



# **INTRODUCTION TO PUBLIC-PRIVATE PARTNERSHIPS IN BRAZIL**

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**São Paulo, Rio de Janeiro, Brasília, Curitiba, Porto Alegre  
London, Lisbon, Miami, Los Angeles, Buenos Aires, Shanghai**

# POINTS OF PRESENTATION

- 1.- BRAZIL'S CURRENT POLITICAL SITUATION**
- 2.- PRESENT MACROECONOMIC FUNDAMENTALS OF BRAZIL**
- 3.- POTENTIAL PROJECTS FOR PPPS**
- 4.- PPP IS READY TO BE LAUNCHED**

# Political considerations

## BRAZIL

### GEOGRAPHIC CONSIDERATIONS



# Political considerations **EXECUTIVE POWER**



*Palácio do Planalto*

# Political considerations **EXECUTIVE POWER** *(Federal Level)*

## **PRESIDENCY**

Mandate of four years

President Mr. Luiz Inácio Lula da Silva

Mandate - 2003-2006



**MINISTRIES - 23**



# Political considerations **EXECUTIVE POWER**



*Ministeries' Avenue*

# Political considerations **LEGISLATIVE POWER**



*National Congress*

# Political considerations JUDICIARY POWER



*Federal Supreme Court*

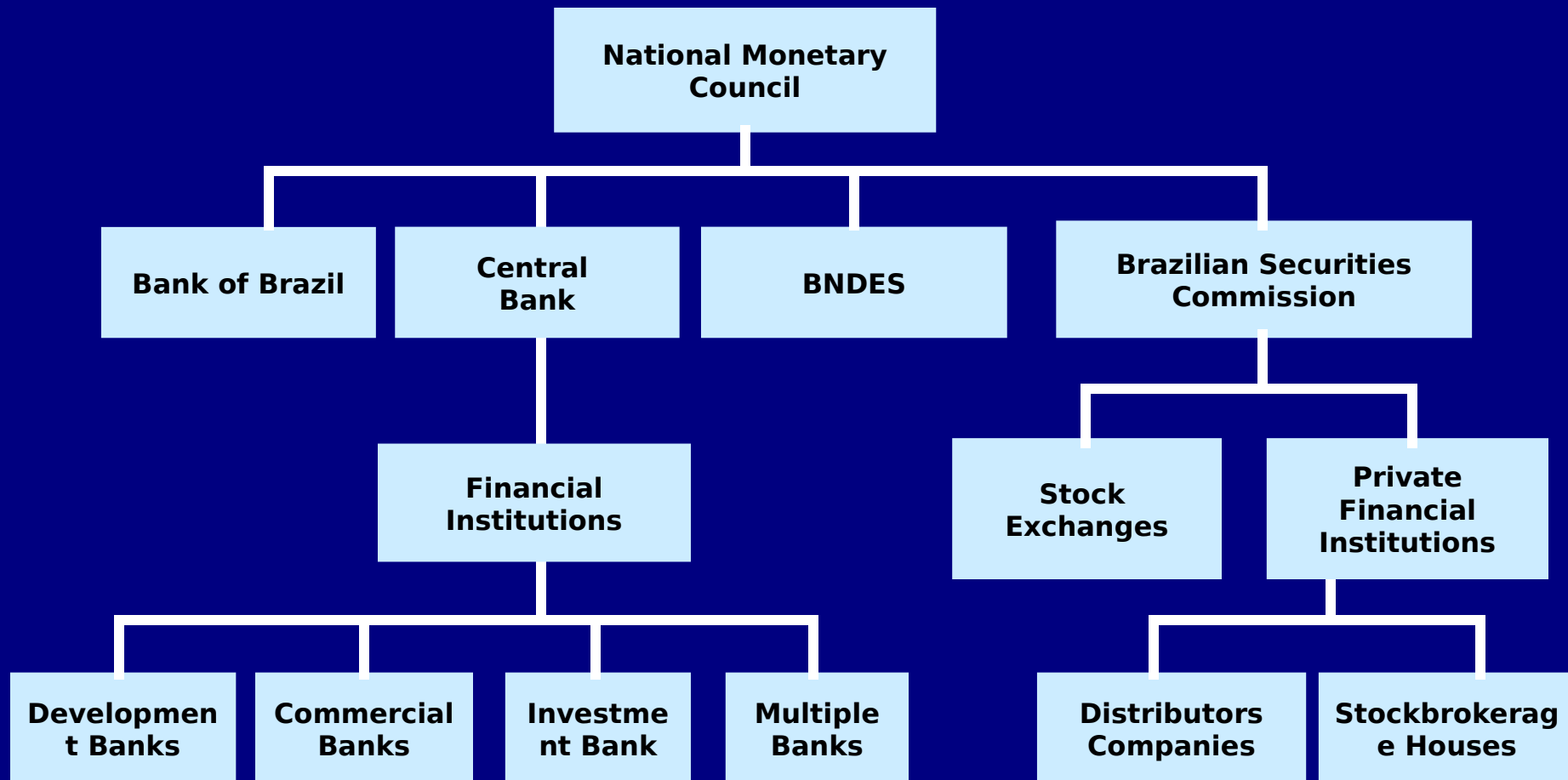


# Political considerations THE FINANCIAL SECTOR



*Central Bank*

# Political considerations THE BRAZILIAN FINANCIAL SYSTEM



# Political considerations **THE STOCK EXCHANGES AND THE CAPITAL MARKETS**

- **Regulatory Agency “Comissão de Valores Mobiliários” - based in Rio de Janeiro.**



# Political considerations **SÃO PAULO STOCK EXCHANGE BOVESPA**

- the São Paulo Stock Exchange was founded in 1890;
- largest stock exchange in South America;
- 96 brokerage members and 379 listed companies; and
- in 2004 the total amount negotiated was US\$ 81.4 billion, an increase of 48.6% as compared to 2003 (US\$ 55 billion).



