



Technical, operational, political and prospective (TOPP) institutional capabilities for managing transformations

Underpinnings of a new paradigm

José Manuel Salazar-Xirinachs • Andrés Boeninger Sempere



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This document was prepared by José Manuel Salazar-Xirinachs, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), and Andrés Boeninger Sempere, Economic Affairs Officer in the Office of the Executive Secretary of ECLAC.

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FOREWORD

Latin America and the Caribbean has arrived at a crossroads on its development path. In spite of significant progress in many areas and a wealth of natural, human and institutional resources to build on, the countries of the region face major obstacles to achieving more productive, inclusive and sustainable growth. These challenges are not at all temporary; they derive from structural traps that perpetuate low growth, persistent inequality and institutional as well as governance-related weaknesses.

The Economic Commission for Latin America and the Caribbean (ECLAC, 2024) has conceptualized these constraints as three development traps: low capacity for growth and transformation; high inequality, low social mobility and weak social cohesion; and low institutional capacity and ineffective governance, which are crucial in the analysis carried out in the present document.

The third trap limits the effectiveness of public policies, as well as their sustainability over time and adaptability to changing scenarios. Its cross-cutting nature curbs the potential for transformation of the countries of the region, including their ability to bring about those transformations vital to overcoming the other two traps.

The global landscape is currently being redrawn amid the resurgence of geopolitical tensions, great power rivalry, higher uncertainty, climate shocks and technological revolutions, among other factors, and the rules-based order is giving way to a world increasingly governed by power relations. These circumstances pose new challenges, but also present opportunities for development. In a highly interdependent world, it is impossible to implement effective policies without understanding trends and their impacts in the present and future; the global landscape is therefore placing new demands on the institutions charged with public policymaking and managing transformations. Hence, in the coming years, institutions in the countries of the region must not only address unresolved development issues more effectively, but must also find new ways of adapting quickly to a changing world.

ECLAC has insisted that merely identifying areas requiring transformation is not enough. In addition to determining what must be done, it is essential to examine how to do so, in other words, how to manage each vital transformation (Salazar-Xirinachs, 2023; ECLAC, 2024).

The key question is how to manage complex changes in a context of weak institutions, significant political fragmentation and pressing social demands, which is addressed by the approach of managing transformations, a proposal that builds on conventional discussions—focused on “what” should be done—with an examination of the processes of change and the capacities and conditions that enable it, centred on the “hows”. It requires a switch from prescriptive and aspirational thinking to a strategic and operational approach, according to which sound assessments and ambitious targets are insufficient, and institutions must be equipped with actual capacity to drive, implement and sustain transformations.

Accordingly, there is need of a renewed understanding of the role of institutions and the capacity they must build to lead transformations in complex, fragmented and constantly changing scenarios.

This document is therefore based on the deep conviction that vital transformations in Latin America and the Caribbean will be impossible without institutions with the capacity to lead them. An increase in resources, standards or structures will not be enough to provide this capacity. The ability to establish a functional and adaptive institutional architecture that links knowledge, coordination, effectiveness, legitimacy and a vision of the future will be what makes the difference. This is the only way to overcome the trap of weak institutional capacity and ineffective governance.

In light of the foregoing, ECLAC has developed and advanced the approach of technical, operational, political and prospective (TOPP) institutional capabilities as part of a new analytical and operational paradigm to manage transformations. This proposal outlines a plan for significant conceptual progress, from a static, normative or fragmented vision of institutional capabilities to a systemic, functional, dynamic and adaptive understanding of institutional work amid rapidly changing and highly complex conditions.

Instead of viewing institutional capabilities as pre-existing attributes or available resources, the TOPP capabilities approach conceives them as critical and interdependent functions that must be performed synergistically to allow institutions to provide strategic direction, implement tasks effectively, build legitimacy in fragmented scenarios and anticipate changes amid volatile conditions. Their value does not lie in the

addition of isolated capabilities, but in the integration of these capabilities in a functional, living system that is adaptable and that sustains public policies amid uncertainty. From this standpoint, strengthening capabilities to drive transformations is not only a technical endeavour; it is also political and involves the organization of collective action.

This approach includes and summarizes fundamental conceptual progress in the contemporary literature—in particular, on dynamic capabilities, public innovation and functional systems—and links this with ECLAC analysis in a coherent framework designed to address institutional challenges in the region. At the same time, it acknowledges an uncomfortable, but unavoidable truth: transforming institutions is complex and highly political in nature. Redesigning formal structures is insufficient; transformation implies altering entrenched routines, realigning organizational incentives and rebuilding social and political legitimacy that ensures change lasts.

The TOPP capabilities approach offers an integrated framework for understanding and strengthening essential functions that enable transformative action. Without a technical basis, policies lack a solid foundation. Without operational capabilities, their implementation is weakened. Without political legitimacy, their viability and continuity are impossible, and without foresight, they lose direction and validity in changing scenarios.

Although this document systematizes a conceptual framework, it serves, above all, as a road map. Its aim is to provide tools to assess capabilities, methodologies to strengthen them, and recommendations to institutionalize their development at all levels of government. It is also a commitment to ensuring that the region's institutions move beyond merely executing what is possible, and towards building new and better realities.

I am confident that this document and the programme of work it proposes will contribute substantively to the urgent discussion on the “hows” of development, and that it will help to strengthen the capacity of institutions in Latin America and the Caribbean to lead the indispensable transformations that the current context calls for, with legitimacy, vision and effectiveness.

José Manuel Salazar-Xirinachs

Executive Secretary
Economic Commission for Latin America
and the Caribbean (ECLAC)

INTRODUCTION

Rethinking institutional
capabilities from the
“hows” of development

Latin America and the Caribbean faces three development traps: low capacity for growth and transformation; high inequality, low social mobility and weak social cohesion; and low institutional capacity and ineffective governance. These traps are neither isolated nor temporary, but an enduring reflection of multiple structural gaps —e.g. productive, technological, social, environmental, fiscal, gender, territorial, digital and governance-related— that have historically limited the region’s ability to advance a more productive, inclusive and sustainable development model.

In view of this assessment, Salazar-Xirinachs (2023) and ECLAC (2024) have urgently called for driving structural change, proposing 10 vital transformations as a road map for a new development model. Nonetheless, as ECLAC itself recognizes, transformations are not realized merely thanks to political voluntarism or sound assessments. Instead, they require rethinking how to drive, coordinate, implement and sustain change amid uncertainty, fragmentation and disruptions, in other words, the “hows” of development.

Managing transformations lies at the heart of this reflection. ECLAC (2024) proposes a new analytical and instrumental framework incorporating institutional capabilities to guide, implement and adapt public policies; governance to align institutions, levels of government and non-State actors; political economy to manage stakeholders, interests and opportunities; and social dialogue to build legitimacy and broad agreements.

The present document focuses on the analysis and strengthening of the first of these components: technical, operational, political and prospective (TOPP) institutional capabilities. These are not conceived as static attributes, but instead dynamic, interdependent and strategically integrated functions, which allow institutions to design quality public policies, execute them effectively, sustain them over time and adapt them in changing environments.

Thus:

- Technical capabilities enable complex assessments and the design of coherent, evidence-based public policies.
- Operational capabilities enable inter-institutional coordination, effective resource management, programme execution and systematic follow-up of processes and outcomes.
- Political capabilities are essential to coordinate coalitions, manage conflicts, build legitimacy and ensure that policies outlast political and electoral cycles.
- Prospective capabilities enable the anticipation of risks and opportunities, analysis of emerging trends and guidance of public action strategically and over the long term.

From this perspective, technical capability is the analytical core that allows information to be translated into public action and political intention into concrete results. It defines what must be done and the basis for that action. However, these definitions must be actualized, which is where operational capabilities take on a central role, facilitating the organization of resources, assignment of responsibilities and mobilization of institutional structures to execute plans and adapt them to changing conditions. Both dimensions, nonetheless, must be coordinated with a third: political capabilities, which serve as the cornerstone of the TOPP capabilities approach. Without social legitimacy, technical assessments lack support; without stable consensus, execution is paralysed; and without political leadership, the capabilities built do not translate into real change. Meanwhile, prospective capabilities introduce an anticipatory rationale that strategically guides the entire system: they allow institutions to anticipate disruptions, identify possible trajectories and align decisions in the present with long-term scenarios and time frames. In the absence of this dimension, technical inputs become obsolete, operational management becomes reactive, political capital loses traction and institutions become less resilient. Thus, TOPP capabilities must be understood as interdependent functions that, only when they are coordinated, allow institutions to guide, implement, sustain and adapt transformative public policies in changing and complex conditions.

This document presents the TOPP capabilities approach to reinforce the conceptual, methodological and applied framework for institutional strengthening in Latin America and the Caribbean, offering analytical and operational tools to understand, evaluate and project the capabilities that enable transformation.

To that end, it is divided into four chapters. Following this introduction, chapter I reviews the concept of “institutional capability”, which incorporates different analytical trends, to enhance understanding and scope. The chapter includes inputs from the literature on dynamic capabilities that consider institutions to be learning, adapting and evolving systems, as well as contributions from the field of public innovation, which underscores the role of institutional design, experimentation and collaborative learning, and the complex systems approach, which moves beyond interpretations centred on static inventories of structures, norms and resources to focus on the ability to coordinate interdependent functions that feed back on each other and are mutually reinforcing. These conceptual frameworks converge in the TOPP institutional capabilities proposal, which translates this theoretical wealth into concrete institutional functions.

