



Public-Private Partnership Impact Stories

Brazil: Federal Highway Concessions



Brazil's road network is the backbone of one of the world's largest economies but requires significant investment to ensure it remains safe for the transport of cargo and passengers. The Federal Government of Brazil recognized that public resources alone could not meet the scale of investment needed — and that attracting credible private capital would require a fundamental rethinking of how concession contracts were structured.

In 2017, IFC began advising the Government on innovative contracting approaches for federal highway development. Originally covering approximately 2,000km of roads in three Brazilian states, IFC's advisory mandate has since grown to encompass more than 6,000km of roads across six states. Together, these transactions are expected to mobilize a combined \$24 billion in private investment and create an estimated 400,000 jobs through construction and operations.

IFC Transaction Advisory worked alongside the Federal Government of Brazil and its infrastructure vehicle, Infra SA, on this project. The project was structured with the financial support of PSPInfra, a partnership between the Brazilian Development Bank (BNDES), the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC) to improve the offer of public services in Brazil through the development of infrastructure with the participation of the private sector. IFC also extends its thanks to the Global Infrastructure Facility for supporting this project.

This series provides an overview of public-private partnership stories in various infrastructure sectors where IFC was the lead advisor.

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IFC'S ROLE

The Federal Government engaged IFC to help design a new generation of highway concession contracts to attract greater interest from the private sector. Drawing on its global advisory experience across infrastructure markets, IFC worked alongside the government and its infrastructure vehicle, Infra SA, to rethink the auction mechanics, risk allocation framework, and regulatory architecture underpinning the program.

IFC's mandate was to develop a model that would attract serious, long-term investors; protect the government from opportunistic bidding; and deliver meaningful improvements in service quality, road safety, and user experience, all while maintaining fiscal discipline and regulatory predictability.

TRANSACTION STRUCTURE

IFC helped the government introduce a hybrid auction design that represented a significant departure from previous practice in Brazil. Rather than awarding contracts solely on the basis of the lowest proposed tariff, the new model combines tariff discounts with a capital contribution curve — a mechanism that evaluates the financial sustainability over the full life of the concession and filters out bids unlikely to be delivered as promised.

To protect concessionaries and the government from macroeconomic volatility, the framework incorporates hedging provisions against exchange rate fluctuations and input cost spikes, as well as mandatory reserve accounts to facilitate economic rebalancing when needed. This risk-sharing architecture reduces the cost of capital and generates more competitive tariffs for users.

The program also marked Brazil's transition to a free-flow tolling system under Law 14.157/2021, eliminating physical toll plazas and associated congestion. Concession contracts also now include climate resilience clauses, the International Road Assessment Program (iRAP) road safety methodology for risk mapping and performance monitoring, and dedicated protocols covering gender-responsive service delivery and grievance redress.

BIDDING

Eleven concession packages were taken to market, covering highways across six Brazilian states. The auctions attracted an average of three bidders per lot, a

level of competitive participation that signaled robust market confidence in the regulatory framework. These auctions generated R\$4.9 billion (approximately USD \$948 million) in concession fees, with an average tariff discount of 13.63% against reference rates.

The October 2025 award of Lots 4 and 5 in Paraná concluded the first federal cycle under the new framework, bringing the total program to approximately 5,979 km of federal highways awarded under the reformed model.

IMPACT

The Federal Highway Program represents the first time Brazil has deployed this level of contractual sophistication at scale in its road sector. By embedding risk-mitigation mechanisms directly into auction design rather than relying on post-award renegotiation, the framework shifts the relationship between the government and private operators onto a more durable and transparent footing.

The model's emphasis on "regulation by contract" — clear, predefined rules that reduce information asymmetry and limit the scope for discretionary intervention — positions Brazil's infrastructure sector in line with global best practices and provides a replicable blueprint for future concession programs nationwide.

EXPECTED POST-TENDER RESULTS

- ~6,000 km of federal highways concessioned across six states
- R\$127 billion (~USD24bn) in contracted private investment over the concession periods
- 400,000 jobs estimated to be created through construction and operations
- R\$6.5 billion (~USD1.25bn) in concession fees generated for the government
- 13.63% average tariff discount against reference rates
- Free-flow tolling deployed across the network, eliminating physical plaza congestion
- iRAP safety methodology adopted for road risk mapping and performance monitoring
- Climate resilience clauses and gender-responsive service protocols embedded in all contracts