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About the Institute for Innovation and Public Purpose

The Institute for Innovation and Public Purpose (IIPP) at University College London (UCL) brings together cutting-edge academic theory with teaching and policy practice, to rethink the role of the state in tackling some of the biggest challenges facing society.

IIPP works with partners to develop a framework which challenges traditional economic thinking, with the goal of creating, nurturing and evaluating public value in order to achieve growth that is more innovation-led, inclusive and sustainable. This requires rethinking the underlying economics that have informed the education of global public servants and the design of government policies.

IIPP's work feeds into innovation and industrial policy, financial reform, institutional change and sustainable development. A key pillar of IIPP's research is its understanding of markets as outcomes of the interactions between different actors. In this context, public policy should not be seen as simply fixing market failures, but also as actively shaping and co-creating markets. Re-focusing and designing public organisations around mission-led, public purpose aims will help tackle the grand challenges facing the 21st century.

IIPP is uniquely structured to ensure that this groundbreaking academic research is harnessed to tackle real world policy challenges. IIPP does this through its high-quality teaching programme, along with its growing global network of partners, and the ambitious policy practice programme.

IIPP is a department within UCL – and part of The Bartlett, ranking number one in the world for architecture and the built environment in the world.

About The Project

The Institute for Innovation and Public Purpose (IIPP) is collaborating with the Ministry of Management and Innovation in Public Services (MGI) to enhance the public sector's capacity to implement Brazil's commitment to sustainable and inclusive economic growth. This transformation requires the government to shift from correcting market failures to shaping markets through a mission-oriented approach. This approach aims to provide a clear direction for innovation, investment, and growth, addressing society-wide challenges. It also necessitates

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Executive summary

Context. The Brazilian Government is committed to an ambitious economic transformation agenda focused on climate change, equity and inclusive growth. Initiatives like the New Growth Acceleration Plan (New PAC), Ecological Transformation Plan (PTE) and New Industrial Policy (NIB) are central to this agenda and they all mention procurement as an important lever.

Current state of public procurement in Brazil. Brazil's public procurement accounts for 16 per cent of GDP, exceeding the 2021 OECD average of 12.9 per cent. Despite a robust legal framework promoting innovation and sustainability, procurement practices remain dominated by efficiency and compliance due to a historical context of corruption. Although innovations like reverse auctions and e-procurement have enhanced competition and transparency, a significant shift towards strategic, mission-oriented procurement is needed.

Legal reforms and challenges. Recent reforms, including the New Public Procurement Law (2021) and the Startups Law (2021), aim to align procurement with broader objectives like sustainable development. However, the practical application of these laws faces barriers such as a risk-averse culture, decentralisation of procurement authorities and limited operational capabilities among procurement agents.

Strategic procurement potential. Public procurement can drive Brazil's economic transformation by shaping markets to align with policy goals. Successful examples include the National School Feeding Program (PNAE) and the Health Economic-Industrial Complex (HEIC), which demonstrate the potential for strategic procurement to support local production and innovation.

Opportunities for mission-oriented procurement. The size and scope of Brazil's public procurement present opportunities for mission-oriented approaches that emphasise public value over mere cost efficiency. Critical elements for success include:

- Intentionality: Shifting from neutral to purposeful procurement practices.
- Adaptability: Embracing uncertainty and flexibility in procurement processes.
- Relational focus: Building collaborative relationships with suppliers based on shared values and long-term goals.
- Risk leadership: Proactively managing risks to drive innovation and transformative change.

Potential changes. To advance mission-oriented procurement, the Government of Brazil could consider designing enabling structures, institutions, and policy tools, aligning public-private collaboration with mission goals, and building the capacity and capabilities required for successful implementation. More specifically, it could consider:

- Establishing a public procurement governance system that facilitates strategic procurement at scale, engaging stakeholders, including state-owned enterprises (SOEs) and subnational governments, in a cohesive national strategy.

- Developing a new framework for defining and measuring public value in procurement processes.
- Strengthening the capacity and capabilities of line ministries to engage in mission-oriented procurement, including through a centralised purchasing body (or public “lab”) that could demonstrate the potential of innovative procurement practices.
- Embedding conditionalities in procurement deals that shape markets in the interest of the

1. Introduction

The Brazilian Government has set forth an ambitious agenda for economic transformation, focused on addressing the ecological transition and prioritising equity and



and was followed by a constant increase in e-procurement. The federal e-procurement system has been also made available to states and local governments and was made compulsory for those organisations executing federal financial resources (Fenili 2023:73).

