



PUBLIC-PRIVATE PARTNERSHIPS IN BRAZIL

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**São Paulo, Rio de Janeiro, Brasília, Curitiba, Porto Alegre
London, Lisbon, Miami, Los Angeles, Buenos Aires, Shanghai**



POINTS OF PRESENTATION

PUBLIC AND PRIVATE PARTNERSHIPS

- Overview;
- Contracts;
- Guaranties;
- Federal projects;
- States provisions;
- Specific procedure in São Paulo, and
- Projects by federative states.

BRAZIL





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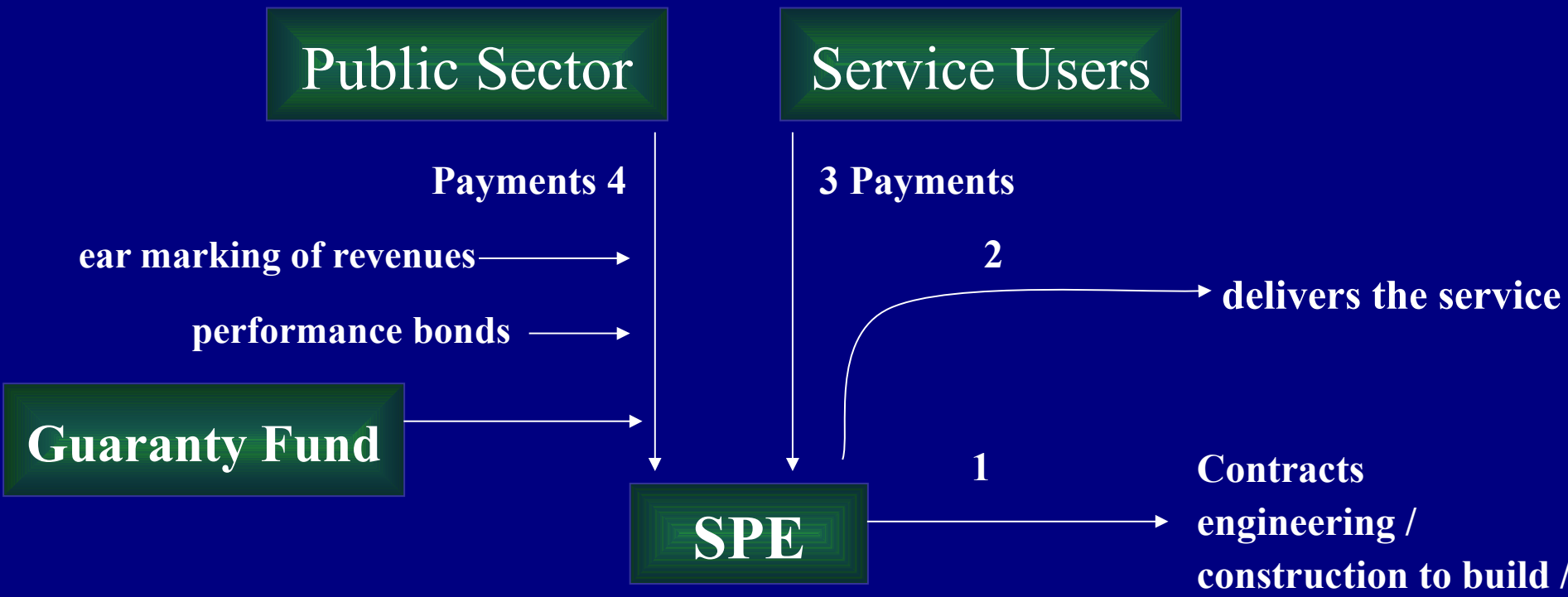
PUBLIC AND PRIVATE PARTNERSHIPS

(PPPS)

OVERVIEW

- ➔ **Public and private partnerships are cooperation agreements between the public and the private sectors to develop public infrastructure by delivering a project or service traditionally provided by the public sector;**

PUBLIC AND PRIVATE PARTNERSHIPS STRUCTURE OF A PPP



- May be a listed Company
- Only a minority participation of government allowed
- Shareholder could be pension funds, IPOs, strategic investors, providers of engineering / construction services

3 + 4:
Government can grant incentives to securitization of receivable.

