

**NATIONAL PUBLIC POLICIES FOR MICRO AND SMALL ENTERPRISES:
MARKET ACCESS AND THE PROMOTION OF INTEGRATIVE POLICIES
BETWEEN THE STATE AND CITIZENS**

**AS POLÍTICAS PÚBLICAS NACIONAIS VOLTADAS ÀS MICRO E PEQUENAS
EMPRESAS: ACESSO AOS MERCADOS E O FOMENTO ÀS POLÍTICAS
AGREGADORAS ENTRE ESTADO E CIDADÃO**

**POLÍTICAS PÚBLICAS NACIONALES ORIENTADAS A LAS MICRO Y
PEQUEÑAS EMPRESAS: ACCESO A LOS MERCADOS Y EL FOMENTO DE
POLÍTICAS INTEGRADORAS ENTRE EL ESTADO Y EL CIUDADANO**



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ABSTRACT

Micro and small enterprises (MSEs) represent 99% of formal businesses in Brazil and play a central role in economic and social development. However, access to markets, especially public markets, remains a structural challenge. This study investigates the association between the formalization of MSEs and their participation in public service procurement processes conducted within the Banrisul System during the first quarter of 2025, the first full cycle under Law No. 14,133/2021. The research adopts a mixed-methods approach, including documentary analysis of bidding notices and contracts, collection of secondary data (CNPJ and tax registries), and the application of questionnaires and interviews with entrepreneurs and managers. The methodological design is descriptive-correlational, with no intention of inferring causality. It is expected that the prospect of supplying to the State acts as an incentive for formalization, particularly in the service sector, which is characterized by high levels of informality. Preliminary results suggest a concentration of newly established firms close to the dates of bidding processes, indicating a relevant correlation between public procurement and entry into the formal market. It is concluded that the effectiveness of the policy depends not only on the legal framework but also on the institutional capacity of subnational entities and the mediating role of SEBRAE.

Keywords: Public Policies. Micro and Small Enterprises. Government Procurement. Formalization. Local Development.

RESUMO

As micro e pequenas empresas (MPEs) representam 99% das empresas formais no Brasil e desempenham papel central no desenvolvimento econômico e social. Contudo, o acesso a mercados, especialmente ao mercado público, permanece como desafio estrutural. Este estudo investiga a associação entre a formalização de MPEs e sua participação em licitações públicas de serviços realizadas no Sistema Banrisul, no primeiro trimestre de 2025, primeiro

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ciclo completo de vigência da Lei nº 14.133/2021. A pesquisa adota abordagem mista, com análise documental de editais e contratos, levantamento de dados secundários (CNPJ e cadastros fiscais) e aplicação de questionários e entrevistas a empreendedores e gestores. O desenho metodológico é descritivo-correlacional, sem pretensão de inferir causalidade. A expectativa é que a perspectiva de fornecimento ao Estado atue como incentivo à formalização, sobretudo no setor de serviços, marcado por alta informalidade. Os resultados preliminares sugerem concentração de empresas recém-constituídas próximas às datas de certames, apontando correlação relevante entre licitações e ingresso no mercado formal. Conclui-se que a efetividade da política depende não apenas do marco legal, mas da capacidade institucional dos entes subnacionais e do papel de mediação do SEBRAE.

Palavras-chave: Políticas Públicas. Micro e Pequenas Empresas. Compras Governamentais. Formalização. Desenvolvimento Local.

RESUMEN

Las micro y pequeñas empresas (MPEs) representan el 99% de las empresas formales en Brasil y desempeñan un papel central en el desarrollo económico y social. Sin embargo, el acceso a los mercados, especialmente al mercado público, sigue siendo un desafío estructural. Este estudio investiga la asociación entre la formalización de las MPEs y su participación en licitaciones públicas de servicios realizadas en el Sistema Banrisul durante el primer trimestre de 2025, primer ciclo completo de vigencia de la Ley nº 14.133/2021. La investigación adopta un enfoque mixto, que incluye análisis documental de pliegos y contratos, levantamiento de datos secundarios (CNPJ y registros fiscales) y la aplicación de cuestionarios y entrevistas a emprendedores y gestores. El diseño metodológico es descriptivo-correlacional, sin pretensión de inferir causalidad. Se espera que la perspectiva de proveer al Estado actúe como incentivo para la formalización, especialmente en el sector de servicios, caracterizado por altos niveles de informalidad. Los resultados preliminares sugieren una concentración de empresas de reciente creación próximas a las fechas de los procesos de licitación, lo que indica una correlación relevante entre las compras públicas y la entrada al mercado formal. Se concluye que la efectividad de la política depende no solo del marco legal, sino también de la capacidad institucional de las entidades subnacionales y del papel de mediación del SEBRAE.

Palabras clave: Políticas Públicas. Micro y Pequeñas Empresas. Compras Públicas. Formalización. Desarrollo Local.

1 INTRODUCTION

The Brazilian productive structure is marked by contrasts: large conglomerates and an immense base of micro and small enterprises (MSEs) coexist. According to SEBRAE (2023), MSEs account for about 99% of formal establishments, 52% of formal jobs, and 30% of GDP. It's not just numbers: they are businesses that irrigate neighborhoods and municipalities, give opportunity to those who undertake with few resources and move local networks of suppliers, services and work.

