Artificial Intelligence and the Redesign of Government



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IDB

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Synopsis

How government is organized shapes its ability to deliver results. However, in many countries in Latin America and the Caribbean, government structures have grown incrementally, accumulating entities, functions, and mandates without a systematic, comprehensive review. The result is a combination of overlaps, institutional gaps, and institutional architectures that do not always reflect the government's strategic priorities. This publication presents an artificial intelligence-based methodology to analyze state structure at scale, identify functional duplications, and assess the alignment between institutions and government objectives. It also introduces an online platform (**PlanoEstado**) that supports governments in the prospective analysis of new organizational structures they plan to establish. **PlanoEstado** enables the evaluation of these units' alignment with government priorities, the detection of overlaps with existing units, and the assessment of the congruence between assigned functions and the type and hierarchy of the proposed unit. It generates concrete recommendations across three dimensions: alignment, overlap, and congruence. Based on the results of pilot applications in five countries in the region, the document shows that it is possible to generate systematic, comparable, and actionable assessments in weeks, not months. The proposed methodology provides a practical tool to support institutional reorganization processes, guide redesign decisions, and improve public effectiveness without relying solely on the creation of new structures.

Executive Summary

How government is organized is more than an administrative choice: it shapes the state's ability to deliver results and has direct fiscal consequences. In Latin America and the Caribbean, the public sector wage bill represents about 8% of gross domestic product (GDP) and 30% of current expenditures, while losses due to inefficiency are estimated at between 4.4% and 4.6% of GDP. Part of this gap has a structural explanation. The region's state apparatuses have generally grown incrementally—"issue by issue," crisis by crisis—and governments have faced limitations in reviewing these reforms from a holistic perspective. As a result, there are functional overlaps, institutional gaps, and structures that do not reflect governments' strategic priorities. This document proposes deliberately breaking this inertia by using the urgency of reform as a lever to advance a long-term, evidence-based vision.

The situation is further exacerbated because governments face cross-cutting challenges with institutional structures designed to provide sector-specific responses that have accumulated over time. Complex or emerging challenges such as economic competitiveness, climate change, or digital transformation require horizontal coordination among government agencies (Shostak et al., 2023). However, fiscal constraints limit the scope for creating new entities or expanding the bureaucracy. Creating new structures, therefore, should be an exceptional measure. It is necessary to understand how the existing government architecture functions, where functions overlap, where capacities are lacking, and where reorganization would be most effective. A systematic assessment of this architecture is a prerequisite for managing complex problems more effectively.

The Problem and the Limitations of Its Approach

Every organizational design process must address two related questions: how to break down complex objectives into manageable units, and how to coordinate the work of those units so that they produce coherent results.

These two questions correspond to the dimensions analyzed in this document: strategic alignment and functional coherence. When these questions are not addressed systematically, the likely result is institutional fragmentation—the cumulative effect of piecemeal reforms that were not reviewed holistically.

Functional reviews are the standard tool for addressing this problem. When they have political backing and are integrated into the budget cycle, they yield concrete results. However, the standard methodology (based on a "manual" review of large sets of regulatory documents) faces structural limitations that restrict its scope. The volume and dispersion of legal instruments, the ambiguity of their language, and the problem of scale—for example, analyzing the similarity among 500 entities requires evaluating more than 125,000 possible pairwise combinations—make it practically impossible to produce comprehensive assessments using traditional methods, especially within the tight timeframes provided by reform windows or the transition periods of new administration seeking to reshape the organizational structure.

The Changes Enabled by Artificial Intelligence

Recent advances in natural language processing make it possible, for the first time, to address this problem at scale, consistently, and efficiently. This paper presents a methodology that combines the automated processing of institutional regulations with the structural analysis of public functions. It is the first methodology to comprehensively analyze both the coherence among organizational units and their alignment with government objectives. Its application in five Latin American and Caribbean countries with distinct contexts demonstrates that it is possible to generate systematic, comparable, and actionable assessments in weeks, not months.



Three Contributions for Specialists and Decision-Makers

1. **Methodology for Analyzing the Existing Institutional *Stock***. The methodology consists of four stages: *i)* reconstruction of the universe of entities based on legal documents; *ii)* semantic extraction of institutional functions through identification and individualized processing; *iii)* systematic analysis of various dimensions of interest, such as the degree of similarity among functional mandates and the level of alignment with government objectives; and *iv)* generation of indicators and visualizations that provide an understanding of the state as a system—that is, its complete blueprints rather than partial snapshots of individual components.

The findings from the pilot exercises are compelling. First, they establish that the existing institutional architecture does not always reflect the strategic priorities of governments, as there are entities without a direct and substantive link to current government priorities. Second, they show that functional overlaps are not marginal exceptions but rather a structural feature that can lead to functional duplication. For example, in several of the cases surveyed, it was found that more than 60% of organizational units had at least one significant functional overlap with another entity.

2. **PlanoEstado: A Tool for Prospective Analysis.** In most countries in the region, decisions regarding institutional reorganization are made without tools to assess how the proposed reform interacts with the overall state architecture. Each new entity, merger, or redefinition of responsibilities is designed primarily on the basis of legal analyses conducted by small teams, often without a systemic perspective. As a result, a reform that solves a visible problem may create several invisible problems.

PlanoEstado, the digital platform developed by the Inter-American Development Bank (IDB), addresses this challenge by applying artificial intelligence to the prospective analysis of organizational reforms. The tool combines the current institutional structure, existing functions processed semantically, and reform proposals incorporated as draft regulations to simulate how a proposed change would integrate into the state apparatus and generate indicators of its potential effects before the proposal is enacted. Specifically, the prospective analysis includes the dimensions of alignment with priority objectives and functional overlap, as well as an assessment of the congruence between assigned functions and the type and hierarchy of the proposed unit.

3. **Framework of Best Practices and Prioritization Criteria.** The greatest value of having government blueprints is using them to act strategically. Comparative evidence from recent reforms and guidelines in countries across Latin America and the Caribbean, as well as within the Organization for Economic Co-operation and Development (OECD), allows us to identify 12 converging principles of good organizational design, ranging from the alignment between government structure and strategy to the requirement for technical justification and transparency for any redesign proposal.

However, defining good design does not answer the most complex question: where to begin. To guide this decision, the document proposes a prioritization matrix organized around Moore's (1997) strategic triangle, as adapted by the IDB. The framework consists of three dimensions: the public value of the reorganization, the capacity to implement it successfully, and political feasibility. A reform that scores high on all three dimensions is a priority. In this regard, the evidence generated by PlanoEstado is particularly valuable in difficult cases—those with high public value but low apparent feasibility—where a robust assessment can highlight the cost of inaction.

An Invitation

Having a comprehensive map of the state does not guarantee a good reform, but it makes a bad reform much harder to justify. The IDB offers this methodology and these tools as part of its technical assistance to governments in the region. Governments facing decisions on institutional reorganization, or seeking to better understand the structure of the state, can explore how this approach supports those efforts.

To stay up to date on this and other topics, government teams in the region can join ImplementaLAC, where ideas are transformed into effective policies.

01

Introduction

Governments in Latin America and the Caribbean spend more, but not necessarily more effectively. The public sector wage bill accounts for about 8% of gross domestic product (GDP) and 30% of current expenditures, but this growth has not translated into greater public effectiveness (Naranjo Bautista et al., 2025). Losses due to inefficiencies in the region are estimated at between 4.4% and 4.6% of GDP (Izquierdo, Pessino, and Vuletin, 2018, IDB, forthcoming). Part of this gap has a structural explanation: the state's capacity to provide services, implement policies, and create an environment conducive to development depends on how it is organized. The institutional architecture—the distribution of functions, powers, and responsibilities among ministries, agencies, and other public entities—shapes coordination across sectors, the flow of information, the clarity of mandates, and, ultimately, the effectiveness of public policies (Alessandro and Ortiz de Zárate, 2022; Egeberg, 2007; Mulgan, 2024). In a context of fiscal, policy, and institutional constraints, this architecture cannot be left to governmental inertia.

This limitation becomes even more critical because public problems are no longer resolved within clear sectoral boundaries. Economic competitiveness, climate change, digital transformation, and other multidimensional challenges require horizontal coordination among government agencies. However, this demand is increasing precisely at a time when fiscal constraints are reducing the scope for creating new entities or expanding the bureaucracy (Shostak et al., 2023). With the same resources—or fewer—governments must do more: coordinate better, redistribute functions, and eliminate duplications within a rigid structure historically designed to respond vertically to sectoral problems. Therefore, systematically and holistically assessing the state structure—not merely through partial snapshots or analyses of isolated sectors—is a prerequisite for addressing challenges that demand a whole-of-government approach.

In many countries, the state's organizational structures have evolved incrementally over time. New entities are created to respond to emerging priorities or sectoral crises, while existing institutions continue to operate with mandates inherited from previous reforms. This cumulative process—addressing issues one by one and responding to crises one by one—tends to generate complex structures in which units coexist with partially overlapping functions, diffuse responsibilities, or mandates that are not sufficiently aligned with the government's priorities (Naranjo Bautista, Alessandro, and Ortiz de Zárate, 2025; National Commission on the Public Service, 2003). Furthermore, institutional proliferation has a direct cost, since a greater number of entities requires more staff, and more staff places greater pressure on a payroll that already accounts for a significant share of public spending. The organizational design of the state and civil service management are not independent decisions; on the contrary, they are structurally linked.

In this context, the organizational analysis of the state must address two central questions. The first is: Are existing institutions adequately aligned with the government's strategic objectives? The absence of such alignment can lead to institutional gaps, ambiguous mandates, or units with functions that do not clearly contribute to government priorities. The second is: Are public functions distributed coherently across the entities of the state apparatus? When multiple units carry out similar activities or share equivalent objectives without clear boundaries, functional overlaps can arise that hinder coordination, lead to duplication of efforts, increase internal conflicts and inconsistencies, and dilute institutional accountability.

Historically, it has been very difficult to answer these questions systematically at scale. Analyzing a country's institutional architecture requires reviewing hundreds or thousands of regulatory documents (enabling acts, executive orders, administrative regulations, and organizational and functional manuals), whose sheer volume, scattered nature, and semantic ambiguity make it practically impossible to produce comprehensive, comparable, and actionable assessments using traditional methods.

This limitation is significant: many institutional reforms are designed without a complete picture of the architecture they aim to modify and, as a result, may unwittingly reproduce the very problems they seek to solve.

Beyond the challenge of scale, rigorously and systematically measuring these key dimensions of organizational structure has traditionally been a complex task. For example, the concept of "coherence" in public administration—both in policy design and in the design of institutional structures—has proven difficult to operationalize for empirical measurement. The prevailing view in the specialized literature is that there is no single instrument capable of identifying and achieving



coherence (Cejudo and Michel, 2016). Similarly, May, Sapotichne, and Workman (2006) conclude that, despite their efforts, they were unable to develop an effective operationalization of the concept. In turn, Candel and Biesbroek (2016) argue that, at best, the operationalization and measurement of coherence are understudied, and at worst, they are highly controversial. Although these contributions refer primarily to policy coherence, the methodological problem is analogous to that faced by analyses of organizational structures: translating complex relationships among multiple dimensions (objectives, functions, instruments, and target populations)—defined in various policy documents, into observable and comparable criteria that can be measured on a common scale. In the specific field of institutional design, Farhang and Yaver (2016) show that phenomena such as organizational fragmentation have been subject to "extremely limited" empirical analysis (authors' translation), despite their impact on state effectiveness. Similarly, Shaffer (2022) notes that, in general, such studies are limited to specific policy areas or even to individual regulations, and fail to analyze public administration from a holistic perspective.

This paper proposes an analytical framework for studying the organizational design of the state, centered on two fundamental dimensions. These dimensions are strategic alignment between institutional structures and government priorities, and functional coherence in the distribution of mandates among entities. Recent advances in artificial intelligence (AI), particularly in natural language processing make it possible, for the first time, to conduct this analysis at scale and within a short timeframe. Based on this framework, the paper introduces an AI-based methodology that makes it possible to operationalize these dimensions by transforming large volumes of organizational regulations into structured and comparable evidence.

Applying this approach across countries in Latin America and the Caribbean enables the identification of recurring patterns of fragmentation, overlap, and institutional gaps, which provide new evidence for the analysis of state capacities.

The document is organized around five objectives: *i)* to examine why organizational design is a strategic variable for state capacity and the efficiency of public spending; *ii)* to discuss the limitations of traditional functional review approaches and the state of the art in the use of AI for organizational analysis; *iii)* to present the methodology developed and illustrate its application in recent studies conducted by the Inter-American Development Bank (IDB) in countries across Latin America and the Caribbean; *iv)* to introduce a digital platform (**PlanoEstado**) that enables the prospective evaluation of organizational reform proposals prior to their approval; and *v)* to provide a framework of best practices and prioritization criteria to guide decisions regarding institutional reorganization. Taken together, these tools aim to enable governments to understand and redesign their institutional architecture in a more strategic, systematic, and evidence-based manner. The ultimate purpose of this document is to help ensure that future reforms do not replicate the problems described here.

02

The Importance of Organizational Structures and the Limitations of Traditional Analysis

The organization of the state is not merely an administrative decision: it is a prerequisite for public effectiveness. Institutional architecture—how functions, hierarchies, and responsibilities are distributed among ministries, agencies, and public entities—determines who has the authority to act, who implements policies, who regulates sectors, and who is accountable for results (Peters, 1998; Repetto, 2010; Mosqueira and Alessandro, 2023). When this architecture is coherent, it facilitates coordination and implementation. When it is fragmented or misaligned with the government's priorities, it creates friction that reforms to public financial management, the civil service, or transparency cannot overcome on their own. Organizational design is, in this sense, the infrastructure that underpins everything else.

Furthermore, this infrastructure has a direct fiscal cost. Institutional proliferation contributes to the growth of the public sector payroll. A greater number of entities typically requires more staff, more hierarchical levels, and more support functions. When this growth is not accompanied by greater effectiveness—and evidence suggests that this is often not the case in the region—it becomes a fiscal problem that reduces the fiscal space available for public investment (IDB, 2025; Naranjo Bautista et al., 2025). Organizational design and civil service management are structurally linked decisions.