# **Macroeconomic Fundamentals**

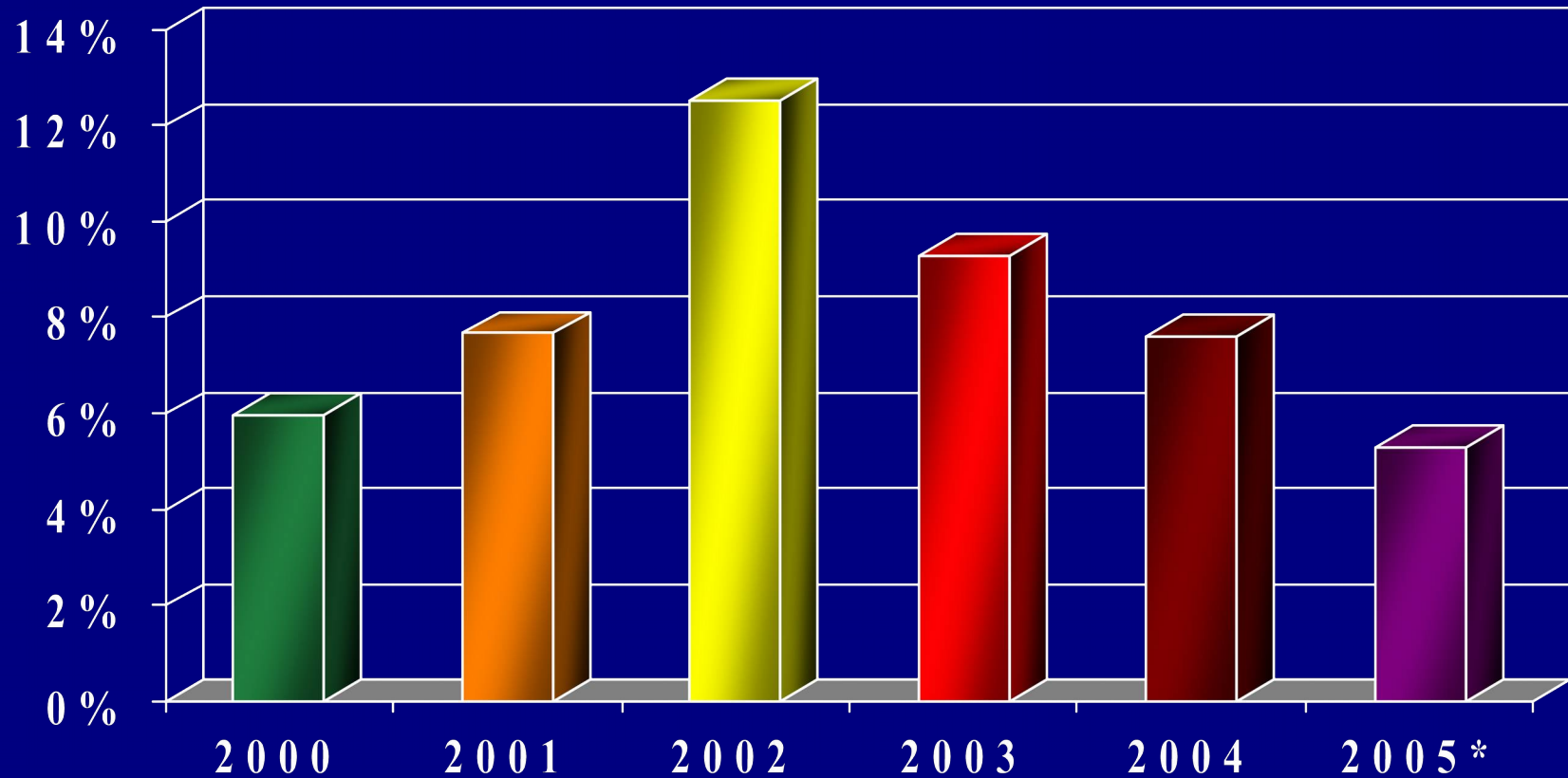
## **The Brazilian Economy in the 21<sup>st</sup> Century**

- ⇒ **consolidation of democracy**
- ⇒ **stabilisation of the economy**
- ⇒ **trade liberalisation**
- ⇒ **resumption in foreign direct investment**
- ⇒ **massive privatization program**
- ⇒ **pre-emptive strengthening of financial sector**
- ⇒ **end of distinction between foreign and domestic companies**
- ⇒ **resumption of economic growth**
- ⇒ **end of monopoly in telecommunications, oil and gas**
- ⇒ **great development of services sector**
- ⇒ **leadership in agribusiness**
- ⇒ **massive trade surplus**



