

**Chapter 1 : ACCIONA Concessions**

*The authors complement the existing knowledge in the renegotiation literature on infrastructure concessions by analyzing government-led renegotiations.*

Continued fiscal constraints will limit public spending across Latin America in , with countries which have prioritized institutional reforms aimed at enabling and attracting private investment set to outperform. Additionally, we highlight the potential for further reform in the wake of the Lavo Jato corruption scandal and the opportunities for the new entrants to the Latin American market in the wake of the scandal. Since peaking in , the steep drop in commodity prices - critical to revenue generation for economies across the region - has seen total revenues fall over a multi-year period. As such, governments have been forced to cut capital expenditure budgets and pull-back from ambitious infrastructure development programmes. National Sources, BMI Over a multi-year horizon, we expect to see improvements in regional revenue growth to begin to somewhat ease fiscal constraints. Countries Which Have Implemented Institutional Reforms Will Outperform We expect countries which have embraced institutional reforms over recent years - Colombia, Chile, Mexico, Peru, and now Argentina - to outperform in terms of construction industry growth in Latin America. For example, a major growth driver for Colombia - which we expect to post the strongest real growth in the region - will come from the successful use of the public-private partnership PPP model following major reforms implemented over the course of to Two major pieces of legislation have enabled the success seen with the model in Colombia: National Sources, BMI More Private Capital Will Flow Into Region We expect to see an uptick in private capital invested in infrastructure projects in Latin America in as governments across the region will be largely successful in their efforts to attract private capital to make up for infrastructure budget shortfalls. This success will be supported by the fact that a huge amount of capital is currently sitting in private equity funds targeting infrastructure see chart below. This highlights the success these funds have shown in fund-raising, but also the widespread shortage of attractive infrastructure assets in the most sought-after, low risk developed markets. In , we expect fund managers to begin to branch out and more frequently target emerging markets with this capital, particularly in the Latin American region. Preqin Anti-Corruption Momentum Following Lavo Jato Scandal We highlight the potential for a large push in anti-corruption reform across construction industries in the region, as the fallout from the Lavo Jato scandal continues to shed light on rampant corruption in the sector, with implications not only in Brazil but across Latin America. While there still remain major obstacles to a break from the status quo in the form of ingrained interests, the sweeping revelations from the anti-graft probe have shed light on the scope and scale of the problem and will demand action from the public and has placed the need for reform on the policy agenda of politicians across the region. How far judiciaries and politicians in various countries will go to address the issue remains to be seen, but in Brazil alone the scandal has led to the conviction of 82 people - including Odebrecht CEO Marcelo Odebrecht and former Treasurer Joao Vaccari Neto - with the Supreme Court currently processing a further 74 cases against serving politicians. Brazilian majors have been major players throughout the Latin American infrastructure market, from Argentina, to Mexico, Panama and Cuba. This will present further downside risk to industry growth rates in a number of countries in the region in the short term, but also presents opportunities for new entrants and anti-corruption reform. With Brazilian firms reeling from a prolonged credit crunch in the wake of the Lavo Jato corruption scandal, we expect even more asset sales in Additionally, in Panama - where Odebrecht has been involved in a number of major works included the Panama City Metro - the government has demanded compensation from the Brazilian firm and banned the Odebrecht Group from any future public bidding process. Latin America Reports Store Covering over 20 major industries and monitoring global markets, our industry and country specific reports provide you with in-depth analysis for the markets of your choice.

**Chapter 2 : Latin America Infrastructure: Key Themes For**

*The authors complement the existing knowledge in the renegotiation literature on infrastructure concessions by analyzing government-led renegotiations. They first propose a multiple-period theoretical framework in which both Pareto-improving and rent-shifting renegotiations at the initiative of the.*

