

Building Institutional Capabilities for Productive Development Policies RG-K1198

1. Background and Justification

In recent years countries in the region have shown renewed interest in stimulating policies aimed at actively promoting changes in production structures. Two convictions underlie this trend. First, achieving economic development requires the production and export of a more complex basket of goods, i.e., one with a larger amount of knowledge incorporated. Second, this process does not happen spontaneously. Rather, the process requires public policies to help overcome market failures that threaten the production of new, more sophisticated goods and services. This trend has been accompanied by a number of IDB studies, such as Fernández-Arias (2010) on industrial policy in Latin America, IDB-sponsored country studies on productive development policies (IDB, 2008), and public-private collaboration for productive development policies (IDB, 2011).¹

In this context, an interesting effort has been made to evaluate the impact of different types of public policy instruments designed to help firms improve their competitive performance by correcting failures in the functioning of key markets with a horizontal logic (without prioritizing sectors). In this respect, studies have evaluated programs that promote innovation, exports, access to finance, job training and improvement of management, among other emphases. In general, these studies have shown that this type of development instrument has had differential effects on the performance of firms. A precise identification of the failure to be corrected and the design of appropriate incentives, in a framework of competitive and transparent processes of allocation of benefits, are some of the elements that are usually mentioned as key aspects of the proper functioning of these types of policy instruments.

More recently, studies have been conducted to understand the processes that lead to the development of new sectors or competitive activities and the role that public policies may play in these dynamics (Katz, 2006; Benavente, 2006; Sabel et al., 2012). Although experiences of vertical interventions in the region have been less frequent in recent decades, the successful cases analyzed reveal the contribution made on occasion by agencies that have made public goods available to actors (for example, new seed varieties or technological "know-how") or have helped to coordinate collective actions (such as joint actions to enter external markets or train skilled labor). Interestingly, agencies that do this are not necessarily public but can also be private or mixed. Their defining feature is not their legal nature but the type of action they take.

As a result, much progress has been made in trying to understand the role that public interventions can play in promoting productive development and analyzing the type of interventions that generate results. However, there has been no equivalent research effort to study the conditions that lead to actions designed to produce the expected results. Put

¹ Some of the country studies can be found in the following links: [Industrial Policies in Latin America and the Caribbean](#) (for additional cases, please refer to the following list of links: [Costa Rica](#), [Jamaica](#), [Mexico](#), [Trinidad and Tobago](#), [Uruguay](#)); Public-Private Collaboration for Productive Development Policies: [Argentina](#), [Chile](#), [Colombia](#), [Costa Rica](#), [Uruguay](#).

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another way, much attention has been paid to “what” and very little to “how.” Nonetheless, the latter would probably provide a better explanation of why the region’s interventions in productive development have been less successful than those of others such as Southeast Asia. In particular, there has been no systematic effort to analyze the government failures that led to the frequently poor results of industrial policy in the region, particularly in terms of missing capacities and how to build them up.

This gap is not unique to the field of productive development policies. As Pritchett, Woolcock and Andrews (2010) state: “Implementation is often the weak link connecting a policy’s conception and realizing its goals.” However, there are reasons to argue that the issue of weak capabilities for policy implementation needs special attention in the area that concerns us.

In fact, there is a field of interventions where the result of the activities is primarily under the control of the agencies that implement them. This is the case, for example, in the construction of roads or other infrastructure, where problems of implementation can lead to poor quality or even failure to complete a project. For example, there may be a shortage of adequately trained workers and supervisors, or widespread corruption may end up diverting resources into the pockets of certain individuals. All of these issues, and a long list of others, are potential problems that threaten the effectiveness of public interventions in any field of activity.

