

Project Factsheet

1. General Information:

- Name: **PPP for Urban Solid Residues**
- Management Organ: Secretariat of State for Regional Development, Urban Policies and Metropolitan Management (SEDRU)
- Signature Date: July 3rd, 2014
- Contract term: 30 years
- Total of private investments: USD 159,4 millions

2. Project Description:

In Brazil, the solid waste management is a municipality obligation, although great part of the municipalities disposes its urban solid residues in inappropriate areas, burying it inappropriately. This habit generates extremely severe environmental, social and economical impacts affecting the municipalities and its surroundings. Because of that, it is essential to think about an efficient management, economically suitable and integrated between municipalities, capable of taking good care of the environment and of the life quality.

The goal established by the National Policy for Solids Residues (PNRS) states that the disposal for solids residues in inappropriate areas should be eliminated by 2014. On account of the high cost, municipalities, especially small ones, won't achieve this purpose without a consolidation of interests and actions. The PPP for Urban Solids Residues was modeling thinking in an integrated solid waste management, though the agreement signed between the Government of Minas Gerais and forty-three (43) municipalities in the Metropolitan Region and Metropolitan Belt, aiming to generate returns of scale, making possible the implementation of adequate infrastructure, allowing a reduction of costs in the whole process.

Beyond the agreements signed between the Minas Gerais State and these municipalities, a contract was signed between the State and the private sector, in order to act together throughout a Public Private Partnership for a period of thirty (30) years, for the exploitation, by administrative concession, of the transshipment, treatment and final disposal services for urban solids residues in the municipalities that have signed the agreements terms, located in the Belo Horizonte metropolitan region and metropolitan belt.

This PPP contract, signed by the State Government and the concessionaire "Consórcio Metropolitano de Tratamento de Resíduos" (englobes the follow companies: Vital Engenharia Ambiental, Revita Engenharia and Construtora Barbosa Mello), transfers to the private initiative the tasks related to the implementation and the execution of the services of transport, storage, environmental treatment and final disposal of waste. The

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partner remuneration, in turn, depends on performance indicators, in order to ensure substantial results and the quality of the services delivered. The private sector is stimulated to use new waste treatment technologies with the possibility of obtaining an extra income through the energy exploitation of the treated material, reducing the volume of buried waste and bringing more benefits to the local economy and to the environment.

The state of Minas Gerais is responsible for the payments of the concessionaire, supervising and monitoring the performance of the contract obligations. On the other hand, each municipality will still be hold responsible for the domestic waste collection door to door but always prioritizing the selective collection and recycling associations. The state Government established goals and incentives for those that increase the covering of selective collection, appropriate transport and collect of the waste to the transshipment stations or directly to the treatment center.

Therefore, this PPP contract is an innovative and integrated solution to solve waste management issues that threaten the environment of the municipalities and, because of that, it is also an example of good practice for others governments that suffer with similar problems.

3. Public Payment:

The public payment to the concessionaire is divided in two installments:

- (1) Monthly Installment Payment: portion paid from the beginning of service rendering, that includes the transshipment, treatment and final disposition services for urban solids residues. The Monthly Installment Payment value is proportional to the solid waste amount effective intended, per lot and per month. The value per tons intended is:
 - Tons per day value (Lot 1): USD 23.14
 - Tons per day value (Lot 2): USD 25.39
- (2) Annual Complementary Payment: portion paid after twelve (12) months from the beginning of the service rendering. This portion will just be paid if the amount of solid waste effective intended to the concessionaire is above 70% of the annual estimative of the demand established on the contract.

4. Performance Indicators:

In order to measure the performance of the concessionaire, the terms and conditions of the bidding set the following indicators to assess its performance, which directly affect the remuneration to be paid by the Government:

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- (i) Index Processing Stations Transshipment (ET): measuring the amount received of municipal solid waste in relation to their total capacity and also the time that they remained there, which must be less than the limit of 72 hours;
- (ii) Index Waste Reduction Grounded: measuring the amount of municipal solid waste disposed appropriately at landfill sanitary, in relation to the amount of solid waste intended;
- (iii) Index of Availability of Final Destination: measuring the amount of municipal solid waste treated indeed and disposed appropriately compared to the amount of solid waste delivered to the dealership.

Those indicators aim to motivate the concessionaire to promote other alternative ways to solve disposal of waste problems, as stimulating, for example, the power generation from solid waste.

5. Total of private investments estimated: USD 159.4 million.

6. Government Financials guarantees: Total Amount of USD 27.7 million, including at least USD 6.41 millions in government bonds.

7. Others Project highlights:

- One of the main objectives of this PPP is to fulfill the National Police for Solids Residues (PNRS), which states that the disposal of solids residues in inappropriate areas should be eliminated by August 2014.
- The PPP contract establishes that the concessionaire has one year to build the transshipment station and two years to construct the central station for solid waste treatment, considering the contract signature date. The service rendering begins after the first year, when the transshipment station is ready to operate, staying on concessionaire responsibility the treatment and final disposal of urban waste solid.
- In return to the state financial support, the municipality will be responsible for implementing the selective collection with the socio-productive inclusion of recycling garbage collectors organizations, ensuring, in addition to environmental issues, the social bias of the project.
- The payment mechanism was built thinking in order to incentive the concessionaire to build new technologies and infrastructure in order to treat the solids residues which could be transformed in inputs with energy exploitation. The volume of waste that could not be of good use will be disposed in appropriate areas, called Sanitary Landfills, which will be gradually deactivated over the 30 years of concession.
- The PPP attends three (3) million people and forty-three (43) municipalities of Belo Horizonte Metropolitan Belt.