1. Noteworthy practices for project preparation

**EXISTING ENABLING ENVIRONMENT**

**Role of the Investment Partnership Program (PPI) in streamlining project preparation**

The PPI provides an institutional and regulatory framework to streamline the project preparatory processes for national priority projects. The program brings in high-level ownership, seamless coordination and quality assurance reviews to the project preparatory process, ensuring time-bound preparation.

**PUBLIC SECTOR CAPACITY FOR PROJECT PREPARATION**

**Establishment of a specialised entity to complement public sector capacity**

The Brazilian Planning and Logistics Company (EPL) has been established as a specialised technical entity to provide guidance on long-term sectoral planning and drive efficiencies in the project planning and preparation process. EPL is also tasked with developing tools to strengthen public sector capacity and aid decision-making.

**PROJECT IDENTIFICATION AND CONCEPT DEFINITION**

**Strong framework for monitoring of the multi-year planning process and its integration with the budget**

Brazil prepares a federal-level four-year plan – Plano Pluri Annual (PPA) - which outlines the government’s strategic objectives, and the projects and programs to achieve said objectives. Adherence to the implementation of the PPA is ensured through a monitoring and reporting framework anchored by the Ministry of Planning, Development and Management (MP) (The MP will be integrated with the Ministry of Finance after 1 January 2019. The new ministry will be called the Ministry of Economy). The legal framework (the Budget Directives Law (LDO)) aligns the PPA with the annual budget.

**PROJECT FEASIBILITY AND STRUCTURING**

**Federal support for project preparation at the sub-national level**

The Ministry of Planning, Development and Management (MP), along with the Secretariat for Infrastructure Development, has established a federal fund (FEP), administered by Caixa Econômica Federal (CAIXA), a Brazilian Government-owned bank, for supporting the structuring and development of federal and sub-national concession projects and public-private partnerships. The fund pools in budgetary and multilateral funds to provide technical assistance to projects or to undertake project studies.

**PROJECT APPROVALS AND QUALITY ASSURANCE**

**Quality accreditation to drive project quality**

Under the PPI program, the Government of Brazil has initiated the process of quality certification of infrastructure projects and studies – The Accreditation Program for the Inspection of Infrastructure Projects – in collaboration with the National Institute of Metrology, Quality and Technology (Inmetro). The project is still at its early stages but is an important step in grading project preparation practices.

**Upfront and time-bound audit by the Federal Court of Accounts (TCU) encourages clean and transparent practices in project preparation processes**

Under the PPI program, a framework to facilitate upfront audit of the project preparation practices by TCU has been established. The early stage independent audit review of the project preparation process, documents and procurement documents helps in minimising risks and expediting project implementation.
2. Snapshot of project preparation activities

Brazil’s project preparation is considered in the context of its recent successes in implementing coordinated institutional reform actions to strengthen public sector capacity in planning and implementing national priority projects.

This is specifically relevant in the context of a multi-institutional planning environment, which is common to other large-size developing countries. The Investment Partnerships Program (Programa de Parcerias de Investimentos, or PPI) of Brazil, launched in 2016, helped to streamline government actions through the centralisation of strategic actions by the government, optimising the governance of the project structuring process. Under PPI, Brazil established a high-profile institutional structure with clearly defined roles and responsibilities, which has facilitated the improvement of overall project quality while strengthening investor perceptions. Today, Brazil is one of the largest PPP markets in Latin America, with an investment of US $386 billion in infrastructure from 1990 to 2017. Over 94% of total PPP investment in the Latin America and Caribbean region during the last decade was concentrated in only five countries, with Brazil (65%) leading the list followed by Mexico (11%).

Brazil has categorised private sector financed projects as follows: Conventional concessions (which do not receive government guarantees or direct financial support, nor payments); sponsored concession PPPs (which include user charges, and payment of some form of compensation from the government); and administrative concession PPPs (which involve budgetary payments by the government).

INSTITUTIONAL FRAMEWORK

Project preparation activities are decentralised in Brazil, with federal and sub-national level Government Contracting Authorities (GCAs) undertaking the project preparation for their respective jurisdictions. The line ministries may operate through specific agencies for managing each sectoral aspect. For example, the Ministry of Transport, Ports and Civil Aviation1 (MTPA) serves as the umbrella ministry, while operational management is effected through specified agencies like the National Land Transport Regulation Authority (ANTT), the National Agency for Waterway Transportation (ANTAQ) and the National Transport Infrastructure Department (DNIT).