In the case of productive development policies, there is an additional complexity since it is an area of intervention that escapes the logic of command and control normally found in other areas of public action (Esser et al., 1996). However beneficial it might be for the common good, there is no way to force a business to innovate, associate with others, or train its workers. Since productive development policies are aimed at modifying the behavior of actors, their interventions have to be implemented through incentives (positive or negative) and even persuasion, which opens a space with much greater uncertainty about the transformation of public actions into results. Having set the objective of modifying behavior, responses to interventions are subject to the influence of the context in which actors operate, as well as the effect of the strategic actions they take. In the same direction, initiatives designed to eliminate bottlenecks, which are holding up the development of new sectors or activities, depend critically on the mobilizing capacity of the promotion agency, which in turn depends on its credibility and private sector expectations of the quality of its response. Consequently, policies or programs that work in a given setting may not achieve the same results in others, or their effectiveness may deteriorate over time. The design of interventions is thus not only contingent on the context in which they operate, but also on changes that occur—intentionally or otherwise—in the actors affected by the intervention implemented.

These complexities only increase as policy objectives become more focused because of the stronger influence of idiosyncratic factors. The bottlenecks or obstacles that affect the development of one sector, for example, do not necessarily coincide with those of other sectors. Hence the recommendation by Rodrik (2004) on the importance of structuring a “strategic collaboration between the private sector and the government with the aim of uncovering where the most significant obstacles to restructuring lie and what type of interventions are most likely to remove them.” In this view, the key factor is the quality of

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the process that leads to identifying constraints and the design and implementation of ad hoc interventions to overcome them.

Consequently, agencies that promote productive development (PDAs) have to take on the challenge of operating in a highly complex space with little room for application of uniform recipes. The question then arises of which conditions enable the effective implementation of this type of intervention by these entities: What attributes or capabilities do PDAs need to have in order to successfully implement interventions that effectively favor development and productive transformation? What attributes or capabilities do they need to have in order to be able to successfully take on additional roles, including in policy design, monitoring and evaluation? Are these attributes common to all types of interventions, or do requirements vary? How are they able to gradually adapt to deal with new and possibly more complex objectives?

PDAs are a cornerstone of productive development policies because they are where the capabilities for implementing them exist (Cornick, 2013) and also where knowledge can be accumulated and efforts made sustainable (Ventura, 2001; Rivas, 2010). Ultimately, carrying out interventions successfully will depend on the type and level of capability available in those agencies. This critical aspect is often overlooked when designing policies. One consequence is that models based on the "best practices" of more advanced countries are often adopted but, in the absence of adequate capabilities, their implementation is merely formal or tends to impose too heavy a burden on agencies that are not capable of bearing it. Rather than strengthening an agency, these measures may even lead it to collapse (Pritchett, Woolcock and Andrews, 2010).

Obviously, the conditions defined by the legal and regulatory framework, in both its formal and informal expression, are a fundamental ingredient of the equation, as demonstrated by the IDB's 2006 report *The Politics of Policies*. However, even in unfavorable contexts it is possible to observe the emergence and development of public agencies that have made a difference through their interventions. PDAs exist in a given context but apparently are not determined by it, at least within certain limits. In fact, following the arguments set out below, it is possible that one of the capabilities needed by a successful PDA is precisely that of creating the conditions in which it can operate, even in possibly inauspicious institutional settings.

What are the capabilities that PDAs need to carry out productive development policies? Cornick (2013) proposed three types of capabilities: Technical, Organizational and Political (TOP); see Appendix of this document for a discussion of the factors associated with each capability. Technical capabilities refer to aspects such as availability of scientific knowledge for policy design and implementation, as well as qualified staff to undertake all the core functions of the organization. The quality of scientists working in technological institutes, such as INTA in Argentina or EMBRAPA in Brazil, or the quality of project evaluators in an innovation agency or a public development bank, are examples of technical capabilities. In looking at whether PDA staff have the proper qualifications, researchers would have to consider issues such as their tenures, career paths, educational background, whether their salaries are competitive, the agencies' recruitment and promotion practices, and other aspects that may affect the selection of personnel and their incentives to invest in their technical capabilities. One example for this approach is work done in the intersection of

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economics and sociology by scholars evaluating the impact of the “Weberianness” of national bureaucracies (Evans and Rauch, 1999).²

