

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BRAZIL/CSC - Southern Cone
▪ TC Name:	Open innovation solutions for subnational development challenges
▪ TC Number:	BR-T1626
▪ Team Leader/Members:	HENNESSEY, MICHAEL P. (IFD/CTI) Team Leader; MORALES REINA GENESIS DEL CARMEN (IFD/CTI); GALEANO BUITRAGO MARIA ALEJANDRA (IFD/CTI); AVILA, KRYSIA A (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	12 Jul 2024
▪ Beneficiary:	Brazil, Subnational Governments, Innovative firms and startups
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$200,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CSC/CBR - Country Office Brazil
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Economic integration; Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The objective of the technical cooperation is to improve the institutional capacity of subnational governments to apply open innovation tools to address development challenges. Specifically, it will aim to provide technical support to state and municipal governments in implementing innovative solutions through different public procurement for innovation instruments, especially the public contracts for innovation solutions modality, established under the Legal Framework for Startups.
- 2.2 Despite the country's gains in consolidating a set of public policies in support of its national innovation system during the past decades , including the development of productive capabilities in public research labs such as the Oswaldo Cruz Foundation (Fiocruz) and the Butantan Institute and growth in the financing of startups via venture capital , among others, Brazil's position in international rankings related to innovation has stagnated during the past decade. In the Global Innovation Index (GII) , Brazil's ranking slightly declined from 47th out of 131 economies in 2011 to 49th out of 132 economies in 2023. And, although the level of investment on R&D as a proportion of GDP in Brazil exceeds that of all other countries in the LAC Region, it still significantly lags the levels achieved in developed countries (1.14% in 2020 , less than half of the average of 2.74% that OECD countries spent in the same year). Furthermore, the public expenditure on R&D in Brazil has been declining steadily from 0.73% of GDP in

2015 to 0.59% in 2019 , and the increasing pressure on the country’s fiscal position could potentially threaten the level of expenditure on R&D going forward.

- 2.3 Public procurement for innovation can increase R&D spending without additional fiscal pressure. Government purchases represent 10-15% of GDP, vastly exceeding total R&D investment. Directing a small portion of these resources toward innovation could significantly boost R&D investment. Brazil has a legal framework supporting public procurement for innovation, providing seven procurement tools for innovative solutions.
- 2.4 Since 2019, the Bank has worked with institutions like TCU, CGU, ABDI, and ENAP to support these tools. This collaboration led to the inclusion of instruments in the Legal Framework for Startups (MLSEI) and the creation of the CPIN platform, aiding public procurement for innovation. The Bank has also supported over 70 open innovation initiatives at the subnational level. With national-level successes, public procurement for innovation and open innovation have gained importance in Brazilian states and municipalities. However, many lack the capacity or expertise to pilot these tools. This technical cooperation aims to strengthen subnational entities' capacity to implement these tools, coordinated with ENAP.
- 2.5 Launched in November 2019, the ENAP Challenges Platform connects government and society to find solutions to public challenges, supporting open innovation awards and competitions. It has conducted 15 innovation cycles for over 60 public challenges, involving 4,000 participants, awarding 116 solutions, accelerating 42 solutions, and mobilizing more than R\$3 million in prizes and up to R\$72 million in subsidies.

III. Description of Activities and Outputs

- 3.1 **Component I: Capacity-building at the Subnational Level.** The objective is to support capacity-building activities for implementing open innovation tools. By financing training materials, guides, workshops, and training events for subnational governments at the state and municipal levels in Brazil, as well as the implementation of public policies and pilots of various open innovation tools. As a result, participating subnational governments are expected to be better equipped to use open innovation tools to address their development challenges.
- 3.2 **Component II: Subnational Open Innovation Pilots .** The objective of this component is to pilot open innovation initiatives in a selected set of subnational entities that have participated in the capacity building activities. As a result of this component, more innovative solutions are expected to be implemented in response to development challenges at the subnational level, increasing the effectiveness and efficiency of solutions financed by public procurement processes.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Capacity-building at the Subnational Level	US\$100,000.00	US\$0.00	US\$100,000.00
Subnational Open Innovation Pilots	US\$100,000.00	US\$0.00	US\$100,000.00
Total	US\$200,000.00	US\$0.00	US\$200,000.00

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the ENAP
- 5.2 It is a government institution responsible for the training and development of public servants in Brazil. ENAP provides courses, training programs, and other educational

initiatives aimed at improving the skills and competencies of public administration professionals, thereby enhancing the efficiency and effectiveness of the public sector, transforming public administration into competence, knowledge, innovation, attitude, results, and value: this is the role that ENAP has assumed since its creation in 1986. The school was born with the promise of transforming the culture and mindset of every public agent, with the mission of training and developing people capable of innovating, achieving results, and serving society. For more than 35 years, ENAP has played a unique role in innovating public administration culture and accelerating transformation in education, organizational management, and digital, social, or economic aspects.

- 5.3 To fulfill its statute and strategic direction documents, the school seeks continue advancing the public innovation agenda, which requires ensuring sustainability, scaling up, and diversifying its action strategies in this field, always focusing on improving management, policies, and public services, and generating value for society. Especially since the launch of ENAP's government innovation laboratory, the Gnova Lab, in August 2016, the School has been advancing in promoting innovation as a systemic and transformative practice in the public sector. As a result of the foundations laid with the creation of the laboratory, the school began exploring different innovation approaches to solve public problems.
- 5.4 The CTI Division, through their specialist based in the Country Office in Brazil (CBR), will be responsible for the supervision of the technical cooperation and will submit the corresponding annual progress reports in the corresponding system. These reports will include, among other aspects, a description of the progress made, the status of the planned activities, results obtained, difficulties encountered, and suggestions for adjustments for the remaining execution period. CBR will be the unit for disbursement responsibility (UDR) for the technical cooperation.

VI. Project Risks and Issues

- 6.1 The main risk associated with this technical cooperation is the sustainability of the activities to be undertaken. This risk is already partly mitigated by ENAP's institutional mandate to support open innovation tools in at least 25 subnational governments over the next four years. This mandate should ensure the continuity of the methodology, tools, and training materials developed under this technical cooperation in the coming years.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).