

Distributional Impacts of Infrastructure Privatization in Brazil

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Round Table

Public Utilities Reform in Latin America

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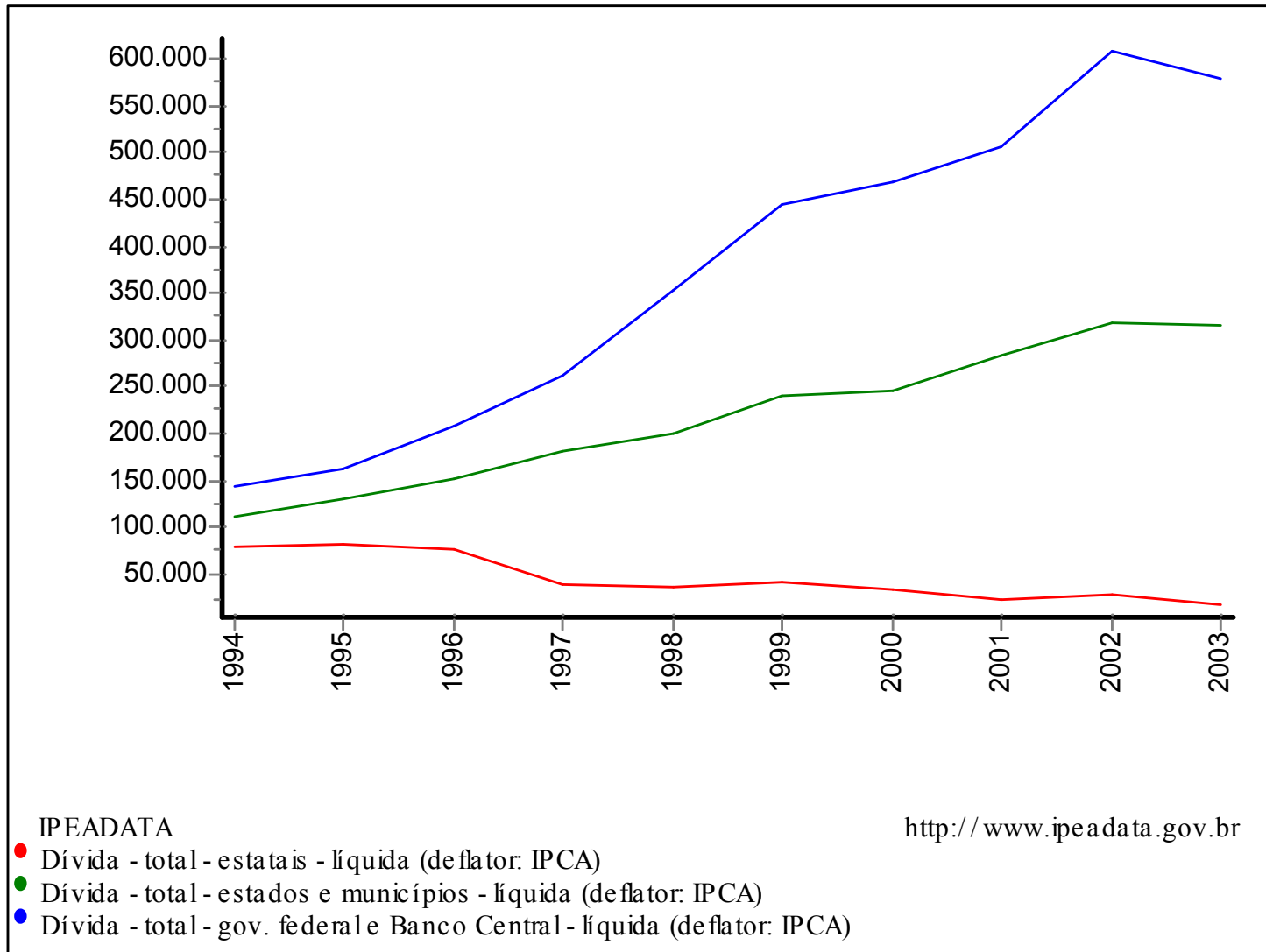
Distributional Impacts of Privatization in Brazil

- Outline
 - Some General results of privatization
 - On Debt
 - On efficiency at firm level
 - The relevance of Infrastructure Sectors in Privatization Process
 - Main Distributional Impacts
 - Service Coverage
 - Prices
 - The role of Public-Private Partnerships

