



Institute for Innovation
and Public Purpose

Leveraging procurement to advance Brazil's economic transformation agenda

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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.

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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 a new collaborative framework between the public and private sectors, focused on shared risks and rewards and maximizing public value.

The implementation of mission-oriented innovation policies will demand changes in the design of government tools and institutions and the development of new capabilities, such as state-owned enterprises, digital public infrastructure and public procurement. This working paper synthesizes preliminary challenges and opportunities in using strategic, mission-oriented procurement to support Brazil's economic transformation, based on research conducted from January 2024 to June 2024. It aimed at fostering dialogue at the workshop "Leveraging procurement to achieve Brazil's economic transformation agenda" held with 26 public organizations at the BNDES in Brazil, to inform the work of interministerial commissions on strategic procurement and to help build a common vision for unlocking the potential of public procurement.

Reference

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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 common good.

Conclusion. Brazil is at a critical juncture in terms of leveraging public procurement as a strategic tool for sustainable development and social inclusion. By adopting a mission-oriented approach and enhancing institutional capabilities, Brazil can transform its procurement system into a powerful driver of its economic transformation agenda.

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1. Introduction

The Brazilian Government has set forth an ambitious agenda for economic transformation, focused on addressing the ecological transition and prioritising equity and inclusion alongside strong economic growth. Central to this agenda are the New Growth Acceleration Plan (New PAC), the Ecological Transformation Plan (PTE), and the New Industrial Policy (NIB), which are administered across different ministries. The missions outlined in the new industrial policy, in particular, have the potential to connect various ongoing initiatives, fostering synergies, driving innovation and maximising collective impact towards promoting sustainable economic development.

Brazil's agenda for economic transformation has the potential to transform social and environmental challenges into opportunities for investment, innovation and collaboration. This shift represents a departure from traditional economic policy approaches, as it emphasises purpose-oriented investments and innovation rather than solely addressing market failures (Mazzucato, 2023). However, achieving alignment between economic, social and environmental goals will require extensive interministerial coordination and investments to enhance the state's capacity to shape markets and guide growth effectively (Mazzucato, 2018). This can be done through a mission-oriented approach (Mazzucato, 2021, 2024; see Box 1 for more details).

Public procurement can serve as a powerful instrument for advancing this agenda. According to the OECD (2023), Brazilian public procurement corresponded to 16 per cent of GDP in 2021, above the OECD average of 12.9 per cent.¹ Apart from its size, public procurement in Brazil has been used to lower the cost and boost domestic manufacturing of medical products through the Health Economic-Industrial Complex (HEIC) and to generate income for family farmers while feeding children through the National School Feeding Program (PNAE). It has also been recognised as a strategic lever in the New PAC, PTE and NIB. However, despite advances in the legal framework, procurement policies and practices have been dominated by a paradigm of efficiency and compliance over the past three decades. This makes public procurement an important but underutilised tool for shaping markets that are aligned with the goals of Brazil's economic transformation agenda.

The Ministry of Management and Innovation in Public Services (MGI) is strategically positioned to advance public procurement across the government. MGI has been working on a National Strategy for Public Procurement (ENCP) and leads the Interministerial Commission of Public Procurement for Sustainable Development (CICS). Through this role, MGI can better enable ministry initiatives to shape markets, drive growth and advocate for policies that serve the interests of society and the environment. Ultimately, this transformation can generate public value, advancing national priorities and addressing social, economic and environmental challenges.

¹ We used the OECD estimates so that we could compare the relevance of Brazilian purchasing power with other countries, but estimates from IPEA (Rauen, 2022) indicate a smaller and decreasing size of public procurement in Brazil.

The primary objective of this working paper is to examine the changes that may be needed to align the Brazilian public procurement system with the country’s ambitious economic agenda. The paper considers the need for a new economics of procurement centred around public value, culture shifts and the development of new capabilities and practices. The insights of this paper are based on a literature review, policy document review and a series of semi-structured interviews with specialists, policymakers, procurement agents, and representatives of legal and of oversight bodies of the Government of Brazil. The aim of the paper is not to prescribe solutions but to promote debate through a new economic lens and to share illustrative examples that could inspire the development of new models for directing public procurement towards generating public value in Brazil.

Box 1: A mission-oriented approach

Missions help shape economies, as well as the relationships between economic actors, to serve the common good (Mazzucato, 2023). They can turn challenges into pathways for investment and market opportunities for businesses.

