

## TC Document

### I. Basic Information for TC

▪ Country/Region:	BRASIL
▪ TC Name:	Support to the National Public Procurement Network (RNCP)
▪ TC Number:	BR-T1414
▪ Team Leader/Members:	Dezolt, Ana Lucia Paiva (IFD/FMM) Team Leader; Astudillo, Karen (IFD/FMM); Da Cruz, Adriana Almeida (CSC/CDR); De Oliveira Santos, Lorayne (CSC/CDR); Harper, Leslie Elizabeth (IFD/FMM); Kevish, Maria Lorena (IFD/FMM); Maya Iglesias, Viviana Mariela (LEG/SGO); Salazar, David Agustin (VPC/FMP); Valente Lins, Paula (CSC/CDR)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	09 Apr 2019.
▪ Beneficiary:	Federative Republic of Brazil, through its Ministry of Economy
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding:	US\$0
▪ Disbursement period:	24 months
▪ Required start date:	October 15, 2019
▪ Types of consultants:	Individual Consultants and Firms
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD-Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

### II. Objectives and Justification of the TC

- II.1 The main objective of this Technical Cooperation (TC) is to support the [RNCP](#) by promoting more effectiveness, transparency and value for money to the public procurement systems at national and subnational levels in Brazil. This will be achieved through the development of cutting-edge knowledge in this area, as well as the exchanging of practices and solutions related to digital innovation in public procurement.
- II.2 There is a growing demand in LAC for strengthening public procurement systems. As 10%-15% of global Gross Domestic Product (GDP)<sup>1</sup> on average is processed through these systems, their efficiency can generate significant fiscal savings therefore, they play a critical role in the development of countries. Public procurement is a major area in which governments are striving to improve effectiveness, as it is key for the better delivery of public services and at the same time it allows a more efficient provision of them in accordance to their national budgets. Given its size and importance in the

<sup>1</sup> [BID, 2019. Mejor Gasto para Mejores Vidas.](#)

economy, the way that public procurement is carried out has a major impact on the service delivery (such as health, infrastructure, transportation), fiscal health and transparency<sup>2</sup>. This is specially the case of subnational governments, which play a significant role as a consumer of goods, services and public works<sup>3</sup>. Subnational public procurement represents, as percentage of total government spending, around 24,6% and 32,3% at the state/provincial and local levels, respectively, which represents a fairly stable position between 2007 and 2014<sup>4</sup>.

- II.3 Some of the main challenges in public procurement at the national and subnational levels in Brazil include: (i) limited transparency resulting from the failure to disseminate and publish procurement information at different government levels<sup>5</sup>; (ii) inefficiencies in procurement operational process and insufficient technological infrastructure<sup>6</sup>; (iii) weak institutional capacity in the procurement entities and deficiencies in developing and retaining human capital with professional background and skills in the area<sup>7</sup>; and (iv) increased risk/perception of corruption. In 2018, Brazil ranked 105 over 180 countries with a score of 35/100 in the [Corruption Perception Index](#).
- II.4 In 2018, the Ministry of Economy (ME) established the RNCP with the objective of providing all public expenditure information at national and subnational levels and develop a body of knowledge on the topic of public procurement at the national and subnational level. For example, it is now possible to obtain gathered data information about electronic bidding, number of offers and contracts for: the State of São Paulo ([BEC/SP](#)), [Comprasnet](#), [Banco do Brasil Licitações-e](#), [Licitações Caixa](#).
- II.5 The RNCP initiative, joined by the Bank since its beginning<sup>8</sup>, is based on the idea that states, municipalities and procurement agents could share numerous development challenges and opportunities<sup>9</sup> that can be addressed more effectively and efficiently through collective action and cooperation. Given that the innovative operational procurement<sup>10</sup> is a relatively new topic, RNCP Members have recognized the need to work together through an exchange of knowledge and lessons learned from each other that have undergone similar reform processes, aiming to leverage scarce financial and

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<sup>2</sup> According to a WB study (The dynamics of centralized procurement reform in a decentralized state. Evidence from Indonesia, 2014) policymakers tend to pay very little attention to the implementation of procurement reform in decentralized settings.