At the federal level, the GCAs are supported in project preparation by public sector institutions including the Ministry of Planning, Budget and Management2 (MP), the Brazilian National Bank of Economic and Social Development (BNDES) and specific line agencies under each ministry. The MP and the GCAs also prepare general guidelines of the steps to be followed in project preparation. For example, the MP’s manual covering pre-feasibility studies for large-scale projects (published in 2005) provides guidance on the preparation and evaluation of pre-feasibility studies for line ministries and agencies, with the exception of the energy sector.

BNDES has played a catalytic role in supporting project preparation in major projects. BNDES has established a separate project development division with an objective to foster, structure and coordinate infrastructure projects, both public concessions and public-private partnerships (PPPs), at the federal, state and local government level. The Federal Court of Accounts (TCU) provides independent reviews of the project preparatory process and checks whether these processes are aligned with the extant rules and regulations.

To guide the GCAs in the execution of national priority projects, the government has created the Investment Partnerships Program (PPI) as a high-level institutional and regulatory framework with an objective to prioritise infrastructure projects and strengthen the role of the private sector in infrastructure projects. PPI focuses on facilitating collaboration between the public and private sectors in an environment of decreasing dependence on BNDES for infrastructure financing. Under PPI, two institutions were created within the federal administration: the PPI Council and the PPI Secretariat (SPPI). The PPI Council is the collegiate body that evaluates and recommends to the President of the Republic the projects that integrate the PPI, deciding, also, on the issues related to the execution of the contracts of partnerships. The Secretariat, linked to the Presidency of the Republic, supports ministries and regulatory agencies in planning, modelling and monitoring the portfolio of projects, preserving their political and regulatory competences.

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1 After 1 January 2019, the ministry will be called the ministry of infrastructure.

2 The MP will be integrated with the Ministry of Finance after 1 January 2019. The new ministry will be called the Ministry of Economy.
HOW THE PPI PROGRAM STRENGTHENED THE INSTITUTIONAL AND PROCESS FRAMEWORK

On 13 September 2016, Brazil enacted Law No. 13,334 (the PPI Law), which introduced a new Investment Partnership Program (Programa de Parcerias de Investimentos, or PPI), which seeks to prioritise infrastructure projects and increase and strengthen the role of the private sector in infrastructure projects. The PPI program focuses on facilitating collaboration between the public and private sectors in an environment of decreasing dependence on BNDES for infrastructure financing. Under the PPI program, governments and parastatals could also access funding for technical assistance to develop concessions and PPPs.

The idea of creating the PPI led to the institutionalisation of a "one-stop shop" for the coordination of work (legal enforcement of other government entities involved in the delegation process) and communication with potential investors. This action allowed the centralisation of strategic actions by the government, optimising the governance of the project structuring process. The standard timeline of actions under the PPI program are:

- Feasibility studies – 9-12 months
- Public consultations – 45 days
- Federal Court of Accounts (TCU) analysis – 90 days\(^3\)
- Bidding notice – 100 days
- Contract signature – 180 days

As of July 2018, more than 193 projects were qualified in the program, of which 105 projects of US $60 billion were initiated, and the remaining 88 projects with an aggregate value of US $33 billion are currently under review. The PPI program has strengthened the federal governance architecture and the enabling environment for priority projects in the country. Some of the major impacts of the program include:

- **Seamless coordination between line agencies** – The program draws in multiple stakeholders, including line departments, project agencies, financing agencies and others, into separate working groups, to review project proposals. The SPPI has been able to promote seamless coordination between managers, oversight bodies, environmental agencies, parliament, judiciary and society. This is largely due to the clearly defined roles and responsibilities of each stakeholder leading to minimal conflicts.

- **Minimising project risks** – The PPI process has led to a specific flow of decisions for the prioritisation and follow-up of infrastructure projects, which has helped to minimise project risks. Additionally, the ownership of projects at the highest level, independent review arrangement and the upfront auditing has ushered in a level of legal certainty, predictability and transparency to the projects. This has been instrumental in improving investor participation in the priority projects.

- **Greater citizen participation** – The enabling legislation and institutional framework for PPI mandates that project preparation shall necessarily go through a mandatory public consultation process. The consultation process is designed to ensure wider outreach and that citizen comments are aggregated, tabulated and the key points incorporated, which is then communicated to the stakeholders.

