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From 2020 to 2021: Changes in the infrastructure scenario in Brazil

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The year 2020 began with great expectations for attracting private investment in infrastructure projects in Brazil, and approval of legislative changes that would provide more legal certainty and regulatory stability for those projects.

That expectation was partially frustrated by the economic, political and social effects of the COVID-19 pandemic. In addition to infrastructure sectors that suffered significant direct impacts, such as aviation and electrical energy, the pandemic had negative repercussions for the economy as a whole.

But even though part of 2020 was taken up with discussions over extending the term of investment agreements, suspending or delaying contractual obligations, and re-establishing the economic and financial balance of existing contracts, Brazil's federal government[1], though its Investment Partnership Program (*PPI – Programa de Parcerias de Investimentos*), implemented 29 infrastructure projects, with the potential to generate more than BRL 42 billion in investment over the coming years.

The agenda for various infrastructure sectors in 2021 is wide-ranging, and involves both preparing new projects for bidding and concession to the private sector and legislative reforms that promise to remove obstacles to investment and improve investors' perception of risk.

As for new projects, at the end of 2020 the PPI Council decided on new enterprises that will be eligible for concessions, privatization or partnerships with the private sector in the course of 2021. The government intends to hold bids for 129 assets, for a total of about BRL 370 billion in investment, covering airports (with Santos Dumont/RJ and Congonhas/SP being the star attractions), ports and docks (inc luding Maceió, Fortaleza and Santos), highways (such as the segment of the Presidente Dutra highway between Rio de Janeiro and São Paulo), railways (Fiol and Ferrogão), telecommunications (5G), metros (Line 2 of the Belo Horizonte metro in Minas Gerais); energy (transmission lines), parks and forests, oil and gas, and mining, not to mention privatizations that include the mint (*Casa da Moeda*), the postal service (*Correios*), the federal telecommunications company (*Telebras*), the social security database and information processing company (*Dataprev*) and others (ABGF, Emgea, Nuclep, CBTU, Trensurb, Ceagesp and Ceasa Minas).

On the legislative front, the main achievement in 2020 was approval of the new framework legislation for basic sanitation (Federal Law 14.026/2020), which aims to establish universal access to potable water and sewage treatment services by 2033, and to make regulation of the sector more uniform. The New Law on Natural Gas (Bill 4476/2020), with its goal of creating an open, dynamic and competitive natural gas market, was recently approved and awaits presidential sanction. These reforms are expected to help accelerate private investment in those sectors.

There are other legislative improvements now on the table that should contribute to increased private investment in infrastructure in Brazil, if effectively implemented. Some highlights are:

- Bill 2646/2020, which creates infrastructure debentures that can be issued by concessionaires and other parties authorized to operate public services to raise funds from institutional investors, which will benefit from incentives to invest in investment projects or in “intensive economic production in research, development and innovation”;
- The new framework legislation on competitive bidding procedures and government contracts, which has been passed by Congress and awaits presidential sanction (Bill 4235/2020);
- The new legislation on contracts governing concessions and public-private partnerships (Bill 7063/2017), • changes to the Brazilian Aeronautics Code and the legislation creating the Brazilian Civil Aviation Agency – ANAC; and
- The new framework legislation on railways.

Although full economic recovery in the short term is unlikely, the return to economic growth in the medium and long term depends on stimulating investment in infrastructure, a sector which historically has been underfunded and has not kept pace with the country’s demands.

In addition to its direct economic effects, investment in infrastructure generates income and employment and can promote sustained economic development, especially within the context of a broader development strategy.

Hopefully, efforts by government and the private sector, working together, will be sufficient to implement these infrastructure projects in 2021. The legislative reforms, along with sector regulations, will also play an essential role in creating a legal and regulatory environment capable of attracting investment.

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NOTES:

1. See .

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