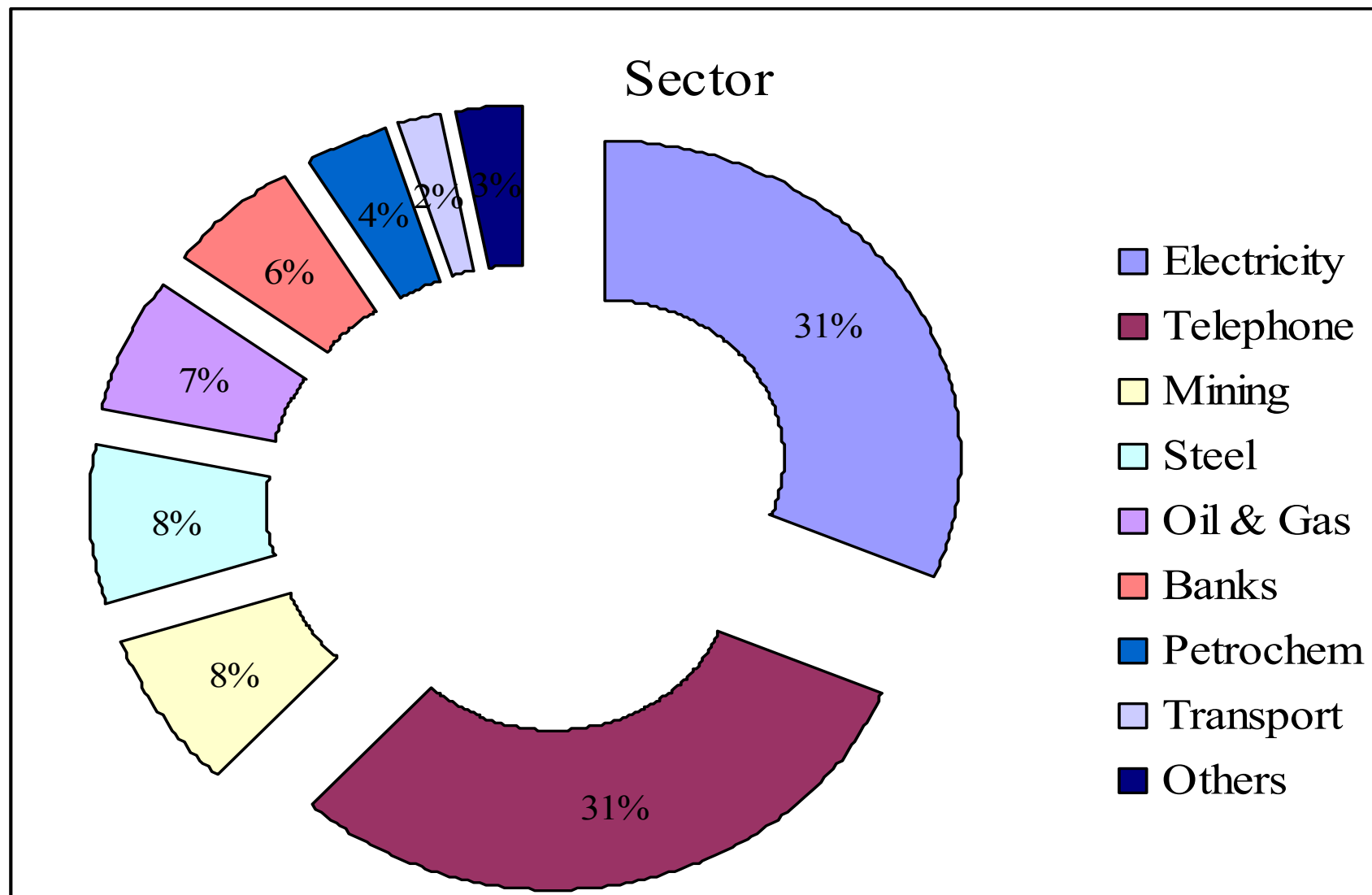
Efficiency at Firm Level

- Anuatti-Neto et al (2003) analyzed changes in the performance of 102 privatized companies, covering data from 1987 up to 2000, including both large and small firms, listed and unlisted on the stock exchange.
- The analysis of performance, taking private sector companies as control group, appointed the following changes:
 - **Profitability** increases in three indicators OI/S (5.6%), ROA (16.2%) and ROE (6.2%).
 - **Operational Efficiency** improved by an increase of 7% in Log (S/PPE) and a reduction of 1.5% in OC/S.
 - **Investments** to sales (I/S) declined 3.2%, coherent with an increase in Log (S/PPE), as more intense use of productive assets was achieved. As I/PPE shows a positive coefficient