Institutions for Collaboration

Tools for New Industrial Policies

Dr. Christian Ketels
(Harvard Business School, TCI Network)

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Core Questions New Growth Policies Have to Address

• How to identify the **most promising areas** to focus on?

• How to identify the **integrated set of actions** that can do most to enhance productivity and competitiveness?

• How to mobilize complementary action by a **wide array of public and private entities** influencing core outcomes?

*Dispersed knowledge*  
*Collective action problems*

*Path Dependencies*  
*Knowledge externalities*  
*Action externalities*
The Emerging Response:
New Institutions for Collaboration

Shared Characteristics
- Defined by a broad mission, not a specific service
- Cutting across existing organizational boundaries

Government Coordination Councils

National Competitiveness Councils

Regional Growth & Competitiveness Efforts

Cluster Initiatives/Firm Networks

A Spectrum of Models

Sectoral <-> Economy-wide
Regional/Local <-> National
Private <-> PPP <-> Public
The Experience so Far

• Many examples of **positive impact**

• Empowerment of **regions**, creation of **social capital**

**BUT ALSO**

• Huge **heterogeneity in outcomes**

• Externally implanted organizations that **fail to change actual policies and behavior**
An Example:
What Drives the Success of Cluster Efforts?

**Setting**
- Cluster with **critical mass** of existing economic activities
- **Broader policy environment** focused on competitiveness upgrading
- Strong **regional institutions**

**Organization**
- Capabilities of the **Cluster Initiative Manager**
- **Private sector logic** needs to drive the organization, **public sector** critical to create the right environment

**Activities**
- **Strategic action agenda** grounded in understanding of the relevant market
- **Operational effectiveness** in individual activities
Two Core Challenges Ahead

• Mobilizing **effective institutions** for collaboration where social capital (and competitiveness) is weak

• **Enabling diversification** into related fields where strengthening strengths is not enough
What Role can the World Bank Play?  
Three Suggestions

• Mobilizing the emerging **community of practice** of these new institutions

• **Capacity building/training** for the leaders, staff, and partners of these new institutions

• Systematic **research on drivers of impact**

… and many more

Possible Partners

TCI

EFC

HBS

MOC Network
Demands on New Institutional Structures

- Need a more **inclusive process of policy design** that incorporates the dispersed knowledge about market opportunities and competitiveness challenges

- Need a more **strategic identification of policy priorities** based on a strategic view of a location’s role in the national and global economy to inform the independent investment choices made by firms and academic institutions

- Need a better **integration of policies** across different parts of government

- Need a more **bottom-up approach** that connects traditional government-led policies (innovation, skills, etc.) with activities by groups of firms, research institutions, etc. at the regional level
What are Cluster Initiatives?

Cluster initiatives are **collaborative activities** by a **group** of companies, public sector entities, and other related institutions with the objective to improve the competitiveness of a group of **interlinked economic activities in a specific geographic region**

- Upgrading of company operations and strategies across a group of companies
- Upgrading of cluster-specific business environment conditions
- Strengthening of networks to enhance spill-overs and other economic benefits of clusters
Clusters, Cluster Initiatives, and Performance

\[
\text{CLUSTER PRESENCE} + \text{CLUSTER EFFORT} = \text{ECONOMIC PERFORMANCE}
\]

Source: Ketels/Protsiv (2013)
IFCs and Development

• Powerful new lens to organize development efforts, addressing some of the key factors that have held back progress
  – Regional versus National
  – Group of related industries versus individual firms, narrow industries, or cross-cutting framework conditions alone

• Key element in a strategy to create local capacity, and to align development efforts with local needs

• Need to set goals and design specific organizational structures and policy tools in line with the local context