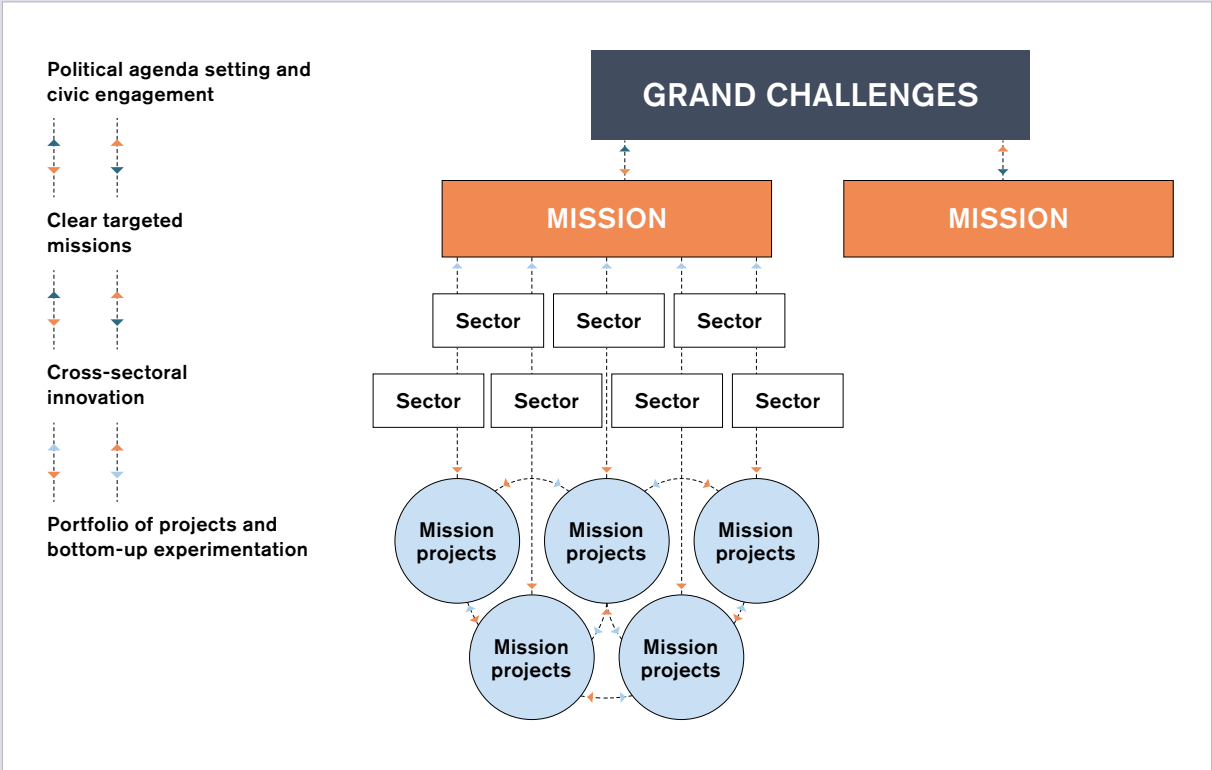


Figure 1. A mission map (Mazzucato 2018; 2019).

Grand challenges are difficult but important, systemic, and society-wide problems that do not have obvious solutions. For example, the United Nations’ Sustainable Development Goals (SDGs), to which all 191 United Nations member states signed on, represent an attempt to articulate the world’s 17 most pressing challenges.

Missions are concrete goals that, if achieved, will help to tackle a grand challenge. They set a clear direction for the different actors and sectors whose investment, innovation and effort is required to develop solutions. To mobilise as much cross-sectoral collaboration as possible, missions should focus less on economic outcomes and more on societal and environmental outcomes. Missions can help transform complex challenges, such as the SDGs and their 169 targets, into clear investment pathways.

Sectors are the economic sectors that need to be involved in developing solutions to specific missions, generally in collaboration with one another.

Projects are activities or programmes that solve particular problems and, in so doing, help to achieve the broader mission, such as a research and development (R&D) programme focused on developing a new product, service or process that could contribute to mission success.

This section draws on Mazzucato (2018, 2019) and Mazzucato et al. (2024) and has been reproduced with permission.

2. Current public procurement state of play in Brazil

Brazil's journey towards strategic public procurement has been characterised by an evolution of the legal framework that has not yet been matched by changes in policy and practice. The country has developed an advanced legal framework for public procurement, introducing tools to encourage innovation, social inclusiveness, and environmental concerns. Despite these advancements, apart from a few sectoral exceptions, public procurement policy and practice have been driven by a paradigm of efficiency and compliance over the last 30 years.

2.1. Dominance of efficiency and compliance paradigm

Paradigms influence procurement policies and practices. In Brazil, the efficiency and compliance paradigm deter a broader use of strategic procurement.

