

Partnerships Program

Executive Summary

December 2015



Introduction

This document aims to introduce the main procedures for the development of Partnerships structured as Common Concessions or PPPs in the State of São Paulo. It may be used by Private Sector parties that are interested in collaborating with the Partnerships Program of the State of São Paulo and by agents in the Public Sector that are engaged in developing and structuring partnerships.

In addition to this executive summary, the following tools are made available by the State of São Paulo in order to guide, facilitate and improve the development of state partnerships:

Partnerships Manual of the State of São Paulo

Detailed Guide, containing concepts, methodologies and procedures about the evaluation, structuring, contracting and management of Partnerships in the State of São Paulo, as well as examples of contracts that were executed at the State level.

Partnerships website

Informative website for public access with information about PPP and Concession Programs and about the progress of contracted Partnerships and projects under study.

Partnerships Digital Platform

Digital Platform developed for the online integration of all processes concerning Partnership projects and for the interaction among public and private agents involved in the structuring of partnerships at the state level.

The State of São Paulo Partnerships Program

The São Paulo State Partnerships Program shows a new direction taken by the State Administration, which consolidates Concessions and Public-Private Partnerships projects in a single program, integrating the Destatization State Program (DSP) and the Public-Private Partnerships Program (PPP).

This new vision is the result of the reflection and consolidation of experiences and lessons learned during the design, modeling, bidding and management of the PPP and Concession contracts at the State level.

As a product of this reflection, the Partnerships Manual, the Partnerships website and the Partnerships Digital Platform were developed. Those tools and this Executive Summary aim to enhance and guide the agents involved in the process of development of partnerships between the public sector and the private sector.

The main purpose of all those tools is to demonstrate the State Government support and interest in continuing to promote PPPs and Concessions when those projects are the most appropriate, bearing in mind the stages of structuring and modeling. The State of São Paulo believes that those projects may result, in many cases, in more efficient and higher quality services provision, infrastructure and public utilities for the São Paulo population.

Therefore, those actions shall make the process of structuring PPPs and Concessions more transparent, promoting a clearer and safer environment for those interested in making investments in projects in the State.

Governance

PPPMB	Public-Private Partnerships Management Body- senior decision making entity in the PPP State Program.	<i>Procuradoria Geral do Estado (PGE)</i>	Responsible for the State legal issues, acts in PRC, in WG, in PPPMB and in CSPDB.
CSPDB	Directive Board for the Concessions State Program.	Sectorial Body	Responsible for the service provision that is the object of the PPP or Concession.
Executive Secretary (ES)	State body that gives support to PPPMB and to CSPDB. Main Responsible for the interaction with private parties.	Preliminary Review Committee (PRC)	Multidisciplinary group for the evaluation of each of the received proposals regarding PPP and Concession Projects.
Unit of PPP (UPPP)	Government Secretariat Body, responsible for the technical coordination of the Partnerships Program, part of the WG and of the PRC.	Work Group (WG)	Multidisciplinary group for acting in the development and the modeling for PPP and Concession projects.
<i>Companhia Paulista de Parcerias (CPP)</i>	Public Company, linked to the Treasury Secretariat, part of PRC and WG, and main responsible for the PPPs guarantees.	Partnerships Digital Platform	Web platform for receiving proposals and communication among agents in the public and private sectors, in the development of projects.



Partnerships Concept

The partnerships between private and public sectors are collaborative mechanisms among the State and private sector parties that require the performance of works and services related to public services provision and public infrastructure, as well as the gradual recovery of the investments made by the private party, over the contract performance. Below are some features of those partnerships:

- Rendering of public or public interest services
- Long term contracts
- Projects with private investments
- Risk sharing between public and private parties
- Quality control through performance indicators

In addition to those features, the PPP Federal Law (Law No. 11,079/04) established some limits for the PPP contracts:

- Contractual term: minimum of 5 year and maximum of 35 years
- Minimum value of R\$ 20 million
- Maximum commitment of 5% of the State Current Net Revenue (CNR)

Kinds of Partnerships

There are three kinds of Partnerships: (1) Common Concession, governed by the Concessions Law¹; (2) Sponsored Concession, one of the kinds of PPP, governed by PPP Law²; and (3) Administrative Concession, another kind of PPP, governed by the same law. The difference among those models is mainly related to the remuneration of the Private Party.