While the project preparatory studies are generally conducted by the GCAs, in the case of specific projects under the federal flagship programs in the transportation and logistics sectors, the Brazilian Planning and Logistics Company (Empresa de Planejamento e Logística, or EPL) has been established as a specialised technical entity to support the line departments and regulatory agencies in project planning, preparation and appraisal.

\(^3\) Increased from 60 days in accordance with Normative Instruction nº 81 issued by the Federal Court of Accounts (TCU).
EPL AND ITS ROLE IN STRENGTHENING PROJECT PREPARATION

The project preparation landscape in Brazil is dominated by the individual line ministries and the relevant agencies. While the national planning process brings in some level of alignment in project selection, project preparation is constrained by the absence of clear criteria for project appraisal and independent institutional review (technical and financial). The problem is more pronounced in the case of high value projects. The absence of an effective gatekeeping function for independent review of project studies may lead to suboptimal solutions in project identification and selection, prioritisation, appraisal and approval.

With an objective to address this gap in project appraisal and planning, the Government of Brazil established the Brazilian Planning and Logistics Company (EPL) in 2012, a public company to support the line agencies in project planning and preparation. EPL was established to streamline the long-term planning process for transportation and logistics in Brazil with the specific objective to facilitate multimodal transportation. EPL also administers studies, surveys, infrastructure construction, technology development and activities aimed at technology transfer. It works in coordination with the MTPA and the MP in policy development and strategic planning. The key areas of support include:

- **Preparation of the National Logistics Plan and multi-modal plans** – EPL is involved in the preparation of a multi-year National Logistics Plan (PNL) 2025 that provides a portfolio of projects and recommendations on a priority list of actions (infrastructure, services, regulatory and institutional) to debottleneck the sector. The PNL is prepared based on global best practices and simulates scenarios based on a dynamic four-step model, a tool that estimates inter-zonal traffic flows considering trip generation and distribution, modal choice and flow allocation.

- **Preparation of support studies for transportation projects** – EPL provides support to line departments in undertaking technical and financial studies for projects. EPL may hire external transaction advisors for undertaking the project studies and ensure monitoring and quality review of the studies. In addition, EPL itself, with its own multidisciplinary staff, may undertake the study (which is what it did for the fuel terminal project in the Port of Santos). The EPL is being viewed by the government and the TCU as an important certifier of studies developed by third parties.

- **Driving innovation and quality assurance** – EPL has also brought in methodological and technological innovations to the project studies, including use of an updated transport matrix for viability assessments. EPL has brought credibility to the project review process and is developing an independent business case model for transport projects with technical assistance from KPMG. It has also received support from the UK Government and the Infrastructure and Projects Authority (IPA) in the past. Furthermore, EPL has entered into long-term arrangements with the International Finance Corporation (IFC) in providing technical and financial support for project preparation.

- **Streamlining data and information to support governance** – EPL is developing a logistics information system, called the National Transport and Logistics Observatory (ONTL). The ONTL, apart from acting as a centralised database of transport and logistics scenarios in the country, is expected to be an important tool for planning and project preparation.

- **Transparency in project preparation** – EPL mandates that detailed project information and project documents prepared by the GCA shall be uploaded in the project portal. Further, it also stipulates that every project should go through a public hearing process and disclosures with respect to the changes in the project studies post public hearing. The transparency in project disclosure and the superior public consultation standards prescribed by EPL provide a level of comfort to the TCU and prospective investors.

The cost of project studies for EPL may be reimbursed by the winning bidders in the case of PPP projects.
At the sub-national level, Brazil has created a specialised institutional framework for managing PPP projects. As an example, in the State of Sao Paulo, the PPP State Program has the Public-Private Partnerships Management Board (PPPMB), linked to the Governor’s Office, as the highest decision-making body of the state’s PPP State Program. It consists of up to eight members and the President and Vice-President are nominated by the Governor. It is supported by a technical committee comprised of members of the: (i) Public-Private Partnership Units (UPPP – technical secretariat); (ii) Companhia Paulista de Parcerias (CPP – leads the review committee and advises on financial structuring); and (iii) the PPP Contracts Monitoring Committee (PPPCMC – monitors the implementation of PPP contracts). In addition, the sector bodies and General State’s Attorney (PGE) have important responsibilities in the development of PPPs.