The conservative approach to procurement that continues to be dominant in Brazil can be partly attributed to the historical context of corruption scandals that have influenced procurement practices, limiting the discretion of contracting authorities and expanding control over public agents. This shift was initially sparked in the 1990s by Law 8.666/93, which emerged from a context of combating corruption, pushing towards maximum objectivity, and making price the primary criterion for awarding contracts (Forni et al., 2024). In addition, increased control measures have been implemented, further limiting the discretion available to public managers and reinforcing a risk-averse culture that has limited the use of strategic procurement.

The 2000s saw an important improvement in transparency and competition in procurement processes through Law 10.520/2002, which established reverse auction bids,

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 contracts have been the prevailing procurement practice in Brazil. Between 2020 and 2023, for instance, approximately 72 per cent of federal government procurement in Brazil prioritised the lowest price as the primary criterion for awarding contracts, according to administrative data from *Painel de Compras*.² This statistic highlights the dominant efficiency paradigm within public procurement practices, underscoring the weight given to cost considerations over other factors. Even with legislative advancements and the introduction of tools to foster innovation and sustainability, the practical application of these tools has yet to scale up and limitations may remain.

2.2. Legal reforms to the procurement system

The first attempt to adapt the Brazilian legal framework to pursue innovation was the establishment of pre-commercial procurement by the Innovation Law in 2004 (Law 10.973/2004). Rauen (2017, 2019, 2023) showed that this kind of procurement was used sparingly in relation to the size of public procurement in Brazil. There were only 93 cases between 2010 and 2022. It was used, for instance, by Fiocruz in its partnership with AstraZeneca to obtain the R&D services, scaling support and technology transfer necessary to produce the COVID-19 vaccine in Brazil.

Ad-hoc procurement law reform occurred when the country prepared for significant international events – the Confederation Cup in 2013, the FIFA World Cup in 2014 and the Olympics and Paralympics Games in 2016. Law 12.462/2011 established the *Regime Diferenciado de Contratações Públicas* (RDC), which was created to enable faster and more effective bidding on the infrastructure projects needed to host those events. A sequence of laws made this different regime available to be used in other areas, such as the Growth Acceleration Program and the Unified Health System (SUS). This new regime reignited Congress's discussion about a new public procurement law to substitute Law 8.666/93.

In 2021 Congress passed two new procurement laws, opening new opportunities for strategic public procurement. The **New Public Procurement Law** (Law 14.133/2021) has been instrumental in consolidating prior legal advancements and creating opportunities for aligning procurement functions with broader objectives, such as to foster innovation and to promote sustainable development. It also introduced significant advances for innovation, including new procurement methods like competitive dialogue and sustainable procurement rules emphasising life cycle costing, which makes it possible to compare the cost of different products over time (Rauen, 2022). The legislation has also amplified the possibility of using the most economically advantageous tender to evaluate tenders, going beyond the lowest price (Spanó et

² <http://painelcompras.economia.gov.br/>

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.

Box 2. Lessons from the UK on the limits of the Social Value Act

The social value paradigm in the UK, introduced by the Public Services (Social Value) Act 2013, marked a significant shift in public procurement. This legislation allowed public bodies to consider the broader social, environmental, and economic benefits of their spending decisions. The aim was to move beyond the traditional focus on cost-efficiency and incorporate values that could benefit the local community.

However, the social value paradigm has certain limitations. Firstly, social value is often treated as an additional benefit rather than being central to the core delivery of services. This results in commitments that are more peripheral than transformative. Secondly, these commitments tend to be ad-hoc, lacking strategic alignment with the broader goals of the organisation. This incoherence can lead to fragmented efforts that do not fully leverage the potential of strategic procurement. Lastly, there is a predominant focus on quantitative metrics, such as key performance indicators (KPIs), which can oversimplify the complex and multifaceted nature of social impact. This quantitative bias often overlooks qualitative aspects of value, thereby limiting a comprehensive understanding of the potential effects of strategic procurement.

Despite its positive intentions, the social value paradigm still reflects a market-fixing approach rather than a market-shaping one. It aims to extract marginally better outcomes from existing

processes that are still primarily centred on price and efficiency. As a function, procurement in the UK typically resides within legal or finance departments, indicating that it is seen more as a bureaucratic obstacle rather than a tool for strategic transformation.

In contrast, a public value approach, which emphasises mission-oriented procurement and strategic market-shaping, would be more effective at aligning procurement with broader societal goals. This approach encourages proactive market shaping by valuing long-term outcomes, fostering innovation, and creating a diverse ecosystem of suppliers. By focusing on public value, procurement can become a strategic lever for achieving transformative societal benefits, thus moving beyond the limited scope of existing paradigms (Mazzucato and Wainwright, 2024).

