



Institutions and Productive Development Programs in Latin America and the Caribbean

Methodological Approach and Preliminary Results

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Abstract*

In the post-Washington Consensus era, there has been renewed discussion of the role of the State in encouraging productivity. This has led to a debate about the role of institutions and programs that form the basis for state interventions to enhance productivity. These interventions, in many instances, take the form of business development services, support for innovation, export promotion, and other programs that target specific sectors and activities. In general, these interventions are called Productive Development Programs (PDPs). Today, governments in Latin America and the Caribbean devote a great deal of resources to PDPs, supporting firms through official agencies and private intermediaries. Despite their economic justification, there is still no well-defined methodology for assessing their performance or for categorizing PDPs according to their type, size, target market, and delivery mechanisms.

This document aims to contribute to the development of a tool to analyze PDPs. The methodology for mapping and measuring of institutional performance (MIDI, from its acronym in Spanish) constitutes an effort to quantify and measure the organizational aspects that contribute to a better balance between the costs and benefits of PDPs. The objective of the MIDI is to measure the quality of the programs and the institutions that are behind them and assess their ability to achieve their stated goals. It is in this vein that the MIDI establishes metrics to analyze how these organizational arrangements are planned, implemented, and monitored.

The MIDI is based on a questionnaire that allows for benchmarking and comparative analysis at the level of countries and regions within countries. The methodology has been piloted with field surveys in four countries in Latin America and the Caribbean based on an initial questionnaire. From this pilot phase, performance metrics have been developed for the institutions and programs studied, certain common elements have been identified, and some preliminary conclusions drawn—both for improving the methodology and for suggesting new ways to analyze PDPs.

The MIDI identifies characteristics of an organizational and comparative nature. At the same time, it allows the formulation of ordinal metrics and the identification of policy recommendations based on variables that are both objective and qualitative. In particular, the MIDI offers guidelines for comparing similar PDPs and the institutions that offer them by measuring their strengths and weaknesses, identifying best practices for dissemination and wider application, and providing a method for mapping programs by type, beneficiary, cost, and other variables.

This technical note is divided into the following sections. Section 1 gives a general introduction to what PDPs offer and, in addition, describes the theoretical foundations for their different dimensions and implications for

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establishing metrics. Section 2 describes the MIDI and alternative analytical methods. Section 3 shows the criteria and subcriteria used for evaluating institutions and programs. Section 4 outlines the aggregate results of the pilot phase. Section 5 summarizes the lessons learned and the new tasks emerging from this work, and provides some conclusions.

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1. Theoretical Base and Categorization of PDPs

In the post-Washington Consensus era, there has been a renewed discussion of the State's role in encouraging productivity. At the same time, empirical evidence has shown that rapid-growth economies—such as Brazil, China, India, and South Africa— have, to a greater or lesser degree, applied industrial policies. These examples have prepared the ground for recognizing the advantages of an intelligent industrial policy, as pointed out by Rodrik (2008), Hausmann (2008), Hausmann and Klinger (2008), and Melo and Rodríguez-Clare (2006). Increasingly, the World Bank, the Inter-American Development Bank (IDB), the Economic Commission for Latin America and the Caribbean (ECLAC), and even private consultants such as McKinsey stress the importance of government intervention in industrial policy (IDB, 2010; CEPAL, 2007; World Bank, n/d; McKinsey Global Institute, 2010).

In this new policy discussion, the institutions and programs that define and implement productivity-enhancing interventions are seen as a central part of industrial policies. In practice, these interventions are usually carried out under the guise of business development services, support for innovation, or export promotions activities that are aimed at certain industrial sectors, firms of specific sizes, or other types of activities. In the present analysis, these interventions are referred to as productive development programs (PDPs). Nowadays governments in the Latin American and Caribbean (LAC) region devote considerable resources to PDPs through official entities and private sector intermediaries; however, there is little information available about their effectiveness and efficiency, and even less is known about their impact on the final recipients.

The unit of analysis with regard to institutions is comprised of those entities that create and implement PDPs.¹ On the one hand, designing a PDP involves defining its fundamental features including objectives, incentives to be offered, operational aspects, and the means and indicators for its ex post evaluation. The responsibility for drawing up a program translates into an authority over the rules that guide its implementation and decision making on the assignment of resources. It is important to recognize that an institution does not necessarily have to have a direct relationship with the end client or firm, given that funds can be channeled through a third

¹ Herein, “institutions and programs” refer to units that offer PDPs. While some authors (such as Edquist, 1997; 2001) use a definition that differentiates between organizations and institutions, we use the term “institution” as a generic term to describe the organizational and managerial structures that support PDPs.

party. However, the institution does retain the authority to accept or reject a given use of funds (Rivas and De Groote, 2009).²

In the present analysis, programs are defined as those nonfinancial services that support business development, that are publicly administered, and whose main objective is to support private firms to design and implement projects intended to make them more productive. These programs help firms or the entrepreneurs to improve their current business models, generate new businesses, broaden existing ones, and create and incorporate new skills. The benefits are appropriable by the beneficiary firms, independently of whether they may have positive externalities that generate wealth or value to other firms, entities, or society in general (Rivas and De Groote, 2009). These programs are often identifiable because they have a budgetary line within the institution, service a target market, or entail specific delivery mechanisms or instruments. One may find one or various programs within an institution.

The theoretical foundation for public support for these interventions is their ability to generate positive externalities, overcome market failures, and reduce transactions costs that block economic activity.³ However, even when there is a solid basis in economic theory to justify corrective interventions, not all are necessarily justified given that actions by the State can impose additional costs arising from “government failures.” The experiences of fieldwork by the Inter-American Development Bank (IDB) highlighted in the present study identify some of the limitations when it comes to applying these instruments, such as a bias towards supply with little attention given to actual demand; complex and bureaucratic procedures to access benefits; lack of coordination between one program and others in relevant institutions; little interaction between those who plan the initiatives and their end clients; and limited use of impact evaluation. Often the authorities justify creating new programs and incentives without regard to existing ones, creating redundancies and reducing program effectiveness.

Despite their economic justification, there is still no clear methodology for evaluating the performance of PDPs, or for classifying them according to their type, size, target market, or

² The functions of planning and executing may not be found simultaneously in the same institution, as in the case of Corporación de Fomento (CORFO) in Chile, which is made up of various agencies, some responsible for the planning and others for implementation.

³ Melo and Rodríguez Clare (2006) define PDPs as policies that aim to strengthen the productive structure in a national economy. This broad definition includes any measure, policy, or program intended to improve growth and competitiveness in large sectors of the economy (manufacturing, agriculture), specific sectors (textiles, automotive industry, software production, etc.), or growth in certain key activities (research and development, exports, fixed capital formation, human capital formation). The final objective is to increase growth and improve competitiveness of the economy as a whole while maintaining rising standards of living.

delivery mechanisms. The proposed methodology for mapping and measuring of institutional performance (MIDI, from its acronym in Spanish) constitutes an attempt to quantify and measure those organizational aspects, and thereby contribute to a better balance between the costs and benefits of PDPs. The MIDI's objective is to assess the quality of PDP programs and the institutions where they are embedded to help them reach their goals. Clearly, it is useful to formulate metrics to analyze the functions of planning, implementing, and monitoring of these institutions and programs.

The MIDI is based on a questionnaire that allows for benchmarking and comparative analysis at the country and regional level. Furthermore, the MIDI maps programs offered by various institutions and thus allows an evaluation of their consistency, identifies overlaps and gaps, and assesses their links with the government's strategic focus. The initial questionnaire was prepared and field tested in four countries in the LAC region. From this pilot questionnaire, performance metrics were developed for the institutions and programs studied, certain common elements were identified, and some preliminary conclusions drawn, both for improving the methodology and for suggesting new ways to analyze PDPs.

1.1 The Theoretical Dimensions of PDPs

In economic theory, the fundamental argument for justifying government intervention for PDPs is based on market failures that contribute to a suboptimal allocation of resources in equilibrium. On one hand, market failures include information asymmetries among actors, coordination problems, negative/positive externalities, and the existence of barriers to competition that need corrective policies—these require state action in order to reach Pareto efficiency. On the other hand, market failures can elicit a state role as a promoter of economic activities. In such cases, more proactive PDPs can take advantage of positive externalities; for example, the benefits derived from agglomeration in industrial districts originally identified by Marshall.⁴

Another line of argument, based on economic theory, identifies transaction costs as an important determinant of organizational structure and also as the target of public policies aimed

⁴ Variations on this theme can be found the following literature: Hirschman (1958), which analyzes the concept of forward and backward linkages; Michael Porter (1990), which provides a theory of clusters and value chains; and the more recent contributions of Rodrik (2008) and Hausmann and Klinger (2008), which discuss the formulation of production networks, experimentation, and the search for comparative advantages.

to lower them.⁵ Transaction costs occur when legal, institutional, or bureaucratic barriers are encountered that prevent the efficient allocation of resources. These can arise from failed public policies and procedures that result in higher operational costs for the firms. Examples include costly procedures involved in registering a company and paying taxes, complicated labor laws, and the lack of clear, efficient legal processes in the event of bankruptcy or recovery of assets.

In addition to market failures and transaction costs, the creation and provision of PDPs also implies a classic principal-agent problem.⁶ When institutions (principals) provide these instruments through consultants or intermediaries (agents), there is a possibility that the interests of these parties are not aligned. For example, if an institution pays an intermediary to offer business incubation services to firms, there could be incentives for the agent to broaden coverage without paying attention to the quality and, as a result, limit the program's desired effect. In the public sector, the principal-agent problem takes on a special relevance in the planning and implementation of PDPs, and adds a complex dimension to the analysis, given that incentives are often difficult to identify.⁷

Finally, the provision of PDPs involves a large number of national and local institutions. These institutions and their programs form a support network for the private sector that must be catalogued and "mapped." In a sense, this mapping exercise reveals the preferences of the authorities and the beneficiaries among the different PDP alternatives. Notably, however, the map (ex post) may not coincide with the authorities' ex ante strategy or with the beneficiaries' interests. Thus, a thorough analysis is required to ensure that the supply of PDPs is coherent with these demands.

1.2 Categorizing of Institutions and Programs

In order to more readily analyze the characteristics institutions and programs, it is essential to classify the kinds of interventions and their features. Such a classification facilitates identifying the inter-relationships of the institutions and programs, and allows a mapping of the PDP offering in a country or region. Furthermore, measuring the endogenous variables that are

⁵ In Coase's (1990) classic formulation, transaction costs are decisive in the organizational structure of a firm. Studies by Arrow (1971), North (1990), and Williamson (1985) show that these costs are equally critical in the public sphere.