of 5.7%, investments after privatization seems to have moved into working capital. A 14% increase in the current ratio indicator confirms that result.
 - Effects on **Indebtedness** seems to depend a lot on the sale. Restructured firms and firms that had minority private partners at the control group before sale presented a larger reduction of long-term debt-to-equity (LTD/E).
- Among the sources that improved efficiency of privatized firms it was found a reduction in direct employment.

Effects on Debt



Proceeds of Privatization by Sector

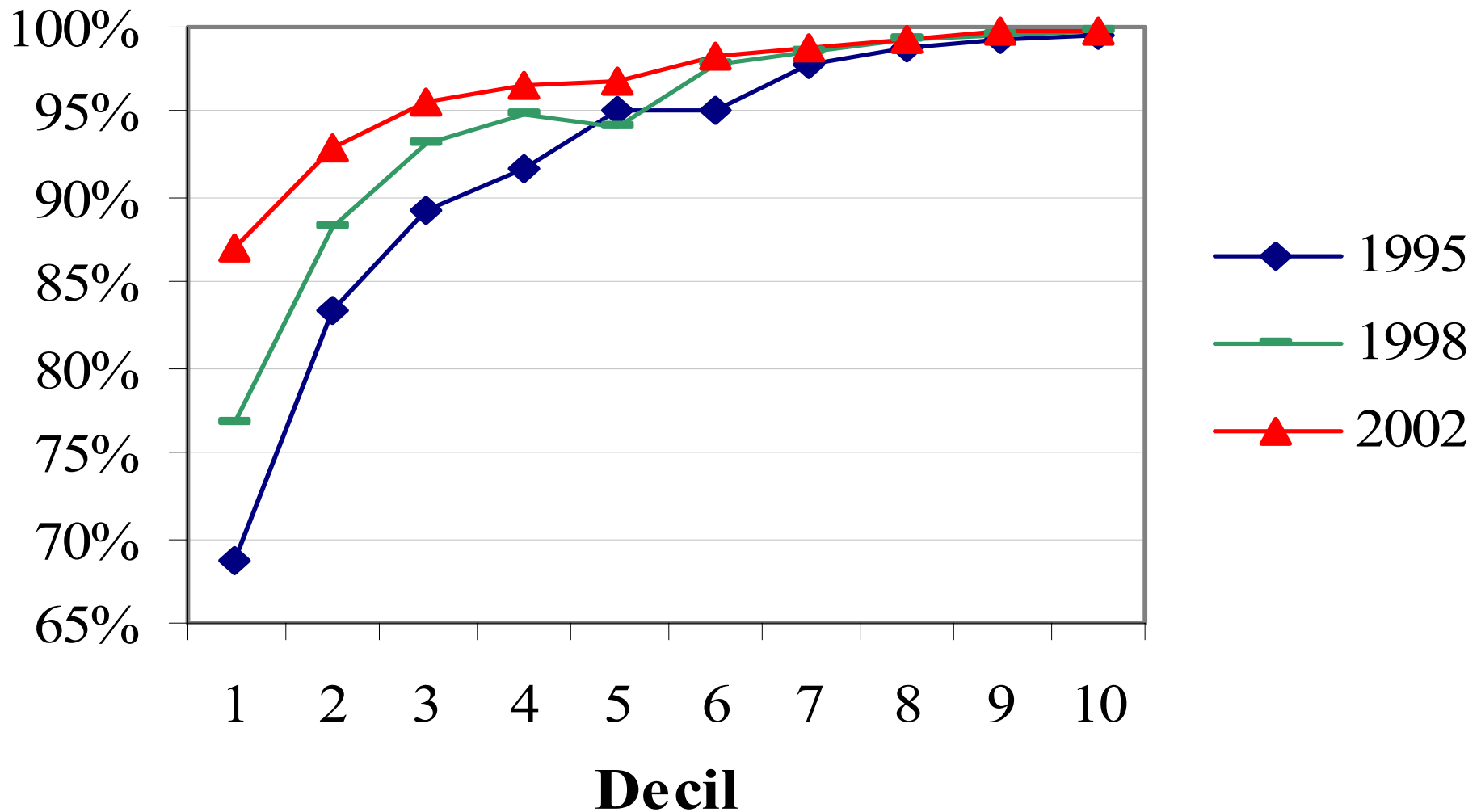


Electricity

- Privatization of distribution and generation companies
 - Distribution - 65%
 - Generation - less than 20%
- Open access to transmission and distribution grids

