Suggestion to financing of projects of the Urban Mobility Plans for Brazilian cities

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Extended abstract

The aim of this paper is to present funding opportunities for investments with private capital participation for urban mobility infrastructure, through project finance. This model searches to bring economic fundamentals of engineering, making it possible for the participation of private sector in the financing of projects of the Urban Mobility Plans of Brazilian cities.

According to Oliveira Filho (2013), the Brazilian experience refers to a strong dependence on public funding, that even demonstrating great strides in financial structures in the past, nowadays is proven to be insufficient to fill the demand of infrastructure investments, among them those related to urban mobility. “For the development of public-private partnerships is required the design of a more stable resource base, either for the long-term funding bill itself, as for the guarantees of the project, or in venture capital funding.” (Oliveira Filho, 2013, p. 364)

However, more than a urban infrastructure financing model that meets the mobility, it is important to achieve synergy with models to review the metropolis land use in favor of pedestrian, to create conditions of low carbon vehicles and options to improve urban mobility as a whole.

From this perspective, the problem that guides this research is how to build a model for infrastructure urban mobility investment with private capital participation, in order to achieve the funding amounts needed for urban mobility in Brazil.

An alternative for cities emerges from Brazilian Law n.12,431/2011 and National Decree n. 7,603/2011, which generated attractiveness to private sector participation in the financing of urban mobility projects.

In the search of funding needed to provide investments in urban mobility, whether in the public transport construction or in its operation, it is possible to list forms of financing as pointed by Olsen and Fearnley (2014) and Olsen et al (2011):

- Subsidies;
- Loans;
- Taxes intended;
- Gain on property values;
- Private operation (concessions), and;
- Public Private Partnerships (PPPs).

These alternatives are practiced while ordinary budget resources are insufficient. It is also possible that these alternatives are associated, depending on the model set by the government authorities.

Oliveira Filho (2013) and Wajnberg (2014) pointed out that, with the enactment of the Law 12,431 (Brazil, 2011), appeared new incentives for investment in private fixed income, leading to zero the incidence of income tax for debentures and investment funds.

Investment funds in receivables (FIDC) emerged in Brazil by the Resolution 2,907 / 2011 of the Central Bank of Brazil. "These funds are based on the securitization of credits arising from loans, financing (including real estate), leasing operations, among others" (Silva, 2006 p.45). As Luxo (2010), these funds can be strategic in financial management meeting the following demands:

- Source of funds to issue the capital needs;
- Leverage new resources;
- New alternative to change the debt profile;
- Possibility of greater operational efficiency.

The Real Estate Receivables Certificates (CRIs) were created by the Law n.9,514 (Brazil, 1997), as a debenture, like a source of dedicated funding for the housing market, following the same logic of financial leverage credit to future receivables.

These two mechanisms of financial leverage, FIDCs and CRIs, are also benefited by the law 12.431/11, and can be a new strand of funding for urban mobility projects, facilitating the sponsors diversification, generating financial strength in the Urban Mobility projects and speeding these funds.

This model, using Finance Project, as a private capital financing in infrastructure projects for urban mobility is justified by the need to review the terms of the government participation in public investment, and the behavior of Public Private Partnerships in Brazil, specifically for investment in urban mobility.

Roads, pipelines, power generation and electric energy transmission, among other infrastructure projects, were successful when using Project Finance as infrastructure financing method, not only in Brazil, but also in many countries around the world. It is believed that this method can be the best option to achieve success in urban mobility projects.

References


**Keywords:** Project Finance; Funding; Urban Mobility; Brazil.