



Brazil's Infrastructure Outlook

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Key Points:

- *The Dilma Rousseff administration has taken the important political decision to turn to the private sector for infrastructure investment, which could be a major turning point in infrastructure policy for the Workers' Party (PT)-led government, now in its tenth year.*
- *However, institutional hurdles, including acquiring environmental licenses and the government's capacity to formulate projects, will lead to delays in executing the concession agenda and investments will fall short of targets.*
- *In addition, the combination of a weakening economic outlook and widespread protests that broke out in late June has generated a heightened sense of policy uncertainty that could increase near-term delay risks to the concession auction timetable, but the government is likely to respond by granting more favorable terms to investors in an effort to ensure they do not fail.*
- *All of the above suggests that the concession agenda will move forward, but only begin to deliver material improvements to Brazil's logistics infrastructure in five years' time, with most projects coming online between five and ten years from now, or even later.*
- *Airport and port projects will be less prone to delays from environmental and institutional-capacity issues, while railways will be the most vulnerable to such delays.*
- *Highway concessions fall between the two extremes, although recent protests have raised the perceived risk to services that depend on direct user fees from consumers, which is the case for highway concessions.*
- *Local industry analysts and preliminary government estimates suggest that the concessions could lower freight costs by as much as 30 percent in some cases, particularly for agricultural products, but results will only truly be felt after the government's official five-year projection for projects.*