Reverse auction bids prioritising the lowest price as the primary criterion for awarding

al., 2022). However, the way in which this cost-benefit evaluation will be done can involve some limitations for mission-oriented public procurement (see Section 4.2). In parallel, there was a movement to promote legal improvements to better enable startups to participate in procurement opportunities, which led to the creation of a new form of procurement for open innovation at the **Startups Law** (Law 182/2021).

In sum, in the present legal framework, the lowest price is balanced by other criteria for awarding bids, and different procurement routes are available to procurement agents to shape markets. The New Public Procurement law introduced several new instruments for strategic procurement, the Startups Law paved the way for open innovation procurement, and the Innovation Law allows for the use of pre-commercial procurement and the direct award of the results of the R&D.

The biggest challenge remains leveraging the existing legal framework to implement a more ambitious strategic procurement policy. However, limitations to adopting mission-oriented procurement at scale within the current legal framework may emerge. Even procurement regimes that were designed to be strategic and permissive may contain assumptions that inhibit public value maximisation and mission alignment. For example, while the social value framework adopted in the United Kingdom allows commissioners to consider a wide array of factors beyond price, in practice these factors continue to be peripheral (see Box 2 for more details). The interpretation of legal rules in concrete cases by procurement system agents, including policymakers, procurement agents, and representatives of legal and oversight bodies will define the real limitations of the current legal framework for mission-oriented procurement.

2.3. Whole-of-government strategic procurement policies have not scaled

and working in procurement is seldom seen as a career opportunity. Procurement agents are overwhelmed by the recurrent purchasing of basic products and services and must dedicate a significant part of their time to answering control bodies. In this context, it is difficult to find time for personal development and learning how to promote new procurement practices.

Nevertheless, a few sectoral strategic procurement policies have been implemented successfully. Areas such as defence, aerospace, education (see Box 3) and health (see Box 4) are either big buyers or have the technical knowledge to conduct more strategic procurement (Rauen, 2017). Most of these successful cases were advanced as exemptions to the procurement rules in operation at the time. In the case of the National School Feeding Program, Law 11.947/2009 established that 30 per cent of the financial resources transferred to states and local governments for school meals had to be spent with local family farmers. The same applied in the case of the Health Economic-Industrial Complex, which entered the list of exemptions mandated by Law 12.715/2012.

Box 3. Food procurement at the National School Feeding Program (PNAE)

PNAE is a project of the Brazilian government that provides healthy food to students in public schools, aiming for food security, better learning, and good eating habits. PNAE was established in the 1950s, but since 2009, the programme has mandated that at least 30 per cent of the resources that the National Fund for Education Development (FNDE) transfers to states and local governments must be spent on family farm products. There are also guidelines to prioritise local farmers, indigenous and quilombola communities and sustainable land use practices, such as organics and agroforestry. The law that created this policy also stated that governments would be exempt from establishing a competitive bidding to have a much simpler process to contract family farmers.

Clear financial support and a dedicated organisational structure at FNDE have ensured continuity but, because the program is decentralised, it depends on local governments' capabilities to engage in simple public calls and create a public market for local family farmers. In 2022, 28 per cent of municipalities had still not reached 30 per cent of spending of financial resources with family farmers.

Nevertheless, this use of the food purchasing power of PNAE has already proved successful in fighting rural poverty (Paula et al., 2023). In 2022, school districts spent R\$1.6 billion on products from family farmers, which represents 45 per cent of the total budget of the programme. As of 2024, the federal budget for PNAE is more than R\$5 billion and serves about 40 million students across the country (Painel da Agricultura Familiar do PNAE).

3. Potential for mission-oriented procurement in Brazil

Mission-oriented public procurement has the potential to shape inclusive and sustainable markets in line with Brazil's economic and ecological transformation agenda (Mazzucato, 2023a and 2023b). This approach is founded in a new economics of procurement that prioritises the concept of public value.

"Mission-oriented procurement recognises the critical strategic role that commissioning and procurement can play in shaping markets that align with governments policy goals. It takes a dynamic view of public value, looking not just at the additional social or environmental benefits that a supplier might be able to provide today but at how the contract can best support the objectives and theory of change of a mission." (Mazzucato & Wainwright, 2024)

3.1. Opportunity for mission-oriented procurement in Brazil

The size of Brazil's public procurement budget underscores the opportunity for mission-oriented public procurement that shapes new markets aligned with the country's economic transformation agenda. According to the OECD, the size of Brazilian public procurement (16 per cent for 2021) is greater than the average of OECD countries (12.9 per cent for 2021). In 2021, it also represented 22.7 per cent of total general government expenditures (OECD, 2023) (Figure 2).