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

A clear gap exists between strategic procurement policy formulation and its implementation. In 2012, for instance, the federal government enacted a decree dedicated to sustainable public procurement³ but it failed to translate into practice. Contracting authorities are decentralised to sectoral ministries or public organisations under their supervision, and the central governance unit at MGI lacks instruments to encourage the diffusion of sustainable procurement practices. This discrepancy suggests that, apart from some important but relatively rare exceptions, while legislative frameworks and policies may set the stage for more forward-looking procurement strategy, the operationalisation of these frameworks in tangible procurement practices in Brazil could be improved.

The lack of coordination in the procurement system is evident compared to the more structured governance around digital transformation. Decentralised IT departments participate in a governance structure that goes beyond following rules and using information systems from a central IT unit. Instead, they agree on strategic plans for what services have to be digitised, access centralised framework agreements of IT services and receive human resources to ensure they are capable of pursuing their strategic goals. A similar coordination regime does not exist in the area of procurement.

The risk-averse culture also contributes to the lack of diffusion in the voluntary use of new public procurement instruments. Procurement agents are personally liable for actions performed within public organisations. This has created incentives for procurement agents to consider personal risk while making procurement decisions, which has usually led to choosing reverse auctions based on the lowest price as the preferred model.

A lack of operational capabilities also helps to explain the low adoption of new procurement instruments. According to some interviews, procurement agents are not valued in the Brazilian public administration. They are usually not considered as elite civil servants

3 Decree n° 7.746/2012.

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).

Box 4. Strategic Public Procurement at the Health Economic-Industrial Complex (HEIC)

The global disparities in health product access highlighted by the COVID-19 pandemic prove the relevance of Brazil's health economic-industrial complex approach to enhancing local production and innovation capacities. This approach, initiated in 2008, integrates the production of health products, innovation, and universal healthcare access. The primary policy goals were to ensure the availability of essential health products, reduce technological dependence, and enhance national production capacities. The strategy involved institutional changes and the creation of policies that strengthened the state's ability to coordinate and implement industrial, science, and technology innovations tailored to the health sector.

Procurement policy in the context of HEIC is significantly different from traditional methods. HEIC strategically utilises public procurement to stimulate public and private investments in health product production and innovation. This has included the establishment of the List of Strategic Products, guiding investments towards national health demands, and fostering public-private partnerships to ensure technology transfer and local production capabilities. Unlike traditional procurement, which often relies on international suppliers, this approach prioritised local production to enhance self-sufficiency. As a result, Brazil rapidly scaled up its COVID-19 vaccine production, with 74.8 per cent of the vaccines used by August 2021 being produced locally. This not only ensured timely access to vaccines during the pandemic but also strengthened the country's long-term health infrastructure and technological independence (Gadelha et al., 2024).

HEIC has advanced under the current national administration. The Ministry of Health launched the National Strategy for the Development of HEIC, the National Health Challenges Matrix, and a set of new instruments for boosting public-private partnerships for production and innovation according to the health needs of SUS.

3. Potential for mission-oriented procurement in Brazil

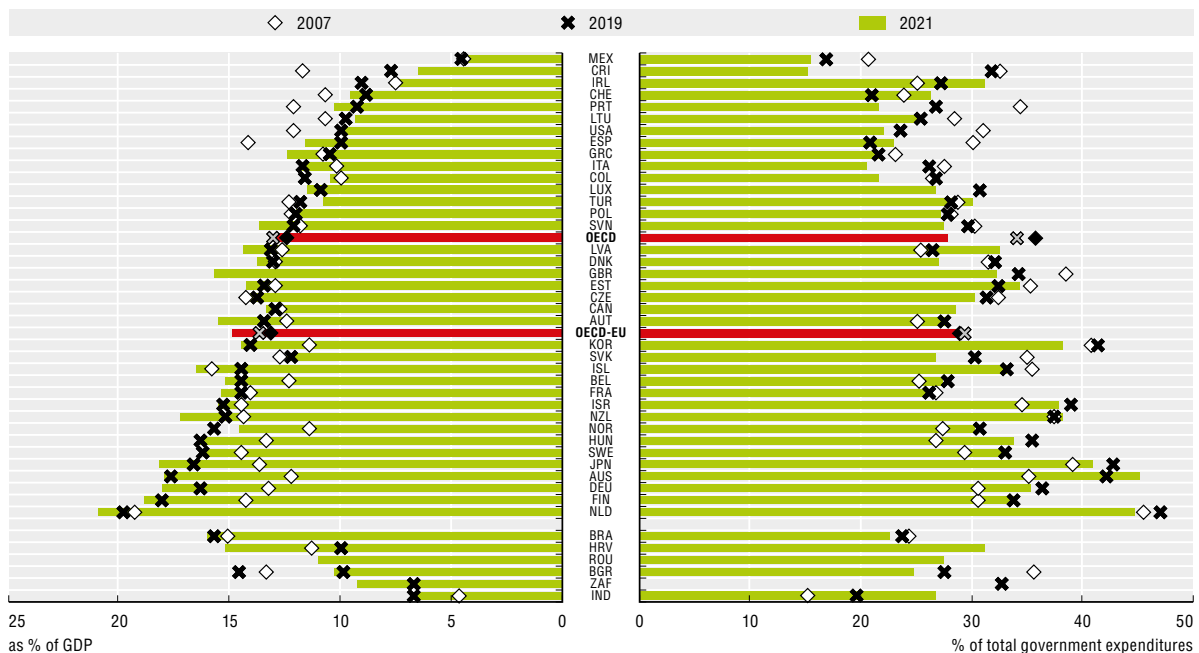
Mission-oriented public procurement has the potential to shape inclusive and sustainable markets in line with Brazil's economic and ecological transformation agenda (Mazzucato, 2023a and 2023b). This approach is founded in a new economics of procurement that prioritises the concept of public value.

