



PUBLIC-PRIVATE PARTNERSHIPS

Brazil | Bahia

Session 1: Mobilising the Member States PPP Units behind the UN SDGs

Genève | November | 2017

Agenda

- National Scenario



- PPP's context

- RedePPP - PPP's Intergovernmental Network

- Bahia Scenario



- Answer the questions - Session I

- PPPs under contract



National scenario for PPPs and Concessions

Despite of political and economic crisis the scenario is optimistic for PPP's: **highly attractive, untapped potential and specific needs**

Highly attractive

- Forecasting of federal investments of more than US\$115 billion in infrastructure;
- 12-15% of average rate of return and means of financial guarantees;
- significant values (some states pay more than US\$ 146 million / year);
- MP 727 edition of May 12, 2016, creates the PPI - *Investment Partnership Program*.

Needs - Brazil

- Deficiencies in basic sectors (urban mobility, sanitation, health);
- Necessity to invest more than 5.5% of GDP in infrastructure by 2030 (source: Ibre - FGV);
- Economic growth requires increase in investment in infrastructure from 53% to 70% of GDP.



National scenario for PPPs and Concessions

Some “big numbers” illustrate the untapped potential and the size of the opportunity in the coming years

+100

PPPs signed, covering projects such as the Metro Line 4 and the Emissário Submarino da Bahia (*Emissary of Bahia Submarine*);

> US\$ 42 bi

in the total value of contracts signed. PPP preponderance of solid waste, sanitation and health

1

contract signed by the Federal Government;

30%

of health PPP's contracts are in the State of Bahia;

2

States and

4

Capitals still without its own regulatory framework.

RedePPP - PPP's Intergovernmental Network

19 States and the Federal District, which in total already have more than 55 members make up the Intergovernmental Network of PPP

State governments + FD

- Bahia
- Espírito Santo
- São Paulo
- Minas Gerais
- Sergipe
- Rio de Janeiro
- Rio Grande do Sul
- Santa Catarina
- Mato Grosso
- Mato Grosso do Sul
- Paraná
- Distrito Federal

Banks and development agencies

- BADESUL
- ABGF
- BNDES
- DESENBAHIA
- BDMG
- AGERIO

City Hall

- Salvador
- Rio de Janeiro
- Niterói
- Maceió
- Sorocaba
- Aracaju
- Feira de Santana



Who can join the PPP's Intergovernmental Network?