Chapter II delves deeper into the basis of the TOPP capabilities approach, understood as a new analytical and operational paradigm to rethink institutional capabilities according to a functional, situated and strategic rationale. The chapter includes a systematization of the conceptual inputs that reinforce this paradigm and underscores its importance in light of the dysfunctionalities being reproduced and exacerbated by the institutional trap in Latin America and the Caribbean. This is followed by a close examination of the four TOPP dimensions (technical, operational, political and prospective), with the definition of their functional scope, practical applicability and capacity to guide transformative public policies. Emphasis is placed on the systemic and interdependent nature of the approach: TOPP capabilities do not function in isolation, but are part of an integrated institutional architecture intended to enable transformation amid complex and rapid change.

Chapter III addresses the challenge of measuring institutional capabilities, incorporating a review of existing frameworks and instruments to evaluate institutional capabilities, including consolidated international approaches—such as the World Bank’s worldwide governance indicators and the Hanson and Sigman (2021) State capacities index—and new proposals. On the basis of this analysis, advancing towards more contextualized, participatory and action-oriented measurement is recommended.

Lastly, chapter IV outlines interrelated strategic areas of action to position the TOPP capabilities approach as the foundation for a regional agenda for institutional strengthening. These actions include: (i) generating applied knowledge and practical tools, (ii) building a regional system for measurement and learning, which includes the development of a TOPP capabilities index, and (iii) designing and implementing comprehensive strategies for strengthening national and subnational institutions.

In short, this document presents a renewed conceptual and methodological proposal along with an operational road map to strengthen institutional capabilities in Latin America and the Caribbean. The main challenge is not identifying necessary transformations, but developing the capabilities to ensure that these transformations are feasible, sustained over time and receive broad political support.

CHAPTER

The conceptual basis
for a new vision
of institutional
capabilities

In recent decades, the concept of institutional capability has undergone a profound transformation, reflecting global transformations and growing demands being made of institutions. From a normative and structural perspective rooted in Weberian tradition —focused on bureaucratic professionalization, organizational stability and administrative efficiency— the contemporary literature has moved towards a more complex, evolutionary and adaptive understanding of institutions.

This theoretical development process has incorporated crucial input from fields such as institutional economics, organizational theory, public innovation and governance studies. Concepts such as dynamic capabilities, which underscore an institution’s ability to learn and adapt, and public innovation, which is the core institutional function to explore solutions in complex environments, along with the idea of capability as a system of critical functions, have broadened the analytical scope of what it currently means to have effective institutions. From these perspectives, institutional capability is no longer defined solely on the basis of existing norms or formal structures, but according to the potential to act with strategic agility, coordinate different actors and lead change in scenarios of uncertainty.

A central message of this new approach is that institutional capabilities are perceived as a functional and interdependent system, whose effectiveness depends more on strategically integrated components than on isolated competencies or individual technical attributes. The formulation of technically rigorous policies requires operational capabilities to ensure their implementation, political legitimacy and leadership to sustain them, as well as a long-term vision to anticipate disruptions, imagine scenarios and strategically guide action. The most recent literature emphasizes that in complex and highly uncertain contexts, institutions must have mechanisms for organizational learning, iterative feedback and strategic adaptation that connect levels of action (individual, organizational and inter-institutional) and substantive functions (design, implementation and evaluation).

On this basis, ECLAC proposes the TOPP capabilities approach as an analytical and operational framework to rethink institutional strengthening with a focus on transformation. Under this approach, institutions are viewed as strategic actors capable of reconfiguring resources, modifying structures, building learning processes and exploring innovative solutions to systemic challenges. Technical, operational, political and prospective capabilities are understood as interrelated dimensions, rather than isolated categories or a mere taxonomy of competencies. Together they form a dynamic and functional architecture designed so that they can be activated, adjusted and strategically integrated to drive structurally anchored change.

Starting from this conceptual base, the TOPP capabilities approach incorporates the most significant advances conveyed in the international literature and translates them into a functional architecture adapted to the specific challenges of Latin America and the Caribbean. Amid persistent inequality, political polarization, overlapping crises and the urgency of sustainable transformation, strengthening institutional capabilities is not a technocratic exercise, but a fundamental strategy to bring about change in the region.

That is the aim of the TOPP capabilities approach: reposition institutions as change agents capable of coordinating knowledge, mobilizing resources and driving change on the basis of legitimacy, effectiveness and long-term vision. In a world in need of more agile, reflective and adaptive institutions, this approach offers a road map for building the capabilities required to navigate uncertainty, sustain transformative public policies and advance towards a more productive, inclusive and sustainable development model.

A. From Weberian bureaucracy to dynamic capabilities

The classic approaches to institutional capacity —especially in the Weberian tradition— focused on the professionalization of bureaucracy, autonomy of the State apparatus from undue pressure and administrative efficiency as fundamental pillars for implementation of effective public policies (Evans et al., 1985; Skocpol, 1985). From that perspective, the strength of institutions lay in organizational stability, capacity for territorial control, meritocracy in the civil service and regulated decision-making procedures. This vision underscores the State’s “infrastructural” power, in other words its ability to extend its presence throughout its territory with a meritocratic administration and skilled human resources (Geddes, 1994; Fukuyama, 2013). Some policy

implications of this approach included State-led reforms to professionalize the civil service, improve administrative efficiency and strengthen institutional frameworks for planning and public management. These reforms were a decisive step in building more effective institutions capable of ensuring the provision of essential services, territorial control, macroeconomic stability and a functioning legal system.

However, the changes in recent decades have strained the limits of this classic model. The emergence of overlapping crises —e.g. the coronavirus disease (COVID-19) pandemic, climate change, technological disruption and political polarization— have shown that rules, structures and procedures alone are insufficient. The new context demands a different kind of institutional capability, intended not only to manage existing structures, but also to adapt swiftly, anticipate disruptions and lead structural transformations.

The literature has gradually shifted towards more complex frameworks that include concepts such as dynamic capabilities (Teece et al., 1997; Eisenhardt and Martin, 2000), public innovation (Osborne et al., 2016; Meijer, 2019), the transformative capacity of the State (Weiss and Hobson, 1995) and anticipatory governance (Quay, 2010). These concepts all highlight that institutions' performance does not depend solely on their capacity for normative design or execution, but also for learning, experimenting, adapting and coordinating actors in complex environments.

A significant contribution in that regard is that of Weiss and Hobson (1995), who explored the idea of the State's potential transformative capacity, understood as the ability not only to implement policies, but also to anticipate and adapt to structural change, redesign its own intervention instruments and proactively shape economic, social and technological development. This idea of transformative capacity challenges the vision of the State as merely reactive and technocratic, and instead proposes an approach whereby the public apparatus builds the future.

In this new scenario, the notion of dynamic capabilities —the ability of institutions to detect changes in their environment, leverage emerging opportunities and reconfigure resources, routines and structures to respond strategically to uncertain contexts— is swiftly gaining considerable ground (Teece et al., 1997; Eisenhardt and Martin, 2000; Zollo and Winter, 2002). This approach, initially a development of organizational theory, has been adapted to the public sector by authors such as Kattel and Mazzucato (2018), who define the dynamic capabilities of public institutions as their ability to integrate, learn and reconfigure resources continuously and in pursuit of transformation.

From this perspective, institutional capabilities are understood as dynamic functions, rather than static attributes. These mechanisms allow public organizations to learn, experiment and transform their *modus operandi* amid changing conditions. These capabilities are coordinated through three major mechanisms (Teece, 2007; Mazzucato et al., 2021):

- (i) Identification and exploration of opportunities and threats through strategic monitoring systems, trend analysis and active listening (Eisenhardt and Martin, 2000).
- (ii) Strategic experimentation, through prototypes, pilot tests and policies that allow alternatives to be evaluated before scaling up solutions (Meijer, 2019; Mazzucato et al., 2021).
- (iii) Organizational reconfiguration, or the ability to redesign structures, reallocate resources, scale up what works and discard what does not (Winter, 2003; Kattel, 2022).

This approach has been enhanced with studies that identify specific organizational components. Zollo and Winter (2002) underscore the role of systematic institutional learning, while Feldman and Pentland (2003) emphasize the importance of organizational routines as flexible structures, able to combine stability with agency. Ambrosini and Bowman (2009), meanwhile, identify processes such as reconfiguration, leveraging, deliberate learning and creative integration as drivers of institutional change (Cadrazco-Parra et al., 2020).

Applied to the public sector, these ideas help to understand why some institutions manage to innovate, coordinate different actors and sustain transformative policies, while others remain trapped by inertia or fragmentation. More recent literature (Gullmark, 2021; Mazzucato et al., 2021) distinguishes between dynamic

managerial capabilities, which are associated with strategic leadership able to chart a course and mobilize resources, and dynamic organizational capabilities, which are more closely linked to internal routines, structures and rules that enable institutional change from within.

An additional factor is State flexibility as a structural attribute of contemporary institutional capacity. Barrales-Molina et al. (2013) identify three complementary types: (i) operational flexibility, or the ability to renew daily tasks and routines; (ii) structural flexibility, understood as the ability to adapt organizational structure to new demands; and (iii) strategic flexibility, or the ability to anticipate change and quickly adjust the course of institutions.

From this perspective, institutional capability transcends the accumulation of resources or fulfilment of formal standards. Moreover, it entails the development of capabilities to allow institutions to act with flexibility, a strategic vision and legitimacy.

In short, the move from a Weberian vision to a dynamic capability approach marks a profound shift. The objective is no longer merely carrying out procedures, but also building capacity to manage uncertainty, foster innovation, coordinate multiple actors and lead transformations. This new approach does not replace the benefits of the classic model, such as institutional stability or professionalization of the civil service, but complements them with a strategic, adaptive approach centred on learning, which is essential to address development challenges in the twenty-first century (see table I.1).

