

DOCUMENT OF THE INTER-AMERICAN BANK
MULTILATERAL INVESTMENT FUND

BRAZIL

**OPEN INNOVATION FOR THE HEALTH SECTOR IN THE FIGHT AGAINST
COVID-19**

(BR-T1457)

DONORS MEMORANDUM

This document was prepared by the project team comprised of: Felipe Cresciulo (INV/CBR), Team Leader; Eduardo de Azevedo (KIC/ICD), Co-team Leader; Jéssica Leite (DIS/CBR), Padydeh Eghbali (LAB/FIA), Melissa Sendic (DIS/CBR), Carolina Carrasco (DIS/CCH), Jossette Hernandez (DIS/CCR), Juan Pedeflous (FML/LAB), Catherine Moura (SCL/SPH), Vanderleia Radaelli (IFD/CTI), Karina Miriam Briones (VPC/FMP), Paolo Valenti (CSC/CAR), Lucas Figal Garone (DSP/DVF)

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PROJECT SUMMARY

BRAZIL

OPEN INNOVATION FOR THE HEALTH SECTOR IN THE FIGHT AGAINST COVID-19

(BR-T1457)

Article 196 of Brazil's constitution states that "Health is a right of all, and a duty of the state and shall be guaranteed". However, although Brazil spends more¹ on health than other Latin American country, public spending does not translate into good performance indicators, as access to quality healthcare services is still a major challenge for many Brazilians. The country has one of the highest infant mortality rates in the region, life expectancy at birth in Brazil (75 years) is lower than Chile, Uruguay and Mexico, and 80% of patients and 65% of healthcare professionals do not trust in the public healthcare system².

Technology plays a decisive role in improving the public health services, reducing costs, and broadening access to vulnerable and underserved populations. For instance, a greater integration and intelligence in the use of data can result in a reduction of up to 35%³ in cost per bed through management efficiency. The Brazilian Public sector represents 42%⁴ of total health expenditures in Brazil, but there is absence of procurement instruments to acquire innovative solutions.

Moreover, the recent pandemic caused by Coronavirus Disease 2019 (COVID-19) has outlined the need of use of different processes, technologies, and services in public healthcare networks in Brazil. Regulators are also more inclined to approve innovative services and methods on the fight against this pandemic.

Open innovation (OI) has been defined as "the use of purposeful inflows and outflows of knowledge to accelerate internal innovation and expand the markets for external use of innovation". The use of this instrument brings an opportunity to accelerate the adoption of high impact technologies by the public sector, modernizing the state and fighting the current pandemic.

The project will support the Government of the State of São Paulo in the first edition of its new Open Innovation program, called Ideia.Gov, that in partnership with InovaHC and IPT, will focus on identifying challenges, selecting proposals, financing and validating at least 10 innovative technological solutions, in order to address the mayor needs of health networks in the fight against COVID-19. The project expects to bring lessons learned and expand the validated solutions to other countries in the region.

¹ Brazilian public spending on health represents 5.1% of GDP. IDB Group Country Strategy with Brazil 2019-2022. Link [here](#)

² McKinsey&Company Visão Brasil 2030: contribuindo para a transformação do Brasil. Future health Index 2016 Phillips.

³ McKinsey&Company Visão Brasil 2030: contribuindo para a transformação do Brasil. Future health Index 2016 Phillips.

⁴ IBGE: Despesas com saúde ficam em 9,2% do PIB e somam R\$ 608,3 bilhões em 2017. Link [here](#)

ANNEXES

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ANNEX II	Detailed Budget
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APPENDICES

Draft Resolution

AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

ANNEX IV	Diagnostic of Needs of the Executing Agency (DNA)
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ACRONYMS AND ABBREVIATIONS

Bi	Billion
COVID-19	Disease caused by a new strain of coronavirus
DICI	Diagnostic of Executing Agency Needs
FFM	Fundação Faculdade de Medicina
HC	Hospital das Clínicas of the Faculty of Medicine of the University of São Paulo
IDB	Inter-American Development Bank
IDB Group	Inter-American Development Bank Group
IDB Lab	Inter-American Development Bank Innovation Laboratory
IIC	Inter-American Investment Corporation
IPT	São Paulo Institute of Technological Research
InovaHC	Technological Innovation Center of the Hospital das Clínicas of the Faculty of Medicine of the University of São Paulo
LAC	Latin America and the Caribbean
M	Million
OI	Open Innovation
USP	University of São Paulo
VC	Venture Capital