**PROJECT PREPARATION LANDSCAPE**

Project preparation activities are decentralised in Brazil, with the line ministry and their agencies responsible for project preparation at both the federal and sub-national level. A snapshot of the project preparation landscape is summarised below:

*Project conceptualisation and planning.* The overall infrastructure planning process at the federal level is guided by: Pluri Annual Plan (PPA – a four-year plan), the Budget Directives Law (LDO – annual) and the Annual Budget (LOA). The PPA is prepared by the Strategic Planning and Investments (SPI) of the Ministry of Planning, Budget and Management (MP) and provides a long-term pipeline of projects. The LDO is a link between the PPA and the LOA (the final law which establishes the annual budget). The LDO is prepared by the MP and the Secretary of the Federal Budget (SFB) as part of the budgetary process. Apart from the PPA, multi-year plans are also prepared by the planning departments in each line ministry, such as the National Transport Infrastructure Department (DNIT), or by specialised planning agencies (like EPL).

*Project feasibility studies and structuring.* The project studies are prepared by the individual line ministries and agencies. The project studies are managed by specialised agencies based on the nature of project procurement. For example, in the case of road sector projects, EPL acts as a certifier and initiator of project preparation for concession projects, while DNIT is responsible for initial preparatory studies for public sector projects. The project studies start with the preparation of a concept paper for seeking in-principle approvals, holding stakeholder consultations, and conducting pilot studies etc., for inclusion in the PPA. The MP recommends that a pre-feasibility study is conducted for large-scale projects and has also published a guidance document on the steps for preparing a program or project pre-feasibility study. Subsequent to the approval of the concept paper and pre-feasibility study, the line departments initiate the full-scale feasibility and technical studies. Each sub-element of the project feasibility study (like technical, financial, environmental etc.) is defined by specific norms⁴ prescribed by the respective line departments or agencies. For example, in the case of road transport projects, DNIT norm EB-101 applies for technical and/or economic feasibility, and IS239 and IS-201 norms for traffic studies provide guidance on feasibility studies for road projects. In the case of highway investments, the norms are based on HDM-4 software⁵, which covers appraisal methodologies, forecasts of network conditions and prioritisation criteria.

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⁴ These norms define the main points to be considered when preparing a program or project’s pre-feasibility study, to be submitted for evaluation by the Monitoring and Appraisal Commission (CMA-MF/CC).

⁵ HDM-4 is a software package and associated documentation which serves as the primary tool for the analysis, planning, management and appraisal of road investment decisions.
Project preparatory financing. Brazil has a multitude of options for project preparatory financing. This includes budgetary allocations, BNDES grants, and independent facilities by multilateral entities (like the World Bank, IFC, and the Inter-American Development Bank (IADB)). The government has also established technical and financial assistance to sub-national governments (in the structuring of concession projects and PPPs) under the Supporting Fund to Partnerships Structuring (FEP). This fund is governed by a Fund Participation Council (CFEP), which includes representatives of the MP, citizen groups, and the sub-national government. The fund is administered by Caixa Economica Federal (CAIXA). The fund is mandated to contribute around 70 to 80% of the project preparation cost, while the rest shall be distributed by the sub-national government entity. It is expected that US $47 million will be contributed to FEP by 2019 to fund infrastructure project preparation.

Project approvals and quality assurance. The project appraisal responsibilities vary according to the nature of the project:

- In the case of projects under the PPA, the Monitoring and Appraisal Commission (CMA-MF/CC), assisted by a Technical Chamber (CTMA), is responsible for appraising and selecting projects and defining appraisal methodologies. The MP provides overall guidance to the commission in undertaking the review process.

- In the case of projects under the PPI program, project approval is provided by a project-specific granting authority which includes GCAs, line ministries, the PPI Council and SPPI, and BNDES. The project studies shall then be approved by the TCU before bidding is initiated.

TCU – ENSURING TRANSPARENCY AND INTEGRITY IN PROJECT PREPARATION

The credibility of the project preparation process is an important factor in driving sustainable development. Brazil, under the PPI program, has created independent time-bound processes to ensure that projects are prepared according to norms and the technical and financial studies have been prepared objectively.

The TCU conducts accounting, financial, budgetary, performance and equity audits and inspections to verify the legality and legitimacy of governmental actions, as well as the application of subventions, subsidies and exemptions. Under the PPI, the government is targeting a 90-day⁶ window for the TCU approval process.

