

10 hours and 40 minutes ago

New infrastructure concessions will not have subsidized credit

By **Claudia Safatle and Murillo Camarotto** | Brasília

Crucial to reverse the rise of unemployment in Brazil, which may reach 14 million people at the end of this year, the program of infrastructure concessions will not have subsidized government financing. Long-term credit will have to be offered at market conditions by the state-controlled and private-sector banks, domestic and foreign, and the loans may have funding from one portion of the money held in court deposits. The scenario is drawn by the executive secretary of the Investment Partnerships Program (PPI), Moreira Franco, who got from interim President Michel Temer the tough task of getting private-sector investors out of the defensive position.



Moreira Franco

“We will avoid subsidized money. It is very difficult for a broken state to maintain the same policy that stimulated the collapse,” Mr. Franco said in an interview with Valor.

He gave details of the actions that are being taken to make the post-impeachment period more inviting to investments. Removing the political uncertainty, the mission will be to prepare a more oxygenated competitive environment, which requires adjusting rules and procedures, as well as updating competences of ministries and regulatory agencies.

The financing model is not fully defined. He said the details are being discussed with the Brazilian Development Bank (BNDES), which in the last few years ensured the success of several auctions with generous interest rates. This time, the bank will take part, but in a much more cautious way.

“The rates BNDES charged in the past, which scared away private-sector banks from the financing process, generating all this insecurity between bridge loan and long term, this is an extremely inconvenient situation for a financing process and will not happen anymore,” he assured.

In addition to BNDES, the government has managed to attract to the concessions program Caixa Econômica Federal, which will also offer a credit facility. Mr. Franco wants Banco do Brasil and private-sector lenders also to participate. Among funding options considered so far are the FI-FGTS, the investment arm of the Workers’ Severance Fund, and a portion of court deposits.

Controversial, the use of court deposits is already commented in the market, but faces resistance inside the government, especially in the Ministry of Finance. Mr. Franco said, however, that the matter is being discussed and the decision will be taken by Mr. Temer on September 13, date set for the first meeting of the PPI council.

In the meeting, the council will assess the first proposals of concessions of services to the private sector. The list includes airports, railways, highways, port terminals and oilfield blocks, in addition to sanitation projects. Mr. Franco said there will be more projects than the already known ones, but declined to elaborate.

“We have to follow a rite for things to be done. It is necessary that we have capacity to wait, even because it is not our goal to have a package or a big advertising event. We will have a set of initiatives of investment partnerships to create the necessary jobs,” he said.

In addition to the projects, regulatory changes will be discussed in the meeting. It will be announced, for example, the new period of 100 days between the publication of the auctions’ rules and the holding of the auctions. Two other proposals are in the agenda: that the calls for bids will only be published after the issuance of prior environmental license and a standardization of rules to hold public hearings.

Mr. Franco also commented the expected changes in the scope of regulatory agencies. He said there is no proposal defined yet, but that the idea is to have a redefinition of the decision process both in the agencies and in the ministries, to strengthen both.

“In order to have legal security, it is crucial that the role of each body is well defined. The role of the government, of the concessionaire and of the agencies. There was not much clarity about this, because since Dilma [Rousseff] took the Office of the Chief of Staff [in 2005] a process of ‘infantilizing’ the political power of ministries and the technical power of agencies began,” he said.

Mr. Franco said the decision centralization in Ms. Rousseff disorganized the division of competences. “The decisions were taken in an absolutely anarchic way. This generated all this confusing process that we now have to fix,” he said. The main changes include restoring the competence of sector ministries to functions such as preparing call for bids, holding auctions and signing contracts.

“Under the rule, the responsibility is of the government. It can and should use the experience of agencies, but it shouldn’t transfer to the agency this responsibility, which is its own. The same is valid for the preparation of contract. It is the government that does that,” he explained.

One of Mr. Temer’s closest aides, Mr. Francos aid the economic scenario acted to transferred the priority of infrastructure investments. If until recently the goal was the reduction of production costs, now it is the creation of jobs that is at the top.

“President Temer received a country with more than 11 million unemployed workers and all the numbers are indicating, the projections show, that we are on the way to 14 million by the year’s end. So we have urgency to create jobs,” Mr. Franco said. “In the past, when we had a more comfortable job situation, the main goal was to reduce the Brazil cost. Not now. Now is to create jobs, because it is extremely painful to be in an environment with this number of Brazilians without work,” he said.

Questioned about the reliability of the fiscal adjustment conducted by the Temer government, that is, if it will succeed, Mr. Franco said that the strength of Finance Minister Henrique Meirelles is that can ensure the success. “The experience that we have in Brazil is that when the minister is not strong, the consequences are terrible.”

© Copyright Valor Econômico S.A. All rights reserved.

Exclusive content for subscribers to Valor International. Printed by Office Brasilia

This material can't be published, rewritten, redistributed or broadcast without authorization from Valor Econômico.

Read our terms and conditions on <http://www.valor.com.br/international/about-legals/terms-conditions>
(/international/about-legals/terms-conditions)