

Project Management Report from São Paulo¹



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Engineering & Construction project management opportunities after the COVID-19 pandemic in Brazil

In Brazil the year 2020 began with a more robust GDP growth expectation compared to what happened in 2019.

However, in March with the beginning of the covid-19 pandemic, the plans were completely changed. The social distance imposed by the pandemic generated a retraction in the world economy. It was no different in Brazil. The forecast is that in 2020 the reduction in GDP will be 5.62%.

The Engineering & Construction area has a significant share in the country's GDP. The following are the main segments that include engineering and construction, as well as its projections for the country's economic growth resumption.

Building stores

The increase in sales of construction materials has been significant, as with people staying more at home, they renovate their homes. This increase in demand for materials has led to an increase in prices.

Corporate offices

With the advent of the home office, the offices occupancy in companies was much lower than normal. Hybrid solutions and changes in concepts regarding the offices utilization are being adopted not only in the country, but worldwide. Thus, the

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market for corporate buildings will have a significant reduction in demand and, therefore, investments in this segment should decrease dramatically.

Real estate

This year, the country reached the lowest interest rate in history, 2.25%. This benefited the acquisition of real estate through affordable financing. This led to heat up this market with many launches planned for the next years.



Photo: Booming real estate market - Albari Rosa – Gazeta do Povo

Infrastructure

Brazil has a significant infrastructure deficit. World Bank estimates indicate to the need for annual investments of 4.24% of GDP versus the current 2%.

The increase in infrastructure investments is one of the pillars that the government is betting on the resumption of the economy in the post pandemic. In addition to supplying the lack of infrastructure in Brazil, the works will generate a significant number of jobs.

Based on this need, the PPI (Federal Government Investment Partnership Program) that has the function of investment political coordination in infrastructure through partnership with the private sector was created. PPI also has been prioritizing and monitoring the projects that will be perform by concessions, public-private partnerships and privatizations.

This program has the effective participation of the BNDES (Economic and Social Development National Bank in Brazil) in the structuring of the projects and in an international cooperation regime with multilateral banks such as IADB (Inter-American Development Bank), IFC (International Finance Corporation), NDB (New Development Bank), among others.

The program provides for many sectors, the main ones being listed below:

Highways - the projects under development reach more than 18 thousand kilometers in new concession contracts. Investments are in the order of US\$ 25 billion.



Photo: Track recovered on BR-135 Bahia / DNIT

Railways - an important mode of transporting grain to ports. A railroad over 900 kilometers long will connect the central-west region with the north.

Airports - forecast for the concession of 22 terminals to the private sector in 2021.

Basic sanitation - with the approval of the sector's regulatory framework, it will be possible to strengthen partnerships with the private sector. The framework allow the basic sanitation universalization in the country. The investments amount more than US\$ 100 billion.



Photo: Current situation in many locations . Public photo

The PPI also provides for investments in the sectors such as ports, oil & gas, mining, electricity, telecommunications and social infrastructure (hospitals, daycare centers, national parks, etc.)

(Source: Brazil Economy Ministry)

The prospects for engineering and construction project management

Given this scenario, many projects are planned for the coming years, from the smallest to the largest. The project portfolio is vast in both public and private initiatives.

In concessions and public-private partnerships (PPP), if on the one hand the projects are structured in a way compatible with the effective participation of the BNDES, the main gap is the implementation of the projects, which guarantee that the objectives of cost, term and quality will be achieved without prejudice to what was initially established in portfolio management.

Another characteristic of this new moment is the presence of new construction companies. Many of the largest companies had problems with Operation Lava Jato (an operation that fought corruption in 2014). This further qualifies the engineering and construction market.

Challenges to be won

With all the actors of this new moment ready to act it is up to the government to approve the tax and administrative reforms, with the goal of reducing the Brazilian State cost.

Another crucial issue is to establish definitive actions to reduce the burning in the forests, especially the Amazon Rainforest, which has been the target of harsh criticism from the world community.



Photo: Amazonian forest fires – Bruno Kelly / Amazonia Real

The entry of foreign investors to make financial resources available in all these projects, public or private, is closely linked to these two points.

In projects, risks are conceptualized as threats and opportunities. The opportunities are vast and promising, provided that threats, already widely known, are dealt with in a mature, fast and consistent way.

This is what we hope for our Brazil!!

About the Author



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Maurício Lopes, PMP is a Project Management Specialist. He is a PMP certified in 2000. He is a civil engineer with MBA in Project Management. He was one of the founders of the São Paulo PMI Chapter and Financial Director, Administrative Director, member of the Steering Committee from 1998 to 2003. He was vice-coordinator of the Project Management Division of the Engineering Institute of São Paulo from 1998 to 1999. Since 2004 Maurício Lopes has been speaking in project management courses for CPLAN, FATEC, INPG, IETEC and FIA. He has 20 years of experience in project management with main focus in the engineering & construction area. Currently, he is associate director of M2L Project Management (www.M2L.com.br), a company specialized in project management consulting and implementation operating in over 40 large engineering & construction projects. Maurício Lopes is author of articles for Revista Grandes Construções, a magazine specialized in engineering & construction, and he has the main characteristics related to project management - lean, practical and systematic ways. Mauricio is an International Correspondent for PM World Journal in Brazil. He can be contacted at mauricio.lopes@M2L.com.br.