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Revealed: Canadian pension funds invested nearly \$1B in Bolsonaro-led water privatization scheme

A deal championed by the far-right Brazilian President and financed by two Canadian funds is "illegal," say unions challenging it in court

by Jesse Freeston & Martin Lukacs

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Two of Canada's biggest pension funds have invested in a major sell-off of public water services in Brazil led by far-right President Jair Bolsonaro, which Brazilian labour unions and human rights groups are challenging in court after they say it was rammed through in violation of national laws.

The privatization deal is being financed by approximately \$900 million from the Canada Pension Plan Investment Board (CPPIB) and Alberta's pension fund investor AIMCo, according to their corporate filings and latest press statements in Brazil.

The push to sell off the country's largest and most profitable public water utility, which serves 30 municipalities with a population of 13 million in the state of Rio de Janeiro, has also been backed diplomatically by the Canadian government.

Labour unions say they expect the privatization will lead to higher water prices, poorer service in impoverished neighbourhoods, and the layoff of 3,500 public sector workers.

A large section of the water utility was purchased at auction in April by private Brazilian company Iguá Saneamento, whose bid was bolstered by investments from CPPIB in March and AIMCo in 2018 that left the Canadian funds with a combined 85 percent ownership-stake.

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Bolsonaro, whose popularity has crashed as Brazil's covid deaths have risen to the highest per capita in the western hemisphere, personally banged the gavel to close the disputed auction.

“This moment will mark Brazilian history,” he announced from the podium at the Sao Paulo Stock Exchange, after arriving accompanied by armed soldiers.

Since coming to power in 2019, Bolsonaro has made privatization a centrepiece of his political agenda, targeting all publicly owned enterprises and public infrastructure, including Brazil's network of water services.

Last year, he championed a law that forces municipalities to put water services up for sale in cases of new or renewed contracts, a move Canada's trade commissioner in Brazil **lauded** for creating “a promising market for Canadian companies.”

Neither Global Affairs Canada nor Canada's Trade Commission returned a request for comment.

Bolsonaro was flanked at the Stock Exchange by Economy Minister Paulo Guedes, the architect of his privatization agenda and a former member of the notorious “**Chicago Boys**”. This group of right-wing economists advised the murderous Augusto Pinochet dictatorship in Chile on its privatization of state companies through the 1970s and 1980s.

Latin America's largest investment bank BTG Pactual, which was co-founded by Guedes and is being prosecuted for the corrupt acquisition of public assets under the Bolsonaro government, represented the Canadian-owned company as a broker at the auction.

“I want to thank the investors for their trust in the program,” Guedes told the Stock Exchange. “And I want to thank the Governor for having the courage to

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Just hours before, the legislative assembly of Rio de Janeiro State had voted to stop the auction, but Interim Governor and Bolsonaro ally Cláudio Castro overruled the decision by decree and ordered it to continue.

“We believe the deal is illegal,” said Maximiliano Garcez, a lawyer representing the Brazilian union of water workers in Rio de Janeiro and the union of state engineers, who are challenging the sale in the courts. “It’s not only a violation of the right to proper water and sanitation, but the rule of law as well.”

“It’s really shocking that countries that consider themselves progressive would try to benefit from the demise of democracy in Brazil,” Garcez said.

The CPPIB manages several hundred billion dollars in pension funds on behalf of 20 million Canadian retirees, but has been criticized for financing projects that fuel the climate crisis and human rights abuses.

Last year NDP MP Alistair MacGregor introduced a bill into the House of Commons to add ethical investment guidelines to the CPPIB mandate, but the bill was defeated by the Liberals and Conservatives in March.

“I believe that clean water and sanitation is a human right, and as such needs to be kept in public hands,” MacGregor said after learning about the Brazilian investment. “I think if my bill had passed it would have been difficult for the CPPIB to go ahead with this.”

A spokesperson with the CPPIB declined to answer questions from The Breach, but provided a written comment.

“The opportunity to invest in a company that can address the high demand for improved water and sanitation services in Brazil is a good fit with our diversified global infrastructure portfolio,” he said. “With the benefit of outside investment, Brazil can extend and improve the quality of its sanitation and water services much faster, serving many communities in need.”

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United Nations special rapporteur on water rights said last year that the privatization of vital services like water “prices out the poor and may result in

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violations of human rights.”

Previous CPPIB investments have provoked protests, including stakes in two US companies that were operating private immigrant detention prisons under Donald Trump. The pension fund **quietly sold its stake** in 2019 following public outcry.

“CPPIB has only one mandate, to maximize the rate of return on their portfolio, with no restrictions on how,” said Kevin Skerrett, a pension plan researcher with the Canadian Union of Public Employees, which has called on the pension plan to divest from the Brazilian scheme.

“The eight largest pension funds in Canada currently manage \$1.75 trillion in investments in global markets, and while we might not look at pension funds with the same suspicion that we reserve for Goldman Sachs, they are operating no differently at all.”

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