Table I.1

Institutional capability: from Weberian bureaucracy to dynamic capabilities

Dimension	Classic approach (Weberian bureaucracy)	Dynamic capability approach
Understanding of institutional capacity	Technical and formal attribute focused on stable structures, rules and procedures.	Main functions: learning, anticipating, adapting, coordinating and implementing.
Fundamental pillars	Professionalization of the civil service, State autonomy, administrative efficiency.	Public innovation, organizational learning, strategic agency.
Objective of institutional action	Effectively execute policies defined by political authorities.	Strengthen institutional resilience and adaptive capacity in changing environments.
Dominant institutional framework	Hierarchical structures, bureaucratic control, organizational stability.	Collaborative networks, flexible and distributed structures.
State reform	Administrative reform: operational efficiency, control of expenditure, streamlining of processes.	Adaptive reform: investment in dynamic capabilities, innovation structures, strategic flexibility.
Relationship with citizens	Based on formal compliance with rules and the provision of basic services.	Creation of public value and co-creation of solutions.
Implications for public policies	Normative planning and execution focused on predefined goals.	Policies as iterative processes: detection of changes, continuous experimentation, learning and redesign.

Source: Prepared by the authors, on the basis of Teece, D. J., Pisano, G. and Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533. <https://www.jstor.org/stable/3088148>; Eisenhardt, K. M. and Martin, J. A. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, 21(10-11), 1105-1121. [https://doi.org/10.1002/1097-0266\(200010/11\)21:10/11%3C1105::AID-SMJ133%3E3.0.CO;2-E](https://doi.org/10.1002/1097-0266(200010/11)21:10/11%3C1105::AID-SMJ133%3E3.0.CO;2-E); Weiss, L. and Hobson, J. M. (1995). *States and Economic Development: A Comparative Historical Analysis*. Wiley; Kattel, R. and Mazzucato, M. (2018). Mission-oriented innovation policy and dynamic capabilities in the public sector. *Industrial and Corporate Change*, 27(5), 787-801. <https://doi.org/10.1093/icc/dty032>; Cadrazco-Parra, W., Zapata-Domínguez, Á. and Lombana-Coy, J. (2020). Capacidades dinámicas: aportes y tendencias. *Revista Lasallista de Investigación*, 17(1), 325-337. DOI: 10.22507/rli.v17n1a13; and Mazzucato, M., Kattel, R., Quaggiotto, G. and Begovic, M. (2021). *COVID-19 and the Need for Dynamic State Capabilities: An International Comparison*. United Nations Development Programme.

B. Public innovation as a strategic driver of institutional capability

Public innovation is a key driver of the conceptual shift from a classic vision of institutional capability to an approach based on dynamic capabilities. The ability to innovate, understood as an integrated organizational function, more than an exceptional effort, reflects the move away from reactive to anticipatory institutions that can explore, learn and redesign their modus operandi in the face of systemic challenges. This section examines how public innovation embodies and operationalizes the principles of adaptability, strategic agility and experimentation that are characteristic of dynamic capabilities.

In a global context marked by multiple disruptions, growing uncertainty and more complex citizen demands, public innovation is no longer a peripheral or instrumental activity and is now a structural driver of institutional strengthening. Innovation transcends the adoption of new technologies or the replication of good practices and entails transforming mental and organizational frameworks that guide institutional action. It requires rethinking assumptions, testing creative solutions, learning collectively and formulating responses tailored to challenges that strain existing capabilities.

Innovation processes must be integrated into institutional design itself, allowing a dynamic balance between organizational stability and adaptive change. Its importance lies in the fact that it enables governments to anticipate and respond to disruptions, renew ties with citizens and create context-specific solutions (Osborne et al., 2016; Meijer, 2019). Along these lines, Karo and Kattel (2014) offer a Schumpeterian reading of public management, in which policy innovation is conceived as an adaptation mechanism and simultaneously as a driver of development, competitiveness and strategic vision. From this perspective, institutions must do more than just manage existing capacities and play an active role in exploring new paths, building novel partnerships and anticipating possible futures.

Different international experiences and recent studies have reinforced this trend. As shown by the Observatory of Public Sector Innovation of the Organisation for Economic Co-operation and Development (OECD),¹ governments that constantly innovate notably create the conditions for innovation to flourish. Such environments combine strategic vision, political leadership, risk tolerance, organizational learning, structural incentives and platforms for cross-cutting collaboration.

The United Nations Development Programme (UNDP) report *Governance for Systemic and Transformational Change: Redesigning Governance for the Anthropocene* (Florini et al., 2022) conveys a similar message that public innovation must no longer be conceived as an exceptional effort and instead as a structural function of government systems. Amid systemic transitions, innovation capacity is key to reconfiguring instruments as well as processes, power relations and governance models.

The *World Public Sector Report 2023* (United Nations, 2023) also clearly underscores that public innovation can become a lever for deliberate institutional transformation. On the basis of experiences such as the COVID-19 response, innovative capabilities not only improve institutional adaptability, but also reshape the public sector's role in bringing about profound change. Within this framework, innovation is linked to accountability, civil service professionalization, inter-institutional coordination and institutionalized learning.

From a functional perspective, this view is conveyed through interdependent organizational dynamics. Meijer (2019) identifies five essential functions that, when combined, form a strategic architecture. First, mobilization refers to the ability to activate resources, actors and intentions —within and outside the State apparatus— to coordinate innovative processes with legitimacy and purpose. Second, experimentation allows solutions to be explored in real settings through pilot tests, prototypes or iterative cycles, introducing degrees of flexibility in light of unstructured problems.

¹ <https://oecd-opsi.org/work-areas/innovative-capacity/>

A third key function is institutionalization, which ensures consolidation of lessons learned by incorporating them into norms, routines and permanent structures, which ensures that innovation is not diluted over time. A fourth function is finding an organizational balance, in other words, institutions' ability to simultaneously manage the requirements of administrative control and adaptive room for manoeuvre.

Lastly, the coordination function is critical in fragmented settings, as it allows the alignment of agendas, actors and resources with common goals. These five functions are not sequential, but instead synergetic components that structure organizational conditions so that public innovation becomes a sustained driver of institutional transformation.

Meanwhile, Gieske et al. (2016) underscore three complementary organizational functions: (i) the integrative function, which refers to institutions' ability to combine technical knowledge, territorial lessons, information from different stakeholders and expert knowledge in action-oriented deliberative processes; (ii) the dual function, which implies striking a balance between the known and the unknown, in other words, maintaining stable management frameworks and spaces for experimentation to trial new solutions; (iii) the reflective function, which refers to mechanisms that allow institutions to review assumptions, learn from mistakes, gather feedback and systematize experiences to improve decision-making.

Altogether, this analytical corpus allows innovation to be conceived as a constitutive dimension of contemporary institutional capability. Far from being an anomaly or a luxury, public innovation is a systemic and institutionalized function that institutions need to play an active role in driving complex transformations (see table I.2).

Table I.2

Public innovation: contributions to the conceptual development of institutional capability

Conceptual contribution	Description
Reformulation of institutional capacity as a dynamic function	Public innovation allows institutional capacity to be perceived not as a static or normative attribute, but as a function that incorporates learning, experimentation, adaptation and transformation in complex environments.
Incorporation of change and uncertainty as constitutive dimensions	Introduces an interpretation that recognizes uncertainty, disruption and complexity as normal conditions of the institutional environment, replacing approaches focused solely on stability and control.
Recognition of new critical organizational functions	Provides analytical frameworks that identify key functions such as strategic experimentation, inter-institutional coordination, organizational balance and institutionalization of learning.
Redefinition of the State's role as an agent of the future	Proposes a proactive vision of the State, able to anticipate, explore and co-create solutions with different actors, expanding its role beyond execution and regulation to include the strategic steering of change.
Integration of multiple sources of knowledge and actors	Suggests that institutional capacity is strengthened through the coordination of technical, territorial, citizen and expert knowledge using deliberative mechanisms for collective action.
Coordination with anticipatory governance agendas and public value	Links innovation with broader concepts such as anticipatory governance, adaptive legitimacy and co-creation of public value, expanding the normative foundation of institutional action.

Source: Prepared by the authors, on the basis of Osborne, S. P., Radnor, Z. and Strokosch, K. (2016). Co-production and the co-creation of value in public services: a suitable case for treatment? *Public Management Review*, 18(5), 639-653. <https://doi.org/10.1080/14719037.2015.1111927>; Karo, E. and Kattel, R. (2014). Public management, policy capacity, innovation and development. *Brazilian Journal of Political Economy*, 34(1), 80-102. <https://doi.org/10.1590/S0101-31572014000100006>; Meijer, A. (2019). Public innovation capacity: developing and testing a self-assessment survey instrument. *International Journal of Public Administration*, 42(8), 617-627; Gieske, H., Van Buuren, A. and Bekkers, V. (2016). Conceptualizing public innovative capacity: a framework for assessment. *Innovation Journal: The Public Sector Innovation Journal*, 21(1); United Nations. (2023). *Transforming institutions to achieve the Sustainable Development Goals after the pandemic. World Public Sector Report 2023*. Department of Economic and Social Affairs; and Florini, A., Sharma, S. and LaForge, G. (2022). *Governance for Systemic and Transformational Change: Redesigning Governance for the Anthropocene*. United Nations Development Programme.

