

# Panorama of Productive Development Policies in Latin America and the Caribbean

2024

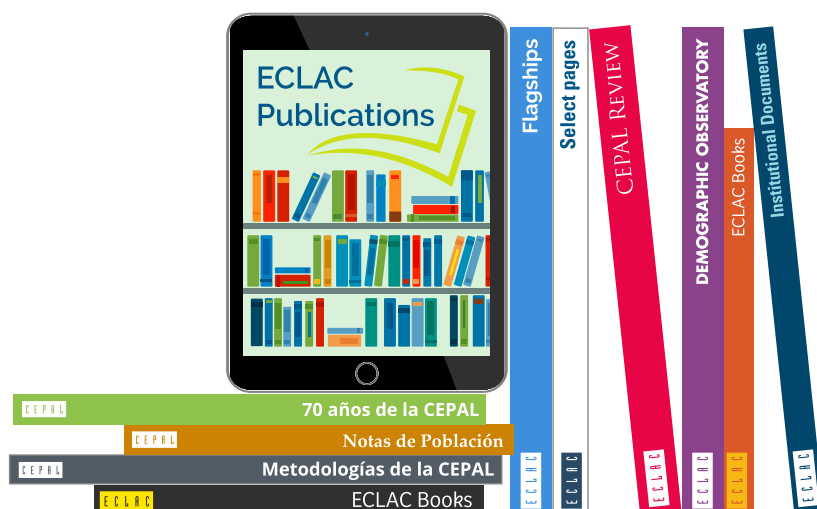
How can the region advance  
the great productive  
transformation it needs?



UNITED NATIONS

ECLAC

# Thank you for your interest in this ECLAC publication



Please register if you would like to receive information on our editorial products and activities. When you register, you may specify your particular areas of interest and you will gain access to our products in other formats.

[Register](#)



[www.cepal.org/en/publications](http://www.cepal.org/en/publications)



[www.instagram.com/publicacionesdelacepal](https://www.instagram.com/publicacionesdelacepal)



[www.facebook.com/publicacionesdelacepal](https://www.facebook.com/publicacionesdelacepal)



[www.issuu.com/publicacionescepal/stacks](http://www.issuu.com/publicacionescepal/stacks)



[www.cepal.org/es/publicaciones/apps](http://www.cepal.org/es/publicaciones/apps)

# Panorama of Productive Development Policies in Latin America and the Caribbean

2024

How can the region advance  
the great productive  
transformation it needs?



UNITED NATIONS

ECLAC

**José Manuel Salazar-Xirinachs**

Executive Secretary

**Javier Medina Vásquez**

Deputy Executive Secretary a.i.

**Marco Llinás Vargas**

Chief, Division of Production, Productivity and Management

**Sally Shaw**

Chief, Documents and Publications Division

This edition of the *Panorama of Productive Development Policies in Latin America and the Caribbean* was prepared by Felipe Correa, Marco Dini, Natalia Genta, Nicolo Gligo, Marco Llinás Vargas, Gabriel Porcile, Sebastián Rovira and Paul Wander, under the coordination of Marco Llinás Vargas and José Manuel Salazar-Xirinachs.

Research for the preparation and publication of this document was conducted in framework of the project “EU Regional Facility for Development in Transition for Latin America and the Caribbean”, financed by the European Commission, and the project “Recover better: overcoming the COVID-19 pandemic consequences in Latin America and the Caribbean”, implemented jointly by ECLAC Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and financed by the Federal Ministry for Economic Cooperation and Development (BMZ) of Germany.

Comments and suggestions were received from Fernando García, Jorge Mario Martínez, Ramón Padilla, Ángela Penagos, Cecilia Plottier and Nunzia Saporito.

Thanks are owed to the national and subnational government authorities for their inputs for the preparation of this document. The authors are also grateful for the inputs and suggestions from Valeria Arza, Micaela Camacho, Lorenzo Cassini, Paola Gómez, Andrea Heredia, Ernesto Labra, Martín Lavalleja, Emanuel López, Guillermo Peredo, João Romero, Iván Silva and Federico Stezano.

Neither the European Union nor any person acting on behalf of the European Union is responsible for the use that might be made of the information contained in this publication. The opinions expressed are those of the authors only and should not be considered as representative of the opinion or position of the European Union or its member countries.

The United Nations and the countries it represents assume no responsibility for the content of links to external sites in this publication.

---

United Nations publication

LC/PUB.2024/17

Distribution: G

Copyright © United Nations, 2024

All rights reserved

Printed at United Nations, Santiago

S.2400936[E]

---

Explanatory notes:

Three dots indicate that data are not available or are not separately reported.

A dash indicates that the amount is nil or negligible.

A full stop is used to indicate decimals.

The word “dollars” refers to United States dollars, unless otherwise specified.

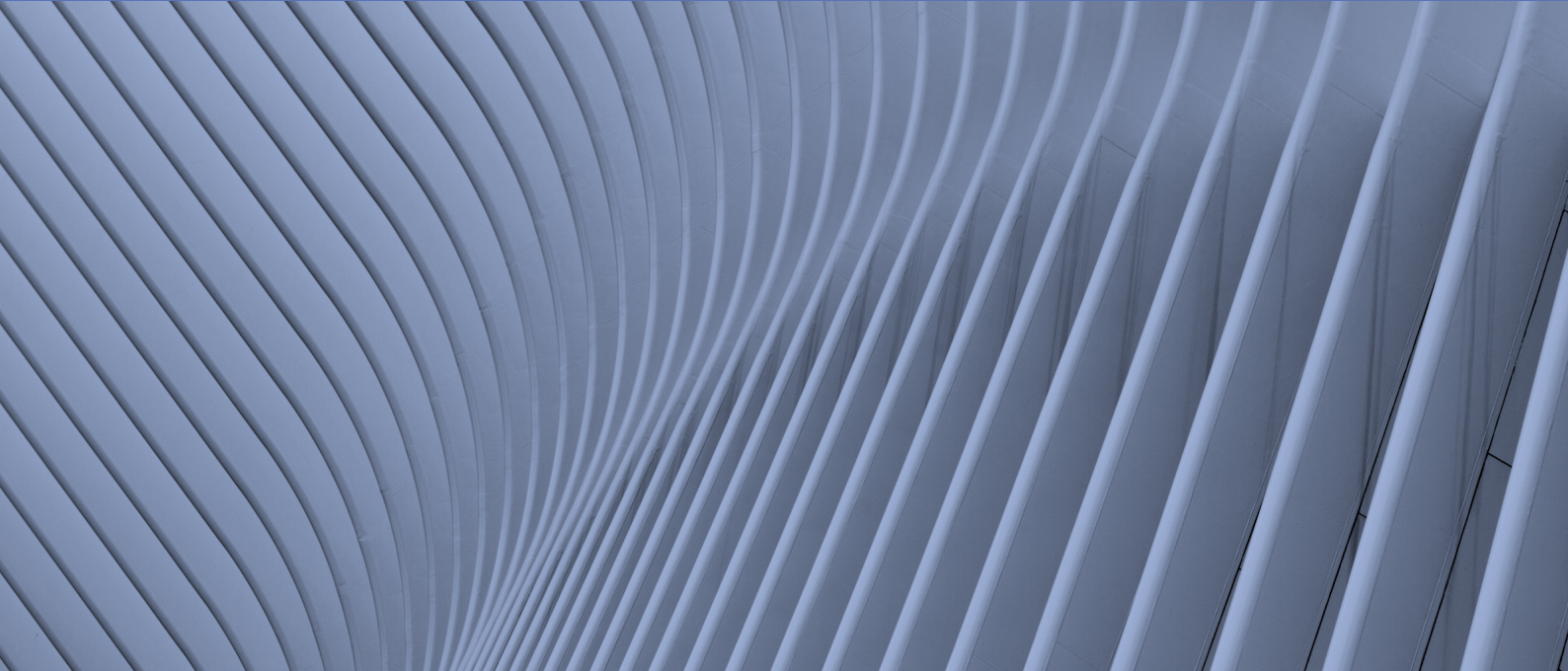
A slash between years (e.g. 2023/2024) indicates a 12-month period falling between the two years.

