PPPs WITHIN THE BRAZILIAN CONTEXT:

An attractive investment opportunity to bridge Brazilian infrastructure gap
SOME ECONOMIC/LEGAL BACKGROUND SUPPORTING SUCH CHANGES

- **Strengthening of economic stability:**
  - consistent tax policy and inflation under control
  - decrease in public debt/Gross Domestic Product (GDP) ratio
  - increasingly GDP and industrial production

- **Enactment of important legal and regulatory framework:**
  - New Bankruptcy Law (Law No. 11,101/05)
  - Federal Law of the PPPs (Law No. 11,079/04)
  - Flexibilization of Foreign Exchange Regulations
  - Increase of domestic securitization transactions
  - Program for Accelerated Growth (PAC)
PPPs IN BRAZIL - OVERVIEW

- Several infrastructure areas are expected to receive investments through the PPP model (public transport, highways’ maintenance, sanitation, etc.), specially due to the sports events in the next years (Olympic Games, World Cup).

- The States of São Paulo, Bahia and Minas Gerais already have PPP projects at advanced commercial discussions or already in the implementation phase.
PPPs – LEGAL ASPECTS

• Scope of the PPP Law:
  ➢ Establishes the general rules, guidelines and limits for PPP’s bidding procedures and contracts within federal, state and municipal levels.

• “Administrative” PPP

• “Sponsored” PPP
EMBASA - BAHIA WATER AND SANITATION COMPANY

Administrative Concession for the Construction and operation of the Jaguaribe Oceanic Disposal System (SDOJ)

Case study
PPP EMBASA

CONTRACTING PARTY: EMBASA - Bahia Water and Sanitation Company, in the capacity of commissioner of the exploration of public sanitation services of the State of Bahia

PURPOSE: Construction and operation of the Jaguaribe Oceanic Disposal System (SDOJ), part of the expansion of the sewerage systems of the City of Salvador, State of Bahia

TYPE: Administrative concession (public partner is the direct user of the services)

TERM: 18 years

TECHNICAL CONDITIONS: Bidder must provide proof of experience in the implementation of engineering projects (e.g.: know-how for construction of tunnels and overthrowing of sub-aquatic rocks)

ECONOMIC AND FINANCIAL CONDITIONS: Bidder must have net assets equivalent to at least R$20,000,000.00, as well as confirm it is financially able to perform its duties, by presenting its financial statements
REVENUE SHARING: The revenue is composed by a (i) fixed fee; and (ii) a variable fee. The fixed fee refers to the payment for the SDOJ lease. The variable fee is subject to Concessionaire’s performance. Part of the fixed fee is paid through the assignment of accounts receivables to the Concessionaire, previously selected by EMBASA (payment in kind).

FINANCING (LOAN): The Concessionaire may opt to enter into a loan with the Federal Savings Bank (CEF) through the Collector Bank. For such loan the Concessionaire has to create an SPE, which sole purpose shall be to build and lease the SDOJ to EMBASA.
EMBASA PPP STRUCTURE

- CONSUMERS
  - Sanitation services
  - Payment for sanitation services ($)

- COLLECTOR BANK
  - Loan
  - SPE “OPERATOR”
  - SPE “BUILDER”

- WINNING BIDDER
  - Concession of public asset (SDOJ)
  - Controlling Shareholder

- CEF (FGTS)
  - Controlling Shareholder

- SDOJ leasing
  - SDOJ rent ($)
  - Free concession of the right to use a public area

- Shareholder
Our offices

SÃO PAULO
R. Hungria, 1.100
São Paulo - SP
01455-000  Brasil
T (55-11) 3247-8400 / F 3247-8600

RIO DE JANEIRO
Av.Nilo Peçanha, 11
Rio de Janeiro - RJ
20020-100  Brasil
T (55-21) 2506-1600 / F 2506-1660

BRASÍLIA
Setor de Administração Federal Sul (SAFS)
Quadra 2, Bloco B, 3º andar
Ed. Via Office
Brasília, DF
70070-600  Brasil
T (55-61) 3312-9400 / F 3312-9444

Enrico J. Bentivegna
Tel.: (55-11) 3247-8721
E-mail: ebentivegna@pn.com.br

www.pinheironeto.com.br
pna@pinheironeto.com.br