Common Concession

In this kind of concession, the provision of public services is paid through tariffs received from the final users and there is no consideration paid by the Grantor. The tariff revenue may be supplemented by alternative, accessory, complementary revenues or revenues coming from associated projects. In the common concessions, the projects shall be viable without the direct contribution from the Public Administration.

Sponsored Concession

In this kind of public services concession, in addition to the tariffs paid by users, the Grantor pays pecuniary consideration to the private party, supplementing the funds for expenses with investment, operation, continuation of services and works executed in the concession. This model is applicable when the tariff collection is possible, but not enough to make the project viable. Furthermore, the project may also receive accessory revenues.

Administrative Concession

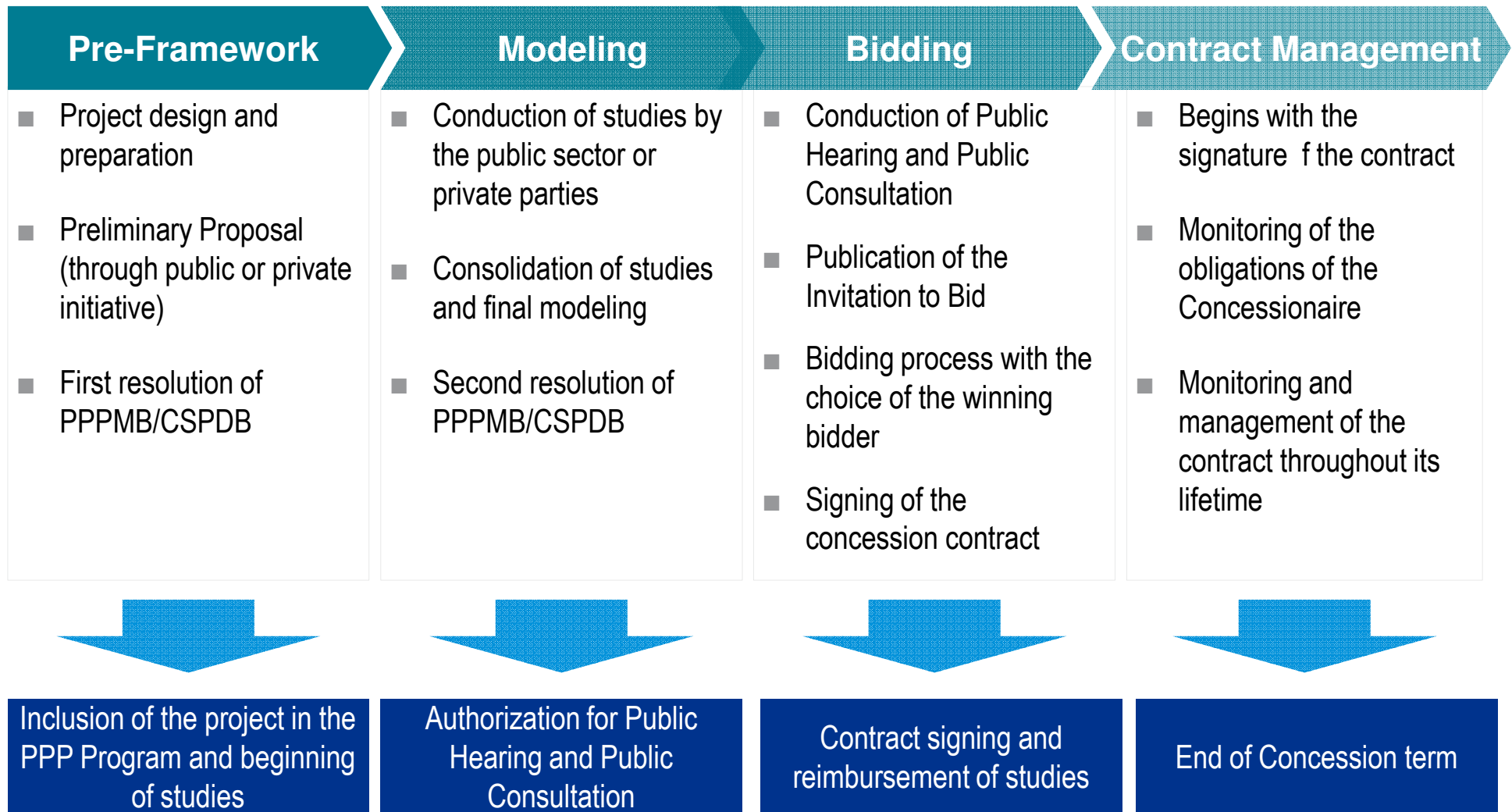
In this kind of concession, the grantor acts as the direct or indirect user of the services and works related to the contract, paying the Private Party through public consideration. The administrative concession is broader than the sponsored concession because it does not necessarily involve a public service provision, it may relate to a public interest service that directly or indirectly benefits the Public Administration. Also, the project may receive accessory revenues.