<sup>3</sup> RNCP technical group is working towards the implementation of an integrated e-catalogue, with that they could be the pioneers in solving the issue of semantics in public procurement catalogues.

<sup>4</sup> OECD (2017) [Government at a Glance: Latin America and the Caribbean. Panorama of public administration](#). Chapter 9.

<sup>5</sup> IDB Reports: [Report for Acceptance of the Use of Brazil's Country Procurement System](#) and [Report for the Acceptance of Partial Use of 6 Brazilian States](#).

<sup>6</sup> Challenges to promote agility in electronic reverse auctions: [Almeida&Sano, 2016](#).

<sup>7</sup> Harper, L, A. Calderon and J. Munoz. [Elements of public procurement reform and their effect on the public sector in Latin America and the Caribbean. Journal of Public Procurement \(2016\)](#).

<sup>8</sup> [Bank's RNCP Agreement](#).

<sup>9</sup> [Supporting Policy Reforms in Business Climate and Innovation in Latin America and the Caribbean](#): Governments can play a key catalytic role by reducing transactional costs and information asymmetries between public agencies and suppliers, while promoting dialogue among them.

<sup>10</sup> The innovative operational procurement can be defined as the set of procurement regulations, policies and operational decisions made by public agencies leading to any kind of schumpeterian innovation. Understanding schumpeterian innovations as the cyclical process in capital investment that results in significant changes in the means of production, transportation, organization or market. (Schumpeter, Joseph A. Capitalism, socialism, and democracy, London: Routledge, 1942).

human resources while at the same time enabling support and collaboration towards a common goal.

- II.6 To that regard, this project will support the RNCP program, enabling the different levels of government to working together and maximize the limited resources that are available by promoting: (i) cooperation among federal government, states and municipalities (technology and human resources); and (ii) sharing of existing initiatives and ongoing investments in procurement systems functionalities.
- II.7 This TC is consistent with the Updated Institutional Strategy (UIS) 2010-2020 (AB-3008) regarding the cross-cutting theme "Institutional Capacity and the Rule of Law" as it will support the institutional strengthening of procurement entities at the national and sub-national levels, including improving the delivery of public services and facilitating strong business climates. Additionally, the program is aligned to the Ordinary Capital Strategic Development Program for Institutions (GN-2819-1) and consistent with the Bank's Sector Strategy Institutions for Growth and Social Welfare (GN-2791). It will also contribute to the Strategy for Strengthening and Use of Country Systems (GN--2538-31) with regard to the cross-cutting issues in terms of helping countries and local governments to close gaps with international standards and adopting best practices. It is aligned with the objectives of the Country Strategy 2019-2023 (GN--2973) to build a more effective public sector that promotes fiscal sustainability, with the support of activities to promote e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises.
- II.8 This project will contribute to the Bank's Subnational Governments and Decentralization Sector Framework Document (GN-2813-5) promoting Subnational governments to improve the efficiency and quality of expenditure and service delivery and operate with greater transparency and accountability by building a foundation of knowledge giving opportunities to bring together representatives of different governments level to share procurement practices, to discuss and disseminate technical advances for the development of public procurement, which will include diagnostic assessments, strategies and tools. This information will be key for identifying new areas and clients that could be supported by the Bank, as well as analytical inputs for loan preparation and subsequent evaluation. It is also in line with the Fiscal Policy and Management Framework document (GN-2831-8) as the project will support efficiency and transparency in the management of public resources by creating knowledge and dissemination activities for exchanging the various instruments used in the government procurement processes, with a particular emphasis on e-procurement portals, reverse auctions, and price catalogues for generic goods procurement.
- II.9 The Project is also directly related to the institutional capacity fund with the objective to strengthen the institutional capacity of the Bank's borrowing member countries to design and implement transparency and anticorruption policies, mechanisms, and tools. Strengthening public procurement in Brazil as a strategic mechanism that supports the transformation of the public sector should involve the optimization and streamlining of its processes; the development of innovative mechanisms; the promotion of capacities for public agents to have a broader view of procurement processes; and the generation of a public market in which the private sector and citizens feel effectively empowered to participate and monitor the management of their public resources.