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⁶ In accordance with Normative instruction nº 81 issued by the Federal Court of Accounts (TCU) recently.
### 3. Guidance for project preparation

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<tr>
<th>Guidance</th>
<th>ACCREDITATION OF PROJECT STUDIES</th>
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<td><strong>Owner</strong></td>
<td>Secretariat PPI (SPPI)</td>
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<tr>
<td><strong>Project development stage</strong></td>
<td>Project accreditation by independent quality examiners</td>
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<tr>
<td><strong>Details</strong></td>
<td>The Secretariat of the Program of Investment Partnerships (SPPI), together with the National Institute of Metrology, Quality and Technology (Inmetro), has prepared The Accreditation Program for the Inspection of Infrastructure Projects. The certification program is under development and is expected to cover project feasibility studies, technical studies and execution of infrastructure projects to be evaluated by specialised entities and which will receive, based on technical requirements, a quality seal. Currently, there are already eight bodies, designated by Inmetro, able to certify projects and works, and the expectation is to increase this number in the coming months from the launch of the accreditation.</td>
</tr>
<tr>
<td><strong>Link for further details:</strong></td>
<td><a href="https://www.ppi.gov.br/government-creates-quality-seal-for-infrastructure-undertakings">https://www.ppi.gov.br/government-creates-quality-seal-for-infrastructure-undertakings</a></td>
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<th>Guidance</th>
<th>CENTRALISED INFORMATION REPOSITORY TO AID PLANNING</th>
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<tr>
<td><strong>Owner</strong></td>
<td>Empresa de Planejamento e Logistica (EPL)</td>
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<td><strong>Project development stage</strong></td>
<td>Project accreditation by independent quality examiners</td>
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<tr>
<td><strong>Details</strong></td>
<td>The National Transport and Logistics Observatory (ONTL) is developed by EPL as a centralised repository of information on logistics and transportation which will serve as a planning and decision-making tool for the line departments and agencies. The ONTL also develops studies with statistical bases, maintaining a set of periodical publications, such as logistics bulletins, logistic diagnosis and geographic data of the transport sector. EPL also provides a transport cost simulator, which provides updated transport costs for the different modes (road, rail and waterways) and commodity groups (agricultural solid bulk, non-agricultural solid bulk, liquid bulk, general loads and general container loads).</td>
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<td><strong>Link for further details:</strong></td>
<td><a href="https://www.ontl.epl.gov.br/">https://www.ontl.epl.gov.br/</a></td>
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The Environmental Performance Index (IDA) is an instrument for monitoring and controlling environmental management in port facilities. The IDA allows for quantifying and simplifying information to facilitate a better understanding of port environmental issues for the public and decision-makers.

Given the diversity of indicators and the complexity of environmental issues in the port sector, the IDA is built using a multicriteria analysis methodology, considered the most appropriate to address and assess problems of environmental performance. The methodology applied is the Hierarchical Analysis Process (AHP).

The indicators that make up the IDA are chosen based on specialised technical literature, applicable environmental legislation and good practices observed in the global port sector. The IDA reviews projects across 38 indicators, which are then classified and weighted according to the degree of importance of each one. The following link provides the classification and distribution of indicator weights.

4. Project case example: South Integration Highway Project

**PROJECT BRIEF**

The South Integration Highway project is a landmark highway concession project planned under the PPI framework.

The project ownership was with the respective line agency, the National Land Transport Agency (ANTT). The project planning and preparatory studies were led by Empresa de Planejamento e Logística (EPL) and supported by the Ministry of Transport, Ports and Civil Aviation (MTPA) and the PPI Secretariat (SPPI). The project provides major connectivity among urban centres with an aggregate length of 467.62 km. The project comprises of the BR-101, BR-290, BR-386 and BR-448 highways, which connect the most important economic points of the State of Rio Grande do Sul. The existing road network infrastructure is insufficient to meet current demand and, consequently, imposes barriers to the development of the region.

The project studies were procured through the Expressions of Interest Procedure (PMI) and covered detailed traffic studies, engineering studies, detailing of the operational model, and economic and financial studies. The annual maximum daily volume (VDMA) is forecast as 17,561 vehicles in the third year and 35,323 vehicles in year 30. The concession period is 30 years and the concessionaire will be responsible for developing the infrastructure and providing recovery, operations, maintenance, monitoring, expansion of capacity and maintenance of the network service level.

The concession auction was held on 1 November 2018 by the federal government, through ANTT, which led to the shortlisting of the successful concessionaire through the competitive bid process.