“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).

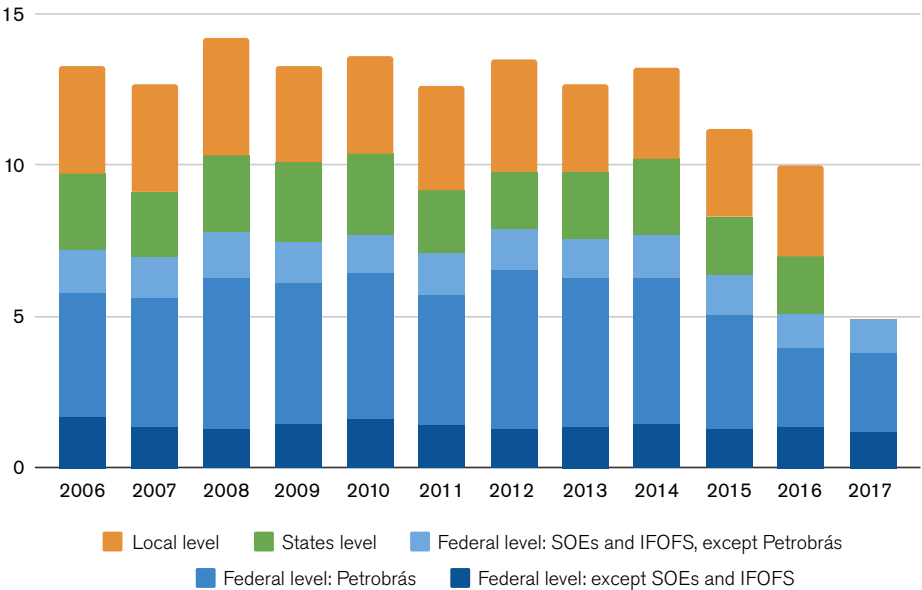
Figure 2. General government procurement spending as a percentage of GDP and total government expenditures, 2007, 2009, 2021



Source: OECD National Accounts Statistics (database).

The potential of procurement to shape inclusive and sustainable markets is even greater if the federal government engages state-owned enterprises (SOEs) and other federative entities in this agenda. Ribeiro and Junior (2019) shows that the average size of procurement at the federal level was 6.8 per cent of GDP from 2006–2017, followed by an average of 3.2 per cent among local governments and 2.2 per cent among states for the same period. When disaggregating federal-level procurement, we see that purchases by federal-level public organisations accounted for an average of 1.4 per cent of GDP, while purchases by SOEs and public financial institutions accounted for 5.4 per cent. Among SOEs, Petrobrás' procurement represented an average of 4.1 per cent of GDP during this period (Ribeiro and Junior, 2019) (see Figure 3 and Box 5).

Figure 3. Size of public procurement in Brazil as per cent of GDP



Box 5. Public procurement for innovation at Petrobras

Petrobras has leveraged public procurement for innovation by utilising the Startups Law and pre-commercial procurement (PCP) strategies, underpinned by support from the Brazilian Agency for Industrial Development (ABDI). Through a partnership signed in 2023, the Hubtec⁴ from ABDI provides consultancy services to guide Petrobras in its technological procurement projects. This initiative aims to accelerate technological innovation and stimulate Brazil's innovation ecosystem. Petrobras integrates cutting-edge solutions through collaborations with emerging technology firms and engages in R&D partnerships. This approach contrasts with traditional procurement methods, which typically involve purchasing already-developed products. Instead, Petrobras' innovative procurement emphasises co-development and engagement with technology providers⁵.