To sum up, public innovation should be understood as a strategic function that redefines how institutional capability is conceived and deployed. By incorporating learning, adaptation, coordination and experimentation in complex environments, it allows institutions to overcome static visions to advance towards a more agile, reflective and future-oriented institutional architecture. This shift is essential to allow institutions to play an active role in bringing about structural transformations, and not just in management of existing structures. Within this framework, the TOPP capabilities approach translates this reconceptualization into specific capabilities —technical, operational, political and prospective— that allow institutions to innovate through a sustained, legitimate and contextualized approach.

C. Institutional capability as a system of critical functions

This section introduces a third key dimension (in addition to dynamic capabilities and public innovation): institutional capability as a system of critical functions. This perspective replaces the interpretations centred on static inventories of structures, norms or resources, to focus on the ability to coordinate interdependent functions that feed back on each other and are mutually reinforcing. The information accumulated—on institutional economics (North, 1990), dynamic capabilities in the public sector (Kattel and Mazzucato, 2018), studies on organizational learning (Meijer, 2019) and analysis applied to Latin America (Oszlak and Orellana, 1993)—aligns with other approaches in underscoring that the strength of institutions is less due to formal attributes than to public organizations' ability to effectively activate, coordinate and synchronize their different critical functions.

On that basis, ECLAC (2024) has proposed the TOPP capabilities matrix as a comprehensive framework to assess and strengthen institutional action. This matrix proposes, more than a typology of competencies, an interdependent functional architecture that can be used to examine the ways in which these capabilities are configured, interact and are activated at different stages of the institutional process. The most important thing is not the magnitude of available resources or the rigidity of normative frameworks, but the ability of institutions to integrate these four capabilities synergistically, with a view to generating knowledge, coordinating actors and enabling the “hows”; that is, the ways in which the vital transformations are brought about in the region.

In practice, these TOPP capabilities are manifested in different components of institutional action: evidence-based policymaking and expert knowledge (technical dimension); effective coordination of resources and actors (operational dimension); building of legitimacy and sustained participation of stakeholders (political dimension); and the anticipation of future scenarios to guide action in the present (prospective dimension). The coordination of these four dimensions moulds institutional capacity into an active platform for transformation, able to drive reforms, manage uncertainty and promote responses to national and regional challenges.

From that perspective, the system of critical functions approach encourages the consideration of institutional action as iterative, non-linear processes that involve adjustments, feedback and constant learning. It does not only entail formulating technically “correct” policies from the outset, but building capacities to review assumptions, correct course, adapt instruments and leverage opportunities. This rationale indicates an institutional framework that learns through experience, adjusts its *modus operandi* and consolidates incremental improvements through integrated feedback mechanisms.²

Various inputs, from Morgan (2006), Meijer (2019) and Gullmark (2021) to Karo and Kattel (2014), along with the literature on public innovation (Osbourne et al., 2016), coincide in the view that more effective institutions are not necessarily the biggest or the most hierarchical, but those that combine organizational agility, capacity for reflection and adaptive legitimacy. This effectively means that they have the institutional capability to:

- Translate complex information into relevant decisions.
- Coordinate different levels of government and social stakeholders.
- Explore innovative solutions without putting essential functions at risk.
- Maintain a long-term vision while managing immediate emergencies.

Under this approach, institutional capability is not a “fixed asset” of attributes, but a functional system that must activate, adapt and renew constantly. Viewed in this way, institutional capability becomes a fundamental asset to drive transformations.

This framework has significant implications for institutional design in Latin America and the Caribbean. More than reinforcing formal structures or replicating normative solutions, the aim is creating enabling conditions to effectively activate interdependent capacities that can sustain continuous learning, strategic adaptation and collective action.

² This approach is closely aligned with the concept of “experimentalist governance”. See Salazar-Xirinachs (2020).

CHAPTER



An integrated
framework: technical,
operational, political
and prospective (TOPP)
capabilities

A. Underpinnings of the TOPP capabilities approach

Salazar-Xirinachs (2023) and ECLAC (2024) identified the strengthening of institutional capacity as key to overcoming the three development traps hindering progress in Latin America and the Caribbean: low capacity for growth and transformation, high inequality and low social mobility and social cohesion, and weak institutional capacity and ineffective governance. The third trap curbs the formulation and implementation of transformative public policies, while weakening the authority and legitimacy of institutions in their efforts to bring about structural change. Against this backdrop, managing transformations—and, in particular, the TOPP capabilities approach—gains strategic importance, by intentionally addressing the institutional and governance-related dysfunctions perpetuated by that trap.

In light of the foregoing, TOPP capabilities are a new paradigm aimed at reimagining and rethinking institutional capacity that enables the vital transformations needed in the region. This approach is based on the recognition that transforming institutions is not an easy, linear or merely normative endeavour, and that voluntarist discourse is insufficient. According to Brinks et al. (2019), institutions may be weak because they are insignificant (rules do not change behaviours), ineffective (rules are not enforced and there is no cooperation among actors) or unstable (when they change often and fail to consolidate). These weaknesses—which are frequent in Latin America and the Caribbean—prevent rules from having an impact and institutions from driving change.

The value added of institutions lies in their offering a situated response to a profoundly Latin American and Caribbean reality of citizens' limited trust in institutions,³ political fragmentation,⁴ social polarization⁵ and weak institutional effectiveness.⁶ This combination of factors creates an unfavourable environment in which institutional capacity to drive and sustain transformations is systematically undermined. As Kurtz (2013) warned, this institutional weakness feeds a vicious cycle in which ineffective public policies result in more limited citizen engagement, tax evasion and dissatisfaction with the State, which further weakens institutional capability and widens the gap between strong and weak States in the region. Breaking this cycle is key to avoiding the region becoming divided between countries able to design and implement transformative policies and others trapped in systems of weak institutional momentum hobbled by fragmented responses, short-term vision and little focus on outcomes.

In response, the TOPP capabilities approach proposes a new institutional framework that exists not only in theory but also in practice, that features operational rules, installed capacity and sufficient legitimacy to bring about real and lasting transformations (see table II.1).

³ Citizens' trust in government has been persistently low in Latin America, with an average below 44% in the past decade and a decline to 31% in 2024. According to data from Latinobarómetro Corporation (2024), barely 17% of the population trusted political parties and just 24% trusted congress or parliament. These levels reflect not only a harsh assessment of institutional performance, but a broad perception that institutions do not properly represent or protect the interests of citizens. This erosion of confidence feeds growing dissatisfaction with the democratic system and undermines the legitimacy of public institutions' decisions.

⁴ In several countries of the region, party systems have been atomized, with the disappearance or weakening of traditional political forces and the emergence of new actors, including external actors and anti-system movements, which has made it difficult to form stable majorities. This has given way to higher electoral volatility and governments with insufficient parliamentary support, which has hindered the approval and implementation of transformations. Added to this is growing ideological and social polarization, which has limited spaces for dialogue and eroded the common ground needed for consensus-building.

⁵ The region remains the most unequal in the world in terms of income distribution, with high levels of labour informality, structural poverty and limited redistribution capacity of the fiscal system. These historical gaps are exacerbated by persistently low growth, poor productive diversification and weak creation of quality jobs. This framework of socioeconomic constraints has worsened perceptions of injustice and exclusion, fuelling social unrest and creating the ideal conditions for political polarization, destruction of the social fabric and distrust of institutions.

⁶ In several countries of the region, the institutional capability for formulating, coordinating and implementing effective public policies remains considerably limited. This institutional weakness is manifested in technical, operational, political and prospective deficiencies that hinder institutions' ability to act strategically as well as their legitimacy to lead transformations. In addition, the region is lagging in terms of consolidation of the rule of law, with weakened legal systems and control mechanisms, a high level of impunity, persistent crime and difficulty in ensuring that laws are effectively enforced. This institutional weakness undermines institutions' authority, curbs their management capacity and erodes citizens' trust, which hinders transformations.

Table II.1

Weak institutional capabilities and ineffective governance: implications for managing transformations and strengthening TOPP capabilities

Structural factor	Description of challenge	Implications for managing transformations and strengthening TOPP capabilities
Distrust of institutions	Low citizen trust in key institutions (government, parliament, legal system, political parties), which feeds dissatisfaction with democracy.	Complicates the social mandate for change and prompts rejection of or scepticism towards change. Requires strengthening of TOPP capabilities to create credible narratives of change, build broad consensus and coordinate shared visions of the future to ensure meaningful and sustained transformation.
Political fragmentation	Atomization of party systems, increasing polarization and difficulty building stable majorities and consensus.	Hampers the building of reforming coalitions and weakens capacity for strategic management. Requires the building of TOPP capabilities for multiparty coordination, negotiation of lasting agreements and institutional design of cooperative governance mechanisms.
Socioeconomic gaps	High levels of inequality, poverty and weak economic growth, which fuel social frustration and protests.	Creates resistance to change if protection and distributive justice mechanisms are not ensured. Entails the strengthening of TOPP capabilities to design evidence-based policies that are sensitive to territorial specificities and focus on inclusion, and to ensure effective implementation and continuous follow-up.
Institutional weakness	Limited TOPP institutional capabilities to implement effective and transformative public policies.	Underscores the need for an interdependent ecosystem of TOPP capabilities that enables evidence-based policymaking, ensuring that such policies are effectively implemented and lasting, and that anticipates disruptions. The absence of such capabilities erodes the credibility of the State and weakens the continuity of transformations.

Source: Prepared by the authors.