2.1

The Critical Dimensions of Organizational Design

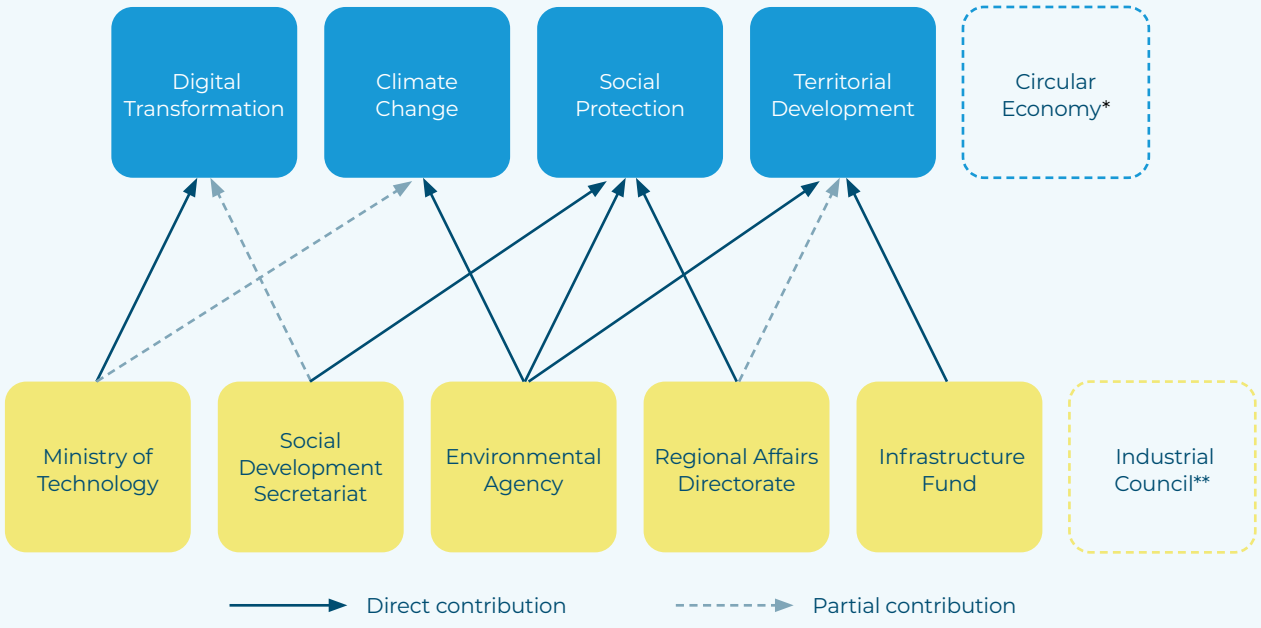
Any organizational design process must address two related questions: how to break down complex objectives into manageable units, and how to coordinate the work of those units so that they produce coherent results (Burton, DeSanctis, and Obel, 2012). These two questions correspond to the two dimensions analyzed in this document: strategic alignment and functional coherence.



Strategic Alignment

Strategic alignment is the degree to which institutional functions reflect and facilitate government priorities. This concept is consistent with the classic principle of organizational design that structure should follow strategy (Chandler, 1962). In practice, however, governments often "inherit" institutional designs that reflect previous priorities or preexisting political agreements (Davis et al., 1999; Sieberer et al., 2021). This can result in a mismatch between government priorities and the configuration and actual capabilities of the state apparatus. On the one hand, certain strategic areas lack institutions with clearly defined responsibilities. On the other hand, sectors that have lost relevance contain multiple units with overlapping mandates. As illustrated in Figure 1, one of the government's five priorities—the circular economy—faces an institutional vacuum because no agencies are dedicated to its development. In contrast, one existing unit—the industrial council—is misaligned because it does not address any of the government's priority objectives.

Figure 1: Strategic Alignment Between Organizational Units and Government Objectives



*No designated responsible unit
** Not aligned

Source: Authors' own elaboration.

Note: The lower axis represents the organizational units, and the upper axis represents the government objectives.

Aligning the state structure with government strategy does not necessarily imply reorganizing the state with every change in government. When governments create new institutions rather than adapting existing ones to respond to new priorities—whether due to a lack of confidence in existing capabilities, the need to demonstrate action, or a sense of urgency—a cumulative pattern is reinforced that ultimately leads to fragmentation and overlapping mandates. Therefore, governments should first seek alignment by redefining functions, strengthening coordination among existing structures, and reassigning responsibilities within them. The creation of new entities should be a last resort (see the section "Best Practices and Prioritization Criteria for Effective Organizational Design"), because of the associated budgetary costs, the disruption it causes to administrative processes, and the time required to consolidate teams (Durrant and Tetlow, 2019).

The problem of strategic alignment takes two distinct forms, each with different causes and solutions. The first is a temporal mismatch: the inherited structure does not reflect the current government's priorities, either because those priorities have changed or because they were never properly aligned to begin with. This type of misalignment can be corrected through reforms to the institutional structure or its internal functions. This dynamic is common during government transitions, when a new government seeks to leave its mark on the state apparatus and make its priorities visible to the public (Alessandro, Arrieta, and Naranjo Bautista, 2026). In this scenario, the tool presented in this document enables the identification, within weeks, of which structures no longer reflect the new priorities and which require adjustment or reassignment of functions. The second cause of the strategic alignment problem is structural misalignment, which is characteristic of cross-cutting or multisectoral priorities. Horizontal agendas, such as climate change, inequality, or competitiveness, cut across the state's vertical sectoral organization and generate ongoing tensions (Mosqueira and Alessandro, 2023; Mulgan, 2014). Unlike temporal misalignment, this phenomenon cannot be resolved through a single reform but requires structural interventions and the adoption of medium-term planning criteria.

In this scenario, the dilemma becomes more complex: should a new entity with a cross-cutting mandate be created, or should coordination mechanisms among existing structures be strengthened?

Both options entail costs and benefits. While the proposed PlanoEstado tool enables an analysis of its organizational implications, the final decision requires weighing criteria that go beyond a strictly technical assessment.

Functional Coherence

Functional coherence is the degree to which functions are distributed clearly and without duplication across the entities of the state apparatus. Functional overlap occurs when two or more units perform functions that are substantially similar in terms of objectives, activities, target populations, or territorial scope, without a clear demarcation of their responsibilities (Alessandro and Ortiz de Zárate, 2022; GAO, 2015; GAO, 2021). The consequences can be significant: *(i)* inefficiencies in the allocation of public resources; *(ii)* inconsistent policies; *(iii)* bureaucratic conflicts among agencies competing for authority, resources, or political visibility; and *(iv)* weak accountability. For citizens, the lack of functional coherence translates into fragmented and hard-to-access

services, with equivalent programs operating under different eligibility criteria.

Distinguishing between problematic overlap and legitimate functional complementarity poses a significant analytical challenge. Two institutions may share objectives but play distinct roles within the public policy cycle (for example, when one entity formulates guidelines and another implements programs, or when two entities address the same population using different instruments). In such cases, similarity does not imply duplication but rather a division of labor. The analysis must differentiate between redundancies that reflect inefficiency and deliberate redundancies that serve as safeguards when a single entity holds exclusive responsibility for a critical issue (Wilson, 1989; Freeman and Rossi, 2012). This distinction is particularly relevant in complex or cross-cutting areas of public policy, where multiple institutions may address the same problem from different perspectives.

Human judgment is indispensable for interpreting the results generated by artificial intelligence (AI) when making decisions about structural realignment. For cross-cutting or multisectoral priorities, it is to be expected that AI will identify high levels of similarity among units addressing the same issue from different sectors. Although the tool has been refined to distinguish between complementarities and problematic overlaps, its results do not replace the technical interpretation of a trained professional. The decision on how to proceed remains context-dependent. In some cases, it is advisable to consolidate responsibilities within an entity with a multisectoral mandate; in others, it is appropriate to strengthen coordination mechanisms that align the work of various sectoral units.

2.2

Accumulation of Structures: The Roots of Institutional Fragmentation

Institutional fragmentation is the cumulative result of partial reforms that have not been reviewed holistically. When a new priority arises, the institutional response is to create an entity, a program, or a coordinating unit, without necessarily redefining the role of existing structures. Over time, the state apparatus increasingly resembles a building that has been successively remodeled without regard for its blueprints (Naranjo Bautista, Alessandro, and Ortiz de Zárate, 2025). As a result, functional overlaps, institutional gaps, or organizational structures that do not adequately reflect the government's strategic priorities may arise.

This pattern has identifiable historical roots. The New Public Management (NPM) reforms of the 1980s and 1990s promoted the specialization and decentralization of public services, as well as the separation of public service provision from production (Lapuente and Van de Walle, 2020). These changes improved performance in many areas, but they also fragmented the state apparatus, resulting in more specialized entities, greater institutional autonomy, and less horizontal coordination. In response to these limitations, post-NPM approaches emphasized the importance of coordination, integration, and diagnostic tools for assessing the functional coherence of the state; however, they did not resolve the underlying challenge of analyzing the institutional architecture as a whole (Lapuente and Van de Walle, 2020). The renewed interest in the role of the Center of Government stems from the urgent need to ensure inter-institutional

coordination. This emphasis is evident both in recent specialized literature and in the work of the Inter-American Development Bank (IDB) (Alessandro, Lafuente, and Santiso, 2014; Shostak et al., 2023).

Institutional specialization improves accountability but also creates a trade-off between fragmentation and overlap. The NPM reforms were based on the premise that it is easier to hold targeted entities accountable for specific results. This logic is valid, but it comes at a cost: greater specialization increases the likelihood of overlap between units. This is a structural trade-off rather than a problem that can be completely eliminated. The tool presented in this publication does not determine the "optimal" number of agencies, nor does it resolve this trade-off, but it does make fragmentation visible and supports its more effective management. In this regard, it helps quantify functional overlap, identify where it occurs, and build an empirical basis for making informed decisions about reorganization, based on the balance between accountability and coordination.

2.3

The Limitations of the Standard Tool

Functional reviews constitute the most established institutional response to the challenges of government reorganization. Manning and Parison (2004) define them as structured assessments of what the government does—policies and programs—and how it is organized to do so—ministries, agencies, and processes. The main objective of functional reviews is to identify redundancies, capacity gaps, and misalignment with strategic priorities.

In practice, they are often conducted in response to fiscal pressures, although they may also address demands for greater effectiveness or better services for citizens.

Functional reviews have produced tangible results in contexts where they had political support and were integrated into the budget cycle. Canada's 1994 Program Review reduced direct spending by about 10% in nominal terms over two years and departmental operating budgets by approximately 20% (CSPS, 2025; Tellier, 2022). The United Kingdom's Public Bodies Reform Programme, implemented between 2010 and 2015, eliminated more than 290 entities and generated cumulative administrative savings of approximately £3 billion (Cabinet Office, 2016; NAO, 2012, 2022).

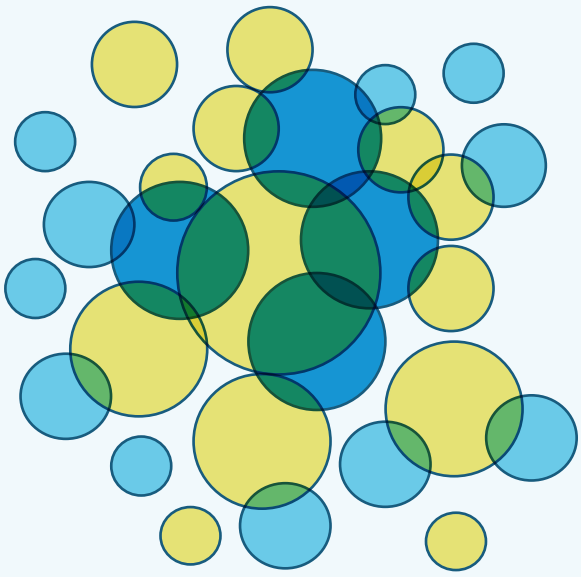
However, the standard methodology for functional reviews faces structural limitations that restrict its scope, especially when applied to complex institutional architectures. Manning and Parison (2004) describe an ideal review cycle of about six months—a timeframe that may exceed a government's political window of opportunity—which requires mixed teams comprising representatives from the Center of Government, the ministries under review, and external experts. This process is resource-intensive, inherently partial or subject to bias, and difficult to maintain using consistent criteria when different teams participate over time.

The difficulties of traditional organizational analysis fall into three categories:

1. **Fragmentation and Regulatory Complexity.** The functions of the state apparatus are defined in thousands of legal instruments accumulated over several decades—enabling acts, Executive orders, administrative regulations, ministerial resolutions—which have often been amended without consolidating the existing regulatory framework. Reconstructing the full set of current functions of a public entity may require examining dozens of overlapping legal documents.

2. **Conceptual Ambiguity and Ambiguity in Regulatory Language.** Institutional functions are often expressed in broad and conceptually open terms, which hinders systematic comparison between mandates. This vagueness may be deliberate—for example, to conceal overlaps with existing structures—or may simply reflect the inherent characteristics of legal language. In this regard, two institutions may describe functionally equivalent activities using different terminology or present seemingly different mandates that, in practice, address the same issues and serve the same populations. Systematically comparing these dimensions across multiple institutions requires a level of analysis that is difficult to achieve through manual review alone (Alessandro and Ortiz de Zárate, 2022; Camacho and Glicksman, 2021; ACUS, 2012). Except in cases of literal duplication of functions—which are very rare—overlaps are usually partial (Figure 2), which complicates the development of a consistent classification when comparing hundreds or thousands of units.

Figure 2: Conceptual Illustration of the Levels of Functional Overlap among Government Entities



Source: GAO (2021).