Public banks and development agencies structuring of PPP's



Structuring and public managers PPP's



Public advocacies



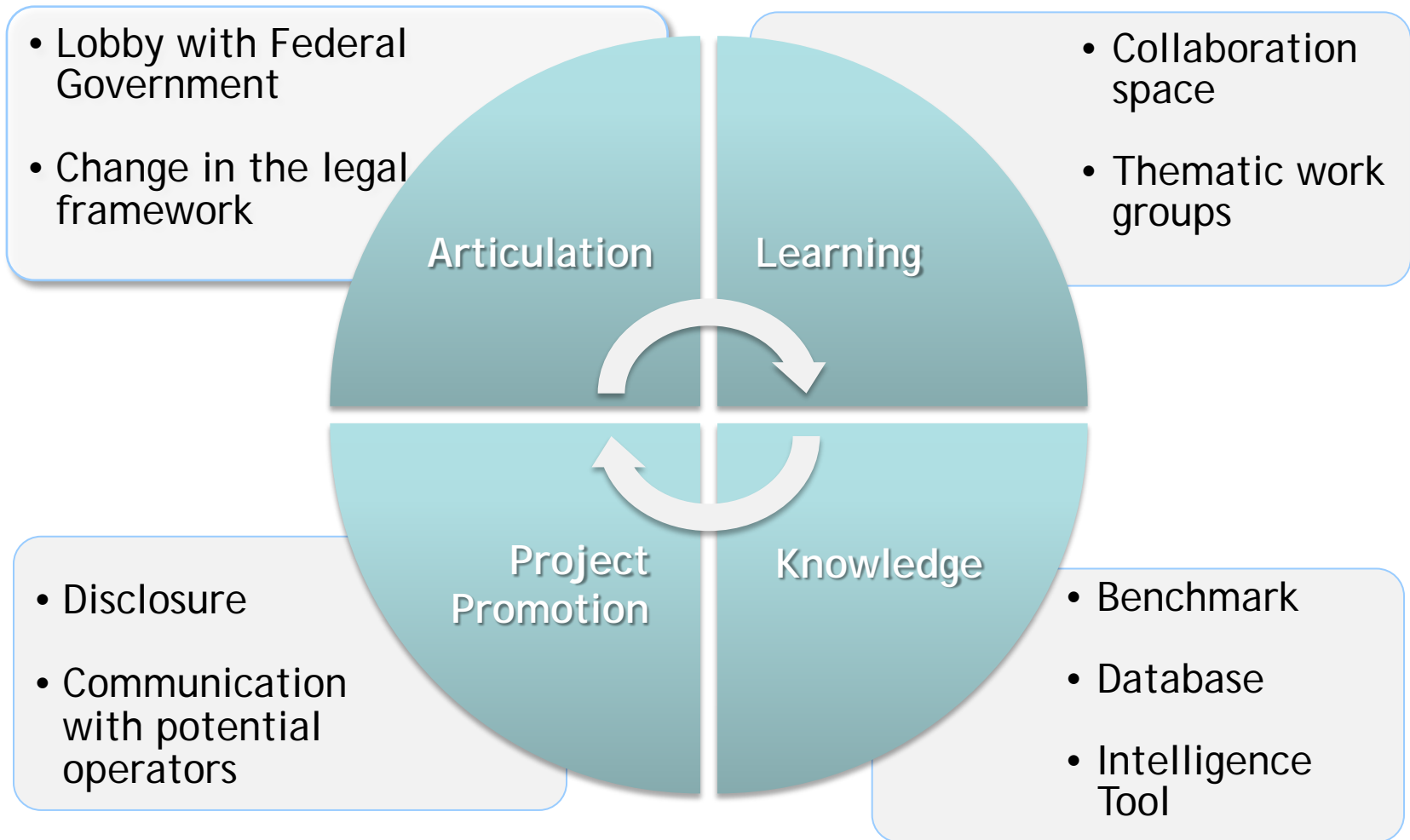
PPP guarantor fund



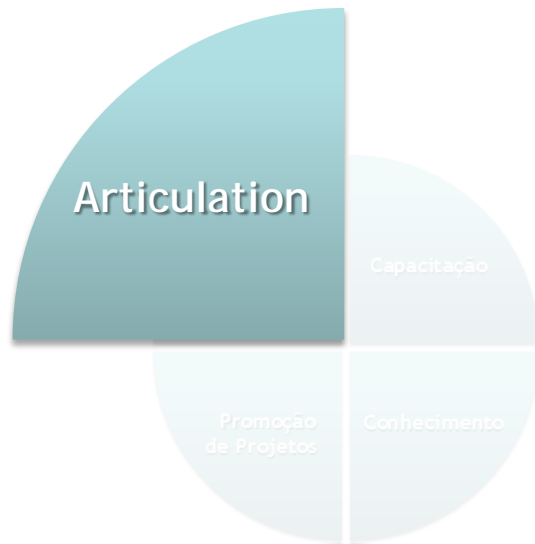
Government employees and public officials are the participants



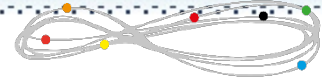
Pillars of RedePPP



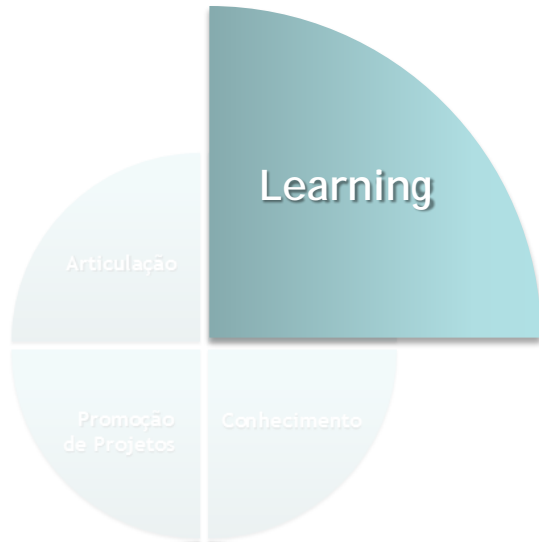
Pillars of RedePPP - Articulation



- Defining common agenda for PPP's
- Organizing exchanges and exchanges of experience
- Standards and management models for PPP units and hiring consultants
- International relations
- Institutional support to municipalities and states