⁶ These concepts are developed in Spence and Zeckhauser (1971), based on earlier work by Arrow (1971) and Wilson (1968).

⁷ On the whole, the agent, who is closer to the end client, has more information than the principal. At the same time, the principal requires information from the field in order to make decisions that will allow for program optimization.

relevant for evaluating institutional and program performance will facilitate the analysis of their economic impact.

One classification is based on the **beneficiary** of the activities of the institution or program. The beneficiaries (or clients) can be defined by their size, type, sector, or location. For example, PDPs are often targeted to micro, small, medium, or large businesses according to the institution's mission. In some cases, for example, there is a line drawn between programs and institutions according to the sectors they deal with (services, agriculture, or industry), locational factors (international, national, or local), or type of activity (export promotion or innovation). Finally, beneficiaries may be groups of firms linked through networks such as value chains (vertical) or clusters (horizontal).

Another relevant classification is based on the **type of intervention**. In the analysis presented here the focus is exclusively on nonfinancial services delivered to a beneficiary, whether it be a business, an entrepreneur, or a group of businesses.⁸ In other words, it concentrates on interventions that offer solutions such as management systems, employee training, certifications, advice on accounting and taxes, quality control systems, innovation, business alliances, export promotion, and investment attraction. During the planning stage, the selection of one or several areas of interventions should be based on a diagnostic of the issues and the design of a strategy to deal with them. Finally, the **means of delivery** can be used to classify PDPs and is related to the target beneficiary and the type of intervention. At one end of the spectrum is free technical assistance, and at the other are services where a market price is charged. Thus, methods of delivery range from those where the services are fully charged for (without any kind of subsidy) to those where the services are partially paid for or fully subsidized. Usually the delivery mechanism is associated with specific instruments, such as bonds or certificates that firms can use to buy services, matching grants for specific projects, or the free delivery of technical assistance from public entities. In general, the supplier or agent, when it is a third party appointed by the program or institution, is an additional element with which to classify the delivery mechanism (whether the supplier is public, private, or a mixed public-private entity).

⁸ This does not include the analysis of programs of an exclusively financial nature (that is, those where the only objective pertains to credit lines, investment, or factoring), with the understanding that the analysis of their management system, levels of coordination and client focus, and learning mechanisms differ from those of institutions or programs aimed at productivity development.

Accordingly, each PDP can be classified into these three categories that not only define the type of program, but also define the nature of the institutions where they are housed. Once a PDP has been classified, its particular features can be analyzed in greater detail to determine the qualities of the services provided. Table 1 illustrates the elements used to classify the programs and the types of institutions that offer one or more PDPs.

Table 1. Elements Used in Classifying Institutions and Programs

Beneficiaries		Type of intervention	Delivery Mechanism		
Size	Type		Payment	Instrument	Supplier
Micro	Exporter	Promoting exports	Free	Bonds	Public
Small	High-tech	Management systems	Partial payment	Tenders	Private
Medium	Services, etc.	Technology transfer, etc.	Market price	Window etc.	Mixed
Large					

Source: Authors' elaboration.

The classification of programs and institutions alone does not make it possible to judge their quality and performance, but it is an assurance that the PDPs examined are comparable in terms of their target markets, the issues addressed, and the delivery methods. Nonetheless, programs are obviously immersed in a multi-faceted political and cultural context. In some cases, private sector institutions, including nongovernmental organizations (NGOs), offer PDPs. In Chile, the Fundación Chile, a private institution with close ties to the public sector, provides financial support for innovative ideas. In Brazil, the Federação das Indústrias do Estado de São Paulo (FIESP) and its counterparts across the country offer numerous PDPs that meet a range of needs from training to productivity enhancement, and from quality improvements to productive integration among firms. The nature of the institution, whether public or private, also influences its overall performance. Also, in some cases financial support is offered in conjunction with nonfinancial services. For example, in Colombia Bancóldex combines both services as does Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE) in Brazil; Corporación de Fomento de la Producción (CORFO) in Chile; the Corporación Financiera de Desarrollo (COFIDE) in Peru; and Nacional Financiera S.A. (NAFIN S.A.) in Mexico.

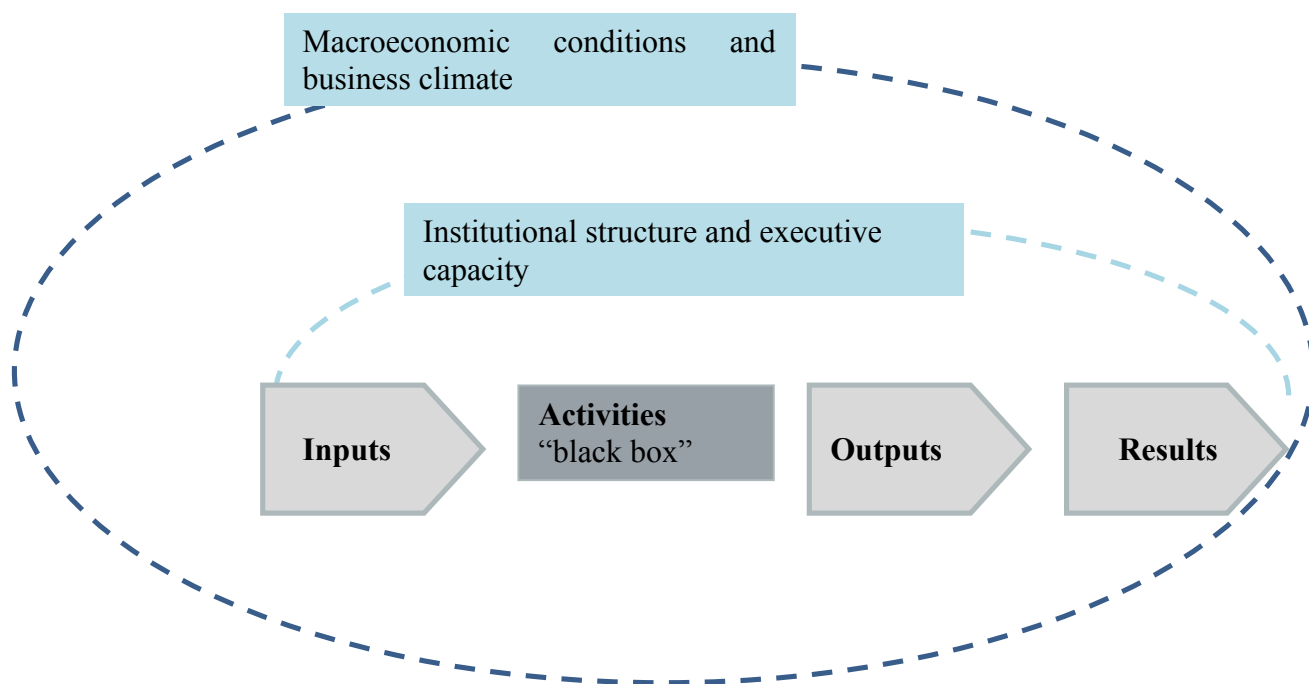
2. Methodology for Mapping and Measuring of Institutional Performance (MIDI)

This section presents the MIDI's methodological approach. Institutions are crucial not only in developing industrial policies more broadly, but also in the planning, implementation, and monitoring PDPs. Notably, in the LAC region, where governmental failures are common, evaluating these institutional roles is even more important. Further, there are a wide variety of organizational models in place. Some institutions do not implement programs directly—instead acting as a third tier—while others directly handle one or various programs. By separating programs and institutions as units of analysis, it is easier to identify the relationship between the characteristics observed and their effects, yielding more rigor in explaining the causal relationship. One should not suppose, a priori, that the institutional quality has either a positive or negative effect on the programs of a particular institution. Low-performing institutions may have excellent programs, and vice versa (Rivas and DeGroot 2009). The following section presents the conceptual bases of the MIDI, making it possible to review the results of the pilot implementation in various LAC countries.

2.1 MIDI Methodological Approach

The conceptual framework that guides this paper can be seen in Figure 1, which depicts a stylized *production* process for either an institution or program. In theory, the *inputs* for institutions and programs are the same: the budget, infrastructure, and human resources. They differ from one another in terms of their activities. An institution devises programs and plans, and their implementation, monitoring, and evaluation, while a program delivers the goods and/or services to its clients. Thus, in one case the *outputs* are the programs themselves, and in the other, the *outputs* are direct support to the businesses. Most important are the final results or desired effects of the program, which occur at the end of the *production* chain. When measuring the performance of an institution or program, these results are contrasted with those initially set forth as its *raison d'être*. In most traditional evaluations, owing to data limitations, program analysis is limited to calculating the number of clients served or the amount of money paid out, while the institutional are judged by the sustainability of their program(s). In terms of the evaluating the external environment, determining factors include the institutional structure and its executive capacity, as well as the macroeconomic conditions and the business climate.

Figure 1. Production Process of Institutions and Productivity Development Programs



In relative terms, measuring inputs and outputs is easier, although not without its difficulties. However, the internal process according to which PDPs are developed and implemented is considered a “black box.”⁹ To observe the activities inside this “black box” and make relevant comparisons among programs or institutions, a methodology is needed to measure qualitative aspects, such as institutional governance, strategic decision making, learning capacity, and transparency. This approach does not intend to minimize the need to quantify program results, but it simply recognizes that those concepts are well known and the methodologies better developed, as is the case for impact evaluations. For this reason, the MIDI focuses on measuring not only the inputs and outputs, but also on making the processes within the black box less opaque.

The MIDI proposes a method for conducting a more precise analysis of the success factors for PDPs. In the final analysis, however, these programs are measured by their results with quantifiable and comparable data. Yet, when measured in this manner, it is not be easy to make comparisons when the observed results depend on less readily observed internal factors within the black box. A useful comparative analysis will also depend on the nature of a

⁹ Rivas (2009) and Hall and Maffioli (2008) use this formulation conceived by Williamson (1985) to justify the need for comparative institutional analysis.

program's outputs—a program that promotes exports is different from one that catalyzes product innovation. Therefore, the analysis must distinguish among the different goals of PDPs in order to reach a valid comparative evaluation. The MIDI pays special attention to classifying these interventions, making it possible to compare similar PDPs, both within the same country and among different countries.

2.2 Alternative Methods

Existing studies on the analysis of organizational or institutional performance offer a variety of methods for such analysis.¹⁰ In particular, those methods to assess budget administration and human resources used in the private sector for performance evaluations have been adapted for use in the public sector. A classic quantitative performance measure is the Balanced Scorecard (BSC), which combines four dimensions: financial results, the perspectives of knowledge and innovation, internal processes, and client service and assessment. Although this system was originally developed for the private sector, it has been used in the public sector, incorporating an “objectives and strategies” element for internal processes (Kaplan and Norton, 1992). The BSC is a good template for quantifying the performance of staff in institutions, but it is difficult to wholly transpose in the case of PDPs. Recently, within the framework of New Public Administration, the tendency has been to evaluate the public sector by using benchmarking (Kouzman et al., 1999). Based on this model, public institutions are evaluated according to their objectives and means, in a similar way to private institutions.