### III. Description of activities/components and budget

- III.1 The TC will finance the enforcement of the RNCP program, enabling the different levels of government to work together and maximize the limited resources that are available by promoting cooperation among federal government, states and municipalities (technology and human resources) and sharing of existing initiatives and ongoing investments in procurement systems functionalities. The program will undertake activities in three main areas: (i) support the adoption of the new legal framework for public procurement; (ii) pilot the adoption of a toolkit to improve procurement management; (iii) development of a methodology for the adoption of innovative solutions; (iii) a tailored training workshop to strengthen RNCP members in their capabilities to oversight maturity dimensions on public procurement; and (iv) a conference to disseminate results.
- III.2 **Component I. Legal and regulatory frameworks and innovative procurement practices (US\$40,000).** The objective of this component is to contribute to enforce RNCP<sup>11</sup> governance to identify, structure and disseminate good management practices for national and subnational members adoption, aiming a more transparent public procurement environment/system through the design and implementation of innovative solutions to old procurement problems such as: efficiency vs transparency; efficiency vs economy; data gathering vs real use of data in decision making. Component I will also provide opportunities to representatives of different government levels to share knowledge about implementation of new legal procurement framework and procurement practices, as well as discuss and disseminate technical advances for the development of public procurement. This will be done through: (i) a research of the new legal framework in public procurement<sup>12</sup>, with guidelines to assess feasibility of incorporating new public procurement rules in government procurement operations; (ii) a study on innovative practices in public procurement at the subnational level with guidelines implementation, such as: electronic reverse auctions, inclusive e-catalogues, and the use of preferential procurement or awarding criteria based on inclusiveness; (iii) capacity-building of government agencies for the innovation solutions on procurement, including procurement oversight and monitoring entities; and (iv) a handbook for operating guidelines for transfers resources from national to subnational governments: [Mais Brasil Plataforma](#).
- III.3 **Component II: Pilot program of public procurement governance maturity (US\$70,000).** The objective of this component is to improve public procurement governance maturity, enhancing integrity and helping governments to meet their policy objectives. A well-governed public procurement, addressing the entire procurement cycle with other elements of governance such as budgeting and financial management, is crucial to achieve efficiency and policy goals like environmental protection, gender and diversity inclusion, innovation and the development of small and medium enterprises, also providing better services delivery in a context of disruptive economic, social and environmental challenges. Considering governance into a strategic tool for capacity building for different maturity levels of public

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<sup>11</sup> [Compras públicas](#). The importance of the topic and the knowledge generated by the TC activities will be made widely available on the RNCP website.

<sup>12</sup> [New e-Procurement legal framework](#) is under Congress review.

procurement management systems and based on national and international good practices<sup>13</sup>, this component will include: (i) a strategic plan for public procurement management at the sub-national level; (ii) a diagnostic of maturity level of a pilot group from RNCP that will provide a needs assessments and actions plan each other; (ii) a toolkit<sup>14</sup> on how to manage procurement at the subnational level, with a section on how to promote the participation of women in the public procurement market<sup>15</sup>; and (iii) training sessions on the toolkit implementation to enhance good governance maturity level (target audience: subnational procurement officers and heads of procurement).