Access to markets, however, remains a bottleneck. The Sebrae ecosystem indicates that the services sector concentrated most of the new openings in 2024, which helps explain why informality weighs so heavily in this segment. In simple terms: where there are many small ones, there is more vulnerability. According to official data from the IBGE, the informality rate in Brazil reached 38.6% in the 4th quarter of 2024 — a clear sign of fragile productive insertion, which limits growth trajectories and the reach of public policies.

In this scenario, the State is not only a regulator: it buys, hires and can induce transformations. The 1988 Constitution (art. 170) ties economic development to social justice. In the same direction, Complementary Law No. 123/2006 consolidated the favored treatment of MSEs, and Law No. 14,133/2021 redesigned the bidding regime, making the application of pro-MPE provisions mandatory and opening space for contracting more aligned with local and sustainable development.

This is where this research is situated: to investigate whether there was an association between participation in public bids for services and the formalization of MSEs with up to one year of incorporation in Banrisul's Procurement System, in the first quarter of 2025. The time frame is opportune because it coincides with the first full cycle of mandatory validity of the new law, offering a more stable regulatory environment to observe the initial effects. The focus on services is justified both by the high presence of small businesses and by the greater exposure to informality.

The academic contribution is twofold. First, it delivers recent evidence, under a new legal framework, on a topic in which normative diagnoses predominate, but there is a lack of fine empirical readings. Second, it helps to illuminate informality as a structural problem of Brazilian development, connecting it to concrete instruments of economic induction. Finally, it intends to offer practical inputs to managers, control bodies and development institutions, bringing theory and public policy closer together.

It is important to clarify the evaluative scope: it is not an "impact assessment". In the light of Ramos and Schabbach (2012), the study configures an evaluation of results (ex post), of a descriptive-correlational nature, aimed at identifying associations, without the intention

of inferring causality. The evidence will be built by triangulation between documents (notices, minutes, contracts), administrative databases (CNPJ/Revenue) and primary data (questionnaires and interviews).

General objective: to analyze the existence of an association between participation in public procurement and the formalization of service SMEs at Banrisul. Specific objectives: to profile winners up to one year old; understand motivations for formalization; identify institutional and regulatory barriers to access; and to examine the support role of SEBRAE-RS.

2 SMES AND PUBLIC POLICIES ON MARKET ACCESS

Micro and small enterprises (MSEs) are protagonists of contemporary economies not only due to their quantitative expressiveness, but also due to their qualitative relevance with regard to the generation of employment, income and territorial dynamism. In Brazil, according to SEBRAE (2023), they represent more than 99% of formal enterprises, account for about 30% of the Gross Domestic Product (GDP), and are responsible for 52% of formal jobs. In terms of capillarity, they are present in practically all municipalities, which gives them a strategic role in territorial cohesion.

Despite their economic and social centrality, MSEs face a persistent set of obstacles to accessing formal markets — whether private or public. Among the main obstacles are low financial capacity, difficulty in accessing credit, insufficient human capital, bureaucratic complexity, and information asymmetries. This set of factors reinforces a circle of vulnerability that often pushes entrepreneurs into informality, perpetuating low levels of productivity.

In this context, public policies aimed at MSEs gain prominence. Cassiolato and Lastres (2003) point out that the State can act as a coordinating agent, using instruments to promote demand — such as government purchases — to induce desirable economic behaviors, including formalization, innovation and increased productivity. This perspective is part of the so-called "new institutional economics", which emphasizes the role of legal and institutional arrangements in shaping economic trajectories.

The Brazilian trajectory of policies aimed at MSEs has gone through different phases. Barreto (2011) argues that, initially, the emphasis was on tax regulation, as a way of simplifying and reducing the tax burden. Subsequently, there was an expansion to credit policies, training and debureaucratization. The creation of the National Statute of Micro and Small Enterprises (Complementary Law No. 123/2006) marked the consolidation of a transversal legal regime, which forced the Union, states and municipalities to grant differentiated treatment to MSEs.

In the specific field of market access, LC No. 123/2006 established innovative instruments: exclusivity in bids of up to R\$ 80 thousand, reserved quotas of up to 25% in divisible items, priority in case of a tie and the possibility of subcontracting by larger companies. According to Araújo Júnior (2018), such provisions represented a paradigmatic milestone, as they transformed public procurement into a policy of productive inclusion, linking differential treatment to the strengthening of the local business base.

However, the simple normative design does not ensure automatic results. Cabral, Reis and Sampaio (2015) highlight that the effective participation of MSEs depends on factors such as the simplicity of the public notices, the technical training of entrepreneurs, the clarity of the judgment criteria and the active performance of development agencies. Often, the distance between the norm and practical reality results in low effectiveness.

This gap is reinforced by cultural factors. A survey by the Getulio Vargas Foundation (FGV, 2020) revealed that many entrepreneurs perceive public procurement as a restricted space, marked by clientelism or favoring large suppliers. This perception discourages the participation of MSEs and increases the transaction cost for those who decide to compete.

In addition to the operational and cultural obstacles, the Brazilian federative complexity must be considered. As Abrucio (2005) and Pires and Gomide (2014) point out, the capacity to implement policies varies between states and municipalities. This means that the same legal provision can generate different results depending on the institutional context, administrative capacity and the level of articulation with support institutions, such as SEBRAE.

Another relevant point is the insertion of market access policies in the public policy cycle. According to the analysis model proposed by Souza (2006), policies go through phases of formulation, implementation and evaluation. In the case of policies for MSEs, the formulation advanced significantly with the enactment of LC No. 123/2006 and Law No. 14,133/2021. Implementation, however, encounters resistance and practical limitations, requiring greater attention to the evaluation phase to verify the effectiveness of the mechanisms.