4 <https://www.abdi.com.br/projetos/hubtec/>
 5 <https://conexoes-inovacao.petrobras.com.br/conexoes-inovacao>

Recent government policies, such as the New PAC, NIB and PTE, already incorporate public procurement as a strategic lever. These initiatives aim to foster investments in sustainable and resilient infrastructure, a just transition, neo-industrialisation, and R&D to solve ecological challenges, ultimately leading to green and inclusive growth.

The **New PAC** is an investment programme that will reach all Brazilian states and amount to R\$1.3 trillion by 2026. The programme's investments are committed to the ecological transition, neo-industrialisation, the country's growth, and the sustainable generation of jobs. The programme consists of infrastructure investments in collaboration with states and local governments in areas such as transport infrastructure, urban infrastructure and social services infrastructure.

NIB also references procurement initiatives related to each of its six missions. As two examples, Mission 1 (sustainable and digital agro-industrial chains) presents as actions the recreation of the Food Acquisition Programme (PAA) and reviewing transfer values of PNAE, while and Mission 2 (resilient health-industrial complex indicates that public procurement of innovation with local content will be used to develop new solutions to a matrix of technological and productive challenges in the context of the Health Economic-Industrial Complex.

Finally, PTE aims to drive a shift in economic, technological and cultural paradigms to foster development through sustainable relationships with nature and its ecosystems. This approach seeks to generate wealth and ensure its fair and shared distribution, thereby enhancing the quality of life for both current and future generations. As part of this plan, pre-commercial procurement will be used to drive innovation, specifically targeting the ecological transition missions defined in the NIB. This involves setting defined timelines and competitiveness goals for local content, and ensuring that technological advancements align with national priorities. The plan also includes the aim of electrifying urban buses used for public transportation. This initiative is guided by regulations that mandate the inclusion of national content in public procurement to support domestic industry and foster sustainable urban mobility solutions.

To support the strategic deployment of public procurement in each of these areas, the Government of Brazil has been developing management and governance instruments, including the National Strategy for Public Procurement (ENCP), the Interministerial Commission of Public Procurement for Sustainable Development (CICS), and the Interministerial Commission for Innovations and Acquisitions of the Growth Acceleration Program (CIIA-PAC). The ENCP is the first such strategy in the country and could include objectives such as scaling up public demand to promote economic transformation. It signals an opportunity to adopt a more coordinated approach to the purchasing power of the state. CIIA-PAC, whose members include five ministries and the National Bank for Economic and Social Development (BNDES), and CICS, which encompasses six ministries, BNDES and the Funding Authority for Studies and Projects (FINEP), were established to implement a more strategic approach to procurement, particularly with respect to local production requirements that prioritise key national sectors. CICS also has a mandate to coordinate demand and supply with respect to innovation initiatives and to foster the use of the state's purchasing power to promote inclusive

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 (Mazzucato 2023c; Mazzucato and Wainwright, 2024; see Box 6). This means encouraging practitioners to:

- **Focus on mission outcomes.** Establishing a shared sense of purpose among the participants in the local ecosystem, centred on mission outcomes, is a crucial first step for public bodies striving to generate widespread public value.
- **Build coalitions that emphasise learning over accountability.** Rather than emphasising contract management to hold providers accountable for meeting their targets, employ a learning strategy to aid providers in reflecting on what is or is not effective. This is particularly important for the procurement of services (as opposed to goods), where suppliers provide public goods (such as health and care) in complex systems that are not well suited for target-driven accountability frameworks.
- **Create a diverse ecosystem of suppliers.** By distributing spending across a diverse ecosystem of actors, well-designed public procurement can create opportunities for SMEs to scale up while also encouraging larger incumbents to invest in purpose-driven innovation. This approach enhances the system's resilience and boosts competition.
- **Use strong conditionality mechanisms to structure private sector partnerships (Mazzucato and Rodrik, 2023).** Access to procurement contracts can be made contingent on firms aligning their business practices with specific conditions; for example, related to sustainability, fair wages and working conditions, access and affordability, profit sharing, and reinvestment of profits in productive activities like R&D and worker training.
- **Evaluate wider economic outcomes.** The value of missions lies not only in their success but also in the spillover benefits generated throughout the process.

Box 6: The economics of the common good

The economics of the common good offers a helpful framework for collaboratively shaping economies in the service of collective goals. It is guided by five key principles: purpose and directionality, co-creation and participation, collective learning and knowledge-sharing, access for all and reward-sharing, and transparency and accountability (Mazzucato, 2023c).

