

## Second Round of Street Lighting PPP Projects Structured Through a Partnership Between CAIXA and IFC in the Municipalities of Foz do Iguaçu, Olinda, Ponta Grossa, Ribeirão Preto and Timon

May 15, 2023

Brazil - After a successful first round of structuring Street Lighting PPPs —including in seven Brazilian municipalities with several contract agreements already in place, such as Aracaju, Belém and Campinas— the partnership between Caixa Econômica Federal (CAIXA) and International Finance Corporation (IFC) brings to the market a new round of projects with innovations, more safety and greater attractiveness to the sector.

Through these new projects, more than **200,000 street lighting points** will be modernized in five cities. They will include the implementation of LED luminaires—a more sustainable and efficient technology—resulting in average **energy savings of 55%** and **reduction** in annual emissions of more than **8,000 tons of CO<sub>2</sub>**. They will also make the cities' combined **1.8 million residents** safer and reduce gender-based violence crimes. The PPP includes the installation of special lighting projects in places of historical and cultural relevance, the implementation of an Operational Control Center for real-time management of the city's street lighting, and customer service improvements such as free face-to-face support, an Internet site, and a mobile application.

On March 17<sup>th</sup>, the municipality of Ponta Grossa (PR) published the **Request for Proposal** notice **nº 02/2023**, which aims to provide street light services through a public-private partnership (PPP). The request for the PPP proposal and its bidding documents were available on the [municipality website](#), and the bidders delivered their proposal on May 2<sup>nd</sup>. The auction took place on May 11<sup>th</sup> at Brazil, Bolsa, Balcão (B3) in São Paulo, Brazil with the participation of 4 bidders. More information regarding the PPP is available at the [project website](#).

The Ponta Grossa PPP project encompasses more than **47 thousand street lighting points** to be modernized through **US\$ 12 million** in private investments, resulting in direct benefits for more than 390 thousand inhabitants. The entire process was **led by the Municipality of Ponta Grossa**, which will also be responsible for the management of the contract agreement, ensuring that the project meets the particularities and demands of the population.

On May 10<sup>th</sup>, the **Request for Proposal** for the **Olinda** and **Ribeirão Preto** projects was published. The bidding documents are available on the municipality website, and the bidders should deliver their proposals on June 27<sup>th</sup>. The **action will take place on July 7<sup>th</sup>** at Brazil, Bolsa, Balcão (B3) in São Paulo.

**Foz do Iguaçu** and **Timon** projects are still in the structuring phase and are expected to be ready for public consultation in the coming months.

More information about the projects is available on the website of the respective City Halls:

### Ponta Grossa

- SL points: 47,000
- Investments (CAPEX): R\$ 60 million/US\$ 12 million
- Project Website: PPP - Street Lighting ([pontagrossa.pr.gov.br](http://pontagrossa.pr.gov.br))
- RfP Date: March 17<sup>th</sup>, 2023
- Proposal Submission Date: May 2<sup>nd</sup>, 2023
- Auction Date: May 11<sup>th</sup>, 2023
- Number of Bidders: 4

### Ribeirão Preto

- SL points: 83,000
- Investments (CAPEX): R\$ 103 million / US\$ 20 million
- Municipality Website: [Portal da Transparência - Licitações](#)
- Project Website: PPP - Street Lighting ([ribeiraopreto.sp.gov.br](http://ribeiraopreto.sp.gov.br))
- RfP Date: May 10<sup>th</sup>, 2023
- Proposal submission Date: June 27<sup>th</sup>, 2023
- Auction Date: July 7<sup>th</sup>, 2023 at 2:00pm

### Olinda

- SL points: 26,000
- Investments (CAPEX): R\$ 31 million / US\$ 6 million
- Municipality Website: [Olinda Editais de Licitações](#)
- Project Website: PPP - Street Lighting ([olinda.pe.gov.br](http://olinda.pe.gov.br))
- RfP Date: May 10<sup>th</sup>, 2023
- Proposal submission Date: June 27<sup>th</sup>, 2023
- Auction Date: July 7<sup>th</sup>, 2023 at 4:00pm

Through the three projects, about **US\$ 38 million** will be invested over the 13 years of the contract agreement, promoting better use of public spaces at night — especially in historical places — bringing better structure to the urban centers, more security for the population, improving services and promoting financial savings for the municipalities.

The project was developed with technical advice from the IFC and CAIXA, in close coordination with the Investment Partnership Program (PPI) and the Civil House. The studies also had advice and financial support from the Concessions and Partnerships Support Fund (FEP Caixa), the World Bank, and the Global Infrastructure Facility (GIF). The project structuring has also benefited from the technical/financial consultancy provided by EY and the legal advisory from Manesco, Ramires, Perez, and Azevedo Marques.

