

## TC Abstract

### I. Basic project data

▪ Country/Region:	LAC Region
▪ TC Name:	Developing a Framework for the Latin American and Caribbean (LAC) Competitiveness and Innovation Environment
▪ TC Number:	RG-T2170
▪ Team Leader/Members:	Claudia Stevenson (IFD/CTI); Claudia Suaznabar (IFD/CTI), Juan Carlos Navarro (IFD/CTI), Alison Cathles (IFD/CTI) and Patricia Reyna (IFD/CTI).
▪ Type of Technical Cooperation	Research & Dissemination
▪ Reference to Request: (IDB docs #)	n/a
▪ Date of TC Abstract:	April 10, 2012
▪ Beneficiary:	
▪ Executing Agency and contact name	Inter-American Development Bank
▪ IDB Funding Requested:	US\$350,000
▪ Disbursement period:	2 Years
▪ Required start date:	May 2012
▪ Types of consultants:	Individual consultants
▪ Prepared by Unit:	IFD/CTI
▪ Unit of Disbursement Responsibility:	IDB Headquarters
▪ Included in Country Strategy (y/n);	n/a
▪ TC included in CPD (y/n):	
▪ GCI-9 Sector Priority:	To foster development through the private sector

### II. Objective and Justification

The IDB's 2010 DIA indicates that private sector investment in innovation will lead to improvements in aggregate productivity levels. The LAC region is primed to boost their innovation potential, but LAC countries will have to invest more in innovation and work to develop environments that are conducive to innovation and competitiveness (WEF, 2011). Yet, it is not always clear which particular aspects of an environment make it more or less conducive for competitiveness and innovation.

Emerging theorists (Hwang & Horowitz, 2012; Kanter 2012; Shukla, 2012) suggest looking beyond traditional mechanisms that focus on increasing innovation inputs (such as R&D spending) or fostering linkages between firms (cluster theory) and propose key elements, that ought to be evaluated, for creating and maintaining the type of environment that breeds innovation-led economic growth. The absence of a clear and singular definition leads to a void in available frameworks for comprehensively assessing competitiveness and innovation environments. Existing frameworks may capture one critical aspect or many of the foundational components that affect competitiveness and innovation environments, but either

the limited scope<sup>1</sup> or the methodology for collecting the data<sup>2</sup> restricts the ability of such frameworks to (i) comprehensively assess the competitiveness and innovation environment *and capture breadth* and/or (ii) address localized nuances<sup>3</sup> for a particular LAC country or different areas within a LAC country *and capture depth*.

The objective of this Research and Dissemination TC is to develop a framework for assessing and fostering environments that are conducive to competitiveness and innovation in LAC. The specific objectives are to: (i) create a conceptual framework that outlines measurable characteristics affecting the environment for competitiveness and innovation in LAC (ii) review the history of efforts led by the IDB to address the enabling conditions that facilitate growth of innovative, productive and competitive firms and (iii) deepen the analytical work and disseminate the results of the first two objectives. Understanding the dynamics of the environment in which firms innovate and compete is in line with the IDB's strategic goal in the GCI-9 to *foster development through the private sector*.

### III. Description of activities and outputs

**Component 1: Conceptual Framework** – CTI will hire one or more senior consultant(s) to: (i) conduct an analytic study that compares advantages and disadvantages of adopting a *Breadth*, a *Depth*, or a *Breadth & Depth* approach to the conceptual framework for measuring conducive competitiveness and innovation environments and recommends the option best suited for the needs of the LAC region; (ii) organize a workshop to discuss the analytical study to solicit the views of leading thinkers, stakeholders and Bank staff in environments for competitiveness and innovation; and (iii) organize all the inputs and propose a conceptual framework, considering how the IDB can contribute to the field in the context of existing models and practices of other international organizations.

**Component 2: Policy Review and Collection of Best Practices** – This component will involve a consultancy to conduct a policy review to document the Bank's previous efforts to assess and facilitate enabling conditions for businesses, competitiveness and innovation in light of the current development challenges of the region; this will include competitiveness PBLs, investment loans, and TCs focused on competitiveness. The goal will be to assemble a set of successful practices and suggest a set of priority action areas for CTI and the IDB.

