

# Brazil's Priority Transportation Projects



**A RESOURCE GUIDE**

**FOR U.S. INDUSTRY**

**SPONSORED BY THE U.S. TRADE AND  
DEVELOPMENT AGENCY**



# FINANCING

## 7. FINANCING

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The main sources of infrastructure funding in Brazil are financing on the capital markets, including infrastructure debentures and credit lines from the Brazilian Development Bank (BNDES). This section of the report provides information released by the Brazilian Government on the various sources and mechanisms for financing transportation infrastructure.

### 7.1 Capital Market Tools

The Brazilian Government has developed new capital market tools to incentivize foreign investors to fund local transportation infrastructure projects. Infrastructure debentures (Debentures de Infraestrutura) were created in 2010, offering non-resident investors an exemption from corporate income tax and financial transactions tax.

Non-resident investors can also enter the market through infrastructure-linked investment funds (Fundos de Investimento em Direitos Creditórios – FIDCs). With this funding mechanism, non-resident investors are exempt from income tax and financial transaction taxes for investments in funds allocating at least 85% of the fund's assets to Infrastructure Debentures.

### 7.2 The Brazilian Development Bank (BNDES)

The Brazilian Development Bank (BNDES) is a state-owned bank that serves as a key force for nation-wide economic development. The BNDES' mandate is to foster sustainable, competitive development in the Brazilian economy and to support job creation while contributing to a reduction in social and regional inequality. The BNDES is the main financing agent for development in Brazil. Since its founding

in 1952, the bank has played a fundamental role in supporting the expansion of industry and infrastructure across the country.

Over the course of BNDES' history, its operations have evolved according to prevalent socio-economic challenges which currently include support for exports, technological innovation, sustainable socio-environmental development and the enhancement of public administration. The bank offers several financial support mechanisms to private companies of all sizes, headquartered and administered in Brazil, ultimately enabling investments in all economic sectors. In determining whether to financially support a company or project, BNDES considers three factors: strategic innovation, local development and socio-environmental development.

The bank can provide financial support to companies established in Brazil through three mechanisms: financing, non-reimbursable funds and subscription to securities.

### 7.2.1 BNDES Financing

BNDES provides financing earmarked for investment projects, new machinery and equipment, exports of machinery, domestic equipment and services, the acquisition of goods and production inputs. Financing modalities are divided into products according to the undertaking's purpose. These products define the general rules of applicable financial conditions and the operating procedures for financing.

Some products are considered financing lines, aimed at certain clients, sectors and undertakings and therefore have more specific rules. Among the bank's products is BNDES Project Finance, earmarked for the financial structuring of investment projects and contractually supported by project cash flow. Assets and receivables (asset-backed) may serve as guarantees for the same undertaking. Additionally, BNDES offers financing programs of a transitional nature, which are focused on a particular economic segment.

### 7.2.2 BNDES Non-Repayable Funds

BNDES offers investments of a social, cultural (educational and research), environmental, scientific and technological nature, which do not need to be repaid.

### 7.2.3 BNDES Subscription of Securities

BNDES may participate as a subscriber of securities, i.e., shares, simple debentures, convertible debentures, subscription bonds, options and other derivative products. BNDES may also participate in asset-backed (receivables) investment funds (FIDC) in publicly-listed companies, in public or private issuances, or in companies that may join the capital market for the short or medium term through a private issuance. In some specific cases, the Bank may provide financial support in a mixed manner, or finance part of a project and use the subscription of securities for the rest.

BNDES is currently the largest financing partner for transportation infrastructure projects in the country. The bank provides corporate finance and project finance, which is when BNDES funds a specific project, not the company, by providing loans to a special purpose vehicle-SPV-constituted to execute the project. **Foreign firms are eligible to apply for BNDES financing, as well as companies controlled by Brazilian capital.**

BNDES can provide loans covering up to 70% of the total value of projects for airports, highways and ports, and up to 90% for railways. Part of BNDES financing can be offered at a competitive interest rate

called the Long-Term Interest Rate (Taxa de Juros de Longo Prazo, 'TJLP'), while the remaining portion of BNDES finance is provided at market rates.

#### **7.2.4 Summary of Financial Facts (BNDES) to Support the Transportation Sector**

BNDES has been the financial force behind the success of many transportation concession projects for over ten years. The new round of airport, highway, port and railway concessions will also depend on BNDES financial support, however at different financing levels than in previous concession programs. For the next round of transportation concessions, the private sector is required to supply a higher level of capital to finance projects.

### **7.3 Other Financial Institutions**

#### **7.3.1 The Export-Import Bank of the United States**

The Export-Import Bank of the United States (Ex-Im Bank) is a Government agency that provides a variety of loan, guarantee and insurance products intended to aid the export of U.S. goods and services. The mission of the Bank is to create and sustain U.S. jobs by financing sales of U.S. exports to international buyers. The Bank is chartered as a government corporation by the U.S. Congress. The Ex-Im Bank does not compete with private sector lenders, but rather provides financing for transactions that would otherwise not take place because commercial lenders are either unable or unwilling to accept the political or commercial risk in a particular business deal.

The Ex-Im Bank's products aim to support export sales for any U.S. export firm regardless of size. The bank's charter provides that Ex-Im Bank makes available not less than 20% of its lending authority to small businesses. For more information on Ex-Im Bank please visit [www.exim.gov](http://www.exim.gov).