Coverage – Urban Areas

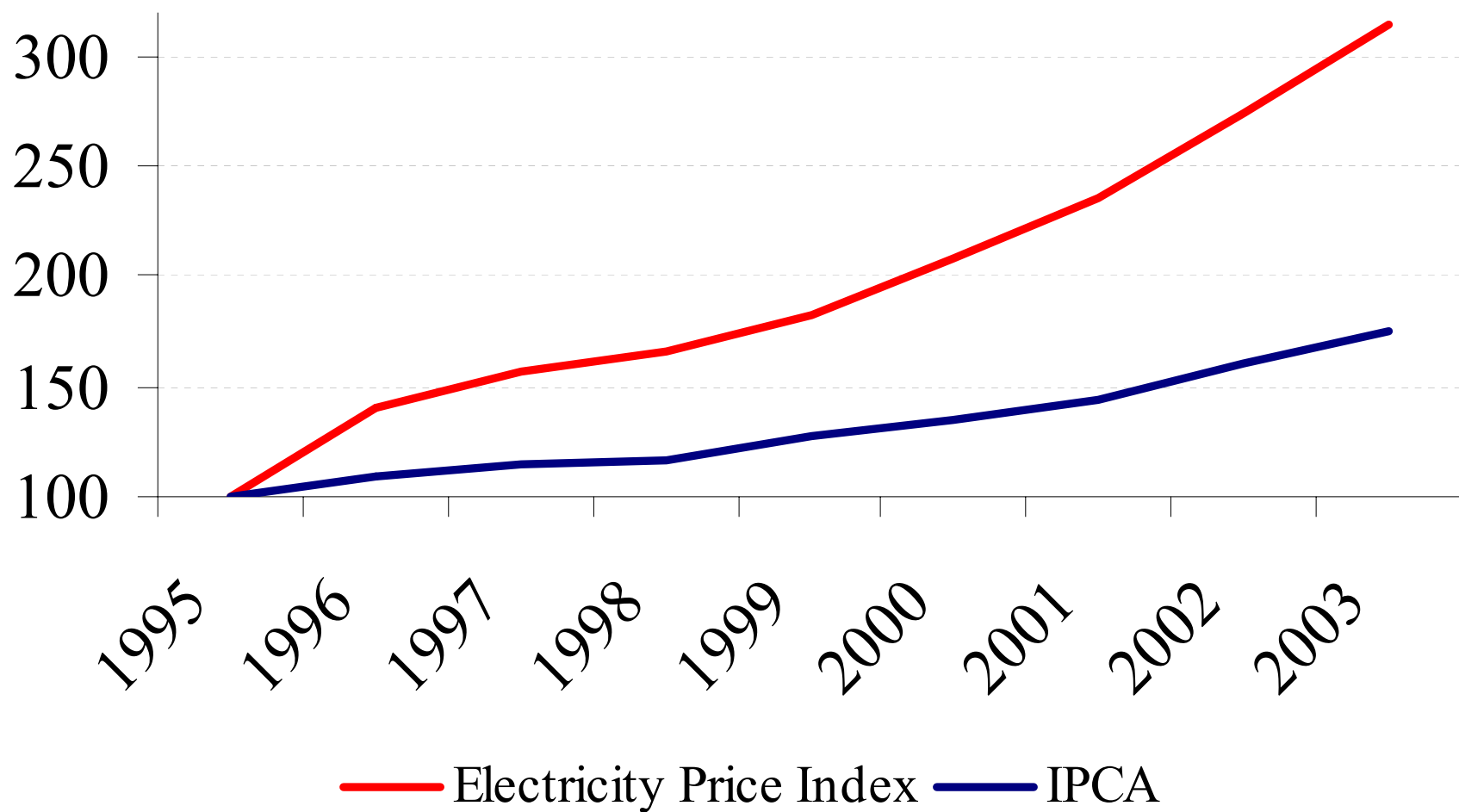
Electricity



Households without Access to Electricity – Census 2000

	Below Poverty Line	Above Poverty Line
Rural	1,506,116	612,730
Urban	223,901	107,659
As % of Total	14.78	2.19%

