



BDMG

Infrastructure Financing and PPP Projects

Regional Development Group of PPPs in Latin America

MAY 21, 2019

Banco de Desenvolvimento de Minas Gerais (BDMG) is a state controlled company whose mission is to promote economic and social development in the State of Minas Gerais



BDMG was **founded in 1962**.

Its primary purpose is promoting the state's economic, financial, and social development in a sustainable way, being focused on generating **opportunities and sustainable regional growth**.

Its programs, such as "**Sustainability**" and "**Innovation**", are supported by the bank's intentional action.

Financial agent (on-lending) of **BNDES, Funcafé, Finep, Fundação Renova**, and **BNB**, among other Brazilian institutions.

Also, BDMG is the financial agent for the state's **Development Funds**.

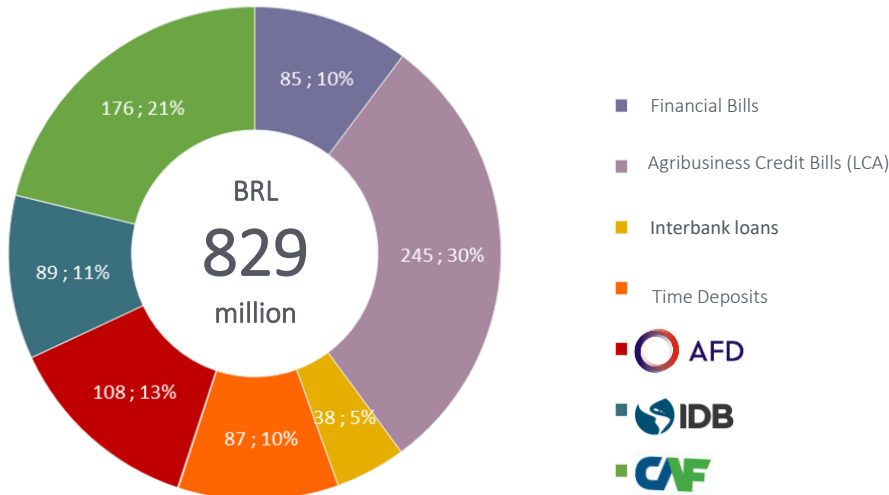
Portfolio of **21,908 clients** in all regions of Minas Gerais: from small entrepreneurs to large companies, from rural producers to municipalities.

USD 1,7 billion in total assets and 25% total equity/total assets ratio.

BDMG has extensive experience with:

International funding:

45% of its funding* is from AFD, IDB and CAF



Value marked to market (MtM)
(In BRL million and %), Mar. 2019.

* Funding, except on-lending.

On-lending:

BDMG has several on-lending partners and a long track record, with a current balance over BRL 3 billion



Infrastructure Financing and PPP projects

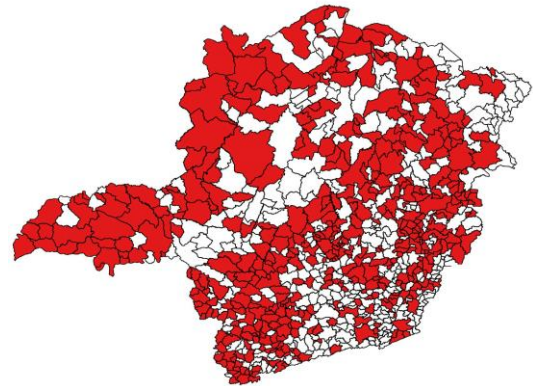
Infrastructure Financing

BDMG supports municipalities with technical assistance for structuring and approving their projects, as well as providing loans for their execution

The most common areas are:

Water supply and sanitation systems, solid waste collection and management, urban infrastructure, purchase of machinery, equipment, institutional modernization, and school buses.

BDMG also finances infrastructure providers.