Organizational capabilities include managerial capabilities; that is, the ability to run an organization with high professional standards, efficiency and results (see Cornick, 2013). They also involve attributes that enable effective collaboration with other relevant public organizations, as well as with the private sector. For example, for a PDA in charge of cluster development, organizational capabilities would include the ability to effectively organize the engagement with private counterparts in order to lead a process of identification of public inputs needed for the development of the sector—as well as the obstacles that constrain such development; and the ability to articulate with other relevant public agencies that may be critical for the delivery of required public inputs or removal of obstacles. The institutional stature given to the agency to ensure influence or command over related PDAs needed for success, and its power to deliver in a collaborative relationship with the private sector, are some of the key organizational capabilities of a successful PDA. These capabilities are critical if actions are to have a transformative impact and relevance. But organizational capabilities also involve the ability to create an environment within which policy experimentation and learning take place. Obviously, this learning dimension is vital from the point of view of the possibilities for a given PDA’s evolution.³

Lastly, political capabilities are those that in one way or another create viable conditions for the PDA. Without political support, it is not possible to mobilize resources or open spaces to new forms and fields of intervention. A key space to be safeguarded is the ability to learn effectively, i.e., to evaluate based on technical standards and adjust policies accordingly. But this support also needs to operate as a shield to protect the institution from pressure groups that attempt to mobilize or block the resources of the PDA for their own benefit.⁴ These pressure groups may push for narrow business interests (business influence) or for narrow political objectives of influential politicians not aligned with proper governance (political influence).

An alternative approach is used by Chrisney and Kamiya (2011). They distinguish between productive development institutions and instruments by defining a set of desirable attributes for both from the perspective of creating effective and efficient interventions. The institutional attributes include coverage, coordination, efficiency, client focus, accountability and learning. Each criterion is distinguished by a specific indicator (ranging from 0 to 2 depending on the degree of compliance or presence of the attribute), which can then be used to evaluate institutions.⁵ This study is an advance over previous attempts to create other

² These researchers surveyed experts that could evaluate various aspects of the recruitment and promotion process in public agencies deemed key to economic development, including the degree to which selection and promotion were meritocratic. Based upon these responses, an index of Weberianness of the bureaucracy in each of 35 countries was created, and shown to correlate with economic growth.

³ The capacity to experiment and learn; adjusting policies in order to improve them also requires technical capabilities.

⁴ The risk of “capture” by interest groups has been one of the strongest arguments against implementation of productive development policies in the region (particularly of a vertical nature), and abundant examples which confirm this fear.

⁵ The authors conducted a pilot test with nine organizations from four countries on which they report outcomes. However, since then there has not been a more comprehensive study.

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indicators to analyze PDAs⁶ but focus on measuring their performance and method of operation, rather than on explaining the conditions that determine the possibility of their acting effectively and how to build them. While useful for our purposes, in this respect the approach of Cornick (2013) seems to offer a better guide on this last point and is used as a reference in what follows.

Following Cornick (2013), the idea is that the effectiveness with which a particular PDA designs and implements a given productive development policy depends on the level of its capabilities. There are certain types of interventions that will simply be beyond the reach of effective implementation and therefore should not be attempted. Similarly, capabilities may be sufficient to narrowly implement certain interventions but insufficient to perform other functions in the policy cycle such as design or evaluation.

The proposed analysis framework provides a tool that can be helpful in diagnosing whether a PDA has the capabilities needed to take on the design and implementation of a given policy for productive development. It also raises a set of questions about the process by which these capabilities are formed, and how they interact to create a successful PDA. The purpose of this research program is thus to expand knowledge on these issues by analyzing the experience of PDAs in the region.

2. Objective

The studies should contribute to our understanding of the conditions that lead to a successful PDA and how to build the required capabilities. It is expected that the studies will make use of the methodological framework suggested in this call. At the same time, as mentioned earlier, this is an area that has been neglected and, to some extent, the studies will test this methodological framework. The coordinators of this project also encourage the authors to discuss complementary methodological issues that their studies may suggest.

In particular, the research should be aimed at the following objectives:

- (i) Understanding the nature of the capabilities critical for the work of PDAs;
- (ii) Understanding how the capabilities interrelate and what factors make them relevant in any given context or for a given policy intervention;
- (iii) Understanding the link between capability building and the evolution of successful interventions by PDAs;
- (iv) Understanding how to create and expand these capabilities.