Pillars of RedePPP - Learning



1º MBA in PPPs e Concessions



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■



Fundação Escola de
Sociologia e Política
de São Paulo.
RECONHECIMENTO DESDE 1933

80
ANOS



Support FOMIN / BID

- Short term courses - 30h
- PPP Americas
- International Forum PPP

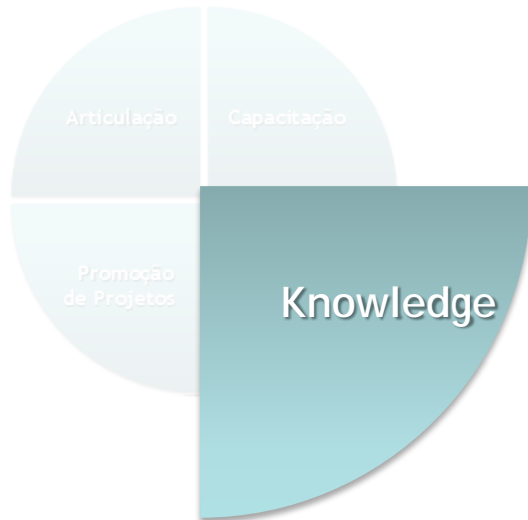
Expected products

Strengthening the Pillars:

- ✓ Knowledge management:
- ✓ Web platform
- ✓ Web Document Management System



Pillars of RedePPP - Knowledge management



“DataPPP” - Support BID and UNOPS

- Monitoring of PPPs and concessions;
- Bank drafts (SOURCE <https://www.sif-source.org/>);
- Innovative solutions and case studies
- International relations (International Forum PPP 2017 and 2018);
- Regulatory models



Session 1: Mobilising the Member States PPP Units behind the UN SDGs

Object - PPP BA Unit

1. Advising the State Government in the preparation studies of the PPP Projects and assisting during the contract management phase;
2. Rigor in project studies (high level of study structure);
3. Bring the support of International Institutions (search for best practices);
4. Performance Indicators (KDI directly linked to the payment);
5. Ensure the viability of PPP Projects.

Attention Points

1. Legislation
2. Financial guarantees for payment of PPP contracts by the government;
3. Investment company (with the public-private characteristic);
4. Funding sources.





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Our Strategies - PPP BA Unit

- i. Encourage projects that prioritize social infrastructure (PPP Social: Health, Education, water and sanitation, Urban mobility);
- ii. Reinforcing the structuring of the Projects in the study phase (including criteria of good international practices in each sector) and increasing the efforts in the training of the work teams of the government professionals;
- iii. Provide cooperation with International Organizations; Support VfM;
- iv. It is necessary that there is a clear understanding of the need for awareness to carry out projects that improve the quality of life of the greatest number of people; projects of great social impact; Set people first as a priority;
- v. Examples of projects that demonstrate the people in the first place are the construction and operation projects of the health services (Hospitals); construction and management of Schools; water supply and food distribution logistics; transport (subway / VLT);





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Suggestions

- vi. Sharing experiences in the development of your projects, from studies to contract management (including a periodical publication of your performance reports);
 1. Organize the information of the various experiences in the world in a single systematic publication document that can guide the best practices;
 2. Share standard documents of international contracts;
 3. Classify projects in order of humanitarian priorities;
 4. To foster planning capacity for the best economic and social development of projects;
 5. Foster and strengthen the improvement of public spending;



PPPs under contract with the Government of Bahia

Bahia's State Government PPPs totalizes over US\$ 130 million a year in public payments and more than US\$ 1,3 billion in investments