PROJECT INFORMATION

BRAZIL

OPEN INNOVATION FOR THE HEALTH SECTOR IN THE FIGHT AGAINST COVID-19 (BR-T1457)

Country and Geographic Location:	Brazil, São Paulo State		
Executing Agency:	FUNDAÇÃO FACULDADE DE MEDICINA - FFM		
Focus Area:	Knowledge Economy – Social Protection and Health		
Coordination with Other Donors/Bank Operations:	This project is an IDB Group-wide effort, led by the IDB LAB in close collaboration with KIC, SPH, IFD/CTI, and includes team members from all these departments, who will participate in the governance of the project.		
Project Beneficiaries:	The project will support Open.Gov, the Open Innovation Program of the Government of the State of São Paulo, in modernizing the state and improving the quality of health services provided to the population. Through this program, the project targets to support at least 10 companies and entrepreneurs from Brazil and other countries of the region in prototyping health solutions that will impact, during the validation phase, 10,000 people that use the Public Health System in Brazil.		
Financing:	Technical Cooperation:	US\$ 870,000	41%
	Equity:	US\$ 000,000	
	Loan:	US\$ 000,000	
	Other (explain):	US\$ 000,000	
	TOTAL IDB Lab FUNDING:	US\$ 870,000	
	Counterpart:	US\$ 1,269,300.00	59%
	Co-financing (if available; include a separate line for IDB Co-financing if applicable):		00%
	TOTAL PROJECT BUDGET:	US\$ 2,139,300.00	100%
Execution and Disbursement Period:	12 months of execution and 18 months of disbursement.		
Special Contractual Conditions:	No special conditions precedent to first disbursement.		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on 15h May 2020. Given the limited impacts and risks, the proposed category for the project is C.		
Unit responsible for disbursements	CBR		

I. The Problem

A. Problem Description

- 1.1. On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus Disease 2019 (COVID-19) outbreak a pandemic. At that time, there were 110 confirmed cases of COVID-19 reported in 12 LAC countries and 4 territories⁵. The risk level for the Latin American and Caribbean region (LAC) is assessed as High due to the large spread of cases across borders and human-to-human transmission; a large number of travelers to highly-affected regions; the many uncertainties regarding the epidemiology of international spread; challenges to diagnose cases due to nonspecific symptoms and possibility of co-circulation of other respiratory pathogens (e.g. influenza, Respiratory Syncytial Virus -RSV), hence the potential of undetected transmission.
- 1.2. The IDB Group have outlined its focus for deploying the financial and technical resources made available to borrowing member countries and companies to address the crisis created by COVID-19. The IDB Group will concentrate its support in four areas: (i) the Immediate Public Health Response; (ii) Safety Nets for Vulnerable Populations; (iii) Economic Productivity and Employment; and (iv) Fiscal Policies for the Amelioration of Economic Impacts.
- 1.3. On April 1, Brazilian Ministry of Health stated that there were 6,836 confirmed cases of COVID-19 and 241 deaths in the country from this pandemic. At that time, São Paulo registered 2,981 cases and 164 deaths, representing, respectively, 43% and 68% of occurrences in Brazil. Besides being the first state in Brazil with a confirmed case, São Paulo has a response plan that includes, among others⁶: (i) creation of a COVID-19 Contingency Center; (ii) determination of social isolation as of March 24; (iii) definition of reference hospitals such as the Hospital das Clínicas of the Faculty of Medicine of the University of São Paulo (HC); (iv) telehealth Centers with HC experts; and (v) creation of a special force with laboratories to diagnose cases with participation of the HC.
- 1.4. Due the pandemic crisis, companies and research and development institutions concentrate efforts on creating solutions to address the needs of health systems. While the Health Department of the State of São Paulo receives proposals for innovative health solutions daily from technology providers, it lacks with support to evaluate, finance and validate them before scaling up to the entire State health system.
- 1.5. Almost 70% of the Brazilian population has no private health insurance⁷, these most vulnerable part of population is dependent of the public health system and is highly impacted by the pandemic crisis.