# Macroeconomic Fundamentals

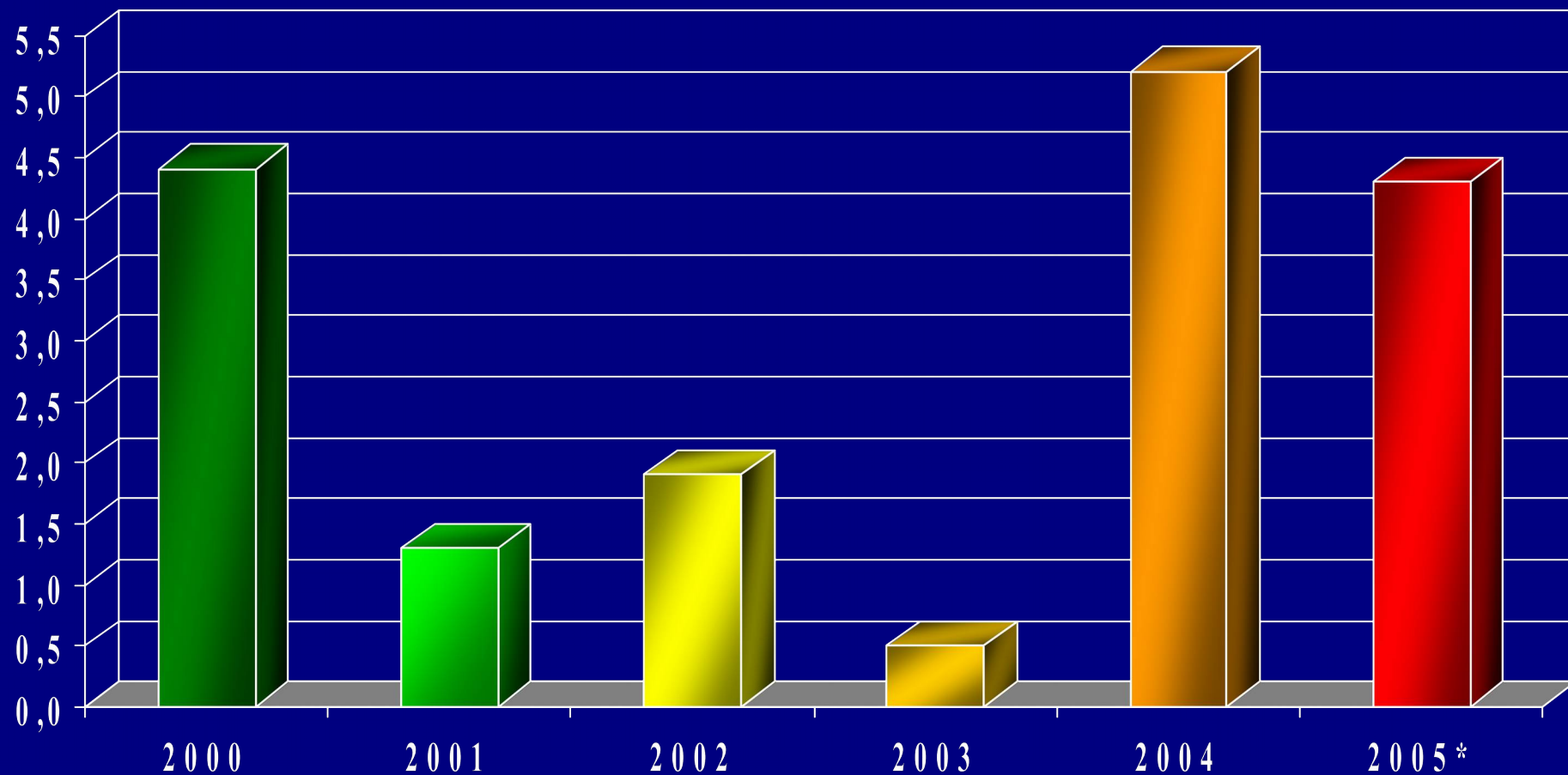
## Inflation





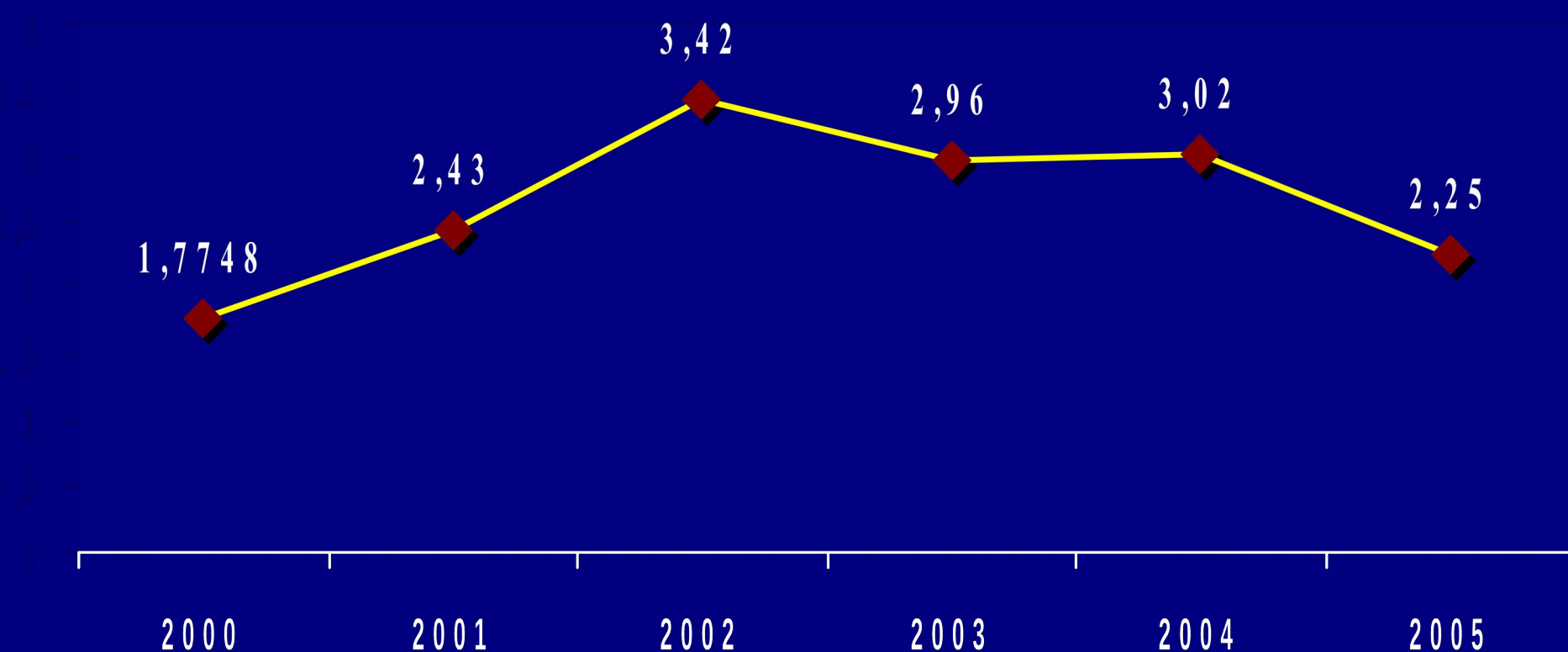
# Macroeconomic Fundamentals

## Economic Growth



# Macroeconomic Fundamentals

## Exchange Rate



# Macroeconomic Fundamentals

## Oil Production

- ⇒ Brazil achieves self sufficiency in oil
- ⇒ 2005 – 1.85 million barrels a day
- ⇒ 2010 – 3.4 million barrels a day\*

*Source: Petrobrás*

*\* forecast: Petrobrás*



# Macroeconomic Fundamentals

## Brazil's GDP in US\$

	1981	1991	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
<b>GDP (US\$ billion)</b>	261.5	418.0	534.0	550.0	552.0	531.1	594.2	503.9	456.5	506.8	599.0	624.7
<b>Population (million)</b>	121.2	149.1	161.3	163.7	166.2	169.7	171.2	173.8	176.3	178.9	181.5	184.5
<b>GDP per capita (US\$)</b>	2.151	2.803	3.310	3.359	3.321	3.129	3.470	2.899	2.589	2.832	3.300	3.385