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<sup>1</sup> *Doing Business* has collected and reported data on 11 indicators related to regulations that affect a firm at different stages of its lifecycle. Regulation is one pertinent environmental factor that affects aggregate productivity but, even by self admission - *Doing Business* does not measure all aspects of the business environment or all aspects of competitiveness. Despite its limitations, widespread dissemination of this information to measure the costs of doing business and ample publications (873 articles in peer reviewed journals and 2,332 working papers) have made it mainstream in many countries when it comes to discussing competitiveness policy. A more expansive framework that addresses additional variables affecting the environment for competitiveness and innovation would increase the breadth of the analysis.

<sup>2</sup> The World Economic Forum's Global Competitiveness report bases a number of its indicators on the results an executive opinion survey and on average there are 98 responses per country (the median is 89).

<sup>3</sup> In fact, a Google Scholar search for articles and patents since 2004 with *Doing Business* in the title returns ~608 results. Adding Latin America to the title words; the search returns only 7 results and adding Caribbean to the title words; returns 0 results. Furthermore, *Doing Business* indicators are based on the regulations in the largest business city in the economy. A framework that evaluates nuances in the LAC region, particular LAC countries, or regions within countries would provide a more in-depth analysis.

**Component 3: Analytical work and Dissemination** - Based on the results of the analytic study and the proposed conceptual framework (Component 1) and the results of policy review (Component 2), a series of documents will be produced and shared with stakeholders that: (i) summarize the key findings; (ii) highlight a suggested course of action; and (iii) make progress toward empirical assessment and analysis along the lines of the newly defined conceptual framework. An internal workshop will be held to disseminate preliminary results and collect feedback. In addition, a policy dialogue workshop will be held to share the results with high-level public officials in LAC countries.

#### IV. Budget - Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
<b>Component 1: Conceptual Framework</b>			
<b>Activity 1: Analytic Study</b>	Assessment and Recommendations - Breadth, Depth, or Breadth & Depth	60,000	<b>60,000</b>
<b>Activity 2: Workshop on New Perspectives on Business and Innovation Climate</b>	Discussion of the analytical study the expertise of key contributors	35,000	<b>35,000</b>
<b>Activity 3: Conceptual Framework Proposal</b>	Use inputs from Activities 1 and 2 propose a framework	35,000	<b>35,000</b>
<b>Component 2: Policy Review and Collection of Best Practices</b>			
<b>Activity 1: Review IDB lending and TC projects</b>	Compile a review of every project on this topic – bank wide	30,000	<b>30,000</b>
<b>Activity 2: Road Map Recommendations</b>	Best Practices and Priority Action	35,000	<b>35,000</b>
<b>Component 3: Dissemination</b>			
<b>Activity 1: Document: Key Findings from Components 1 and 2 &amp; Preliminary Analysis Under Proposed Framework</b>	Write a summary of key findings and highlight a suggested course of action; conduct preliminary analysis of the proposed conceptual framework	35,000	<b>35,000</b>
<b>Activity 2: Publication of a peer-reviewed document prepared as part of Activity 3.1</b>	Editing, translation, programming, printing, shipping	40,000	<b>40,000</b>
<b>Activity 3: Policy dialogue</b>	Present the results to internal stakeholders	5,000	<b>5,000</b>
<b>Activity 4: Policy Dialogue with Innovation Climate Stakeholders</b>	Present the results to LAC stakeholders at an event and discuss next steps	35,000	<b>35,000</b>
<b>Project Management</b>		<b>25,000</b>	<b>25,000</b>
<b>Auditor</b>		<b>5,000</b>	<b>5,000</b>
<b>Contingency</b>		<b>10,000</b>	<b>10,000</b>
<b>Total</b>		<b>350,000</b>	<b>350,000</b>

#### V. Executing agency and execution structure

This will be a bank executed TC. IFD/CTI will act as the focal point for the execution.

#### VI. Project Risks and issues

Risks are mainly due to possible limitations in the availability of data and other information for LAC countries making it more difficult for consultants to conduct high-quality studies. Careful selection of the consultants and design of their terms of reference as well as close supervision of the consultants and clear timely feedback should mitigate this risk.

#### VII. Environmental and Social Classification

There are no environmental risks associated with this TC. ESG will be consulted for a classification.