- III.4 **Component III. Dissemination of results (US\$40,000).** The objective of this component is to disseminate knowledge sharing, findings and recommendations of the technical cooperation with the goal of strengthening institutional capacity and promoting policy dialogue among RNCP members and the Inter-American Network on Government Procurement (INGP)<sup>16</sup> countries members. It will include: (i) a technical seminar for the RNCP members to share the findings, create awareness of the importance of the new procurement procedures and governance maturity and, to review lessons learned and common challenges on public procurement at the subnational level; (ii) publication of the governance maturity toolkit; and (iii) specific panels about the toolkit and innovative practices on the [ICGP](#) regional seminar.
- III.5 **Expected results.** At the end of this TC, the Bank will strengthen its knowledge on subnational public procurement governance, therefore, improving its ability to provide better policy advice to countries in the region. The main expected products include an analysis of the new legal framework, diagnostics of subnational procurement management maturity, issue papers, workshops, policy dialogues and modernization plans.<sup>17</sup> The expected outcome relates to RNCP members better recognition on their governance models, adopting innovative solutions and motivation to modernize their procurement systems by getting technical assistance.
- III.6 **Indicative budget.** The total funding required for the program amounts to US\$150,000.

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<sup>13</sup> CIAT, 2017. [Maturity and Performance of Fiscal Management](#) (MD-GEFIS); and OECD. [Methodology for Assessing Procurement Systems](#) (MAPS).

<sup>14</sup> Most of manuals and toolkits designed with the support of the IDB focused on the Public procurement at the national level or on the fiduciary aspects to comply with IDB policies (in the case of project procurement). This will be the first toolkit that considers the subnational perspective. It will be available to the public.

<sup>15</sup> [BID. Gender Promotion in Public Procurement Toolkit.](#)

<sup>16</sup> [www.ricg.org](http://www.ricg.org).

<sup>17</sup> Period of accomplishment of each phase of the project.

**Table 1. Indicative Budget (US\$)**

Activity/Component	Description	IDB/Fund Funding	Total Funding
<b>Component I</b>			
Procurement legislation guidelines	New legal framework operating guidelines	15,000	20,000
Innovative practices manual	Innovative practices in public procurement study	10,000	10,000
Training workshop	capacity-building for the innovation solutions use	5,000	5,000
Handbook	Handbook “ <i>Mais Brasil</i> Plataform”	10,000	15,000
<b>Component II</b>			
Strategic plan	Strategic plan for public procurement management at the sub-national level	10,000	10,000
Diagnostic	Diagnostic of maturity level of a pilot group from RNCP	25,000	25,000
Toolkit	Toolkit on how to manage procurement at the subnational level	30,000	30,000
Training workshop	Training sessions on the toolkit	5,000	5,000
<b>Component III</b>			
Seminar	Technical seminar in new procurement procedures and governance maturity	20,000	25,000
Publication	Publication of the governance maturity toolkit	10,000	10,000
Seminar panel	Specific panel at ICGP Conference: procurement governance maturity	10,000	10,000
<b>Total</b>		<b>150,000</b>	<b>165,000</b>

#### **IV. Executing agency and execution structure**

- IV.1 **Executing Agency (EA).** In response to the justified request by Ministry of Economy (see letter of request), the Bank through the CBR Technical Cooperation Executing Unit (UECT) will execute this project. Bank execution is justified given that: (i) technical, operational or institutional weaknesses of the executing agency: the beneficiary did a formal request to the Bank, since the participating RNCP members from all government levels needs a centralized coordination and there are no academic or non-governmental entities in Brazil that have expertise, fiduciary capacity and/or interest in assuming the role of the executing agency for such a novel topic; and (ii) the Bank has expertise in the area to give time efficiency in all operational process, as a RNCP member and its ability to share knowledge and institutional capacity to effectively coordinate a national effort in this area, has highly technical knowledge of public procurement modernization in the Region, the capacity to convene and rally the participating members around the objective for cooperation in government procurement and the administrative support for the timely execution of the project.
- IV.2 As executing agency, the Bank through the FMM, FMP and UECT will be in charge of day-to-day operations regarding project execution, and the coordination of project activities among all actors involved. The main activities and responsibilities for the project will be to: (i) carry out the financial management of the project; (ii) carry out the

selection and contracting of consulting services required in accordance with the Bank's rules, policies and procedures; (iii) prepare semi-annual reports on the progress of the project; and (v) prepare and update the Procurement Plan.

