



BRAZIL

New Model for Road Concessions

GIF FUNDING & LEVERAGE

GIF Project Preparation
and Structuring Activity:

\$7 million

Potential Private Investment
Mobilized:

\$4.2 billion

GIF is supporting the Brazilian Government in its first phase of transition towards a new highway concession model with the concessioning of four key highways, aiming to improve project bankability during a challenging fiscal context, enhancing local and international competition for the transactions and encouraging entry of capital market financing. The transactions will provide the basis for full implementation of the new model which seeks to provide an affordable, bankable standardized approach for over 10,000 km of the wider federal highway network.

EXPECTED PROJECT OUTCOMES

- ◆ Provide a sustainable, affordable procurement solution to deliver adequate road capacity and levels of service over at least 2,135 km of federal highway
- ◆ Improve service quality for an estimated 224,000 daily users
- ◆ Mobilize financing of up to \$8.3 billion, with at least 50% expected from private financiers

TECHNICAL PARTNERS

BACKGROUND

Brazil's 20-year-old federal road concession program encompasses 11,800 km of roads managed by more than 20 private concessionaires across the country. Three of these concessions will reach the end of their terms in 2021, and one additional concession needs to be re-let due to a failed procurement. The Federal Government is using this opportunity to take a first step that enables a wider relaunch of a more standardized and policy driven concession model in a way that allows private investment to be mobilized across the network and not just on sections with high demand. As such, these first for transactions seek to:

- ◆ Facilitate entry into the Brazilian highway market by operators and financiers not previously involved in the sector through an international competitive and transparent bidding process.
- ◆ Evaluate possibility of using a policy set tariff rather than the tariff resulting from the bidding process
- ◆ Introduce road management innovation features to the benefit of the road users, including, for example, multi-lane free flow tolling.
- ◆ Promote the transfer of knowledge to government officials to increase their project preparation capacity.

All four roads included in this first pilot have a strong history of traffic and toll revenues. The new concessions aim to generate well-managed and well-maintained roads in the Southeast region of the country, where the major economic activity of Brazil is located, as well as enhance connectivity between the Mid-West and Northern parts of the country.

PROJECT FEATURES

The WB and IFC requested GIF support to advise Brazil's Logistics and Planning state-owned company (EPL) and the Secretary of Investment Partnerships Program (PPI) in

the structuring and promotion of the reconcessioning of four highways, totaling 2,135km. The first phase of project feasibility and structuring will include traffic & revenue, engineering, environmental, social and legal studies, financial modeling and design of the transaction structure. The second phase will include the implementation of the bidding process through to contractual close. IFC's involvement seeks to help the Government attract a wider pool of investors than in previous concession processes, enhance bankability and secure improved levels of service compared to the previous rounds of concessions. In parallel, the WB will work with the BNDES procured future concession model study to provide policy based support that helps ensure these transactions provide a stepping stone to the government's planned new concession model.

WHY GIF

GIF will add value by providing the financial, coordination and internationally recognized technical support resources necessary to implement the listed transactions in a way that provides the Federal government of Brazil with the ability to then continue implementing the model across their network. GIF is one of the few project preparation facilities available that can provide the quantum of financial resources required. By financing both IFC and WB support, GIF brings together a complete solution for the Brazilian Government: in the short term, it mobilizes private capital in a more effective manner, while in the long-term ensuring that the legacy of the work will allow for increased participation by the private sector in the delivery of a sustainable and complete highway network. support from GIF in the coordination between the multilaterals involved and between levels of government.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.