

CAF - LATIN AMERICA DEVELOPMENT BANK

CALL FOR PROPOSALS:

PRODUCTIVITY IN LATIN AMERICA

The growth experience in Latin America over the past 50 years has been disappointing. The income per capita gap with respect to the United States has remained almost unchanged in stark contrast with the performance of other regions such as Asia.

There is a consensus in the literature that differences in Total Factor Productivity accounts for 50% to 70% of the difference in per capita GDP across countries. Latin America is no exception to this, which clearly indicates that the underdevelopment problem in the region greatly stems from aggregate productivity lagging behind.

Three issues are particularly important to understand this: the allocation of resources across firms, including those in the informal sector; the distribution of productivity across firms, which relates to innovation and firm selection (i.e., entry and exit); and the accumulation of human capital and skills.

More specifically, with this Call for Proposals, CAF wants to promote a research agenda that aims to shed light on the following broad topics:

(1) Measuring misallocation and its cost:

We are interested in measuring productivity losses due to factor misallocation across sectors and firms as well as other forms of misallocation such as occupational or spatial.

(2) Informality:

Informality is a clear manifestation of factor misallocation. It is so pervasive across Latin American economies that we would like to pay special attention to it. We are interested in studying its causes and impact on the economy. We are particularly interested on its effects on aggregate productivity.

(3) Identifying Specific Distortions/Frictions:

Recent literature has identified firm-level wedges that distort factor allocation, firm selection, and innovation. We would like to identify **specific** distortions behind these broadly defined wedges. We would like to understand the impact of barriers to entry and exit of firms, labor market and financial frictions, trade barriers, information asymmetries, government regulations and distortionary policies, among other specific frictions. We

would also like to understand how these distortions may affect the accumulation of human capital.

(4) Productivity-Improving Public Policies:

We are interested in the design of public policies aimed to resolve or ease distortions and frictions that lead to productivity losses. We are also interested in policies that may foster aggregate productivity by promoting allocative efficiency, innovation, human capital accumulation as well as improving the selection process of firms.

These specific issues are referential and non-exhaustive, and other aspects related to these broad topics will also be considered.

SELECTION AND FUNDING

The proposals should be uploaded on our website ([click here](#)) no later than March 15th, 2016. The proposals should be written preferably in English, but proposals in Spanish will also be considered. No specific format is required for presenting the proposal. Although there is no length limit, concreteness is highly appreciated. The proposal must clearly state the research question, its relevance, its added value over existing literature as well as the proposed methodology and data to be used. No additional information other than the proposal itself is required at this stage.

Proposals will be selected on the basis of the novelty of the work, methodological rigorosity and policy relevance for Latin America. A maximum of four research proposals will be awarded funding, and each will receive \$US 15,000 to fund the research.

The proposal will be reviewed by a committee integrated by Marcela Eslava (Universidad de los Andes), Diego Restuccia (University of Toronto), Nezih Guner (ICREA-MOVE, Universitat Autònoma de Barcelona, and Barcelona GSE), John Haltiwanger (University of Maryland), Pablo Sanguinetti (CAF), Manuel Toledo (CAF) and Fernando Alvarez-Parra (CAF). The evaluators may require clarification or additional information from the proposal presenters before taking a final decision.

The authors of the proposals selected for funding will be notified by April 15th, and will have until November 7th to send the first draft of the paper. A seminar will be held by the end of November to discuss the preliminary versions of the selected works. The final version of the research document must be sent no later than February 2017 and will be included in CAF's working papers series. However, the authors will be free to publish their papers in academic journals. We also require a short non-technical document in which you briefly present your main findings.