3. Main Issues of Interest to Be Covered by the Research

A wide variety of productive development support programs are currently being implemented in the region. These include: (i) business development programs (extension and technical assistance programs, support for obtaining certifications, management strengthening, and use of computer tools, etc.); (ii) programs to promote business partnerships (supplier development programs, clusters, value chains, etc.); (iii) programs to promote business innovation (subsidies for R&D and technology transfer, tax incentives for R&D, support for

⁶ See Angelelli, Moudry and Llisterra (2007).

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development of R&D programs between universities and the business sector, etc.); (iv) export and investment promotion (attending trade fairs, overseas missions, technical assistance for exporting, foreign investment incentives, etc.);⁷ (v) entrepreneurship promotion programs (seed capital, incubators, angel investor networks, venture capital funds, etc.); and (vii) programs to access long-term financing. Several of these programs have national, regional and/or municipal expression.

The focus of the research will be on Productive Development Agencies (PDAs), defined as entities responsible for implementing productive development programs and instruments. They may be public, private or mixed.

For each PDA to be analyzed, the aim is to study, at least, the following issues:

1. Nature of the critical capabilities

A primary objective of the studies should be to enhance our understanding of the nature of the capabilities that are shown to be critical for enabling PDAs to implement interventions in favor of productive development. The proposal put forward by Cornick (2013), which distinguishes three types of critical capabilities, seems to be a promising starting point: Are these really the key capabilities? Does the analysis of the functioning and track record of PDAs validate this proposal? Are there any other critical capabilities? Are any of the capabilities identified in the TOP scheme not important?

Moreover, critical capabilities presumably vary depending on the type of interventions implemented by PDAs (Cornick, 2013). For example, operating schemes to deliver vouchers so that companies can receive training and technical assistance from certified entities are distinct from taking actions to promote development of clusters. The transition from one type of operation to another (in whatever direction) is not clear because the profile of capabilities required in each case is different, including the type of organizational and political capabilities. The studies should help to further understanding of the nature of the capabilities required by different types of intervention. Similarly, the ability of a PDA to contribute beyond implementation, for example in policy design or policy evaluation and redesign, would also depend on the availability of critical capabilities.

2. Relationship between capabilities

According to Cornick (2013), the set of TOP capabilities should not be seen as independent factors. On the contrary, a PDA's performance depends on the interaction between different capabilities since they are mutually supportive. For example, an entity with little political support will find it difficult to obtain the resources needed to recruit staff with high technical skills, and without them it will be difficult to become a legitimate actor for the private sector. Likewise, without a fluid interaction with private actors it will be difficult to establish a good support base, which in turn will undermine their capacity to mobilize other entities involved in public policymaking, limiting their impact and further damaging their reputation with private actors.

⁷ For a detailed analysis of export promotion agencies in Latin America, including some aspects of institutional design, see Volpe (2010).

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Given the interdependent nature of the capabilities identified, the question is how they can they be successfully established. Do some of them play a more important role than others in initiating a virtuous cycle? Or, additionally, is it possible to identify some kind of hierarchy among the capabilities? Is this hierarchy contingent on the context where the organization is operating, with some capabilities being more important at a given time and place?

Answering these questions can help us to understand why—even in fairly unfavorable institutional or political contexts—some PDAs have managed to operate successfully or even improve their level of development, constituting, in some extreme cases, true "islands of excellence" in spaces filled with failed cases.⁸

The interdependence among capabilities indicates that they can reinforce one another, moving the organization through a virtuous process. However it also reveals their fragility: a virtuous cycle can be slowed and/or reversed when one of the elements considered moves backward, or even if it fails to move forward at the same rate.⁹ The alternative to the case of strong complementarity is one where the capabilities are substitutes, so that expansion of one set of capabilities helps to combat the limitations of others. Identifying whether actual experiences of productive development policies (PDPs) reflect complementarity or substitutability (and why) would be valuable.

One aspect of this relates to the balance that should exist between all the factors that make up the capabilities required by PDAs. For example, analyzing the track record of CORFO,¹⁰ Rivas (2012) finds that the success of some of its programs created a tendency in the institution to stay in its "comfort zone," resisting the introduction of new programs. On several occasions, getting the entity to take on new challenges—which were successfully met—was only possible by incorporating professionals from the Finance Ministry into the institution's management body, or through the Ministry's control of the funds from an external creditor whose final executor was CORFO. Although the finance minister is the president of the CORFO Board, the agency's considerable financial and operational autonomy made it difficult to compel the agency to accept objectives defined by higher political levels. While this autonomy helps protect the agency from possible capture by short-term political interests, it can also be an element that works against innovation.