Another body of research focuses directly on analyzing institutions and PDP programs, and shares objectives that are similar to this study. For example Angelelli et al. (2007) analyze the institutional capacity for supporting Micro, Small, and Medium Enterprises (MSMEs) in 18 Latin American countries, and lists institutional capacities based on four broad categories: institutional stability, services to MSMEs, coordination, and learning. The study evaluates the institutions based on a simple survey and the financial data, and concludes that the highest institutional efficiency can be found in Brazil, Chile, and El Salvador. In the case of export promotion agencies, various efforts have been made in terms of evaluating organizational and institutional performance. In the area of trade institutions, the International Trade Center, ITC,

¹⁰ A study by the OECD (2009) discusses a method to measure the performance of public institutions quantitatively, along with the performance of different approaches to classify and analyze data. It also summarizes the current state of measuring efficiency in the public sector and stresses the need to elaborate specific data, but does not include specific methodologies for obtaining them (OECD, 2009).

(UNCTAD/WTO) developed the Índice Institucional de Apoyo al Comercio (IIAC) (institutional index of commercial assistance) to benchmark and measure institutional strength (ITC, n/d). To evaluate an institution in charge of trade promotion, the tool combines specific attributes, gathered via a questionnaire, with the external factors that gauge the degree of national commitment, verify the existence of an export strategy, measure the level of consensus, and gauge the institutional framework. To analyze investment promotion institutions (IPIs), the Foreign Investment Advisory Service (FIAS) of the World Bank/IFC/MIGA has developed the Global Investment Promotion Benchmarking (GIPB) (IFC, 2009). This tool incorporates comparative measurements based on surveys of IPIs in 181 countries, with a particular emphasis on the services provided by institutions, and ranks the institutions according to their performance and results.

In general, there are various methods, each with different objectives, to evaluate institutional performances. Some methods are directed at assessing management on the basis of achieving strategic goals (such as the BSC), while others attempt to quantify institutional characteristics based on legal criteria (such as the IIAC). Given the wide range of subjects that could be included in the analysis of PDPs, the next section proposes a methodology to evaluate these programs and institutions.

3. Proposed Methodology for Measuring Effectiveness and Efficiency

3.1 Classifying PDPs

To gather information about the effectiveness and efficiency of a PDP, the starting point is to classify the intervention. In each case, a primary objective is identified. This makes it possible to identify the potential market for the PDP, to establish a baseline, and to set up performance indicators (Rivas and DeGroot, 2009). Nevertheless, many PDPs have dual objectives. For example, the program may combine objectives such as increasing employment among microenterprises and, at the same time, developing access to seed capital. In such a case, the primary objective should be identified to establish exact metrics and map the program within the PDP offerings in a country.

The PDPs analyzed in the study are categorized as follows:

- **Management programs:** those that seek to improve competitiveness through supporting management, which include programs focused on quality control,

administrative training—such as on tax or accounts issues—, management and quality certifications, and best practices, among other objectives.

- **Business alliances:** those that develop coordination among businesses with a view to improving strategies in order to meet objectives, such as confronting new markets, improving supply chains, increasing distribution, and enhancing marketing efforts, among others.
- **Technology transfer:** those that improve productive linkages between firms in a specific sector or between local and international firms.
- **Innovation:** those that aim to improve the development and incorporation of new production processes, products, and services.
- **Export promotion:** those that encourage firms to enter international markets by identifying new markets or expanding existing ones.¹¹
- **Promoting investments:** those that foster foreign business investment in a country through publicity and coordination with potential foreign investors, and ensure appropriate internal regulations and an attractive investment climate.

By their nature, PDPs are flexible tools that are either open to all businesses (horizontal) or are targeted to specific types of firms, sectors, or activities (vertical). Examples of vertical interventions are innovation programs directed to a specific economic sector or export promotion efforts that promote strategies targeting a specific product. On the other hand, activities such as process certifications or export prospecting tend to be horizontal, without exclusivity to a sector or type of firm.

¹¹ This does not include financing exports.

3.2 Features of PDPs for Institutions and Programs

Among the criteria for evaluating institutions and programs are the following: institutional stability, inter-institutional coordination, and learning.¹² To capture specific characteristics related to effectiveness and efficiency, other elements include coverage of the target market, internal coordination, and efficiency as measured by delivery costs, response time, and availability of online services. Additional indicators include the degree of client focus and key management activities, such as the availability of detailed inventories of beneficiaries, use of independent evaluations, and management reporting to higher government bodies. This list of factors is by no means exhaustive and can be lengthened as easily as it can be reduced, according to the needs of the analysis of a particular country.

Table 2 features a list of the criteria applied in this study.¹³ The criteria given are not definitive and, as mentioned earlier, this study aims to introduce working definitions that standardize the metrics, which will be fine-tuned through further discussion and fieldwork. The questions and values of the variables are different for institutions and programs. For institutions, issues such as planning and relationships with similar institutions are included; while in the case of programs, issues that are highlighted are fund administration, implementation, and monitoring and evaluation (see Appendix III).

Table 2. Evaluation Criteria

Institutions	Programs
1. Coverage	1. Coverage
2. Coordination	2. Coordination
3. Efficiency	3. Efficiency
4. Client focus	4. Client focus
5. Accountability	5. Monitoring and evaluation
6. Institutional learning	6. Institutional support

¹² Angelelli et al. (2007) apply the same criteria for analyzing support programs for MSMEs.

¹³ The table is based mostly on Rivas y DeGroote, (2009), and Esteban et al. (2010).

a. Institutions

The following criteria (Table 3) are taken into account when measuring institutional effectiveness and efficiency in achieving expected results:

Table 3. Institutions

Criteria for Assessing Institutions	
1.	Coverage Defined as the share of the potential pool of clients reached, calculated by the size of the client base and the institution's targets.
2.	Coordination Defined as incorporating external actors—other public bodies, the private sector and civil society—in strategy formulation, managing, and/or handling the institution's resources.
3.	Efficiency Defined as giving the service in the shortest time period, at the lowest cost, and with the best possible quality, bearing in mind delivery costs, response times, and the availability of online services.
4.	Client focus Defined as incorporating users' opinions when creating and offering services by including their views, registering levels of client satisfaction, and supporting operational decentralization.
5.	Accountability Defined as having systems that allow for transparency in the efficient allocation of funds, based on the availability of lists of beneficiaries, use of independent evaluations, and having management controls in place.
6.	Institutional learning Measured on three subcriteria: a) stability of executive personnel, b) presence of a knowledge management system, and c) maintaining active relationships with international networks.

b. Programs

The following criteria (Table 4) are used to measure the effectiveness and efficiency of programs in achieving their expected results:

Table 4. Programs

Criteria for Assessing Programs	
1.	Coverage Defined as the share of the potential pool of clients reached, calculated by the size of the client base and the program's targets.
2.	Coordination Defined as the incorporation of external actors—such as other public entities, the private sector, and civil society—in the design or modification of programs. Measured from extent of external participation, client participation, and the program's "additionality."
3.	Efficiency Defined as offering the program or its services in the shortest time period, at the lowest cost, and with the best possible quality, bearing in mind the need to regulate processes and control costs, in particular administrative expenses.
4.	Client focus Defined as incorporating users' opinions when creating and offering services by user participation, disseminating information to clients, and measuring the level of client satisfaction.
5.	Monitoring and evaluation Measured according to three subcriteria: a) availability of baseline information, b) evaluation of results, and c) use of independent evaluations.
6.	Institutional support Measured according to three subcriteria: a) strategy making, b) resource management, and c) technical analysis.

4. Results of Pilot Tests

The field testing was conducted in 2009 between October and the first week of December. Appendix II provides a list of countries and institutions interviewed, including Chile, Colombia, the Dominican Republic, and the State of Sergipe in Brazil.¹⁴ The institutions include nine entities that support SME programs, offer technical assistance, and promote exports and business alliances. In total, 25 programs were studied in the respective institutions. It should be mentioned that the coverage is still not significant enough to make generalizations about results at the country or regional levels; therefore these initial results are not statistically precise and are for reference purposes only.

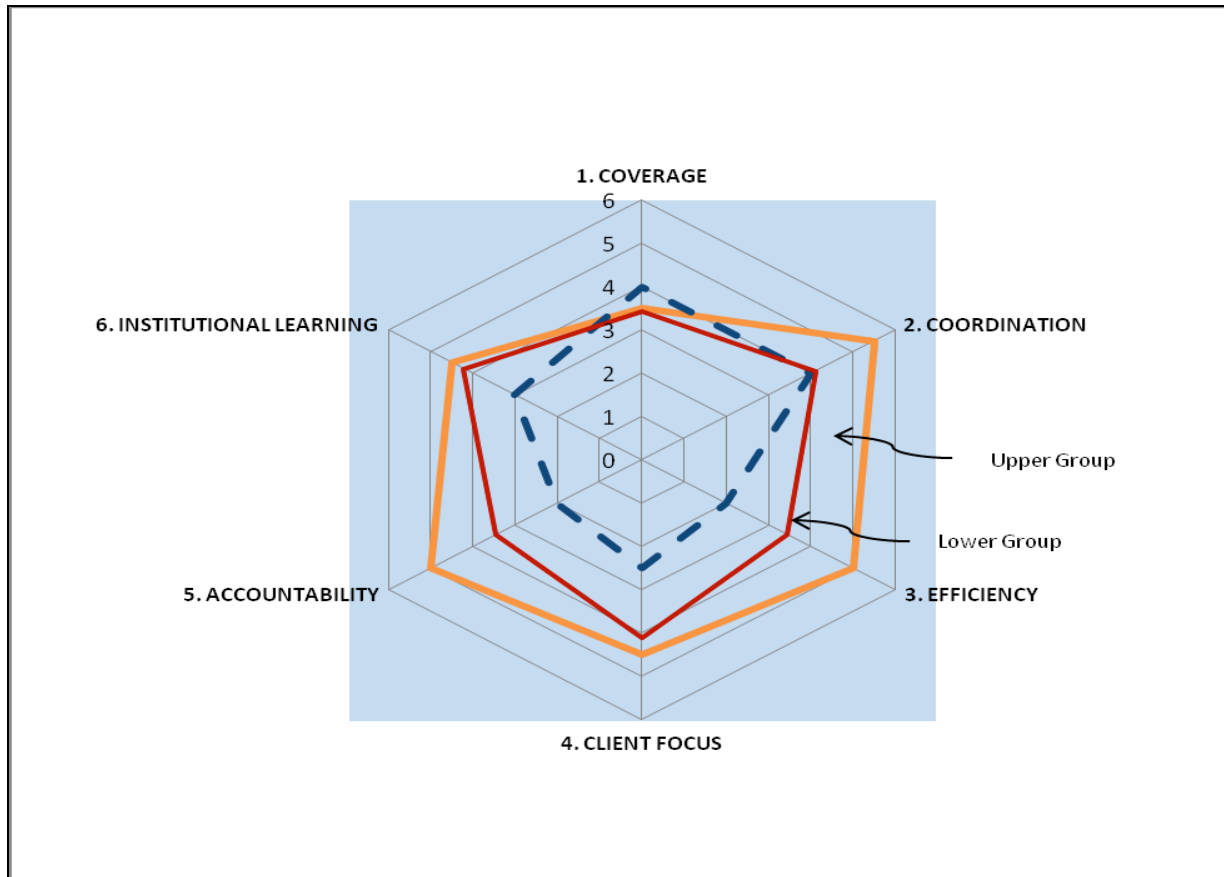
¹⁴ Due to changes in the questionnaire during the pilot phase, the Dominican Republic is not included in the results presented in this paper.