PUBLIC AND PRIVATE PARTNERSHIPS

STRUCTURE OF A PPP

Concession Law

PPP Law

Public Bids Law

Pure Concessions:

**Private Sector
builds and operates
public infrastructure,
but the Government
cannot make payments
to a concessionaire.**

PPPs

Pure Procurements:

**Private Sector
supplies to the
Public Sector and
cannot charge
user fees.**



PUBLIC AND PRIVATE PARTNERSHIPS

BASIC CONDITIONS FOR A

PPP CONTRACT

- ➔ **minimum value: US\$ 9 million;**
- ➔ **period: between 5 and 35 years; and**
- ➔ **the PPP contract must not have the sole object of supplying manpower, supplying and installing equipment or carrying out a public work project.**



PUBLIC AND PRIVATE PARTNERSHIPS

BASIC CONDITIONS FOR A

PPP CONTRACT

PPP contracts should include provisions on:

- ⇒ means of payment;**
- ⇒ penalties for non-compliance; and distribution of risks.**
- ⇒ mechanisms for maintaining the services up to date;**
- ⇒ considerations on financial default of the public sector and manner to implement guaranties; and**
- ⇒ provision of performance guaranties by the private sector partner.**



PUBLIC AND PRIVATE PARTNERSHIPS GUARANTIES PROVIDED

Forms of possible guaranties (to the private sector) of the public sector obligations under PPP contracts include:

- ➔ earmarking of revenues;**
- ➔ performance bonds; and**
- ➔ a special guaranty fund for this purpose.**



PUBLIC AND PRIVATE PARTNERSHIPS GUARANTIES PROVIDED

- ➔ **A Guaranty-Fund (FGP) was established as a private entity should guaranty financial obligations of public sector partners;**
- ➔ **the FGP is a private entity with its assets separated from that of its stakeholders and has its own rights and obligations.**



PUBLIC AND PRIVATE PARTNERSHIPS GUARANTIES PROVIDED

The FGP, which began its operation in 27 January 2006, consists of assets from the following State owned companies:

- ⇒ £ 302 mi worth of common stock from Banco do Brasil;**
- ⇒ £ 390 mi worth of preferred stock from Vale do Rio Doce; and**
- ⇒ £ 233 mi worth of common stock from Eletrobrás;**



PUBLIC AND PRIVATE PARTNERSHIPS GUARANTIES PROVIDED

- ➔ To the extent that the underlying PPP projects are successfully completed, the assets of the fund previously allocated as collateral for the same, will be available for new PPP projects, conferring a revolving characteristic for the facility.**
- ➔ The manager of the FGP is Banco do Brasil.**



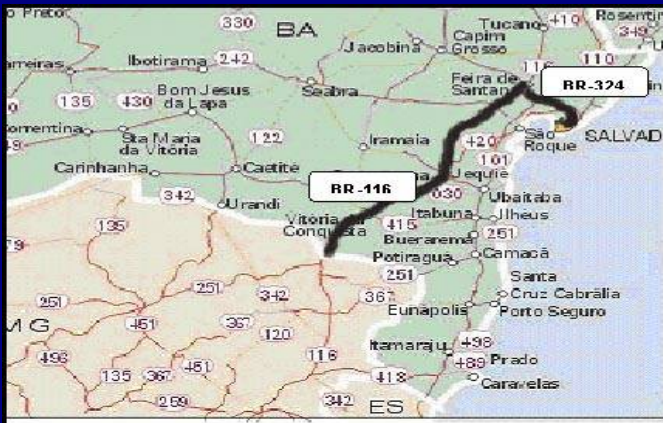
PUBLIC AND PRIVATE PARTNERSHIPS

4 specific projects suggested by Brazil's Federal Government

POTENTIAL FEDERAL PROJECTS

- **Parts of highway BR 116 – from Minas to Bahia, and parts of highway BR 324 – up to the Port of Aratu, in Bahia;**
- **Highway ring in the state of Rio de Janeiro;**
- **Railway ring around Campinas and the city of São Paulo; and**
- **Part of the railway from Guarapuava to Ipiranga, in the state of Paraná.**