⁵ Argentina, Brazil, Costa Rica, Mexico, Perú, Panama, Colombia, Ecuador, Dominican Republic, Chile, French Guiana, Martinique, Saint Martin and Saint Barthelemy.

⁶ São Paulo response plan to COVID-19. Link [here](#)

⁷ “Pesquisa mostra que quase 70% dos brasileiros não têm plano de saúde particular”. Agência Brasil. Link [here](#).

- 1.6. In turn, São Paulo State Government is losing the opportunity to modernize its health system with innovative solutions, that could also address the current pandemic, since it has the following limitations: (i) lack of a structured channel to receive the solutions; (ii) lack of financing instruments to pilot solutions from small and medium companies; and (iii) lack of a process to receive solutions from international startups.

B. Opportunity

- 1.7. Established in 1944, the HC is a state agency linked to the Health Department of the State of São Paulo and associated with the Faculty of Medicine of USP. The HC provides highly complex health actions and services for the community. The HC complex occupies a total area of 600 thousand square meters with approximately 2,400 beds distributed among 8 specialized institutes and 2 auxiliary hospitals. The Technological Innovation Center - InovaHC, created in October 2014, aims to encourage innovation among the different institutes of HC, manage the intellectual property generated in this complex, and provide means to promote the transfer of scientific, technological and cultural knowledge to the public and the private sectors, with the objective of improving health services at the State and Federal levels. This purpose is in accordance with state and federal laws, which promote technological innovation as a strategic component for economic development. During the last years, InovaHC has promoted important actions, both in the development of a support network and in innovative projects, including the following cases: (i) Support to the development of digital solutions for medical treatments; (ii) Support for research development, with over 40 research groups attending; (iii) Projects with the Government of the State of São Paulo and the Federal Government, such as drug traceability; (iv) Development of an Innovation Hub, with more than 30 startups residents; (v) Support to validate startups solutions, with more than 10 actives projects; (vi) Host and participate in several innovation events.
- 1.8. the Economic Development Department of the State of São Paulo is responsible for promoting sustainable development through the design and implementation of public policies covering several areas, such as regional development, professional education, job promotion, entrepreneurship and Science, Technology and Innovation.
- 1.9. Established more than 100 years ago, the São Paulo Institute of Technological Research (IPT) has laboratories and a team of highly qualified researchers, operating in four areas: innovation, research and development; technological services; development and metrological support; and information and technological education. It is a public research institution and a state-owned enterprise under the Economic Development Department of the State of São Paulo, which provides scientific and technological support to public policies as well as technological solutions to the private sector.

C. IDB Group's experience in the innovation ecosystem and health networks

- 1.10. IDB Lab had an important role enhancing the startup innovation ecosystem in Brazil. It has committed more than USD 80M across 20 Venture Capital funds

focused on Brazil since 1999 and has designed other innovative projects targeting market failures of this ecosystem. IDB Lab's current exposure in the startup ecosystem related projects is composed by: (i) 10 active VC funds focused on Brazil⁸; (ii) 2 active Technical Cooperations⁹; and (iii) regional projects that also cover Brazil.

- 1.11. IDB has a relevant and strategic participation in the consolidation of public health policies and healthcare networks in the region, supporting local and federal governments in designing, planning, implementing, and monitoring public policies with greater level of efficiency. Based on international evidence, IDB provides fund and technical support to the countries to strengthen their health systems with four current focus areas: (i) information and co-responsibility in health care; (ii) timely and ongoing access to health and nutrition services; (iii) financial protection through efficient spending on health; and (iv) efficiency and intersectoral collaboration among health authorities.
- 1.12. In LAC, IDB has financed USD 3.8Bi distributed in 4 health subsectors with a great preponderance of projects dedicated to public health system strengthening. Currently, IDB health sector has an active portfolio of 35 loan operations and Brazil has the largest volume of projects in the region (23%), mobilizing almost USD 1Bi of investments applied to the strengthening of the public health ecosystem, within the scope of the Public Health System (SUS), which offers universal health coverage for the 209 million Brazilian inhabitants. This current portfolio opens up an opportunity to leverage the impact of innovative solutions supported by this project in the public sector of Brazil and in the region.