445

Municipalities in BDMG's
portfolio in 1Q 2019

Infrastructure Financing and PPP projects

PPP

BDMG coordinates technical, legal, economic and financial modeling in bidding processes for major projects

Projects undertaken recently:

- Expansion of water distribution networks and sewage systems
- Operation of state parks
- Road monitoring
- School's construction and operation
- Tourist attractions



Regional Development Group of
PPPs in Latin America

Structuring sub-group – Report of last meeting

Priority 1: Define the role of the PPP unit within NDBs

Discuss topics including: What’s the main role of a dedicated unit to the structuring of a PPP? What is a PPP? How to make the PPP unit financially sustainable? How to support subnational governments? Other topics include: different stakeholders’ perception, small projects and sector diversification.

Priority 2: The mitigation and efficient allocation of risks in a PPP project

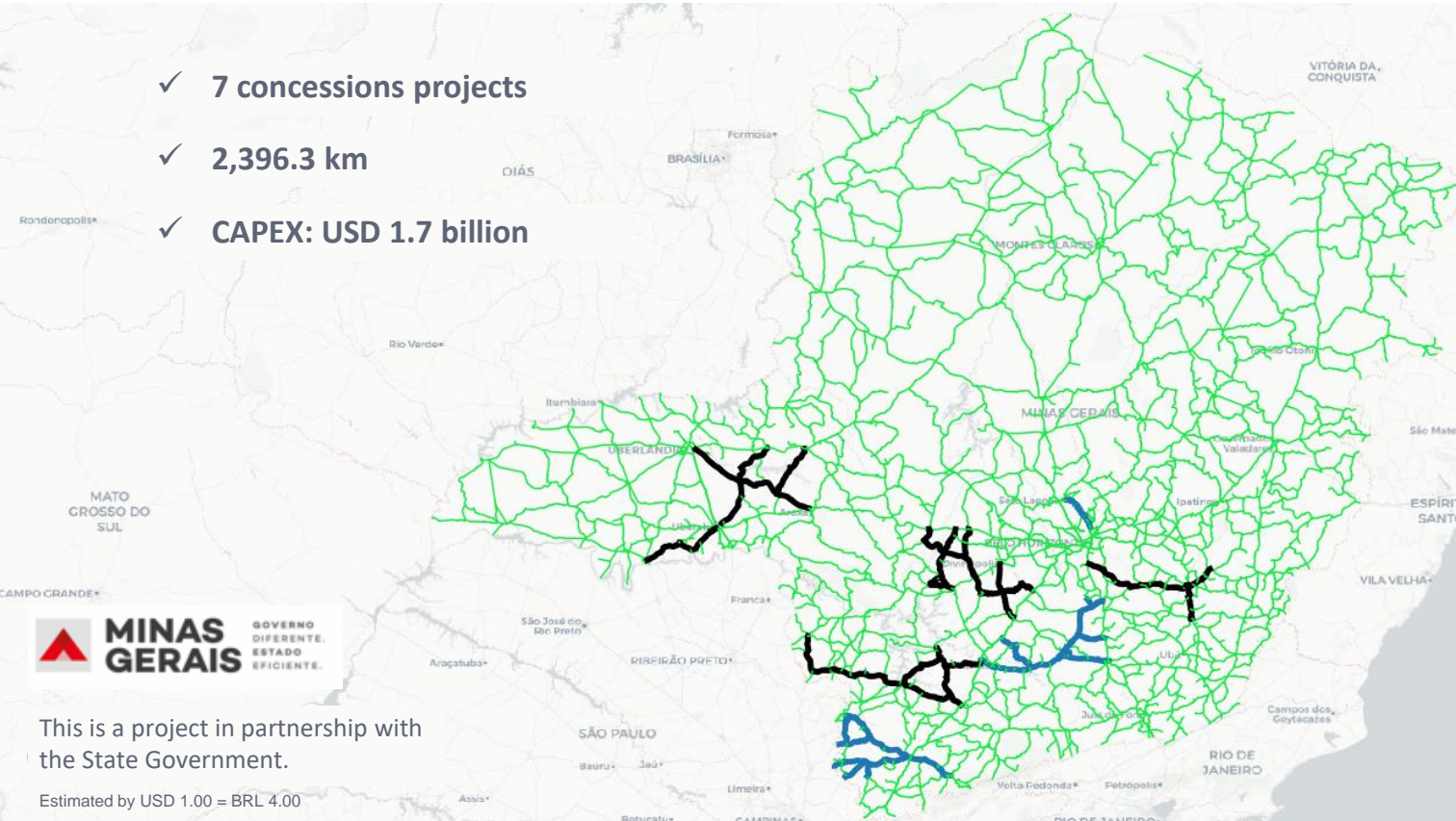
How to make a good Value for Money study? How to evaluate, prioritize, assign, and assess risks?