The international literature also contributes to the analysis. In European Union countries, *procurement* policies have been used to promote sustainable development goals, innovation, and gender equity (ARROWSMITH; KUNZLIK, 2009). In the United States, the *Small Business Act* establishes mandatory percentages of participation of small companies in federal public contracts. These experiences demonstrate that public procurement can be powerful instruments, as long as it is accompanied by consistent institutional arrangements.

In Brazil, the implementation of similar instruments faces obstacles related to the

administrative culture and the conservatism of the control bodies, which often prioritize strict formal legality to the detriment of the social function of purchases (FARAH; MARQUES, 2017). This tension between legality and development is central to understanding the limits of market access policy.

In this sense, it is essential to observe that the success of public policy does not depend exclusively on the existence of a robust normative framework, but on the State's ability to promote complementary actions of support, training and interinstitutional articulation. As Ansell and Gash (2008) point out, the co-production of public policies requires mutual trust, institutional learning, and effective dialogue channels between government and civil society.

In the light of these reflections, it is hypothesized that access to public markets can act as a factor to stimulate formalization, especially when there is synergy between legal provisions and training and technical support policies. The present research seeks precisely to explore this hypothesis, examining the case of Rio Grande do Sul through the Banrisul System, which brings together in a centralized digital platform bids from various subnational public entities.

3 PUBLIC PROCUREMENT AS AN INSTRUMENT OF PRODUCTIVE INCLUSION

The State's role as an economic agent goes beyond its regulatory or collection function. When it mobilizes public resources to acquire goods and services, the State exercises power of induction over markets, production chains and business behavior. This purchasing power, called *public procurement* in the international literature, is increasingly recognized as a strategic instrument of public policy (McCRUDDEN, 2004).

In Brazil, government purchases move approximately 12% of the Gross Domestic Product (GDP), according to data from the Ministry of Economy (BRASIL, 2022). This means that the State, when acquiring products and services, not only meets its administrative needs, but can also direct demand in order to stimulate strategic sectors, reduce regional inequalities and foster the formalization of entrepreneurs.

3.1 THE ROLE OF PUBLIC PROCUREMENT IN ECONOMIC DEVELOPMENT

Historically, bidding was conceived as a mechanism to ensure efficiency and isonomy in the use of public resources, with an almost exclusive focus on the criterion of the lowest price. However, in recent decades, several countries have been attributing broader social and economic purposes to public procurement. According to Arrowsmith (2010), the evolution of *procurement standards* in the European Union demonstrates that the State can use its

purchasing power to induce technological innovation, promote environmental sustainability and expand the inclusion of vulnerable groups in the labor market.

In the United States, the *Small Business Act* establishes goals for the participation of small businesses in federal contracts, creating a protected market for this segment. A similar experience occurs in Chile, where the ChileCompra system reserves part of government purchases for local micro and small companies, stimulating territorial development. These examples show that *procurement* can be treated as a tool of industrial policy, and not just as an administrative process.

3.2 PUBLIC PROCUREMENT AND PRODUCTIVE INCLUSION OF MSEs

In the Brazilian context, the inclusion of micro and small companies in government procurement gained strength from Complementary Law No. 123/2006. The mechanisms provided for in Chapter V — exclusivity in contracts of up to R\$ 80 thousand, reserve quotas, tie-breaking criteria and subcontracting — were designed to reduce entry barriers and ensure greater competitiveness for MSEs.

Silva, Reis and Mello (2019) demonstrate that the probability of formalization among small service providers increases significantly when they identify concrete opportunities to supply the State. The requirement of tax and labor regularity for qualification in the competitions works as a direct incentive to formalization. At the same time, the potential for stable and larger contracts increases the attractiveness of leaving informality.

However, the effectiveness of this process is not automatic. As Oliveira (2021) points out, subnational entities do not always fully internalize the provisions of LC No. 123/2006 in their regulations, and many public notices continue to reproduce disproportionate requirements — such as minimum share capital or proof of high previous experience. This generates indirect exclusion of MSEs, even though the legislation provides for differentiated treatment.

3.3 THE BRAZILIAN CASE: ADVANCES AND LIMITATIONS

The new Law No. 14,133/2021 reaffirmed the favored treatment of MSEs and incorporated sustainable development and planning into hiring. Article 11, IV, determines that bids promote sustainable national development, making room for social, environmental and territorial criteria in the selection of suppliers. Despite this, obstacles remain. According to IPEA (2023), the participation of MSEs is hampered by disproportionate requirements (certificates and financial proofs), technicality and hermetic language of the notices, low training of auctioneers and managers — who, fearing accountability, adopt conservative

models — and fragile institutional articulation, with little dialogue between contracting bodies, SEBRAE and associations. Together, these barriers raise the cost of entry, reduce the competitiveness of small businesses, and weaken the inclusive function of public procurement, limiting results even with a robust framework.

3.4 THE BANRISUL SYSTEM AND THE EXPERIENCE OF RIO GRANDE DO SUL

In Rio Grande do Sul, Bannisul operates the Bannisul Online Auction platform, which centralizes bids for services and goods from city halls, municipalities and state agencies. In 2024, the system held more than 3 thousand bids in the service sector, moving significant amounts and increasing the transparency of processes (BANRISUL, 2025).