Figure 4. The Common Good Framework (Mazzucato, 2023c).



Four mindset shifts would underpin the transition towards a mission-oriented approach to procurement (adapted from Mazzucato and Wainwright, 2024):

- **First, there is a need for a significant shift in procurement practice from neutral to intentional.** Traditionally, procurement processes have aimed to be neutral and objective, in the belief that this approach ensures fairness by minimising bias. However, it is essential to recognise that all processes favour some actors over others. For example, a process focused on providing extensive documentation of previous work is likely to favour incumbents at the expense of new market entrants. The procurement process should be designed to better reflect the goals of the commissioning authority, ensuring that ethical considerations and strategic objectives are at the forefront of decision-making.
- **Another necessary profound shift is from risk to uncertainty.** Unknowns in public service requirements are often assumed to be quantifiable risks that can be managed with precision. However, mission-oriented procurement interacts with complex social systems in which outcomes are fundamentally uncertain. This shift requires commissioners to navigate uncertainty with flexibility and adaptability, understanding that not all variables can be controlled or predicted. Embracing uncertainty allows for a more responsive and dynamic approach to procurement, acknowledging the complex nature of social challenges and the need for ongoing adjustment of strategies.

- **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, 12.9 per cent in OECD countries, governments that have set bold goals (or 'missions') need a new approach. Mission-oriented procurement recognises the critical strategic role that commissioning and procurement can play in shaping markets that align with government policy goals. Adopting mission-oriented procurement in Camden meant introducing a greater focus on market shaping, place-based commissioning and outcome-oriented procurement. To test what a 'mission-oriented procurement' approach could mean in practice, IIPP designed a process to support the Homecare service to rethink their procurement specification from the point of view of the Estates mission.

Along with opportunities to change how the Homecare model operates, the project identified possible changes to Camden's procurement processes, focusing on participatory and collaborative commissioning, prioritising suppliers with 'mission characteristics' (such as being deeply rooted in the community) and reforming evaluation to focus more on collective learning than on target-driven accountability. These changes built on existing reforms, including the relocation of the procurement team from Camden's Legal and Finance division into its Economy, Regeneration, and Investment division, positioning it as an important strategic function for addressing social and economic goals.

Ultimately, this work recognised that procurement systems grounded in public value rather than social value would recognise that decisions about how to spend money can be values-based and are not fully reducible to a technocratic exercise that relies on false notions of objectivity or neutrality. This is especially true when commissioning services that address complex needs (such as social care, youth services or health services) rather than procuring 'standard' products (such as stationery). Services are delivered by people and their success is built on the quality of relationships that those people have with residents. Therefore, the values and goals of the supplier are critical components in understanding their suitability to be a government supplier and can only be well understood by developing relationships with the people involved. Public managers, who make decisions to build and sustain public value, are actors with agency and who need to be given discretion to operate effectively, with the flexibility and agility that working in a missions approach implies (Mazzucato and Wainwright, 2024).

4. Challenges to implementation of mission-oriented procurement in Brazil

Our conversations with Brazilian public officers have sought to explore the potential for mission-oriented procurement, identify current barriers to this approach and identify areas of opportunity to shift procurement in this direction. Preliminary findings are shared in this section for discussion.

4.1. Barriers for mission-oriented procurement in Brazil

The current values and incentives in the procurement system are still distant from a mission-oriented approach and the new economics that underlies it. Going beyond lowest-price procurement, expanding the use of social and ecological criteria in procurement processes would be a step forward. Today, some individual procurement agents assume leadership of more strategic procurement but the incentives at the system level act against this kind of practice. Procurement agents are usually afraid of personal liability related to scrutiny of their actions by control bodies, and therefore tend to avoid complex or innovative procurement.⁶ Some civil servants have expressed scepticism regarding the role of procurement in promoting sustainable development and shaping markets, so consideration must be given to how to change incentives and behaviours. The attorney-general's office, for instance, could expand its personalised advisory services to support agents in experimenting with new procurement practices.

Most ministries do not engage in using procurement to advance their policy goals and broader economic transformation objectives. There is often a perceived trade-off between delivering “faster and more” and aligning with broader sustainable economic transformation goals. Incorporating mission outcomes into procurement policies is not always straightforward and likely requires commissioners to think deeply about how to include relevant outcomes in specifications, moving the conversation upstream of the technical and regulated procurement process.

Intentionality in the use of procurement to shape markets is generally seen as off-limits in the current procurement culture. A conservative legalistic culture favours restrictive interpretations of legal prescriptions, which constrains the policy space available to procurement officials. Procurement officials and legal and control bodies often assume that government officials are legally bound to be neutral in terms of shaping markets. The idea that neutrality embeds a bias towards the status quo, with potential detrimental effects on innovation and economic development, is not widely understood.