II. The Innovation Proposal

A. Project Description

- 2.1. The general object of the project is to support the first edition of the Government of the State of São Paulo's open innovation program, called Ideia.Gov, that in partnership with InovaHC and IPT, will focus on identifying challenges, receiving and selecting proposals, financing and validating technological solutions, in order to address the mayor needs of health networks in the fight against COVID-19.
- 2.2. To achieve this objective, the project has three lines of action: (i) Provide methodological support to prioritize challenges, find solutions and manage their implementation for COVID-19; (ii) Technical and Financial support to validate prototype using HC and IPT structure; and (iii) Develop a guide for regional implementation of innovative solutions for the pandemic crisis.
- 2.3. Open innovation (OI) has been defined as "the use of purposeful inflows and outflows of knowledge to accelerate internal innovation and expand the markets

⁸ EQU/MS-12038-BR is focused on investing in life science startups

⁹ ATN/ME-17066-BR (BID ao Cubo) and ATN/ME-15757-BR (Promotion of the Socioenvironmental Impact Investment and Enterprise Ecosystem)

for external use of innovation”¹⁰. Although the Open Innovation concept was initially developed as a business-driven phenomenon, it has implications for Research and Innovation (R&I) policies, as framework conditions are key to foster an open and collaborative environment. This model involves strategic, managed exchanges of information with actors outside of the boundaries of an organization, aimed at integrating their resources and knowledge into the organization’s own innovative process.

- 2.4. With the introduction of OI, boundaries become ‘permeable’, enabling the matching and integration of resources between the internal and external collaborators. In the ‘closed’ innovation model, the innovative process relying on internal resources alone. Open innovation is grounded in the recognition that an organization can harness knowledge from multiple sources to enhance innovation and thus deliver additional value for customers and citizens.
- 2.5. International trends indicate the need to create institutional spaces that facilitate the adoption of new technologies and innovative methodologies to encourage experimentation. Contributing to improving the quality of services provided by governments, these spaces should promote citizen participation and the co-creation of solutions in collaboration with different actors inside and outside the government.
- 2.6. Concomitantly, the opportunity to use public procurement to promote innovation stands out, promoting the accelerated development of a market of startups and impact businesses – called *Govtechs* and *Civitechs* - whose businesses models are aimed at solving social problems through technology and innovation. The IDB’s report¹¹ on the topic points out that, in addition to promoting innovative solutions for public policies, government demand encourages investment in Research and Development (R&D) more broadly, with applications for private clients. In Brazil, an OECD study¹² estimates that public purchases represent about 13% of national GDP. Of this amount, around 40% are purchases from the federal government, 33% are from municipal governments and 26% from states, demonstrating that there is enormous potential to use this volume of resources as an engine for the development of the knowledge industry.
- 2.7. **Open Innovation Program – Ideia.Gov.** Aligned with this international movement, the Government of the State of São Paulo created Ideia.Gov with the objective of solving major challenges of São Paulo’s State management through the adoption of new technologies and innovative solutions for the improvement of public services. The program is led by the Economic Development Department of the State of São Paulo, together with Impact Hub São Paulo. The partnership with IDB Group will enhance the impact of the first edition of this program, allowing a more effective result for São Paulo and LAC.

¹⁰ Chesbrough et al. “Open Innovation: Researching a New Paradigm”, 2006.

¹¹ **The new imperative of Innovation.** Policy perspectives for Latin American and the Caribbean. Link [here](#)

¹² **Government at a Glance.** Latin America and the Caribbean 2014: Towards Innovative Public Financial Management. Link [here](#)

Component 1 - Methodological support to prioritize challenges, find solutions and manage their implementation related to the COVID-19 (IDB Lab US\$ 3,000.00; Counterpart US\$ 520,300.00).

- 2.8. The objective of this component is to develop a diagnosis on the institutional capacities and the main challenges of the São Paulo public health system to fight the COVID-19 pandemic.
- 2.9. The main activities to be carried out include: (i) define a methodology to identify and prioritize the main challenges of the Health Department of the State of São Paulo; (ii) develop a scouting and selection process to match technological solutions with specific challenges; (iii) manage the pilot phase at HC or IPT, aiming to validate solutions and scale-up them to the public sector; and (iv) support the scalability of technological solutions in São Paulo, Brazil and LAC.
- 2.10. The intended outcome of Component 1 is a methodology to execute Ideia.Gov to quickly respond the challenges presented by the pandemic. The expected products are: (i) 17 challenges prioritized to receive proposals from innovators; (ii) 15 institutions connected to the program; (iii) 300 proposals received from which 30 could be from international innovators; and (iv) establish an open innovation methodology to the health sector.