WORK PLAN

Objectives	Activities	Product
Role of PPP	Benchmarking – PPP definition and key responsibilities of a PPP unit	Best practices report
	Compilation of experiences in financial sustainability of PPP units	Best practices report
	Discuss experiences in Brazil with subnational governments	Presentation
	Discuss the experience in Mexico on sector diversification	Presentation
Evaluation, Assignment, Mitigation and Risk Assessment	Share specific strategies based on the Global Infrastructure Hub methodology	Link with the methodology
	Risks assessment workshop	Consulting

Road Concessions – Overview

- ✓ 7 concessions projects
- ✓ 2,396.3 km
- ✓ CAPEX: USD 1.7 billion



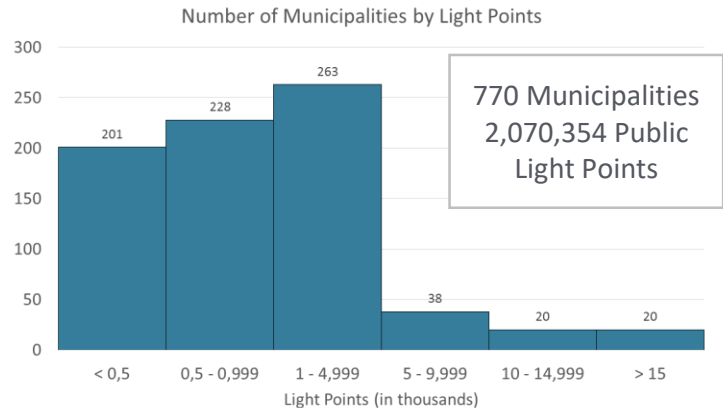
This is a project in partnership with the State Government.

Estimated by USD 1.00 = BRL 4.00

Public lighting

Minas Gerais has over **2 million** public light points¹

Structuring a **standardized contract and regulation framework** can improve the **viability of small projects**, making possible for municipalities under 10,000 light points to sign PPP contracts.



ESTIMATED CAPEX: USD 1.05 Billion²

¹ Information refers to the 775 municipalities where CEMIG was responsible for public lighting up to Dec/2014.

² Approximate value, considering CAPEX as BRL 2,000 per public light point and USD 1.00 = BRL 3.89.

Financing for municipalities

Currently:

- ✓ BDMG has active loan contracts with **445 municipalities**;
- ✓ These loans are generally limited to USD 1.25 million per municipality;
- ✓ There is a **open call for proposals** with a budget of USD 50 million;

Eligible projects: social infrastructure, energy efficiency, solar panels, sanitation, solid waste management, machinery and equipment, etc.

What we are looking to develop with partners:

- ✓ Extra funding to extend the financing for municipalities program to **larger projects and more municipalities**;
 - BDMG has already identified eligible projects and interested municipalities that require larger sums;
 - BDMG is permanently in touch with mayors and has a long track record in helping municipalities in structuring and monitoring their projects.
- ✓ **Strategic partners** for PPPs, focusing public lighting projects in Minas Gerais;
- ✓ Funding for new products for private companies on sustainability and innovation.



**MINAS
GERAIS**

GOVERNO
DIFERENTE.
ESTADO
EFICIENTE.