3. Development of capabilities and interventions

One area of particular interest to the region is how the development of TOP capabilities—or their failure to develop—explains the difficulties faced in the transition to more complex

⁸ The capabilities required for a PDA to function in difficult environments may be very different from those required to function within a generally positive environment. For example, in well-functioning environments, a well-performing PDA may require the ability to articulate effectively with other areas of the public sector; in hostile environments, the ability to insulate the agency from the political process may be more important.

⁹ As an example taken from another area, the National Institute of Statistics and Census in Argentina (INDEC) had a tradition of political independence and strong technical skills. When political independence was compromised by the government's efforts to report low levels of inflation, many highly skilled personnel left. The loss of political capabilities undoubtedly affected the quality of recruitment, as well as the incentives to invest in the technical capabilities of those who remained with the organization.

¹⁰ CORFO is the Chilean economic development agency.

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interventions. Even in countries boasting PDAs with relatively long and successful track records of implementing productive development policies, there have been difficulties in obtaining favorable results with interventions that require partnerships between actors, such as technology consortia or cluster promotion.¹¹ Is it possible to identify critical paths for formation, aggregation and/or transformation of capabilities when analyzing how interventions by PDAs have developed? Is there a preferred sequencing to develop in tandem the policy portfolio and the institutional capabilities in order to hone the required capabilities?

Seen from a different perspective, this question can also arise from analysis of frustrated experiences: Are there cases where the PDA attempted to implement a type of program or instrument unsuccessfully or had to interrupt its start-up due to lack of key capabilities? Another question is whether there are specific interventions that could or should be taking place but are not, because the PDA does not have the required capabilities.

4. Management and capability building

The best utilization of currently available capabilities is important, but it is only half of the solution. The other half involves developing PDAs' capabilities. A first interesting aspect to be analyzed is the degree of awareness that PDA managers have of the relevance of the TOP capabilities and if the practice of managing their development exists.¹² Some relevant questions along these lines are: Do the capabilities identified correspond with the perception of managers of successful PDAs? Are there explicit and systematic management efforts to develop capabilities, or are they dealt with on an ad hoc basis depending on perceived needs? Are different management practices a source of differentiation between more or less successful PDAs? Research has shown that management practices correlate with firm type and performance by combining firm-level data with surveys conducted with firm managers (Bloom and van Reenen, 2007). Similar questions and research strategies could be aimed at the world of PDAs.

From another perspective, it is important to explore whether the legal and administrative regime has an influence on the possibility of developing certain capabilities. For example, public sector PDAs may have difficulties in recruiting professionals who demand high pay, thus limiting their technical capabilities. On the other hand, a purely private entity may have problems expanding its resource base or influencing public policy.

Lastly, the studies should also investigate the management of the specific capabilities identified as critical. Using the framework proposed by Cornick (2013) as the guide, an analysis is required of the management practices and determinants of the technical, organizational and political capabilities of the PDAs studied. More generally, it is relevant to know how the PDA attempts not only to build its own capabilities but also push the envelope of the external constraints it faces in doing so.

¹¹ On the experience with technological consortia, see Alvarez et al. (2010).

¹² The study by Chrisney and Kamiya (2011) shows that several of the PDAs have procedures in place to manage learning and promote collaboration with other agencies involved in public policy, and with companies.

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4. Scope and Methodology

As noted above, the focus of interest is the PDA. Consequently, the research should follow a case study methodology.¹³ Every research proposal is expected to present three to five cases for study, although not all proposed cases in a given country will necessarily be selected by the coordinators of the project. The methodological proposals should specify the following:

- (i) information sources, both internal and external to the PDA, to be used to analyze the cases;
- (ii) type of tools (qualitative and/or quantitative) to be used to collect and validate information;
- (iii) how it is proposed to approach the analysis of experiences to extract conclusions.