**QUICK FACTS**

- **Value (in US $ Billion)**: 2*
- **Status**: Under construction
- **Project Ownership**: ANTT
- **Source of Project Preparatory Financing**: PMI (financed by winning bidder)
- **Support Agencies**: MTPA, SPPI, EPL, TCU

*Estimated exchange rate BRL/US $ = 0.26 as of 7 December 2018
1. Multi-institutional coordination and independent technical review

The project preparation process in Brazil is dominated by the line departments and agencies and was constrained by the absence of a clear criteria for project appraisal and independent institutional review (technical and financial). Realising the importance of an independent review arrangement for major projects, the Government of Brazil established clear processes for strengthening project review under the PPI framework, and also through EPL, to assist the line departments and agencies with an independent assessment of the projects.

The South Integration Highway project was identified as a national priority project under the Government of Brazil’s PPI program. The PPI program has been designed adopting best practices in project preparation. The project review drew upon multiple institutional stakeholders across multiple stages (prior to TCU review); reviews were completed by EPL (independent review), and by the Permanent Commission of Road Concessions – CPOR (ANTT, MTPA, EPL and SPPI). Based on TCU’s project review documents, the multi-stage review process by the institutions led to project quality improvements and savings of around US $1 billion in the total capex budget.

2. Independent and time-bound audit of processes leading to transparency in project preparation

Project preparation and approvals processes, especially in developing countries, are prone to litigation due to multiple factors including corrupt practices, general lack of transparency, or variation in the interpretation of the laws and guidelines. This has been one of the major reasons for delay in project implementation in these countries. Under the PPI program, the Government of Brazil has created an institutional mechanism to ensure time-bound audit review of each project prior to project bidding.

In the case of the South Integration Highway project, the project studies were submitted for review by TCU on 31 July 2017. TCU undertook a detailed assessment of the processes, followed by nine months of deliberation with the stakeholders, including SPPI, ANTT, EPL, MTPA and the transaction

* Operator of infrastructure facilities through concessions.
advisor. TCU analysed the parameters related to the concession plan (Law 10.233 / 2001), the concession contract, the road exploration plan and the technical, economic and environmental feasibility studies of the project. The draft project agreements were also analysed, as well as the compatibility of these documents with the economic and financial aspects of the studies.

TCU finally approved the project in May 2018 while providing guidance on specific actions to be taken up by ANTT before initiating the tender notice. Some of the key areas of improvement suggested include the provisions related to the inclusion of additional scope, obligations during contract extension, contractual penalties, criteria for undertaking technical studies, and the preparation of a plan of action to improve project supervision. The analysis of technical, economic and environmental feasibility studies contributed to the reduction of approximately R $1.5 billion (US $390 million)7 in terms of investments and operational costs.

3. Extensive public consultations during the preparation process

Under the PPI program, extensive public hearing must be undertaken and comments from the public must be incorporated before project finalisation. The consultation is a very important phase of the project preparation process and has brought transparency and quality improvement to the studies. The PPI program mandates at least 45 days of consultations, which should cover a wide cross section of the project-affected population. The public consultations shall be driven by the individual line ministries and agencies with SPPI providing overall guidance and coordination.

The public hearing phase in the South Integration Highway project was between January 2017 and May 2017. It involved more than 90 days of intense participation by the general public and the state government, who received over 600 suggestions and contributions to the bidding and concession agreement, the Highway Exploration Program and feasibility studies.

4. Project studies strengthened by project ownership at the highest level

The Manifestation of Interest Procedure (PMI) is wherein the public sector is allowed to receive and validate project development studies prepared by the private sector. The PMI procedure is adopted predominantly in cases of gaps in technical or financial resources for procuring consultants. Under this approach, the public sector will release an expression of interest (the PMI) for private sector participants to prepare the feasibility studies for a given project and deliver them to the public sector for consideration. The biggest risk with respect to the PMI procedure is regarding the reimbursement of costs. The guiding principle in Brazil is that if there is reimbursement required, it will come from the winning bidder. However, the country’s track record in converting PMI studies to projects is low. Specifically, regarding PPPs, from 163 PMIs initiated between 2010 and 2014, only 14% were successfully tendered.

The preparatory studies for the South Integration Highway project were procured through the PMI procedure, pursuant to the Public Call Notice in June 2015. The studies presented by Triunfo Participações e Investimentos (TPI), the current shareholder of the BR-290 / RS concession, were taken up for review by EPL and the SPPI, and approved by MTPA on December 2016. The technical capacity of the agencies (especially EPL and SPPI) and the project ownership at the highest level have been critical factors of comfort for the transaction advisor. The cost of reimbursement for the feasibility studies (approximately US$ 2 million) shall be paid by the winning bidder.

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7 Exchange rate: BRL/US $ =0.26 as of 7 December 2018