

MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:  
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

# Brazil: BA-093 Highway System



## Overview

The BA-093 system located in the state of Bahia, in Northeast Brazil, comprises a series of roads stretching over 126 kilometers. The system was in a severe state of disrepair, as it had never been properly maintained or rehabilitated since it was built since its development in the 1950s. With the combined assistance of the Brazilian Development Bank (BNDES), the Inter-American Development Bank (IDB), and IFC under the aegis of the Private Sector Participation Program (PSP Brazil), the Government of Bahia awarded a 25 year concession contract to The Bahia Norte consortium, composed of Invepar (a subsidiary of OAS Construtora) and Odebrecht.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

## Background

Despite Brazil's size and influence—it is the sixth largest economy in the world and is predicted to become the fourth largest by 2050—the country faces a substantial infrastructure gap that threatens to limit growth and competitiveness. This is especially true for the transport sector.

The BA-093 system located in the state of Bahia, in Northeast Brazil, comprises a series of roads stretching over 126 kilometers. The system connects the entire metropolitan region of Salvador, the capital of the state of Bahia, with the main logistical and industrial hubs of the state, including the airport, the port of Aratu, and three key industrial hubs. In 2010, 60,000 vehicles used these roads each day. The area served by this system includes 17 municipalities, which together account for 56 percent of the gross domestic product (GDP) of the State of Bahia as well as 74 percent of the taxes collected on products.

The BA-093 interstate highway system was in a severe state of disrepair, as it had never been properly maintained or rehabilitated since it was built since its development in the 1950s. Several of the roads had large potholes, forcing drivers to lower their speed or even drive in the opposite lane, resulting in significant increases in accidents and theft. The inadequacy of the network negatively impacted tourism and the local economy—30 to 40 percent of exports had to be rerouted to ports out-of-state.

## Project Description

The concession of the BA093 highway system became the first PPP to be structured for an entire highway system, the first to encompass an entire metropolitan area, and the first to adhere to the Equator Principles, guaranteeing that the project will be developed in an environmentally and socially sustainable manner. The project was structured as a concession, transferring the investment responsibility for rehabilitation, maintenance, and expansion of the road network to the private partner for a period of 25 years. The Bahia

Norte consortium, composed of Invepar (a subsidiary of OAS Construtora) and Odebrecht, won the bid with a tariff of R\$2.32 per axle, a discount of 31 percent over the base price of R\$3.35

## Multilateral Development Banks' Role

To develop infrastructure that will allow Brazil to achieve its promise, the Brazilian Development Bank (BNDES), the Inter-American Development Bank (IDB), and IFC collaborated to create the Private Sector Participation Program (PSP Brazil) in 2008. PSP Brazil acted as the Lead Advisor to the Government of Bahia on the project. The team advised on the structuring of the concession—including the engineering, environmental, social, and viability studies—as well as developed the financial model and drafted the tender documents and concession contract. The team also handled the market studies and road show, and advised the government on the bidding, auction, and signing of the concession contract.

## Outcomes

The concession will substantially improve road conditions, reduce accidents and enhance security. The project will mobilize R\$805 million in private investments, which will create a significant number of local jobs. Emergency recovery work on BA-093, BA-535, BA-526, BA-512, BA-521 and BA-524, started immediately after the signing of the concession. It is the first highway concession involving urban tolls, an innovative approach with a high demonstration effect for other states in Brazil.

*For more information please contact:*

*World Bank Group: Nadine Ghannam*

*Email: [Nsghannam@worldbankgroup.org](mailto:Nsghannam@worldbankgroup.org)*

*Inter-American Development Bank: John P. Ferriter*

*Email: [johnfe@iadb.org](mailto:johnfe@iadb.org)*

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