4.1 Aggregate Results

Aggregate results draw from the questionnaires and interviews to identify the strengths and weaknesses of the institutions and programs. Each criterion is based on three subcriteria graded with scores between zero (absent) and two (objective well fulfilled), so that the maximum score in any one criterion is six and the minimum zero (see Appendix IV). An algorithm is used to evaluate the answers and sum the values of the subcriteria. The results of the **institutions** are divided into three groups. Figure 2 shows the averages of the upper group (the two institutions with the best total score), the lower group (the two with the lowest score), and of the entire pool of institutions. Based on the average of all institutions surveyed, the greatest strengths are in institutional learning, where knowledge management, use of the Intranet, and exchanges with other institutions are included; coordination, which examines the connection between the private sector and other institutions in the public sector in the functioning of the institution; and client focus, which quantifies the inclusion of beneficiary opinions in the design of programs and in the institution's strategy. Next is the accountability criterion, which measure the dissemination of results, whose subcriteria presupposes knowledge of budgets, costs, and baseline demand estimates, in which—as has been seen—there has been little development; coverage, which measures the service as a percentage of the potential market; and efficiency, which is calculated on the basis of the institution's fixed and variable costs and the benefits it offers.

Notice that the institutions in the upper group excel in terms of the level of coordination and efficiency, compared with the group average. The institutions in the lower group have notable weaknesses in efficiency, client focus, and accountability. Oddly, the data in the lower group shows a greater level of coverage, which may be due to the relatively small sample of institutions surveyed.

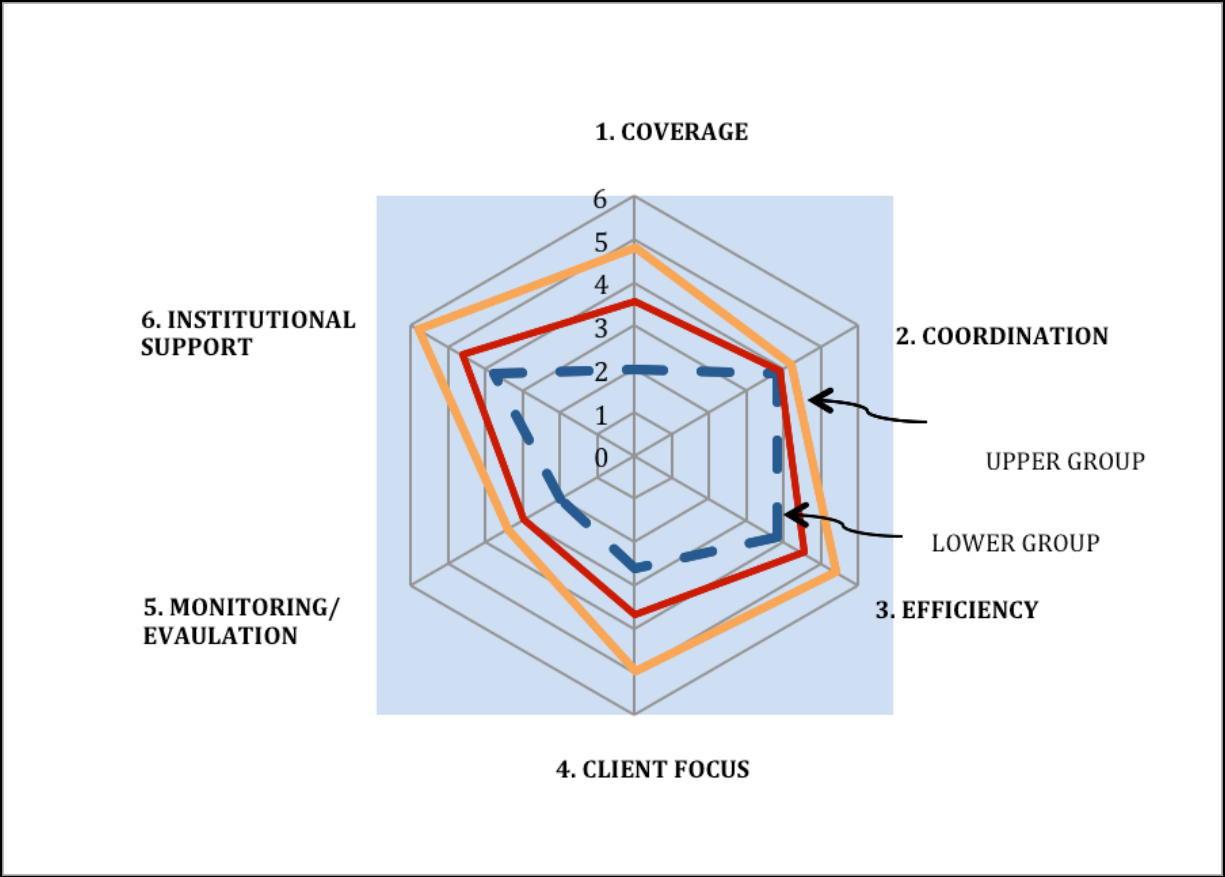
Figure 2. Results for Institutions



Next, the **programs** were graded and ordered according to their scores, from highest to the lowest. Figure 3 shows the averages in the two top deciles (*upper group*), the two lower deciles (*lower group*), and in entire pool of programs. When considering the average of all the programs, the greater strengths are shown in efficiency—a criterion that includes budgets and costs, response times to clients’ requests, and availability of Internet services—and in institutional support, which measures the technical, administrative, and executive support that the institution offers to the program. The next strongest criterion is coordination, which measures relations with other organizations in the public and private sector; then comes client focus, which measures user participation in the design of the services, timely response to clients, and the level of user satisfaction; and finally coverage, which indicates the program’s reach relative to its potential client base. The weakest aspect is that of monitoring and evaluation, which includes the evaluation of program impact. The programs with lower scores tend to be relatively weak in

coverage and less client focused, and have poor monitoring/evaluation systems in place Even the best programs show weaknesses in coordination and monitoring/evaluation.

Figure 3. Results for Programs



A strong point of both the institutions and programs surveyed is their use of technology to supply services. Nearly all the institutions and programs have Web portals and almost 80 percent offer online support, information, and web-based transactions. There is also ample interaction with the private sector, through crossover board memberships among institutions; frequent consultations with businesses; and, although in this case the contacts are mostly informal, consultations on strategic plans with the private sector.

The most significant weakness is that fewer than 20 percent quantify their target market or carry out baseline studies, demand estimates, and program impact evaluations. There is very limited knowledge of and interaction with similar institutions in the region, which makes it

difficult to exchange ideas and adopt best practices. Moreover, there is virtually no interaction at the international level. At the same time, there appears to be high turnover of managerial staff in institutions and limited use of competitive selection in recruiting executives.

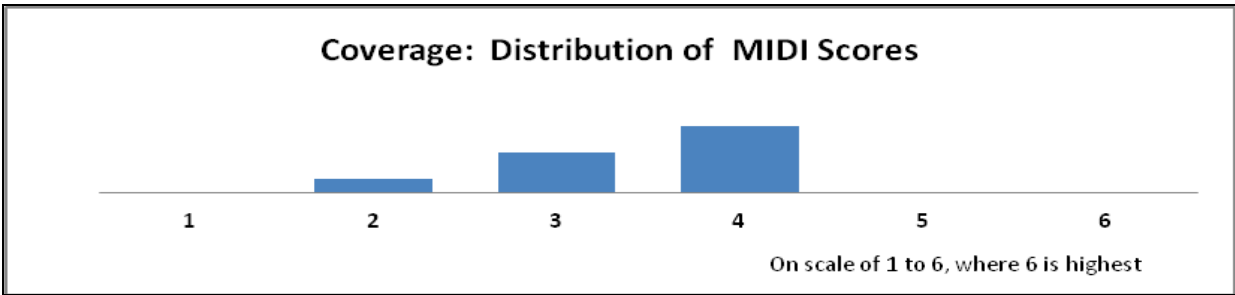
The next section discusses the main findings from the pilot phase. It is important to stress once again that the sample is limited, and thus the results are not representative of the entire pool of institutions and programs.

A. Institutions

☑ 1. Coverage

There are clear gaps identified in the survey. The responses show that in many cases there is no methodology for estimating the potential market. One-third of the respondents did not know (DK) or did not respond (NR) regarding whether the institution estimated its target market. Where estimates were made, 43 percent claim that their estimate is based on objective data, and 11 percent claim to do so subjectively. A subjective estimation implies, for example, declaring an approximate total number of SMEs, while those institutions that claim to make objective estimates often do not conduct demand surveys. When these responses are considered in conjunction with the questions on evaluating impact, or with questions about analyzing demand, there is clearly a large gap.