Given the objectives set out, while we would be very interested in receiving proposals that include relevant quantitative methodologies, we anticipate that it is highly likely that qualitative research methodologies will need to be applied. Proposals must be precise in detailing the type of tools to be used, and they must justify their selection. The research team must also have experience in using them. In this respect, the perception of (past and present) PDA managers is undoubtedly an important source of validation, but the methodology is expected to incorporate the views of users, along with the views of other public or private entities relevant to the action of the PDA (whether from the political, financial or operational perspective).

In order to identify as precisely as possible the existing capabilities of a PDA, as well as those that may be lacking, it is important to go beyond a general characterization of what these agencies do and how they do it. Capabilities are best observed not in the abstract, but rather by looking at these agencies in action, as they engage in the public policymaking process, deploying their capabilities in specific tasks. In this regard, we propose that the researchers also focus on a few episodes that may help bring to light the existing capabilities. These revealing episodes should be selected carefully, in order to allow the research teams to infer or validate their analysis of the capabilities in play in each of the PDAs. Naturally, we are not interested in the episodes per se, but as windows through which the actions of the PDA and their capabilities can be observed.

Thus, for each selected PDA, we ask that the research teams include in their proposals the list of episodes they intend to study (in order to infer the PDA's capabilities); that they provide a brief summary of these episodes; and that they argue why the episodes are theoretically relevant for observing and analyzing the relevant TOP capabilities of the PDA. In addition, the researchers should argue whether the episodes are used to document their strength or weakness, their presence or their absence. In other words, we ask research teams to explain why they think that we can learn from these selected episodes.

Examples of such episodes may include the story of the genesis of a particular productive development program within an agency; the failed implementation of a specific intervention; a moment of reform of a PDA, or the moment in which, say, an innovation agency attempts

¹³ The methodological discussion in Cortázar (2006) may be useful in this regard.

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to increase the complexity of its interventions (e.g., when it goes from providing individual innovation grants to supporting innovation consortia); or the process whereby an investment promotion agency attracts investment from a major corporation.¹⁴

In turn, the selection of the agencies to be studied should consider the following desirable criteria:

- (i) Track record: must be an entity with at least five years' experience in implementing productive development programs.¹⁵
- (ii) Results: they must be PDAs that have implemented or are implementing programs with visible results, not necessarily positive. Since in most cases there is no impact assessment, consideration of the success of interventions must be based on qualitative assessments. Proposals should provide background to justify why a PDA is considered to have made significant achievements in some area or failed to do so.
- (iii) Richness: The interventions carried out by the PDA and the roles it plays in them have enough complexity to reveal interesting configurations of capabilities.
- (iv) Deliberate efforts to try to make progress with the complexity of the interventions or backtracking due to missing capabilities.
- (v) Counterfactual possibility: although not a requirement, it is highly desirable that proposals include the possibility of comparing PDAs that operate in similar settings in order to validate conclusions. These can be PDAs with a similar mandate but which have performed differently (for example, CITE Vid in Peru is recognized for its contribution to the development of the *pisco* industry, while other CITEs have not been so successful); PDAs with similar structures but different objectives (in Chile the CORFO Clean Production Committee has also been very successful, while the National Committee for Productivity and Quality has not); PDAs with different mandates and structures but which work in the same sector (such as CINDE and PROCOMER in Costa Rica) or region; PDAs that have similar mandates but which operate under different legal or administrative regimes (public, mixed, private) or PDAs that only share the same country (although in this case they should be at the same level of influence, whether national, regional or local) but that offer a comparison of interest. The possibility of comparing similar PDAs in different countries can also be considered (including a PDA outside the region on which there is sufficient background).

Although the focus of analysis is the PDA, studies must take into account the context in which they operate. Thus, the relevant aspects of the context must be discussed in detail, since the relationship between the context and the PDA's capabilities is one of the areas that

¹⁴ In this last case, the discussion would not focus solely on engagement with the corporation, but also articulation with the rest of the public sector, in order to deliver the public inputs needed to make the location attractive. An example is when CINDE, an investment promotion agency in Costa Rica, enticed INTEL to go to that country. That initiative involved the construction of specific infrastructure, as well as—among other things—development of a new electrical engineering program at the public university.

