Vice Presidency of Sectors and Knowledge
Research Department
Productivity, Trade and Innovation Sector

Call for Research Proposals

The Impacts of Regulation in Latin America and the Caribbean

A Research Network Project

RG-K1198

1. Background

Governments are often called upon to address concrete and visible problems such as high prices, unsafe products, poor working conditions, or perceived abuses of market power. While there are many policy solutions to tackle these issues, regulations—licensing requirements, permits, price and quantity controls, product standards, among others—are widely used across sectors. In many cases, regulations can be effective in solving the target issue they are designed to address. However, they can generate broad economy-wide effects, reshaping market structure, influencing firm entry and growth, and altering how resources are allocated throughout the production process.

These side effects can be positive or negative and can arise from regulatory design, regulatory enforcement (or lack thereof), or the costs of compliance. These side effects can also arise when regulatory design and implementation are shaped by political incentives, discretion, or political capture. When side effects are negative, they can be especially significant in Latin America and the Caribbean, where recent evidence from the IDB's 2025 flagship report *Markets for Development* shows that economies are far less competitive than their advanced-economy counterparts, exhibit lower investment, higher distortions, weak business dynamism, and persistently low productivity.

The problem becomes more complicated when technology-driven innovations change the demand for regulations. As some problems are solved through innovation, the regulations governing them may become obsolete. In contrast, innovation and the emergence of novel technologies like AI may create problems of their own. Conversely, technology can facilitate the design, implementation, and enforcement of regulations and reduce the unnecessary burden that compliance can generate.

2. Objective

This Call for Research Proposals aims to fund empirical papers that estimate the causal direct and indirect impacts of regulatory changes on economic activity—firm entry, productivity, input use, employment, prices, informality, and market concentration. Alternatively, selected papers may study the impacts of digital innovations on enforcement/compliance costs, how new technologies disrupt pre-existing markets, and their implications for the demand for regulations. The emphasis is on credible identification through quasi-experimental variation: natural experiments arising from regulatory reform episodes, geographic discontinuities in enforcement, the introduction of novel technologies, or administrative thresholds that generate as-good-as-random variation in regulatory exposure. Studies that combine state-of-the-art identification with structural models to analyze outcomes in general equilibrium will be given additional consideration. Papers commissioned through this Call for Research Proposals are expected to be published as IDB working papers, submission-ready for leading journals, and might be used to support the IDB's analytical work.

3. Scope of Proposals

Proposals should exploit plausibly exogenous variation in regulatory exposure to estimate the direct and indirect causal effects of regulations or the regulatory burden on:

- Firm dynamics, market concentration, and productivity.
- The allocation of capital, use of intermediate inputs, and environmental practices.
- Market access, international trade, or participation in public tenders.
- The formalization decision of firms, workers, and payments.
- The allocation of workers toward higher-productivity firms, with a focus on the impact of employment protection legislation, minimum wages, severance mandates, or restrictions on fixed-term contracting.
- Other related areas where researchers are available to provide insights on the direct or indirect effects of regulation.

In addition, we will consider proposals that aim at studying:

- The causal effects of technological innovations on regulatory enforcement, regulatory obsolescence, and regulatory compliance.
- The impacts of regulatory reforms on leakage, corruption, and misallocation of public funds.

Proposals must clearly articulate their central research question, the methodological approach, and how the findings will inform the design or evaluation of public policy in the region.

Each proposal should describe:

- **Research question and policy relevance:** A clear statement of the question to be addressed and why it matters for public policy in Latin America and the Caribbean.
- **Data:** The datasets to be used, their sources and availability, and whether access is already secured or still pending. If data is not yet in hand, proposals should discuss the feasibility and timeline for access or collection. Demonstrating credible access to data and capacity for empirical implementation is essential.
- **Quantitative strategy:** The methodological approach, including identification methods where applicable, or model estimation.
- **Contributions:** A preliminary discussion of how the study advances knowledge relative to the existing literature and practice.
- **Expected outputs:** An outline of anticipated findings or insights, and how these could inform the design or evaluation of regulation and institutions.
- **Timeline and budget:** A feasible plan for completing the study, consistent with the resources requested.

Proposals should not exceed **five pages** and must be submitted in **English.**

4. Selection Criteria

<u>Only research institutions from Latin America and the Caribbean</u> may present proposals for this research network project. Although we expect to fund 5–6 proposals, the final number accepted will depend on the quality of the submissions and the proposed budget for each proposal. As noted above, the proposed budgets will be evaluated considering the scope of work and the resources required for completion.

5. Requirements for Selected Teams

Selected teams must be willing to receive and respond to comments from the advisors to the Call for Research Proposals and from IDB Group specialists throughout the execution of the study, as well as to participate in discussion seminars.