This conceptual proposal has not emerged in a vacuum. The TOPP capabilities approach draws from previous analyses that have addressed the technical, operational and political dimensions of institutions dedicated to productive development (Crespi et al., 2014; Cornick et al., 2018). Salazar-Xirinachs (2023) and ECLAC (2024) built on this evidence and widened the focus in two ways: by incorporating prospective capabilities and broadening the scope beyond productive development to incorporate vital transformations to overcome structural development traps in Latin America and the Caribbean. The rationale behind prospective capabilities differs from that of the technical, operational and political dimensions by focusing on possible futures, building shared visions of development and strategically aligning decisions in the present with long-term time frames. Planning is not enough; institutions must be equipped with a structural foresight function that can generate collective intelligence, align decisions in the present with long-term time frames and activate forward-looking governance mechanisms. This perspective is especially important in a region with high levels of uncertainty and short political cycles, as it allows reactive or short-term visions to be countered with anticipatory public policies that identify emerging disruptions, assess alternative paths and prepare States for complex scenarios.

Moreover, the prospective dimension is closely linked to territoriality, with the recognition that desirable and viable futures are not homogeneous, but must be built taking territorial specificities into account. Incorporating this approach means fostering local capacity to imagine, consider and co-design transformations adapted to the paths and aspirations of each territory. From this perspective, foresight transcends its role as analytical complement and becomes an enabling condition to strategically guide transformations.

To consolidate this proposal as a new analytical and operational paradigm, the present document incorporates and reinterprets three conceptual trends that enrich and validate this approach, while maintaining its conceptual autonomy. First, the dynamic capabilities approach helps to understand how public institutions learn, reconfigure and strategically deploy resources amid uncertainty and change (Teece et al., 1997; Kattel and Mazzucato, 2018). From this perspective, institutions are not reduced to simple executors of predefined routines, but are strategic agents equipped with the capacity to identify opportunities, trial new solutions and scale up learning that enables lasting change.

Second, the literature on public innovation provides key insights for rethinking how institutions should act in increasingly complex conditions. Creating public value means coordinating different actors, combining multiple types of knowledge and sustaining iterative cycles of experimentation and institutional interaction (Osborne et al., 2016). This approach underscores that innovation is a driving function that allows institutions to adjust course, modernize management and respond flexibly to changing demands, building legitimacy in the process.

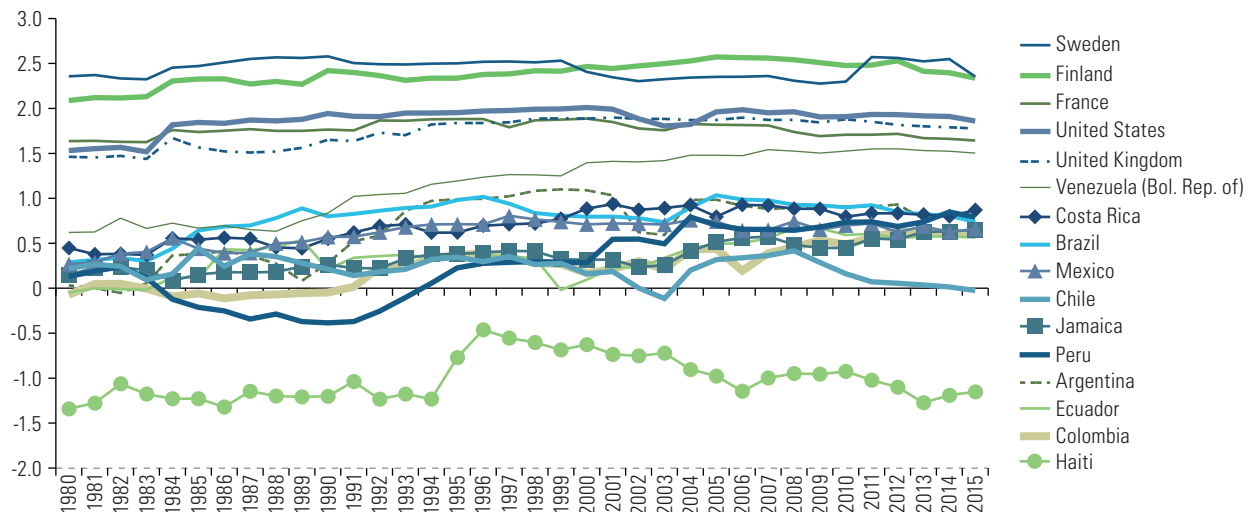
Third, the approach incorporates a functional vision of institutional capacity, understood as the ability to coordinate and mobilize critical functions that are mutually reinforcing (North, 1990; Meijer, 2019). Institutions' effectiveness is determined less by the volume of resources or the strength of normative frameworks and more by their ability to synergistically coordinate critical functions that transform institutional structures into vehicles for strategic action.

The TOPP capabilities approach also introduces a crucial analytical dimension for Latin America and the Caribbean: the recognition of structural heterogeneity of institutional capabilities, both across countries and within countries (Díez Pinto et al., 2025). This perspective, which is consistent with one of the most distinctive conceptual traditions of ECLAC thinking, moves beyond prescriptive or uniform approaches, enabling differentiated institutional strengthening strategies adapted to historical trajectories, accumulated gaps and available capacity in each context.

This heterogeneity has been documented by international indicators evaluating soundness, coverage and effectiveness of institutional action. These include the Hanson and Sigman (2021) State capacities index, cited in ECLAC (2024) which reveals persistent structural gaps in the region from 1980 until 2015. This index shows mixed trends across countries: while State capacity in Chile, Costa Rica and Uruguay is comparable to that of developed economies such as Finland and Sweden, countries such as Argentina, Brazil, Colombia, Jamaica and Mexico fall into an intermediate category while countries like the Bolivarian Republic of Venezuela and Haiti systematically lag the furthest behind (see figure II.1). These differences are not transitory, but instead reflect structural inequalities in the ability of institutions to formulate, coordinate and implement public policies effectively.

Figure II.1

Selected countries: State capacity index, 1980–2015



Source: Economic Commission for Latin America and the Caribbean, on the basis of Hanson, J. K. and Sigman, R. (2021). Leviathan's latent dimensions: measuring state capacity for comparative political research. *The Journal of Politics*, 83(4). <https://doi.org/10.1086/715066>; and Our World in Data, State capacity index. <https://ourworldindata.org/grapher/state-capacity-index>.

Understanding this inequality means considering the historical trajectories of institution-building in the region, which differ considerably from that observed in other contexts (O'Donnell, 2007). As put forward by ECLAC (2016), this structural heterogeneity transcends the economic and social dimensions, to include the configuration, distribution and performance of institutional capabilities.

This fragmentation is especially evident at the local level. The capacity of national governments is generally greater than that of subnational governments, resulting in asymmetries in the quality of services, policy implementation capacity and crisis response. Against this backdrop, O'Donnell (1993) conceptualized "brown" areas, where the State lacks an effective presence and citizens' rights are not fully respected. This coexistence of solid institutional enclaves with power vacuums forms a map of discontinuous State capacity that limits opportunities for structural transformation.

In light of this reality, the strengthening of institutional capability cannot be conceived as a uniform or technocratic strategy. In line with authors such as Cingolani (2018) and Cortázar Velarde (2025), different approaches based on the stage of development of each country or territory are needed, as well as strategies adapted to specific gaps between levels of government. Recognizing this heterogeneity and addressing it with accurate assessments and feasible strategies is essential to ensure that TOPP capabilities become an effective road map to build institutions with transformative management capacity.

Thus, the TOPP capabilities framework is much more than a taxonomy, as it is a new analytical and operational paradigm to understand, assess and strengthen institutional capability based on a functional, strategic and situated rationale. The main contribution is that it complements the traditional focus of development analysis on "what" to do with an equally important emphasis on "how" to do so. Implementation is no longer a subsequent or separate step and is now a central pillar of analysis and action. This shift is especially important in Latin America and the Caribbean, where the gap between design and implementation, and between technical feasibility and political legitimacy is a persistent structural constraint.

The TOPP capabilities approach explicitly recognizes the real governance conditions facing the countries of the region—citizen dissatisfaction, social polarization, political fragmentation and institutional weakness—and assumes that strengthening technical capabilities is insufficient in this context. Institutions must be equipped with the effective capacity to manage interests, anticipate conflicts and build legitimacy amid great uncertainty. Instead of prescribing good practices based on a normative and decontextualized rationale, it proposes a functional and interdependent architecture based on what institutions can really do to bring about transformations in complex conditions.

Its value added and originality therefore consist in offering an integrated tool that identifies institutional gaps, charts paths for change and translates major transformations into concrete policies. It provides a shared language for coordination, from the design and harmonization of policies to consensus-building and strategic foresight. In a region of profound heterogeneity, both within and across countries, strengthening these capabilities is not a technical and administrative exercise, but a strategic endeavour to ensure the agility, legitimacy and long-term vision of institutions (see table II.2).

Building on this new paradigm for understanding institutional capabilities, sections B, C D and E of this chapter break down the four dimensions (technical, operational, political and prospective), specifying their conceptual basis and mechanisms of action, and providing illustrative examples. The aim is to provide a practical guide that shows how these capabilities, when intertwined, generate essential synergies to realize necessary transformations.