Component 2 - Technical and financial support to validate prototype using HC and IPT infrastructure (IDB Lab US\$ 707,000.00; Counterpart US\$ 549,000.00).

- 2.11. The objective of this component is to finance, at least, 10 prototypes that will be tested in a controlled environment, aiming to validate the applicability of a specific technological solution to solve a prioritized challenge of São Paulo's public health system. This key component will allow testing solutions developed by small and medium-sized companies that, despite their technical capacity, would not be able to pilot them without financial and technical support.
- 2.12. The main activities will be: (i) Co-financing 10 prototypes to be tested on a controlled environment that will facilitate identifying key bottlenecks, measuring results and understanding how the prototypes can be scaled; (ii) connecting with innovation funding agencies and Venture Capital firms; (iii) Identifying public and private institutions to co-finance the prototypes; and (iv) Providing technical support to implement the prototypes, validate the results and define the technical requirements to the scale-up phase.
- 2.13. For the projects that successfully raise investment after validate its prototype, IDB Lab will have a preference right, not the obligation, to invest up to 30% of the subsequent investment round of the startups that participate in the program, in the same financial and political conditions of the leading investors of the round.
- 2.14. In order to cope with the regulatory complexity which is inherent to the Health Tech sector, emerging technologies supported by the project will be monitored by São Paulo-based Brazil Affiliate Centre for the Fourth Industrial Revolution Network of the World Economic Forum (C4IR Network). By connecting leading technology companies, dynamic start-ups, policy-makers, international

organizations, regulators, business organizations, academia and civil society, the Centre will develop innovative policy making and regulation to advance the development of national Fourth Industrial Revolution strategies and public-private initiatives. The Centre for the Fourth Industrial Revolution Brazil will be focused on AI, IoT and data usage policies.

- 2.15. Through fAIr LAC, the alliance to ensure a responsible application of Artificial Intelligence in LAC, IDB Lab will also support AI-based prototypes in adopting an inclusive and ethical approach in the use of data.
- 2.16. The intended outcome of Component 2 is validating solutions to tackle COVID-19. The expected products are: (i) 10 prototypes co-financed by IDB Lab; and (ii) 5 projects connected with innovation funding agencies.

Component 3 - Guide for regional implementation of innovative solutions for COVID-19 (IDB Lab US\$ 160,000.00; Counterpart US\$ 200,000.00).

- 2.17. Based on the results of the pilots, the objective of component 3 is to disseminate results, lessons learned and models to help in the combat of COVID-19 for other states in Brazil and LAC.
- 2.18. The main activities to be carried out include: (i) define a model to scale-up the validated solutions to public health networks; (ii) develop an internationalization assessment tool; (iii) understand the key elements to validate health related innovative technologies; and (iv) create a communications strategy to replicate health innovation projects in LAC.
- 2.19. The expected results are: (i) 4 technological solutions scaled to other health networks; (ii) 2 projects expanded to other countries in LAC; (iii) develop a health technology validation model; and (iv) develop a replication guide to support health innovation projects in LAC.

B. Project Results, Measurement, Monitoring and Evaluation

- 2.20. This project will support an open innovation program and develop conditions to expand this knowledge to LAC countries in the fight against COVID-19. The expected result is threefold: (i) the creation of a method to support innovation response for COVID-19; (ii) the financial support to validate solution in HC; and (iii) the creation of a guide for regional expansion of solutions.
- 2.21. There is also an expected impact of: (i) 10.000 people impacted directly by the co-financed prototypes during the validation phase; and (ii) 50.000 people impacted directly by the co-financed prototypes in 2021.
- 2.22. Data from Ideia.Gov, as a public program, will be available online and FFM implementation team will collect and structure the information to report according to the indicators described in Annex I. The impact from the co-financed prototypes will be measured by the providers of the selected solutions and will be validated by FFM implementation team.

