–2008

- 1990–2000



Total: US\$797.3 billion (2008 US\$)

- 2001–08



Total: US\$843.3 billion (2008 US\$)

Source: World Bank and PPIAF, PPI Project Database.

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Top 10 developing countries by PPI activity in 2008

Top 10 by investment in infrastructure projects with private participation in 2008

Country	Investment* (2008 US\$ billions)	Share of total (%)
India	27.9	18.1
Brazil	23.3	15.1
Russian Federation	19.1	12.4
Turkey	9.2	6.0
Indonesia	5.7	3.7
Mexico	5.5	3.6
Poland	5.1	3.3
Pakistan	4.0	2.6
Romania	3.6	2.4
Nigeria	3.4	2.2
Total	106.9	69.3

* Includes investment in projects reaching financial closure in 1990–2008.

Top 10 by new infrastructure projects with private participation in 2008

Country	New projects	Share of total (%)
China	59	27.3
India	28	13.0
Brazil	26	12.0
Russian Federation	10	4.6
Pakistan	7	3.2
Poland	7	3.2
Turkey	6	2.8
Algeria	5	2.3
Philippines	5	2.3
Chile	4	1.9
Total	157	72.7

Source: World Bank and PPIAF, PPI Project Database.

LEARNED LESSONS

- Strong political support and adequate institutional framework is paramount!
- “Make a project and risk”
- Ensure clear and unambiguous statements in the PPP contract

There are many regulatory agencies (energy, telecom, transportation...)

- Some improvements are still necessary:
- The quality of their regulation;
 - Autonomy of Regulatory Agencies;
 - Transparency

LEARNED LESSONS

- Brazil's experience with concessions points to substantial gains with:
 - participation of foreign bidders (ex: roads concessions and electricity transmission lines) and mid-size contractors
 - watchful anti-trust authorities

Otherwise, tax burden Brazilian (39% of GDP) and government spending (47% of GDP) are the same level observed on average in the developed countries. Meanwhile, the Brazil invests less than these countries.....

PPP in Brazil Main Challenges to improve PPP Program

- Political Champion (the decision to start a PPP should be strategic)
- Traditional procurement culture –training have been provided
- Project selection: lack of long term vision (political rather than the rational character of the debate)
- Private appetite (preference to lower risk investments/ interest groups)
- Competitive negotiation is not allowed under Brazilian legislation

PPP in Brazil Main Challenges to improve PPP Program

- Competitive negotiation is not allowed under Brazilian legislation
 - The contract/ KPIs are pre-established and cannot be modified during the procurement process
 - Bidders' proposals will define price and technical solutions only
 - The proposals will be analyzed considering objective criteria and weights pre-established in the invitation to tender

Future Assistance

Network to disseminate best practices

- Project selection
- Market sounding
- Business case; Value for money analysis (“concept politically easy to sell, but hard to quantify”)
- Contractual clauses (insurance, KPIs flexibility, changes and amendments required by government)
- Procurement process
- Management process (dynamic job)
- Continuing training programs

Future Assistance

- Economic Crisis
- Of course there are effects in Brazilian economy;
- But there's no credit restrictions for good concession or PPP projects;
- Public owned banks can provide funds, sometimes at very special interest rates
- Guarantee
- Incentives aspects.

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THANK YOU !

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