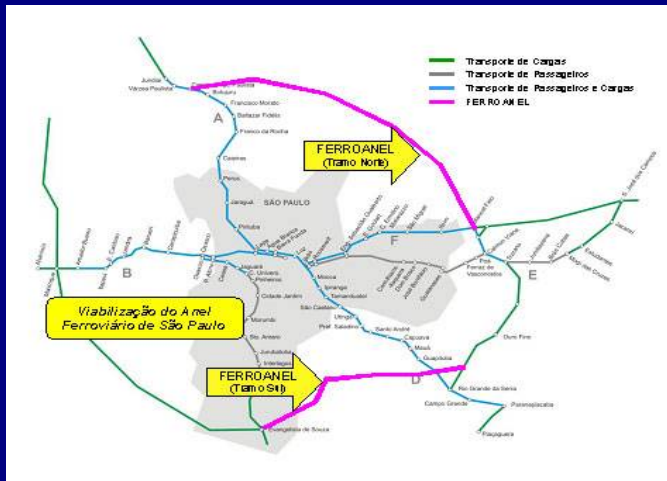
PUBLIC AND PRIVATE PARTNERSHIPS POTENTIAL FEDERAL PROJECTS



Parts of Highways BR-116 and BR-324



Highway ring in state of Rio de Janeiro



Railway ring around Campinas and the city of São Paulo



Part of the railway from Guarapuava to Ipiranga, Paraná

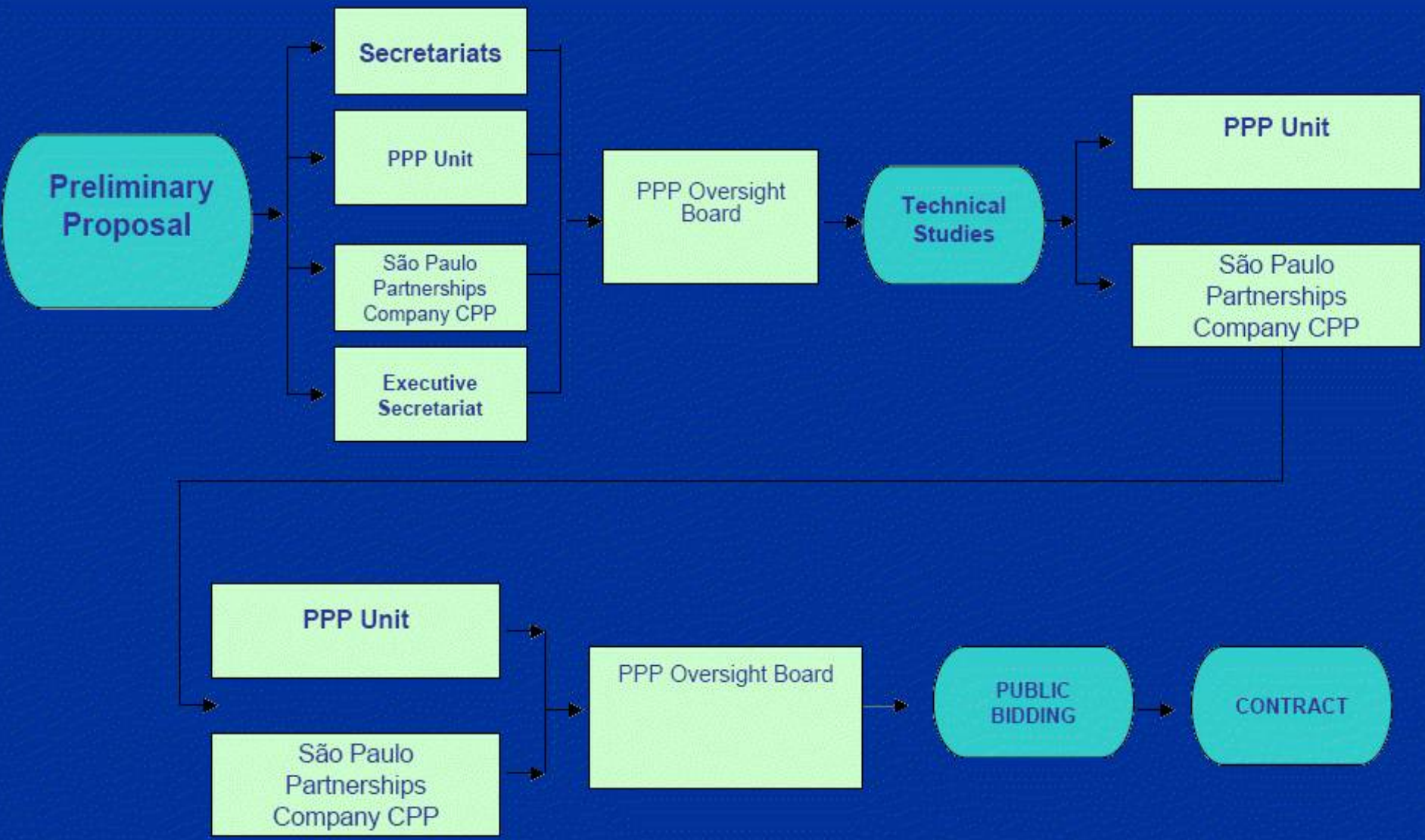


PUBLIC AND PRIVATE PARTNERSHIPS SPECIFIC PROVISIONS ISSUED BY BRAZIL'S FEDERATIVE STATES

- ✦ **Brazil's Federative States are allowed to issue specific rules regarding PPP's.**
- ✦ **São Paulo, for instance, issued Law number 11.688/2004, which provides its own scope for the implementation, expansion, improvement, renovation, maintenance or management of public infrastructure.**
