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Unlocking Investment Opportunities in 2020: Privatizations in Brazil

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While various Latin American countries have faced significant political and economic volatility in the past year, many investors and asset managers continue to explore opportunities as conditions stabilize in certain areas across the region. In Brazil, recent reforms, low interest rates and stocks trading at an all-time high are all propelling the country to the top of many dealmakers' lists for investment within the new pro-business environment. In 2019, Brazil's Ibovespa stock market index rose nearly 33% despite a global capital flight out of emerging market equities, and analysts predict sustained Brazilian economic growth in 2020 as the government launches the largest privatization program in the country's history.

Privatization as a Growth Driver

Under President Jair Bolsonaro, Brazil's government is seeking to reduce its corporate footprint, combat corruption, and generate cash. Bolsonaro's economic team wants to reduce the number of companies in which the federal government has a controlling or minority stake, which stood at 624 at the end of 2019—more than any country in the Organization for Economic Cooperation and Development ("OECD"), which group Brazil is currently in line to join.

The Brazilian government raised approximately US$14.8 billion in 2019 and is looking to raise an additional US$36 billion through privatizations in 2020. According to Salim Mattar, Special Secretary of Privatization, Divestments, and Markets at Brazil's Ministry of Economy, the federal government is planning to dispose over 300 assets using an accelerated approval process.

The Brazilian government intends to grant concessions or sell equity stakes in a wide range of sectors, including oil and gas, airports, roads and railroads, terminal ports, mining, sanitation, postal services, and financial institutions, among others.

What Does This Mean for Investors?

As we enter the New Year, expectations are high for certain bright spots in Latin America, particularly Brazil, as some traditional safe havens in Asia, Europe, and the United States continue to suffer from protracted macroeconomic uncertainty. Brazil's economic reforms package and the current government's agenda to privatize state-owned companies are expected to attract substantial foreign investment in the year ahead. As investors increasingly become more willing to consider cross-border opportunities in Brazil, they must understand the specific industry and regulatory hurdles for each transaction so that they can incorporate satisfactory contractual safeguards. As such, it is advisable to look for judicial certainty through choice of law and other deal protections when negotiating the agreements to acquire, finance, or invest in these assets.

Interested in learning more? Please join our São Paulo team on February 6, 2020 in Paul Hastings' New York office for an informative discussion of the outlook for dealmakers in Brazil. Featured speakers include **Leonardo Mendes Cabral, Managing Director for Privatization at BNDES**.

During our seminar, participants will gain insight into the opportunities resulting from the new wave of privatizations in Brazil during a time of economic recovery. Information about the event can be accessed by clicking here.

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If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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