

## GOVERNMENT PROCUREMENT AND TECHNOLOGICAL DEVELOPMENT: THE INTERNATIONAL EXPERIENCE AND PROPOSALS FOR BRAZIL

- *Government procurement is used by various countries as a tool to support productive and technological development, particularly in the United States and in countries of the European Union.*
- *Public procurement can stimulate demand for innovative goods and services and the search for solutions to specific problems in the country.*
- *In Brazil, the legal framework for public procurement is focused on procuring at the lowest price. Public procurement that contributes to productive and technological development has a marginal share in total procurement (0.72%-0.76% between 2012 and 2017).*
- *The instrument used for placing orders for technological solutions must be regulated, the instrument for applying preference margins must be improved, the knowledge platform program must be resumed, among other measures.*

**The Brazilian public procurement model needs to be reviewed** to serve as an instrument that fosters the productive and technological development of the domestic industry, as European countries and the United States, among others, have done.

**The Brazilian bid law does not provide for procurement involving risks and uncertainty appropriately** and not even for procurement that considers more complex elements in the characteristics of products and services.

**On the other hand, the purchasing power of government plays a major role among the industrial policy instruments adopted by developed economies**, particularly by the US and the European Union (EU). In the case of the EU, there is a growing perception that the purchasing power of government combined with traditional instruments on the supply side (e.g. credit, subsidies and tax incentives) plays a major role in stimulating research, development and innovation, especially in connection with activities involving greater uncertainty.

**In Brazil, public procurement is scantily explored as a means to foster productive and**

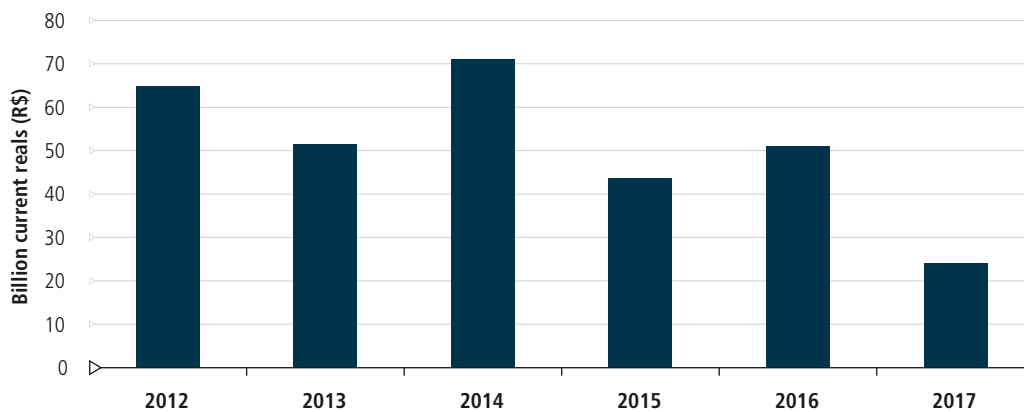
**technological development.** Between 2012 and September 2017, the public sector that makes up the General Service System (SISG) - federal public administration agencies: ministries, foundations and local authorities - procured services in excess of R\$306 billion. However, the share of procurement dedicated to specific activities - which contribute to productive and technological development - was marginal (ranging from 0.72% to 0.76%).

**The legal framework of the Brazilian public procurement system is focused on procuring at the lowest price.** The share of public procurement devoted to promoting Brazil's technological development, on the other hand, is marginal in terms of total figures.

**This shows that, in light of the international experience, the purchasing power of government is clearly being underutilized for this purpose in Brazil.**

Therefore, the Brazilian State has a relevant mechanism at its disposal to sustain a process of long-term productive and technological development.

## PUBLIC PROCUREMENT, 2012-2017 (BILLION CURRENT REALS [R\$])



Source: Ministry of Planning, Development and Management.

Measures can be taken in a relatively short period of time to make it possible for the large volume of funds being used to procure goods and services to contribute to induce and support technological development.

Industry supports an agenda designed to address this challenge and make it possible for the Brazilian public procurement system to play the same strategic role that the system adopted in European countries and in the US, for example, have been playing. If we consider the externalities generated by R&D activities and their contribution to national development, this agenda can be seen as fully in line with the goals of increasing government efficiency and improving public spending. This perception becomes stronger if we consider the potential of procurement policies to leverage the results of more traditional policies designed to stimulate innovation.

## Main recommendations

### 1 Measures used for placing orders for technological solutions should be regulated.

The new wording of article 20 of Law 10,973/2004 should be regulated.

### 2 The instrument for applying preference margins should be improved, with a focus on products based on technology developed in Brazil.

The instrument should be improved and concepts and objective criteria for measuring procurement should be detailed with a view to promoting technological development domestically.

### 3 Public procurers and contract managers should be duly qualified professionals.

The career of federal public procurer should be created to ensure certainty, qualification and adequate remuneration to this professional.

### 4 The national policy on offsets should be regulated.

The technology offset policy to be implemented by sectors of the economy other than the Defense sector should be regulated and further detailed.

### 5 The dialogue between the public and the private sector should be intensified.

Spaces should be created for exchanging experiences between the public and the private sector, so that solutions available in the market may be known and partnerships between the public sector and universities may be established to produce specific technical knowledge.

The full version of the document can be accessed through the QR code on the side or at: <http://www.cni.com.br/eleicoes2018/downloads/> This summary is part of the series Proposals of Industry for the 2018 Elections comprising 43 documents. The series, which is based on the *2018-2022 Strategy Map for Industry* is a CNI contribution to the new federal administration and presents analyses and proposals of priorities to increase Brazil's competitiveness. Any part of this publication may be copied, provided that the source is acknowledged. Brasília-DF, July 2018.