COVERAGE	Yes	No	DK/NR
The potential client market of the institution is known:	67%	0%	33%
The potential market is estimated SUBJECTIVELY.	11%	0%	89%
The potential market is estimated OBJECTIVELY.	43%	0%	57%

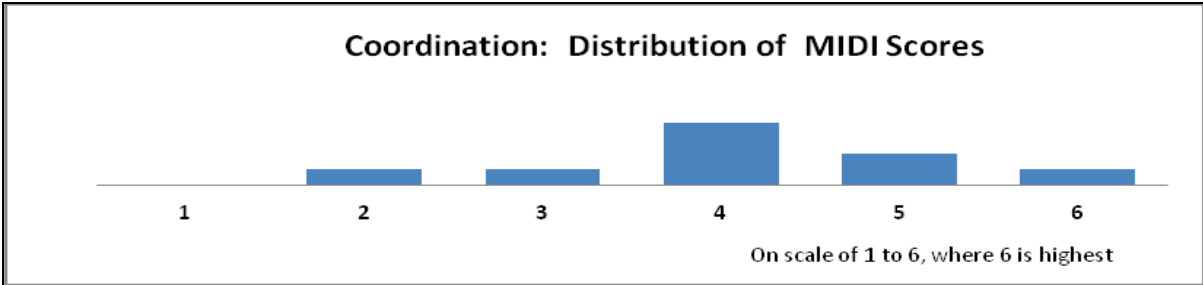


In the metric for coverage, the variability in the scores is relatively low, between two and four. This is an area where, in general, all the institutions need to improve by developing better tools for quantifying their target market and measuring coverage.

☑ 2. Coordination

This variable measures the involvement of public and private sector in the administration and formulation of the organization’s strategy. Here the results are similar for the questions about both public and private participation. Ninety percent reported a high level of coordination.

COORDINATION	Yes	No	DK/NR
Other public bodies participate in the institution’s strategic decisions.	90%	0%	10%
Other private bodies participate in the institution’s strategic decisions.	90%	0%	10%
There is no legal requirement to report.	11%	33%	56%
There are mechanisms for including employees’ suggestions.	44%	56%	0%

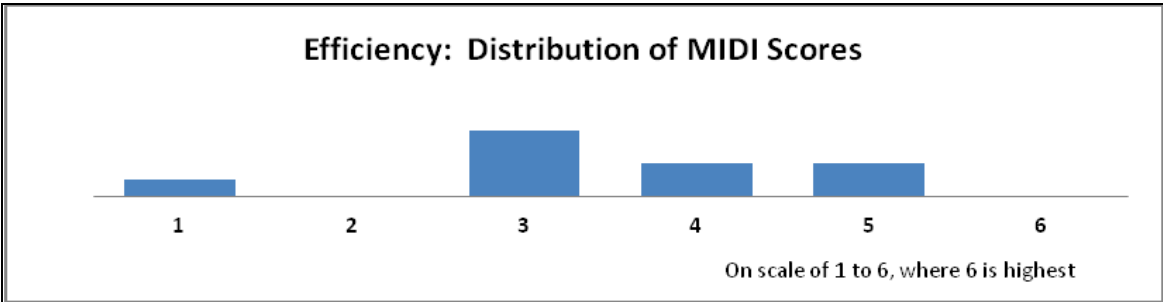


Ten percent of the respondents answered “don’t know” or “no response” to the questions about participation, which may indicate that decisions are taken at a higher level of the public administration, or that informal mechanisms also exist for inter-institutional coordination. Notably, some institutions achieve high scores, while a number show room for improvement. The variation can be explained in several ways. For example, when participation comes from both the public and private sectors, it is usually not regulated and generally unofficial. Also, in the case of the executive body, other public institutions and the private sector are invited to participate, but a collegial body is created for this purpose. There are also cases where the law requires reporting, but it is not clear who receives the reports. In terms of internal consultations, less than half on institutions have mechanisms to gather their employees’ suggestions.

☑ 3. Efficiency

When possible, efficiency should be measured with accounting indicators that include the institution’s investment or costs in providing a service. In public institutions, there is little cost accounting, nor do they use methods common to consultant practices to measure staff time spent on particular projects. In general, it is extremely difficult to make such calculations. Only 11 percent of the institutions can provide individualized program budgets. In other words, in many cases, cost information by type of service simply does not exist. Therefore, few institutions can answer the question about delivery costs. Sixty seven percent say they know how many employees there are in the institution, but 23 percent did not provide an answer. In many public institutions there is a combination of full-time staff, contracted staff, and consultants who join for a specific project or several projects, which makes a simply tally difficult.

EFFICIENCY	Yes	No	DK/NR
Able to give the total budget for the institution’s programs.	11%	11%	78%
Data on the budget spent on each program is available.	11%	11%	78%
The total cost of delivering services is known.	11%	11%	78%
The exact number of employees in the institution is known.	67%	10%	23%
There is some kind of monitoring system so as to know response time when instruments are assigned.	68%	0%	32%
It is possible to make requests and/or do transactions of some kind on the Internet.	89%	11%	0.0%



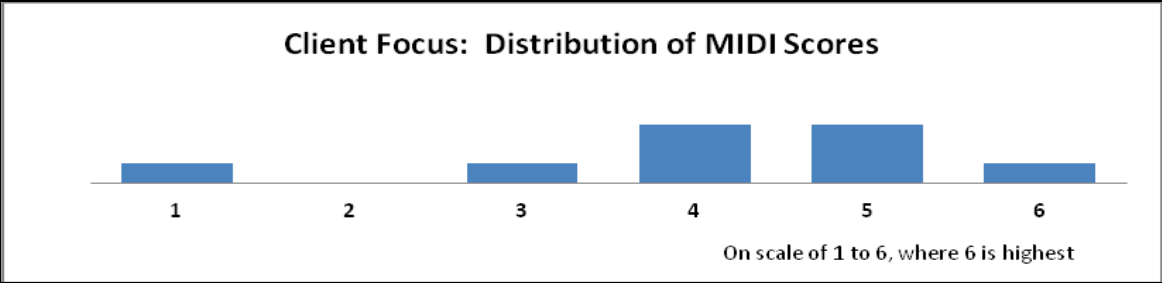
In this case, the biggest obstacle to measuring efficiency is the lack of data on the structure of delivery costs. Another important barrier to efficiency in service delivery is the absence of information about typical response times to clients. In this area, one-third of the institutions surveyed did not reply. Few institutions said that they offer the option to complete

transactions online. Overall, the scores for this criterion range between 2 and 5, leaving room for improvement at the upper and lower ends. More effort is needed to develop accounting data of each institution that would allow for the identification of duplications, costs, and comparative advantages. As shown in the survey, there are shortcomings in this area that must be overcome.

☑ 4. Client focus

Institutions identify the needs of their users through instruments such as surveys, meetings and workshops, and through direct requests from businesses. Eighty-nine percent of the institutions state that they identify the needs of potential clients through inquiries from associations and chambers of commerce, while 78 percent do so through requests from businesses themselves. Many institutions also use mechanism to gauge client satisfaction, with 78 percent using surveys for this purpose.

CLIENT FOCUS	Yes	No	DK/NR
The institution identifies the needs of its potential clients			
- Through associations, chambers of commerce, etc.	89%	10%	0%
- Through requests from businesses themselves.	78%	22%	0%
- From surveys.	68%	32%	0%
- From meetings, workshops, etc.	56%	44%	0%
Does the institution use some mechanism to gauge the level of client satisfaction with its services?	100%	0%	0%
When the service is complete, the client has to fill in a document accepting the service.	44%	44%	12%
When the service is complete, the client has to fill in a satisfaction survey.	78%	12%	10%
There are branches/agencies in at least one municipality in all the administrative regions.	43%	57%	0%

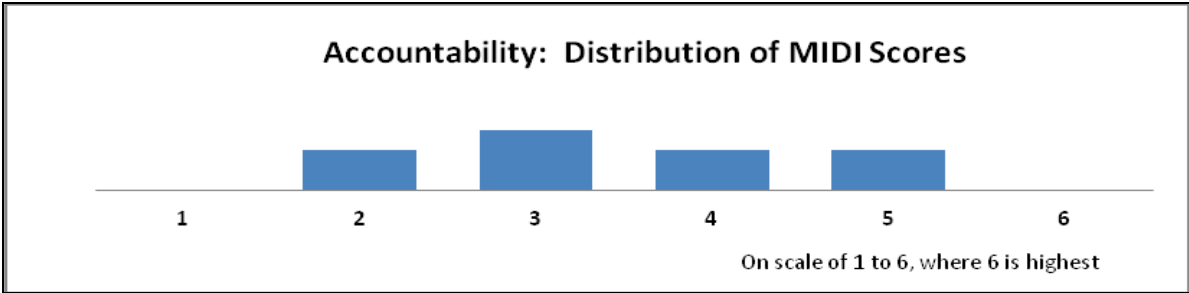


In this case, those institutions with low scores demonstrate low levels of decentralization and the lack of mechanisms for measuring client satisfaction.

☑ 5. Accountability

Deficiencies are seen in terms of accountability, with 67 percent of institutions not making lists of beneficiaries accessible—a measure that would improve accountability and transparency. When this information is compiled, it is not stored in databases that could be used to avoid duplication among programs. Fifty six percent of institutions state they have conducted an impact evaluation at least once in the last five years, while 44 percent confirm that they have not. Among the latter group, only half say they intend to conduct such evaluations in the future. The survey shows that impact evaluations are not frequent, and are generally one-off activities mostly conducted by outside initiative. The survey also identifies a lack of financial and technical resources for evaluations, which makes this deficiency more difficult to overcome.

ACCOUNTABILITY	Yes	No	DK/NR
A listing of beneficiaries/clients is published regularly.	33%	67%	0%
In the last five years, independent consultants have carried out impact evaluations.	56%	44%	0%
In the last five years, no impact evaluation has been carried out by independent consultants, but they will be done in the future	0%	22%	78%

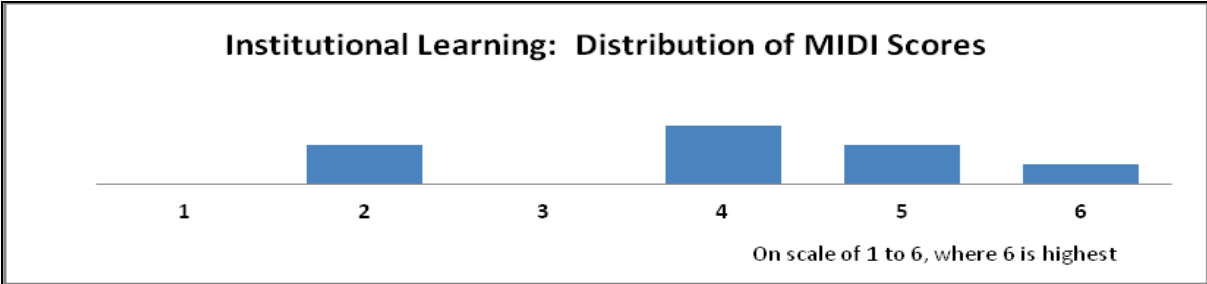


The scoring in this criterion ranges from 2 to 5, with some institutions more advanced than others. The results indicate some progress as well, not owing to better evaluations, but rather to better management controls. The lack of impact evaluations, which is a more complex step up in the analysis of programs, is related to the lack of research on demand, which is evident in the survey responses and accounts for the low scores.