¹⁵ Exceptionally, according to the support provided, proposals will be accepted that cover experiences with shorter duration.

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the studies should explore. The context has to include not just country-level aspects that are relevant across the board, but also recognize that different contextual aspects may be particularly relevant to some PDAs, and not others. For example, the inability of a country to commit to not expropriating assets may be more relevant for an investment promotion agency than for an export promotion agency.

5. Content of the Studies

1. Brief review of the evolution of the country's productive development policies and institutions which puts the action of the PDAs to be studied in context. Identification of the policy objectives and the main actors that implement them.
2. Brief analysis of the evolution of the institutional and political context in which the selected PDA(s) operate(s). (Including a general assessment of the functioning of the State, the quality of public policies, administrative regime, etc.).
3. For each case of PDA to be studied:
 - a. Describe the entity, its evolution, its achievements and limitations.
 - b. Identify the relevant episodes to be analyzed, in order to study the PDA's capabilities.
 - c. Analyze the relationship between the level/development of its capabilities and its performance, following the framework and questions contained in Section 3.
 - d. Carry out a counterfactual analysis using comparable PDAs, if relevant.
 - e. Conclusions concerning the four objectives of the project included in Section 2.
4. General conclusions:
 - a. Policy lessons concerning utilizing and building institutional capabilities for PDPs;
 - b. Conditions that may enable or prevent expanding "best practices" of institutional governance in the same country and to other countries.
 - c. Analysis of the implications of the studies with respect to the conceptual framework used to study the relationship between PDAs' capabilities and their performance.

6. Content of the Research Proposals

To participate in the project, research institutions must submit a proposal detailing the following:

- Relevance of the PDAs selected to answering the questions raised by this invitation and attaining its objectives—in other words, why the case is of interest for this project as subject of inquiry.
- Discussion of the relevant episodes that will be studied with regard to each PDA.
- Proposed conceptual framework to be used.
- Methodology to be used in the case studies to address the issues discussed in Section 3, including the data and information sources to be used in each case, and a proposal on how to deal with the "counterfactual"-type comparison. In other words, how will the evidence be analyzed in order to derive answers to the questions?
- Potential relevance of the lessons and conclusions to be extracted for the public policy debate in the country.

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In addition, proposals must include:

- A list of the researchers who will be involved in the project. The center should present a research team justification of their capacity to meet the objectives of the project, including relevance of prior experience. Curricula vitae of the researchers may appear in a separate annex. Subsequent substitutions for researchers originally specified in the proposal may be made with prior approval from the IDB Network coordinator, but the project leader should lead the entire project to completion.
- A budget (in a separate annex) indicating the time and resources that will be used within the context of the research work plan must be included. The budget proposed by the research center should disaggregate items financed by the IDB contribution and those financed by the research center. The budget should distinguish among amounts assigned to professional honoraria, data collection, “overhead” and other major categories of research expenditures.
- An indicative proposal for the diffusion strategy of the final version of the paper and its policy implications (to be financed separately if it is eventually approved).

Note: Proposals may be submitted in English or in Spanish.

7. Selection Criteria

Research institutions only may present proposals. The research teams will be selected according to three main factors:

- Relevance.** The research teams must spell out in detail the relevance of the cases chosen to the project’s objectives stated above.
- Data and Methodology.** Data collection issues should be spelled out in detail (what sources of data will be used, what interviews is the team planning on doing, what are the chances of success in obtaining such data/interviews, what channels are they planning to use to obtain data, etc.).
- Team Experience.** The relevance of the team’s experience for the proposed project will be a very important criterion in the selection process.

8. Proposal Registration

Proposing **research institutions** should be registered as Research Network members (contact Elton Mancilla at red@iadb.org) and should be based in the Latin American and Caribbean region. U.S. and European institutions do not qualify as members of the Research Network. However, researchers from the United States and Europe can participate with research teams from proposing institutions.

For **research institutions** interested in submitting a proposal, we recommend preregistering before October 29, 2013 by [clicking here](#). Preregistration is optional; it merely indicates your intention to submit a proposal. Proposals are due **November 18, 2013**.