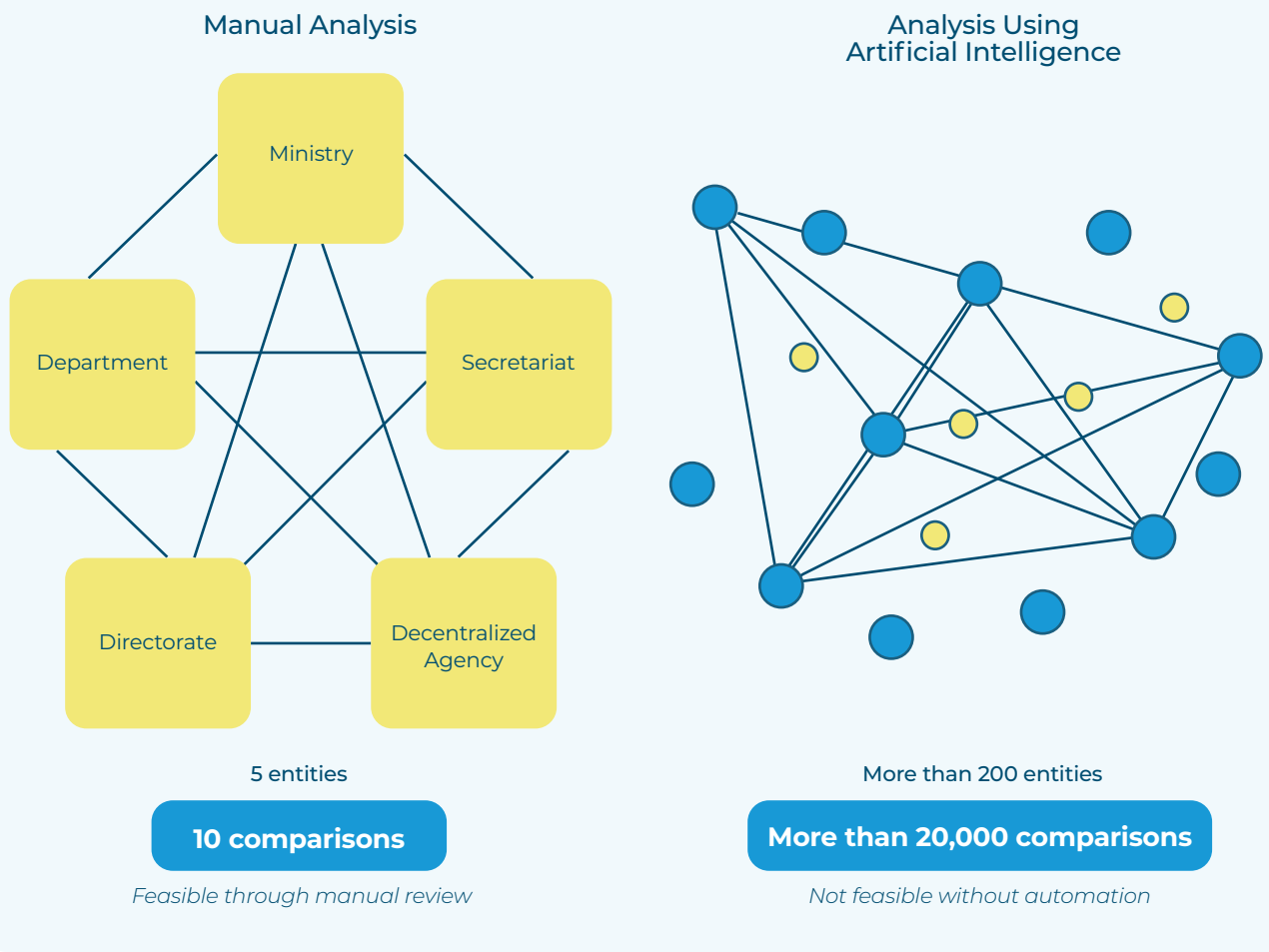
Explanatory note: Each circle represents an organizational unit and the scope of its functional mandate. The areas of intersection indicate shared functions, with varying degrees of overlap.

3. **Scale and Time.** Comparing the functional coherence of an organizational structure involves examining the possible relationships between each unit and the rest of the state apparatus. In a recent exercise, the analysis of more than 200 organizational units involved evaluating more than 20,000 possible pairwise combinations of entities (Figure 3). If the analysis is conducted manually, the process is slow. Moreover, it is practically impossible to maintain consistent criteria when different teams are involved at different times.

As a result of these limitations, many institutional reform processes rely on partial assessments or qualitative evaluations that depend on the inevitably subjective judgment of technical teams.

Such knowledge is indispensable but insufficient when it comes to identifying patterns of fragmentation or misalignment across the entire public sector.

Figure 3: Scalability Challenges in Functional Reviews of the State Apparatus



Source: Author's own elaboration.

2.4

The Role of Artificial Intelligence

Artificial intelligence (AI) is increasingly used in public administration, but its integration into comprehensive functional reviews of the state remains limited, and its application continues to be primarily modular and isolated. Although applications such as process mining, text analysis, and administrative data analytics have become increasingly common, the available literature does not document cases in which these tools have been incorporated into a comprehensive functional review cycle, particularly in Latin America (see the section "Artificial Intelligence-Based Methodology for Analyzing Organizational Structures").

Their use remains primarily modular: it focuses on specific areas—such as tax administration, public procurement, or citizen feedback—and is not integrated into unified frameworks for organizational diagnosis.

A recent survey by the Organization for Economic Cooperation and Development (OECD) documents more than 200 cases of AI use in government functions (including public financial management, public procurement, and civil service reform), but does not include examples of AI applied to the design and analysis of organizational structures (OECD, 2025).

Recent advances in large language models (LLMs) make it possible, for the first time, to apply AI to the analysis and design of organizational structures. AI tools make it possible to automatically process large volumes of legal documents; identify semantic patterns in the description of institutional functions; and transform qualitative legal information into structured data. In doing so, they simultaneously address the problems of volume, ambiguity, and scale that limit traditional analysis. The following section presents the state of the art in the use of AI for organizational analysis and situates the methodological contribution of this paper within that context.



03

Artificial Intelligence-Based Methodology for Analyzing Organizational Structures

3.1

An Innovative Approach

Artificial intelligence (AI) has been increasingly incorporated into the analysis of public administration, but it has not yet been applied to evaluate the two dimensions of organizational structure addressed in this paper. The most widely documented AI applications operate at the diagnostic level, including process mining to identify bottlenecks in workflows; text mining to classify citizen feedback; and administrative data analytics in domains such as taxation, public procurement, and public financial management (OECD, 2025; Wang and Guo, 2022; Zuiderwijk, Chen, and Salem, 2021). In Latin America and the Caribbean, the use of these tools is growing in tax administrations and financial management systems, with quantifiable gains in efficiency (OECD, 2025). However, a review of the available literature does not identify cases in which the government itself has systematically integrated AI tools into a comprehensive functional review cycle for the state; there are, however, documented examples of its application to identify functional overlaps in studies conducted by academia or civil society (Alessandro and Ortiz de Zárate, 2022). The current use of AI in public administration is largely modular—useful in specific domains but it remains insufficiently integrated into unified organizational diagnostic frameworks that would allow for an analysis of the institutional architecture as a whole and across its various dimensions, including strategic alignment with government objectives. The methodology presented in this section addresses this gap and represents the first systematic implementation—according to the available literature—of large language models (LLMs) for the functional analysis of state organizational structures, applied in collaboration with governments in the region

3.2

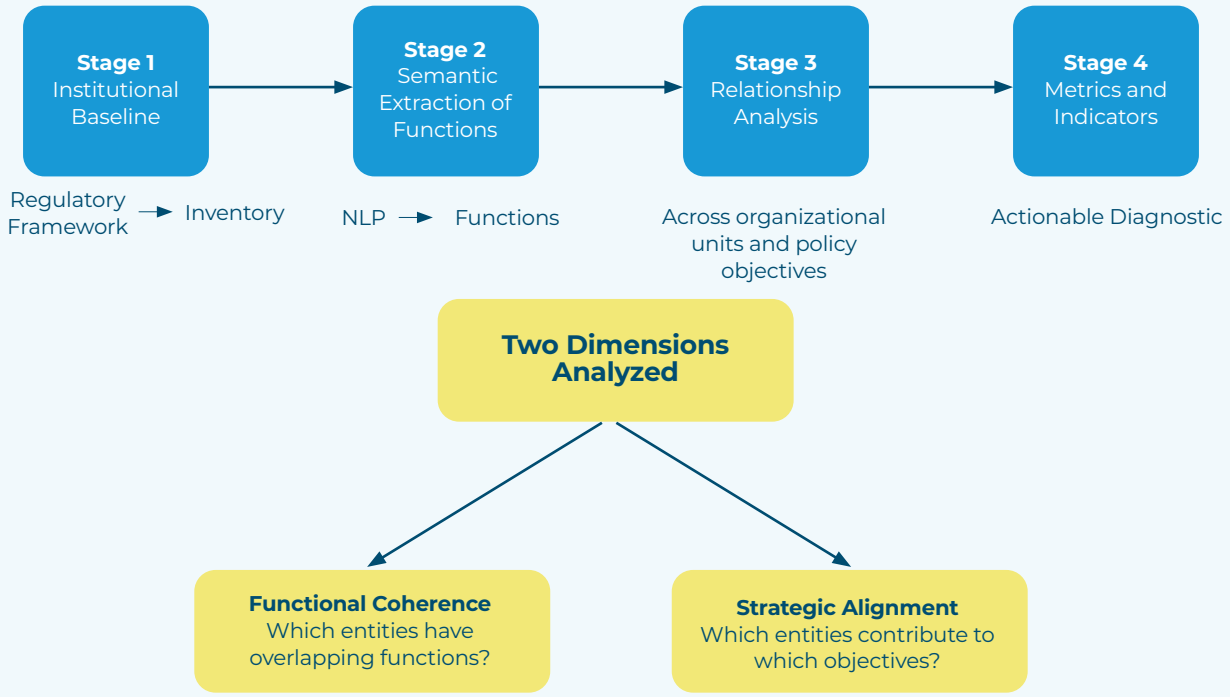
Methodological Design

***Advances in AI, particularly in natural* language *processing* (NLP), enable a more systematic, comprehensive, and precise analysis of the state's institutional architecture.** This methodology uses AI tools to address the challenges of analyzing public sector organizational structures.

Specifically, the automated processing of large volumes of regulatory text facilitates comparable, comprehensive, and actionable assessments.

The methodology combines the automated processing of legal documents with the structural analysis of public functions. Its objective is to systematically reconstruct the state's organizational architecture and analyze two dimensions: the alignment of public functions with the government's strategic objectives and the existence of functional overlaps among different entities within the state apparatus. The approach is organized into four sequential stages (Figure 4): *(i)* the construction of an institutional database based on legal documents; *(ii)* the semantic extraction of institutional functions; *(iii)* the systematic analysis of the relationships among public entities, and between these entities and government objectives; and *(iv)* the generation of metrics and indicators of functional coherence and strategic alignment.

Figure 4: Main Stages of the Methodology for Analyzing Organizational Structures Based on Artificial Intelligence



Source: Author's own elaboration.

The methodology focuses on the formal structures of the state, as expressed in laws, decrees, and regulations. Organizational practice may differ from the formal design because informal dynamics, political leadership, and existing coordination arrangements can significantly alter how institutions actually function. However, the formal architecture remains fundamental, as it determines the distribution of authority and resources, defines mandates, and establishes the framework for accountability. Accordingly, it constitutes an indispensable starting point for any organizational analysis, which should be complemented by an assessment of actual practice.

Stage 1: Building the Institutional Foundation

The first step is to reconstruct the full universe of entities that make up the state's organizational structure. The regulatory instruments that establish the creation, functions, and hierarchical relationships of the various institutional units—such as founding laws, organic decrees, administrative regulations, and institutional statutes, among others—are compiled and systematized. When sources are not consolidated, this stage requires automated data extraction *(scraping)* from public government websites.

The inventory is constructed using generative AI models optimized for information extraction (such as GPT-4.1 Mini, Claude 4 Haiku, Gemini 2.5 Flash, or any other equivalent or superior model). Given the nature of the task—which focuses on the detection and precise extraction of information—these models provide context window of up to one million *tokens* to process entire documents in a single batch. This enables efficient, low-cost processing.

The result is a structured database that represents the organizational architecture of the state at a specific point in time. The database records the official name, reporting line, relevant regulations, and a textual description of the responsibilities of each unit. Depending on the country being analyzed, this inventory may include ministries, vice-ministries, directorates, specialized agencies, decentralized agencies, and public enterprises, among other units that form part of the state apparatus. For the analysis purposes, only the mission-oriented or substantive units are retained, while those performing administrative support tasks are excluded (these can instead be examined through traditional functional analyses that do not require AI, such as assessments of oversized administrative functions).

Stage 2: Semantic Extraction of Institutional Functions

The previous stage identifies organizational units and retrieves the text describing their mandates. This second stage decomposes that text into individual functions and characterizes them according to four dimensions: *(i)* public policy objectives (what the unit seeks to achieve); *(ii)* intervention activities or instruments (what it does); *(iii)* target populations (for whom); and *(iv)* territorial scope (where). The model performs an integrated and contextual interpretation of these four dimensions. Based on the exercises conducted, this integrated approach preserves the substantive meaning of functions more effectively than an approach that compares each dimension separately, consistent with recent evidence (Li et al., 2026).

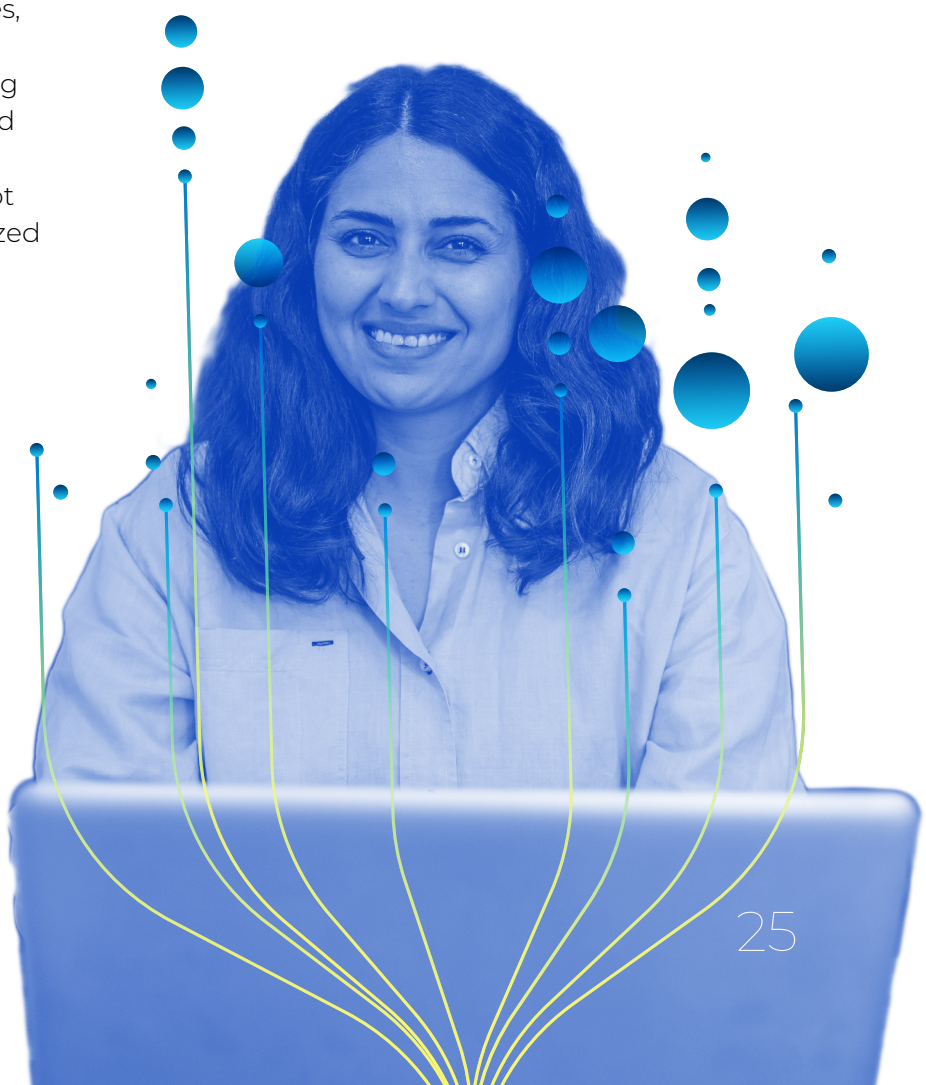
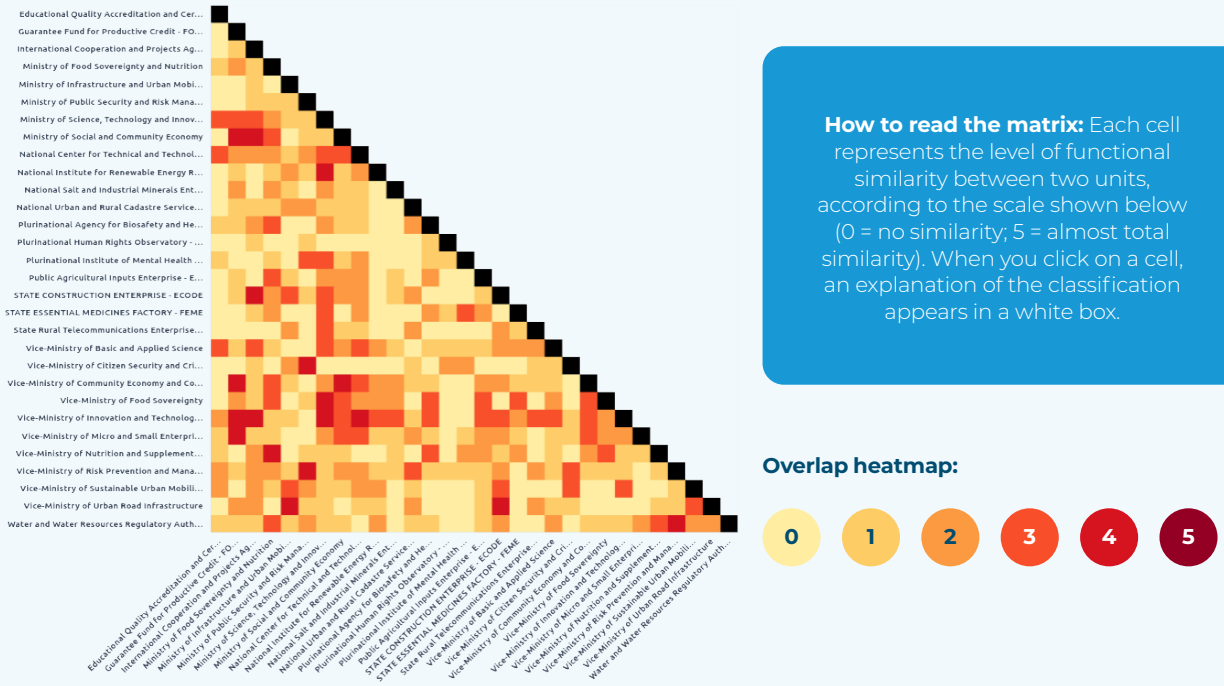


