



PPP's and the Minimum Value of Contracts

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Law no.13529, published in December 2017, fulfilled an old demand from the market and public bodies: it reduced the minimum value of Public Private Partnership contracts from 20 to 10 million Reals. There had always been a consensus that the original limit, kept unchanged since the law on PPP's was published, hindered the adoption of the model, especially by small and medium-sized municipalities.

Now, with the reduction, there is an expectation that those smaller municipalities will be able to accommodate projects which will be more compatible with their budgetary, financial and infrastructure realities.

This should also ease the path for new models, considering another limitation: the annual indebtedness limit for the global PPP program of each federal state is 5% of the current net annual revenue. That is, the recent amendment allows for a 50% cut in the monthly expenditure with PPP contracts since it has reduced the total minimum value of contract.

Therefore, it should be possible to leverage projects of great relevance for small municipalities, especially in the sectors of water supply and sanitation, mainly for drainage; urban cleaning and waste management (which traditionally do not allow for a fee to be charged); public lighting, and investments in administrative management, such as schools, hospitals and public facilities.

Hence, the amendment of the minimum value of contracts should be welcome by the Public Administration and the market, which may even prepare studies adjusted to the reality municipalities with smaller budgets, but with great investment needs and offer such studies by means of a Procedure of Expressions of Interest (EOI).