Bahia's State Government PPPs



Hospital of Suburb



Itaipava's Fonte Nova Arena



Underwater outfall



Institute Couto Maia



Metro



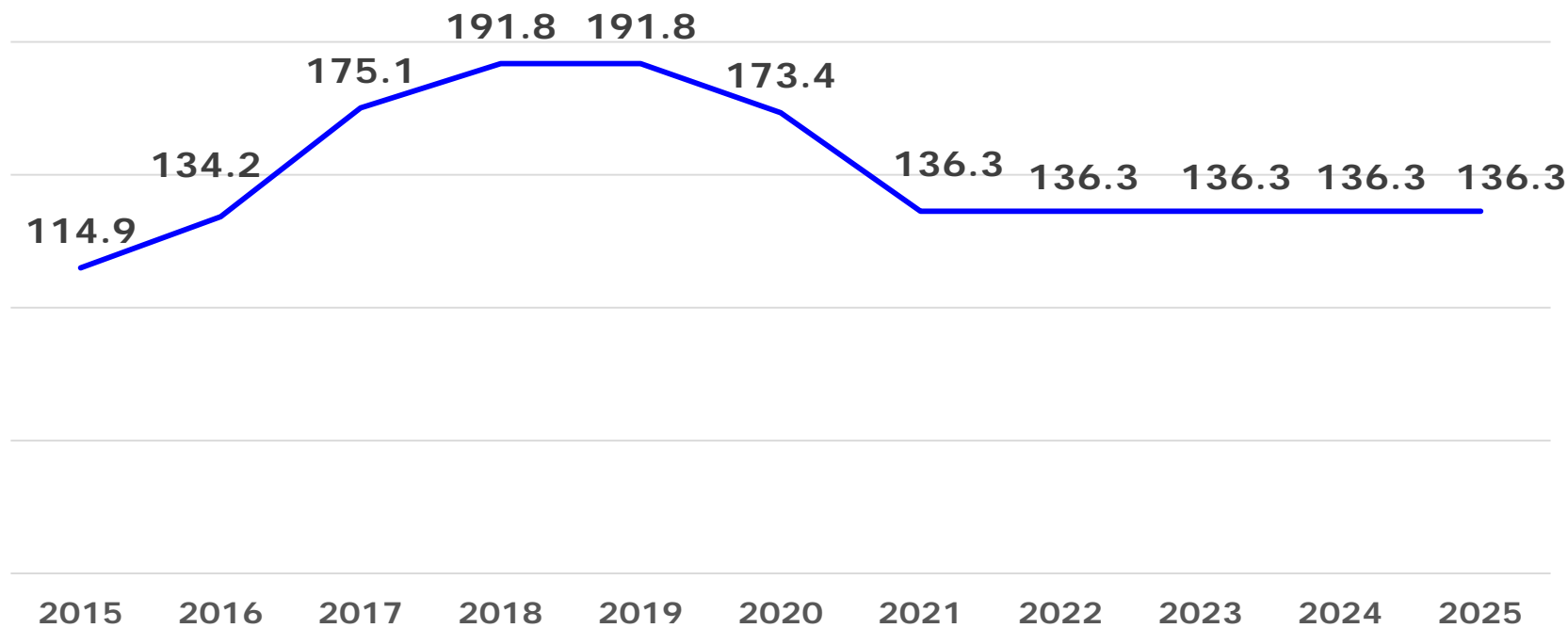
Diagnostic Imaging





Bahia's State Government expenditure on PPPs

Figures in millions of dollars



Financial Data

	<i>US\$</i>	2015	2016
RCL		7.95 billions	7.92 billions
Limit of 5%		380 millions	380 millions
Federal Entity Contracts		95.9 millions	136.5 millions
State not dependent contracts		18.7 millions	20.7 millions
Total under contract		114.9 millions	134.2 millions
Committed limit		1.2%	1.7%





MOODY'S

Moody's assigns Ba2/Aa2.br issuer ratings to the state of Bahia



March 21, 2016 -- Moody's America Latina Ltda. ("Moody's") today assigned issuer ratings of Ba2 on a global scale, and Aa2.br on a national scale to the state of Bahia ("Bahia" or "the state").



Bahia's State Government Guarantees Structure

- Object and Scheme -

Object

The banking “lock” of the amount of 18 % of received funds by the Bahia's State Government from the State Participation Fund.

Purpose: to have a simple mechanism to ensure the payment flow of public payments, regardless of the public budget, safe from political interference and that only compromise the strictly necessary resources.

Guarantee: 18% of FPE is transferred under the State Law 11.477/2009 to Desenhahia and automatically to the private company to comply with the obligations of the Bahia's State Government in PPP contracts.

Scheme

Umbrella Agreements discipline the opening of a current account, which is segregated from other accounts held by the Desenhahia, and payments made by the Paying Agent, by proxy granted by Desenhahia.

Surpluses: return to the single account of the Bahia's State Government.



State Law - Key Guidelines

State Law 11.477/09 - Ordinance 139/10

1st Art.: **authorizes** expressly:

- i. the financial agent to transfer to Desenhahia the amount of 18 % of FPE due to liabilities of the Bahia's State Government in PPP contracts;
- ii. Desenhahia to authorize the financial institution to transfer funds directly to the private operator.

2nd Art.: It allows the payment procedure (flow and fund transfers) by the Paying Agent is governed by contract annexed to the PPP contracts, allowing the establishment of specific account.

3rd Art.: defines the return of the remaining balance of FPE funds to the Treasury of the Bahia's State Government, once the public payments has been made.