Individual figures and percentages in graphs and tables may not always add up to the corresponding total because of rounding.

This publication should be cited as: Economic Commission for Latin America and the Caribbean (ECLAC), *Panorama of Productive Development Policies in Latin America and the Caribbean, 2024. Executive summary* (LC/PUB.2024/17), Santiago, 2024.

Applications for authorization to reproduce this work in whole or in part should be sent to the Economic Commission for Latin America and the Caribbean (ECLAC), Documents and Publications Division, publicaciones.cepal@un.org. Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and to inform ECLAC of such reproduction.





# Foreword and Executive summary

---

Foreword.....	5
Executive summary.....	9
A. The low-growth trap in Latin America: the role of productivity.....	9
B. A new vision and a new conviction for productive development policies in the region.....	11
C. Productive development policies of national governments in Latin America and the Caribbean: an initial exercise to characterize and quantify their instruments.....	13
D. Productive development policy institutions and governance in Latin America and the Caribbean.....	15
E. Subnational productive development policies in Latin America and the Caribbean.....	16
F. Cluster initiatives and other productive harmonization initiatives.....	18
G. Guidelines and recommendations for regional implementation of productive development policies.....	18



## Foreword

The Economic Commission for Latin America and the Caribbean (ECLAC) posits that most countries of the region are mired in three traps: an inability to grow; high inequality, with low mobility and cohesion; and low institutional capacity and ineffective governance.

Gradual adjustments and change will not be enough; major transformations in development patterns are needed for the countries of the region to break from these traps. In this regard, ECLAC has proposed 11 great transformations that it considers vital,<sup>1</sup> one of which is a major productive transformation in growth and development models. Without this, progress on the other transformations will not be possible. The aim is to promote not just higher and more sustained growth, but growth that is also more inclusive and sustainable.

The numbers on the low-growth trap speak volumes: in the 10 years from 2014 to 2023, the region grew at an annual average rate of just 0.9% —less than the 2% recorded in the lost decade of the 1980s— meaning that the region rounded off a decade that was even more “lost” than the first. The question now is what needs to be done to avoid a third lost decade and how to do it.

International experience shows that productive development policies are the main instrument for fostering higher, sustained, inclusive and sustainable growth. It goes without saying that an enabling macroeconomic environment is also essential, but while macroeconomic stability is a necessary condition, it does not suffice. Productive development policies are the tools that can be used to raise investment rates, increase productivity, focus on sectors that drive growth, train human resources to meet the needs of driving sectors, develop solid business ecosystems, remove obstacles and bottlenecks, and make course corrections in response to the changing scenarios of the global economy and geopolitics. ECLAC is recommending that all this be done in keeping with a new approach to productive development policies that differs substantially from what has hitherto been referred to as “industrial policies”.

With this vision in mind, I am pleased to present this *Panorama of Productive Development Policies in Latin America and the Caribbean*.

Chapter I presents an analysis of the many causes of low growth in the region, notably the low level of investment in the countries and anaemic productivity growth, with productivity remaining virtually stagnant and even declining in recent decades.

A simple definition of productivity is “producing more with less”. While not wrong, this definition can be misleading as the idea is not to produce more of the same with fewer resources. The true challenge of productive development and productivity is learning to do new things with new production methods, all the more so in an era of rapid technological change that is transforming production paradigms. The aim is to build more sophisticated, diversified economies and bring about virtuous structural change that results in greater aggregate productivity. This includes continuing to improve economic fundamentals, namely the conditions pertaining to education, governance, infrastructure and macroeconomic stability, among others. However, empirical data show that countries do not need to attain the same conditions as developed countries before they can drive this transformation process. Many have been able to break from the balancing act between low productivity and income growth by transforming their economies through what the literature refers to as industrial policies, but what we at ECLAC prefer to call productive development policies.

---

<sup>1</sup> See *CEPAL Review*, “Towards a more productive, inclusive and sustainable development model” (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2023.

Chapter II of this document provides a description of a new vision of productive development policies and how they differ from industrial policies.

It is a vision that takes a broader approach, whereby various sectors of the economy, not just the industrial sector, could be governed by these policies and yield high benefits in terms of economies of scale, productive linkages, skilled human resources, productivity and employment. Under this vision:

- Countries —and regions or territories therein— would define production priorities based on driving sectors that not only become drivers of productivity, but also transform the structure of the economy to make it more productive.
- Policies are seen primarily as collaboration between the public sector, the private sector, academia and civil society to identify and address bottlenecks and implement strategies to transform economies.
- Work is undertaken in a coordinated manner in multiple areas, including science, technology and innovation, technological extension services, entrepreneurship, digital transformation, closing talent gaps, financing, investment, specific infrastructure and other public goods, policy and regulatory agendas, and internationalization, among others.
- The use of instruments such as incentives is not ruled out a priori, but governance and collaboration between the key actors in each sector is a priority, as is the case in the cluster initiatives approach.
- Local stakeholders in the various regions or territories play a greater role, in a bottom-up approach that complements top-down approaches in the design and implementation of these policies, meaning that it promotes models of interaction between the different levels of policy formulation and implementation.
- An experimentalist governance approach is adopted, in which policy management is understood as collaborative and iterative processes, where problems are both identified and solved through multi-stakeholder collaboration, based on continuous iterations and sustained implementation over time. In other words, it is a model in which recursiveness prevails, in which implementation, evaluation, adjustment and renewed implementation take place in a continuous iterative learning process.
- Policies are envisaged with a focus on internationalization, in the broadest sense of the term. This means that, among other things, productive development policies are aimed at positioning the production of goods and services in international markets and at competing with imports, within the framework of economies that are increasingly open to international competition. It also involves attracting foreign capital to leverage these efforts; tapping into global sources of technology and knowledge, including through flows of people and, in particular, diasporas; and the possibility of working with countries both within and outside the region on agendas to strengthen productive development efforts.

The countries of Latin America and the Caribbean have been implementing productive development policies since their birth as independent nations. From the mid-twentieth century on, there was a drive towards import substitution industrialization, which then shifted to a very different phase of openness and international integration as the region began to embrace the Washington Consensus in the 1980s and 1990s. Yet even at this stage, productive development policies were not abandoned, although there was less State intervention and a shift in focus.

This document sets out a number of hypotheses regarding the efforts of the last few decades: they are marginal relative both to the productivity challenge being faced and to what other countries are doing in this area; they are poorly harmonized and coordinated; they have often lacked continuity, undergoing major modifications following changes of government; they have been managed mainly with a centralized approach, with little involvement of local stakeholders in regions and territories; and they have seldom been evaluated. This is why, in general, they have not had the impact expected of them, as evidenced by the region's poor performance in productivity, growth and productive transformation.

Chapters III, IV and IV of this Panorama seek to validate or rule out these hypotheses. Chapter III presents an exercise to characterize the productive development policy instruments implemented by a group of countries in the region and to quantify their fiscal cost. Chapter IV includes an analysis of the institutions and governance mechanisms for productive development policies in some countries. Chapter V contains a review of productive development policy efforts at the subnational level.

The data and analysis presented therein suggest that the hypotheses put forward regarding productive development policies in the region cannot be ruled out. They illustrate the importance of continued in-depth analysis and point to areas of research that can be developed by ECLAC and other actors from academia and the research community.

We have been emphasizing that it is not enough to simply indicate what must be done to transform development models with statements such as “productivity must be improved”, “the export basket needs to become more sophisticated and diversified” or “increased investment in R&D is needed”; rather, we must examine in greater depth ‘how’ to do these things, specifically how to manage these and other transformations. This leads us to the issues of governance mechanisms, the technical, operational, political and prospective (TOPP) capabilities of the institutions responsible for policymaking for these transformations, spaces for social dialogue and the political economy of coalitions in favour of change compared with those against change.<sup>2</sup>

Accordingly, chapters II through V present recommendations and guidelines for scaling up and improving productive development policies in the region, both at the national level and at the subnational and local levels. These guidelines are not intended to be exhaustive, nor do they aim to be detailed or in-depth enough to be directly applicable to different contexts. However, they are an attempt to move the discussion towards practical and tangible proposals that will enable progress in the field of productive development policies, while at the same time serving as a guide for the technical assistance initiatives of ECLAC and other international organizations.