Table II.2

Towards a new paradigm of institutional capability: attributes and key functions of the TOPP capabilities approach

Dimension	Structuring principles of the TOPP institutional capabilities approach
Nature and dynamics of institutional capabilities	<ul style="list-style-type: none"> – Institutional capabilities are conceived as a functional, living and adaptive system comprising interdependent critical functions that allow institutions to guide, implement, sustain and adapt public policies in highly complex conditions. – They are not static attributes or isolated competencies, but a strategic and dynamic architecture whose effectiveness lies in the synergy between their technical, operational, political and prospective dimensions.
Fundamental pillars	<ul style="list-style-type: none"> – The approach is structured around four key capabilities: technical (specialized knowledge and use of information), operational (processes and resources that enable action), political (coordination of interests and building of legitimacy) and prospective (vision of the future, anticipation and strategic coherence). – These dimensions form a functional architecture designed to activate and combine strategically according to the context. – Implementation is iterative and deliberative and favours experimentation, institutional learning and multi-stakeholder coordination. – Public innovation and strategic deliberation are incorporated as structuring functions of institutional action, strengthening organizations' capacity to adapt, respond flexibly and lead lasting transformations. – The TOPP capabilities approach repositions institutions as strategic agents of development, able to coordinate knowledge, mobilize resources and sustain transformative policies on the basis of legitimacy, effectiveness and a long-term vision. – This approach offers a situated response to a regional environment characterized by citizens' limited trust, political fragmentation, social polarization and weak institutional efficiency.
Objective of institutional action	<ul style="list-style-type: none"> – Not limited to technical effectiveness or normative compliance, but seeks to drive feasible, sustainable and legitimate transformations in complex scenarios. – Institutions are understood as agents of the future, able to build legitimacy, coordinate agreements and align short-term action with strategic development time frames. – This means facing environments where institutions may be insignificant, ineffective or unstable (Brinks et al., 2019) and where transforming institutions requires moving beyond normative design or political will.
Dominant institutional framework	<ul style="list-style-type: none"> – The approach shifts the focus from the State apparatus as an exclusive unit of analysis to interdependent capability ecosystems. – It recognizes that institutional capability is distributed across groups of State or non-State actors and that territorial, sectoral and social coordination is key to creating effective capacity.
State transformation	<ul style="list-style-type: none"> – Institutional transformations must respond to real governance conditions: political polarization, dissatisfaction with democracy, limited trust in institutions and institutional weakness. – In light of these constraints, institutional change cannot be linear or technocratic; it must be contextual, iterative and guided more by critical functions than by formal structures. – This is particularly important in a region characterized by territorial fragmentation of institutional capabilities, and the coexistence of robust institutional enclaves and areas with a precarious institutional presence.
Relationship with citizens	<ul style="list-style-type: none"> – Institutional legitimacy is built through interaction with an active and mixed society. Citizens, the private sector, academia and civil society are co-protagonists of change. – Co-creation, strategic deliberation and coordination of different interests are pillars of the approach, which entails reconfiguring the role of the State in dialogue with society.
Implications for public policies	<ul style="list-style-type: none"> – The approach shifts the emphasis from "what" must be done to "how" to do it. – Implementation ceases to be subordinate to design and becomes the strategic core of public policies. – This change requires more sophisticated evaluation methodologies (prospective, territorial, functional), integrated measurement and capacity to navigate complexity, maintain legitimacy and achieve results. – Recognizing the structural heterogeneity of capabilities is essential to formulate differentiated, viable strategies adapted to institutional trajectories and accumulated gaps.

Source: Prepared by the authors; and Brinks, D. M., Levitsky, S. and Murillo, M. V. (2019). *Understanding Institutional Weakness: Power and Design in Latin American Institutions*. Cambridge University Press.

B. Technical capabilities: how to transform knowledge into sound and coherent public policies

Technical capabilities are the body of specialized knowledge, analytical methods and professional competencies that enable understanding of reality and transformation of this knowledge into sound public policies.

As underscored by ECLAC (2024) and Sanguinetti et al. (2015), reliable data, timely analysis and qualified technical staff are not non-essential attributes, but rather necessary conditions for designing effective public policies. These technical capabilities are essential to address development challenges, as they enable a more accurate understanding of public issues, the design of more relevant interventions and execution of evidence-based initiatives. The specialized literature has shown that institutions with greater analytical and technical capabilities tend to formulate more coherent, focused and measurable policies (World Bank, 2017). In this framework, strengthening of statistical capabilities and policy analysis is a critical factor to improve, for example, the quality of public spending, equity in service provision and effectiveness of the State apparatus. Likewise, as put forward by OECD (2018), normative and budgetary coherence—the alignment of strategic objectives, legal frameworks and allocated resources—is essential to ensure effective implementation of international commitments, such as the 2030 Agenda for Sustainable Development, and to avoid contradictions between sectors or levels of government. This technical dimension is therefore the invisible, yet decisive, foundation that links information with action and political intention with tangible results.

Table II.3 outlines the key functions of technical capabilities within the TOPP capabilities matrix, along with its substantive objectives and associated instruments and examples. These functions operate interdependently and represent the analytical core that enables knowledge to be translated into coherent and sustainable public policies.

Table II.3

Technical capability: key functions within the TOPP capabilities matrix

Key functions	Substantive objectives	Instruments and examples
Rigorous assessment and strategic vision	Use the accumulated specialized knowledge, analytical methods and professional competencies that enable understanding of reality and transformation of this knowledge into sound public policies.	<ul style="list-style-type: none"> – Sound and timely statistical systems. – Multidisciplinary teams that combine quantitative and qualitative methods, strategic planning and sectoral foresight. – Modelling of gaps and trends relating to health, education, infrastructure and digital transition, for example.
Normative coherence	Translate development goals into coherent legal and budgetary frameworks.	<ul style="list-style-type: none"> – Systematic review of sectoral laws. – Preparation of coherence maps for laws and regulations. – Early linkage with budget planning processes.
Evidence-based design and formulation	Design solid and context-specific interventions.	<ul style="list-style-type: none"> – Ex ante cost-benefit analysis and feasibility analysis. – Pilot prototypes and clear logical frameworks. – Calibration of incentives and selection of instruments suited to each territory.
Cycle of learning and continuous improvement	Ensure adaptation and accountability throughout the implementation process.	<ul style="list-style-type: none"> – Performance indicators and dashboards. – Feedback mechanisms and periodic review of assumptions. – Process and impact assessments that inform timely adjustments.

Source: Prepared by the authors.

Within the TOPP institutional capabilities matrix, technical capabilities fuel the other dimensions, as they support operational capabilities with analytical inputs, provide credible grounds for political negotiation and feed the prospective function with projections and scenarios. Without a solid core (data, analysis and normative coherence), institutional action runs the risk of being restricted to intuition and improvisation, which undermines its legitimacy and effectiveness.

C. Operational capabilities: why they are crucial for effective realization of transformations

Operational capabilities encompass the administrative and management skills needed to implement policies effectively and efficiently. They are manifested in the command of advanced public management instruments (planning, budgeting, monitoring of results), in inter-institutional coordination protocols to limit duplication and in sound accountability mechanisms. These capabilities increasingly also require the building and continuous improvement of digital skills, which includes the strategic use of emerging technologies and artificial intelligence to optimize processes, enhance traceability of decisions and strengthen data-based management.⁷ While the technical dimension defines what must be done and the grounds for doing so, the operational dimension specifies how transformations are carried out, as it establishes processes, allocates resources and organizes the mechanisms that translate policies into tangible results.

Operational capabilities are important because they serve as a bridge between design and impact, and drive institutional effectiveness. According to ECLAC (2024), Franco Chuaire and Scartascini (2014), and Tommasi and Scartascini (2012), many reforms are unsuccessful not because of conceptual failures, but because organizations lack routines, incentives and checks that bring about change. A policy that is flawless on paper loses relevance if it is not accompanied by processes including buy-in, execution and follow-up that are aligned with objectives.

They also drive the effectiveness and agility of institutions. Instruments such as multi-year budgets, results-based programmes and real-time monitoring systems reduce transaction costs and ensure that resources are swiftly redirected when economic or social conditions change. Thus, operational capabilities afford institutions the flexibility needed to implement policies effectively and in a timely manner, strengthening citizens' trust in institutional action (ECLAC, 2021) (see table II.4).

Table II.4

Operational capability: key functions within the TOPP capabilities matrix

Key functions	Substantive objectives	Instruments and examples
Resource planning and programming	Ensure strategic coherence and macrofiscal consistency of objectives and the programme portfolio.	Multi-year budgets; results-based programming; dashboards of sectoral goals.
Inter-institutional coordination	Ensure the coherence and complementarity of institutional action.	Interministerial cabinets; management agreements between levels of government; digital interoperability platforms.
Administrative and contractual management	Ensure agile and transparent procurement, contracts and operating processes.	Regulatory frameworks for public procurement; online procurement portals; integrity clauses in contracts.
Flexible and adaptive execution	Swiftly redirect resources and adjust processes in light of changes in environment.	Real-time monitoring systems; contingency funds; crisis management protocols.
Monitoring and accountability	Evaluate performance and strengthen citizen trust.	Management indicators; external audits; periodic progress reports; social control mechanisms.

Source: Prepared by the authors.

To sum up, operational capabilities are a framework that translates policy design into tangible results. Without well-calibrated execution processes, technical evidence has no impact; without administrative flexibility, foresight fades; and without checks and accountability, political support is eroded. Strengthening this dimension means modernizing management systems, fostering horizontal and vertical coordination among entities and consolidating monitoring routines to correct course in real time. Only in this way can institutional action become agile and reliable enough to bring about vital transformations.

⁷ In that regard, it is interesting to consider the concept of "broadened institutional capabilities", which refers to the potential to expand and improve an institution's skills, resources and competencies through the strategic use of digital technologies and artificial intelligence. This approach enables reflection on how technological advances can strengthen human and organizational capacity, ensuring more effective and adaptive institutional action.

D. Political capabilities: how to mobilize support, manage conflicts and ensure continuity of transformations

Political capabilities refer to institutions' ability to occupy the political space corresponding to their mandate, mobilize support, negotiate broad shared visions and grant legitimacy to public decisions. Rather than depending solely on the will of the authorities, they are a set of institutional routines, competencies and arrangements that translate policies into collective commitments that are stable over time. In addition, they fundamentally entail the exercise of public leadership that demonstrates the ability to understand context, align different actors and sustain transformative processes.