Figure 2. General government procurement spending as a percentage of GDP in 2021. Brazil: 16.0% (a), OECD average: 12.9% (b), United States: 11.8% (c), Germany: 11.9% (d), France: 11.9% (e), Japan: 11.9% (f), United Kingdom: 11.9% (g), Canada: 11.9% (h), Australia: 11.9% (i), India: 11.9% (j), China: 11.9% (k), South Korea: 11.9% (l), Mexico: 11.9% (m), Russia: 11.9% (n), Brazil: 16.0% (a).

The potential of procurement to shape inclusive and sustainable markets is even

and sustainable development. These policies, strategies and interministerial commissions show the great opportunity for public procurement, founded in a new economics.

3.2. Towards a new economics of public procurement

Mission-oriented procurement practices demand a new economics of procurement that incorporates the concept of public value (Mazzucato & Wainwright, 2024), encouraging practitioners to focus on mission outcomes, build learning coalitions, foster a diverse ecosystem of suppliers, use strong conditionality mechanisms to structure partnerships with the private sector, and evaluate wider economic outcomes. These shifts require a fundamental rethinking of public procurement, emphasising the need for intentionality, adaptability, relational focus, and courageous leadership. By adopting new economic thinking and implementing the necessary cultural shifts to put it into practice, procurement processes can become more effective and aligned with the broader goals of the commissioning authorities, driving innovation and economic transformation (see Box 7).

A new economics of procurement should be centred around the concept of the “common good” with a view to maximising public value (M-1.3 (e)-6vies5.2f[z.9 14.5 (r)3]1 (on a)-6.6 5 (t)

- **The approach to suppliers and partners needs to move from transactional to relational.** Previously, contracting relationships have predominantly been transactional, focusing on the purchase of agreed deliverables, whether they were inputs, outputs, or outcomes. A public value-oriented approach emphasises the importance of relational aspects, where commissioners select partners based not only on what will be delivered but also on who will be delivering it. Trust and shared values become crucial in this context, fostering long-term, collaborative relationships with providers. This shift promotes a more cohesive and cooperative environment in which mutual understanding and alignment of goals drive success. It is also fundamental to successfully managing uncertainty; if relationships with suppliers are based on delivering 'to the contract', then it will be difficult to provide flexibility when there are (inevitable) changes. However, if they are based on shared values and goals, then there may be more space to flex the delivery model.
- **Finally, there is a need for a shift from risk management to risk leadership.** The traditional approach to risk in procurement focused on minimising risks, particularly those related to efficiency. However, significant advancements often come with uncertainties and potential pitfalls. Embracing risk leadership means recognising that risk is an inherent part of change and innovation. Commissioners should lead with vision, taking calculated risks to drive innovation and transformative change. This proactive stance on risk encourages a culture of experimentation and continuous improvement, which is essential for addressing complex societal issues.

Box 7. Lessons from Camden Mission Incubator

While the London Borough of Camden obviously operates on a very different scale to the Government of Brazil, its recent journey to bring its approach to procurement into alignment with its missions offers useful and broadly relevant insights on how to translate mission-oriented procurement into practice. In 2020, during the COVID pandemic, the Council of the London Borough of Camden and IIPP launched the Camden Renewal Commission to explore how the Borough could respond in the aftermath. The Commission proposed four missions, tested with community groups and residents, that were incorporated into the council's strategy. They were:

- **Diversity:** By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow.
- **Young people:** By 2025, every young person has access to economic opportunity that enables them to be safe and secure.
- **Food:** By 2030, everyone eats well every day with nutritious, affordable, sustainable food.
- **Estates:** By 2030, Camden's estates and their neighbourhoods are healthy, sustainable and unlock creativity.

Committing to a missions-oriented approach has meant that Camden has had to rethink how it works, as well as what it is trying to achieve and the services it provides, including a redesign

of its procurement policy, which was primarily focused on minimising cost and legal risk. The 2013 Public Services (Social Value) Act gave commissioning authorities more flexibility to include social and environmental criteria in their decisions, and to negotiate specific social value commitments from suppliers. However, the commitments secured through the framework are often limited by three factors: they are seen as an add-on, rather than being central to contracts; they lack strategic coherence or alignment with key goals; and they tend to focus on easily quantifiable results (as described in more detail in Box 2).