Figure 5: Matrix of Institutional Relationships: Dimensions of Functional Overlap Analysis



Source: Author's own elaboration.

Stage 3: Analysis of Institutional Relationships

To analyze functional coherence, the methodology assesses the degree of similarity between the mandates of different entities. Once the functions have been structured, each institution is systematically compared with the rest of the state apparatus. This stage uses models with greater reasoning capabilities than those used for data extraction. In the exercises conducted, advanced reasoning models (such as OpenAI o3, Claude Opus 4, Gemini 2.5 Pro, or any other equivalent or superior reasoning model) were used to distinguish more precisely between similar but nonidentical mandates in contexts where the risk of overestimating overlaps was high.

The prompt architecture distinguishes between two types of relationships—hierarchical and horizontal—through case-specific variations, thereby capturing institutional nuances that a single standardized approach might not interpret consistently. For example, when two units have a hierarchical relationship, the model adjusts the assigned "overlap score," to account for the degree of functional similarity expected between them.

The model assigns an overall overlap score by jointly considering all dimensions of the functions (objectives, activities, target populations, and territorial scope), and generates a detailed justification for each comparison. This qualitative component is essential, as it allows technical teams to validate the model's logic and distinguish between complementarity and problematic duplication.

The result is a matrix of institutional relationships, or heat map, that classifies functional overlap by levels of intensity. The model identifies overlaps ranging from marginal to nearly complete duplication between mandates (Figure 5).

To calibrate the result, specialists in institutional design review the regulations governing a sample of units and compare the classifications generated by the model with their expert assessment, adjusting the analysis parameters to ensure that the categories reflect organizational relevance and not merely semantic proximity. The calibrated analysis is then applied to the entire set of units.

The tool distinguishes between problematic overlaps and functional complementarities through case-specific examples and iterative refinement. For example, two units seeking to increase exports (objective) through promotional and marketing actions (activities) at international trade fairs (territory) constitute a case of functional duplication across multiple dimensions. In contrast, if both share the same objective but one designs the policies and the other implements them (for example, by booking booths or funding campaigns), this represents a typical case of functional complementarity between policy design and implementation. This distinction can be subtle—and, because of the wording of regulations, sometimes ambiguous—so the model has been iteratively refined with examples that capture these differences. Furthermore, not all overlap is problematic, since in some cases it may reflect deliberate efforts by multiple entities to address the same issue. Such cases require validation by the technical team.



The methodological design aims to minimize classification errors and make them explicit so they can be reviewed. Before the analysis is scaled up to the full universe of units, the process combines the analysis of a sample of units, expert validation, and iterative adjustment of *the prompt* to reduce Type I errors (identifying overlaps where none exist). For example, the tool avoids classifying common internal activities—such as team leadership—as public policy functions, even if they appear across multiple entities. Type II errors (failing to detect actual overlaps) are more difficult to identify but are mitigated by reviewing a sample of unit pairs with medium or low similarity scores, where relevant relationships may be hidden.

At this scale, no method—whether human or AI-based—completely eliminates these errors, but the selected approach enables their systematic reduction and, above all, makes them visible for interpretation. Accordingly, overlap estimates should be interpreted as an initial diagnostic signal that guides subsequent detailed analysis, rather than as a definitive verdict.

The strategic alignment analysis follows a logic similar to that used for the functional coherence analysis. The methodology assesses the degree of alignment between institutional functions and the government's strategic priorities. To this end, the objectives defined in government planning documents—national development plans, government programs, and sectoral strategies—are incorporated into the analysis and semantically compared with the functions of the organizational units. This phase generates metrics on functional alignment between units and strategic priorities, the institutional concentration or dispersion of specific agendas, the existence of strategic areas with limited institutional presence (institutional gaps), and the clustering of multiple units around a single government objective. This analysis can reveal strategic priorities that lack a defined institutional framework or interventions duplicated across agencies without coordination.

The central challenge in the strategic alignment dimension is to capture relevant indirect contributions without diluting the concept of alignment. For example, if a government prioritizes reducing infant mortality, a maternal and child health unit will show a high degree of alignment, since its mandate directly and explicitly targets that objective, whereas a unit responsible for hospital infrastructure will show moderate alignment, because its formal functions do not expressly mention the objective among its functions but contributes indirectly and substantially to its achievement. In contrast, a mental health unit focused on adults will likely have a low alignment score, as there is no relevant direct or indirect contribution.

The key criterion is whether the unit's function contributes directly or makes a substantial indirect contribution to the priority objective, even if it does not explicitly mention it. As with the functional coherence dimension, the iterative application of AI—through the adjustment of *prompts* and examples—helps refining these distinctions and reducing both Type I and Type II classification errors.

Stage 4: Generating Metrics and Indicators

This stage transforms the results of the analysis into tools that facilitate a more intuitive understanding of the organizational architecture. One of the strengths of using AI is that it enables the consistent quantification of comparisons between pairs of units and between individual units and government objectives, thereby generating overlap and alignment metrics for each unit. To focus attention on the most problematic cases, the

methodology generates various charts or other visual formats to visualize these metrics. These visualizations include functional overlap matrices, or "heat maps", (which show the degree of similarity between organizational units); clusters or graphs that identify overlaps in specific sectors or policy areas; and diagrams showing levels of strategic alignment. These formats make it possible to move from a scattered set of administrative regulations to a structural representation of the state apparatus that facilitates the identification of systemic patterns of fragmentation, duplication, or strategic misalignment in a systemic manner. Each visualization is accompanied by a qualitative explanation of the classifications, also generated by AI. The results can also be exported to other formats (such as spreadsheets or text documents) so that analysts can conduct a more in-depth examination of units exhibiting low levels of strategic alignment or a high risk of functional overlap.

3.3

Particular Potential for Latin America and the Caribbean

Beyond addressing the challenge of scale, this methodology offers benefits that are particularly relevant to the region. The tool makes it possible to extract analytical value from unstructured information in contexts where standardized administrative data are scarce, inconsistent, or difficult to access (Rogger and Schuster, 2023). In Latin America and the Caribbean, legal documents—laws, Executive orders, and regulations—are typically publicly available, even when data on management, performance, or budget execution are not.

Natural language processing enables the conversion of this textual information into structured and comparable data, thereby reducing dependence on integrated information systems that are not yet available in many countries in the region. Accordingly, the methodology not only expands analytical capacity where high-quality data are available but also creates new diagnostic possibilities precisely where such data are most difficult to obtain.

The proposed methodology can be applied across broad institutional frameworks, encompassing multiple levels of government. Although the applications presented in this document focus primarily on central government institutions, the methodology enables the analysis of overlaps, gaps, and complementarities among national, subnational, and local institutions—particularly in policy areas where the territorial distribution of responsibilities and intergovernmental coordination are of strategic importance.

The following section illustrates the application of this approach through studies conducted in countries across the region, illustrating the type of evidence that can be generated and the decision-making process it can inform.

04

Empirical Evidence: Analysis of Existing Organizational Structures

The need to understand how public functions are distributed is not unique to any particular type of state or size of government apparatus. The studies presented in this section were conducted in five countries in Latin America and the Caribbean with distinct characteristics in terms of the size of the public sector (with central-level public administrations ranging from approximately 250,000 public employees to more than 1 million) as well as the strength of their public administrations (the countries included rank between the 2nd and 5th deciles in the latest version of the World Bank's *Government Effectiveness* (GE) indicator). Despite these differences, none of the governments had a comprehensive and systematic view of the distribution of functions within their state apparatus.

There were assessments by sector, ministry, or specific reform, but not as a whole.

The lack of a comprehensive assessment is a direct consequence of the scale issue described in the first section of this document. In one of the exercises, the analysis covered 208 organizational units at the central government level—ministries, vice-ministries, decentralized entities, and public enterprises—which involved evaluating more than 21,000 pairwise combinations. The model assigns an overall overlap score by jointly considering all dimensions of the functions (objectives, activities, target populations, and territorial scope), and generates a detailed justification for each comparison. None of these exercises would have been feasible within the available timeframes using manual review. In addition to accelerating the process, artificial intelligence (AI) made it possible to apply consistent criteria across thousands of comparisons—something that is difficult for different human teams working in parallel to achieve.

4.1 Institutional Alignment with Strategic Priorities

An analysis of the alignment between the functions of organizational units and government objectives reveals several relevant patterns. Given that government planning instruments generally cover all areas of public policy, it stands to reason that most units have some direct and substantive link to at least some of the plan's objectives. Conversely, if the alignment analysis is limited to a smaller subset of government priorities, the AI will be able to identify a greater number of units with a low level of alignment. Therefore, the way in which these priorities are defined (their number and scope) influences the type of analysis and the findings that may emerge.

Among the units with the lowest level of alignment, different types of situations can be identified. In some cases, these are entities that perform permanent functions necessary for the functioning of the state apparatus, but whose relationship to policy priorities is indirect. A good example of this is units responsible for government coordination or basic transactional services within the public administration, whose functions do not necessarily include an explicit reference to prioritized sectoral objectives. In these cases, the low level of alignment does not indicate that these units are unimportant to the effectiveness of government; it simply reflects how these functions are defined or the type of recurring services they provide. However, there are also cases in which the unit's substantive functions do not have an explicit correspondence within the set of priorities

analyzed. For example, in a recent case, it was found that a decentralized entity responsible for intercultural music education did not correspond to any of the objectives stated in the government's plan.

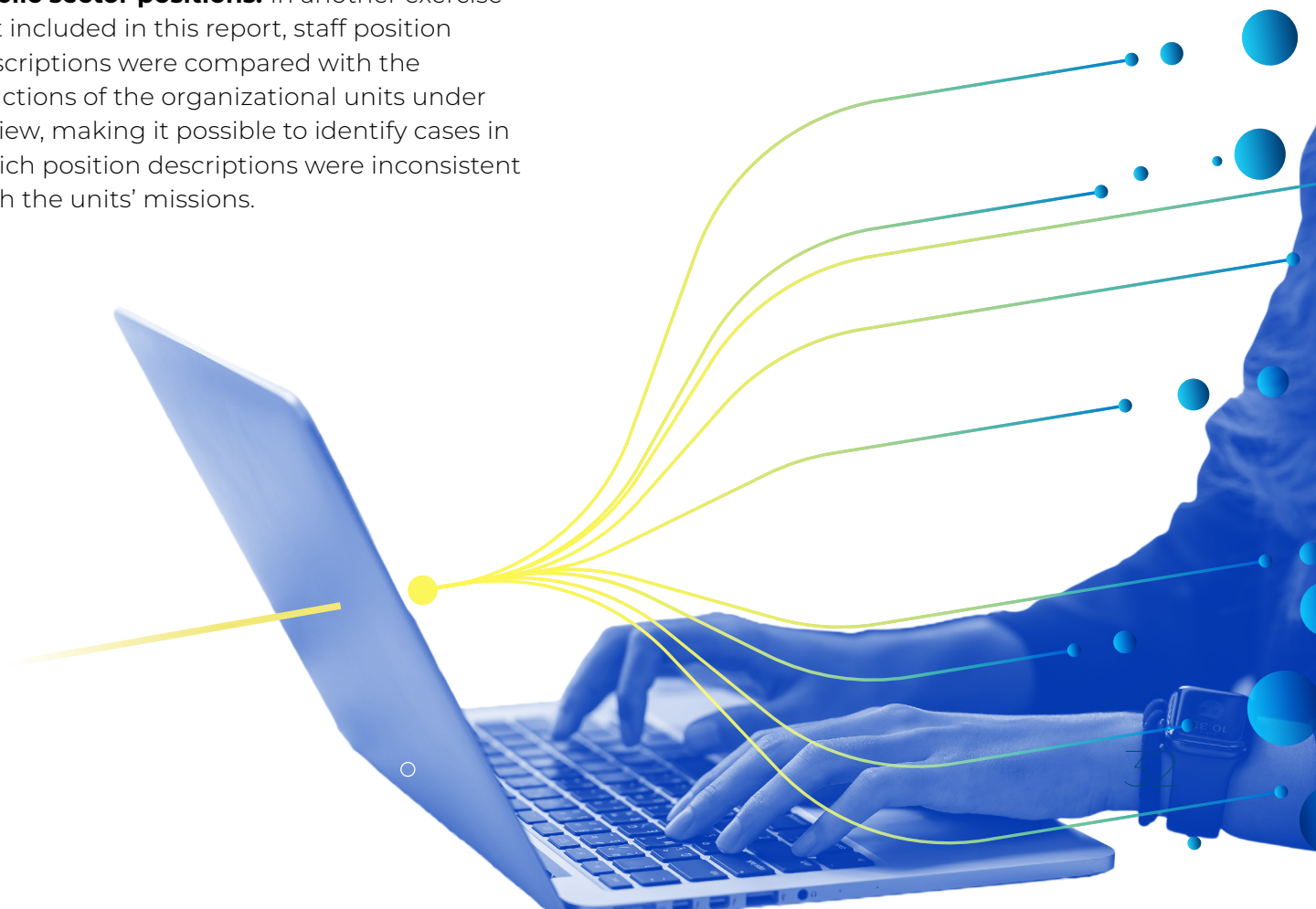
The analysis therefore makes it possible to distinguish at least three situations that require different responses: institutions that make a clear and direct contribution to the priorities; institutions that make indirect or enabling contributions, whose connection needs to be made explicit; and institutions or functions for which no substantive link is identified. This last situation indicates the need for an in-depth review of the unit in question by a qualified professional, as it suggests that the functions performed no longer adequately reflect the objectives set by the government. This may lead to decisions regarding the redesign of functions or institutional consolidation.

