

## TC ABSTRACT

### I. Basic project data

<b>Region:</b>	C and D countries
<b>TC Name:</b>	Impact Assessment of Programs for the Promotion of Innovation and Business Development
<b>TC Number:</b>	RG-T2095
<b>Team Leader/Members:</b>	Ezequiel Tacsir (CTI/CCR), Team leader; Gustavo Crespi (IFD/CTI); Galileo Solis (CTI/CPN); Mikael Larsson (IFD/CTI); Sandra Ortega (IFD/CTI).
<b>Type of TC:</b>	Knowledge generation & dissemination.
<b>Reference to Request<sup>1</sup>:</b> (IDB docs #)	N/A
<b>Date of TC Abstract:</b>	20/02/2012
<b>Beneficiary:</b>	Ministries of Science and Technology, Ministries of Economics and Productive Development Agencies throughout the region.
<b>Executing Agency and contact name :</b>	IDB (Gustavo Crespi)
<b>IDB Funding Requested:</b>	\$350,000
<b>Local counterpart funding, if any:</b>	N/A
<b>Disbursement period (which includes execution period):</b>	24 months
<b>Required start date:</b>	1 <sup>st</sup> April 2012
<b>Types of consultants:</b>	International Individual Consultants
<b>Prepared by Unit:</b>	IFD/CTI
<b>Unit of Disbursement Responsibility :</b>	IFD
<b>Included in Country Strategy (y/n); TC included in CPD (y/n):</b>	VPS RD Programming Document
<b>GCI-9 Sector Priority:</b>	Development through the Private Sector.

### II. Objective and Justification

On average, Latin American and Caribbean countries underperform compared to other developed and developing countries in terms of productivity growth. Innovation, broadly defined as the introduction of new products or processes by firms has been credited as the ultimate engine of productivity growth and competitiveness by a vast amount of economic literature. The fundamental rationale for innovation policy is that government intervention is necessary to surmount private under-investments from a social welfare perspective due to the presence of market failures and information asymmetries with regards to the production and/or exchange of technological knowledge, being these more acute in the case of small and medium enterprises (SMEs).

Considering that public intervention becomes a basic ingredient in the enhancement of firm productivity, evaluation makes an essential contribution to learning and decision-making. The IDB considers that it is strategically relevant to count on an external evaluation of those policy interventions aimed at supporting innovation and enhancement of competitiveness in firms, in general, and small and medium enterprises (SMEs), in particular. Over the recent years, an important group of C and D countries have established these types of interventions: Propyme and Costa Rica Provee in the case of Costa Rica, FONDEPRO in El Salvador, Impulso Panamá in Panama, FONDEC in Dominican Republic and PDC in Paraguay, to name a few. These programs are designed to operate under the form of direct subsidies to activities such as new product development, process improvements and support for quality certification standards. Although the mentioned

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<sup>1</sup> A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

programs have been around for a while and taking into account the existence of demand from the business sector to access these services, these programs have not yet been evaluated. Thus today it is impossible to say whether the resources are being well spent and if it is possible that these programs generate a multiplier effect on business investment in innovation. This TC will fill the gap by providing quasi experimental evaluations for five programs aimed at promoting innovation and competitiveness at the firm level in the form of direct subsidies in countries C/D. For this, we will design and put in place a Call for Proposals (CFP) aimed at selecting the programs to be evaluated. The evaluation of the proposals will be based on the technical merit both of the received project and team leader, accessibility of firm-level data. The proposals should describe clearly the characteristics of the program, methodology, research team. Those proposals capable of linking survey data with register data (social security, employment, exports, patents, etc.) will be preferred.

*General Objective:* The purpose of this TC is to identify the key features of the programs under evaluation and apply techniques of quasi-experimental evaluation of their impact.

*Specific Objectives:* (i) Assessing the impacts of the programs with respect to firms' behavior, (ii) Provide insights on how specific features of the programs (eligibility of firms, activities supported, size and scope of the matching grants) may have influenced the outcomes assessed, (iii) Assessing the programs with respect to firm's performance, (iv) Offer recommendations about possible reforms and modifications of the programs, (v) Promote the exchange of experiences and lessons learned throughout the region

This TC is aligned with GCI-9 sector priority of development through the private sector.

### III. Description of activities

**Component I: External evaluation of Firm Support Programs:** The external evaluations will be undertaken by high caliber experts who will ideally implement a common methodology under the supervision of the team of CTI. The selection of the evaluators will require a proposal indicating its accessibility to the program data and other sources required to perform the quasi experimental evaluations. Evaluator(s) will have the primary responsibility of:

- (a) Production and analysis of data and performance indicators for these programs in comparison with international experience from the standpoint of management efficiency.
- (b) Implement methodologies of Double Difference and Matching to assess their impact on the performance of SMEs in each country.
- (c) Provide qualitative evidence in the form of interviews targeted to user firms and managers of the programs. These interviews should provide evidence of bottlenecks and actions required to be improved in other programs in the region.

Additionally, the project will make use of one international expert that will provide comments throughout the project (selection of proposals, drafts and final outputs) and will serve as an external peer review.

Each evaluator will be responsible for the submission of the following products:

- (+) A Technical Note (one per program) with the impact evaluations and lessons and policy recommendations.
- (+) Participate and present the results in regional workshops (one per country).

**Component II: Validation and Policy Dialogue.** The findings of the evaluators will be discussed during two regional workshops with policy makers. Suggestions and recommendations will be included in the final reports which will be widely disseminated during a Regional Policy Dialogue meeting.

In terms of output the project will produce:

- (+) 5 Technical Notes;
- (+) 1 Monograph compiling the results, findings and lessons learned;
- (+) 2 workshops (inception and discussion);
- (+) 2 validation workshops;

#### IV. Budget

##### Indicative Budget

Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I	5 Evaluations	\$200,000.00	0.00	\$200,000.00
Component I	Edition and publication (TN and Monograph)	\$ 20,000.00	0.00	\$ 20,000.00
Component I	2 Discussion Workshops	\$ 30,000.00	0.00	\$ 30,000.00
Component I	International Peer review	\$ 20,000.00	0.00	\$ 20,000.00
Component II	Workshops/Dissemination	\$ 30,000.00	0.00	\$ 30,000.00
Components I & II	Research Assistant (supervision and compilation)	\$ 50,000.00	0.00	\$ 50,000.00
<b>TOTAL</b>		<b>\$ 350,000.00</b>		<b>\$350,000.00</b>

#### V. Executing agency and execution structure

The executing agency for this TC will be the IDB. This decision is based on the proved capacity of the IDB to execute TCs actions and, more important, its knowledge to identify highly qualified international experts with access to required information sources. Bank Policy GN-2470 establishes that the Bank may execute TC in areas of its expertise provided that the proposed activities are consistent with the Bank's strategies and programs. The IDB through its IFD/CTI division has a long tradition in the production of impact evaluations of Science, Technology and Innovation (STI) programs.

#### VI. Project Risks and issues

The implementation of this TC will require collaboration from the agencies implementing the programs to provide a list of applicants and beneficiaries at the same time that statistical offices should provide and good and timely access to micro-data information sources such as innovation surveys, register data on exports, wages and employments. So the CTI team will engage with all of them very early at the start of TC, securing commitments from the involved public agencies. It is also expected that the findings of these evaluations will be used as an input to the CTI's work plan for the future.

#### VII. Environmental and Social Classification

We do not foresee any environmental or social negative impact associated with this TC. During the process of selection we will consider also environmental issues. In accordance with this and the ESG classification this operation has been classified as "C".