ECLAC publishes annual flagship reports on various themes that are central to the development agenda for Latin America and the Caribbean. However, to date, neither ECLAC nor other organizations have published regular reports on one key area: the policies needed to break from the low-growth trap and drive higher, sustained, inclusive and sustainable growth. This new institutional document aims to fill that gap, analysing the efforts undertaken by the countries of the region and their territories in this area, but also drawing lessons and formulating proposals for scaling up and improving these policies.

---

<sup>2</sup> See Salazar-Xirinachs, “Rethinking, reimagining and transforming: the ‘whats’ and the ‘hows’ for moving towards a more productive, inclusive and sustainable development model”, *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2023.

I would like to take this opportunity to extend special thanks to the European Commission, the Federal Ministry of Economic Cooperation and Development (BMZ) of Germany and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for the support provided in various respects, which made it possible to carry out in-depth research for the preparation of the first edition of this publication.

One of the most important takeaways from the extensive literature on growth, economic transformation and development is that countries that are able to accelerate their productive transformation and raise standards of living are the ones that develop a culture of growth and prosperity and a commitment to policies in this area.<sup>3</sup> We hope that this new *Panorama of Productive Development Policies in Latin America and the Caribbean*, by raising awareness and expanding knowledge on the subject, will help to strengthen the culture of productive development and commitment to this issue in the countries of the region.

**José Manuel Salazar-Xirinachs**

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

---

<sup>3</sup> J. Mokyr, *A Culture of Growth: The Origins of the Modern Economy*, New Jersey, Princeton University Press, 2017; S. S. Cohen and J. B. DeLong, *Concrete Economics: The Hamilton Approach to Economic Growth and Policy*, Harvard Business Review Press, 2016.

## Executive summary

### A. The low-growth trap in Latin America: the role of productivity

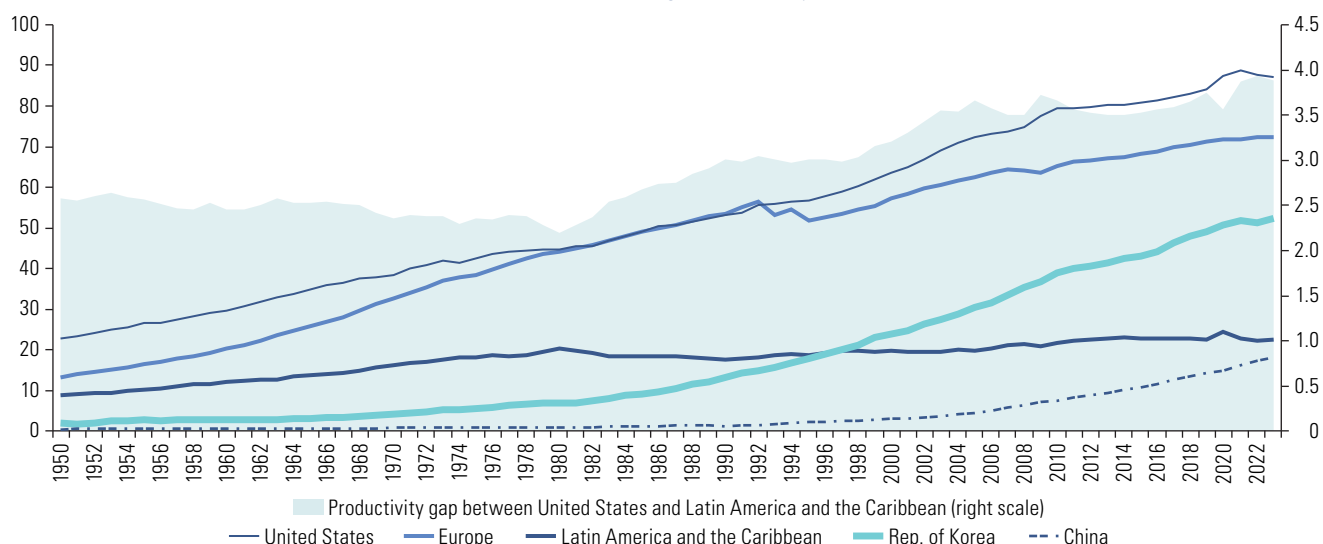
Latin America and the Caribbean is mired in three traps that are hampering its development: weak capacity for growth; high inequality and limited social mobility and social cohesion; and weak and ineffective institutional and governance capacities. The structural problem of low growth is clearly reflected in the steady decline in long-term trend growth over more than four decades, ending in another lost decade between 2014 and 2023, during which the region recorded average annual growth of just 0.9%, much lower than the 2% registered in the notorious lost decade of the 1980s.

The region has failed to find a steady path to economic growth. First, it lags far behind other regions in terms of investment, recording the lowest levels worldwide. Second, and perhaps more importantly, its productivity has stagnated, and even declined, in recent decades. As explained in detail in *Economic Survey of Latin America and the Caribbean, 2024*, this low-growth trap is also weighing heavily on the capacity to create good-quality jobs and to sustain dynamic labour markets.

#### 1. Productivity has stagnated and waned in recent decades

The analysis of labour productivity in chapter I of the present document reveals stagnation in the region, widening the gap with more advanced countries. In 2022, productivity was four times greater in the United States than in Latin America and the Caribbean, almost double the ratio since 1950 (see figure 1). However, trends among the countries of the region are mixed: while Panama recorded an impressive increase of 151% in labour productivity between 2005 and 2024, narrowing its relative gap, productivity fell by 52% in the Bolivarian Republic of Venezuela.

**Figure 1**  
Production per hour worked and productivity gap vis-à-vis United States, 1950–2023  
(GDP in international constant dollars at 2017 prices at purchasing power parity)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of The Conference Board, Total Economy Database [online] <https://www.conference-board.org/data/economydatabase/total-economy-database-productivity>.

Meanwhile, the contribution of total factor productivity to the region's per capita GDP growth in recent decades has been negative owing to a series of challenges, such as lack of investment in human capital, poor education quality, scarce fixed capital formation, and a political, social and economic environment that is not always favourable to business activity.

Also underlying this mediocre productivity in Latin America and the Caribbean are considerably mixed productivity levels and trends based on economic sector, company size and subnational territory. This heterogeneity is evident in the coexistence of high- and low-productivity sectors, and in the large productivity gaps between companies of different sizes and between different regions of the same country, resulting in a multilevel economic dualism of sorts. Highly uneven productivity, exacerbated by high rates of labour and business informality in particular, hinder productive linkages.

## 2. Labour force and technological complexity and intensity as determinants of productivity

Workers' education and skills play a key role in productivity. Latin America and the Caribbean face significant challenges in this respect, especially with regard to the quality of education and human resource training. The progress made in the region in terms of years of schooling has not translated into stronger economic growth. Part of the reason is that this progress has not produced education outcomes (skills, competencies, capabilities, characteristics) that result in a more productive labour force, which is linked with the poor quality of education in many of the region's countries, as measured by standardized tests. Another factor is the region's economic structure, which, even with the expansion of education giving rise to a workforce with greater productive potential, fails to ensure that this greater "human capital" is leveraged and employed in dynamic and high-productivity sectors.<sup>1</sup> Moreover, the region's low productivity growth is consistent with the weak technological complexity and sophistication of its productive structures. Indicators such as the economic complexity index and the relative share index for engineering-intensive industries reveal structural weaknesses in this respect. In other words, the failure to fundamentally transform the region's economies has made it impossible to achieve stronger productivity growth.

In order to break free from the low-growth trap, which is largely due to weak productivity and the absence of structural change, efforts are required on numerous fronts, including the improvement of economic fundamentals,<sup>2</sup> which entails decades of constant improvement and a long-term perspective. However, productive development policies are an area of work that would yield progress within a reasonable time frame. If the countries applied these policies thoroughly and effectively, they would not need to await the outcome of lengthy prior reform processes, or to have an excellent business climate already in place, in order to increase their productivity and thence their growth.