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Proposals should be submitted using the [Web Submission Form](#). Please note that there are two options within the submission form: one for institutions and another for individual researchers. Please make sure to choose the institutions option.

9. Coordination and Schedule

The project will be administered by the Research Department (IDB/RES), with the collaboration of the Competitiveness, Technology and Innovation (CTI) division and the Institutional Capacity of the State (ICS) division of the Institutions for Development Department (IFD), under the technical coordination of Eduardo Fernández-Arias (IDB/RES) and Ernesto Stein (IDB/RES), IDB Advisors Juan Carlos Navarro (IFD/CTI) and Juan Carlos Cortázar (IFD/ICS), and external advisors Ernesto Dal Bó (University of California at Berkeley) and Gonzalo Rivas (INAP Consultores and CIEPLAN).

The tentative schedule of activities is as follows:

- **October 29, 2013:** Due date for **preregistration**. Preregistration is optional.
- **November 18, 2013:** Due date for **receiving proposals**. Institutions should ensure that the complete documentation is submitted to the evaluation committee. Complete documentation includes: registration form with all the information requested; the research proposal, budget, and curriculum vitae (CVs up to three pages long).
- **December 2, 2013:** Announcement of **selected research proposals**.
- **December 16-17, 2013: First Discussion Seminar** in Washington, D.C., with the Technical Directors of the projects and the coordinating committee for the purposes of presenting the methodology to be used in the study as well as brief preliminary discussions of two PDAs and their corresponding counterfactuals.
- **December 27, 2013:** Due date for receiving an **annotated outline** of the research paper, incorporating the changes associated to the comments received in the discussion seminar.
- **March 21, 2014:** Due date for receiving a **first draft** of research paper.
- **May 23, 2014:** Due date for receiving a **second draft** of research paper.
- **June 5-6, 2014 (tentative): Second Discussion Seminar** in Washington, D.C. with the Technical Directors of the projects and the coordinating committee to discuss the second draft of the research papers.
- **September 15, 2014:** Deadline for a **final version** of the research papers, including a **summary that discusses policy lessons**. Data should be submitted by this date. Deadline for presenting a list of the most relevant dissemination activities (e.g., events, seminars, workshops, etc.) to discuss the main policy lessons of the country study with local authorities, including the corresponding budget. Research papers must follow the **IDB Manual of Style** for working papers.

Studies that are of good quality will be considered for publication as working papers.

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A selection of the best papers may be included in a special issue of an academic journal or in an edited volume on Building Institutional Capabilities for Productive Development in Latin America.

10. Financial Contribution and Payment Schedule

The IDB will contribute up to **US\$30,000** as a contribution to the total budget of each study, depending on the number of PDA cases selected. The payment schedule is as follows:

- **20 percent** within 15 days of signing the formal agreement between the IDB and the respective research center.
- **20 percent** within 15 days of presenting and approving the PowerPoint presentation corresponding to the first seminar.
- **10 percent** within 15 days of presenting and approving the annotated outline of the research paper.
- **15 percent** within 15 days of presenting and approving the first draft of the research paper.
- **15 percent** within 15 days of presenting and approving the second draft of the research paper and upon delivery of the datasets utilized by the study to the IDB.
- **20 percent** within 15 days upon approval by the Bank of the final research paper.

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APPENDIX

Type of Capability	Desirable outcomes	Key factors or elements
Technical	Scientific/technocratic expertise	- Specialized knowledge for design, implementation and evaluation of interventions
	Bureaucratic efficiency	- Qualified staff at all levels of the organization
Organizational	Public-public coordination	- Alignment of agencies by: shared and/or similar vision "intervention technology" and/or clear direction by the Principal
	Public-private collaboration	- Effective commitment by the PDA - Mutual trust - Credible agenda
	Experimentation and learning	- Allows space to experiment (and fail) and feedback mechanism - Willingness to make policy adjustments
Political	Credibility	- Establish a reputation for delivering what is agreed upon (credible commitment)
	Creation of support groups	- Management of degree of "exposure" - Building of broad consensus on objectives
	Protection against capture (public and private)	- Operational autonomy - Transparent allocation processes - Co-financing of interventions

Source: Authors' preparation based on Cornick (2013).

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