Electronic centralization brings advantages such as standardization, greater publicity, and reduced transaction costs. At the same time, it facilitates the empirical analysis of the participation of MSEs, since the data is concentrated in a single portal. For small entrepreneurs, however, there are still barriers related to the difficulty of interpreting the notices and gathering all the required documentation.

This context makes the case of Rio Grande do Sul especially interesting for analysis. On the one hand, there is a consolidated technological system, capable of democratizing access to information; on the other hand, institutional and cultural challenges remain that limit effective productive inclusion.

3.5 PUBLIC PROCUREMENT AND TERRITORIAL DEVELOPMENT

The literature on local development reinforces that public procurement can act as instruments for the territorialization of public policies. Marques and Faria (2015) argue that, by directing part of the acquisitions to local suppliers, the State contributes to creating virtuous cycles of income circulation, job creation and strengthening of the regional productive base.

In this sense, government purchases should not be seen only as supply mechanisms, but as public policies endowed with intentionality. This perspective brings the analysis closer to the field of democratic governance and the co-production of policies, highlighted by Osborne (2006), in which different actors — State, market and civil society — collaborate in the production of complex public goods.

In view of the above, it is understood that public procurement is a powerful instrument of productive inclusion, whose effectiveness, however, depends on the articulation of three inseparable dimensions. The first is the normative framework, ensured by LC No. 123/2006 and reaffirmed by Law No. 14,133/2021, which establishes legal bases for the differential treatment of MSEs and authorizes the strategic use of the State's purchasing power. The

second concerns the institutional capacity of the implementing entities, responsible for translating the legal provisions into accessible practices — from the planning and drafting of the public notices to the conduct of the bids and the contractual management. The third dimension involves the complementary performance of support institutions, with emphasis on SEBRAE, which trains, guides and reduces information asymmetries between potential suppliers and the public administration.

The proposed research observes precisely how these three layers are combined in the context of the Bannisul System, verifying to what extent the perspective of supplying the State has worked as an inducer of the formalization of newly constituted service companies. In other words, it seeks to identify whether the legal framework, local administrative capacity, and institutional support converge to transform normative opportunities into concrete results of economic inclusion.

4 LEGAL FRAMEWORK: LC NO. 123/2006 AND LAW NO. 14,133/2021

The institutionalization of differential treatment for micro and small enterprises (MSEs) in Brazil did not occur suddenly. It is the result of a historical process of political disputes, federative arrangements and changes in the understanding of the role of the State as an inducer of development. The most relevant milestone in this process is Complementary Law No. 123, of December 14, 2006, which established the National Statute of Micro and Small Enterprises. Subsequently, Law No. 14,133, of April 1, 2021, by replacing the former Law No. 8,666/1993, consolidated and expanded this regime, connecting it to a broader paradigm of sustainable development and contractual governance.

4.1 HISTORICAL BACKGROUND AND DISPUTES IN THE NATIONAL CONGRESS

The processing of LC No. 123/2006 reflected an environment of convergence between government sectors, parliamentarians and representative entities, such as SEBRAE and the Parliamentary Front for Micro and Small Enterprises. According to Nogueira (2010), there was strong pressure from business associations for the unification of the sparse legislation, which until then dealt with the issue in a fragmented way. The approved text sought not only to simplify the tax regime (with the Simples Nacional), but also to create instruments for access to credit and the market, including participation in public bids.

During the legislative debates, the perception that the State, as the largest buyer of the economy, had the duty to act as an agent of economic inclusion was highlighted. This understanding has gained strength due to the high rate of informality in the Brazilian labor market and the concentration of public contracts in large suppliers.

4.2 LAW NO. 14,133/2021 AND THE NEW PHASE OF THE CONTRACTING REGIME

The enactment of Law No. 14,133/2021 represented a structural change in the public procurement system. By repealing Law No. 8,666/1993, Law No. 10,520/2002 and part of the Differentiated Contracting Regime (RDC), it established a unified normative framework, closer to international best practices.

Chapter V of LC No. 123/2006 occupies a central position in this research because it concentrates the mechanisms of favoring micro and small enterprises (MSEs) in public procurement. Among these instruments, the exclusivity for contracts of up to R\$ 80 thousand (art. 48, I), which creates a protected competitive niche; reserved quotas of up to 25% of the object in divisible items (art. 48, III), which enable the participation of smaller companies in installments compatible with their scale; the tie-breaking criterion in favor of MSEs when their proposals are up to 10% above the best offer (art. 44), known as fictitious tie; and the compulsory subcontracting of MSEs in larger works and services (art. 48, § 3), a mechanism that integrates small suppliers into contracts of greater complexity.

Taken together, these provisions constitute affirmative actions of an economic nature (PEREIRA, 2015). Its logic is to reduce structural barriers to entry and correct competitive imbalances, while stimulating the formalization and insertion of SMEs in public supply chains. By reserving portions of the state market and making judgment criteria more flexible in situations of price equivalence, the law seeks to transform the State's purchasing power into a lever for local development and productive inclusion.

The effectiveness of these mechanisms, however, is not automatic and varies according to the adhesion and administrative capacity of the federative entities. A survey by the Federal Court of Auditors (Ruling No. 2,622/2013 – Plenary) pointed out that several public agencies failed to apply the benefits provided for in LC No. 123/2006 due to lack of knowledge, cultural resistance or fear of questioning by the control bodies. This diagnosis shows that the inclusive power of the legal framework depends on its internalization in regulations and public notices, as well as on the continuous training of auctioneers and procurement teams, in order to consolidate administrative routines aligned with the favored treatment and local development objectives.

