IFC International Finance Corporation WORLD BANK GROUP

PPP PROJECT BRIEFS

Brazil: SABESP Water Utility

Privatizing the largest water utility in the Americas to reach universal access across São Paulo State.



28M

PEOPLE SERVED

with water; 25M with sewage

$2.7B

RAISED IN JULY 2024

largest global utilities offering

371

MUNICIPALITIES

under one regionalized contract

2029

UNIVERSAL ACCESS

four years ahead of target

SABESP is the largest water utility in the Americas, serving over 28 million people with water and 25 million with sewage services across the state of São Paulo. Despite its scale, the state-owned company faced deep structural challenges: a lack of investment in rural and informal areas left millions unserved, water losses reached 30%, and untreated sewage was discharged directly into rivers and key drinking water sources.

In April 2023, under Brazil's 2020 legal framework for sanitation, the Government of São Paulo State engaged IFC to develop SABESP's privatization model and run a follow-on public offering to attract a strategic investor. In July 2024 the deal closed, raising USD 2.7 billion — the largest global utilities offering and largest Latin American stock sale of the year — pairing a strategic stake for Equatorial with a widely distributed public tranche.

THE CHALLENGE

Coverage gaps

Service still had to reach national goals of 99% water, 90% wastewater collection and 90% treatment.

Water losses

SABESP lost 30% of its water — above the 25% national target.

Droughts and floods

Drought shutoffs and flood-driven infrastructure collapse disrupted supply.

Polluted sources

Untreated sewage went into rivers that double as drinking water sources.

2033 deadline

Universal access was out of reach on SABESP's existing trajectory.

IFC'S ROLE

1. **Structure the Transaction**
   IFC's Corporate Transaction Advisory team signed a mandate with the State and structured the whole transaction over 15 months.
2. **Redesign the Business Model**
   Designed SABESP's governance structure and bylaws, an investment strategy for universalization, and a modern regulatory framework.
3. **Create a Regionalized Contract**
   Brazil's first regionalized concession — 371 municipalities under one contract, tariffs tied to completed investments, and a trust fund to mitigate fee increases.
4. **Build Consensus**
   Over 1,000 meetings across the 371 municipalities and 150+ investor meetings secured approval of the unified contract.

TRANSACTION STRUCTURE

More than a share sale: a full overhaul of SABESP's business model under a new concession aligned with the New Legal Framework for Sanitation — universal access four years early, service extended to rural and informal urban areas, and lower tariffs for the most vulnerable.

New Concession & Regulation → **Follow-On Public Offering** → **Strategic Investor (Equatorial)** → **Universal Water & Sanitation**

- A binding obligation to invest USD 48 billion by 2060, with USD 12 billion for universal basic sanitation in the concession area by 2029.
- A subsidy mechanism leverages privatization proceeds to hold tariffs at sustainable levels while funding the capital program.
- A direct, enforceable link between private returns and public benefit across the contract's duration.

Bidding: the July 2024 share sale raised USD 2.7 billion for the state — the largest global utilities offering and largest Latin American stock sale of the year. Equatorial Energia was selected as anchor investor for its utility operating expertise across Brazil.

KEY OUTCOMES

USD 2.7B
private investment mobilized; share price nearly doubled since April 2024

10 million
previously unserved, connected 2024–2029: 99% water, 90% sewer

1B liters
saved over five years, funding a major river cleanup program

7,000 cases
gastrointestinal hospitalizations prevented each year

10% lower
user bills post-sale, with a trust fund absorbing tariff pressure

A model
statutory ESG committee and reformed regulation, replicable across the region

DEAL COMPLETED — July 2024 — USD 2.7 billion follow-on offering, with Equatorial Energia as anchor investor.

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