#### **7.3.2 Overseas Private Investment Corporation (OPIC)**

The Overseas Private Investment Corporation (OPIC) is the U.S. Government's development finance institution that works with financing insurance and investment funds to support the U.S. private sector. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy and national security objectives. OPIC supports U.S. private investment in more than 160 developing countries around the world in products that produce important economic, environmental and developmental benefits. OPIC catalyzes revenues, jobs and growth opportunities from Europe to the Middle East, as well as Africa to Asia and Latin America.

Projects range from those in the renewable resources sector to food, health, tourism, infrastructure, microfinance, financial services and technology and communications. To date, OPIC has supported more than \$200 billion of investment in more than 4,000 projects. For more information on OPIC please visit [www.opic.gov](http://www.opic.gov).

#### **7.3.3 International Finance Corporation (IFC)**

The International Finance Corporation (IFC) is a member of the World Bank Group, and is the largest global development institution focused exclusively on the private sector in developing countries. The IFC offers investment, advisory and asset management services to encourage private sector development. The IFC and leverages its products and services to provide development solutions

customized to meet the clients' needs. The IFC applies financial resources, technical expertise and global experience to assist clients in overcoming financial, operational and political challenges.

Since 2009, the IFC has focused on a set of development goals that its projects are expected to target. Its goals are to increase sustainable agriculture opportunities, improve health and education, increase access to financing for microfinance and business clients, advance infrastructure, help small businesses grow revenues and invest in climate health. The corporation also offers advice to companies on making decisions, evaluating their impact on the environment and society and corporate responsibility. It advises Governments on building infrastructure and partnerships to further support private sector development. For additional information on the IFC please visit [www.ifc.org](http://www.ifc.org).

### **7.3.4 Multilateral Development Banks**

Multilateral development banks are also present in Brazil supporting the country in many sectors such as the World Bank (WB) and the Inter-American Development Bank (IDB). These institutions lend millions of dollars to the Brazilian Governments (mostly federal and state) on projects that accelerate economic growth and social development by reducing poverty and inequality, improving health and education and advancing infrastructure development. The WB and the IDB are both providing technical and financial assistance to the Brazilian Government in the latest infrastructure development and concession program announced in 2015.

From time to time, these development banks publicly announce a Request for Proposal (RFP) process for technical services such as feasibility studies, engineering, finance, project development, construction oversight and others to support activities being financed by the banks. These opportunities are made public through the WB and IDB websites: [www.worldbank.org](http://www.worldbank.org) and [www.iadb.org](http://www.iadb.org).

## **7.4 Additional Organizations Promoting U.S. Exports in Brazil**

### **7.4.1 U.S. Trade and Development Agency**

The U.S. Trade and Development Agency helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries. USTDA promotes economic growth in emerging economies by facilitating the participation of U.S. businesses in the planning and execution of priority development projects in host countries. The Agency's objectives are to help build the infrastructure for trade, match U.S. technological expertise with overseas development needs, and help create lasting business partnerships between the United States and emerging economies.

### **7.4.2 The U.S. Commercial Service**

The U.S. Commercial Service is the trade promotion arm of the U.S. Department of Commerce's International Trade Administration. The U.S. Commercial Service has its main office at the U.S. Embassy in Brasilia, with other offices located in U.S. Consulates across the country. Their main purpose is to promote U.S. exports and to connect U.S. companies with international buyers by providing market intelligence, trade counseling, business matchmaking and advocacy/commercial diplomacy support.

The U.S. Commercial Service offers customized solutions to help U.S. exporters (small and medium sized businesses) successfully expand their exports to new markets. The Commercial Service's global network of trade specialists work one-on-one with U.S. company representatives by:

- Targeting markets with the Commercial Service's research;
- Promoting U.S. company products and services to qualified buyers;
- Arranging meetings with the appropriate distributors/agents for U.S. products and services;
- Supporting U.S. companies in overcoming potential challenges or trade barriers; and
- Facilitating access to a full range of U.S. Government trade promotion agencies and their services, including export training and potential trade financing sources.

U.S. exporters seeking general export information/assistance or country-specific commercial information can contact the U.S. Commercial Service trade professionals in Brazil.

### **7.4.3 The Brazil-U.S. Business Council**

The Brazil-U.S. Business Council (BUSBC) is a business advocacy organization dedicated to strengthening the economic and commercial relationship between the two countries. The Council's mission is to protect, maintain and advance trade and investment between the United States and Brazil through free trade, free market and free enterprise. The U.S. section of the Council represents the major U.S. companies invested in Brazil and operates under the administrative aegis of the U.S. Chamber of Commerce, maintaining independent policy formulation and membership.

The Brazil Section is managed by the National Confederation of Industry (CNI), composed of the 27 Brazilian state-level federations of industry. The Council has a Program of Work which identifies the key policy areas that the Council addresses throughout the year and highlights the initiatives that the council plans to pursue. For additional information on BUSBC, please visit [www.brazilcouncil.org](http://www.brazilcouncil.org)

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**HEP Transportation Consulting**  
2245 Rivermont Place  
Charleston, SC 29414  
Tel: (843) 763-8513  
Email: [Traffictransp@hotmail.com](mailto:Traffictransp@hotmail.com)