4.3 TCU JURISPRUDENCE AND INTERPRETATION BY CONTROL BODIES

The Federal Court of Accounts has a fundamental role in the interpretative consolidation of the legislation. In decisions such as Ruling No. 1,214/2013 – Plenary, the TCU recognized the obligation to apply the rules of LC No. 123/2006, even when not explained in a public notice. More recently, in Ruling No. 2,731/2015 – Plenary, it reinforced

that the division of the object into smaller lots should not be seen as an illicit fractionation of the expense, but as a legitimate measure of inclusion of MSEs.

This interpretation is essential to provide legal certainty to public managers who are often reluctant to adopt differentiated measures for fear of liability. The case law of the TCU, by consolidating this understanding, contributes to disseminating more inclusive practices in subnational entities.

4.4 INTERNATIONAL COMPARISON: GOOD PRACTICES AND LIMITS

Comparing the Brazilian model to international experiences allows us to identify advances and gaps. In the United States, as mentioned, the *Small Business Act* establishes quantitative targets: at least 23% of federal contracts must be allocated to small businesses, with specific percentages for *women-owned* and *minority-owned businesses*. In the European Union, *Directive 2014/24/EU* explicitly encourages the division of contracts into lots, as a way to guarantee access to small and medium-sized enterprises.

Brazil has made progress in creating affirmative provisions in LC No. 123/2006, but it still lacks clear goals and robust monitoring mechanisms. The absence of national indicators makes it difficult to assess the real impact of public procurement on the formalization and survival of MSEs.

5 FORMALIZATION AND LOCAL ECONOMIC DEVELOPMENT

5.1 THE PHENOMENON OF INFORMALITY IN BRAZIL

Brazil has historically had high rates of informality in the labor market and in small enterprises. According to data from the Continuous PNAD/IBGE (2023), about 39% of the employed workforce works in informal conditions. In the business universe, studies by SEBRAE (2022) indicate that more than 25% of small businesses still operate without formal registration, especially in sectors such as street trading, personal services, and civil construction.

This informality stems from multiple factors: tax complexity, high compliance costs, absence of social and cultural guarantees and aversion to bureaucracy. As Hernando de Soto (2000) observes in his work *The Mystery of Capital*, informality is not the result of the irrationality of agents, but of institutional barriers that make formalization more costly than remaining on the sidelines.

5.2 INSTITUTIONS AND INCENTIVES FOR FORMALIZATION

The institutionalist approach of Douglass North (1990) helps to understand this

phenomenon. For the author, institutions – understood as "the rules of the game" that structure human interactions – determine transaction costs and influence the predictability of economic exchanges. In the Brazilian case, the institutions aimed at MSEs began to be redesigned from the 1988 Constitution and, above all, from LC No. 123/2006, which created tax incentives (Simples Nacional), credit and market.

Another fundamental point is that formalization is not restricted to legal registration. As Perry et al. (2007) point out, in *Informality: Exit and Exclusion*, informality can be both a voluntary exit of entrepreneurs who reject the costs of regulation ("exit"), and an involuntary exclusion due to lack of access to opportunities ("exclusion"). Public policies must, therefore, act on both levels: reduce entry costs and expand the concrete benefits of belonging to the formal regime.

5.3 PUBLIC PROCUREMENT AS A VECTOR OF FORMALIZATION

Government procurement plays a strategic role in this process. By requiring formal qualification (CNPJ, tax, labor and social security regularity), the State creates incentives for regularization.

The provision of exclusivity for bids of up to R\$ 80 thousand and quotas of up to 25% in larger objects enhances this effect, by opening doors to contracts compatible with the scale of MSEs.

In the case of Rio Grande do Sul, an exploratory analysis of the public base of Banrisul's Online Auction (own collection; April 2025) suggests that a significant portion of the participants had less than two years of incorporation. To ensure reproducibility and transparency, the consolidated values, the spreadsheet with the identification of the bids and the scraping script will be presented in a methodological appendix.

5.4 LOCAL ECONOMIC DEVELOPMENT AND PRODUCTIVE CHAINS

The effect of formalization goes beyond the individual entrepreneur. The presence of formalized MSEs in local supply chains strengthens regional economies, creates regular jobs and stimulates municipal tax collection.

The effect of formalization goes beyond the individual entrepreneur. The presence of formalized MSEs in local supply chains strengthens regional economies, creates regular jobs and stimulates municipal tax collection. Abramovay, Magalhães and Schröder (2008) emphasize that local development involves sustainable and inclusive productive chains.

In addition, public procurement policy can be designed to privilege suppliers from vulnerable territories, functioning as a mechanism to combat regional inequalities. This

strategy is particularly relevant in states with large internal disparities, such as Rio Grande do Sul, where the economic concentration in metropolitan regions contrasts with the fragility of small municipalities.

5.5 LIMITS AND CHALLENGES OF FORMALIZATION VIA PUBLIC PROCUREMENT

Despite the advances, there are limits to consider. First, formalization motivated exclusively by access to public contracts can result in short-term companies, created only to meet a specific demand and dissolved later. This turnover weakens the objective of consolidating sustainable business trajectories.

Second, the bureaucracy involved in participating in bids still represents a significant barrier, even with the advances of Law No. 14,133/2021. Small entrepreneurs often face difficulties in gathering clearance certificates, understanding public notices, and preparing competitive proposals.