¹Federal Law 8,987/95

² Federal Law 11,079/04

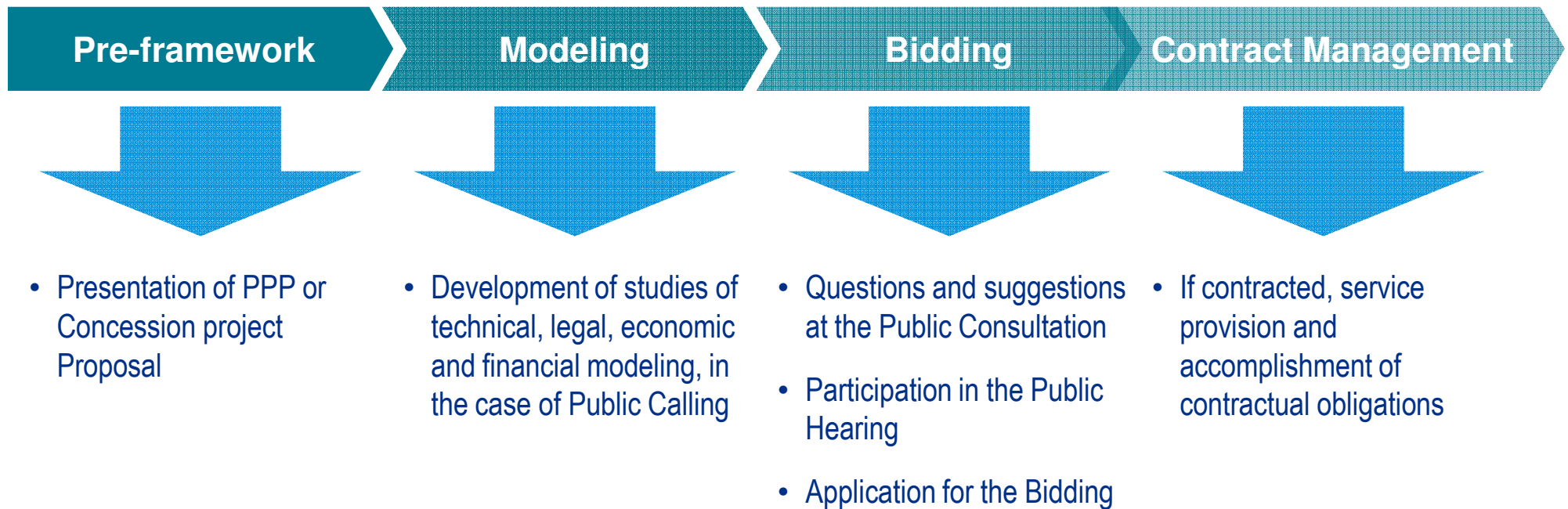
Cycle of a PPP/Concession Project - Summary