- 2.23. The results matrix (see Annex I) indicators will be reported every semester by FFM implementation team and inserted in the PSRs accordingly. No evaluations are planned but may be conducted by the project's partners.

III. Alignment with IDB Group, Scalability, and Risks

A. Alignment with IDB Group

- 3.1. The project is aligned with the Second Update to the Institutional Strategy¹³ which strengthens the IDB Group's emphasis on promoting productivity through the adoption of technology and innovation, incorporating the crosscutting themes of climate change and environmental sustainability, and gender equality and diversity.
- 3.2. The project is also aligned with the IDB Group's strategy in Brazil for the period 2019-2022¹⁴ to promote sustainable development and build a more effective government in the crosscutting support for challenges related to innovation and digital transformation. It also complements the technical cooperation with Cubo (BR-T1403)¹⁵, that has set the grounds for collaboration of key ecosystems actors within LAC, and with the project Exploring the Potential of Technology-Based Entrepreneurship Through Open Innovation¹⁶ (BR-T1224), which, through the Competitiveness, Technology, and Innovation Division, is understanding the opportunities for open innovation for technology-based entrepreneurship and enhancing the institutional capacity in designing instruments to promote such entrepreneurship through open innovation.
- 3.3. On the IDB Group's immediate response of the current pandemic, the project is aligned with the priority support areas for countries affected by COVID-19¹⁷. The Immediate Public Health Response will provide support for countries' preparedness and response capacities to help contain the transmission of the virus and mitigate its impact, with resources to strengthen public healthcare systems and purchase supplies and equipment.
- 3.4. The project is also aligned with IDB Lab prototypes that are addressing the health related challenges caused by COVID-19, and with the IDB Social Sector global response to the COVID-19 challenges and its severe impact in Latin American and the Caribbean, that includes a coordinated response plan to support the countries preparedness to the pandemic control with essential lines of action, such as: country level coordination, risk communication and community engagement, rapid response, case management, infection prevention and control, logistics and supply management, and digital interventions.

¹³ Second Update to the Institutional Strategy. Link [here](#)

¹⁴ Brazil for the period 2019-2022. Link [here](#)

¹⁵ BID ao Cubo (BID³). Link [here](#)

¹⁶ Exploring the Potential of Technology-Based Entrepreneurship Through Open Innovation. Link [here](#)

¹⁷ "IDB Group announces priority support areas for countries affected by COVID-19". Link [here](#)

- 3.5. In addition, the project is line up with the ongoing loan operation of the Social Protection and Health Division (SPH) with the State of São Paulo (BR-L 1376)¹⁸ which has the objective to contribute to the improvement of health conditions of the population, through the strengthening of Health Services Network.
- 3.6. IDB Lab has 27 years of expertise in supporting innovation for inclusion in Latin America and the Caribbean. As part of the 2019-2021 strategy, IDB Lab will focus on generating knowledge and fostering connections between LAC and key institutions within the region. Furthermore, IDB Lab's focus on projects related to three thematic areas (Climate-Smart Agriculture, Inclusive Cities and Knowledge Economy) aims to provide better support and generate disproportionate impact in the region.

B. Scalability

- 3.7. The project has scalability at its core of its design by supporting an open innovation program that will develop models to be replicated in other public health networks. Component 3 will focus on scaling the solutions: (i) expand the prototypes for the State of São Paulo public health system; and (ii) replicate to other states in Brazil and LAC countries.
- 3.8. After the solutions are validated, it is expected that other health departments will use the validated solutions and the models to incorporate innovation in their actions to tackle COVID-19. The project also expects to facilitate the scaling of these innovation processes and the incorporation of innovation into the public sector, necessary changes in the public procurement policy framework will also be identified.
- 3.9. By the end of the project, three guidelines will be developed aiming to enable the adoption of innovations by the Brazilian public sector. These models will improve the public sector capacity to assume the risk of financing prototypes, validating health solutions and relying in external solutions to tackle health crisis.

