

**FACT SHEET: Description and Assessment of National Support Mechanisms for Financing Projects of Urban Transportation**

## BRAZIL

Item	Year				
	1992	2002	2012	2022	2032
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Population (millions) <sup>1</sup>	155	179	197	209	217
Share of population living in urban areas (%) <sup>2</sup>	75	82	85	89*	91**
Gross domestic product per capita (current US\$) <sup>3</sup>	2,527	2,812	12,594	10,375*	16,694* *
Vehicle ownership per 1,000 residents <sup>4</sup>	87	129	210	250*	295**
Administrative structure	Federal presidential representative democratic republic, whereby the President is both head of state and head of government, and of a multi-party system. The political and administrative organization of Brazil comprises the federal government, 26 states, the federal district and 5,564 municipalities.				
<i>*estimated data 2020 / **estimated data 2030</i>					

### 1. NATIONAL POLICIES

#### Trends in Transportation

- Public transport is continuously losing riderships in regards to private transport modes
- Many people move to motorcycle use
- The Federal Government states that they want to stimulate public transport but, for keeping Brazilian economy growing, they reduced taxes for new vehicles. This measure was contraproductive and increased vehicle sales.

#### National Policies

There is a law to promote urban mobility at the city level, requiring every city with more than 20k inhabitants (1,600 cities) to develop a mobility master plan within three years, linked to its urban development plans. The aim is to improve goods and people’s accessibility/mobility within cities, whilst integrating different transport modes.

<sup>1</sup> [IBGE](#)

<sup>2</sup> [WRI](#)

<sup>3</sup> [World Bank](#); [Goldman Sachs](#)

<sup>4</sup> [DENATRAN](#); [Folha de São Paulo](#); [Ministério de Minas e Energia](#)

At a macro-scale, there is the National Policy on Urban Mobility, which gives priority to non-motorized transport and public transit over private motorized transport; restricts control of access, permanent or temporary, of motorized vehicles in predetermined places and times; establishes emission standards for pollutants at certain locations and times that may affect access to urban spaces and areas under control; the possibility of charging for the use of urban infrastructure, to discourage the use of certain modes services; the dedication of exclusive space on public roads to public transportation and non-motorized modes, and the right of users to participate in the planning, monitoring and evaluation of local politics of urban mobility.

However there is not yet a direct link to the federal policy towards what states and cities are about to plan and implement, and there is no direct financing mechanism providing priority to sustainable urban transport development.

### Institutional Framework

Level of Government	Institutions	Role
First	Ministry of Cities	Implementation of national policies associated to urban transportation
Second	States	Defining and regulating the bus transit services that interconnect cities at the metropolitan area
Third	Municipalities	Defining and regulating bus transit at the city level

## 2. PROJECT IDENTIFICATION AND DEVELOPMENT

Institutions in charge of the development of mass transit technical projects	City agencies
Financial assistance at the national level	Ministry of Cities provides some funding for developing and improving studies
Technical assistance at the national level	National government evaluates and requires some detailing of the city projects, but do not contribute with technical assistance to improve them

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• The process is easier and have low level of bureaucracy</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Projects requiring funding are evaluated in its basic design</li> <li>• After having the funding approved, to be mainly executed by means of loans through CAIXA and BNDES, the executive design is developed. This leads to errors in the budget estimation</li> </ul>

### 3. FUNDING FOR INFRASTRUCTURE <sup>5</sup>

Program	Growth Acceleration Program - Mobility in Large Cities
Administering Entity	Ministry of Cities
Objectives	N/A
Scope	Mass transit only
Eligible modes	BRT, LRT, Metro, Suburban rail
Eligibility	Larger cities only
Authorization	Individual calls for projects
Award types	Loans, combinations
Recipients	State and city governments

#### Evaluation Process

1. The Ministry for Cities is the entity in charge of establishing guidelines for selecting projects to be funded by national urban transportation programs (e.g. “Pro-Transporte” and “PAC”), as well as ranking and indicating proposals for credit operations.
2. The Ministry for Planning, Budget and Management overlooks the demands of all the Ministries in Brasilia and takes the final decision on all Federal funding.
3. The National Treasury, following the requirements of the Fiscal Responsibility Law, checks the debt capacity and credit worthiness of the applicant state or city.
4. State and city governments, as funding proponents and potential borrowers of credit, prepare the letter of inquiry, which presents general information about the proposed project, and their compatibility with the Master Plan and Transportation Plan of the city. The consultation letter is addressed to the Ministry of Cities, which verifies the compatibility of the proposed project with the current national programs. The state and city governments are responsible for planning, bidding, contracting, executing, supervising and monitoring the projects..
5. CAIXA, the development bank, in the role of operational agent, controls the budget implementation and provides information to the Ministry for Cities. CAIXA is in charge of credit risk analysis, evaluating the capability to pay/sufficiency of safeguards, and controlling the physical and financial execution of the contract.