For this reason, ECLAC has reiterated that Latin America and the Caribbean must scale up and improve productive development policies that foster productivity and bring about a virtuous structural shift towards sectors that are more dynamic and generate higher value added. Narrowing productivity gaps, encouraging the appropriation of technology and knowledge, and creating the economic conditions to leverage the potential of the labour force are essential measures that must be incorporated into such policies, with a view to achieving sustainable and inclusive growth that reduces inequalities and improves the well-being of the region's population.

<sup>1</sup> L. Pritchett, "When does education drive growth and when does it not? Education policies for transformative growth", paper presented at the lecture series as part of the seventy-fifth anniversary of ECLAC, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 18 March 2024, forthcoming.

<sup>2</sup> Understood in this analysis as conditions of education, governance and macroeconomic stability.

## B. A new vision and a new conviction for productive development policies in the region

In the history of economic development, no country has successfully made the transition from agrarian to industrial economy without the implementation of selective productive development policies. In Latin America and the Caribbean, import substitution industrialization policies were popular between 1950 and 1980, but subsequently exhausted owing to their prioritization of the domestic market over the international market and excessive tariff protection, which thwarted the shift towards competitive exports and more innovative and productive sectors and production methods.

Implementation of productive development policies in the region declined in the 1980s, when grave economic crises resulted in external trade liberalization and structural adjustment policies focused on macroeconomic factors, all heavily influenced by the Washington Consensus, which, despite including some positive elements, dismissed the importance of productive development policies and the State's role in economic transformation. In spite of this shift, these policies never fully disappeared, and their re-emergence in the past decade has been strong and buoyed by innovation.

New trends, including the rearrangement of global value chains, the rise of China as an economic power, growing geopolitical tensions, the need for greener and more sustainable growth, and greater awareness of the dangers of high social inequality, have prompted the resurgence of productive development policies. However, this does not mean that Latin America and the Caribbean should merely try to emulate the policies implemented outside the region. It must adopt a new vision for productive development policies that address its own challenges and characteristics.

### 1. New rationales, new scope and new vision for productive development policies for Latin America and the Caribbean

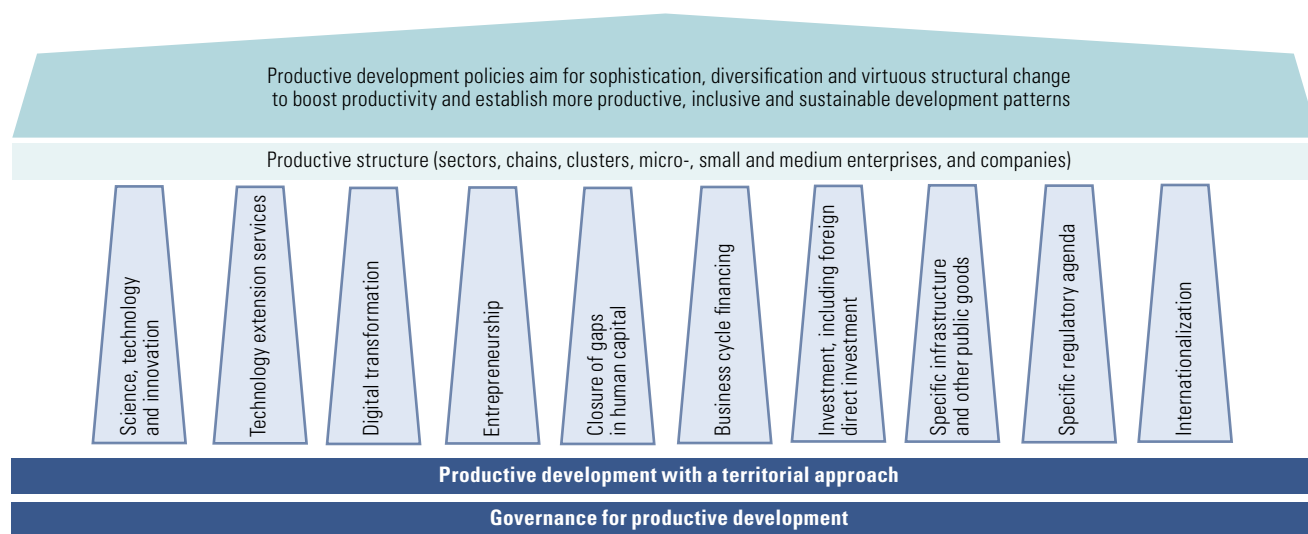
Chapter II of the present document summarizes the ECLAC proposal for new rationales, a new scope and a new vision for productive development policies adapted to the current context and specific conditions in the region. Briefly, these policies may be understood as horizontal and vertical efforts aimed directly at productive transformation, in other words, sophisticating, diversifying and producing virtuous structural change in the productive apparatus, as a vehicle for increasing productivity and thereby achieving more productive, inclusive and sustainable development.

According to this definition, these policies are applicable to many sectors of the economy, not just the industrial sector. Broadly speaking, this new vision of productive development policies:

- Advocates for the countries and their respective territories to define productive priorities on the basis of driving sectors that may not only spur productive development, but also transform economies to achieve stronger, sustained, inclusive and sustainable growth.
- Includes the understanding that these policies are mainly collaborative efforts involving the public and private sectors, academia and civil society to identify and address bottlenecks and implement strategies for economic transformation. Therefore, governance, understood as the various mechanisms—forums, ground rules, characteristics and incentives—that enable multiple stakeholders, resources and efforts to be coordinated at different levels of government, becomes key.

- Implies coordinated work on a number of fronts, including science, technology and innovation; technology extension; entrepreneurship; digital transformation; closure of human resource gaps; financing; investment; specific infrastructure and other specific public goods; regulatory agendas and specific regulations; and internationalization, for example (see diagram 1).
- Does not, a priori, rule out the use of instruments as incentives, but does not prioritize them; focuses instead on governance and collaboration between key stakeholders in each sector and on the provision of specific public goods, like the cluster initiative approach.
- Encourages a greater role for territories and local stakeholders, complementing national efforts, in the design and implementation of these policies. This means advancing models for interaction among the different forums for policymaking and policy implementation on the basis of multilevel governance mechanisms.
- Adopts an experimentalist governance approach, meaning the understanding of policy management as a collaborative, iterative process in which problems are both identified and solved through collaboration between multiple stakeholders in ongoing iterations and the sustained implementation of solutions over time. In other words, a governance model in which recursiveness prevails, in which implementation, evaluation, adjustment and renewed implementation take place in a continuous iterative learning process.
- Conceives these policies with a broadly understood internationalization approach. This includes, among other things, guiding productive development policy efforts to position the production of goods and services in international markets, for economies that are increasingly open to international competition. Includes attracting foreign capital to leverage these efforts. Also implies connection through sources of technology and knowledge worldwide, including the possibility of connecting through the flow of people and particularly diasporas. Moreover, includes the possibility of working with countries within and outside the region on agendas to strengthen productive development efforts.

**Diagram 1**  
Definition and scope of productive development policies



**Source:** J. M. Salazar-Xirinachs and M. Llinás, “Towards transformation of the growth and development strategy for Latin America and the Caribbean: the role of productive development policies”, *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2023.

## 2. Hypotheses relating to productive development policy efforts in Latin America and the Caribbean

Productive development policymaking is not new to Latin America and the Caribbean. As mentioned, the region has already undertaken efforts in this area and continues to do so. However, these efforts have been: (i) marginal, given the productivity challenge it faces and compared with what other countries are doing in this area; (ii) disjointed, with great opportunities to improve the coordination of the efforts being made by different ministries, agencies, stakeholders and levels; (iii) discontinuous, changing abruptly when there are changes of government, although these are medium- and long-term agendas, and the idea of building on what has already been achieved should prevail; (iv) managed primarily in a centralist, top-down way from capital cities, without any major role for local territories and actors; (v) insufficiently evaluated, even though evaluation is essential to identify what works, and should therefore be scaled up, and what does not, so that it can be adjusted or discarded; and (vi) low-impact, when considered in the light of the region's poor productivity and growth performance. Because of these and other factors, efforts are generally not aligned with the new vision for productive development policies.