**Source:** MDIC, Mercosul, IBGE and CIA web sites

**\* estimate**

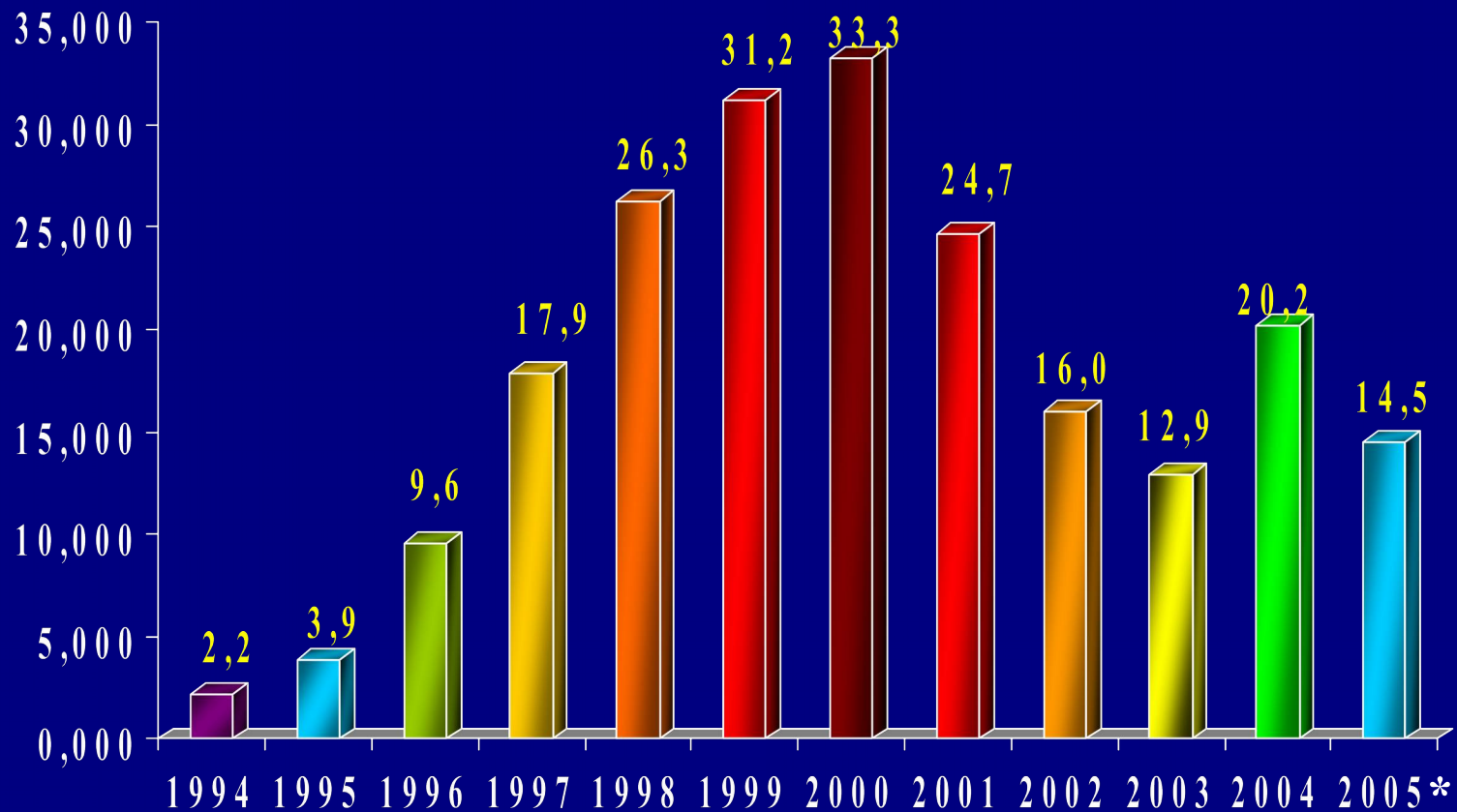
# **Macroeconomic Fundamentals**

## **Brazil's GDP in purchase power parity**

- ➔ **Total purchase power parity is US\$ 1,460,000 billion**
- ➔ **Purchase power parity per capita is US\$ 8,100**