Also, selected teams are expected to share with the IDB the final datasets needed to replicate exhibits in the papers, as well as the code required for replication. Selected teams using proprietary data are not expected to share the data and should mention this in their proposals. However, they are expected to collaborate with the IDB if the IDB team needs to reproduce part of their analysis for its analytical products, with appropriate recognition and citation of the authors.

Final papers will be considered for dissemination as IDB working papers or technical notes, depending on the approach followed and the nature of the methodology and analysis. This will require a peer review process prior to publication in the IDB Working Paper Series.

Authors may submit the manuscript for publication to the journal of their choice after publishing the document as an IDB Working Paper or IDB Technical Note, but they must state that the study was financed with the support of the Latin America and the Caribbean Research Network of the Inter-American Development Bank.

6. Proposal Submission

Interested research institutions should submit a proposal no later than **August 16, 2026,** through **Oxford Abstracts**. An Oxford Abstracts account is required for proposal submission.

For questions or issues regarding proposal submissions, please contact Elton Mancilla at eltonma@iadb.org . Proposing research institutions must be based in one of the IDB's 26 borrowing member countries. U.S. and European institutions do not qualify. However, researchers from these regions may participate in research teams from eligible proposing institutions.

The research team should include the names of all researchers and evidence of their ability to meet the objectives of the study, including relevant prior experience, as well as the curriculum vitae (CV) of each participant (maximum three pages per person). CVs should highlight experience and publications related to the subject of this Call for Research Proposals.

All members of the research team must be citizens of one of the IDB's **48 member countries,** may not currently work for the IDB Group, and may not have family members currently working at the IDB Group up to the fourth degree of consanguinity or the second degree of affinity, including spouses. Any change in the composition of the research team after proposal selection must be approved by the IDB, but the principal investigator must lead the entire project through to completion. Unauthorized changes to the team may be grounds for termination of the agreement.

7. Coordination

The project will be coordinated and administered by the Research Department (RES/RES) of the IDB. The scientific committee consists of Diego Vera Cossio (RES/RES), Carlos Scartascini (RES/RES), Christian Volpe (PTI/PIT), and an academic advisor.

8. Activities and Schedule

During the execution of the research proposals, two discussion seminars conducted in English will be held to present preliminary versions of the studies and receive feedback from external advisors and IDB Group specialists. These seminars are designed to foster coordination and exchange among participating researchers and research teams. Intermediate and final drafts of each study will be peer reviewed by the external advisors to this Call for Research Proposals. The final product will be the approved publishable version of the research study, accompanied by a response letter addressing all comments received during the various peer reviews, with the aim of publication in the IDB Working Paper Series or as a Technical Note, depending on quality. The tentative schedule of activities is as follows:

- **August 16, 2026:** Due date for receiving proposals. Institutions should ensure that the complete documentation is submitted through Oxford Abstracts, mentioned in Section 5.
- **Late September 2026:** Announcement of **selected research proposals** and initial feedback from the scientific committee.
- **October 16, 2026:** Submission of a **research plan** addressing the comments raised by the scientific committee.
- **Late October to mid-November 2026: First virtual discussion seminar** with the research leaders of the studies to present and briefly discuss their proposals and the methodologies to be used in the studies.
- **March 15, 2027:** Due date for submitting the **first draft** of the research paper. This draft should include an outline of the paper, a draft discussion of the related literature, a description of the context and institutional background, a detailed description of the methodology, and a description of the data to be used.
- **Late June to early July 2027: Second discussion seminar** of the project to discuss updated drafts of the research papers. This seminar will be in person, and research leaders are expected to participate **without exception**.
- **August 30, 2027:** Due date for submitting the final version of the research papers and replication files. Research papers must follow the **IDB Manual of Style** for working papers. Studies of sufficient quality that comply with the Terms of Reference and appropriately incorporate IDB recommendations at this stage may be considered for publication in the **IDB Working Paper Series**.

9. Financial Contribution and Payment Schedule

The IDB will contribute up to **US$25,000**, or the equivalent in local currency, as a contribution to the total budget of each study. The final budget will depend on the scope and complexity of the proposal. The funds provided must be used exclusively for research activities, including researcher honoraria, primary data collection, and/or access to secondary data sources. Do not include travel expenses related to IDB seminars. The IDB reserves the right to revoke this Call for Research Proposals at any time prior to the signing of the agreement. The payment schedule is as follows:

- **20 percent** within 30 calendar days of the date the agreement between the IDB and the institution is **fully signed.**
- **30 percent** within 30 calendar days of receipt and approval by the IDB of the **research plan** describing how the team will address the initial comments of the scientific committee.
- **20 percent** within 30 calendar days of receipt and approval by the IDB of the **first draft** of the research. This draft should provide a clear roadmap for the research and demonstrate that data collection and analysis are feasible.
- **30 percent** within 30 calendar days of receipt and approval by the IDB of the **final research paper** and delivery to the IDB of the databases and code used in the study.