This working group has acquired great experience from structuring Street Lighting PPP and, in order to further enhance the expansion of the sector and reduce transaction costs, included a few innovations in this second round, such as:

- **Replication on a National Scale and Document Standardization:** Standardization of the Bidding Documents (Request for Proposal, Contract Agreement and Annexes), including all Reports, Presentations, Financial Model, Work Plans and Communication, etc. This measure aims to reduce the project structuring timeline and simplify replication on a national scale, which is necessary given the massive pipeline ahead. CAIXA already has 37 Street Lighting projects in its portfolio and, recently, has concluded an expression of interest process approving: (i) 107 additional municipalities, including five capitals; and (ii) 36 municipal consortia, which altogether comprise around 270 municipalities.
- **Reducing Paperwork:** To reduce the paperwork; specific project-related information was included in RfP's Appendix, Glossary, where all the definitions are added.
- **Contract Management Simplification:** To ensure that municipalities can manage PPP contracts, regardless of size and technical capacity, the team simplified contractual

management through "self-management" procedures, such as reducing interactions between the Parties, through the adoption of "tacit acceptances" for the issues formulated.

- **Knowledge Transfer:** In collaboration with the World Bank, a training program is being carried out for CAIXA's team, in order to improve its technical capacity to replicate projects on a national scale. Also, after Request for Proposal publication of each project, specific training will be conducted for the municipalities, to ensure their readiness and technical capacity to manage the PPP contract agreement.
- **Crosswalks and Bike Lanes:** To increase the safety of pedestrians and cyclists, Street Lighting projects for crosswalks and bike lanes were included in the scope of the PPP.
- **Monthly Early Termination Payment:** Projects also provide monthly installments payment mode in early termination scenarios. Therefore, the concessionaire may choose to either (i) receive the monthly installments; or (ii) securitize these receivables to a financial institution and receive the amount of the indemnity in cash.
- **Payment Mechanism Changes to Cover the Expansion of the Street Lighting Network:** In comparison with the first round, a more flexible compensation system is provided where the concessionaire receives an upfront payment for installation of additional Street Lighting points as requested by the Granting Authority; while the additional costs to maintain this Street Lighting point are balanced and included on the Availability Payment for operating expenses (OPEX).
- **Ancillary Revenue:** In previous projects, the concessionaire had to request the Granting Authority the right to exploit a particular service; and negotiate the percentage of its revenue that would be shared. This process is lengthy and highly technical, and most municipalities lack the capability to handle it. For the new projects a few services are pre-authorized, as well as the respective revenue share percentages defined in the contract agreement according to the type of service explored.

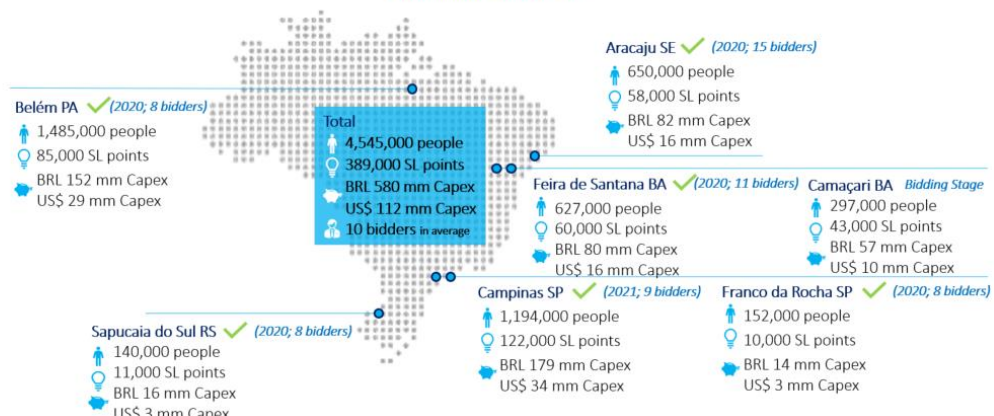
## Additional Information

### 1<sup>st</sup> round

✓ *Tendered (year; # of bidders)*

#### Projects

The Program began in July 2019 comprising **6 successfully tendered transactions**: Aracaju (Sergipe), Belém (Pará), Campinas (São Paulo), Feira de Santana (Bahia), Franco da Rocha (São Paulo) and Sapucaia do Sul (Rio Grande do Sul); and **1 transaction at bidding stage**: Camaçari (Bahia).



## 2<sup>nd</sup> round

✓ *Public Consultation  
already published*

### Projects

The program started in November 2021 and including the Setup Phase aims to benefit 2 million people in a short time including sustainable initiatives and improvements from previous auctions.