# Macroeconomic Fundamentals

## Brazil: Foreign Direct Investment





# Macroeconomic Fundamentals

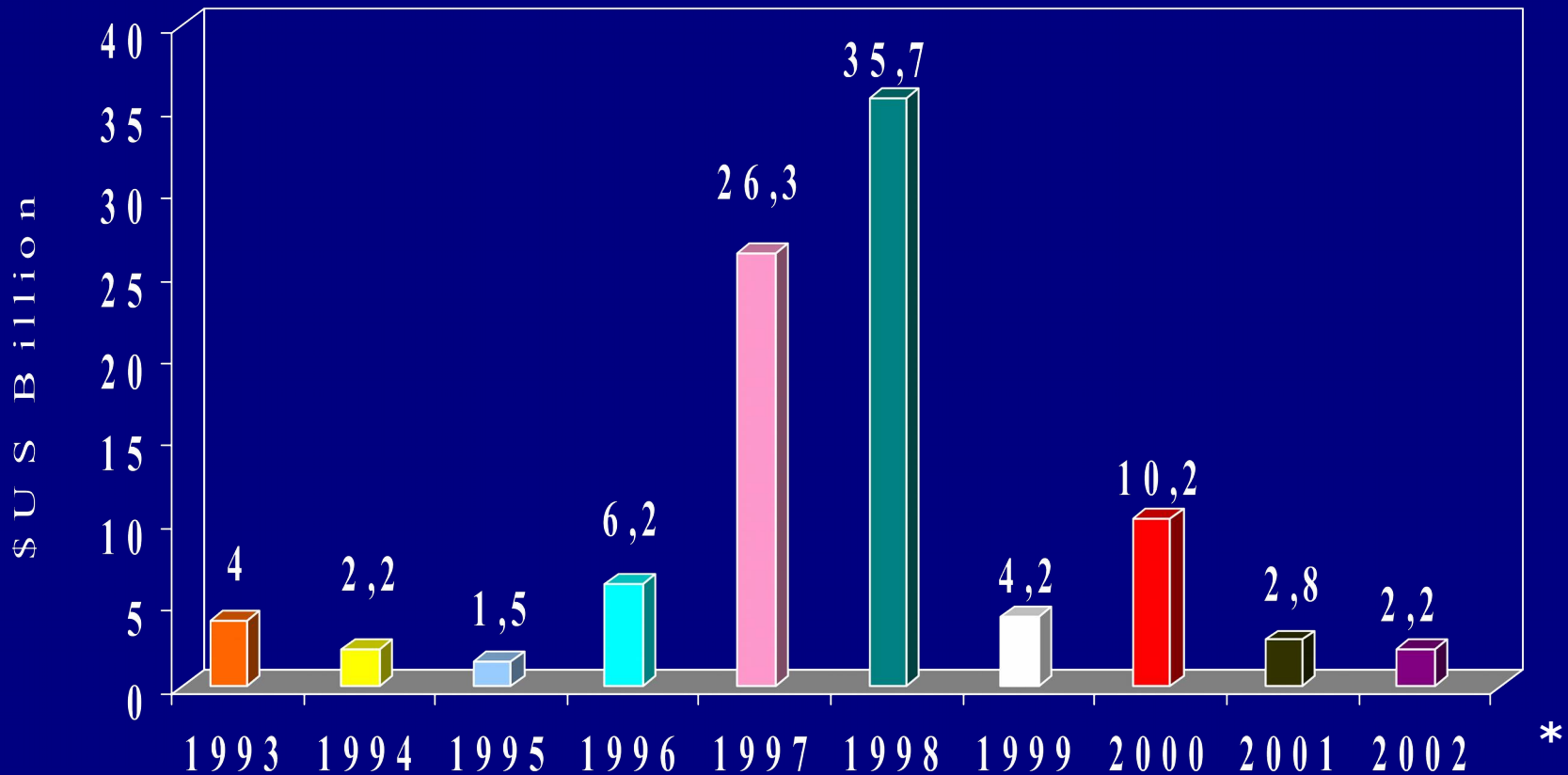
## Brazil - Evolution of External Debt

V a l u e	V a l u e (in U S \$ b i l l i o n s )
1 9 9 7	1 9 9 , 9
1 9 9 8	2 3 3 , 8
1 9 9 9	2 4 0
2 0 0 0	2 3 3
2 0 0 1	2 0 9 , 5
2 0 0 2	2 1 0 , 7
2 0 0 3	2 1 4 , 9
2 0 0 4	2 0 2
2 0 0 5 *	1 9 1

*\* estimate*

# Macroeconomic Fundamentals

## Revenue from Privatisation



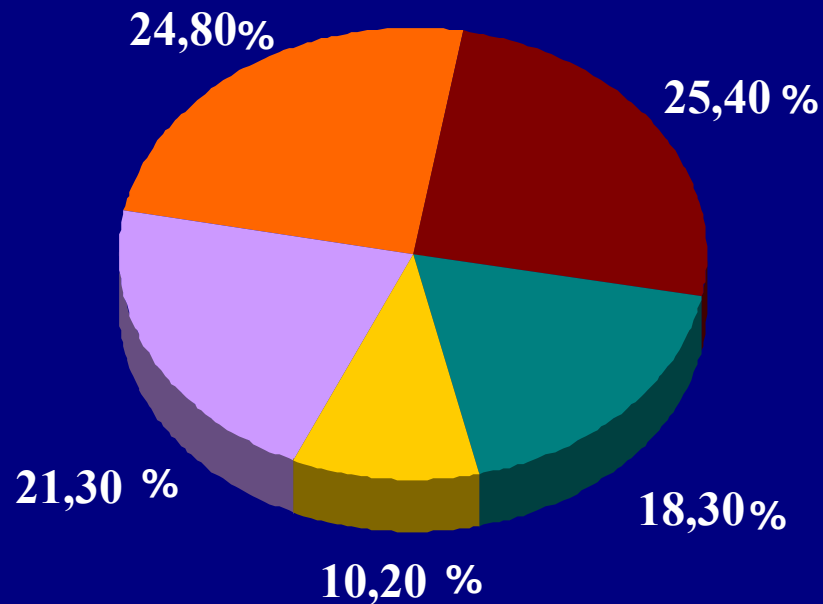
**Source: BNDES**

**\* After 2002 there were no more privatisations, which were substituted by Public-Private Partnerships - PPPs.**

# Macroeconomic Fundamentals

## Sources of Brazil's Imports

In 2004



■ European Union

■ USA \*

■ MERCOSUL (Argentina, Brazil, Paraguay and Uruguay)