Project finance declined across the globe in With more investment opportunities came a growth in confidence across many sectors. As a result, projects have not been solely reliant on debt finance: The OECD view “decades of low and inefficient public investment coupled with timid private investment limited to the role of EPC contractors. The IDB and CAF “ average investment per country in Latin America and the Caribbean must reach five per cent of GDP double the current average in order to eliminate, or diminish, the competitiveness gap with developed countries caused by sub-par infrastructure. Challenges Despite the difficulty in generalising across the region, one can say that project developers and sponsors of projects in Latin America should aim to have measures in place to respond to the following scenarios. Delays The development of infrastructure projects in Latin America usually faces two types of socially-related challenge. By law, local communities and municipal authorities must receive full information regarding the specifications and effects of the projects. That does not confer a veto right on the community, but experience has shown that strong opposition to projects by local communities is usually a major factor of project overhead and delays. Furthermore, by law, indigenous and traditional African- American communities must be consulted before implementing any infrastructure project that can affect them or which is developed on their traditional territories. Although similar to community consultation, the indigenous and African-American consultation requirement is subject to a stronger, more stringent legal analysis and a requisite in order to apply for an environmental license. In general, the regulation of prior consultation in Latin America is poor. Time limits are usually not clear and there are no obvious legal remedies to overcome negotiation deadlocks. This has led to major delays in the development of projects. In some cases, sponsors have been compelled to conclude agreements with neighbouring community which seriously affect the investment return rates of projects. Environmental issues The procedure around granting environmental permits may be burdensome in infrastructure development projects in Latin America. In Colombia, for example, the Council on Social and Economic Policies “ CONPES “ established that 79 per cent of the 29 toll road projects they reviewed ran into difficulties through delays in obtaining environmental licenses. Delays are usually attributable to bureaucratic requirements, poor coordination among public entities that intervene in the process, and an absence of official industry guidelines. The problem has been clearly identified, and those countries that are currently developing ambitious infrastructure programmes have over the last year all put in place regulatory regimes that allow for a faster, simpler request procedure. Exchange risk Financing choices affect the amount of exchange rate risk borne by different participants in the project. To diminish that risk, most originating governmental entities have put in place some form of foreign exchange coverage mechanism. Opportunities Although all Latin American countries have an infrastructure programme, the most dynamic developments are taking place in Brazil, Colombia, Peru, Chile, Mexico and Paraguay. Project pipelines range across sectors and are varied in size, investment requirements, state involvement and contractual structure. All these countries share a policy that is open to private investment in infrastructure. Brazil Brazil was not significantly affected by the global financial crisis of but in recent years its economic growth has slowed down. One of the contributing factors to that stall is the accumulated time of neglect towards its infrastructure and a lack of maintenance that has seriously affected its reliability. PPP To tackle this problem, various Brazilian state governments were early adopters of PPP mechanisms as instruments to develop expensive infrastructure projects. Public funding for infrastructure is provided by the government financial institution, Caixa Economica Federal, a promoter of urban development, and by the Brazilian Development Bank BNDES , the main financing agent for development in Brazil. Despite social unrest following the cost overruns on the projects required for the Fifa World Cup, the PPP mechanism is still the preferred choice for infrastructure development in Brazil. At the same time, there has been a major review of the structuring mechanisms:

Although the Brazilian construction and PPP market is largely dominated by local construction companies which act as sponsors in most projects there are opportunities for foreign players and financiers. Transport sector Most significant investment opportunities are likely to arise in the transport sector in Brazil. A number of major road projects have recently been announced: Chile In February , central Chile was hit by a massive earthquake. As a result, the power generation, telecommunications and transportation infrastructure was badly damaged and required extensive rebuilding. With more 10 international companies interested including various newcomers to the market, the country demonstrated once again that its stable political and economic conditions are very attractive for investors around the world. Major infrastructure opportunities in Chile, which will go to tender in the near future, include: Creating reservoirs, irrigation canals, shipping and a coastal road that will run for two-thirds of the length of the country. The improvement and expansion of the dual access highway to Valdivia roads. Social infrastructure Chile has run a number of prison PPPs in recent years and is making progress with some hospital projects such as the Salvador Geriatric Facility despite initial resistance from the Chilean government toward PPP-based structuring. Colombia Colombia probably has the greatest infrastructure needs in Latin America. The government intends to grow the national highway system by more than per cent: A first group of projects in this ambitious package was awarded in and a second and third wave will follow in and The projects will be carried out through PPP schemes with to year concessions awarded to project sponsors. The government has made significant efforts to ensure that real estate, environmental and social risks are mitigated to a level in which sponsors will be able to commence construction as soon as financial closing is ensured. This has a 1. The second wave of 4G programme projects has been structured and a set of pre-qualification terms published. These projects will be awarded in The projects include: Environmental license approvals The Colombian government is seeking to reduce the timeframe for environmental license approvals, in response to long-standing industry requests. These licenses are mandatory for oil, mining, energy and infrastructure projects. It provides for a dynamic risk allocation on a case-by-case basis; and sets limitations in value and term of contractual renegotiation. Fonadin The national infrastructure fund, Fonadin, has promoted the development of the most recent infrastructure undertakings and provides a source of state finance. Social infrastructure Mexico has run a number of prison PPPs in recent years and has used the PPP system for the construction and operation of a large number of healthcare facilities. Paraguay Paraguay depends heavily on land and water transport, but both modes of transportation require urgent investment in improvements, expansion and modernisation. The government has decided to structure a PPP model under a new law that will serve as the legal basis for future infrastructure projects. One to watch Little is known about the upcoming project pipeline, but it is clear that Paraguay will rapidly become one of the markets to watch. Longitudinal de la Sierra The road subsector Longitudinal de la Sierra road project, Section 4 set to be awarded by the end of involves the improvement and rehabilitation works of km, the regular initial maintenance of km and its subsequent maintenance and operation. Social infrastructure Peru has run a number of prison PPPs in recent years. The consultancy hiring process is under way at the moment for the construction of new replacement correctional facilities in Lima and Cusco Mujeres Chorrillos, Lurigancho, Miguel Castro Castro and Cusco. The government has not indicated the value of the proposed investment.