Price Effects on Household Consumption

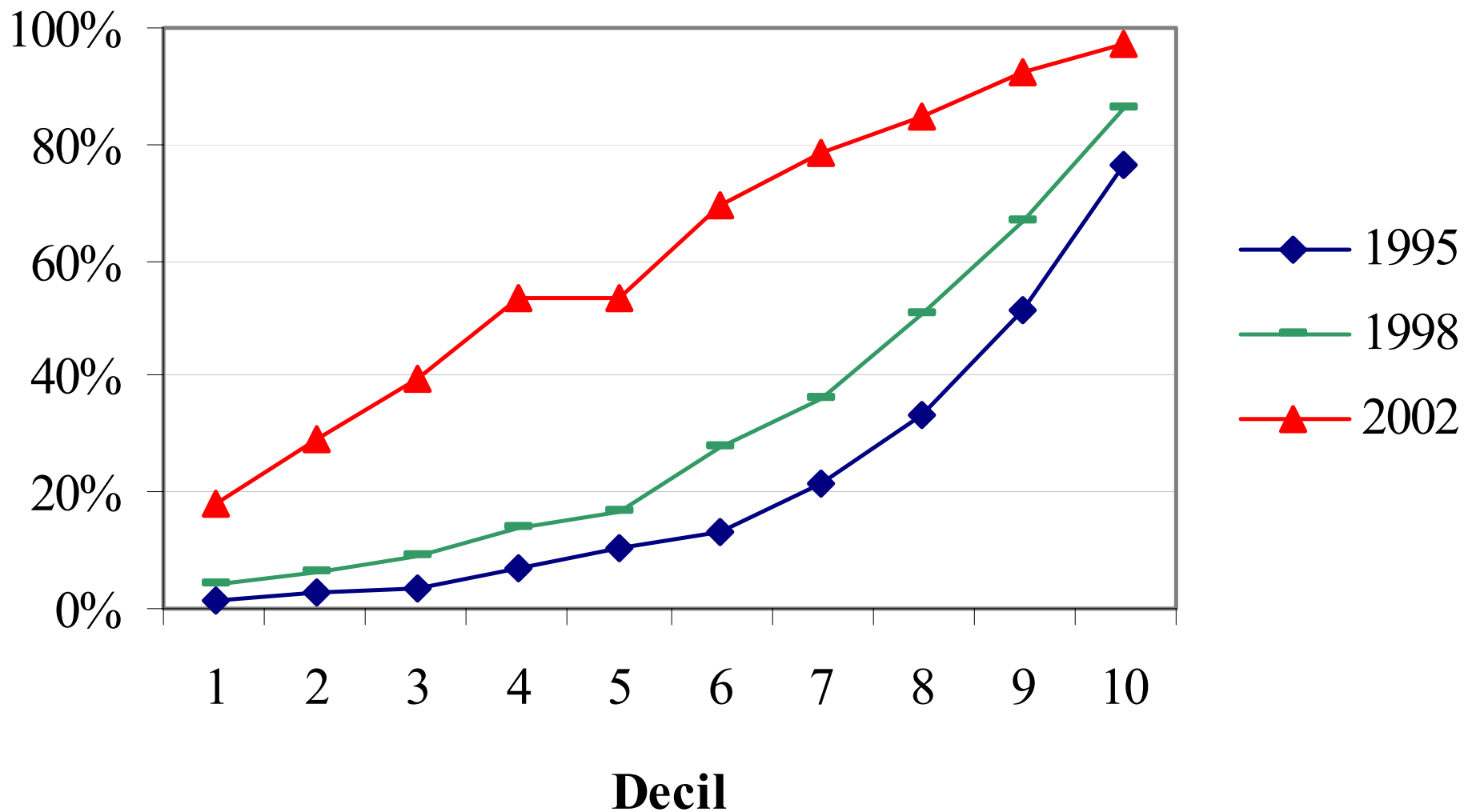


Telecom Privatization

- Privatization of Telebrás system (1998)
 - 8 cellular mobile companies = US\$ 6,974
 - 3 local and regional long distance companies (Telemar, Telefonica and Brasil Telecom)=US\$ 9,794 mi
 - One national and international long distance company (Embratel) = US\$ 2,276 mi
- Other licenses to mobile and “mirror companies” were worth of US\$ 9,556.6