■ ASIA \*\*

■ Other

**Source: SECEX**

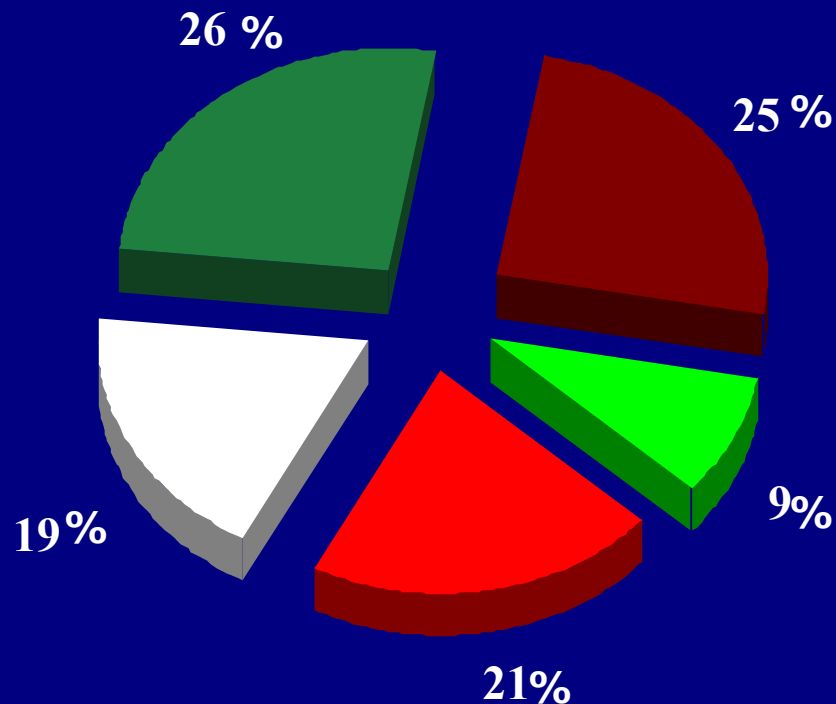
**\* USA including Puerto Rico**

**\*\* ASIA excluding Middle East**

# Macroeconomic Fundamentals

## Brazil's Export Markets

In 2004



- European Union
- Mercosul \*\*\*
- USA \*
- ASIA \*\*
- Others

**Source: SECEX**

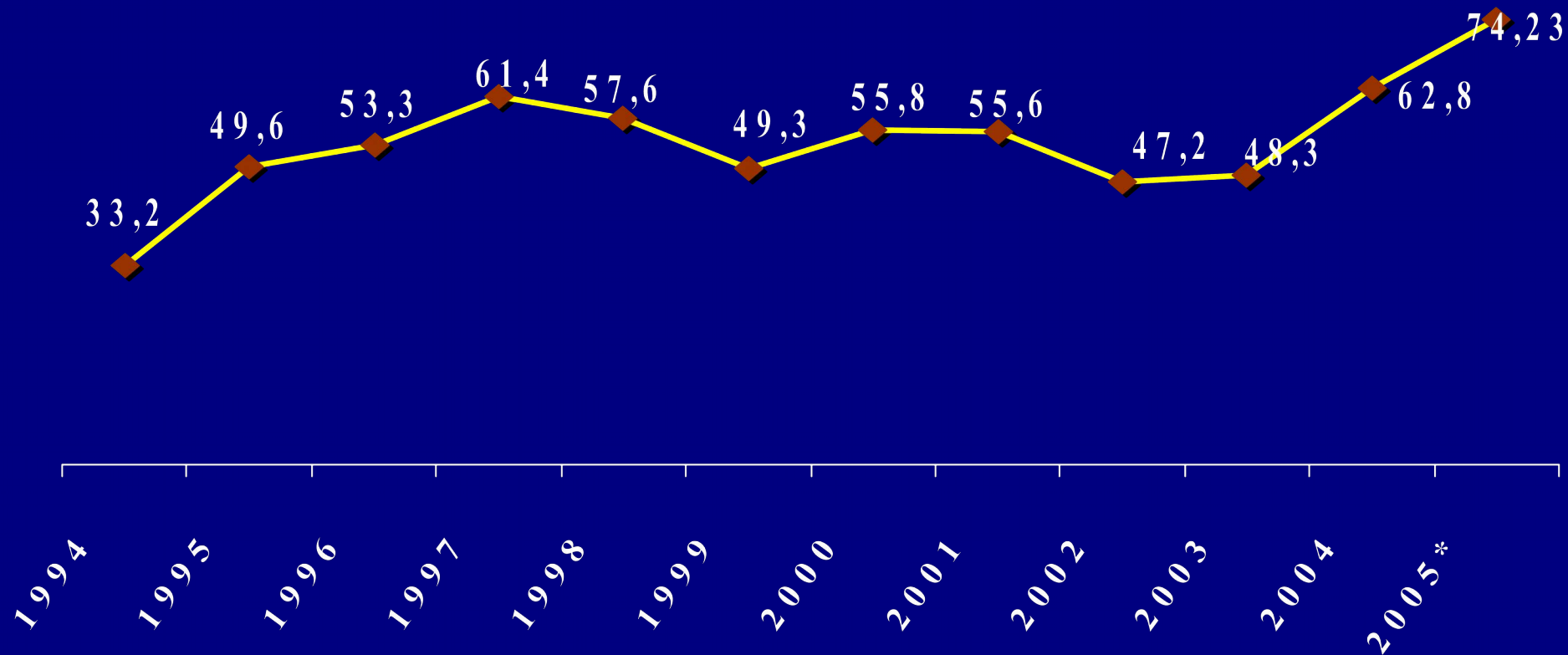
**\* USA including Puerto Rico**

**\*\* ASIA excluding Middle East**

**\*\*\* Argentina, Brazil, Paraguay and Uruguay**

# Macroeconomic Fundamentals

## Brazilian Imports in billion of US dollars

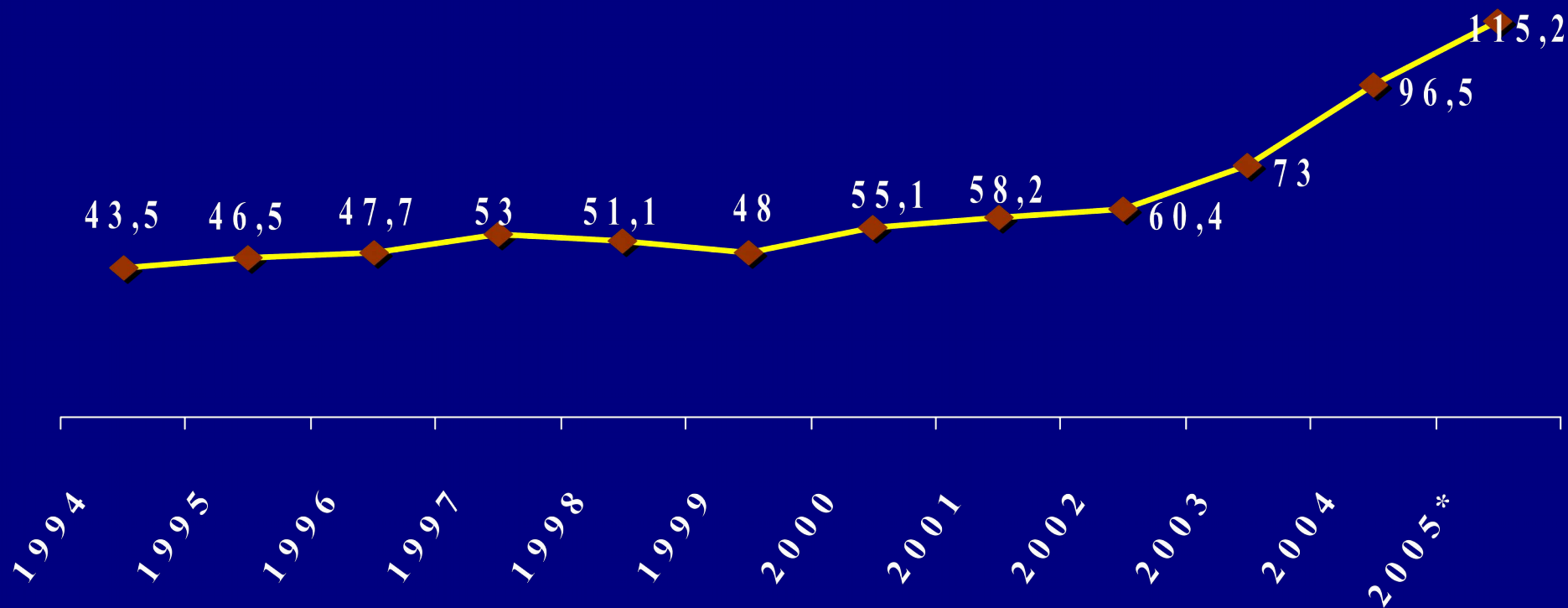


Source: **SECEX**

\* estimate

# Macroeconomic Fundamentals

## Brazilian Exports in billion of US dollars



Source: **SECEX**

\* estimate



# **Macroeconomic Fundamentals**

## **Foreign Trade**

### **➤ Foreign Trade Estimate for the year of 2005**

<b>US\$ Million</b>	<b>Estimate</b>
<b>Imports</b>	<b>74,232</b>
<b>Exports</b>	<b>115,202</b>
<b>Balance</b>	<b>40,970</b>

## Potential Projects for PPPs

### PPPs Overview

- ⇒ it is a cooperation agreement between the public and the private sectors to develop public infrastructure by delivering a project or service traditionally provided by the public sector;
- ⇒ the Brazilian PPP is a form of concession and thus is subject to the Law on Concessions, however, PPP contracts differ from pure concession contracts because they necessarily involve a financial payment from the public sector partner to the private partner and are subject to specific legislation;
- ⇒ such payments are secured by a Guaranty Fund - to be established separated from the Government, with authorisation for the Government to contribute up to R\$ 6 billion as capitalisation of the guaranty fund;