Below is a summary of the phases and stages of a PPP/Concession Project:



How may private agents participate in each phase of the project

In each of those stages, the private party may collaborate with the State of São Paulo Partnerships Program, as bellow:



Proposal in PPP/Concession Projects



The Proposal in PPP or Concession projects is the submission by private parties (individuals or legal entities) of suggestions, made to the State of São Paulo, of possible projects that may be performed through one of the kinds of Partnership.

The delivery of the Proposal should be done through the Partnerships Digital Platform, as indicated below. All the procedure is regulated by Decree 61,371/2015.

The submitted proposal shall be subject to the analysis of the State team, which should verify if the presented project is in accordance with the Government priorities and if it fits in the kinds of Partnership in the Program. Below are the steps for the proposal submission:

- 1 Registration at the Partnerships Digital Platform (www.parcerias.sp.gov.br).
- 2 When entering the Partnerships Digital Platform area, the Proponent shall click Proposals, and then New Proposal.
- 3 For the submission of a Proposal, all the fields must be filled with the requested information. In the end, there is a place for additional comments.
- 4 The available Economic and Financial Worksheet must be downloaded, filled and attached to the Proposal. In addition, a report explaining the considered assumptions shall be attached.
- 5 When the required fields are all filled, the Proponent shall click “submit proposal”.

Proposal in PPP/Concession Projects(cont.)



When submitting a proposal to the Public Administration, the proponent should provide all the requested information, bearing in mind that the filling of some fields is mandatory. When the cursor is moved over each field, a box with explanations will appear, for the case of doubts.

During the filling of information, the proponent has the option of saving the proposal for later completion. While the proposal is not submitted to the Public Administration, only the proponent shall have access to the provided information. After submission, the information cannot be changed and only the proponent and agents of the Government Secretariat, UPPP and PRC will have access to such information.

Once the Proposal is submitted to the Public Administration, the Executive Secretary shall make a brief analysis to verify if that Proposal really represents a large infrastructure project and the management of public or public utility services that directly or indirectly benefit the population, which shall be sent to the UPPP for analysis. The projects that do not fall within the scope of the Partnerships Program will be filed, and the Proponent will be notified.

The UPPP shall verify if all fields of information were duly filled, in accordance with Decree 61,371/2015. If any information is incomplete or insufficient, the UPPP shall determine that the Proponent provides additional information.