C. Project and Institutional Risks

- 3.10. Risk: Open innovation processes generate a high perception of risk for Government Agencies and their procurement offices, which undermines their willingness to commit to rolling-out the solutions developed in these programs. Mitigation measures: Awareness raising, mainly by engaging the procurement teams in the process. The activities of component 1 are highly important in this regard, as the success stories will demonstrate that open innovation is not just viable in the public sector but essential to find innovations for the pandemic situation.
- 3.11. Risk: Open innovation processes rely on the participation and contributions of institutions of different kinds that, a priori, do not share the same strategic planning and, as a result, delays in the project execution may occur that discourage the participation of the Health Department of the State of São Paulo. Mitigation measures: Component I has the objective to identify and elaborate the challenges

¹⁸ Strengthening health management in the State of São Paulo

that will be launched by the project and to create a methodology that allows a quick execution. As there are uncertainties in the development of each prototype and each prototype will have different needs and timeframes, this methodology will be flexible to adapt to the timetable and milestones of each prototype if needed.

- 3.12. Risk: In Brazil and other countries of the region, innovation levels in the entrepreneurial sector can be a barrier to quickly answer to the COVID-19 pandemic crisis. Mitigation measures: Correction of these conditions is beyond the scope of the project. Nonetheless, since this risk could have an impact on scaling open innovation in other LAC countries, the project will enhance the dissemination of the challenges, especially with IDB Group communication support, aiming to reach a great number of proponents that can pilot their solutions in InovaHC or IPT structure.
- 3.13. Risk: Health Departments are unable to overcome their risk perception of innovative companies with the capacity to develop, maintain, and comply with requirements subsequent to implementation of the solutions they develop. Mitigation measures: The partnership between InovaHC, IPT and Economic Development Department of the State of São Paulo should facilitate analysis and validate the solutions before rolling out into the Health Department network. These partners have extensive experience in working with the private sector to develop and validate new solutions for the public sector. IDB Group experts will share successful experiences from projects around LAC countries that overcome this initial perception of risk.
- 3.14. Risk: Lack of technical support and instruments for public agencies to acquire innovative solutions, and insufficiency of financial and mentoring support for *Govtechs* and *Civitechs* to scale their solutions and companies to improve the quality of public services. Mitigation measures: The project will provide support for the initial implementation of prototypes, which will include advisory services for the buyer in areas such as: public procurement for innovation, intellectual property rights, functional specification of challenges, and proposed improvements to the regulatory framework governing public procurement, also addressing the need for adjustments to facilitate the rolling out of these solutions. IDB Lab will also approximate accelerators and venture capital firms that could support the selected innovators with mentoring and financing.

IV. Instrument and Budget Proposal

- 4.1. The project has a total cost of US\$ 2,139,300.00, of which US\$ 870,000.00 (41%) will be provided by the IDB Lab as a non-reimbursable technical cooperation fund, and US\$ 1,269,300 (59%) by the counterpart.
- 4.2. Retroactive Recognition of Counterpart Funds. The COVID-19 pandemic crisis was declared by WHO on March 11, 2020 and the Government of the State of São Paulo started spending resources to structure an open innovation program to respond to this situation. Counterpart expenditures from FFM and the Economic

Development Department of the State of São Paulo, incurred on after the project becomes eligible on the Ideate session on April 13th, 2020, may be recognized.

Project Categories	IDB Lab	Counterpart	Total
Component 1: Methodological support to prioritize challenges, find solutions and manage their implementation	US\$ 3,000	US\$ 520,300	US\$ 523,300
Component 2: Support to prototype validation in HC and IPT	US\$ 707,000	US\$ 549,000	US\$ 1,256,300
Component 3: Guide for regional implementation of solutions	US\$ 160,000	US\$ 200,000	US\$ 360,000
Grand Total	US\$ 870,000	US\$ 1,269,300	US\$ 2,139,300
% of Financing	41%	59%	100%

