

STRENGTHENING BRAZIL'S INNOVATION POLICY THROUGH PUBLIC PROCUREMENT¹

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The modern State needs to acquire goods and services from the market to fulfill its social functions. These acquisitions are often significant and have the power to impact market dynamics. As a result, the State's purchasing power can be utilized for various purposes, including fostering innovation. However, acquiring innovations or purchasing their development is a complex task that requires appropriate legal instruments and technical capacity among public servants.

This paper analyzes the role of selected new legal instruments in Brazil in promoting innovation through the establishment of a public consumer market for innovations. For a long time, Brazil relied solely on traditional supply-side instruments, such as credit, grants to firms, and fiscal incentives, which essentially involved the State providing support to the system. However, these approaches had limited impacts on innovation policies in Brazil and seldom achieved the desired crowding-in effect (Chiarini et al., 2020; De Negri, 2021; De Negri and Rauen, 2018; Rocha and Rauen, 2018; Suzigan, Garcia and Feitosa, 2020). Recognizing these shortcomings, Brazilian legislators have introduced a series of legal changes in the past decade to create new and modern innovation policy instruments with a strong demand-driven approach.

This paper presents ten public procurement instruments (PPI) that can be used to promote private innovation. Among these instruments, three are not specific to innovation but one of them is a new addition. The remaining seven instruments are innovation-specific, with four of them being entirely new. These seven instruments include Competitive Dialogue (CD), Innovation Prizes (INP) with the option to negotiate intellectual property rights, Pre-Commercial Procurement (PCP), and the Public Contract for Innovative Solutions (PCIS). Additionally, there are three well-known instruments: Additional Preference Margins (APM), Technological Offset in Defense (TOS), and Partnerships for Productive Development in the Health Industry (PPD).

Implementing these new legal possibilities will require a significant effort from the Brazilian State to train and empower its public servants. Public institutions will need to transform into learning institutions in order to effectively navigate this challenge. This poses a concrete challenge for the administration and presents a new area for future research. The question of how to establish microstructures of incentives, accountability, and technical capacity to effectively utilize these numerous new possibilities should guide the research agenda in the field of PPI.

1. This paper is the outcome of research led by the author, which has been further developed into a book. The book, edited by the author and published by the Institute for Applied Economic Research (Ipea) in 2022, encompasses a comprehensive exploration of the topic. This paper represents an enhanced and translated version of the first chapter of the book, adapted from Portuguese to English.

SUMMARY

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