

BRAZILIAN INFRASTRUCTURE INVESTMENT FUND

SENIOR LOAN

(BR - L1011)

PROJECT ABSTRACT

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| Project Number: | BR – L1011 |
| Project Name: | Brazil Infrastructure Investment Fund |
| Country: | Brazil |
| The Borrower: | Brazil Infrastructure Investment Fund |
| Total Facility Amount: | Up to US\$75 million |
| IDB Participation: | IDB Senior Loan: Up to US\$75 million |
| Department: | Private Sector Department |

The IDB is contemplating the formation of a US\$575 million infrastructure investment fund in local currency (Brazilian Reais) in which it will also participate with a US\$75 million senior loan. The Brazil Infrastructure Investment Fund (“BIIF” or the “Fund”) will be a mixed debt-equity fund designed to invest primarily in private sector infrastructure projects and public utility companies (energy, transport, telecommunications, water and sanitation, etc.) including green-field projects, corporate capital expenditures for capacity expansion and in some cases the debt restructuring of existing companies. The Fund would promote investments in projects and companies that meet economic development, credit and other eligibility criteria satisfactory to the IDB.

The need for the Fund is based on the proven lack of long-term debt financing in Brazil. The Fund will capture savings provided by pension funds in Brazil (which between them have US\$ 73 billion equivalent in Reais invested) and address their need for long-term investment options. The Fund also aims to obtain a long-term return for its investors that beats that of long-term investments currently available in Brazil. It is expected that these investors will contribute the Reais equivalent of US\$ 500 million in capital to the Fund.

Capital (equity) provided by institutional investors will be evidenced by quotas. These quotas can either be senior or subordinated. The senior quotas will take on the form of senior debt and be amortized during the life of the Fund, earning a pre-established (but not guaranteed) return. The subordinated quotas will act more like equity, earning dividends during the life of the fund when cash flows permit after the amortization of senior debt and the senior quotas, but will only realize their total value upon the sale of investments at the end of the life of the Fund. Note that from the point of view of the investor and Brazilian regulatory authorities, the quotas are equity investments.

It is expected that the BIIF will invest in approximately 15 different projects or businesses. The Fund will follow concentration limits and diversification guidelines with

respect to type of industry as well as type of financing offered and exposure to a single project or company, always following eligibility criteria determined in the Fund By-laws and approved by the IDB.

The BIIF will be managed by an independently selected Fund Manager who may also be expected to contribute capital to the Fund.

The transaction will have a direct infrastructure development impact with respect to the projects financed by the Fund. It will have an impact on the development of financial markets in Brazil by virtue of the new investment vehicle that is being created, and by virtue of its replicability (based on the new regulations that the Fund has already stimulated).

Nothing contained in this document or in the attached materials constitutes an offer to sell or a solicitation of an offer to buy securities. IDB expressly reserves the right to terminate discussions with any party at any time about the proposed loan.