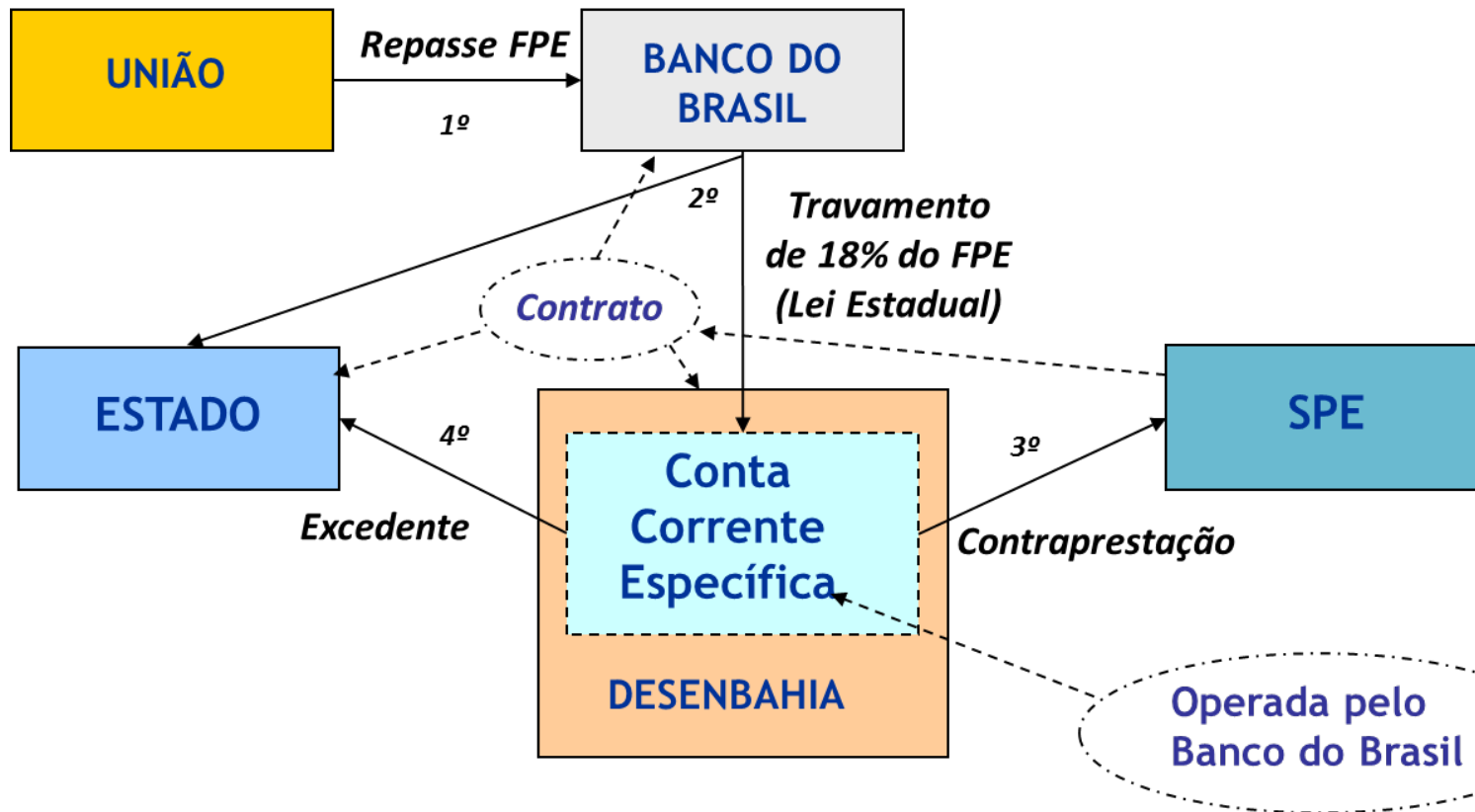




Bahia Guarantee Mechanism: Payment Flow

Mechanism that mitigates the default`s risks by the Bahia`s State Government

Payment Scheme (Law nº 11.477/09)





Legislative Recent Changes

Law N° 12.610 - December 27, 2012

Concept

- Authorizes the Executive Branch to create the **Bahia's Guarantee Fund for Partnerships (FGBP)**;
- Initial contribution of **US\$ 73 millions**.





Bahiainvest

The Bahiainvest will have, among others things, the following purposes:

- I - use or dispose of the assets that their property;
- II - structure and implement operations to enable investments considered strategic by the Bahia's State Government;
- III - assist the Bahia's State Government in raising funds;
- IV - advise the Bahia's State Government collaborating with the state system of finance on issues related to equity interests of the State
- V - identify and articulate efficient operation opportunities of Bahia's State Government assets;
- VI - invest in enterprises evaluated as strategic by the Bahia's State Government.





Pipeline PPP Bahia - 2017/2018

Projects in preliminary studies and phase



Light Rail Vehicle - Comércio / São Luiz



System Road BA-052



West Road System

Health



Sanitation



Thank you!

Priscila Romano Pinheiro

institutional e-mail:

promano@sefaz.ba.gov.br

private e-mail:

promano@sefaz.ba.gov.br

phone: +55 71 3115-2425

mobile / whatsapp: +55 71 98814.3349