BNDES, the Brazilian National Development Bank, basically finances projects for the private and public sectors that include the acquisition of Brazilian equipments and the exporting Brazilian goods and services.

<sup>5</sup> EMBARQ (2012) *Evaluate, Enable, Engage – Principles to support effective decision making in mass transit investment programs*. [Online] Available at: [http://www.embarq.org/sites/default/files/EMB\\_Evaluate\\_Enable\\_Engage.pdf](http://www.embarq.org/sites/default/files/EMB_Evaluate_Enable_Engage.pdf). [Accessed 15 October 2012].

### Key Aspects in the Evaluation Process<sup>6</sup>

- Contracting procedures
- Quality assurance and control procedures
- Key milestones
- Description of how materials are assessed
- Financial plan
- Planning consistent with urban comprehensive plan and with integrated urban transport plan (or equivalent)
- User experience (i.e., service quality, pedestrian access)

### Funding Shares

Maximum national funding share	95%
Minimum private participation required	No
Minimum local governments participation required	5%

### Evaluation and Participation

Are technical evaluators and funding decision makers separated?	Yes, the technical evaluation is made by the Ministry for Cities and funding decision by the Ministry for Planning
Who is in charge of technical evaluation?	Government agencies
Are other public agencies involved in the evaluation and decision-making process?	Ministry for Cities, Ministry for Planning. At city level, the secretariat of Environment needs to approve the project
How local governments are involved in the decision-making-process?	N/A
Is community is involved in the decision-making process?	Community is not involved

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Brazil has good law regarding transport investments (like the Mobility Law)</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• The decision about funding allocation is concentrated in Ministry for Planning</li> <li>• Brazil do not have white papers for transportation</li> <li>• Projects approved are not necessarily connected to the Urban or Transport Master Plans</li> </ul>

<sup>6</sup> EMBARQ (2012) *Evaluate, Enable, Engage – Principles to support effective decision making in mass transit investment programs*. [Online] Available at: [http://www.embarq.org/sites/default/files/EMB\\_Evaluate\\_Enable\\_Engage.pdf](http://www.embarq.org/sites/default/files/EMB_Evaluate_Enable_Engage.pdf). [Accessed 15 October 2012].

	<ul style="list-style-type: none"> <li>The mechanism mainly promotes large scale PT projects, NMT projects and the integration of available PT means are rarely considered</li> </ul>
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#### 4. FUNDING FOR BUSES and OPERATION

Program	BNDES Investment Maintenance Program (BNDES PSI) – Capital Goods
Administering Entity	BNDES
Objectives	Stimulate the production and acquisition of buses
Scope	Acquisition of buses
Eligible modes	Urban fleet, BRT
Eligibility	Any city
Authorization	N/A
Award types	Loans. Capital will be limited to 50% of the value of equipment, in operations performed with microenterprises, and 30% in operations realized with small and medium enterprises;
Recipients	Local governments

##### Evaluation Process

The process can be done in two ways: direct or indirect operations.

- Direct operations (contracted direct with BNDES) - Requests for financial assistance should be made through a prior consultation, filled in accordance with a specific guide and be sent to BNDES.
- Indirect operations (contracted through an accredited financial institution) - The applicant must go to an accredited financial institution, who will inform the necessary documentation, will consider granting credit and negotiate the guarantees. After approval by the institution, the transaction will be forwarded for approval and subsequent release of funds by BNDES.

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Bus Industry in Brazil is strongly consolidated</li> <li>• Private bus operators are well established and have capital to invest</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Some operators have been operating bus systems without a formal contract with the city. It reduces the level of investments as operators are not certain about how long they will keep operating</li> <li>• Bus services receive no operational support</li> <li>• The present system does not promote modal integration, neither timetable, route wise not fare wise</li> <li>• The regulatory power regarding PT operations, especially regarding bus operation, route restructuring and awarding concessions would need to be strengthened</li> </ul>