Brazil: A snapshot

As an emerging economic powerhouse, Brazil has considerable infrastructure needs in nearly all sectors, including railways, ports, roads, airports, energy and telecommunications. The World Economic Forum ranks Brazil 107th out of 142 countries in the quality of its infrastructure, reflecting the nation’s relative underinvestment in this area over the last three decades. Brazil’s rate of infrastructure investment has slowly risen since 2007, but available resources remain insufficient, given the requirements of a vast country with a growing middle-class population and an increasingly important role to play in the global economy.

Recognizing these needs, Brazilian authorities instituted a “Growth Acceleration Program,” aiming to boost the scale and effectiveness of both public and private infrastructure spending. As part of this program, the government committed to spending $80 billion on infrastructure from 2011 to 2014 — equivalent to 1% of GDP per year. The program aims not only to launch new projects but also to upgrade existing infrastructure, and it grants special tax incentives to encourage infrastructure development.

Much of the planned investment is expected to come from public funds, including state-owned companies. But Brazil’s fiscally constrained government is also depending on the private sector to play a growing role. The private sector’s involvement is supported by below-market-rate loans from the Brazilian National Development Bank. Given the scale of Brazil’s infrastructure deficit, the government sees Public Private Partnerships as a vital element in achieving its targets. But private investments have been inhibited by legal and tax complexities, along with challenges in obtaining environmental licenses. A lack of depth in the domestic banking sector also means that commercial loans for infrastructure projects are difficult to secure, and long-term financing can be prohibitively expensive.

Some of the biggest opportunities for private companies lie in the transport sector. Investments in airports and urban rail are being driven partly by Brazil’s plans to host the soccer World Cup in 2014 and the Olympic Games in 2016. The country’s booming export of commodities is also spurring heavy investment in ports and railways.

2 See Brazil’s “Programa de Aceleração do Crescimento”; http://www.pac.gov.br/
Major infrastructure projects

Aviation: One of the most severe infrastructure bottlenecks is in civil aviation, with air passenger traffic at Brazil’s 20 largest airports projected to grow from 111 million in 2009 to 312 million in 2030. The government is addressing this with plans to privatize major airports in order to expand capacity. At an auction in 2011, the government awarded a Brazilian-Argentinian consortium called Infra-America the rights to build and operate new airport terminals near the city of Natal. The winning bid of $105.8 million was triple the government’s reserve price. In 2012, other airports were also auctioned at premium prices.

Hydropower: As part of its effort to reduce dependency on fossil fuels, Brazil has made it a priority to expand hydropower. This includes plans to construct the Belo Monte hydroelectric power complex along the Xingu River at an estimated cost of $17 billion. It would be the world’s third largest hydroelectric complex, but it has so far been plagued by delays and criticism from conservationists and local tribes.

Bullet train: With airports and roads clogged by traffic, the government dreams of creating a high-speed rail link between Rio de Janeiro and São Paulo. But a 2011 auction failed to attract bidders to build the rail line.

2016 Olympics: Rio de Janeiro is racing not only to build new sporting venues for the games, but to expand its overburdened subway system and bolster its bus rapid transit system. With a population of over 6 million, Rio has just two metro lines.

Some of the biggest opportunities for private companies lie in transport, partly preparing for the World Cup and Olympics. The country’s booming export of commodities is also spurring heavy investment in ports and railways.
By the numbers

- With World Cup soccer heading to Brazil in 2014, the government said in 2010 that the country will invest $18.7 billion in infrastructure such as stadiums, hotels and airports. However, in May 2012, Brazil's Sports Ministry reported that 41 out of 101 projects were not yet under way.

- The infrastructure budget for the 2016 Olympics in Rio is $14.2 billion.

- The government is urgently attempting to boost the capacity of its overcrowded airports. In 2011, 179 million passengers used 67 Brazilian airports — 108 million more than in 2003.

- In August 2012, Brazilian President Dilma Rousseff said her government will invest nearly $69 billion by the end of 2014 to improve Brazil's transportation systems.

*ABDIB forecast
Source: ABDIB, Produced by: Ministry of Finance

Infrastructure investments (R$ billion and %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
<th>Percentage of Growth</th>
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</thead>
<tbody>
<tr>
<td>2003</td>
<td>59.9</td>
<td>33.1</td>
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<td>2004</td>
<td>67.2</td>
<td>33.8</td>
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<tr>
<td>2011*</td>
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</table>

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Investment plans

<table>
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<tr>
<th>Sectors</th>
<th>2006-09</th>
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<td>Oil and Gas</td>
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