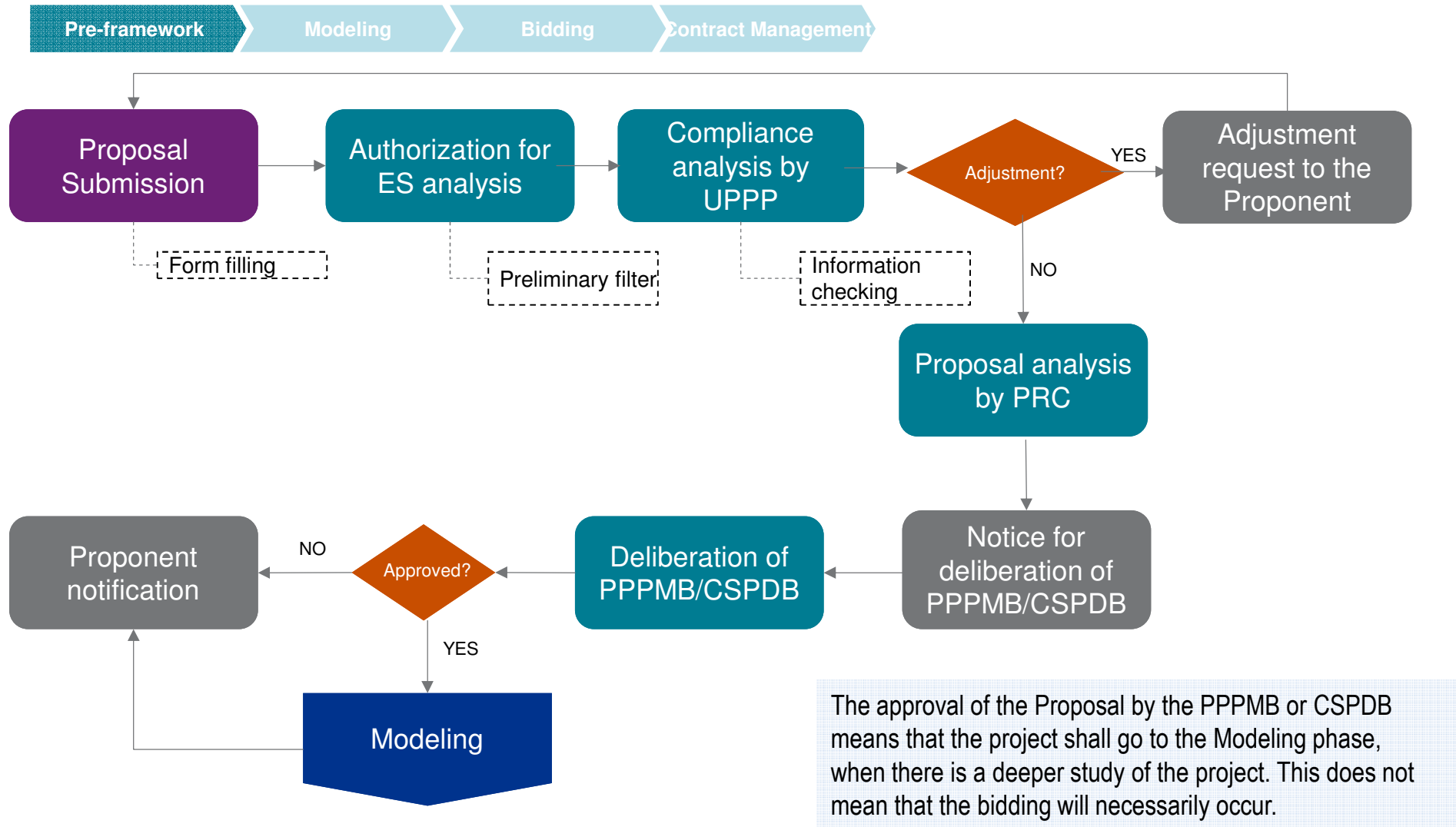
Proposal in PPP/Concession Projects(cont.)



After the UPPP examination, a Preliminary Review Committee (PRC) will be established. The CAP will include members of the Government Secretariat, Finance Secretariat, Planning Secretariat, UPPP, CPP, PGE and related Sectorial Body. The PRC will be responsible for a deeper analysis of the Proposal and of the PPPMB or CSPDB recommendation regarding the sending of the Proposal to the Modeling Phase. During the examination of the Proposal, the PRC may request a meeting with the Proponent for clarification on the Proposal. The agenda of this meeting shall be made public.

For any questions regarding the submission of proposals in PPP or Concession Projects, please send an e-mail to duvidasparcerias@sp.gov.br.

Steps for the Proposal Approval



■ Private activity ■ Government activity ■ Platform activity

Public Calling



If it is decided that the proposal will go through the Modeling phase, it becomes a project that is part of the Partnerships Portfolio of the State of São Paulo. During this phase, the technical, legal, economic and financial modeling studies will be more detailed.

Such studies may be conducted by private agents, through the Publishing of a Calling Notice that invites private parties to express interest for the development of studies regarding the project.