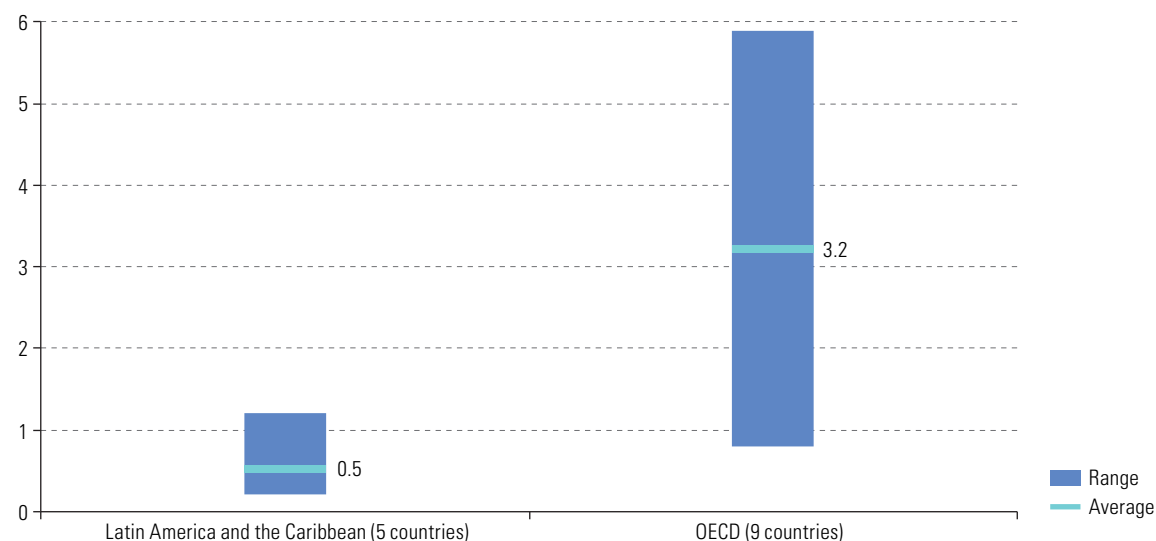
Given these hypotheses on the characteristics of productive development policies in the region, the rest of this document is focused on an initial comprehensive analysis of the relevant efforts in the region, in order to validate them or rule them out.

## C. Productive development policies of national governments in Latin America and the Caribbean: an initial exercise to characterize and quantify their instruments

Chapter III of the report presents an initial analysis that characterizes and quantifies productive development policy efforts in five of the region's countries: Argentina, Brazil, Chile, Colombia and Mexico. This exercise was limited to direct support instruments focused on companies to improve how they operate, including subsidies (non-reimbursable financing), tax incentives (exemptions, discounts, tax credits and other measures), financial instruments (loans and guarantees), capital contributions (for example venture capital) and direct support services (non-financial support such as technical advice, provision of information and training).

This first comparative analysis of productive development policies in these countries reveals commonalities as well as big differences. The five countries analysed allocated public resources equivalent to between 0.2% and 1.2% of GDP in the five instrument categories considered from 2021 to 2022. These data show that the amounts allocated are low compared to spending on productive development policies in nine member countries of the Organisation for Economic Co-operation and Development (OECD) for which a similar exercise was carried out, and indicated that those countries spend an average of 3.5% of GDP, even when excluding support for the agricultural sector (see figure 2).

**Figure 2**  
Latin America and the Caribbean and OECD: public funding for direct support productive development policy instruments, 2021–2022  
(Percentages of GDP)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of surveys conducted in the respective countries and CEPALSTAT [online database] <https://statistics.cepal.org/portal/cepalstat/index.html?lang=en> for Latin America and the Caribbean data; and C. Criscuolo and others, “Quantifying industrial strategies across nine OECD countries”, OECD Science, Technology and Industry Policy Papers, No. 150, Organisation for Economic Co-operation and Development (OECD), June 2023, for OECD data.

**Note:** The figures for Latin America and the Caribbean refer to the 2021–2022 average; those for OECD, to 2021 (excluding the agricultural sector).

In general, except in Chile, tax instruments predominate in the countries evaluated. In Argentina and Brazil, they account for between 61.5% and 87% of the total amounts allocated to productive development policies. Meanwhile, in Chile, subsidies represent more than 70% of the total. Brazil makes the most use of financial instruments, which account for more than 35% of the amount spent, underscoring the importance of development banks in the country. Support services generally account for a smaller share of this type of spending by national governments.

A comparison of the identified objectives and priorities of productive development policies reveals few similarities among the countries. While Brazil mainly employs policy instruments differentiated by sector, Colombia’s productive development policies reflect no such differentiation, and are instead focused on spending to spur innovation across all sectors. In Argentina, meanwhile, there is a heavy emphasis on tax expenditure at the local level.

There is no clear alignment between the policy instruments and the definition of production priorities. Productive policy instruments appear to be mainly disconnected from the priorities defined in national productive agendas.

Moreover, there is little coordination between the institutions responsible for productive development policies. Resources are dispersed widely among multiple agencies, programmes and instruments, which results in efforts that are highly fragmented and therefore of reduced potential impact, in addition to imposing a heavy administrative burden and making it difficult to coordinate efforts. Lastly, there is a limited range of instruments to facilitate or encourage partnership, coordination and effective governance of multiple stakeholders, in line with the good practices outlined in the ECLAC vision for productive development policies.

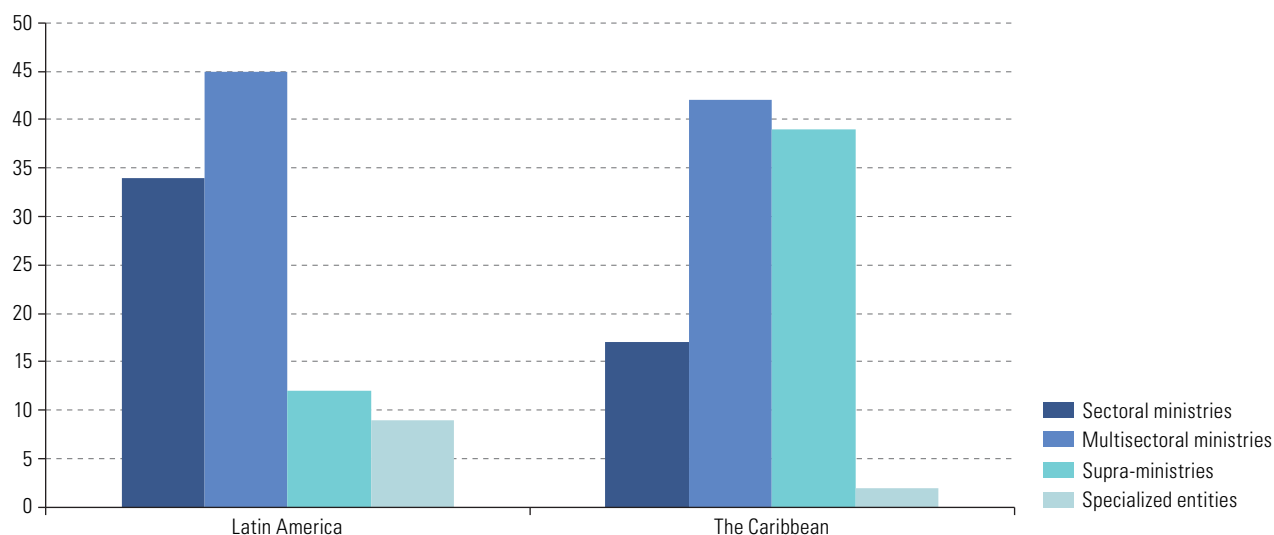
## D. Productive development policy institutions and governance in Latin America and the Caribbean

As already mentioned, obstacles to the effectiveness of productive development policies in Latin America include insufficient coordination among key productive development stakeholders, an excessively centralist approach that prevents the adaptation of policies to specific contexts, and the lack of systematic evaluation and monitoring of policies and of continuity of productive development policies. Improving the effectiveness of such policies thus requires the strengthening of governments' institutional capacity and of the type of governance that would resolve these shortcomings. Chapter IV of the present document provides an initial assessment of public institutions that support productive development policies in the countries of the region, and a first map of relevant multi-stakeholder and multilevel governance mechanisms.

