

# Empowering Mobility: World Bank's Historic \$90M Financial Solution for Brazil's Municipal Consortium

## Highlights

- **Historic First - Consortium of Municipalities as Borrower:** For the first time, the World Bank extended a \$90 million loan for a sustainable transport project in Brazil to a Consortium of Municipalities across the Foz do Rio Itajaí Region.
- **Building Financial Capacity:** Treasury supported the Transport Global Practice in aligning the financial strategies of 11 different municipalities<sup>1</sup>, building capacity, and securing legislation.
- **A Model for Addressing Complex Regional Governance Structures:** The Project provides a model for how World Bank financing can help regions tackle complex infrastructure challenges.

## Background

The Foz do Rio Itajaí region, one of the fastest-growing areas in Brazil, and a tourism hub, lacks an integrated public transport system. Distributed across 11 municipalities, the region is expected to host 1.1 million inhabitants by 2030. The absence of convenient bus services and accessible fares discourages the use of public transport, and the already high rate of private motor vehicle use keeps growing. As congestion surges, public transport services become less frequent and more unreliable, their operating costs go up, and ridership decreases, creating a vicious circle of worsening quality and lower demand. In addition, the region is one of the most vulnerable areas to climate change impacts and extreme weather events. With inadequate roads and drainage systems, heavy rains increase the vulnerability of the transportation system and the tourism sector.

The Consortium of Municipalities of the Foz do Rio Itajaí Region (CIM-AMFRI) recognized the need for a comprehensive solution that would provide them with financial resources and expertise to address the problem independently.



Itajaí-sc, Brazil, [DANILO DE OLIVEIRA](#) / Alamy Stock Photo

Therefore, they partnered with the World Bank for the [Foz do Rio Itajaí Region Integrated Sustainable Mobility \(PROMOBIS\) Project \(P178557\)](#). And the World Bank Transport Team for Brazil led the design and supported the implementation of the project.

However, aligning the financial strategies of 11 different municipalities and securing the necessary funding posed a significant challenge. In Brazil, the federal government only constitutes a small portion of the World Bank loans, with more than 45 subnational borrowers accounting for 89 percent of the borrowing. Therefore, those sub-national entities negotiate the terms and conditions of each World Bank project independently and ask the Federal government for a sovereign guarantee. For the PROMOBIS project, however, the borrower was a unique entity, a consortium of eleven municipalities, each with their financial policy and fiscal constraints and no history of borrowing from the World Bank. There was a significant need for capacity building and tailoring the loan according to municipalities' needs.

## Financial Objectives

- **Debt Management Alignment:** Ensure that the financial strategies of the three main municipalities taking the Loan and the other eight contributing to

<sup>1</sup> The Municipalities of the Foz do Rio Itajaí Region comprise Balneário Camboriú, Balneário Piçarras, Bombinhas, Camboriú, 22 July 2025

Ilhota, Itajaí, Itapema, Luiz Alves, Navegantes, Penha, and Porto Belo.

the Mobility Fund are aligned to facilitate a cohesive borrowing plan.

- Optimize access to financing at the best possible terms and conditions.

## Financial Solution and Outcomes

The IBRD Flexible Loan (IFL) is the leading loan product of the World Bank for public sector borrowers, including sovereigns, state-owned enterprises, and subnational entities, and in this case, a Consortium of Municipalities.

It offers long maturities, up to 35 years, market-based interest rates reflecting IBRD's triple-A credit rating, flexibility to tailor repayment terms, and embedded tools to manage currency or interest rate risk over the life of the loan.

The World Bank Treasury devised a comprehensive financial solution to address the consortium's needs.

The approach began with remote missions to understand each municipality's debt management strategy and borrowing capability.

This was followed by running multiple financial simulations for the Consortium to share with the municipal administrations until the authorities were assured that the simulations fit their payment needs.

Treasury also participated in a workshop involving mayors, municipal secretaries of planning and budget, as well as representatives and advisors from the municipal assemblies to align them with the project's financial requirements. Given that each municipality has its own legislative chamber and assembly, and that legislators were accustomed to approving legislation for smaller-scale projects, it was crucial for them to fully understand the operation, including its terms and conditions. This ensured the necessary legislation could be passed by municipalities' assemblies to support the loan application for this large-scale transformative project.

On April 12, 2024, the Bank approved a \$90 million loan for CIM - AMFRI (Foz do Rio Itajaí Region Consortium of Municipalities) as the borrower on behalf of the three main municipalities of the Region (Balneário Camboriú, Itajaí, and Navegantes). The three municipalities commit to repay the loan, while the remaining eight will finance a mobility fund based on agreed apportionment. The consortium will be responsible for implementing the project. The project is expected to significantly improve transportation infrastructure, reduce congestion, better

address climate-resilient infrastructure needs, and enhance economic growth in the region.

## World Bank's Role

The World Bank Treasury, in collaboration with Brazil's Transport Global Practice, the Country Management Unit, Legal, and Finance & Accounting (WFA), played a pivotal role in this financial transaction.

- The Transport Global Practice team led the design and implementation of the project,
- The Treasury team supported the financial terms:
  - ✓ Understood the unique debt management structure and capabilities of the subnational entities;
  - ✓ Built capacity for using the IBRD Flexible Loan (IFL) among municipal-level borrowers and legislators to enable informed decision-making and to approve the authorizing laws;
  - ✓ Provided financial simulations to ensure they were tailored to the municipalities' needs;
  - ✓ Structured the financial terms of the loan so that the grace period allows the consortium to fully disburse the funds before repayment begins while maintaining an average repayment maturity under 15 years to optimize costs;
  - ✓ Supported the conversations between the consortium and the guarantor.
- The legal team assisted in navigating the complex and innovative legislative process for the first time.

This collaborative effort ensured that the Consortium had the financial resources and support necessary to achieve its objectives, demonstrating the World Bank's commitment to fostering sustainable development through innovative financial solutions.

### Summary of Financial Terms

Approval Date	April 12, 2024
Amount	\$90 million
Term	22 years
Grace period	7 years
Structure	Amortizing

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