# Potential Projects for PPPs

## PPPs Overview

*(continuation)*

- to each PPP project shall be allocated an individual part of the assets of the guaranty fund, with separate accounting, so as not to affect the collateral of any PPP project with any future difficulties of another;  
and
- the law on PPP determines that each PPP project shall be managed by a special purpose vehicle, which must comply with standards of corporate governance.

## **Potential Projects for PPPs PPPs Projects**

**5 specific projects suggested by Brazil's federal government**

- **railway North-South;**
- **parts of the highway BR 116 – from Minas to Bahia in the state of Bahia;**
- **parts of the highway BR 324 – up to the Port of Aratu in the state of Bahia;**
- **the highway ring in the Rio de Janeiro;**
- **the railway ring around Campinas and the city of São Paulo; and**
- **part of the railway from Guarapoava to Ipiranga, in the state of Paraná**

# **PPP Program Ready to be Launched**

- **Law number 11.079**
- **Passed on 30th December 2004**
- **Fund - R\$ 6 billion**

# **PPP Program Ready to be Launched (continuation)**

**Regulated by:**

- ♦ **Decree no. 5.385 of 4 March 2005, which creates a PPP management committee**
- ♦ **Decree no. 5.411 of 6 April 2005, which determines provisions regarding the PPP fund**
- ♦ **Resolution no. 1 of 5 August 2005, which provides the creation of specific teams to implement PPPs**
- ♦ **Resolution number 2 of 19 September 2005, which brings further rules on the PPP fund**