- ✦ **However, the mere outsourcing of manpower, as well as one-time or separate deals, shall not qualify for the PPP Program.**



PUBLIC AND PRIVATE PARTNERSHIPS SPECIFIC PROCEDURE TO BE ATTENDED IN SÃO PAULO

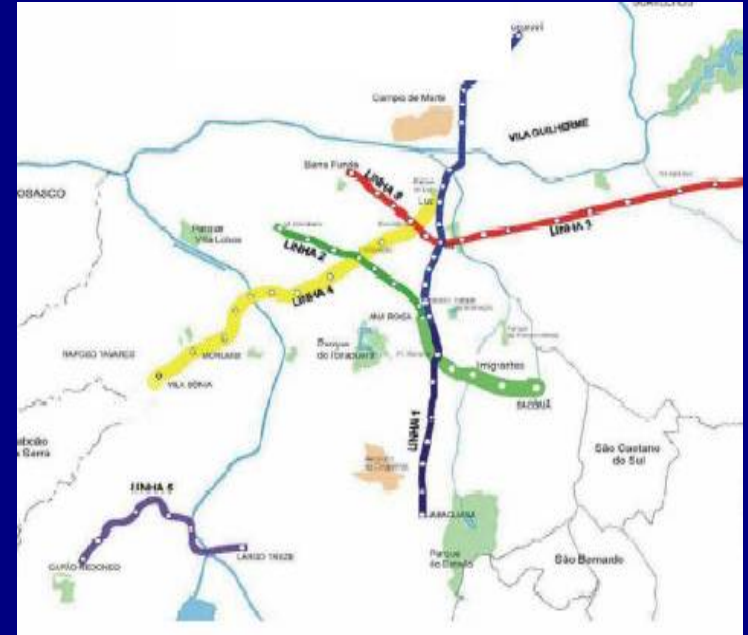


PUBLIC AND PRIVATE PARTNERSHIPS PROJECTS PROVIDED BY FEDERATIVE STATES

- Expansion of São Paulo Metro (line 4 – yellow line)

- Highway MG – 050 (in Belo Horizonte – Minas Gerais)

- Jaguaribe waste pipes (in Jaguaribe, Bahia)



** São Paulo metro map*

- Total value of the three projects = US\$ 1,8 billion