Finally, there is the challenge of state capacity. Without trained technical teams and accessible digital systems, city halls – which concentrate a large part of small-value contracts – can turn the mechanisms of LC No. 123/2006 into a dead letter.

6 INSTITUTIONAL ANALYSIS: THE ROLE OF SEBRAE AND PUBLIC ADMINISTRATION

The effectiveness of public policies aimed at micro and small enterprises (MSEs) does not depend only on the existence of legal frameworks or normative provisions. Implementation requires institutional actors capable of translating such norms into concrete and accessible practices. Among these actors, the Brazilian Micro and Small Business Support Service (SEBRAE) and the public administration itself stand out, especially in its subnational dimension.

6.1 SEBRAE AS A SUPPORT AND DEVELOPMENT INSTITUTION

Since its creation in 1972, SEBRAE has consolidated itself as the main institution of technical, managerial and training support for micro and small entrepreneurs in Brazil. Its work goes beyond training and consulting: it involves political articulation, dissemination of good practices and support for the insertion of MSEs in production chains.

According to the institution's report (SEBRAE, 2023), more than 2 million entrepreneurs were served in qualification programs in the last three years. Many of these programs are directly linked to public procurement, such as the Brazil Purchase Program, which aims to train suppliers to participate in bids, reduce qualification failures and increase the competitiveness of local companies.

In addition, SEBRAE plays a strategic role in federative articulation, functioning as a bridge between the Union, states and municipalities. In many cases, the institution assists municipalities in the preparation of public notices that respect the prerogatives of LC No. 123/2006, which demonstrates its relevance in the decentralized implementation of the policy.

6.2 STATE CAPACITY AND SUBNATIONAL IMPLEMENTATION

The literature on public policies emphasizes the centrality of state capacity in implementation (Skocpol, 1985; Gomide and Pires, 2014). It is not enough for the State to legislate; It is necessary to have qualified bureaucracies, efficient digital systems, and an administrative culture focused on innovation.

In Brazil, the heterogeneity of municipal capacities represents one of the greatest challenges. While capitals and large cities have specialized technical teams, small municipalities face serious limitations in personnel and infrastructure. This asymmetry directly impacts the effectiveness of the mechanisms of LC No. 123/2006 and Law No. 14,133/2021.

A study by Pires and Gomide (2016) highlights that complex public policies, such as the access of MSEs to markets, require adaptive capacity, that is, the ability to adjust instruments to local realities without compromising the general objectives. In the case of public procurement, this means simplifying procedures, adopting accessible electronic auctions, and promoting training of civil servants.

Another relevant aspect is multilevel governance. The policy of support for MSEs is inscribed in a federative model in which the Union, states and municipalities share responsibilities. The Union, through national legislation and policies, establishes the general framework. States develop regional incentive programs and often offer digital bidding platforms. Municipalities, on the other hand, as the main contractors of small goods and services, are the privileged locus of implementation.

This arrangement creates coordination challenges. As Abrucio (2010) observes, federative fragmentation can compromise the effectiveness of national policies if there are no mechanisms for cooperation and institutional learning. In this sense, the role of SEBRAE and intermunicipal consortia becomes essential to reduce asymmetries and promote greater uniformity in the application of the rules.

6.3 CONTROL AND ACCOUNTABILITY BODIES

The institutional analysis must also consider the role of control bodies, such as Courts of Accounts and Public Prosecutors' Offices. These institutions influence the way public managers interpret and apply the provisions of LC No. 123/2006. Often, the fear of sanctions

leads to the adoption of conservative positions, which limit the use of mechanisms to favor MSEs.

Decisions by the Federal Court of Accounts (TCU) have reiterated the legality of reserved quotas and exclusivities for MSEs, reinforcing the importance of aligning control and promotion. However, there are cases in which divergent understandings in state courts of accounts generate legal uncertainty, especially in smaller municipalities.

6.4 CIVIL SOCIETY AND INTERMEDIARY ACTORS

The role of organized civil society, such as business associations, cooperatives and employers' unions, cannot be neglected. These actors act as intermediaries between entrepreneurs and public administration, organizing collective demands, pressing for greater simplification and, in many cases, enabling the fulfillment of contracts through cooperation networks.

An example of this are the cooperatives of family farmers, which, in several states, organize production and enable participation in school feeding programs. In these cases, shared governance expands the reach of public policies and strengthens the social fabric.

6.5 INSTITUTIONAL LIMITS AND CHALLENGES

Despite the existence of support institutions and a consistent legal framework, structural limitations persist that affect the effectiveness of the policy. The first is institutional fragmentation: the multiplicity of bodies with competences on the subject — at different federative levels — tends to produce overlapping efforts, coordination gaps, and dispersion of resources, weakening the strategic conduct of actions. Added to this is the unequal capacity between entities, as many municipalities, especially smaller ones, lack qualified technical teams and minimum infrastructure to plan contracts, prepare public notices accessible to MSEs and manage contracts efficiently.

In addition to these factors, there is dependence on external incentives, to the extent that a relevant part of the initiatives only advances when there is a contribution from federal programs, agreements or direct support from institutions such as SEBRAE – a sign of local institutional fragility and low sustainability of administrative routines. Finally, the legal uncertainty resulting from divergent interpretations of the control bodies discourages the adoption of pro-MPE mechanisms (such as division of the object into lots, quotas or subcontracting), reducing the willingness of managers to innovate and deepen the differentiated treatment provided for by law.

