# Opportunities for U.S. Architectural & Engineering Design Services in Brazil

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January 2014

## Overview

Brazil is undergoing an infrastructure boom, with many projects being auctioned by federal and state governments in 2014. As a result, architectural and engineering (ACE) design projects abound throughout the country, from roads and stadiums to airports, subways, and bus systems. Although there is strong competition from local firms, American ACE firms with a niche expertise are welcome to do business in Brazil, provided they understand the procedures for being able to work in Brazil. As many of Brazil's infrastructure procurement requirements are strict on ensuring that bidders have the necessary experience to complete large-scale projects, many Brazilian ACE firms seek partners with foreign firms that have niche expertise that can add that experience to their bids.

Despite aggressive competition in ACE, many U.S. firms have been competing and winning projects. One of the most notable success story is the Los Angeles based firm AECOM, which won the bid to design the Olympic Park, the heart of the 2016 Olympic and Paralympic Games, U.S. firm Hanse Golf Course Design won the bid to design the new golf course to be used for the Olympic. Also, New York-based firm Diller & Scoffidio is designing the Museum of Image and Sound, in the popular Copacabana area of Rio de Janeiro.

U.S. engineering firms are also active in the market. California-based Parsons recently announced a local subsidiary, Parsons do Brasil and acquired the São Paulo-based *CT Main Engenheiros*, a leading local project management and engineering services provider to the energy and infrastructure market in Brazil. Engineering firm Fluor, the largest listed builder in the US, announced a joint-venture with Construcap, among Brazil's top ten, forming the new firm CFPS Engenharia e Projetosthat will operate primarily in the oil and gas engineering space. The experience of these firms indicate that working with an experienced Brazilian partner, either as a joint-venture, merger or subsidiary is practically essential to win projects over the long run in Brazil. Although many large procurement projects that involve construction and architectural design services are won by Brazilian engineering and construction companies such as Odebrecht, OAS and Camargo Correa, the market indicates that there is room for others.

## Establishing a Presence in Brazil

The overall experience for registration and licensing has shown that foreign architectural firms with international awards or a specialized niche have been the most successful at attracting Brazilian architects, who are otherwise self-sufficient. Having a local office with the necessary

licensing to do design work in Brazil is very advantageous due to the hefty taxes levied by Brazil for importing services, including architectural services. Therefore, to justify these costs, Brazilian clients prefer to work with firms that have certain expertise that is normally not available from a competitive local architectural firm. This option works for U.S. firms looking to do business in Brazil over the long-term, as starting a business in Brazil and obtaining the necessary approvals to do architectural work in the country is not a short-term process.

An alternative for U.S. firms that do not yet have a presence in Brazil is to partner with a local architectural firm that is licensed to provide architectural services in Brazil. As with most services imported to Brazil, the Brazilian architectural firm using the design services will have to pay additional costs of up to 40% of the price of the services rendered for the portion of the design work that the foreign firm will produce. However, this is not unusual with projects where a U.S. firm's experience is a certain area is not easily available in Brazil.

Another option common with larger architectural or engineering firms is for a U.S. firm to consider a joint-venture or merger with a Brazilian entity. This option works well for medium-large firms who are looking to expand in Brazil over the long run and have plenty of patience. In summary, an ACE firm can establish complete in projects in Brazil:

a) Through the establishment of a local office in Brazil, with legal registration at the Brazilian Architecture and Urban Planning Institute (CAU), which will allow the firm to design and execute projects; **or**
b) By partnering with a local architect or architectural firm. The firm or architect should be legally registered with the CAU and understands the total costs levied on the service imported, in the case, the portion of the design work that is done by the U.S. architectural firm; **or**
c) Finding a partner with whom the foreign firm can merge, or transform it into a local subsidiary, or establish a joint-venture partnership,

For further information about the regulatory process for architects, please see our report "**Licensing for Architecture Companies in Brazil"**, available at:
http://www.buyusainfo.net/docs/x_1475447.pdf

**Brazilian market ACE opportunities**

Opportunities in the architectural, engineering and construction sectors can be found in areas such as real estate, airports, ports, hospitality, oil and gas, hospitals, and include:

Master plans and executive projects for sectors such as:

- Urban projects: Planning for Ports (e.g., the Port of Rio re-development - design of the walkways, buildings, etc. along the port), airports (some being privatized as above mentioned, there are opportunities for design work and other projects), traffic, transportation, parking, sporting venues, etc.
- Real estate: New or retrofit
- Industrial: new plants or retrofitted ones
- Hospitality (new hotels being built, retrofit of existing ones, transformation of residential buildings into hotels)
- Health sectors (new hospitals and upgrades to existing)

- Education (schools, universities)

All of these projects must contain sustainable or "green" content, according to ***LEED, AQUA*** and other certification programs. According to the Brazilian Greenbuilding Council, Brazil ranks fourth in LEED registrations worldwide.

There are opportunities in all areas of ACE design services, including but not limited to: Infrastructure development (roads, railroads, ports, airports), equipment and design/master plans, low income housing projects, Lighting design, HVAC, Furniture, drywall technologies, Landscaping (gardens, golf courses, hotels, residential, commercial, industrial), sport venues, and Building Information Modeling Process.

U.S. ACE firms should be aware of the differences in working within the Brazilian states. Though construction in the major cities, such as São Paulo and Rio de Janeiro, is still booming, the high number of ACE firms already operating in these areas may make it difficult for smaller firms to penetrate the market. Other states, such as *Pernambuco* and *Ceara* in the north and northeast of the country may offer huge opportunities in the industrial, residential, hospitality, health, education and other subsectors.

Infrastructure projects are typically announced though public tenders, either at the federal or state level. The Brazilian bidding law (Law 8,666/1993) requires documents proving expertise in the field. U.S. Commercial Service sees an increase in public tenders that require proven work experience as a requirement. This may be an advantage for U.S. experienced companies as local firms seek international partners to qualify for these tenders.

## Conclusion

Brazil has a large and diversified economy that offers U.S. companies many opportunities to export their goods and services. As one of Brazil's largest trading partners, the U.S. enjoys a strong reputation in a variety of sectors. Architecture and Engineering services are some of those; once identifying the right partners, U.S. ACE firms will be able to either enter this market or foster their presence in this booming country, taking part in its growth.

For further information about finding local partners or any additional information, please contact the U.S. Commercial Service at:

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**Web Resources**

- The Brazilian Council for Architecture and Urbanism (CAU) - http://www.caubr.gov.br/
- The Brazilian Association of Architecture Firms (ASBEA) – www.asbea.org.br
- The Federal Council for Engineering and Agronomy (CONFEA) – www.confea.org.br
- The Brazilian Association of Architectural and of Consulting Engineering Companies (SINAENCO) - http://www.sinaenco.com.br/
- The Brazilian Association of Engineering Consultants (ABCE) – www.abceconsultoria.org.br

- The Brazilian Equipment and Maintenance Technology Association (Sobratema) – www.sobratema.org.br
- The U.S. Commercial Service Brazil World Cup and Olympics reports at: http://www.focusbrazil.org.br/siteUSA/index.htm. Click at "*Highlights*" and at "*World Cup and Olympic Games in Brazil*".