All the procedural rules are contained in the Calling Notice, and the studies that should be conducted by the private agent are therein indicated. The parties interested in the conduction of Studies should register through the Partnerships Digital Platform in the registration period and provide all the information requested for the presentation of the Authorization requirement.

As a rule, those acting in the conduction of studies may participate in the project bidding. In specific cases, the Calling Notice may establish that the conduction of studies will be exclusive, what means that only one interested party will be authorized. In this case, the authorized party will not be allowed to participate in the project bidding.

In any case, all the authorization requirements will be reviewed by the Work Group (organized to operate in the development of the project), which will define the parties that will be authorized to conduct the studies. After the authorization, some additional information may be given to the authorized parties.

Public Calling (cont.)



During the conduction of studies, meetings with the Work Group related to the project may be held. The agenda of those meetings will be made public, as in the case of the Proposal.

The Studies that are developed by the Authorized Parties shall be submitted through the Partnerships Digital Platform. Once the established period for that is finished, the submission of the studies cannot be made.

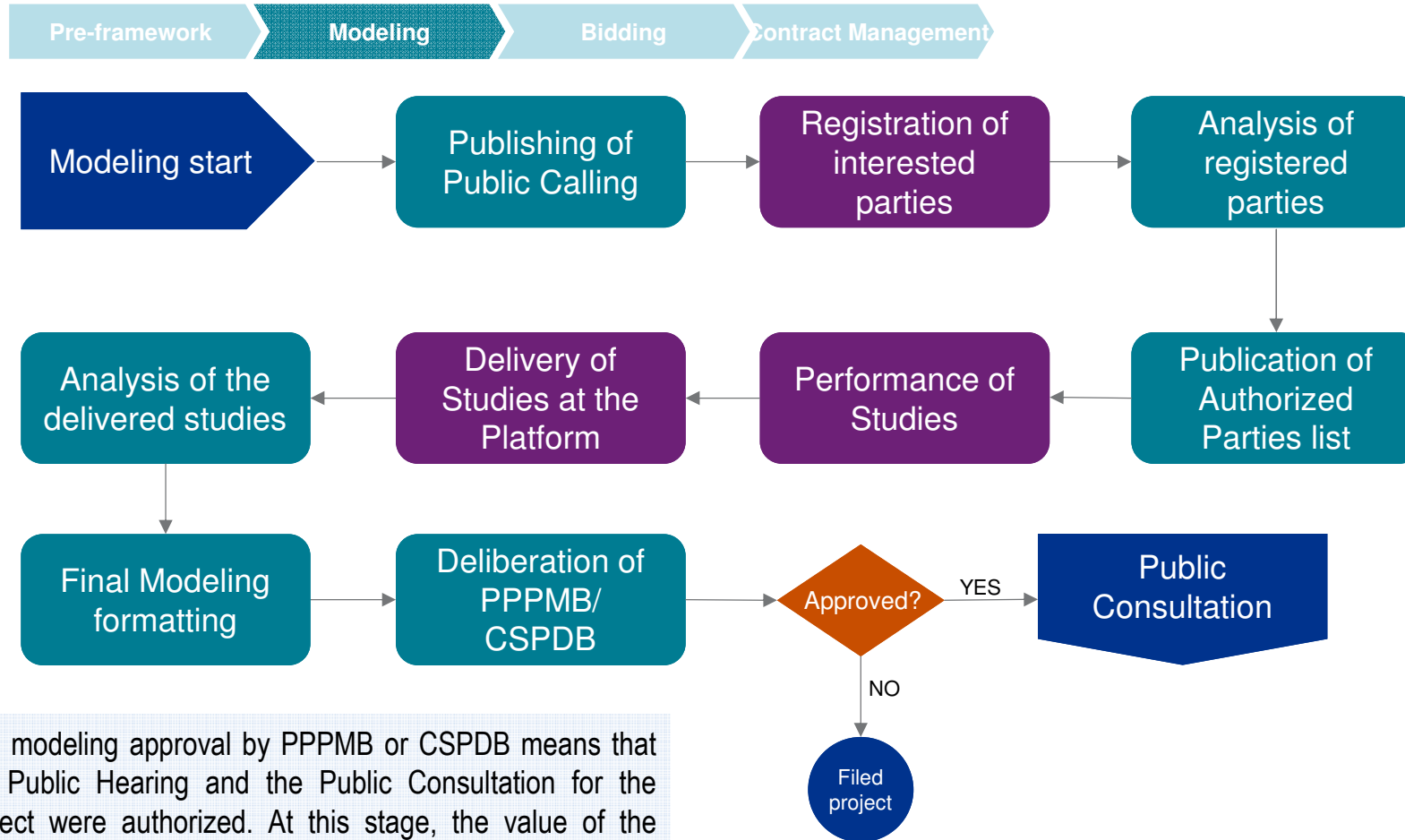
The Work Group will be responsible for reviewing the submitted studies and for preparing the final modeling. For the project final modeling, the submitted studies may be totally used, partially used or not used, if they are not in accordance with the State guidelines.