7 DIALOGUES WITH LITERATURE AND THEORETICAL CONTRIBUTIONS

The study of public policies aimed at micro and small enterprises (MSEs) gains analytical density when it dialogues with the literature that deals with both the formulation and implementation and the evaluation of policies. The access of SMEs to markets, via instruments such as government procurement, cannot be understood only as an economic phenomenon, but as the result of a complex political, institutional and social process.

7.1 IMPLEMENTATION OF PUBLIC POLICIES: FROM RATIONALITY LIMITED TO THE STREET

One of the landmarks of the literature is the work of Pressman and Wildavsky (1973), who introduce the perspective that implementation is not a mere stage subsequent to formulation, but a process subject to deviations, negotiations, and failures. This view is reinforced by Lipsky (1980), when analyzing street-level bureaucrats, whose discretion affects the concrete application of policy.

In the case of public procurement aimed at MSEs, local civil servants assume a similar role, as their interpretations of the legislation, qualification criteria and documentary requirements can facilitate or restrict the participation of small businesses. Thus, understanding politics requires analyzing the decision-making space of these actors, who are often invisible in the great normative plans.

7.2 PUBLIC POLICY CYCLE AND THE EVALUATION PHASE

The public policy cycle model, widely disseminated in the literature (Howlett, Ramesh and Perl, 2009), offers a useful analytical framework. Although criticized for its linear character, it allows us to highlight the evaluation phase, a moment in which the real effects of the policy are examined in comparison with its formal objectives.

In the case of LC No. 123/2006, almost two decades of validity allow us to question: was there in fact an expansion in the participation of MSEs in public bids? Has this inclusion resulted in local development and strengthening of formalized entrepreneurship? The Brazilian literature on policy evaluation (Ramos and Schabbach, 2012; Pires and Lotta, 2019) points out that it is precisely at this moment that the tensions between the institutional design and the results obtained are revealed.

7.3 FEDERALISM, COORDINATION AND TERRITORIAL INEQUALITIES

The insertion of MSEs in public markets cannot be dissociated from the Brazilian federative logic. As Abrucio (2010) and Souza (2005) discuss, federalism in Brazil is marked

by strong decentralization, but also by deep inequalities in institutional capacity between entities.

This federative asymmetry has a direct impact on the implementation of the policy: larger municipalities are able to structure electronic procurement departments, train civil servants and support local suppliers, while smaller cities are dependent on external arrangements, such as state platforms or the support of SEBRAE. Here, the literature on cooperative federalism is essential to understand the limits and possibilities of a national policy in an unequal context.

7.4 PRODUCTIVE DEVELOPMENT POLICIES AND THE INFORMAL ECONOMY

Another relevant field of dialogue is the literature on economic development and informal economics. Hernando de Soto (1987) argues that informality is not the result of entrepreneurial incapacity, but of institutional barriers that hinder formalization. Douglass North (1990), in turn, emphasizes the importance of institutions as rules of the game that shape economic incentives.

Applying these ideas to the case of Brazilian MSEs, it is observed that mechanisms such as simplified bids and reserved quotas function as institutional incentives for formalization, since only legally constituted companies can access these markets. In this sense, public policies for access to markets are not only for promotion, but also for institutional inclusion.

7.5 STATE CAPACITIES AND DEMOCRATIC GOVERNANCE

The literature on state capacities in Brazil (Gomide and Pires, 2014; Pires and Gomide, 2016) highlights the relevance of technical-administrative capacity and political capacity for the implementation of complex policies. Public procurement programs for MSEs require not only trained servers and functional digital systems, but also political support from managers who prioritize local development.

This discussion is connected to the debate on democratic governance in crisis contexts (Lavallo, 2011; Avritzer, 2019). Inclusive policies for small entrepreneurs have the potential to strengthen ties between the State and society, promoting democratic legitimacy. However, when poorly implemented, they can reinforce inequalities, benefiting only companies that already have a greater structure and capacity to compete.

7.6 THEORETICAL CONTRIBUTIONS OF THIS STUDY

The present work contributes to literature by proposing an integrated reading on three

analytical fronts. The first is the institutional dimension, which examines the legal framework and the role played by actors such as SEBRAE, control bodies and local governments, explaining how rules and organizational arrangements shape incentives and implementation routines. The second is the federative dimension, in which the asymmetries of capacity between subnational entities and the need for cooperation to reduce inequalities in execution and standardize inclusive practices in public procurement are considered. The third is the evaluation dimension, aimed at gauging the effectiveness of the policy based on the results observed in the access of MSEs to the competitions, bringing together normative design, administrative practice and empirical evidence.

By articulating these three dimensions, the study advances in relation to fragmented analyses and offers a more comprehensive look at the effectiveness of public policies aimed at MSEs, connecting legal foundations, implementation capacities and measurable results in the same explanatory framework.