1. Building of legitimacy and shared narratives

- Formulating and conveying accounts of collective benefit are decisive in aligning heterogeneous interests. Comparative data show that the quality of narratives influences the willingness of political, business and social actors to bear short-term costs.
- A persuasive narrative must be based on verified data (link with technical dimension) and on social dialogue mechanisms that give voice to affected groups.

2. Management of coalitions and compensation

- Profound transformations create winners and losers. Political capabilities create spaces for negotiation to agree on well-designed compensation (e.g. short-term transfers, temporary support and retraining) which eases resistance. This refers to the capacity to understand the political economy of transformations and manage it successfully.

3. Stability beyond the electoral cycle

- When coalitions are based on programmatic agreements and not just on ad hoc arrangements, policies transcend government cycles (ECLAC, 2024).
- Safeguard clauses (e.g. framework laws, multiparty agreements or extrabudgetary funds with clear rules) protect transformations from political swings.

4. Licence to innovate and assume risks

Solid political support creates more room to experiment with novel instruments (innovation missions, green public procurement, regulatory pilot tests) minimizing the risk of being blocked (Mazzucato et al., 2021).

- Thus, the political dimension feeds the dynamic capabilities of institutions by legitimizing the reallocation of resources and supporting adjustments when information linked to implementation indicates the need to correct course (see table II.5).

In sum, political capabilities are a coordinating pillar of TOPP capabilities. Without social acceptance, technical assessments lack support; without stable coalitions, the operational machinery slows down; and without a long-term vision, the prospective agenda loses direction. Strengthening this dimension means professionalizing public communication, consolidating permanent forums for social dialogue and designing institutional safeguards that ensure the continuity and coherence of transformations. Driving transformative public leadership, in this framework, is a priority, and means building competencies for negotiation, strategic communication, collaborative management of networks and coordination of public and private actors.

Table II.5

Political capability: key functions within the TOPP capabilities matrix

Key functions	Substantive objectives	Instruments and examples
Narratives and strategic communication	Foster understanding and social support for transformation.	Evidence-based information campaigns, citizen impact reports, open data portals.
Coordination of coalitions	Involve actors with divergent interests in the pursuit of shared goals.	Multiparty round tables, fiscal or climate compacts, sectoral agreements with trade unions and businesses.
Institutional resilience mechanisms	Safeguard policies from changes in government and external shocks.	Framework laws, funds with tripartite governance, periodic review clauses with high veto thresholds.
Management of compensation and conflicts	Reduce resistance and distribute costs and benefits equitably.	Programmes for a just transition, conditional transfers, retraining systems financed by institutions.
Licence to innovate	Create political spaces to design prototypes, learn and scale up new solutions.	Regulatory pilot tests (controlled test environments), experimentation budgets, missions targeting high-impact results.

Source: Prepared by the authors, on the basis of Acemoglu, D. and Robinson, J.A. (2012). *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Business; Acemoglu, D. and Robinson, J. A. (2019). *The Narrow Corridor: States, Societies, and the Fate of Liberty*. Penguin Press; Economic Commission for Latin America and the Caribbean. (2020). *Building a New Future: Transformative Recovery with Equality and Sustainability* (LC/SES.38/3-P/Rev.1); Economic Commission for Latin America and the Caribbean. (2024). *Development Traps in Latin America and the Caribbean: Vital Transformations and How to Manage Them* (LC/SES.40/3-P/-*); and Mazzucato, M., Kattel, R., Quaggiotto, G. and Begovic, M. (2021). *COVID-19 and the Need for Dynamic State Capabilities: An International Comparison*. United Nations Development Programme.

E. Prospective capabilities: how to anticipate disruptions and strategically guide transformations

Prospective capabilities represent institutions' ability to consider the future and incorporate it into decisions made in the present, interpret early signs of change and translate these insights into strategic decisions. Foresight for development is conceived as a "permanent and systematic process of participatory reflection on the different future options, in which the State takes the lead, driving the production of anticipatory knowledge and the building of consensus-based visions of the future. These are then turned into national and territorial public policies to achieve sustainable development" (ECLAC, 2023, p. 81). According to Quay (2010), foresight is a process that continuously feeds the public policy cycle.

Prospective exercises, such as monitoring of megatrends and continuous assessment of scenarios, facilitate the adaptation of institutions amid crises and transformations. In addition to providing technical inputs, foresight fosters a culture of flexibility and adaptability in public policymaking, promoting a long-term strategic vision (Heo and Seo, 2021). Foresight for development enables the design of long-term strategies and the improvement of decision-making through the identification of threats and opportunities. Its impact is greater when combined with strategic planning, as it generates continuous feedback that ensures that public policies are rational and coherent (see table II.6).

It is important to recognize that these prospective capabilities do not depend only on specific methodologies or techniques, but require deep cultural transformations in institutions, involving attitudinal, cultural and cognitive changes.

Table II.6

Prospective capability: key functions within the TOPP capabilities matrix

Key functions	Substantive objectives	Instruments and examples
Monitoring of trends	Identify technological, climate, demographic and geopolitical risks and opportunities before they materialize	Systems to explore megatrends, big data analysis, expert networks
Scenario-building	Explore alternative futures	Multi-stakeholder workshops, simulation models, future design methodologies
Integration into planning	Link long-term vision with resource allocation and budget planning	National or subnational development plans to 2030–2050, green and multi-year budgets
Building of forward-looking consensus	Adopt shared narratives that grant legitimacy to decisions in the present and reduce political volatility	Prospective round tables with the private sector and civil society, deliberative consultations, country missions

Source: Prepared by the authors.

To sum up, prospective capabilities operate as the navigation system of the TOPP capabilities matrix. Without strategic foresight, technical inputs run the risk of becoming obsolete; without a long-term road map, operational management becomes reactive; and without shared visions of the future, political capital becomes fragmented. Strengthening this dimension means institutionalizing monitoring of trends, incorporating scenario-building into the budget cycle and encouraging deliberative processes that translate such visions into institutional commitments, giving direction and meaning to transformations and ensuring that they are resilient.

F. Preliminary overview: technical, operational, political and prospective (TOPP) capabilities as a transformative implementation platform

The overview of the four dimensions—technical, operational, political and prospective—confirms that institutional capability cannot be deemed an inventory of resources or a sum of isolated reforms. The comparative data and experience of Latin America and the Caribbean show that:

- Without a technical base, there is no reliable assessment or evidence-based design.
- Without operational muscle, plans become diluted upon execution.
- Without political coalitions, transformations lack feasibility, continuity and legitimacy.
- Without foresight, public decisions remain constrained by the present and it is impossible to anticipate shocks or guide major transformations.

Against this backdrop, TOPP capabilities provide an integrated framework that translates this assessment into practical tools for institutional strengthening. In particular, they provide clear guidelines for:

- Identifying institutional gaps in a systematic and non-fragmented manner.
- Prioritizing investment in institutional strengthening, on the basis of actual bottlenecks.
- Aligning goals for growth, inclusion and sustainability with institutional capabilities whose continuity is ensured over time.

Therefore, the point is not to choose one dimension over another, but to build a solid institutional ecosystem in which TOPP capabilities mutually reinforce each other and constitute a transformative implementation platform.

CHAPTER



Measuring institutional capabilities: critical review and methodological challenges of the technical, operational, political and prospective (TOPP) capabilities approach

Strengthening TOPP capabilities calls for metrics that allow accurate identification of gaps, monitoring of progress and guidance for necessary reforms. Though international experience in the measurement of institutional capacity is significant, it has focused mainly on aggregate, comparative and normative approaches, which do not always capture the functional, contextual and transformative specificities outlined in the TOPP capabilities approach.

Thus, these capabilities cannot be measured solely on the basis of traditional rationales, and there is need of a methodology consistent with the systemic, situated and adaptive nature of the new paradigm. Instead of trying to develop a single or universal instrument, the challenge is integrating conceptual frameworks, practical instruments and participatory approaches that better reflect the complexity of institutional change in Latin America and the Caribbean.

International experience shows that there is no single or universally accepted method for evaluating institutional capacity. However, there are a number of instruments that partially capture the problem.

An initial approach is categorizing measurement instruments according to their purpose and comparability, as proposed by Wojewnik-Filipkowska et al. (2024):

- Practical guides: provide practical guidance to build capacity (such as innovation or data use). They do not generate data or classifications, but serve to guide action.
- Reference frameworks: show the emergence or development of capabilities, without drawing comparisons between organizations. They are useful for monitoring progress internally.
- Indices: allow comparison of governments' or organizations' capacity through standardized scales. Although they provide overall visibility, they may not reflect specific contexts.

In recent decades, measurement of institutional capability has evolved from aggregate instruments of international comparative analysis to more detailed and contextualized methodologies. This transition can be analysed through three main approaches:

- (i) Global indices of governance and State capacity, including instruments such as the World Bank's worldwide governance indicators, the ease of doing business index and the Bertelsmann transformation index. Although they have been useful for establishing international comparisons and highlighting institutional deficiencies, they are limited in terms of capturing internal processes and guiding specific reforms in national contexts.
- (ii) Conceptual frameworks, diagnostic guides and self-assessment instruments, such as the methodologies of OECD and UNDP. These tools focus on specific capabilities (e.g. innovation, data use and strategic planning) and offer models of institutional maturity that can be adapted to different contexts, fostering internal improvements without aiming for direct comparability.
- (iii) Iterative and participatory approaches, which combine different methodologies, such as administrative data analysis, qualitative interviews, institutional workshops and continuous feedback. More than measuring from the outside, these seek to create a shared picture of existing and desired capacity, fostering institutional learning and ownership of strengthening strategies.