Finally, the alignment analysis can also be conducted at the level of individual public sector positions. In another exercise not included in this report, staff position descriptions were compared with the functions of the organizational units under review, making it possible to identify cases in which position descriptions were inconsistent with the units' missions.

4.2

Functional Coherence: Identification of Overlaps

The second finding is that functional overlaps are not marginal exceptions but a significant feature of the state apparatus in the countries analyzed. In one of the exercises, 160 of 208 institutional units (77%) had at least one relationship classified as having high functional overlap with another unit. An all-to-all comparison of the 208 units generated 21,528



possible pairs. Of these, 13 pairs were classified as having "very high" overlap and 217 as having "high" overlap (230 in total). Although these pairs represent a small fraction of all comparisons, they are sufficient to focus reform efforts on specific cases in which overlap is more likely to be organizationally significant. In other applications, the proportion of units with at least one high-overlap relationship was lower but remained significant, exceeding 60%.

When the number of institutional units is particularly large, grouping them into sectoral clusters makes it possible to scale up the analysis and detect patterns of similarity. In an exercise involving more than 900 institutional units, an algorithmic clustering method was first used to identify 16 groups of entities with similar functions. Overlaps were then analyzed within each cluster, rather than comparing every possible pair among the more than 900 units. This approach made it possible to identify 61 relationships with high or very high levels of overlap and to visualize policy areas in which multiple entities operate in parallel, potentially indicating insufficient coordination. The main limitation of clustering is that it may overlook overlaps between clusters (Type II errors). Accordingly, the results should be interpreted as an initial approximation that prioritizes analytical efficiency over exhaustiveness. Box 1 summarizes selected trends identified across different cases.

Box 1: Recurring Patterns of Functional Overlap

Organizational analysis based on artificial intelligence not only identifies overlaps between institutional mandates but also detects recurring structural configurations, across countries and state apparatus of different sizes. The five patterns presented below were observed in more than one of the exercises underpinning this report.

Centralized Administration with Implementation Functions

In several of the cases analyzed, centralized units (ministries) had mandates not only for policy formulation and sectoral stewardship but also for operational functions—direct project implementation, service delivery, and the execution of sectoral programs—even though these functions were also carried out by decentralized agencies or specialized entities within the same policy sector.

The coexistence of policy formulation and operational functions within centralized units creates a management challenge. When an agency responsible for policy formulation or sectoral stewardship assumes implementation tasks, its functions tend to overlap with those of decentralized or deconcentrated entities, potentially diverting attention from its core responsibilities. The analysis identified numerous cases in which centralized units and decentralized entities

within the same sector shared objectives and activities without a clear delineation of roles.

Fragmentation at the Center of Government

In one of the exercises, approximately half of the most significant overlaps involved units located close to the Presidency: offices responsible for strategic planning, decision support, policy monitoring, and intersectoral coordination. This is a particularly paradoxical pattern, as the most acute fragmentation occurs precisely where there should be the greatest coherence. The result is a large number of institutional units producing analyses, plans, and monitoring tools with partially overlapping objectives. In the absence of a clear overarching authority, multiple reporting requirements may emerge, placing an excessive burden on sectoral institutions.

Proliferation in Cross-Cutting Agendas

In certain cases, emerging and cross-cutting policy areas—digital transformation, gender, climate change, social development, and economic competitiveness—include the largest concentrations of entities with overlapping mandates. The underlying dynamic is familiar: when an issue gains prominence on the government's agenda, the institutional response often involves creating a new body rather than redefining existing mandates. For cross-cutting issues or population groups with multidimensional needs, this manifests as the creation of units with broad mandates that overlap with traditional "vertical" institutions. For example, units focused on gender equality or specific vulnerable populations may have mandates that overlap with those of the ministry of education, labor, or health.

Overlap Between Cross-Cutting Agencies and Sectoral units

In areas such as environmental certification and oversight, it has been observed that the existence of an entity with a government-wide cross-cutting mandate can result in overlaps with bodies performing similar functions at the sectoral level (mining, hydrocarbons, fisheries, etc.), leading to confusion over roles, potential delays, contradictory decisions, and uncertainty among citizens and business about expected government action.

State Owned Enterprises (SOEs)

One analysis found that 37 of 43 state-owned enterprises had at least one relationship involving significant function overlap. The analysis identified clusters in sectors such as mining, transportation, and aviation, including a group of four airlines with substantially similar mandates and no explicit differentiation of roles. Where structures and costs are duplicated and public enterprises compete in the same markets, options may include consolidation, management under a holding company, or asset rationalization.

Note: The examples presented are illustrative and correspond to recurring patterns observed in the analyses conducted. They do not refer to specific countries or institutions.

Overlaps do not always imply inefficiency. Some reflect the need to use diverse instruments to address the same problem. The tool presented in this document cannot automatically resolve this distinction. While it identifies functional similarities between mandates and differentiates between complementarity and potentially problematic overlap, it does not assess whether the institutional architecture is appropriate for addressing the problem or how coordination mechanisms between units operate in practice. Accordingly, the results should be interpreted as a "risk map" rather than a definitive diagnosis. High-intensity overlaps indicate relationships that warrant deeper analysis. Depending on the findings of that analysis, they may require structural adjustments, such as merging or eliminating of units, redefining functions, or strengthening coordination. This process does not replace human judgment but strengthens it by providing more systematic evidence. For example, in one of the countries analyzed, the methodology was used to identify areas with potential problems. A specialized team subsequently conducted in-depth functional reviews of those entities and provided the government with a comprehensive assessment.

4.3

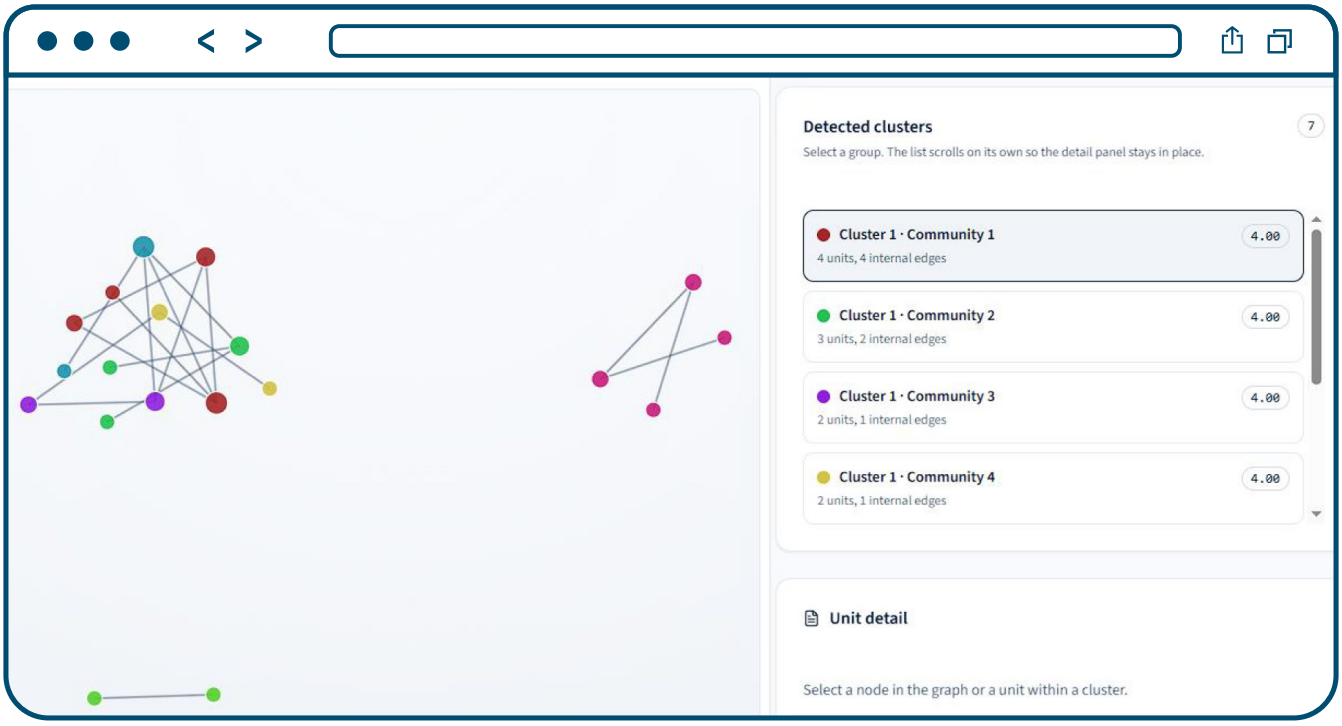
The Government Blueprint: Visualizing Its Organizational Architecture

Perhaps the most immediate benefit for decision-makers is the ability to visualize the state apparatus as a system. Traditional organizational assessments produce sector-specific reports or lists of partial recommendations. The methodology presented in this document provides a visual representation of the institutional architecture as a whole, including its connections, concentrations, and gaps. The public sector management literature often recommends a systemic perspective or a whole-of-government approach. However, translating these concepts into concrete practices for decision-makers remains difficult. The tool presented here seeks to address precisely this limitation.

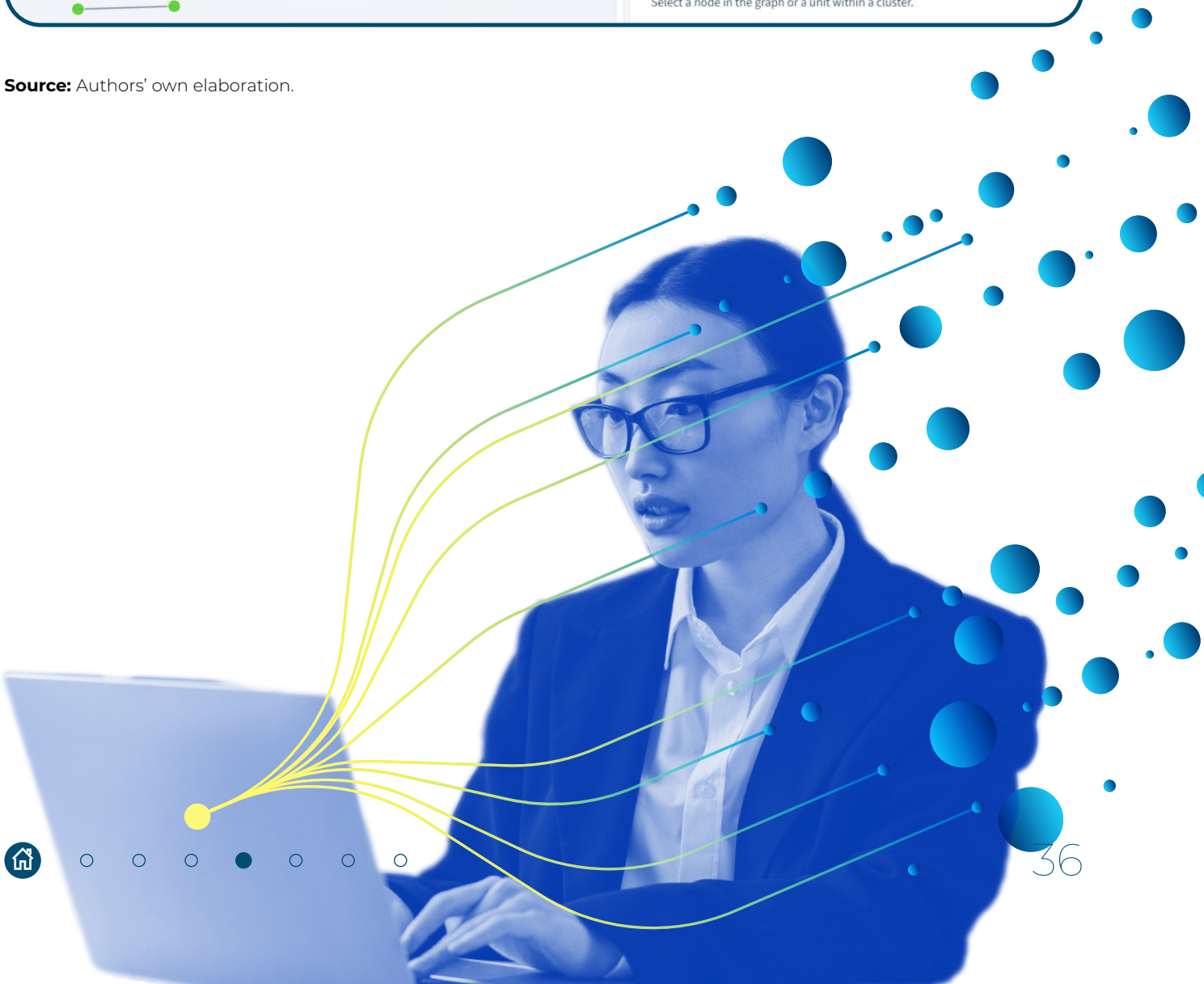
For the first time, it is possible to develop a comprehensive blueprint of the government rather than relying solely on partial snapshots of its constituent parts. The visualization tools generated in the exercises underpinning this report include institutional networks or clusters showing functional connections between entities, heat maps identifying concentrations of similar functions in specific sectors, and hierarchical diagrams illustrating the distribution of responsibilities within the administrative structure. Taken together, they enable a shift from a scattered collection of regulations and organizational charts to a structural understanding of the entire state apparatus.