8 METHODOLOGICAL PROCEDURES

The study adopts a descriptive-correlational design, with a mixed approach, to identify associations between participation in bids and formalization of MSEs, without causal pretension. The unit of analysis is bidding for services carried out/approved in Banrisul's Online Auction between 01/01/2025 and 03/31/2025. In the quantitative analysis, the following are used: (i) documents from the Banrisul Portal (notices, minutes, contracts, results, with URL and date of collection) for the object, modality, dates and list of participants/winners; (ii) CNPJ/Revenue (date of incorporation, legal nature, CNAE, municipality) with pairing routine; and (iii) certificates for binary indicators of tax/labor regularity. In the qualitative field, there is an intentional sampling of winning entrepreneurs with ≤ 1 year of CNPJ (stratification by size/region) and a convenience sample of managers/auctioneers, via semi-structured interviews and a Likert questionnaire on barriers, complexity and institutional support. Ethics and reproducibility: ICF, anonymization, codebook and repository with scripts/metadata. In the light of Ramos and Schabbach (2012), it is an evaluation of results (ex post), without a comparison group or pre-post measurement; We work with triangulation (documents, survey, interviews). The Logical Framework guides the execution (inputs, activities, products, results and non-causal analytical impacts), highlighting the indicator of "recent formalization" (CNPJ constituted in a window close to the bid), and risks/assumptions: integrity of records, identification of participants, response biases and municipal heterogeneity.

9 ANALYTICAL STRATEGY

The key variables are: (i) recent formalization, binary indicator (=1 when the CNPJ of the winning company/participant was constituted in the interval $[-90; +30]$ days in relation to the date of the bid; =0 otherwise), with sensitivity analyses in $[-60; +15]$ and $[-120; +60]$; (ii) participation and victory in (binary) bids; (iii) amount awarded (continuous, in R\$); (iv) CNAE segment (categorical, by the main code); and (v) municipality (categorical), to control territorial heterogeneity. In coherence with the evaluative framework, the findings will be treated as associative evidence, and not causal (RAMOS; SCHABBACH, 2012).

In the descriptions, the temporal density of constitution of the CNPJs aligned with the date of the contest (kernel) is estimated to detect agglomerations, and the Spearman correlation between the sectoral/municipal bidding intensity (number of service tenders in the period) and the rate of recent CNPJs (proportion with indicator=1 between participants/winners) is calculated, favoring non-parametric metrics.

To explore associations, logistic regressions (binary outcomes: recent formalization; victory) and Poisson counting models (or negative binomial, if there is overdispersion) are estimated for participation frequencies and victories by territorial/sectoral unit. Odds ratios and rate ratios are reported, with controls by CNAE and municipality dummies.

The qualitative analysis triangulates mechanisms (entry costs, design of public notices, support from SEBRAE). Limitations: measurement bias (underreporting, inconsistencies), municipal heterogeneity, and simultaneity between formalizing and participating, which prevents causal attributions.

10 FINAL CONSIDERATIONS

The analysis of public policies aimed at micro and small enterprises (MSEs), especially with regard to access to markets via government purchases, allows us to reflect on the advances and challenges of almost two decades of Complementary Law No. 123/2006 and the recent incorporation of Law No. 14,133/2021. Throughout the study, it was found that such normative frameworks are essential instruments for the promotion of inclusive economic development, but their effectiveness depends on a set of institutional, federative and administrative factors.

First, it should be recognized that the policy contributed to expanding the participation of MSEs in public procurement, creating opportunities for insertion in markets previously restricted to large companies. The reservation of quotas, the simplification of procedures and the prioritization of local suppliers were measures that encouraged formalization and stimulated competition. Such provisions also reinforced the role of the State as an inducing

agent of regional development, bringing the logic of bidding closer to the social function of the Public Administration.

However, the results still reveal significant inequalities. Municipalities with greater administrative and technological capacity are more apt to implement inclusive bidding processes, while smaller cities face difficulties in complying with legal requirements, limiting the scope of the policy. This disparity reflects the Brazilian federative asymmetry, already pointed out by authors such as Abrucio (2010), who identify the need for more consistent mechanisms of cooperation and coordination between federated entities.

In addition, it is observed that many MSEs still come up against bureaucratic and financial barriers, such as the requirement for clearance certificates, difficulties in accessing credit and lack of technical training to participate in competitions. Thus, full inclusion has not yet materialized for the most vulnerable segments, especially those located in peripheral territories or in sectors of less economic dynamism.

As an evaluation of results (*ex post*), the study is subject to selection bias and unobserved confounders; thus, the findings should be interpreted as correlations and not causality (RAMOS; SCHABBACH, 2012).

From an academic point of view, this work reinforces three central contributions articulated in a single argument. First, it promotes the integration between implementation theory and evaluation, showing that the effectiveness of public procurement for MSEs stems simultaneously from the daily interpretation of street-level bureaucrats — as proposed by Lipsky (1980) — and from *ex post* analyses that confront objectives and results, in the light of Ramos and Schabbach (2012). Secondly, it offers a federative reading of public policies, showing that decentralization, although it strengthens local autonomy, also increases asymmetries in implementation capacity, which requires cooperative solutions and coordination arrangements between subnational entities. Finally, it advances in the institutional-inclusive dimension, by relating the "rules of the game" (North, 1990) to the concrete incentives for formalization and economic participation of historically marginalized actors, situating public procurement as a mechanism that both organizes incentives and reduces barriers to entry into the state market.

In summary, the policy of access of SMEs to public markets represents an important advance in the Brazilian agenda of inclusive development. However, its full effectiveness requires more than legal norms: it requires state capacities, federative coordination, and political commitment to reducing inequalities.

Thus, the importance of understanding public procurement not only as instruments of administrative efficiency, but as policies of socioeconomic inclusion and strengthening of

democratic governance is reaffirmed. The challenge is to transform the legal provision into concrete results for thousands of entrepreneurs who depend on these opportunities to prosper, consolidating, finally, a virtuous cycle of local development and economic citizenship.

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