## Chapter 3 : The Latin American infrastructure pipeline | Nexus | Global law firm | Norton Rose Fulbright

*How profitable are infrastructure concessions in Latin America? Empirical evidence and regulatory implications (English) Abstract. This report estimates the returns that private investors in infrastructure projects in Latin America really made on their investments, and assesses the adequacy of these returns relative to the risks taken-the cost of capital-and the impact that the quality.*

Trueba Infrastructure investment in Latin America is on the rise as the region focuses on laying a solid foundation for future economic growth. Countries and private entities are making long-term infrastructure development a priority. In particular, Colombia, Brazil and Mexico have all proposed national infrastructure plans to boost further investment. This inadequate supply of infrastructure is the top deterrent for doing business in the Andean nation. Since taking office in , President Juan Manuel Santos re-elected in June for a second term has taken measures to improve transportation development and increase the pace of infrastructure investments. The proposition aims to build a toll highway network, improve existing railways, expand ports, and upgrade airports around the country. Port, railway, water and energy projects are also in planning and development phases. The 49km four-lane highway will include the construction of two tunnels and 42 bridges. The concession involves improving km of road and building an extra 28km of road, 26 bridges and 6 tunnels. However, the sporting events have not come without criticism. Currently, Brazil has licensed the use of MHz band for 4G. The plans to auction off additional mobile spectrum services are in an effort to achieve 3G and 4G coverage by and , respectively. Brazil is also taking measures to improve the quality of its port infrastructure, which ranks st out of countries. The plan will be a combination of public and private investment, with approximately 40 cents of every dollar coming from the private sector. The rail line is expected to begin operations in late and will transport about , passengers daily. The remaining balance of funds from the national infrastructure plan will go towards water, health, housing and tourism investment. Currently, Mexico stands as the second most visited tourist destination in the Americas and ranks among the 25 most visited countries globally. In , the country received Other Regional Infrastructure Developments Other countries in Latin America and the Caribbean have also been active in developing projects to attract new infrastructure investment. The new lane of traffic will allow larger ships those carrying up to 12, containers the ability to steer through the waterway. Line 2 is scheduled to be completed in Feasibility studies are in the works for Line 3, and Line 4 is in its planning stages. At the same time, Chile is also busy trying to boost infrastructure investments. In Peru, the government has taken steps to secure infrastructure investments for projects through PPPs. The project, known as Linea 2, will consist of a 35km tunnel with 35 stations and will transport roughly , passengers daily. Several international companies have already expressed interest in Lines 3 and 4 of the Lima Metro system.

## Chapter 4 : Infrastructure Growth in Latin America | Frontera Capital Advisors

*infrastructure concessions, across a variety of Latin American countries and infrastructure sectors, and comparing them against expected returns given the level of.*

## Chapter 5 : Infrastructure concessions in Latin America : government-led renegotiations

*I would suspect the same in the rest of Latin America as Latin American countries are very similar. In Brazil, for example, the volume of investment in infrastructure is lower than percent of our gross domestic product (GDP).*

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*The study is based on a sample of 34 infrastructure concessions, representative of global privatization trends in Latin America, from close to infrastructure concessions in the region.*

**Chapter 7 : Concessions of Infrastructure in Latin America: Government-led Renegotiation**

*Downloadable! This paper completes Guasch, Laffont and Straub (), extending the analysis to the case of government-led renegotiations. We first extend the theoretical framework to a multiple-period context in which both Pareto improving and rent shifting renegotiations at the initiative of the government can occur.*

**Chapter 8 : Brazil's next govt seen pushing ahead with infra concessions - BNamericas**

*Governments across Latin America are scrambling to invent or revamp their PPP (Public-Private-Partnership) legal structures as well as create private concessions that can attract international infrastructure investors.*