This representation has clear analytical value because it makes it possible to identify patterns that do not emerge from a direct reading of the regulations. For example, visualization tools can detect clusters of institutions with similar functions (Figure 6), pinpoint areas where multiple entities address the same issue, and identify public policy areas with limited institutional presence. This is particularly useful for analyzing complex, multidimensional public problems that require interinstitutional coordination.

Figure 6: Functional Analysis: Institutional Network Map and Entity Clusters



Source: Authors' own elaboration.



Visualization tools also have a less obvious but equally important strategic value: they facilitate interinstitutional dialogue among public authorities. When officials responsible for organizational design can visualize the state architecture as a whole—rather than adopting a fragmented or sectoral perspective—the nature of the dialogue changes.

A shared map can reduce methodological disputes and focus the discussion on strategic decisions.



4.4

From Assessments to Decisions

The assessments generated using the methodology presented in this document did not remain merely academic. They informed concrete government decisions within timeframes that traditional methods cannot match. In all cases, the assessments were developed in direct collaboration with the public authorities responsible for organizational design, and their results were used to inform discussions on institutional adjustments, prioritize areas for review, and strengthen governments' capacity to understand their own institutional architecture. In one case, for example, the artificial intelligence (AI)-based analysis informed the drafting of a bill on state reform and administrative reorganization. The methodology does not replace the expert judgment needed to interpret the results or the political will essential to act on them, but it provides a stronger empirical foundation than has historically been available for institutional reform processes in the region.

The following section extends this capability to prospective analysis. The goal is no longer to diagnose existing structures but to evaluate the feasibility and technical soundness of reform proposals prior to their approval and implementation.

05

A Platform for the Prospective Reform Design

Assessing existing structures is essential, but the platform's strategic value lies in evaluating the feasibility and technical soundness of proposed reforms before they are approved and implemented. The exercises presented in the previous section revealed patterns of overlap and misalignment that have accumulated over years or decades. These inconsistencies are not necessarily the result of poor management but may instead stem from reasonable decisions made without a holistic view and on the basis of fragmented information. This is due in part to the absence of tools that support comprehensive analysis.

Changes to the state's organizational structure—such as creating a new entity, merging institutions, redefining responsibilities, or modifying hierarchical relationships—are planned primarily on the basis of legal and administrative analyses conducted by relatively small technical teams. These teams possess valuable institutional experience and knowledge of the political context, but they often lack comprehensive information and a system-wide view of the state's organizational architecture. This limitation becomes even more critical during government transitions. New administrations have little time to manually review functions, mandates, and institutional relationships while facing intense pressure to quickly leave their mark on the organizational structure. The result is that reforms are designed under political pressure and with incomplete information, potentially altering one part of the state without a full understanding of the effects on the whole. A reform that solves a visible problem may create other invisible problems. For example, a new entity created to address an emerging priority may overlap with existing entities that have related mandates. A merger intended to improve efficiency may create ambiguity about responsibilities if the functions of the merged units are not reviewed in relation to the rest of the state apparatus. The redefinition of responsibilities within a ministry may disrupt the complementary functions previously carried out by other institutions. These effects may not be apparent at the design stage, but they can be costly once reforms have been implemented.

The opportunity cost of maintaining methodological inertia is high. Reforms designed without prior systemic analysis risk reproducing the patterns documented in the preceding section: unintended overlaps, institutional gaps, and fragmentation in cross-cutting policy areas. Consequently, administrations may invest significant political and technical resources in reforms that ultimately replicate the very problems they were intended to solve, thereby perpetuating the cycle.

5.1

From *the Status Quo* to Prospective Design

To address this challenge, the Inter-American Development Bank (IDB) developed PlanoEstado, a digital platform that applies artificial intelligence to the analysis of the state's organizational structures. Its main contribution is not to automate reform decisions but to expand the evidence base available to inform them. The platform transforms scattered regulations (laws, decrees, regulations, and other institutional documents) into a structured database of units, agencies, and functions. On that basis, it can analyze both the existing institutional architecture and reorganization proposals that have not yet

been approved. Conceptually, **PlanoEstado** connects three levels of analysis that are typically considered separately. First, the current institutional *landscape*: which units exist, to whom they report, what functions are formally assigned to them, and where potential overlaps may arise. Second, the government's strategic priorities: which objectives the government seeks to advance and to what extent existing units contribute to those objectives. Third, proposals for change: what new units, functions, or reassignments are being considered and how they would relate to the existing structure. The platform then generates concrete recommendations to improve alignment with government objectives, avoid duplication with existing units, and ensure congruence between the proposed unit's type and hierarchy and its assigned functions.

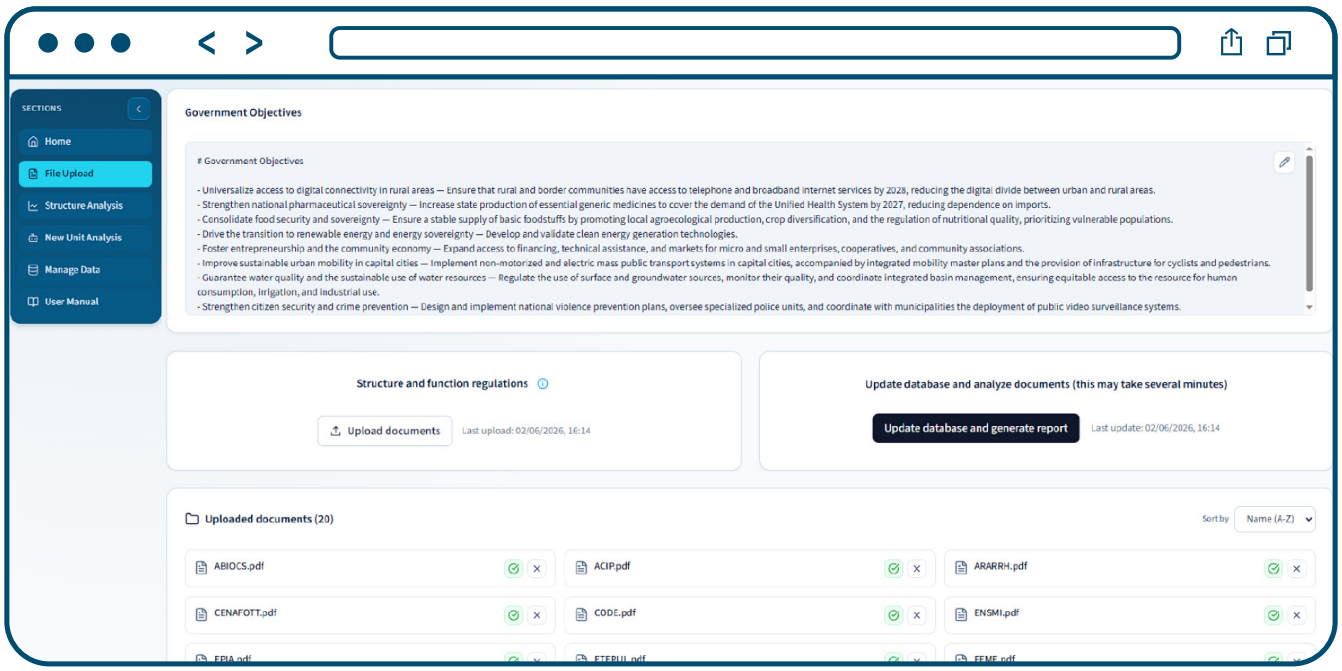
PlanoEstado's prospective analysis is particularly valuable when new organizational units are being considered. Without such a tool, the question "Is it necessary to create a new organizational unit?" is often answered based on the political importance of the issue, the urgency of the policy agenda, or the need to highlight a government priority.

However, while these criteria are important, they are incomplete. **PlanoEstado** allows decision-makers to consider additional questions: Does the proposed function already exist within another entity? Is there a genuine gap in institutional responsibilities, or is the issue primarily one of coordination? Does the new unit strengthen state capacity or simply create additional parallel structures? Is its mandate aligned with the government's strategic priorities? Which institutions should coordinate with it to avoid duplication? Is the proposed type of structure appropriate for the functions it will perform? The platform does not replace the political and technical judgment required to answer these questions, but it changes the context in which those judgments are made. Instead of relying exclusively on institutional memory, sectoral negotiations, or manual reviews of regulations, teams can begin with a structured view of the institutional architecture as a whole. This does not guarantee that the final decision will be optimal, but it reduces the likelihood that it will be made without sufficient information.

A typical workflow begins with uploading regulatory documents (laws, decrees, resolutions, or regulations that establish organizational units), from which the platform reconstructs the current organizational structure. In some countries, this step makes it possible to organize and visualize the complete organizational architecture (the "Government Blueprint"), which is often not available in a standardized format. PlanoEstado also allows users to upload government planning documents (government plans, national development plans, or similar) that define government objectives, in order to measure each unit's alignment with those objectives (Figure 7).

1. Congruence refers to the fit between the functions assigned to a unit and the organizational form and hierarchical rank proposed for it (form-function fit). For example, PlanoEstado assesses whether the proposed hierarchical level of a unit is congruent with the tasks assigned to it and whether the type of unit (centralized, decentralized, or public enterprise) is appropriate for its primary objectives and functions. Based on this assessment, the platform generates recommendations to improve that congruence

Figure 7: Uploading Organizational Regulations to PlanoEstado for Structured Data Extraction.



Based on the documents uploaded to the platform, PlanoEstado assesses both strategic alignment and functional overlap within the current institutional architecture. For both dimensions, **PlanoEstado** generates a score for each organizational unit (or pair of units), together with an explanation of the resulting classification, which facilitates its interpretation and validation by users (Figures 8 and 9).

Figure 8: Analysis of the Alignment Between Existing Organizational Units and Government Objectives

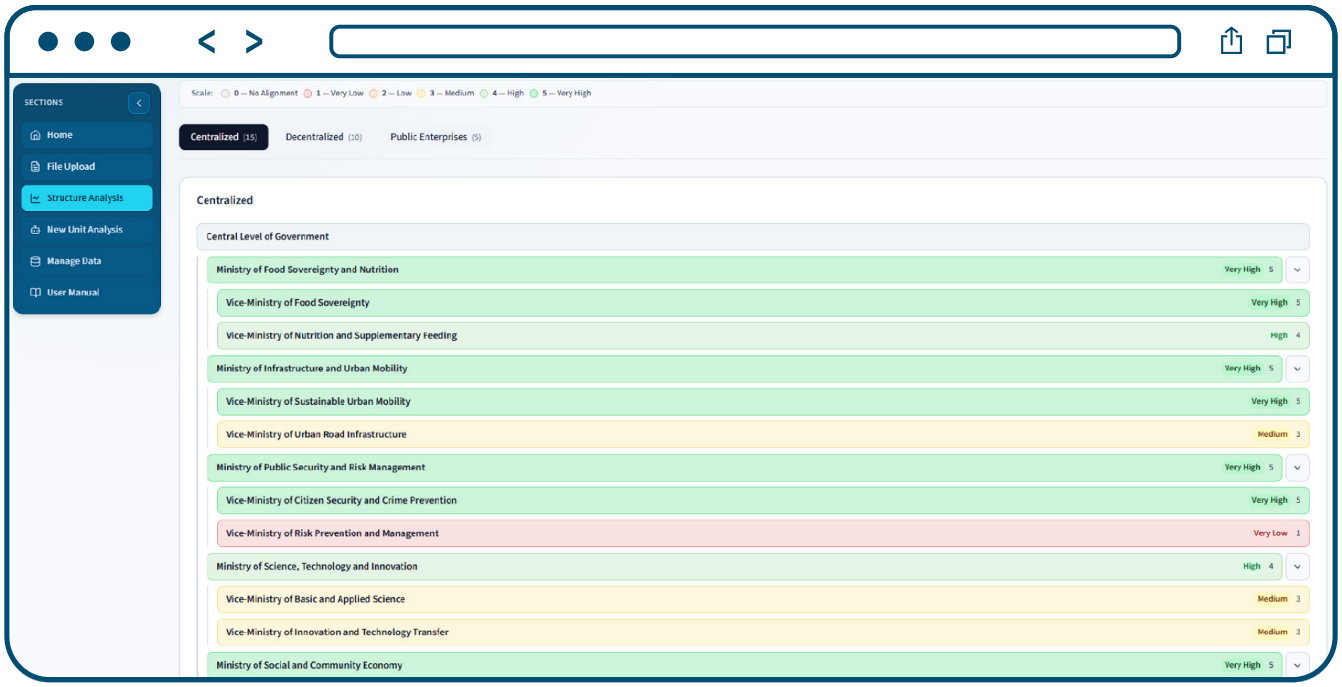
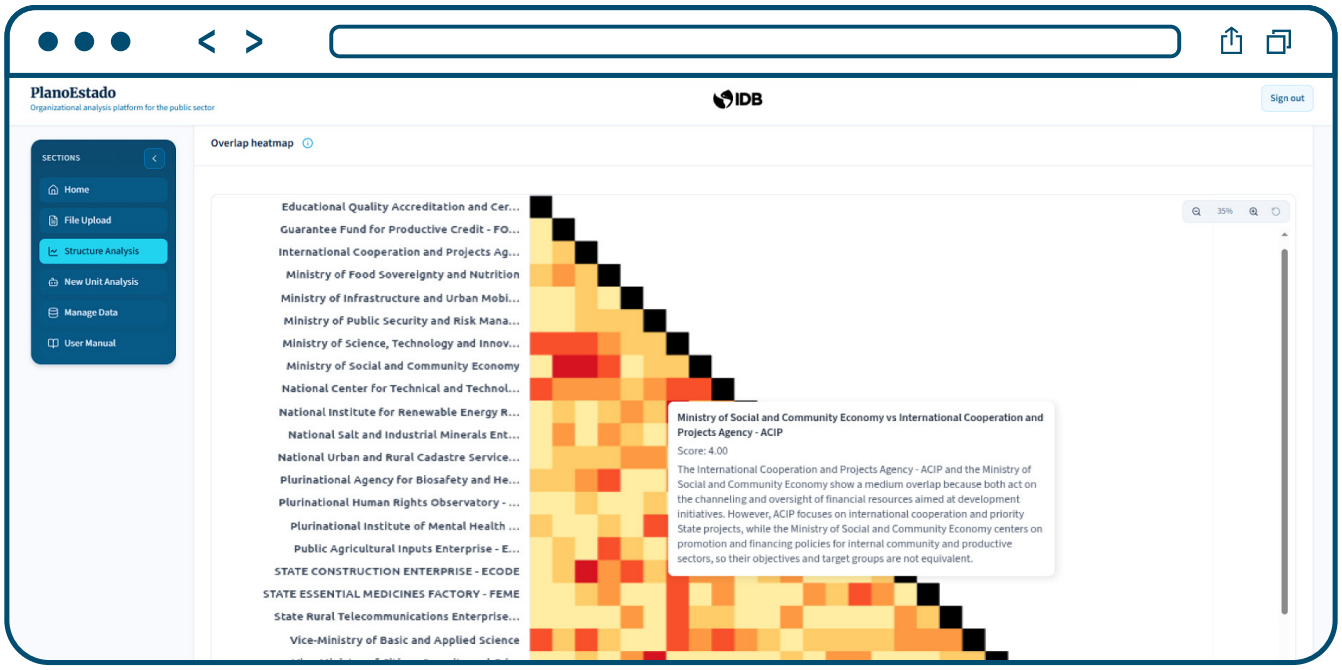
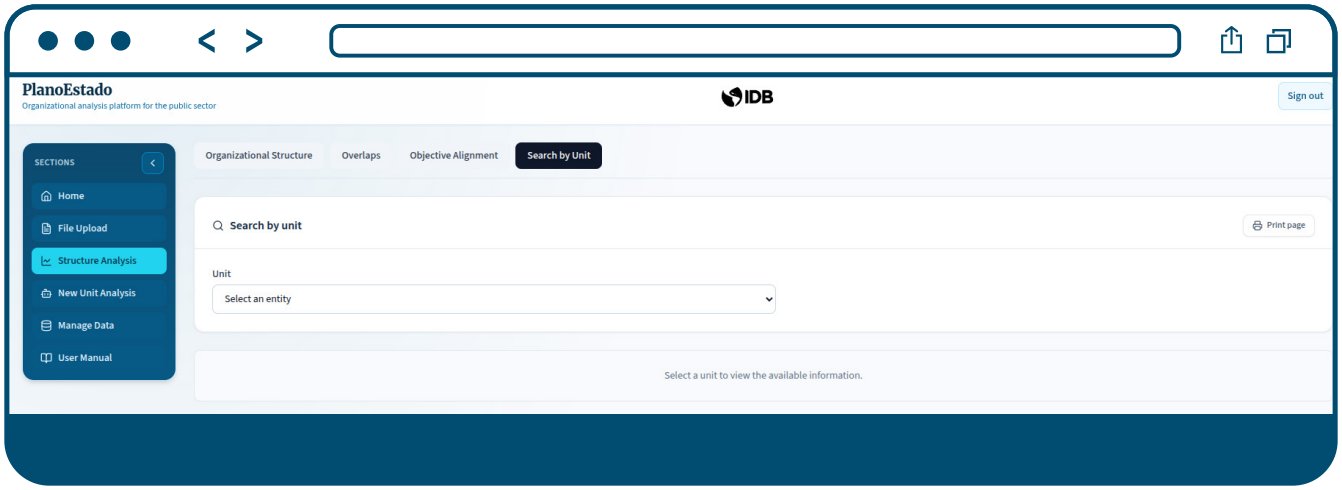