IV.3 The Ministry of Economy requested that the IDB execute the program in a signed letter dated July 24, 2019.

IV.4 **Project Coordinator.** To undertake the activities detailed, the Bank will be the project coordinator, through its team leader.

IV.5 **Execution Mechanism.** The Bank, in coordination with RNCP Executive Committee (EC), will execute the program. The EC will be comprised of representatives from each government level and from the Bank, as a RNCP member.

IV.6 The EC's main functions will be: (i) coordinate with the Bank the program's work plan and (ii) facilitate and support development of outputs to achieve objectives; including participating in meetings, collaborating with consultants and other agencies involved and maintaining fluid dialogue with the RNCP and the wider project team.

IV.7 **Supervision.** The IDB, through the team leader and the project team, will have the technical and fiduciary responsibility for overall project implementation, supervision of project's products and oversight.

IV.8 **Monitoring and Evaluation.** The Bank will register the semi-annual progress monitoring reports, included in Convergence, which will be presented at RNCP meetings. These reports will include, among other things, a description of the progress made, results obtained, status of implementation of the planned activities, difficulties encountered and suggestions for adjustments to the execution.

IV.9 **Procurement.** All procurement will be carried out in accordance with Bank policies and procedures. "The activities to be executed are included in the Acquisition Plan (Annex III) and will be contracted in accordance with Bank policies as follows: (i) AM650 for Individual consultants; (ii) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature; and (iii) GN-2303-20 for logistics and other related services.

IV.10 **Sustainability.** The sustainability of the results of this TC will be ensured by the multiplier effect caused by national and subnational Brazilian entities successfully designing and adopting innovative public policies. Additionally, the program includes a comprehensive set of dissemination activities to facilitate the impact of the outputs developed by this initiative. In addition, the TC will be incorporated in the activities of the RNCP workplan, which will contribute to their sustainability.

## V. Major issues

V.1 The principal risk associated with this project relates to the capacity of the participating associates to implement the project's activities in a timely and effective manner. This will be mitigated by Bank execution through the CBR technical cooperation unit, and by the support of the RNCP, which provides ongoing technical assistance to the members.

V.2 There is a risk that other priorities will take precedence in the participating governments over the activities of the TC. To mitigate this risk, the project team will work closely with the members to ensure their active participation from the very beginning through activities associated with the RNCP. The RNCP is the first initiative for public procurement network in Brazil, with monthly activities that promote the

building of knowledge and capacity in the area of public procurement reform. See [Compras públicas Brasil](#) for more information.

- V.3 Additionally, there's a risk that while heads of procurements at the subnational level may be onboard with the adoption of policies and good practices in public procurement market, the political support to implement these policies may be varied across the country. This risk will be mitigated through Component III of the project, whereby emphasis will be placed on disseminating knowledge gained through Component I. Project results will be published, and the knowledge will be featured and widely disseminated at various high-level conferences throughout the region to build awareness among policy decision-makers.

## **VI. Exceptions to Bank policy**

- VI.1 This project does not foresee any exceptions to Bank policy.

## **VII. Environmental and Social Strategy**

- VII.1 There are no environmental or social risks associated with the activities outlined in this operation; therefore, its environmental classification is "[C](#)", according to the Environment and Safeguard Compliance Policy (OP-703).

### **Required Annexes:**

[Request from the Client\\_10487.pdf](#)

[Results Matrix\\_22121.pdf](#)

[Terms of Reference\\_51525.pdf](#)