⁶ More recently, legal and control bodies have been more supportive of innovation in public procurement with initiatives such as the creation of innovation labs (coLAB-i at the Federal Court of Accounts, CGUlab at the Office of the Comptroller General, and Labori at the Attorney General's Office) and the development of a knowledge base on public procurement for innovation (the CPIN platform). However, the fear of personal liability persists among procurement agents.

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.

To support this improved approach to governance, the Government of Brazil could also consider developing a new framework for defining and measuring public value. In evaluating public value, it is crucial to incorporate qualitative criteria, such as user experience, alongside quantitative measures. A dashboard of economic, social and environmental indicators that considers dynamic spillovers and wider societal impacts, including who is benefiting, at both the project and portfolio levels, could help to track progress towards overarching mission goals and ensure accountability, while fostering learning and iteration along the way. Adopting a public value framework means getting beyond static measures like a cost-benefit analysis, which considers direct impacts, generally in monetised terms, and thereby emphasises cost reduction and efficiency rather than considering the wider and longer-term transformative impacts of procurement policies designed to shape markets and support the achievement of mission goals (Mazzucato et al., 2024a; Mazzucato et al., 2020).

This approach requires a robust data monitoring system. The new national procurement portal offers a comprehensive platform to gather procurement plans and monitor expenditures across federal, state and local levels. Where possible, monitoring should focus on outcomes, which may require qualitative research. For example, PAA and PNAE direct procurement towards family farmers in order to improve their livelihoods and support the agroecological transition. Case stories, interviews, value mapping and other techniques could be used to understand whether those goals are being realised and assess the effect that mission-oriented procurement is having on the system.

MGI could also support line ministries in understanding and deploying conditionalities that are likely to have the highest impact on shaping markets aligned with the Government of Brazil's missions and values (Mazzucato and Rodrik, 2023). They could act as a centre of excellence, for example by building a repository of best practices, providing advice to procurement teams across government, and monitoring lessons from implementation. They could also play a lead role in advancing the use of clear standards. For example, the use of ecolabels in procurement specifications, selection criteria or contract performance can significantly impact suppliers. In the Netherlands, for instance, the CO² Performance Ladder⁷ is an interesting green public procurement certification that aims to align suppliers with the mission to decarbonise the economy. In Brazil, the Selo Verde Brasil Program from the Ministry of Development, Industry, Trade and Services (MDIC) offers a model for developing standardised ecolabels that could be scaled through procurement policies.

Building the capacity and capabilities required to implement a more strategic approach to procurement is key. To build capacity for mission-oriented procurement across the government system, MGI could consider opportunities for better leveraging central purchasing bodies and developing platform strategies (for example, with information systems and framework agreements). It could also foster communities of practice and implement a maturity scale for procurement processes that could guideline ministries in the progression from basic (such as lowest price) to advanced (for example, dynamic market-shaping) procurement practices.

7 <https://www.co2-prestatieladder.nl/en>

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 government could adopt a mission-oriented approach to procurement. This requires fundamental shifts in how procurement is understood and practised, founded on a new economics of procurement oriented around public value, as well as concrete changes to tools, institutions, partnerships and capabilities. This could include new governance structures to enable whole-of-government coordination, a new public value framework for monitoring and evaluation, the use of conditionalities to maximise the public value and mission alignment of public-private collaboration, and a thoughtful approach to capacity building that emphasises dynamic capabilities, interministerial collaboration and shared learning.

In conclusion, while Brazil has made notable progress in the legal aspects of public procurement, the focus must now shift to strategic integration and practice. By fostering a coordinated, mission-oriented approach, supported by fit-for-purpose tools and institutions and enhanced institutional capabilities, Brazil can transform its procurement processes into powerful instruments for shaping a sustainable and inclusive economy.

6. Discussion questions for the workshop

- What principles/paradigms currently guide public procurement in Brazil?
- To what extent do current policies enable mission-orientation and public value maximisation?
- What does mission-oriented procurement mean in the Brazilian context?
- What changes are needed to realise public procurement's full potential as a tool for shaping markets that align with Brazil's economic agenda?
- How do we engage SOEs, states and local governments in a national strategy for public procurement?
- What insights from these or other examples of strategic procurement could be applied more widely in support of Brazil's economic agenda?
- What is needed to enable a mission-oriented approach to procurement in Brazil?
- What barriers are inhibiting this approach?
- What are the roles of CICS and CIA-PAC in advancing this agenda?

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