☑ 6. Institutional learning

The institutions in the countries covered generally receive high scores in this criterion. In 78 percent of the cases, the top executives have stayed or have not moved around in their jobs in the last five years. This can be positive (and this area receives a higher score accordingly), especially if the institution has professionals in the main administrative roles that remain when there is a change of government.

INSTITUTIONAL LEARNING	Yes	No	DK/NR
Top executives have not changed in the last five years.	78%	32%	0%
The institution has a structure for knowledge management that includes	100%	0%	0%
- Open access to work documents and projects completed.	67%	33%	0%
- Publication of good practices and lessons learned.	56%	44%	0%
Is there an Intranet in place?	89%	11%	0%



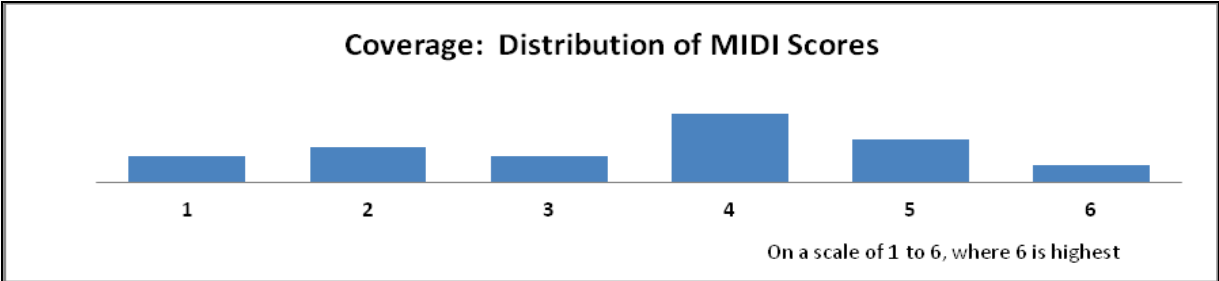
All the institutions have structures for knowledge management through Internet and Intranet sites, and some even include a register of beneficiaries. Nevertheless, not all sites provide access to their projects and documents, and even fewer compile good practices and lessons learned. Few institutions have international agreements or take part in international trade fairs. As a result, less attention is given to finding equivalent programs/institutions for benchmarking management and organizational practices. The scoring assigned for institutional learning ranges from 2 to 6, which indicates that some institutions receive maximum scores (with a bias towards the upper end of the range), while others have not yet developed their systems in this area. For example, all the institutions actively use the Internet for knowledge management, but fewer have Intranet sites that have incorporated tools for this purpose.

B. PROGRAMS

☑ 1. Coverage

Program coverage is measured by quantifying both potential clients and the numbers attended. As in the case of institutions, the responses are somewhat contradictory: 80 percent of the programs claim to know the potential market, but few carry out market research or have objective or subjective data for measurements. To a greater degree than in the case of institutions, not knowing the potential market is more critical to effective program management and evaluation. In theory it should be easier to define and recognize users at the program level. When defining beneficiaries, programs most commonly use the size of the firm, followed by the sizes of the sector or a regional target. Program eligibility is based on the firm’s product type in only 16 percent of the cases.

COVERAGE	Yes	No	DK/KR
Potential client market of the program is known.	80%	20%	0%
- Give the amount and unit? (subjective estimate)	4%	20%	76%
- Give the amount and unit? (objective estimate)	4%	0%	96%
- If negative, it is unknown because no estimates are available.	8%	8%	84%
The program’s criteria for selecting eligible clients are based on:			
- Size of the firm	80%	12%	8%
- Sectors	52%	40%	8%
- Region	48%	44%	8%
- Type of product	16%	76%	8%

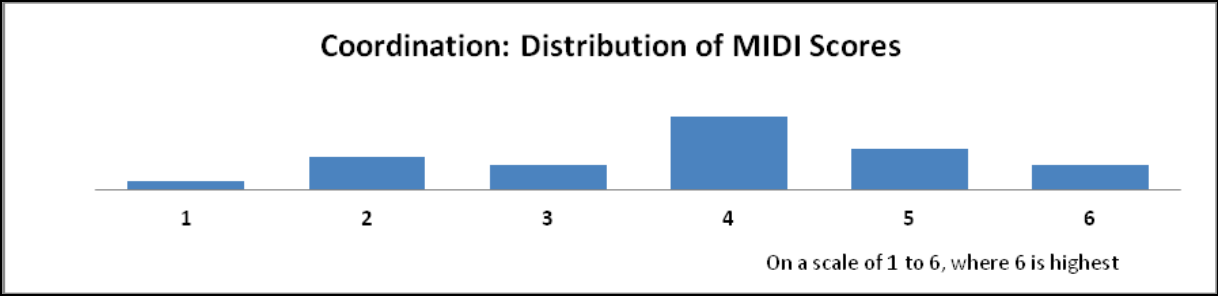


Despite the difficulties in measuring coverage, a few programs have their users well defined and achieve a score of 6. In most cases, both the target measures and the goals regarding coverage are subjective. It is imperative to develop standard methods for estimating target markets, which will make it easier to design new programs and implement existing ones.

☑ 2. Coordination

In terms of coordination, 76 percent of the programs responded that they conduct activities with other programs—40 percent do so within the same institution and 60 percent with other institutions. The remaining respondents were uncertain or did not reply. When asked whether or not they share their databases with others, 76 percent answered affirmatively, which shows a high level of cooperation. Sixty percent expressed that their services are unique when compared with others offered in the country, while 40 percent recognize that there are similar services offered by other programs.

COORDINATION	Yes	No	DK/NR
When setting up and running the program, do you conduct joint activities with other programs?	76%	24%	0%
- In the same institution?	40%	36%	24%
- With other institutions that offer programs?	60%	16%	24%
Are the achievements and benefits of the program communicated to the potential users?	88%	12%	0%
Compared to other programs in the country, does this one offer services that are unique?	60%	40%	0%

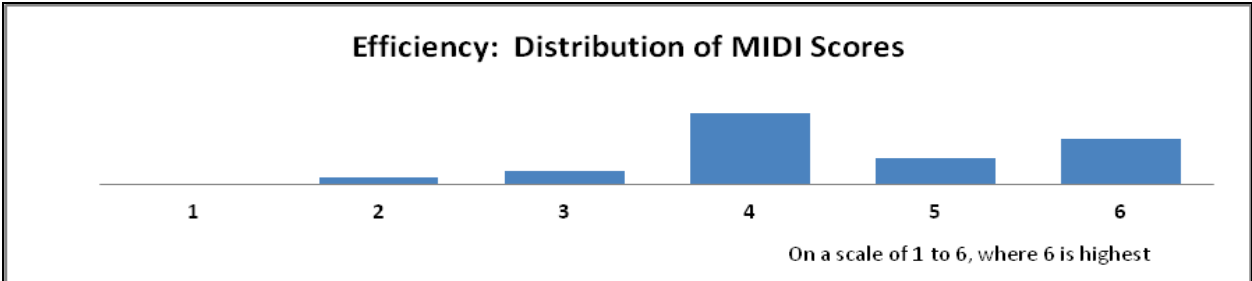


The reason why some programs scored lower is the lack of coordination with other institutions and programs. As a result, programs often offer similar services in the same target market. This may reflect weaknesses in strategic planning by high-level government administration or a lack of knowledge about what products other institutions offer. The further development of online information systems and better supervision could reduce these problems. Moreover, applying the MIDI across all the programs in the country will make it possible to spot any duplication in services, as well as gaps in coverage and coordination.

☑ 3. Efficiency

Efficiency in programs is defined as whether the programs have systemized processes and cost control for program operations and administration. One key result is that calculating program costs is impossible due to a lack of data. In fact, in nearly half the cases surveyed, targets for the general administration costs were not set. In part, this is due to the unpredictability of financial resources and limited use of results-based budgeting. The absence of cost efficiency measures does not mean it is less important; on the contrary, more accurate cost estimates are essential to increase accountability. In terms of procedural matters, which also affect efficiency, better controls are evident in the survey results. Based on the responses, 60 of the programs have procedure manuals, while only 36 percent use more binding operational regulations.

EFFICIENCY	Yes	No	DK/NR
Goals are set regarding general administration costs.	52%	48%	0%
The percentage of coverage expected over the next five years has been estimated.	0%	0%	100%
Procedures are regulated and response times are known.	100%	0%	0%
- If this is the case, they can be found in procedure manuals.	60%	40%	0%
- If this is the case, they can be found in operational regulations.	36%	64%	0%



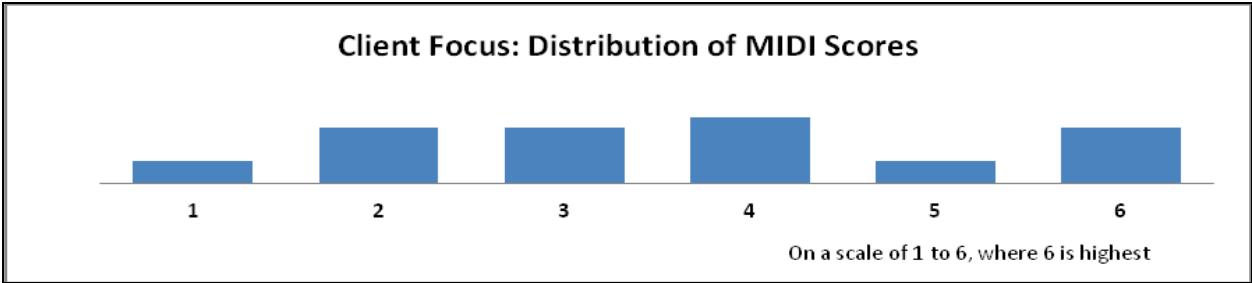
Scores range between 2 and 6, with those at the lower end failing to measure the target market and making limited use of controls on administrative costs. In this regard, several institutions mentioned that the programs come with their own pre-established budgets, so that reducing administrative costs was not considered relevant.

☑ 4. Client focus

In terms of client focus, 80 percent of the institutions state that they take into account the private sector for improving their programs. Similarly, 80 percent consult with the private sector to

improve operations. Aside from this, there appears to be good communication between the programs and clients, at least in terms of their satisfaction with the services offered. Clients also communicate regarding the impact of the programs themselves, but to a lesser degree.