The assessment provisionally identifies and characterizes 197 institutions that are directly responsible for productive development policies in the 33 countries of the region, and 74 coordinating bodies in 15 countries. Productive development policy institutions were divided into four categories, depending on their level of specialization: "supra-ministries"; multisectoral ministries, sectoral ministries and specialized entities; multisectoral ministries made up the largest group (see figure 3).

**Figure 3**

Latin America and the Caribbean (33 countries): areas of activity addressed by different types of government entity, by region and subregion (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries.

Governance, as mentioned earlier, is understood as the set of mechanisms that stimulate and strengthen coordination of efforts, stakeholders and resources for productive development, such as formal and informal coordination incentives; legal instruments that define roles and responsibilities of productive development policy stakeholders and modalities for joint decision-making; interaction procedures; and traditional coordination mechanisms, such as committees and councils, either national, local or multilevel. Chapter IV focuses on the analysis of coordination mechanisms,

of which it presents a preliminary map. Although this map reveals big differences between the countries analysed, it indicates a greater number of national coordination mechanisms than multilevel ones; the former play a consultative role, or at most, offer proposals, rather than fulfilling deliberative or executive functions.

The specific analyses of Argentina, Chile, Costa Rica, Mexico and Uruguay give weight to this reflection with examples of implementation of productive development policies in different national settings, and of governance of productive development policies and mechanisms for multi-stakeholder and multilevel coordination in each of these countries. These five cases show the diversity of approaches and coordination mechanisms employed in the region, as well as the varying degrees of maturity of multilevel governance.

On the basis of the information gathered, this chapter underscores that, unlike in other areas of public policy (such as education and justice), productive development policy institutions are dominated by a polyarchy, given the involvement of a wide variety of stakeholders, authorities and specialities. This highlights the importance of having governance mechanisms to avoid duplication and enhance the effectiveness of productive development support measures. In that regard, the region is highly fragmented, and the coordination mechanisms adopted have been unable to fully resolve this problem.

There is ample room for improvement in multilevel coordination mechanisms, which are scarce and often only wield consultative authority. One of the obstacles to more effective multilevel governance is the lack of decentralization policies to advance capacity-building in subnational governments, especially in territories with weaker institutions.

Lastly, this chapter underscores the need for continued research and fine-tuning of information on productive development policy institutions and governance in the region, with the aim of systematizing good practices and thus strengthening governments' productive development capacity.

## E. Subnational productive development policies in Latin America and the Caribbean

As mentioned in chapter I, uneven productive performances at the subnational level are one of the factors behind low productivity in the region, with some territories enjoying relatively high productivity while others suffer from low productivity. This, along with the technical and political factors driving the need for a territorial approach to such policies, has led to the increasing implementation of a place-based policy approach to productive development policies. With a view to providing a more detailed analysis of the action taken by subnational governments —intermediate and local— in that regard, chapter V presents novel measurements of subnational spending on productive development policies in selected countries of the region, and examines the areas of specialization of these policies at the subnational level as well as the type of instrument used.

An understanding of States' structure is essential to comprehend the role of subnational governments in productive development policymaking. The analysis presented in chapter V provides a closer look at the experiences of five countries in the region: Argentina, Chile, Costa Rica, Mexico and Uruguay. These countries' State structures vary, in that they are either federal or unitary.

Subnational governments' relative autonomy is reflected in their share of national public sector spending. In countries where subnational governments have greater relative authority or functions, they also account for a larger share of total public spending, and thus wield more power in the exercise of their functions. Public spending covers a wide range of policies, including productive development policies, which are crucial to accelerate local economic development. The productive development policies designed and implemented by subnational governments tend to be more specific and adapted to the needs of territories, compared with those arising from centralized approaches employed by national governments. Moreover, productive development policies implemented by subnational governments are generally the result of a collective effort that encourages participation and contributions from stakeholders in each territory, companies, academia and civil society, giving rise to policies that enjoy more social legitimacy, stability and continuity.

The data show that intermediate governments allocate roughly 10% of available investment budgets, on average, to productive development policies (Chile and Colombia), and about 2% of total budgets (Argentina and Uruguay). There is also a negative correlation between regions' per capita income and the share of public spending by intermediate governments allocated to productive development policies: the poorest regions tend to invest more, proportionally, in productive development policies than richer regions. This may be due to the greater need for and urgency of economic revitalization in territories with fewer resources. Subnational governments' absolute spending is heavily influenced by the financing they receive from national governments, which is sometimes subject to criteria to reduce gaps between regions or territories.

Subnational governments employ different types of programme and instrument to implement productive development policies. These include programmes to foster productivity, innovation, job training, tourism development and support for science and technology research, for example. Chapter V provides an analysis of these instruments in three countries of the region (Argentina, Chile and Uruguay), and shows which programmes and instruments are most often adopted by subnational governments in the region.

Data compiled from the review of municipal development plans in Chile and Colombia show that local (municipal) governments tend to focus on specific types of productive development policy, e.g. those targeting entrepreneurship, formalization, microenterprises, tourism, agricultural development, job training and technical education. Meanwhile, intermediate governments tend to prioritize specific economic sectors and to invest more in small and medium-sized enterprises and business clusters, and to be involved in attracting foreign direct investment and in efforts targeting science, technology and innovation, in addition to supporting local governments in these areas. National governments, for their part, support and form relationships with intermediate governments relating to the productive development policies mentioned, and focus on establishing regulations that support national productive development, financing major specific infrastructure works, coordinating and carrying out internationalization efforts and participating in global value chains, and leveraging international relations to drive national productive development. This outline of "comparative advantages" by level of government, on the basis of the data collected, proposes an initial approach to differentiating specific functions by level of government with a view to ensuring collaborative multilevel governance of productive development policies (see table 1).

**Table 1**  
Areas of specialization of productive development policies, by level of government

	Prioritized sectors	Major infrastructure	Internationalization	Regulations	Science, technology and innovation	Attraction of FDI	Prioritized sectors	Clusters	Small and medium-sized enterprises	Technical education	Job training	Agriculture	Tourism	Microenterprises	Formalization	Entrepreneurship
National government																
Intermediate government																
Local government																

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

## F. Cluster initiatives and other productive harmonization initiatives

Cluster initiatives and other productive harmonization initiatives are a good example of collaborative productive development policies with a territorial approach, it being understood that they are a mechanism that allows the coordination of multiple stakeholders and the combination of different types of productive development action and project in strategic agendas that improve the productivity of the firms that participate in these initiatives. In December 2023, ECLAC launched the Platform for cluster and other territorial productive articulation initiatives in Latin America and the Caribbean,<sup>3</sup> which identifies, maps and classifies hundreds of examples in the region, in order to promote these efforts. The data show that this type of productive harmonization initiative has been developed in sectors such as agro-industry, manufacturing and tourism, which not only contribute to economic growth, but also foster employment, social inclusion, sustainable development and dialogue among various stakeholders. The active participation of subnational governments in these initiatives is key to their success, as they provide knowledge of the territories and facilitate implementation of policies adapted to local realities.

## G. Guidelines and recommendations for regional implementation of productive development policies

The assessment undertaken revealed significant opportunities for taking a more ambitious approach and for improving the design and implementation of productive development policies in the region. Countries of the region must leverage these opportunities to break out of the low-growth trap. This calls for deeper analysis as well as more robust recommendations. As outlined in the document, there is a need to deepen the “whats” and the “hows” underlying productive development policies. To that end, chapters II, III, IV and V include more than 80 recommendations for Latin American and Caribbean countries and their respective territories to scale up and improve their productive development policies. These recommendations are grouped under the following 14 guidelines.

<sup>3</sup> See [online] <https://geo.cepal.org/dp-clusters/index.html?lang=en>.