The comparison presented in table III.1 is based on the classification proposed by Puttick (2024), of the Institute for Innovation and Public Purpose of University College London, which distinguishes between practical guides, reference frameworks and indices, according to their main function: guiding action, evaluating capabilities or comparing performance. In this document, this taxonomy is adapted to the institutional specificities of Latin America and the Caribbean, and incorporates two complementary analytical categories that more accurately capture methodological diversity: process maturity models and iterative learning approaches. Table III.1 outlines the scope, limitations and potential of these instruments in relation to the TOPP capabilities approach, with the aim of including them in national institutional strengthening strategies.

Table III.1

Methodologies for measuring institutional capabilities: lessons, strengths and limitations for the TOPP capabilities approach

Methodological category and examples	Main object of measurement	Strengths	Limitations
Synthetic governance indices <ul style="list-style-type: none"> – Worldwide governance indicators (World Bank) – Worldwide bureaucracy indicators (World Bank) – Global competitiveness index (World Economic Forum) 	Capture, through perception indicators and comparative data, the quality of the institutional environment (e.g. control of corruption, rule of law and government effectiveness).	Global coverage and time series; facilitate comparability between countries.	High level of aggregation; no distinction between TOPP functions; considerable weight of perception surveys.
Indices of structural State capacity <ul style="list-style-type: none"> – State Capacity Dataset (Hanson and Sigman, 2021) 	Measure the “hard infrastructure” of the State: extractive capacity (fiscal), coercive capacity (monopoly of force) and administrative capacity (meritocracy).	Use objective indicators and present long historical series.	Focus on traditional functions; are not highly sensitive to foresight or innovation; offer limited subnational coverage.
Process maturity models <ul style="list-style-type: none"> – Capability maturity model OECD, European Union – Index of the digital economy and society 	Evaluate the level of development of organizational processes (e.g. budget, procurement or data management) through progressive scales (generally from one to five levels) that identify strengths, gaps and plans for improvement.	Provide a sequential road map focused on continuous improvement; adapt to different sectors and ministries.	Require validated self-assessment; pose a risk of bias linked to the appearance of fulfilment.
Iterative and learning approaches <ul style="list-style-type: none"> – Problem-driven iterative adaptation (Andrews et al., 2017) – <i>Doing Development Differently</i> (ODI Global) 	Conceives capacity as a process: diagnose concrete problems, test solutions, learn and scale up.	Highly sensitive to context; strengthen the culture of experimentation and adjustment.	Require considerable time and technical support; limited international comparability.
Capability frameworks and instruments <ul style="list-style-type: none"> – Government Capability Framework (United Kingdom) – Competency Framework of the United Nations Development Programme – Bloomberg i-teams – Transformative capacity of public sector organizations 	List specific competencies (e.g. data analysis, user-centred design and foresight) and guide self-assessments.	Focused on talent management and training; come down to the level of the team or civil servant.	Limited international comparability; pose risk of fragmentation if not coordinated in a comprehensive framework.

Source: Prepared by the authors, on the basis of Wojewnik-Filipkowska, A., Gierusz-Matkowska, A. and Krauze-Maślankowska, P. (2024). Fundamental power of the city – A proposition of a new paradigm and index for city development. *Cities*, 144. <https://doi.org/10.1016/j.cities.2023.104630>; Puttick, R. (2024). The landscape of public sector capacity and capability frameworks, toolkits and indexes: what they do and what we can learn. Policy Report (2024/02). Institute for Innovation and Public Purpose; Kaufmann, D., Kraay, A. and Mastruzzi, M. (2010). The worldwide governance indicators: methodology and analytical issues. *Policy Research Working Paper* (5430). World Bank; Andrews, M., Pritchett, L. and Woolcock, M. (2017). *Building State Capability: Evidence, Analysis, Action*. Oxford University Press; Hanson, J. K. and Sigman, R. (2021). Leviathan’s latent dimensions: measuring state capacity for comparative political research. *The Journal of Politics*, 83(4). <https://doi.org/10.1086/715066>; Organisation for Economic Co-operation and Development. (2018). *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*. OECD Publishing; Florini, A., Sharma, S. and LaForge, G. (2022). *Governance for Systemic and Transformational Change: Redesigning Governance for the Anthropocene*. United Nations Development Programme.

This comparative mapping makes one thing clear: the current ecosystem of metrics on institutional capacity is as diverse as it is fragmented. Although existing instruments have helped to highlight gaps and foster improvement processes, their capacity to translate diagnoses into transformative action remains limited. Most instruments operate on the basis of external, standardized or sectoral rationales, with limited coordination between functional dimensions and without a systemic perspective of institutional trajectories.

Overcoming this fragmentation means advancing towards integrated and context-sensitive frameworks guided by critical functions, that activate technical, operational, political and prospective capabilities in a coordinated manner. Only with a coherent measurement architecture based on a TOPP capabilities approach will it be possible to ensure that capability assessment is a real lever to sustain transformative institutional strengthening in Latin America and the Caribbean.

In that connection, chapter IV presents a concrete road map that ECLAC proposes to implement under the TOPP institutional capabilities approach. This agenda includes the creation of a barometer of TOPP capabilities, conceived as a participatory instrument for institutional self-assessment, and a regional TOPP institutional capabilities index to produce comparable and actionable analyses, while remaining sensitive to national contexts. Both initiatives are part of a broader strategy of transformative institutional strengthening in the region that will help countries to overcome the trap of weak institutional capacity.

CHAPTER **IV**

Institutionalization
of the technical,
operational, political
and prospective (TOPP)
capabilities approach
as a programme of
work of ECLAC: road
map for adoption
and expansion

With a view to expanding the TOPP institutional capabilities approach from a concept to a structuring axis of the institutional efforts of ECLAC, the Commission's Executive Secretary has proposed an internal programme of work organized around three interrelated strategic areas of action which are outlined below.

A. Conceptual expansion and development of practical tools

ECLAC will strengthen its analytical capacity through a sustained agenda for applied research on institutional capabilities to manage vital transformations. This area addresses:

- Organization and consolidation of a substantive applied research agenda centred on TOPP institutional capabilities to manage vital transformations. This agenda, which ECLAC is already developing, must reflect greater analytical depth, methodological coordination and operational effectiveness, with a view to strengthening its strategic input into the regional discussion on the “hows” of development.
- Preparation of case studies on relevant institutional trajectories in Latin America and the Caribbean, which identify lessons, bottlenecks and enabling factors.
- Design of operational instruments, such as methodological frameworks, practical tools and implementation guides that translate the conceptual framework into concrete capabilities for the design, implementation and evaluation of public policies and their alignment with institutional capabilities.

B. Structured measurement and regional comparability

The second strategic area focuses on developing a coherent, useful and viable system of measurement that translates the TOPP capabilities approach into comparable and actionable analyses. This entails:

- Creating a barometer of TOPP capabilities, which will be a participatory instrument for institutional self-assessment to:
 - Identify gaps in TOPP capabilities.
 - Establish baselines and define plans for improvement.
 - Facilitate shared language among technical and political actors that guides reforms and resource allocation.
- Developing the regional index of TOPP capabilities, which means establishing a concise and harmonized set of indicators to monitor progress, identify gaps and facilitate comparative regional monitoring, while ensuring sensitivity to the institutional and contextual specificities of each country.
- Establishing a regional observatory of TOPP institutional capabilities that:
 - Consolidates analyses and systematization efforts.
 - Provides a toolkit of practical instruments with replicable methodologies, analytical resources and systematized good practices.
 - Fosters horizontal exchange and peer-to-peer learning.

C. Comprehensive strategies for institutional strengthening of ECLAC

This strategic area is intended to coherently coordinate the institutional capabilities needed at ECLAC to provide more effective support to specific institutions in the region with a view to bringing about vital transformations. It includes:

- Capacity-building and training: training programmes, self-paced courses, workshops, regional certification and specialized modules adapted to the four TOPP dimensions.
- Contextualized technical assistance for national and subnational governments.
- Organizational reform and innovation, with an emphasis on managing transformations.
- Spaces for technical and political dialogue to build legitimacy and sustainability of transformations.

These areas of action will be complemented with an active inter-institutional cooperation strategy. ECLAC will foster partnerships with national entities, organizations of the United Nations system, development banks and specialized academic centres, with the aim of coordinating efforts, sharing knowledge, mobilizing resources and scaling up successful interventions. This will consolidate a real regional ecosystem of TOPP institutional capabilities aligned with the challenges of sustainable development in Latin America and the Caribbean.

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The Economic Commission for Latin America and the Caribbean (ECLAC) has identified three structural traps that hinder development in the region: one of low capacity for growth and transformation, another of high inequality, low social mobility and weak social cohesion, and a third of low institutional capacity and ineffective governance. This third trap is particularly important for the analysis in this document, as it limits the effectiveness and continuity of public policies and reduces the scope for adapting them in the face of change and uncertainty.

The document posits that the critical question is not only “what” must be done for transformation, but also “how” to do so in a context of fragile institutions, political fragmentation and urgent economic, social and environmental demands. To this end, it sets out the approach of technical, operational, political and prospective (TOPP) institutional capabilities, a new analytical and operational paradigm for managing transformations.

These capabilities are not understood as static attributes, but rather as critical, dynamic and interdependent functions that can translate information into public action, enable effective implementation, underpin political legitimacy and anticipate disruptions and possible futures. They must be treated as a living system if institutions are to overcome the trap of institutional weakness and move towards productive, inclusive and sustainable development in the region.