During its review, the Work Group may request meetings with Authorized Parties that delivered studies, for clarification and presentation of the delivered material. Additionally, the Work Group may request additions or corrections to those who conducted the Studies.

Once the Final Modeling is concluded, the reimbursement amounts for each delivered study will be defined and will be paid by the winner of the bidding before the contract signing. The final modeling and the definition of the reimbursement amounts will be subject to the opinion of PPPMB or CSPDB, depending on the kind of project. If the modeling is approved by the competent Board, the project will proceed to the Public Hearing and Public Calling.

In the Public Hearing and Public Calling, private agents may submit questions and contributions, which may be incorporated into the project modeling. After those procedures, the project will go back to the Board, which shall authorize the publication of the Invitation to Bid, starting the project bidding.

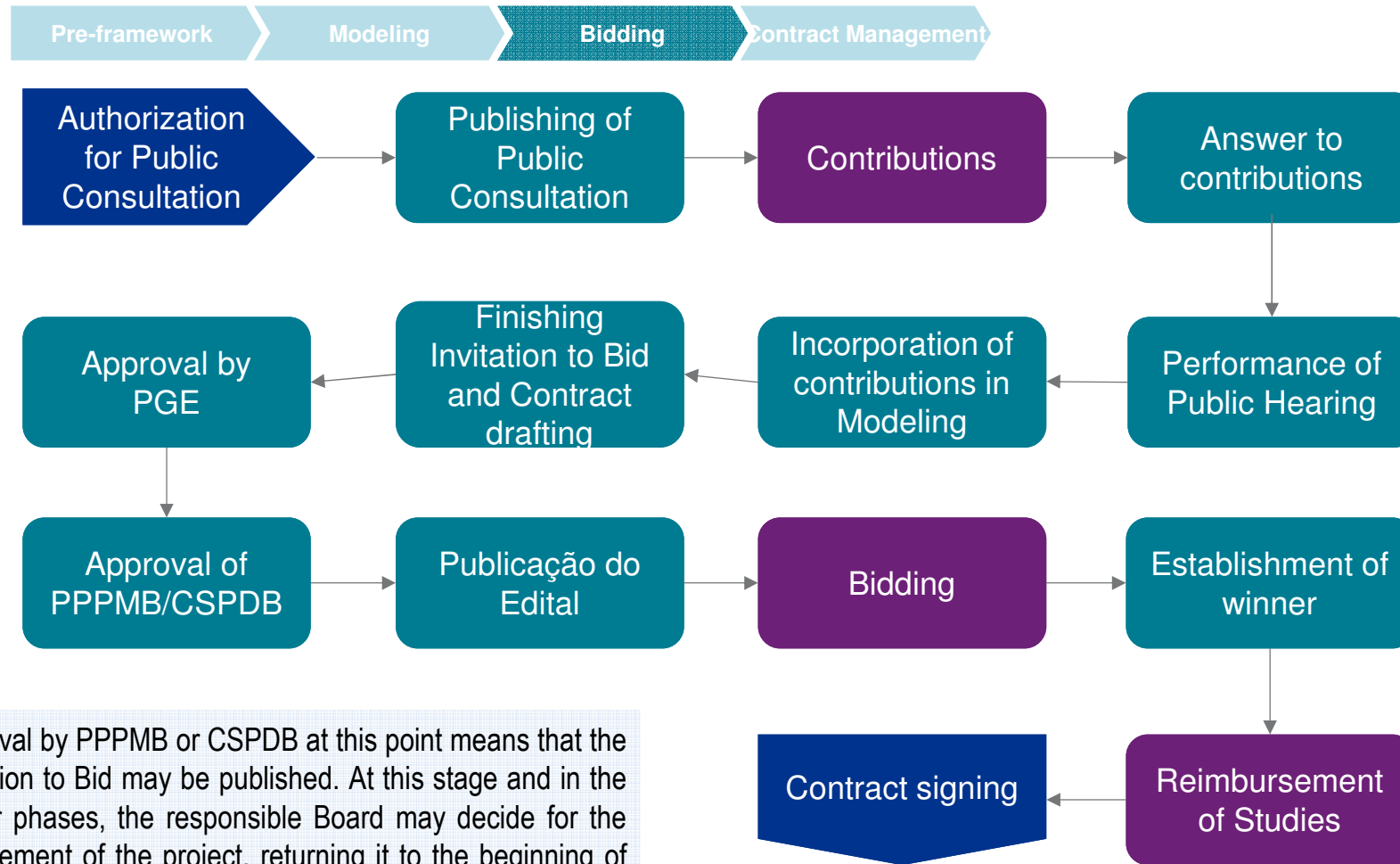
Steps for Project Modeling



The modeling approval by PPPMB or CSPDB means that the Public Hearing and the Public Consultation for the project were authorized. At this stage, the value of the partial or total reimbursement of studies is defined. However, the payment of such reimbursement will only be made by the winner of the bidding prior to the contract signing.

■ Private activity ■ Government activity ■ Platform activity

Steps for Project Contracting



Approval by PPPMB or CSPDB at this point means that the Invitation to Bid may be published. At this stage and in the earlier phases, the responsible Board may decide for the complement of the project, returning it to the beginning of the process. It is important to note that the contract signing is subject to the reimbursement of studies.