## 1. Increase efforts relating to productive development policies and their impacts, in line with the new vision proposed

A comparison with more developed countries shows that there is need in the region of increased efforts and the commensurate resources for productive development policies, as well as better allocation and management of these resources. This poses a major challenge, since, in a scenario of scarce resources and multiple priorities, it is not only a matter of “doing more” with more resources, but also of “doing better” with the resources that are available. However, as has been argued in this document, the new global wave of productive development policies should not prompt the region to emulate the cascade of subsidies and tax credits granted in other parts of the world. Instead, in line with the new vision of productive development policies proposed by ECLAC, the emphasis should be on implementing or strengthening governance schemes that make it possible to coordinate multiple stakeholders, resources and efforts around strategic agendas for productive development policies.

This would be facilitated, for example, by forging agreements between national and subnational governments to scale up the resources available to the latter for investment in productive development policies. It would also be useful to review current allocations to avoid duplication, maximize synergies and curb fragmentation of investments, which results in limited and ineffective measures. Moreover, it will be crucial to identify the best instrument designs in the different productive development policy areas, which are shown in diagram 1 and detailed in chapter II, in accordance with the different institutional capacities of countries and their territories, including making efforts conditional on the achievement of results and targets relating, for example, to productivity, exports or some other productive performance variable.

Two productive development policy areas deserve special mention. First, the need to scale up and sophisticate efforts in technology extension, in other words the services that allow businesses, especially micro-, small and medium-sized enterprises, to appropriate technologies and knowledge, including the improvement of management practices. Second, the need to work collaboratively to identify and close gaps in human resources, particularly in prioritized sectors.

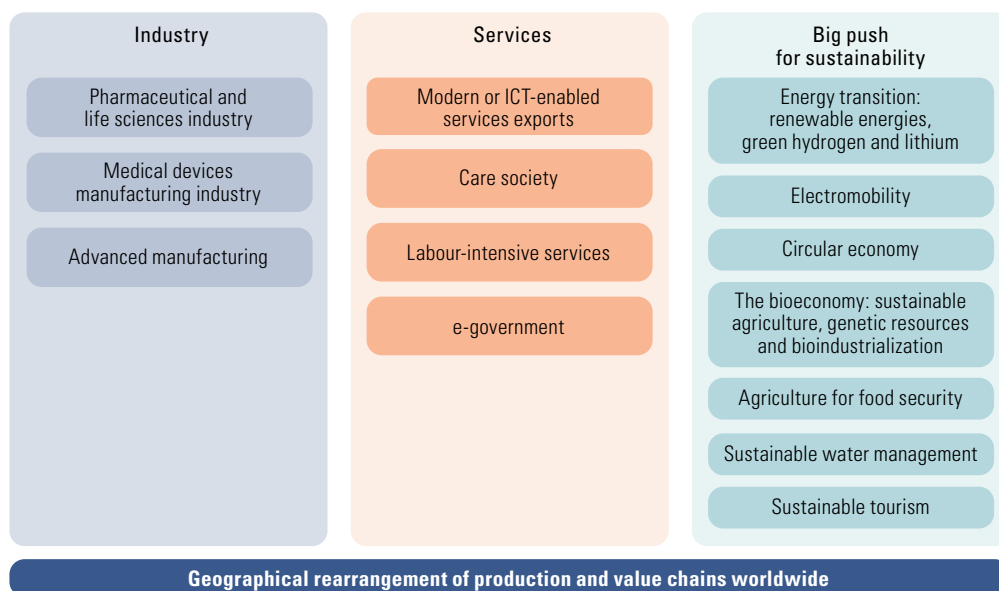
These measures and others detailed in this publication, as well as fostering greater proactivity and collaboration between the private sector, academia and civil society, could scale up productive development policy efforts and their impact with relatively moderate investment. Programmes and instruments involving the coordination of local productive initiatives, such as cluster initiatives, are examples of methods that require limited resources but can have a big impact, strengthening and boosting the proactivity and coordination of local stakeholders.

## 2. Establish production priorities and align productive development policy efforts with them

Given that productive development policies influence multiple areas and involve a number of requirements, and in light of limited capacity not only in terms of financial resources but also of institutions, countries and territories must establish productive priorities when developing such policies. To that end, ECLAC has proposed an illustrative portfolio of 15 driving sectors that countries and territories may consider when defining these priorities. This exercise should include analysis of the specific context of each

country and territory. The sectors are grouped into three categories: industry, services and the big push for sustainability (see diagram 2). The opportunities presented by the geographical rearrangement of production and value chains globally represent a cross-cutting area, as this is a key trend encompassing several of the other sectors listed.

**Diagram 2**  
Great productive transformation: portfolio of driving sectors



**Source:** J. M. Salazar-Xirinachs and M. Llinás, “Towards transformation of the growth and development strategy for Latin America and the Caribbean: the role of productive development policies”, *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2023.

The need to establish these priorities does not prevent countries and territories from strengthening their capacities to address a growing number of new sectors and needs.

A large part of their efforts targeting productive development policies must be aligned with the established priorities. It is therefore crucial for diverse stakeholders—the public and private sectors, academia and civil society—to play an active role in defining productive development policy priorities, to ensure the firm and active commitment of all stakeholders to these policies. This support not only guarantees continuity in policies, but also better alignment of resources, experiences and knowledge. To this end, it is advisable to establish continuous and formal procedures for dialogue among stakeholders to maximize the convergence of the different efforts towards the achievement of the agreed priorities. Moreover, prioritization exercises must be complemented by incentive mechanisms at multiple levels, so as to encourage the alignment of efforts and resources around these priorities.

### 3. Strengthen coordination of stakeholders and efforts at different levels of government through governance mechanisms

The countries of Latin America and the Caribbean and their territories must strengthen or establish governance mechanisms that allow the coordination of stakeholders from the public and private sectors, academia and civil society, and their efforts involving productive development policies. It is therefore necessary to organize and improve the functioning of multi-stakeholder and multilevel mechanisms for coordination (between national and subnational bodies), formally establishing them where necessary or

eliminating ineffective ones. Other instruments that encourage coordination should also be considered, such as incentives or regulations that foster collaboration among the different productive development policy stakeholders, or virtual platforms that serve as repositories of the productive development programmes of the different ministries and agencies in charge of these policies, which make it possible to detect duplication and gaps in productive development, and thus foster coordination.

#### 4. Strengthen the commitment of all stakeholders, particularly the private sector, to productive development policies

Productive development policies cannot be seen as the exclusive responsibility of governments, but as that of all stakeholders. It is therefore crucial for diverse stakeholders—the public and private sectors, academia and civil society—to play an active role in designing and implementing productive development policies, to ensure the firm and active commitment of all stakeholders to these policies. This support ensures continuity in policies and better integration of resources, experiences and knowledge. The modality of stakeholders' participation in forums for dialogue must thus allow for an effective synthesis of all their contributions and roles, and of the respective knowledge and experiences.

Special mention should be made of the commitment needed from the region's private sector in the design and implementation of productive development policies. The experience of many more industrialized countries such as Germany and the Republic of Korea, and of regions such as the Basque Country, shows that private companies, especially large ones, are called upon to play a central role in the productive transformation of their economies. In particular, they can be crucial in revitalizing production chains and clusters, accelerating technology and knowledge transfer, creating marketing opportunities for smaller companies, or simply venturing into new sectors and economic activities. Business associations and companies themselves can actively contribute to the design, implementation and management of productive development policies, especially in collaboration with national governments, to execute productive development programmes or create collective goods. This would increase available resources and ensure the continuity of productive development efforts, and establish more relevant and effective policies and programmes. To achieve this collaboration, efforts can be made to engage in dialogue with the private sector on the important role it must play within the framework of this new generation of policies, and to convince the public sector of the advantage of encouraging collaborative work with the private sector.

#### 5. Strengthen the technical, operational, political and prospective capabilities of the institutions responsible for productive development policies

The technical, operational, political and prospective (TOPP) capabilities of the institutions in charge of productive development policies are fundamental for the design, management, monitoring and evaluation of these policies. In addition, there is an urgent need to strengthen the capacities of subnational governments (especially in the territories lagging the furthest behind) to design and implement productive development policies, facilitating their participation in multilevel coordination bodies, their capacity for dialogue with national entities in charge of productive development policies and their contribution to the development of collective efforts with subnational governments in this area.