V. Executing Agency and Implementation Structure

A. Executing Agency Description

- 5.1. FFM¹⁹ is a private and a non-profit organization that will act as the Executing Agency of this project. Created in 1986 by former students of the Faculty of Medicine of USP, FFM has acted in promoting teaching and research, and supporting the activities of the USP Medical School and the HC. Since 1998, it has maintained agreements with the Health Department of the State of São Paulo, which include the joint execution of several activities, from the billing of hospital services and the human resources management of HC, to the medical devices procurement process. FFM also has supported HC, in its extension courses, events, research projects, clinical studies, among other initiatives.
- 5.2. InovaHC aims to encourage innovation among the different institutes of HC, managing the intellectual property generated in this complex, and providing means to promote the transfer of scientific, technological and cultural knowledge to the public and the private sectors, with the objective of improving health services at the State and Federal levels. This purpose is in accordance with state and federal laws, which promote technological innovation as a strategic component for economic development.
- 5.3. The Economic Development Department of the State of São Paulo is responsible for interagency coordination in the IdeiaGov for COVID-19 program, as well as contracting operational executors and monitoring and evaluating the initiative. The program is aligned with the São Paulo State Government strategic objectives and with the budgetary four-year plan.
- 5.4. IPT will provide technological support through both the provision of research and laboratory infrastructure and access to its network of scientists and researchers.

¹⁹ FFM annual report 2019. Link [here](#).

The enterprise will also contribute to the technological assessment and project management of the innovative solutions proposed.

- 5.5. InvesteSP is an agency aimed at investment attraction to the State of São Paulo, as well as supporting small and medium enterprises in implementing new projects and promoting exports. It will provide support, capacity building and services for startups to export and reach international markets.

B. Implementation Structure and Mechanism

- 5.6. FFM will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. FFM will also be responsible for providing progress reports on project implementation.
- 5.7. The implementation structure will rely on technical skills from different partners. The following chart illustrates how distinct stakeholders will contribute in each phase of the project.



- 5.8. Ideia.Gov's team has developed the program's website and platform to manage the submitted proposals. Participants can submit proposals in two different categories: (i) technological offering and (ii) specific innovation challenges proposed by HC's medical teams. IPT will contribute with technical expertise by evaluating the submitted proposals, alongside specialists appointed by HC. After this initial technical evaluation, HC and the Health Department of the State of São Paulo will select the solutions the most suitable to be implemented in the state public health network. The selected solutions will then proceed to the prototype validation phase by IPT and HC.
- 5.9. The selected prototypes will then be implemented as pilot projects in the HC with real case situations, co-financed by IDB Lab. In this phase, the project teams will

be connected to public and private funding agencies, as well as access to public research institutes' expertise and infrastructure.

- 5.10. Well succeeded pilots will then advance rolling-out the solution in HC and in other hospitals of the Health Department network, through public procurement, donation, or IP licensing. In this phase, these solutions will also receive support for scaling-up and finding new clients, in Brazil and abroad. Therefore, they will be connected to credit institutions, venture capital funds and will receive technical assistance by InvesteSP for business internationalization.

VI. Compliance with Milestones and Special Fiduciary Arrangements

- 6.1. Disbursement by Results, Fiduciary Arrangements. The Executing Agency will adhere to the standard IDB Lab disbursement by results, Bank procurement policy²⁰ and financial management²¹ arrangements as specified in Annex V and VI.
- 6.2. As a non-profitable foundation, FFM has established a purchasing and hiring regulations²² in strict compliance with the constitutional principles of equality, legality, publicity, impersonality, morality, efficiency, and cost-effectiveness.

VII. Information Disclosure and Intellectual Property

- 7.1. **Access to information.** The information contained in this document is classified as public upon approval under the Bank's Access to Information Policy²³.
- 7.2. **Intellectual property.** The Bank will grant FFM the right to use the outputs and studies developed under this project nonexclusively, free of charge, and for noncommercial purposes. The intent is to ensure maximum dissemination of the lessons learned from the project in Brazil and the region, where FFM is a relevant actor among health agencies. Open use can be made of these lessons learned and they may be freely adapted, reused, and implemented by other programs.
- 7.3. The three guidelines mentioned on 3.9, could be used by IDB Group enriching other projects in the region that have the goal to enable the adoption of innovations by the health sector. These models will improve the public sector capacity to assume the risk of financing prototypes, validating health solutions, and relying in external solutions to tackle health crisis.
- 7.4. IDB Lab will reserve the right to scale up innovations of interest for its current strategy under other financing conditions.

²⁰ Link to the Policy: [Procurement of Works and Goods Policy](#)

²¹ Link to the document [Financial Management Operational Guidelines](#)

²² FFM's Purchasing and Hiring Regulations. Link [here](#).

²³ Link to the Bank's [Access to Information Policy](#).