■ Private activity ■ Government activity ■ Platform activity

Contract Management



Once the Bidding Phase is concluded, with the contract signing between the Grantor and the Concessionaire, the Contract Management Phase begins. This phase will go on until the end of the concession.

This phase includes the monitoring of the contract by the Public Administration, through the evaluation of results, the coordination of technical studies involved in its implementation, the monitoring of the physical and financial schedule of the investments made, the risk monitoring, the evaluation of the rebalancing claims and through other activities related to its management and supervision. The main purpose of the contract monitoring is to evaluate the compliance of the agreement and the efficiency in the provision of services, through objective criteria that were previously defined.

The compliance with the main contractual obligations, specially with those related to a specific payment or milestone (as, for example, the beginning of the consideration payment or the public resources investments to be made during the implementation phase), is essential to ensure the full performance of the contract, avoid delays or contractual imbalances.

It is important to note that contractual readjustments and ordinary or extraordinary reviews may be necessary throughout the contract, as Partnership Contracts are usually long-term agreements. For that purpose, the criteria defined in the Contract should be considered.

Conclusion

More information about the Partnership Program and its procedures are available at the Partnerships Digital Platform (www.parcerias.sp.gov.br) and in the Partnerships Manual of the State of São Paulo, which may be accessed through the Platform.

In the case of doubt, please contact: duvidasparcerias@sp.gov.br.