Figure 9: Analysis of Functional Overlaps Between Pairs of Organizational Units.



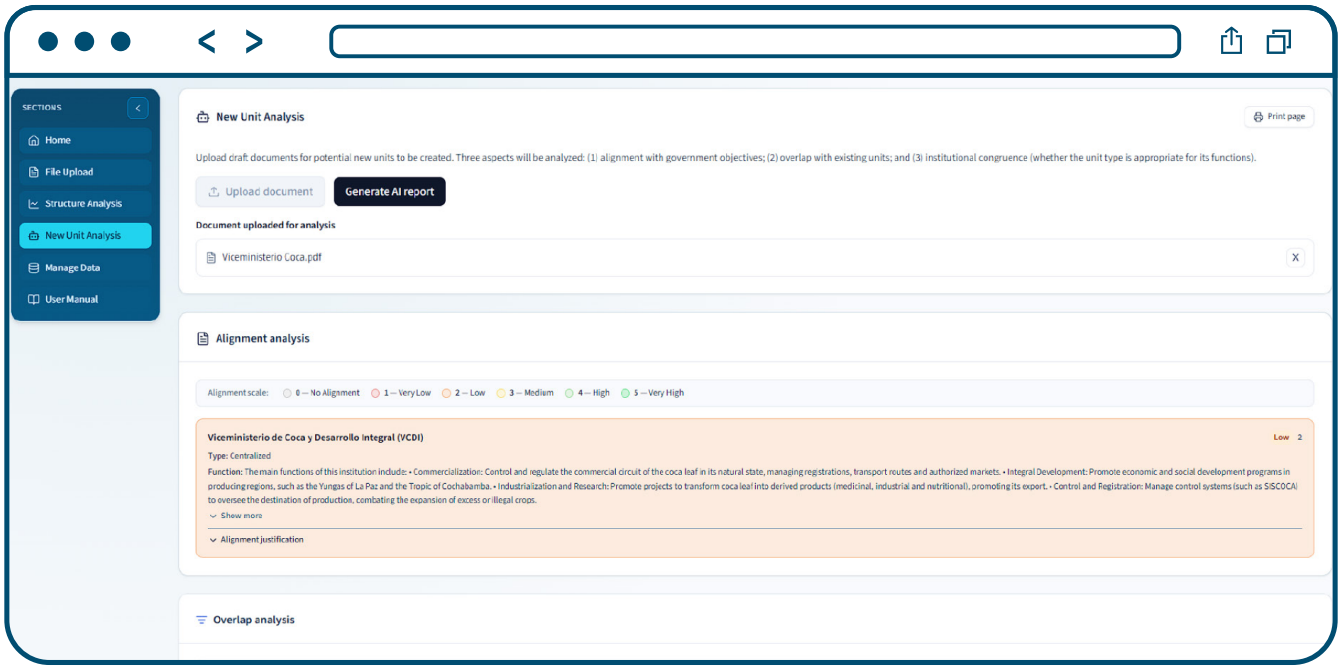
Users can also search for and export results for specific organizational units of particular interest. This functionality provides a comprehensive assessment of the strategic alignment and functional overlap of the units under review by public authorities (Figure 10).

Figure 10: Analysis of Specific Organizational Units.



Finally, the platform allows users to upload draft regulations for proposed new organizational units (Figure 11). In these cases, **PlanoEstado** assesses the proposed units' alignment with government objectives, potential functional overlap with existing organizational units, and congruence between the unit's type and hierarchical level and its assigned functions, and generates specific recommendations to improve the draft regulation.

Figure 11: Analysis of a Proposed New Organizational Unit.



PlanoEstado includes a user manual summarizing the main steps for uploading documents, updating the database, viewing visualizations, testing draft regulation, and exporting data to facilitate its use by teams responsible for reviewing organizational structures.

5.2

Toward a Permanent Capacity for Analysis and Monitoring

Beyond supporting individual reform efforts, these tools pursue a broader objective: for governments to develop a permanent capacity to analyze and monitor their own institutional architecture. Instead of relying on occasional reviews—which are often costly, time-consuming, and inherently incomplete—governments could periodically update information on institutional functions, continuously monitor changes in the state's architecture, and systematically evaluate reorganization proposals before they are implemented. Organizational design would cease to be a one-time exercise and instead become an ongoing strategic management capability.

The IDB offers these tools as part of its technical assistance to countries in the region. Governments facing decisions on institutional reorganization or seeking to better understand their institutional architecture can use this methodology to support those processes.

06

Best Practices and Prioritization Criteria for Effective Organizational Design

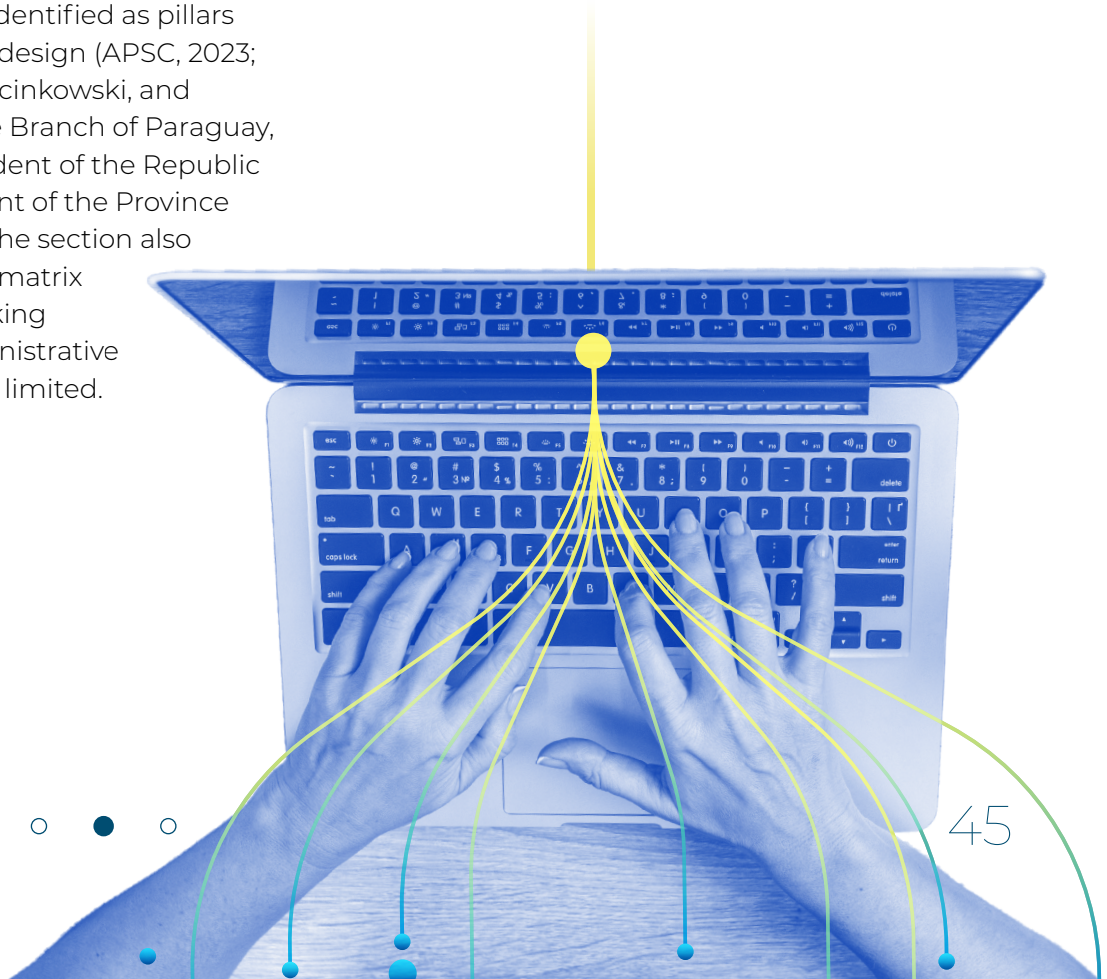
The greatest value of government maps lies in using them to overcome institutional inertia and support strategic decision-making. The assessments presented in the preceding sections reveal cumulative patterns that have persisted over time (overlaps, gaps, fragmentation within the Center of Government, proliferation of units across cross-cutting agendas, among others). Governments generally sense this intuitively, but they are rarely able to document them with sufficient precision to address these issues. PlanoEstado transforms that intuition into evidence. However, evidence alone does not produce reform. To translate evidence into reforms, it requires a framework to guide what to do with it, in what order, and according to what criteria.

This section presents that framework to guide the next step—not as a one-size-fits-all model applicable to all contexts, but as a set of converging principles that comparative experience across Latin America and the Caribbean and Organization for Economic Cooperation and Development (OECD) member countries has identified as pillars of sound organizational design (APSC, 2023; BMI, 2020; Johnsøn, Marcinkowski, and Sześciło, 2021; Legislative Branch of Paraguay, 2024; Office of the President of the Republic of Peru, 2018; Government of the Province of Buenos Aires, 2020). The section also presents a prioritization matrix to support decision-making when political and administrative resources are, inevitably, limited.

6.1

Principles of Good Organizational Design

Twelve convergent best practices are proposed to guide the process of organizational design within the state. A comparative review of guides, guidelines, and standards on organizational design in the public sector—including experiences from Latin America and the Caribbean, as well as reference frameworks from Germany, Australia, and the OECD—identifies 12 convergent best practices. Despite differences across institutional context, these best practices converge on a single principle: an efficient organizational architecture must be deliberate, proportionate, reviewable, and strictly aligned with the government's priorities.



The 12 best practices are presented below (see Table 1).

1. **Align structure and strategy.** Organizational design must overcome historical inertia and the incremental accumulation of units. Its structure should respond directly to the government's mission and objectives and should be revised when these change. Structure is a means, not an end; it must follow strategy, not the other way around. However, aligning structure with strategy does not mean reorganizing the state apparatus with every change in leadership. Consistency should be sought, first and foremost, by readjusting the functions of existing units or strengthening coordination mechanisms. The creation of new organizational units should remain an exceptional measure.

2. **Clearly assign mandates, functions, and responsibilities.** Each function assigned by law must have a clearly identified responsible organizational unit. Functional clarity not only facilitates internal operations but also strengthens accountability by clearly identifying which organizational unit makes decisions, which implements them, which coordinates activities, and which is accountable for results.

3. **Group related functions together.** Functions that share a close substantive relationship—the same policy objective, the same target population, the same value chain—should be grouped within a single organization unit or chain of command. This reduces fragmentation, prevents overlaps, and allows coordination to flow smoothly without relying on informal arrangements.

4. **Distinguish substantive functions from support and management functions.** The structure must clearly distinguish between areas that directly produce public value—regulation, service delivery, policy implementation—and those that perform internal administrative or advisory functions. An appropriate balance between these two types of areas prevents mission-critical functions from being diluted by administrative tasks.

5. **Design with simplicity and proportionality in mind.** Structural complexity should be proportional to the functions to be performed. Unnecessary hierarchies, redundant reporting lines, and excessively long approval processes slow down decision-making, duplicate responsibilities, and hinder accountability.

6. **Design the institutional form according to the type of function.** Not all tasks require the same organizational arrangement. The choice between a ministry, agency, regulatory body, or decentralized entity should be based on the nature of the function, the degree of specialization required, and the available accountability mechanisms—not on institutional inertia or short-term political considerations.

7. **Place decision-making at the appropriate operational level.** Decision-making authority should be located close to where information is generated and where problems arise. Escalating decisions unnecessarily creates bottlenecks, slows down responses, and reduces the autonomy of the teams with the knowledge to take action.

8. **Avoid duplication and ensure formal coordination.** When functions are shared or interdependent across organizational units, coordination should not be left to informal arrangements; it must be formally established. Preventing duplication and formal coordination are two sides of the same principle.

9. **Create new units only in exceptional cases.** Every proposal to create a new organizational unit should undergo an *ex ante* assessment: Is the function truly necessary? Is there an existing unit that performs a similar function? Are there more efficient alternatives? Organizational expansion should not be the default response to new priorities; that is precisely the mechanism that generates the problems documented in this report.