Links with the higher education and training system are therefore fundamental, as they enable public officials and other stakeholders to continuously acquire greater capacities for planning and implementing policies, programmes and projects. It is also key to create spaces for regional dialogue that allow for the exchange of good practices in the design and implementation of productive development policies, such as the Platform for cluster and other territorial productive articulation initiatives in Latin America and the Caribbean and other initiatives for territorial productive coordination, and the emerging network of subnational governments for productive development, which ECLAC has been leading.

## 6. Maintain continuity of productive development policies

Strengthening productive development policies will require medium- and long-term efforts. Therefore, it will be essential to maintain these policies and strategic agendas over time, always seeking to “build on what has been built.” One way to achieve this is precisely by strengthening the institutional framework and collaboration agreements. A strong institutional framework of excellence in productive development policies is one of the best ways to ensure the legitimacy of priorities, goals and strategies, seeking to stimulate the participation and even, in some cases, the co-leadership of private stakeholders, the private sector and civil society in the management of productive development policies and programmes. In other words, public bodies with strong management capacity and greater autonomy from the respective policy governing bodies must be created and consolidated. This would reinforce the continuity of the work plans that are rolled out to implement the policies. At the same time, non-governmental stakeholders must appropriate these policies, demanding their continuity and strengthening, regardless of changes in administration.

## 7. Strengthen territorialization of productive development policies

It is necessary to rethink the role of the national institutions in charge of productive development policies, reduce their responsibilities for the execution of local and regional programmes and strengthen their strategic capacity, which includes the implementation of major national and long-term projects, the establishment of competitive funds that encourage the coordination of efforts at the subnational level, the fostering of joint programmes between intermediate governments, the systematization and dissemination of good practices, innovation in productive development policy efforts and support for intermediate governments in this area, especially in peripheral regions. Adopting the mechanism of multilevel collaboration agreements with resource transfers for specific purposes related to productive development policies seems to be a good practice in many countries of the region. In some countries, it may be essential to review the current legal framework to clarify and strengthen the powers of intermediate and local governments in relation to productive development policies, implement efforts to decentralize authority and resources currently concentrated in national entities to subnational actors, with a good balance between both areas, and strengthen the institutional framework and capacities of subnational governments (intermediate and local) for the design and implementation of productive development policies, as well as mechanisms for transparency, accountability and probity in the use of resources.

## 8. Establish and strengthen cluster initiatives and other productive harmonization initiatives

Cluster initiatives and other productive harmonization initiatives are effective forms of collaboration, which have been widely successful in the international arena, allowing the organization of productive development policy efforts. The establishment of national and subnational programmes to support the emergence and strengthening of these types of initiative —such as cluster initiatives, business networks, production chain initiatives or supply networks— aims to provide technical support to these initiatives, co-financing of cluster managers, co-financing of joint projects and efforts linked to strategic agendas, including the financing of specific public goods. These programmes and initiatives should also be used to implement national and subnational productive development strategies, with emphasis on specific sectors capable of boosting the economies of the regions and territories.

## 9. Adopt the experimentalist governance approach in the management of productive development policies

The new generation of productive development policies advanced by ECLAC is based on an experimentalist approach to management, which is essential in polyarchic environments of uncertainty and rapidly changing technological, competitive and market realities. The experimentalist approach, as described above, facilitates the adaptation of plans, programmes, institutional arrangements and policies to the constantly evolving economic, competitive and institutional context in which they are developed. Hence the importance of this approach in relation to productive development policies, in contrast to the more traditional public policy management approaches.

## 10. Strengthen evaluation capacities

Generally speaking, it is important for the countries of the region and their territories to strengthen their capacity to evaluate and monitor productive development policies in order to improve such interventions, and not as a sanctioning or bureaucratic process. Clear mandates should be created or reinforced to, among other things, evaluate policy (and not only instruments in isolation), encourage the use of cost-efficient methodologies, develop clear strategies to use results in the design and redesign of programmes, break with the perception of evaluations without sanctions for the public service, and foster exchange networks among productive development policy evaluation and monitoring agencies in the region.

## 11. Adopt a market internationalization approach for productive development policies

As part of the above-mentioned internationalization approach, productive development policy efforts must take a market internationalization approach, because of the importance of developing international competitiveness for exporting and because in economies that are increasingly open to international competition, internationalization is a way for domestic companies to compete with increasingly international standards in domestic

markets. The countries that have achieved extraordinary growth in recent decades have been those that have managed to bring their output to international markets, growing exports by more than GDP and diversifying them into more complex goods. Greater economic interdependence and international standards in a multitude of value chains mean that internationalization is also important for the competitiveness of companies in national and regional markets under the open regionalism approach. It cannot be expected, though, that this internationalization of production will be achieved simply through productive development policy efforts, as a kind of spillover effect. To meet this objective, it is necessary to work on explicit productive development agendas for internationalization with this dual vision of the concept, i.e. with policies that seek to position national products in international markets and that, at the same time, are capable of increasing the share of these products in domestic markets through the adoption of the best global production standards.

Considering internationalization in addition to economies of scale allows the discipline of exporting to be treated as an indicator of the productivity improvements resulting from productive development policy efforts, and internationalization as a criterion for applying conditionality when providing support under these policies.

## 12. Frame efforts to attract foreign direct investment within productive development policies

In line with what is proposed in *Foreign Direct Investment in Latin America and the Caribbean, 2024* of ECLAC, it is essential to frame efforts to attract foreign direct investment as a subset of the productive development policies of the region's countries and their territories. In this regard, productive priorities defined in these policies must serve as a basis for attracting foreign direct investment, not only to allow foreign investors to resolve bottlenecks and expand their initial investments through the productive development agendas that may be deployed, but also to strengthen the development of local suppliers, productive linkages, human resources training, specific infrastructure and regulatory improvement, for which cluster initiatives, for example, can be a powerful tool.

## 13. Create collaborative links between countries to strengthen productive development policies by developing common strategies and agendas

Although productive development policy efforts will depend largely on the achievements of the countries and their respective regions and territories in that regard, collaboration between different countries and territories in Latin America and the Caribbean is also possible. For example, the countries of the region could strengthen their productive development policies by formulating shared agendas on issues of common interest, such as the sustainable exploitation and processing of natural resources and the strengthening of certain value chains that can take advantage of the scale that the regional market would allow. To that end, collaboration between cluster initiatives operating in different countries and working in similar or complementary sectors could be useful, for example.

## 14. Leverage opportunities arising from the productive development policies fostered by countries outside the region

With the return of productive development policies at the global level, it is important that any collaboration in terms of trade and investment between Latin America and the Caribbean and the rest of the world should complement collaboration on productive development policies. For example, ways should be explored to ensure that at least part of the relocation benefits that the more developed countries are granting to firms returning to their territories or new investments in sectors targeted by incentives can also be granted to investments made by those countries' firms in Latin America and the Caribbean. In addition, cooperation should be sought with these countries to strengthen the productive capacities of the countries of the region, as is exemplified by the CHIPS ITSI Western Hemisphere Semiconductor Initiative of the United States, which seeks to improve semiconductor assembly, testing and packaging capabilities in key partner countries, starting with Mexico, Panama and Costa Rica.



For Latin America and the Caribbean to break from the trap of low growth and low productivity in which it is mired, the region will need to build more sophisticated and diversified economies and bring about virtuous structural change. This will entail a long-term effort, not least the continued improvement of economic fundamentals. To this end, the Economic Commission for Latin America and the Caribbean (ECLAC) has urged the countries of the region to scale up and enhance their productive development policies, adopting a new approach that differs substantially from what has hitherto been referred to as “industrial policies”. The region will not have to start afresh in that regard but there is plenty of room to improve efforts.

As parts of its analysis of what needs to be done and how to do it, ECLAC presents this *Panorama of Productive Development Policies in Latin America and the Caribbean*, in which it not only offers an initial study of current efforts in the region, but also proposes some 60 recommendations to guide countries and their territories in this transformation towards a more productive, inclusive and sustainable future.