

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Institutional Innovation-led growth: A commitment with the future
▪ TC Number:	RG-T2726
▪ Team Leader/Members:	RADAELLI, VANDERLEIA (CTI/CBR) Team Leader; VIEIRA, HAROLDO DOS SANTOS (CSC/CBR) Alternate Team Leader; OLIVARI, JOCELYN (IFD/CTI); CRESPI, GUSTAVO ATILIO (CTI/CUR); ANGELELLI, PABLO JAVIER (CTI/CCH); HENNIG, BETINA TIRELLI (LEG/SGO); TORRICO DURAN, BLANCA PAOLA (IFD/CTI); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI); BORJA, CINDY (IFD/CTI)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	31 May 2016
▪ Beneficiary:	Ministries of Finance; Ministries of Science and Technology from countries
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 300,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms
▪ Prepared by Unit:	Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	Institutions for Development
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutions for growth and social welfare

II. Objective and Justification

- 2.1 The general objective of this TC is to strengthen the institutional capacity of LAC countries such that it enables the implementation of demand-side innovation policy strategies, which are required in the current context of economic crisis. In particular this TC will focus on Brazil, Chile, Colombia, Peru and Mexico. These countries have been actively implementing selective policies and therefore constitute an experimental ground for implementing a more comprehensive mission-oriented approach to innovation policies.
- 2.2 The effect and impact of the current economic crisis on business innovation has differed widely across LAC countries, depending on the situation on the eve of the crisis and on the policies governments subsequently implemented. As such, the crisis has confirmed known structural constraints and exposed new ones with respect to persistent and large social, technological, innovative, productive, economic, fiscal and environmental gaps with respect to more prosperous economies. These constraints work as bottlenecks that prevent countries from closing these gaps, hence undermining their ability to catch up and to take a leap forward towards achieving economic and social development. To tackle these constraints, economies require the State to play a major role in devising effective strategies to promote capacity building that enables long-term growth. And although all countries around the world are dealing differently with the consequences of

the economic crisis, the strategy of developed countries has been to apply a more inclusive and sustainable approach based on the promotion of “smart” innovation-led growth. Their agenda is to simultaneously promote innovation activity while dealing more assertively with societal challenges (or “missions”) such as climate change, ageing and epidemics, many of which are global in scope and require deep behavioral and systemic changes. In this context, the development and diffusion of innovations aimed at addressing societal challenges result from the interaction between demand and supply, which can emanate from either private or public organizations. The interactive nature of the innovation process implies that firms do not innovate in isolation, but as a result of the collaboration with a set of organizations that develop, adapt, reinforce, improve and exchange various kinds of knowledge, information and other resources. However, market forces alone fail to generate enough investment efforts and innovation outputs needed to address these societal challenges. Consequently, specific government programs are needed to promote the development and diffusion of relevant technologies that are needed as part of an effective smart innovation-led growth strategy. Mission-oriented innovation and transformative policies can be defined as systemic public policies that draw on frontier knowledge to attain specific goals or ‘big science deployed to meet big problems’. In this sense, a mission-oriented approach to innovation policy is a powerful demand-side initiative that enables the public sector to promote investment in specific technologies that are shaping the modern economy. Systemic mission-oriented policies have been adopted by advanced economies of Europe and the United States for decades, particularly in defense, energy and transport, not only for stimulating the development and diffusion of innovative activities but also for addressing “grand challenges” (mission needs). Therefore, it is particularly important for Latin America to establish a long-term agenda for development and to sow the seeds for transforming its incipient national innovation system into a more mission-oriented one.

III. Description of Activities and Outputs

- 3.1 Component 1. Mission-oriented approach to innovation policy for long-term smart growth: A Framework. The objective of this component is that policymakers in LAC get acquainted with the rationale behind a mission-oriented approach to innovation policy and that they draw lessons on how this approach has been effectively implemented in developed economies. To accomplish this, the component will finance the elaboration of key policy inputs for LAC policymakers to be used in discussions with/between them on key related topics. Based on the policy inputs produced, this component will also finance the organization of a workshop to define a framework that should guide the design of policy measures to improve institutional capacities.
- Component 2. Upgrading institutional capacities in innovation policies in LAC: choice, design and assessment. The objective of this component is to assess the current public institutional architecture for innovation in LAC, in terms of the conditions that are required to implement a mission-oriented approach to innovation policy directed to address societal challenges and to produce concrete policy measures that can be implemented to effectively upgrade institutional capacities. Based on prior knowledge of the IDB regarding the design of innovation policies that are guided by mission to address societal challenges, and on the policy framework developed in the previous component, the current one will analyze the institutional setting for innovation in five representative countries – Brazil, Chile, Colombia, Peru and Mexico. To accomplish this, the TC will finance a collection of country policy analyses that will help policymakers to identify the institutional enhancements required to adopt a mission-oriented approach to innovation policy.