10. **Periodically review organizational design and streamline institutional structures.** Organizational design is not a one-time decision. Structures must be reviewed when priorities, the environment, or implementation experience change, and they must include effective mechanisms for merging, simplifying, or eliminating units that have become redundant or have lost strategic alignment.

11. **Establish central leadership and define common rules.** Changes to the structure should not depend exclusively on isolated decisions made by individual agencies. A governing body that reviews the technical, legal, and functional consistency of proposals and coordinates the organizational and budgetary decisions is an essential condition for preventing the uncontrolled proliferation of units. To this end, PlanoEstado can serve as a key tool for exercising this governing function.

12. **Require technical justification, guarantee financial viability, and ensure transparency.** Every organizational design proposal must include a justification of its necessity, a functional analysis, an assessment of potential duplications, cost estimates and fiscal implications, and a guarantee of public access to the approved structures. Without these elements, organizational reforms are reduced to political decisions lacking technical rigor.



	Best practice	What it entails
1	Align structure and strategy	The organizational structure derives from the government's mission and objectives and should be reviewed when priorities change.
2	Clearly assign mandates, functions, and responsibilities	Each statutory or function assigned by law has a clearly identified unit in charge. This makes it clear who makes decisions, who carries them out, who coordinates, and who is accountable for the results.
3	Group related functions together	Functions with a close substantive relationship (shared objective, sector, value chain, or daily interaction) should be grouped within the same organizational unit or chain of command.
4	Distinguish between substantive, support, and management functions	Separate mission-critical functions from administrative and advisory functions. Maintain a balanced ratio between substantive and support units.
5	Design with simplicity and proportionality	Avoid unnecessary hierarchies and excessive approval processes; structural complexity should be proportional to the functions to be performed.
6	Design the institutional structure according to the type of function	Choose between a ministry, agency, regulatory body, or other form depending on the nature of the function, the degree of autonomy required, and the accountability mechanisms.
7	Place decision-making at the appropriate operational level	Place decision-making authority close to where information is generated, with explicit delegation, defined roles, and accountability mechanisms.
8	Avoid duplication and ensure formal coordination	Minimize similar functions without justification. Where functions are shared or interdependent, coordination must be formally established.
9	Create new units only in exceptional cases	Every proposal to create a new organizational unit should undergo an *ex ante* assessment of necessity, duplication, and alternatives. Structural expansion should not be the default response to new priorities.
10	Periodically review the organizational design and streamline institutional structures	Organizational design is subject to review: this includes the possibility of merging, simplifying, or correcting structures that have become redundant, fragmented, or misaligned with strategic objectives.
11	Establish central leadership and define common rules	A governing body reviews the technical, legal, and functional consistency of changes; coordinates organizational and budgetary decisions; and prevents the uncontrolled proliferation of units.
12	Require technical justification, guarantee financial viability, and ensure transparency	Every organizational design proposal must include a justification of its necessity, a functional analysis, an assessment of potential duplications, cost estimates, fiscal implications, and public access to the approved structures.

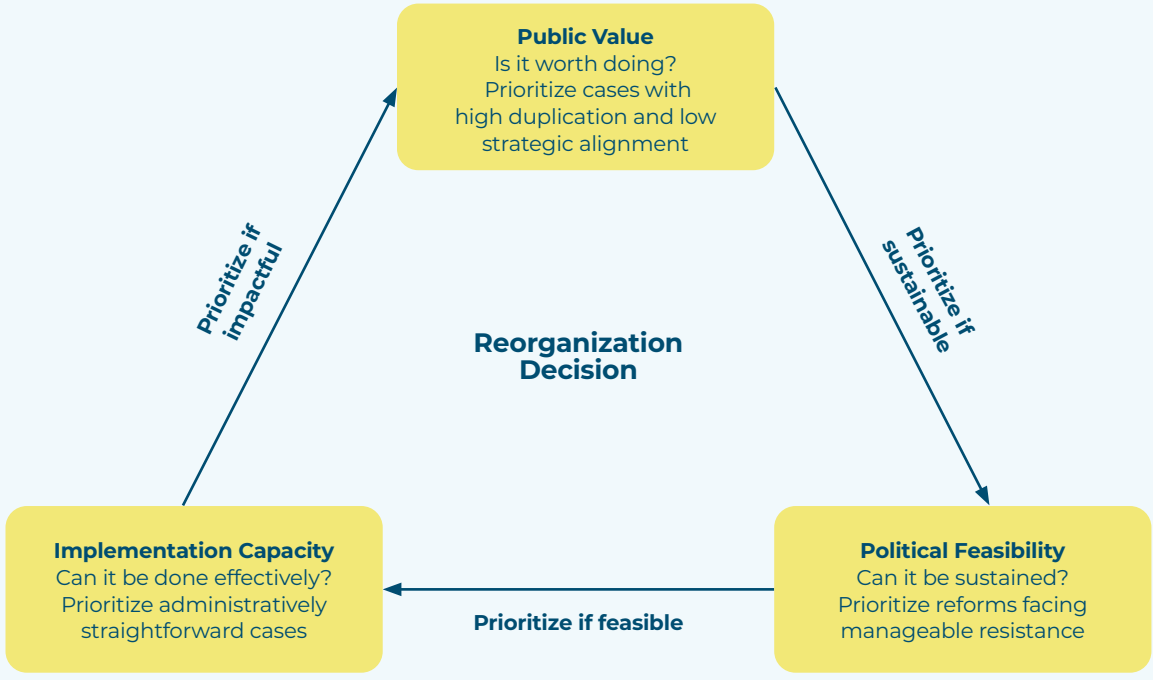
Source: Authors' own elaboration.

6.2
Prioritization Criteria: The Strategic Triangle

Defining a sound organizational design does not answer the most difficult question governments face: where to begin. Political, technical, and administrative resources are limited, and not all necessary reforms are equally feasible or equally urgent. The evidence generated by **PlanoEstado** may identify dozens of functional overlaps and strategic misalignments; however, addressing all these challenges simultaneously is neither feasible nor advisable.

To support decision-making, this report proposes a prioritization matrix organized around three dimensions derived from Moore's (1997) strategic triangle, as adapted by the Inter-American Development Bank (IDB) (Naranjo Bautista et al., 2026; Naranjo Bautista, Trivelli, and Gil, 2025; Lanza Robles, Naranjo Bautista, and Mosqueira, 2024). The matrix evaluates three criteria: the public value of the reorganization, the capacity to implement it successfully, and political feasibility (Figure 12). A reform initiative that scores highly across all three dimensions should be prioritized, whereas one with consistently low score should be deferred. The most complex cases are those with high value but low feasibility. This is where evidence-based assessment becomes particularly valuable, as it highlights the cost of inaction.

Figure 12: Decision Prioritization Matrix Based on the Strategic Triangle.



Source: Prepared by the authors, based on Moore's (1997) strategic triangle.

Public value: Is it worth doing?

This dimension evaluates the strategic contribution of institutional reorganization. It examines the extent to which the entity or function in question contributes to government priorities, the extent of functional overlap that reduces efficiency and organizational coherence, and what the potential is for generating savings or improving the quality of spending. Entities with outdated mandates, low strategic contribution, or a high level of duplication are natural candidates for reorganization or consolidation.

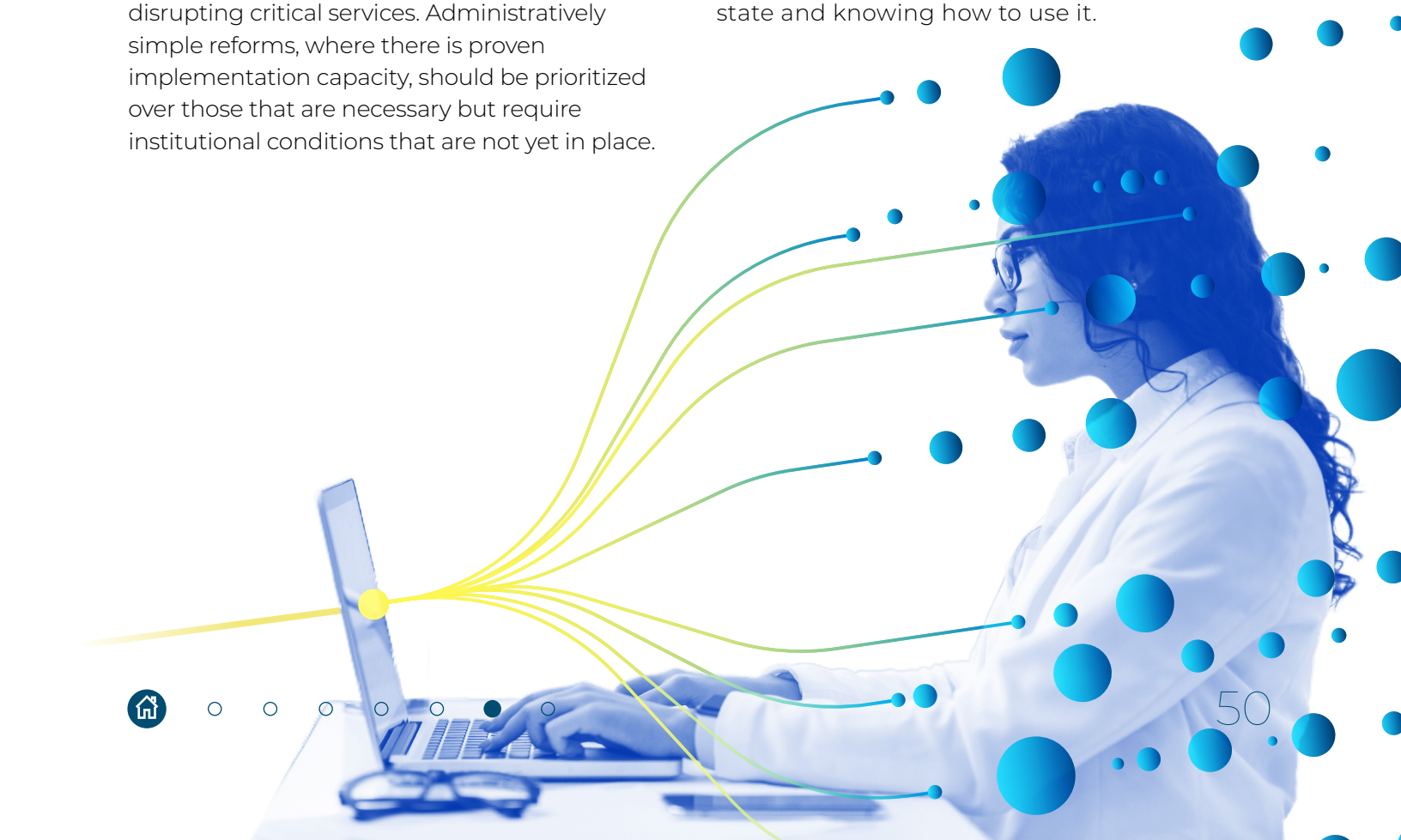
Implementation Capacity: Can It Be Done Right?

This dimension assesses the legal and administrative feasibility of the change, the availability of leadership and teams capable of managing the transition, and the ability to integrate functions—not just structures—without disrupting critical services. Administratively simple reforms, where there is proven implementation capacity, should be prioritized over those that are necessary but require institutional conditions that are not yet in place.

Political Feasibility: Can It Be Sustained?

This dimension assesses foreseeable resistance—from labor unions, public managers, and interest groups—the public sensitivity surrounding the affected service, and the available political window of opportunity. Reforms with manageable or mitigable resistance, or those in which the political cost of inaction is higher than the cost of reform, are more likely to be sustained over time. For reforms that are necessary but not yet politically viable, it is essential to conduct a political economy analysis and evaluate options to make them feasible or ways to implement them gradually.

The deliberate use of this framework, combined with the evidence generated by **PlanoEstado**, enables governments to move from diagnosing known but poorly understood problems to developing a concrete, sequenced, and sustainable reform agenda. That is the difference between having a blueprint of the state and knowing how to use it.



07

Conclusions

The institutional architecture of the state does not change on its own, and when it changes without strategic direction, it deteriorates. The documented pattern is consistent across five countries and hundreds of institutions. In Latin America and the Caribbean, organizational structures grow incrementally, "issue by issue," crisis by crisis, in the absence of an institutional mechanism capable of evaluating the cumulative effects of those decisions as a whole. As the data presented in the Introduction show, the result can be costly for countries in the region, and—as observed in a functional coherence exercise—functional overlap in at least one institutional mandate function may affect more than 60% of the units within the state apparatus, constituting an urgent call to action.

This document proposes overcoming that inertia strategically, with a long-term vision and evidence-based approach. Governments in the region face two related problems that have reinforced each other for decades: *(i)* structures that grow without fiscal control and without functional coherence, and *(ii)* the lack of tools to systematically diagnose that growth. The first leads to inefficient spending and fragmentation in public management. The second results in reforms being designed without a comprehensive understanding of the institutional architecture and, as a consequence, reproducing the very problems they aim to solve.

Until now, there has been no practical way to address both problems simultaneously. Artificial intelligence (AI)—specifically, large-scale language models applied to policy analysis—opens up this possibility for the first time.

For experts and decision-makers working on institutional design and state reform, this document offers three concrete and practical contributions to move from diagnosis to action. The first is a **methodology for analyzing the existing institutional *architecture*:** a systematic and reproducible approach to reconstructing the state's organizational architecture (its blueprint), assessing alignment with the government's strategic priorities, and identifying functional overlaps—at a scale and speed that traditional methods cannot match.

The second is a **tool for prospective analysis: PlanoEstado** allows for the evaluation of the technical soundness and feasibility of reform proposals prior to their approval and implementation, thereby anticipating unintended consequences and reducing the risk of replicating the same patterns of fragmentation revealed by the diagnosis. The third is a **prioritization framework** for action: the principles of good organizational design and the strategic triangle presented in the section "Best Practices and Prioritization Criteria for Effective Organizational Design" provide valuable criteria for deciding where to start when political and administrative resources are, inevitably, limited.

Having a comprehensive overview of the state does not guarantee successful reform, but it makes it much harder to justify a failed reform. In a context of fiscal constraints, growing public demands, and limited windows of political opportunity, that difference matters. This also illustrates how AI can complement and expand the scope of human judgment in complex public policy decisions. It does not automate decisions, replace institutional expertise, or eliminate the need for political will, but it enhances the ability to identify patterns, highlight areas of concern, and build a more solid empirical basis for action. Ultimately, it is up to governments and public officials to decide how to act on that information.

The Inter-American Development Bank (IDB) supports governments in the region in this process as part of its technical assistance. Governments facing decisions on institutional reorganization or seeking more precise understanding of their institutional architecture can use this methodology to support those processes

Moving in this direction is not a technical goal in and of itself; it is a means for the state to more effectively fulfill the commitments it makes to its citizens.

Government teams interested in learning more can access additional information through ImplementaLAC.



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