Given that public procurement is worth, on average, 1e1.455 Td{e cent(n B)-9.2 Od iEohugtiibsu, a

Risk mapping and mitigation is enforced as a priority, placing a burden on civil servants and disincentivising risk taking. Control bodies have pushed for better risk management in the public service and have penalised officials for not being diligent enough. A risk assessment is now obligated by law in every procurement process. Relatedly, risk leadership is not a widespread competency for procurement agents. In contrast, mission-oriented procurement requires dealing with uncertainty, which necessitates adaptability and a greater emphasis on learning.

Shifting to a relational approach with suppliers is also a challenge. There is a culture among procurement officials and legal advisors that denigrates the relationship with the private sector. This is detrimental to industrial policy in particular, which benefits from constructive public-private collaboration and the use of procurement to deliberately shape markets, informed by sound knowledge of the market. Even when officials do have deep knowledge of the actors within an industry, they are often unable to make use of it within the procurement process.

Moreover, the government suffers from low operational capabilities necessary for strategic procurement. Talent attraction and retention, as well as training and valuing procurement agents, are key to implementing a more strategic, mission-oriented approach to public procurement.

4.2. Potential areas of change to advance a mission-oriented approach to procurement

This section outlines preliminary findings on potential changes that the government could consider advancing a mission-oriented approach to procurement. These findings emphasise the importance of designing enabling structures, institutions, and policy tools, aligning public-private collaboration with mission goals, and building the capacity and capabilities required for successful implementation.

The Government of Brazil could consider establishing a governance system to better coordinate strategic procurement at scale. A robust governance structure could enable a whole-of-government approach to the delivery of strategic procurement, leveraging the strengths of decentralised units and centralised purchasing bodies while ensuring alignment with overarching goals. This could be complemented by a coordinated approach to shared learning and capacity building. Specifically, CICS and CIIA-PAC could play a lead role in coordinating the use of the state's purchasing power. This could include working with line ministries and other levels of government to identify target outcomes aligned with overarching missions and to ensure that procurement teams benefit from the specialised human resources needed to achieve those outcomes, for example through deployment of existing resources to where they are most needed, training and recruitment. In parallel, this institutional architecture should also be concerned with creating institutional spaces for collective and transparent decision making to allow for risk-taking in procurement, without opening the door for corruption, and to create confidence in society for these practices.

Moreover, a greater focus would be needed in the professionalisation of procurement agents, such as by introducing competency models. **The government** should be able to attract, retain and develop talent to lead mission-oriented procurement. Finally, this capacity and capabilities also depends on the possibility to experiment and incorporate learning, while developing a constructive link with control bodies and the attorney-general's office for them to become be part of the solution, not the problem.

Centralised purchasing bodies can play a crucial role in shaping markets aligned with the wider economic transformation agenda by pooling procurement budgets and leading by example. They can help to effectively diffuse recurrent innovative products and services throughout the procurement system; for instance, through framework agreements that simplify purchases from SMEs across different levels of government. MGI could play a key role in strengthening centralised procurement bodies. A centralised purchasing body or public innovation lab could direct efforts towards innovative procurement processes aimed at shaping new markets. This unit could lead by example, developing dynamic capabilities and demonstrating innovative practices (Mazzucato and Kattel, 2020) and their benefits in partnership with line ministries, such as pre-commercial procurement, innovation prizes and competitive dialogues. Cultural change within procurement requires tangible examples of the benefits of mission-oriented procurement.

These preliminary findings highlight critical areas for enhancing mission-oriented procurement, emphasising the need for governance structures that enable whole-of-government coordination, a new public value framework for monitoring and evaluation, a thoughtful approach to capacity building that emphasises dynamic capabilities, interministerial collaboration and shared learning, and the use of conditionalities to maximise the public value and mission alignment of public–private collaboration.

5. Conclusions

Over the past three decades, Brazil has made significant strides in terms of developing a robust legal framework for public procurement. However, the nation has struggled to deploy strategic procurement at scale and to disseminate effective strategic procurement practices. This gap presents both a challenge and an opportunity in the current context.

Brazil currently faces a unique window of opportunity to leverage the state's purchasing power to advance its economic transformation agenda. Key economic transformation policies, including the PTE, the NIB and the New PAC, highlight procurement as a critical strategic tool. Additionally, the Ministry of Management and Innovation in Public Services (MGI) has proposed the implementation of a national procurement strategy and the Government of Brazil has established interministerial commissions (CICS and CIIA-PAC) on public procurement aimed at fostering inclusive and sustainable development.

To capitalise on this opportunity, Brazil's g7 (g)0.-0.8 (a)-1.89 (l)1.9 19.5 n t1 (l(a)(a)-6.6 (b)-1 on p).2 (o

6. Discussion questions for the workshop

- What principles/paradigms currently guide public procurement in Brazil?

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