



Political Economy of Power Sector Reform

Ambitions and Constraints



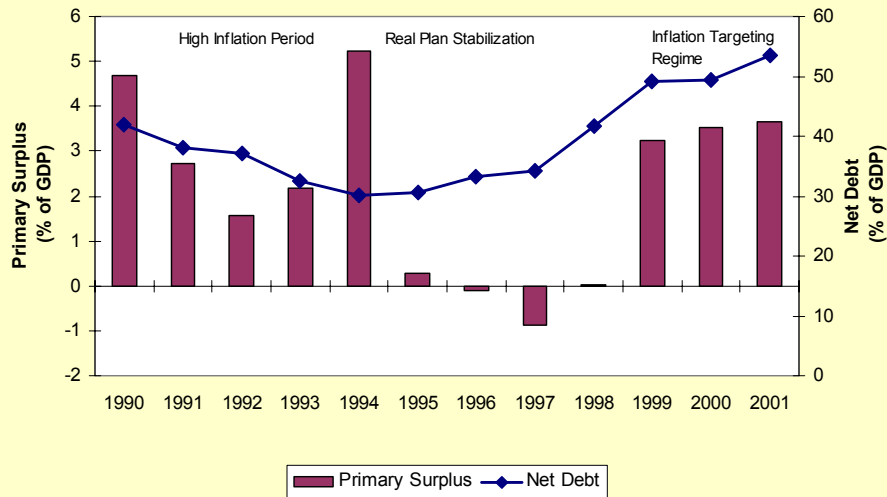
Continued Privatization?

The new government is promising radical changes in the industry, but statization is not in its agenda so far.

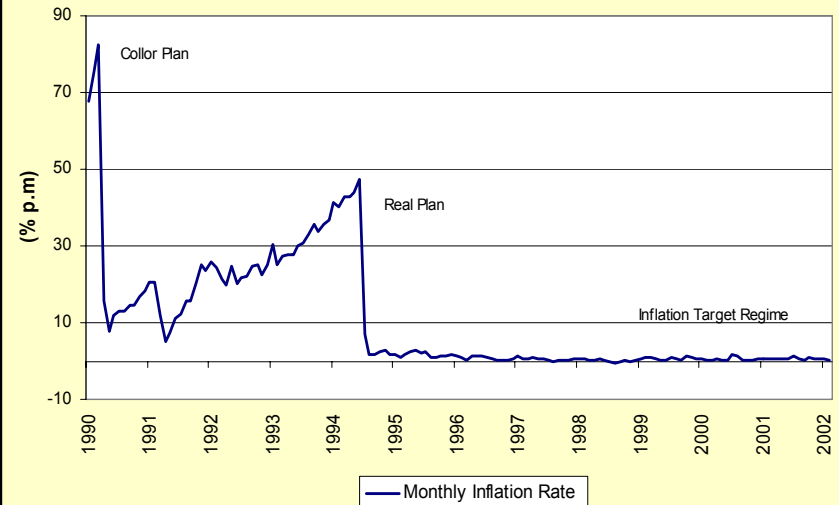
However, the new government offers signals that it will not favor competition and intends to roll back to government a substantial role in the decision making process, particularly as far as investments are concerned.

But how can Brazil undertake the necessary investments?

Brazil: Public Sector's Primary Surplus and Net Debt, 1990 - 2001

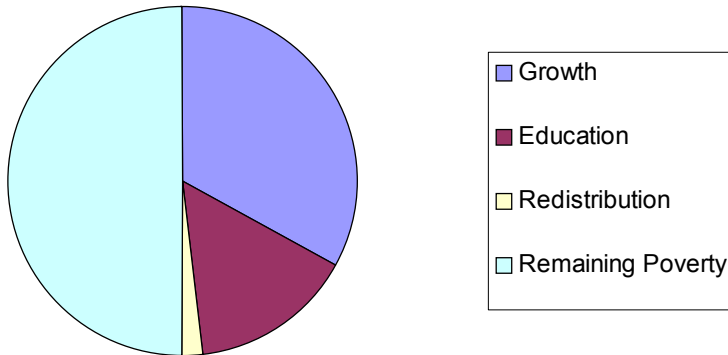


Inflation Rate, 1990-2002

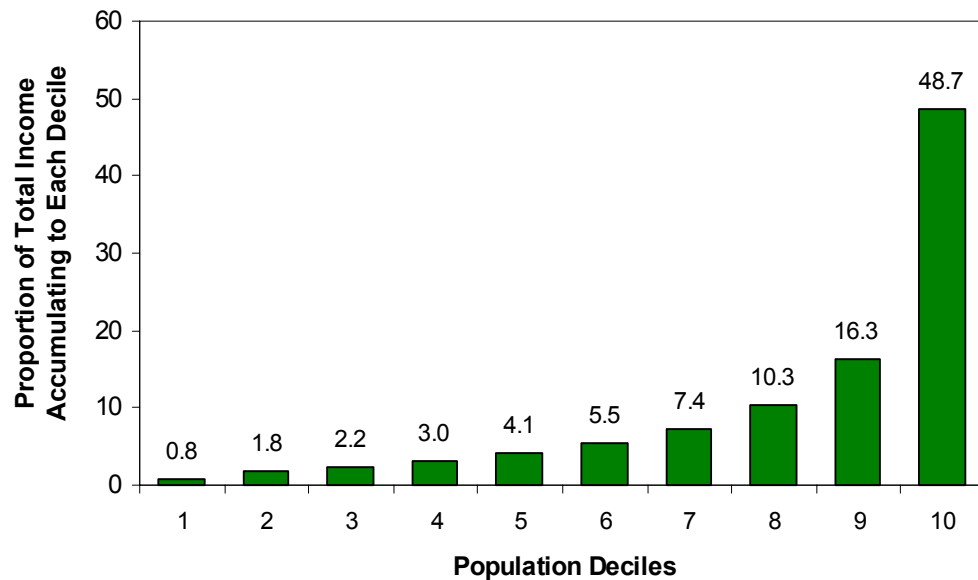
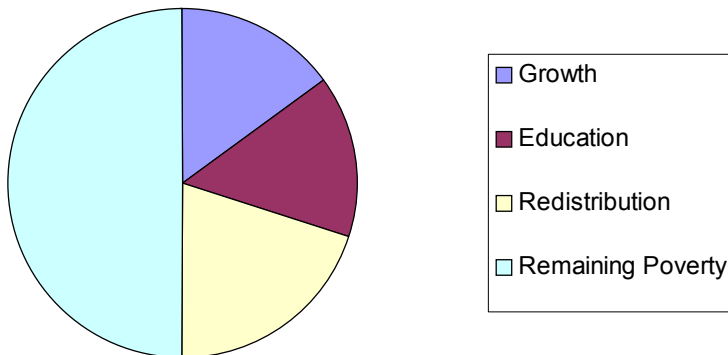


New Administration focused on social welfare and economic stability.

6% GDP growth



3.5% GDP growth



Source: Barros, Medonça, and Duarte, 23



Two options:

- Use government funds to invest in the power sector.
- Continue initiatives to promote private investment.