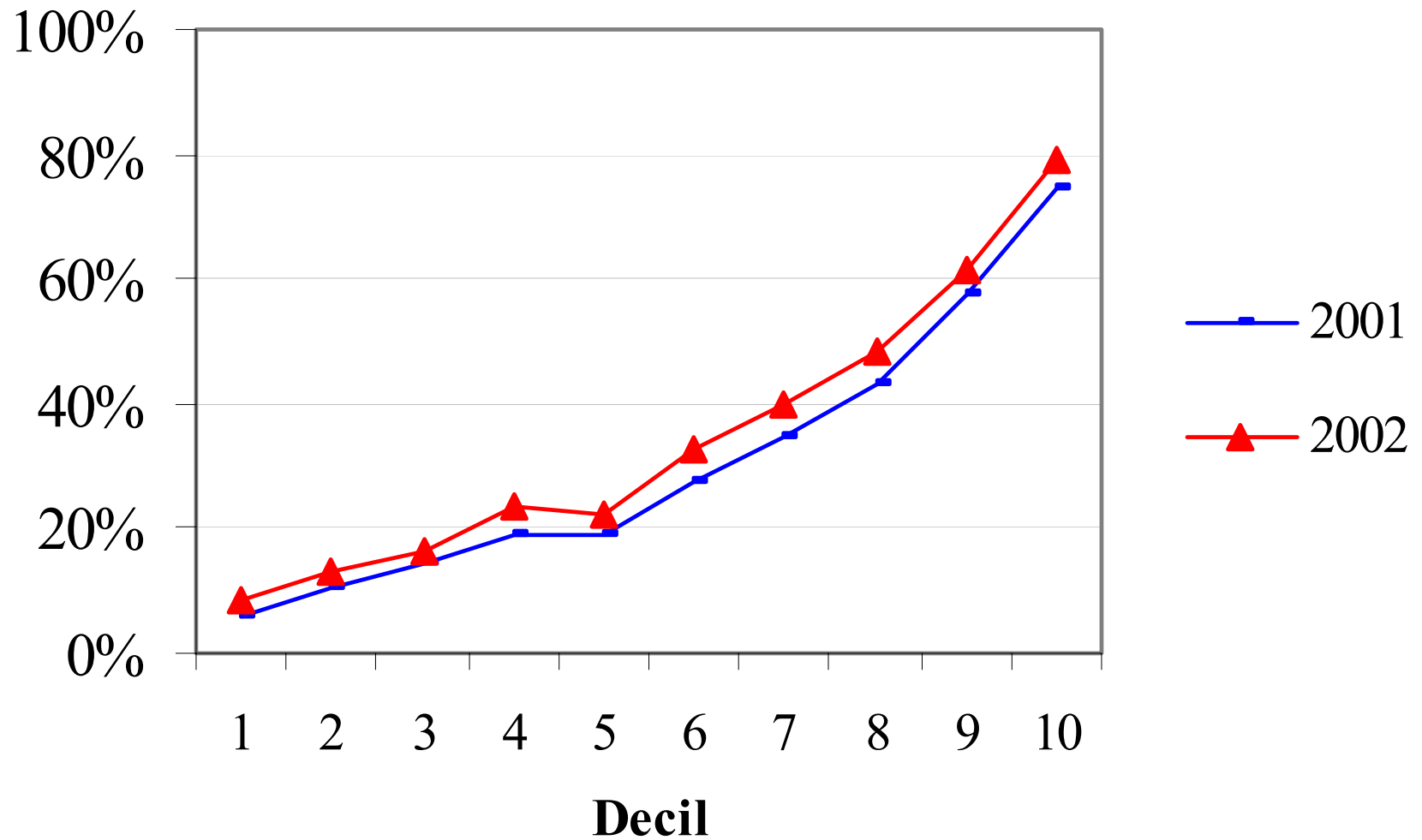
Coverage – Urban Areas

Telephone



Coverage – Urban Areas

Mobile Phone

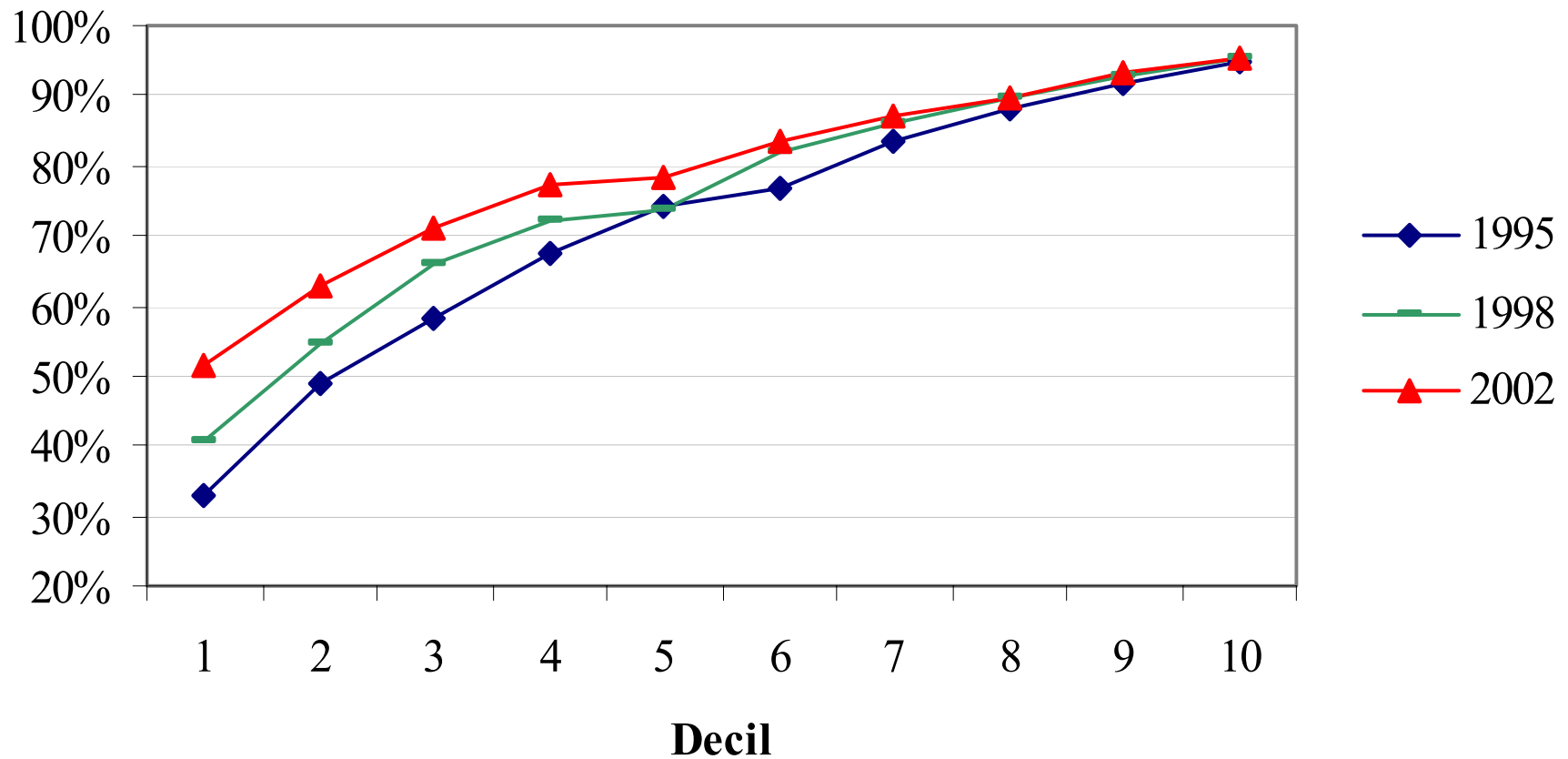


Water & Sanitation

- Executive is preparing a New National Water Law
- Lack of clear assignment of responsibilities to the many institutions, at different government levels, that share overlapping mandates over the sector
- For years available resources could not flow to the provision of services, most of them low income households, due to indebtedness limitations of municipalities and state companies

Coverage – Urban Areas

Water



Coverage – Urban Areas

Sewage Colection

