

Social Infrastructure

How PPPs can change essential public services in Brazil

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With over 200 million people and vast territory, Brazil faces major challenges in delivering health, education, and public safety services. As home to the world's largest public health system and with significant shortage of educational facilities, social infrastructure investments are a key part of the national budget.

Although health and education receive a considerable share of the annual budget through constitutionally mandated investments, current indicators suggest that these sectors face challenges in sufficiently serving the population. Expenditures remain substantial, but efficiency is affected by contractual frameworks that prioritise bureaucracy and internal proceedings over outcomes and accountability.

Over the past decade, public-private partnerships (PPPs) have enabled health, education, and public safety services to use concession models without charging user fees. Previously, concessions relied on user payments, which conflicted with free access principles, but PPPs allow funding through government payments instead of tariffs or as a complementary source of revenues.

The first (successful) example of a healthcare PPP was the concession of the Hospital do Subúrbio in Salvador, a project that, due to its novelty and success, received several international awards. The improvement in service quality was recognized by the population, which began to use the hospital massively. This even led to a revision of performance targets to accommodate the significant increase in demand. In the education sector, the basic education PPP in Belo Horizonte was also successful, with an increase in the number of units managed by the private partner.

Although early projects were successful, healthcare and education initially saw fewer new contracts than anticipated. Recently, interest from all government levels has risen, leading to new agreements, including those for the Souza Aguiar Hospital in Rio de Janeiro and education facilities in São Paulo.

In the coming months, new projects are expected — currently under development, especially by BNDES (Brazilian Development Bank) and multilateral organizations. Recently, the State of Minas Gerais published the bidding documents for the HoPE Complex, an innovative initiative that combines hospital services and the state central laboratory (Lacen) in a single contract. TozziniFreire supported the IFC and the Government of Minas Gerais in structuring this project, which marks progress in key areas such as distinguishing between technological updates and innovations, and allowing the public authority and private partner to explore public business opportunities without compromising free and universal access.

The gap in social infrastructure projects enabled new initiatives to benefit from past PPP experiences. Contractual terms for concessions have improved significantly over earlier projects. Lessons learned from other sectors can help healthcare and education improve their own models.

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Looking ahead, the increase in projects will bring additional challenges in funding and guarantees. The good news is that healthcare, education, and public safety have access to special funds, some of which are constitutionally mandated, allowing access to significant resources with greater liquidity and legal certainty. The National Health Fund and its state counterparts, FUNDEB (Fund for Maintenance and Development of Basic Education), FNDE (Brazilian National Foundation for Educational Development), and FNSP (Brazilian National Public Security Force) are all funds through which earmarked resources flow and could be directed toward payments and guarantees for public obligations in PPP contracts.

The primary issue, however, is the significant uncertainty that remains regarding the use of these funds for such purposes. In certain instances, this uncertainty arises more from ideological resistance and mistrust than from clear legal restrictions. Therefore, it is crucial to consider strategies for accessing these funds with enhanced legal clarity.

To effectively implement the PPP model, sector-specific agencies must become more familiar with its nuances. Although these departments are experts in health, education, and public safety, they often lack experience with concessions. Bridging this gap can lower resistance and help establish PPPs, delivering clear benefits to government, private partners, and, most importantly, service users vital to social development.