CLIENT FOCUS	Yes	No	DK/NR
In program planning or evaluation, private sector participation is included to improve operations.	80%	20%	0%
The program’s clients must provide feedback about the services.	84%	12%	4%
- If this is the case, relating to the level of:			
Satisfaction	68%	16%	16%
Direct effect on the client	40%	44%	16%
Effect of the service on the environment/sector	32%	52%	16%

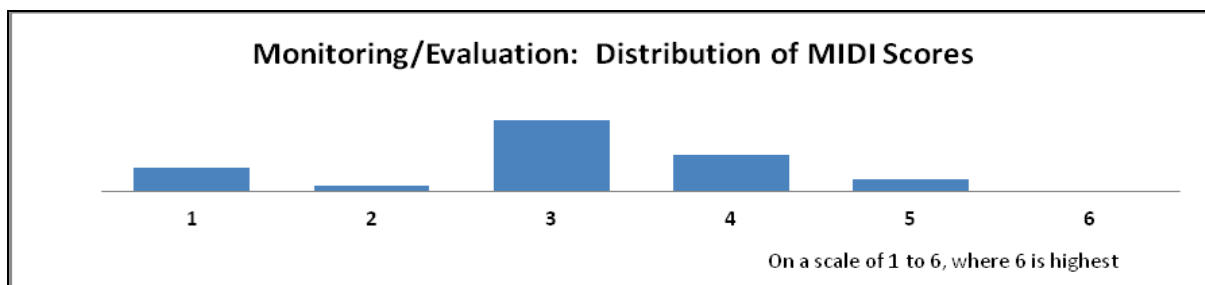


The most common explanation for low scores among the institutions is the lack of estimates in terms of demand and the indicators related to this issue, such as the planning of coverage, delivery costs, and impact.

☑ 5. Monitoring and Evaluation

Half of the programs studied set goals in terms of overall costs. Furthermore, 80 percent establish a baseline for measuring the results of the programs, but only 72 percent make the information available. Similarly, nearly all programs indicate that they have data on outcomes, but that it is not well organized or systematized in databases. In terms of external evaluations, while three-quarters of the programs claim to have done evaluations in the last five years (including audits, performance reviews, impact evaluations), only 24 percent say impact evaluations have been carried out.

MONITORING/ EVALUATION	Yes	No	DK/NR
When a program's intervention is carried out, a baseline is established as a benchmark for measuring the program's results.	80%	20%	0%
When the project is finished, the program collects the results and makes them available.	92%	4%	4%
In the last five years, has any outside organization evaluated any of the program's interventions?	76%	16%	8%
- An audit has been conducted.	48%	20%	32%
- An evaluation of performance has been conducted.	44%	20%	36%
- An impact evaluation has been conducted.	24%	40%	36%

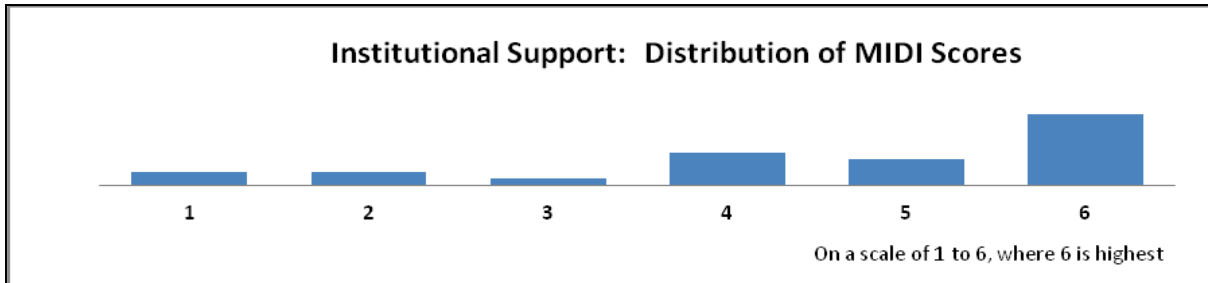


The mode for this criteria is 3, which indicates that improvement is needed in this area. Some programs garnered scores as low as 1, implying a need for urgent attention since monitoring and evaluation activities are almost nonexistent in those cases.

6. Institutional Support

Institutional support is demonstrated by how programs take firms or beneficiaries into account for improving processes. Over three-quarters of the programs state they have clearly established procedures for learning about users' opinions. This is not surprising because programs, by their very nature, are more focused on their users and have more contact with the firms' executives and other clients.

INSTITUTIONAL SUPPORT	Yes	No	DK/NR
The opinions of the firms (clients) are taken into account to help improve processes.	92%	8%	0%
Are there clearly established procedures for learning about these opinions?	76%	20%	4%
- If so, are satisfaction surveys, group workshops, or other methods used?	64%	12%	24%
- If so, are informal means used such as periodic meetings, field visits, or other means?	56%	20%	24%



It should be stressed that the variability of these scores is due to a high percentage of programs that did not reply. For example, 24 percent did not reply when questioned about using satisfaction surveys or other items related to performance. This high proportion can be explained by the fact that, just as there are some programs where public employees work in close contact with users, there are others in which communication is carried out mainly through consultants.

5. Lessons and Tasks

The MIDI survey identifies the basic features of institutions and programs, and permits comparisons along an array of organizational characteristics. In addition, the methodology makes it possible to create ordinal metrics to quantify these features, and to formulate policy recommendations based on both objective and regulatory variables. The MIDI produces a record containing facts about the institutions or programs analyzed, and it provides indicators for finding their strengths and weaknesses and for comparing them with other similar ones in the country or region (see Appendix IV). In this way the MIDI is a tool for the following:

- A relative comparison between similar institutions/programs that supply PDPs.
- Self-measurement of strengths and weaknesses in institutions and programs.
- Identifying best practices and promoting and applying them.
- Mapping programs according to their types, beneficiaries, costs, and other variables.

The field work offers **LESSONS** to policymakers by showing the extent to which institutions and programs carry out the following: i) formally incorporate the private sector in strategy formulation and the planning of PDPs; ii) develop internal administrative tools for the programs/institutions, which include calculating operational costs; iii) enhance institutional learning with permanent international exchanges for sharing experience and the use of Intranet systems for knowledge management; and iv) establish baselines, estimate demand, and study program impact.

In terms of the survey's **SCOPE**, the greater the coverage of the MIDI in a given country, the more accurate the results comparing institutions and programs will be in identifying their strengths and weaknesses. In the same way, better information on administrative costs, staffing needs, and costs per program will permit a more in-depth analysis of efficiency, a more precise mapping of institutions, and better comparisons among institutions and programs.

As PDPs are specific to each country, and sometimes for an industrial sector within a country, the **METHOD** should be implemented carefully through an on-site interview conducted by experts familiar with private sector development topics; for more efficient results, this interview should involve a senior public staff member, preferably a director.

As a **TOOL** the MIDI should be positioned as a companion to other tools, including impact evaluations and the development of strategies and business development plans that aid in the formulation of PDP policies. Critically, the accuracy of the MIDI will depend on three factors: first, constant improvement of the questionnaire and its measurement criteria; second, the scale of its use in order to allow a "mapping" of institutions of a country or region; and third, the availability of budgetary figures for programs and operating costs, such as data on staff remuneration and fixed costs for permanent staff. Based on these improvements and its wider use, the MIDI can be improved and facilitate more complex institutional and program analyses. These initial results are promising and indicate that the MIDI can provide valuable assistance to policymakers and project designers who need to identify effective organizational models to support productive development programs.

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Appendix I. Criteria for Institutions and Programs

A. Institutions

The criteria considered for measuring the effectiveness and efficiency of an institution to achieve the desired results are the following:

Criteria for Assessing Institutions	
1.	Coverage Defined as the share of the potential pool of clients reached, calculated by the size of the client base and the institution's targets.
2.	Coordination Defined as incorporating external actors—such as other public bodies, the private sector and civil society—in strategy formulation, managing, and/or handling the institution's resources.
3.	Efficiency Defined as giving the service in the shortest time period, at the lowest cost, and with the best possible quality, bearing in mind delivery costs, response times, and the availability of online services.
4.	Client focus Defined as incorporating users' opinions when creating and offering services by including their views, registering levels of client satisfaction, and supporting operational decentralization.
5.	Accountability Defined as having systems that allow for transparency in the efficient allocation of funds, based on the availability of lists of beneficiaries, use of independent evaluations, and having management controls in place.
6.	Institutional learning Measured on three subcriteria: a) stability of executive personnel, b) presence of a knowledge management system, and c) maintaining active relationships with international networks.

The criteria are defined below:

- Coverage

Coverage in institutions is defined as the share of the potential pool of clients reached, calculated by the size of the client base and the institution's targets. This presupposes knowledge about the client base or the use of methods for estimating the number of clients, as well as a plan for servicing these potential beneficiaries. Clearly, "potential clients" is not necessarily synonymous with the "whole universe of clients," given that an institution may have specific strategies that target its coverage to certain clients. The definition of the potential client base is directly related

to the institution's objectives and programs. Accordingly, when there are many different objectives, it is more difficult to quantify the potential number of clients.

- Coordination

Coordination in institutions is defined as incorporating external actors—such as other public bodies, the private sector, and civil society—in strategy formulation, managing, and/or handling the institution's resources. These linkages may be informal or formal. The most efficient institutions have a close relationship with their peers and rich inter-institutional coordination, and they are immersed in plans and global strategies for private sector development. This criterion is difficult to measure because it depends on the institutional culture of the country or territory. It is quantified here through indirect indicators.

- Efficiency

Efficiency in institutions is defined as giving the service in the shortest time period, at the lowest cost, and with the best possible quality, bearing in mind delivery costs, response times, and the availability of online services. These subcriteria vary in emphasis and importance from one institution to another, but they all point to using the institution's resources wisely and effectively. Institutions receive a set budget and do not assign costs per program; however, clients should know the approximate cost for supplying services.

- Client focus

Client focus in institutions is defined as incorporating users' opinions when creating and offering services by including their views, registering their levels of satisfactions, and supporting operational decentralization. It is crucial to involve the beneficiaries when it comes to increasing the instruments available for developing the private sector and creating new ones, as this allows for better testing of the instruments. In some cases, the key to success for an institution, in addition to the level of its resources, is having regional or state offices close to the users. Decentralization is also relevant when considering the difference between planning and implementation. Usually the planning is done at a higher level, while the decisions on implementation are delegated to third parties, such as consultants or other institutions.

- Accountability

Accountability in institutions is defined as having systems that allow for transparency in the use of funds, based on the availability of lists of beneficiaries, use of independent evaluations, and having management controls in place. Although the majority of institutions have incorporated simple monitoring systems, they do not conduct regular impact evaluations. These are conducted according to the resources and capacity of the institution. Most governments perform performance evaluations through annual audits, and various countries have transparency laws in force that mandate the availability of information on the web and in printed form, which includes staff wages and payments to consultants, and the institution's expenses.