This component will also develop, in collaboration with policymakers and other relevant stakeholders, an overall assessment of the readiness of the countries analyzed to

include a mission oriented-approach to their innovation strategies, and the design of concrete policy measures that should be implemented to upgrade their current institutional capacities. The collection of country policy analyses could also be extrapolated to the other LAC countries.

In order to promote institutional capacity upgrading in the countries, the TC will finance a capacity building workshop with the public agencies in charge of innovation policy implementation of the five countries analyzed. The main objective of this activity is to interact with the actors that are responsible for the implementation of policy actions. A seminar will be organized to discuss the main results and implications of the policy analyses with high government representatives of the five countries under analysis. Component 3. Communication and dissemination of knowledge. The objective of this component is to generate awareness among policymakers about the relevance of applying a mission-oriented approach to innovation policymaking given the current economic context. This component will finance: 1) the organization of different events to disseminate the overall results of this TC to a diverse audience; and to position the Bank as a frontrunner and expert in the topic.

- 3.2 **Component I: Mission-oriented approach to innovation policy for long-term smart growth: A Framework (US\$ 50,000).** The objective of this component is that policymakers in LAC get acquainted with the rationale behind a mission-oriented approach to innovation policy and they draw lessons on how this approach has been effectively implemented in developed economies
- 3.3 **Component II: Upgrading institutional capacities in innovation policies in LAC: choice, design and assessment (US\$ 165,000).** The objective of this component is to assess the current public institutional architecture for innovation in LAC
- 3.4 **Component III: Communication and dissemination of knowledge (US\$ 35,000).** The objective of this component is to generate awareness among policymakers about the relevance of applying a mission-oriented approach to innovation policymaking given the current economic context
- 3.5 **Component IV: Project coordinator (US\$ 40,000).** Project coordinator
- 3.6 **Component V: Contingencies (US\$ 10,000).** Contingencies

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Mission-oriented approach to innovation policy for long-term smart growth: A Framework	\$ 50,000.00	\$ 0.00	\$ 50,000.00
Upgrading institutional capacities in innovation policies in LAC: choice, design and assessment	\$ 165,000.00	\$ 0.00	\$ 165,000.00
Communication and dissemination of knowledge	\$ 35,000.00	\$ 0.00	\$ 35,000.00
Project coordinator	\$ 40,000.00	\$ 0.00	\$ 40,000.00
Contingencies	\$ 10,000.00	\$ 0.00	\$ 10,000.00

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Inter-American Development Bank through the Competitiveness and Innovation Division (IFD/CTI).
- 5.2 This is due to the regional nature of this TC, which requires the Bank to work as an intermediary to connect and coordinate the different members of the innovation ecosystem within the region. In addition, the technical capacities of the Bank staff can ensure the effective implementation of the TC. In addition, the project will finance a project coordinator specialized in the area that will report to the Team Leader. The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with the Bank's current procurement policies and procedures.

VI. Project Risks and Issues

- 6.1 There are no major implementation risks. However, political cycle can represent a risk of lack of policy continuity that would affect the timely achievement or could diminish the impact of the execution of this TC (change of priorities represents a diverging view of innovation policy). In order to mitigate this risk, first we will operate in collaboration with all the representatives in the field in LAC from the public sector, private sector institutions, and quasi-governmental institutions. Second, in those countries where CTI has active financial operations, there is interest to provide information generated in the monitoring process for the purposes of this project. Third, extensive support for public-policy dialogue is expected to contribute to consensus building around policy objectives supported by this TC through a dissemination and sensitization strategy, which should ensure the continued engagement of key stakeholders from the public and private sector and at the technical level.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".