- Institutional learning

Institutional learning is measured on three subcriteria: a) stability of executive personnel, b) presence of knowledge management system, and c) maintaining active relationships with international networks. Overall, this criterion measures knowledge management capacity in an institution. Stability in terms of executive positions is important for building institutional memory and establishing permanent contacts with international networks. In many institutions, a change of government leads to a massive shift in the executive positions, which sometimes affects the lower levels as well. Similarly, in terms of knowledge sharing, most institutions in Latin America and the Caribbean know about similar institutions in the region, but their contacts with institutions in Asia, Europe, and North America are limited or nonexistent.

B. Programs

The criteria taken into account to measure the effectiveness and efficiency of programs in achieving the desired results are the following:

Criteria for Assessing Programs	
1.	<p>Coverage Defined as the share of the potential pool of clients reached, calculated by the size of the client base and the program’s targets.</p>
2.	<p>Coordination Defined as the incorporation of external actors—such as other public entities, the private sector, and civil society—in the design or modification of programs. Measured from extent of external participation, client participation, and the program’s “additionality.”</p>
3.	<p>Efficiency Defined as offering the program or its services in the shortest time period, at the lowest cost, and with the best possible quality, bearing in mind the need to regulate processes and control costs, in particular administrative expenses.</p>
4.	<p>Client focus Defined as incorporating users’ opinions when creating and offering services by user participation, disseminating information to clients, and measuring the levels of client satisfaction.</p>
5.	<p>Monitoring and evaluation Measured according to three subcriteria: a) availability of baseline information, b) evaluation of results, and c) use of independent evaluations.</p>
6.	<p>Institutional support Measured according to three subcriteria: a) strategy making, b) resource management, and c) technical analysis.</p>

The criteria are defined below:

- Coverage

Coverage in programs is defined as the share of the potential pool of clients reached, calculated by the size of the client base and the program’s targets. The definition of coverage does not necessarily imply that the maximum amount of clients should be covered, but rather this variable presupposes defining the potential client base and estimating how many clients the programs can reach. However, the universe of potential clients needs to be identified with rigorous methods, both to define the reach of the program and to fine-tune its objectives. Little progress has been seen in Latin America and the Caribbean in this area. Naturally, the more general the program’s objectives are, the more difficult it becomes to define this universe. Setting clear and defined objectives will lead to a better definition of the potential client base and thereby to more precise strategies and goals in terms of coverage.

- Coordination

Coordination in programs is defined as the incorporation of external actors—such as other public entities, the private sector, and civil society—in the design or modification of programs. This is measured based on external participation, client participation, and the program’s “additionality.” This criterion is also closely related to the degree of coordination within the institution. Some programs, owing to the scale of their funding, may acquire the status of a quasi-institution, with its own internal administration; whatever the case may be, maintaining efficient levels of coordination allows for improvement in planning and avoids duplication of efforts.

- Efficiency

Efficiency in programs is defined as offering the program or its services in the shortest time period, at the lowest cost, and with the best possible quality, bearing in mind the need to regulate processes and control costs, in particular administrative expenses. Various institutions stated that the budgets of the institutions and programs are decided beforehand, which means it is not possible to reduce costs, or at least this is not a main concern. However, within the parameters of the public administration, it is possible to control fixed and variable staffing costs and to more efficiently assign the budgets to programs. In cases where the budget is set for programs, the variable costs are more relevant. This criterion measures the available resources and process systemization (closely related elements) and the mechanisms that allow them to be used efficiently.

- Client focus

Client focus in programs is defined as incorporating users’ opinions when creating and offering services by having a system of user participation, disseminating information to clients, and measuring the levels of client satisfaction. This study has shown that decision making at high government levels affects program planning, and that most programs are not backed by market research. According to the degree of interaction with institutions in the private sector and how close the contact is with the clients, the respective institution may be well informed of the potential needs of its clients, and may argue that the time and resources put into market research could be put to better use. However, for more clarity in terms of coverage objectives and impact, this information is crucial during decision making. Response times to client demands are also a

critical variable, above all in the case of programs promoting exports and investments, where an unattended query could mean a lost opportunity.

- Monitoring and evaluation

Monitoring and evaluation is measured on the basis of three subcriteria: a) availability of baseline information, b) evaluation of results, and c) use of independent evaluations. In this area, the lack of research is evident, both for institutions as well as programs. In some cases there is no monitoring system, although it is now a standard requirement to have more elaborate evaluation systems in place. A special budget is necessary to prepare impact evaluations, which are now common in development programs, but there is a lack of qualified personnel for this purpose in all countries of the Latin American and Caribbean region. Some of the institutions and programs examined are setting up strategies for incorporating measurements and evaluations as a permanent work practice.

- Institutional support

Institutional support in institutions is measured according to three subcriteria: a) strategy making, b) resource management, and c) technical analysis. This criterion depends on the capacity of the institution planning the program and measures the existence and preparation of strategies, the availability and administration of resources, and supervision and technical support. In some cases, a program, because of its size, has a better administration than that of the institution that oversees it. However, the pilot studies show that this is more of an exception and usually the performance of the programs is directly related to the efficiency of the institutions.

Appendix II. Institutions and Programs Covered in the Pilot Study

Table 1. Pilot Study: Countries, Institutions, and Programs

Countries	Institutions	Programs
Dominican Republic	<ul style="list-style-type: none"> • CNC • CEI-RD • Proindustria • Promipyme 	Not applicable
Chile	<ul style="list-style-type: none"> • Prochile • Sercotec • Fundación Chile • Corfo 	<ul style="list-style-type: none"> • Agencies • Market development initiative • Seed capital • PIAC • Pymexporta • Profo
Sergipe (Brazil)	<ul style="list-style-type: none"> • FIE • Sebrae • Sedetec 	<ul style="list-style-type: none"> • Fapitec • Internacionalização • Varejo competitivo • Prêmios de competitividade • Interiorização, ações móveis • IEL de PQF • Sergipe competitivo • Educação Profissional Senai-Sesi • APL
Colombia	<ul style="list-style-type: none"> • Proexport • Comisiones Regionales de Competitividad • Colciencias 	<ul style="list-style-type: none"> • Expopyme • Networks • Duty-free zone • Legislative stability • Training for exporters • Bancóldex • Fomipyme • Mipyme digital • Colciencias I • Colciencias II

Appendix III. Algorithm for Calculating MIDI Scores

The scoring that the MIDI assigns to institutions and programs is calculated on the basis of three subcriteria for each criterion. The subcriteria are marked according to the answers given to the questionnaire. For example, criterion 1 of coordination for “programs” is marked in the following way:

$$\text{Criterion 1} = \text{subcriterion 1.1} + \text{subcriterion 1.2} + \text{subcriterion 1.3}$$
$$(0, 1, 2) \qquad (0, 1, 2) \qquad (0, 1, 2)$$

$$\text{Coordination} = \text{external participation (0, 1, 2)} + \text{joint participation (0, 1, 2)} +$$
$$\text{additionality of the program (0, 1, 2)}$$

Example of Questionnaire:

COORDINATION

Coordination in programs is defined as the incorporation of external actors—such as other public entities, the private sector, and civil society—in the design or modification of programs. Measured from extent of external participation, client participation, and the program’s “additionality.”

- (a) External participation
 - The program has mechanisms whereby experts from other programs in the same institution can take part in strategic aspects and/or assignment of resources.
 - The planning of the program was done autonomously and independently.
 - The program has mechanisms whereby experts from other programs from other institutions that offer programs in strategic aspects and/or assignment of resources.
- (b) Joint participation of clients in the region
 - The program disseminates information about its scope and benefits, **and** shares its databases with other programs.
 - The program disseminates information about its scope and benefits it offers, **or** shares its databases with other programs.
 - The program disseminates information about its scope and benefits independently, and **does not** share its databases with other programs.
- (c) Program additionality
 - The program offers services that are clearly incremental and/or complementary to others.
 - The program offers services through a different methodology, but has objectives and target markets similar to those of other programs.
 - The services offered are technically similar, have similar objectives, and are targeted towards the same market as other programs.

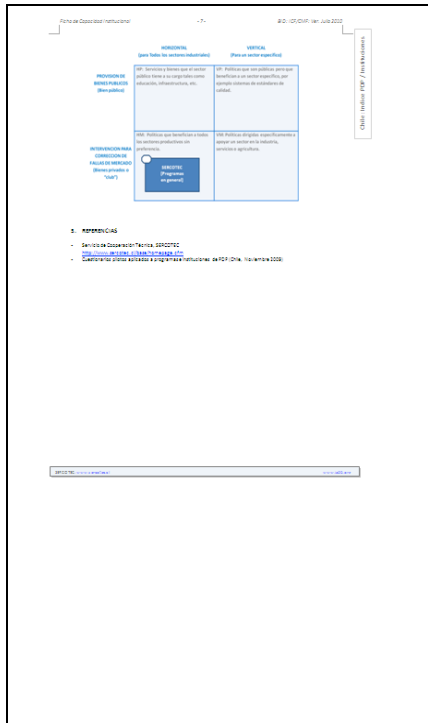
Each subcriterion—(a), (b) and (c)—combines a group of questions to ascertain a score, and the scores in the subcriteria are added together to obtain the total score, with the minimum being 0 and 6 the maximum.

Appendix IV. Contents of Profiles for Institutions and Programs

Example of confidential profile for institutions and programs

The image displays six screenshots of a confidential profile for institutions and programs, arranged in a 2x3 grid. Each screenshot shows a different section of the profile, with a navigation bar at the top and a sidebar on the right.

- Top Left:** Shows the 'INFORMACIÓN GENERAL' section, including institutional data, mission statement, and a table of accreditation status for various programs.
- Top Middle:** Shows the 'MISIÓN Y VISIÓN' section, featuring a table of institutional objectives and a radar chart comparing performance across different areas.
- Top Right:** Shows the 'ESTRUCTURA ORGANIZACIONAL' section, including a bar chart of organizational structure and a table of institutional data.
- Bottom Left:** Shows the 'SISTEMA DE GARANTÍA DE CALIDAD' section, detailing quality assurance processes and standards.
- Bottom Middle:** Shows the 'RELACIONES INTERNACIONALES' section, including a table of international relations and a world map.
- Bottom Right:** Shows the 'ESTRUCTURA DE PROGRAMAS' section, detailing program structures and a world map.



A confidential profile of the PDP program or institution is delivered to those in charge of the relevant institution. The profile contains: 1) data on the institution/programs with budgetary information and number of employees; 2) a presentation of strengths and weaknesses on a radar chart, obtained from survey answers and based on an algorithm that combines the scores from the subcriteria; 3) general results and recommendations (with best practices and areas of deficiency highlighted in each criterion); 4) a description of the institution/programs that are “models” within and outside the region; 5) the location of the program and its relationship to other types of interventions.