Facilitating learning and discovery-oriented industrial policy in Albania

Matt Andrews and Peter Harrington

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Abstract

Industrial policy initiatives demand a lot of knowledge from policymakers. Knowledge is often limited, however, especially when policies emerge from top-down technical experts or outsiders with limited contextual experience. Such policies are prone to mistakes. These can, however, be avoided by developing policies through collaborative ‘discovery processes’. Establishing organizations to do ‘discovery’ work is challenging, however, especially when challenges are urgent, resources lacking, and corruption concerns rife. In such settings, it may be more practical and effective to build listening and response capabilities into incumbent policy systems through rapid, temporary discovery processes. This paper provides a case narrative of an experiment with this idea, recounting the story of a problem-driven learning and discovery-oriented approach undertaken to reinvigorate a struggling sector in Albania in 2014.
Introduction

Industrial policy is common, manifest in initiatives governments undertake to stimulate specific economic activities or promote structural change.1 These initiatives demand a lot of knowledge from policymakers—about problems faced by economic actors, solutions, implementation capacities, and more. Knowledge is often limited, however, especially when policies emerge in a top-down manner from technical experts or outsiders with limited practical or contextual experience. Such policies are prone to mistakes—mis-specifying problems or solutions, mis-estimating political and administrative capacities, and more.

Prominent scholars suggest that organizations can avoid these mistakes by developing policies through mechanisms that foster active, bottom-up, user-focused, and collaborative learning instead of passive, top-down, expert-driven solution-setting (Chang and Andreoni 2020, Hausmann 2008, Rodrik 2009). These scholars recommend developing ‘discovery’ driven organizations and processes to undertake industrial policy work (Rodrik 2009, 19). This is a challenging prescription for many countries, however, where challenges are urgent, resources lacking, legacy organizations top-down and expert driven, the record of creating new organizations poor, and corruption and capture concerns rife (making the approach risky).

In such settings, it may be more practical and effective to build active listening and response capabilities into incumbent policy systems, through rapid (and perhaps temporary) discovery processes in existing entities. This paper describes an experiment involving such idea, through a year-long policy effort to reinvigorate a struggling sector in Albania in 2014. The paper’s co-authors were directly involved in this work, helping a team of public officials rapidly engage with private firms and other policy actors to discern the sector’s problems, identify potential solutions, and coordinate efforts to test and implement these solutions.

The paper has three sections. A first section offers a summary of the view that modern, knowledge-intensive industrial policies require learning-oriented mechanisms and asks how such perspective can be operationalized in challenging contexts. It concludes with the idea of establishing rapid, temporary search mechanisms when permanent discovery organizations are

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1 I draw here on a definition of industrial policy from Rodrik (2009, 3).
not an option. A second section describes the Albanian story, based on a case narrative method drawing mostly on weekly and monthly progress reports produced during the initiative. A conclusion discusses how the case adds to work on learning and discovery processes in industrial policy, especially in time and resource constrained settings.

**Learning and discovery-oriented industrial policy?**

Industrial policy is ubiquitous. It takes many forms, including supporting existing producers, picking new winners, and establishing regulatory environments conducive to ‘doing business’ more effectively. Such interventions require extensive knowledge on the part of policymakers, about problems in policy contexts, possible solutions, potential reactions to proposed solutions, capacities to implement, and more. This knowledge is often limited, however, leaving policymakers targeting “a loosely-defined set of [issues] that are rarely observed directly” through processes managed by “bureaucrats who have little capacity to identify where the imperfections are or how large they may be, and overseen by politicians who are prone to corruption and rent-seeking by powerful groups and lobbies” (Rodrik 2009, 1).

Knowledge deficiencies will undermine industrial policy results, especially when the policies are designed in a top-down manner by experts working at an arms-length from practice or by outsiders with limited understanding of or access to policy contexts. Even when the policies these actors produce embed good ideas, they are often too narrowly defined or generic to address the multi-dimensional, context-specific nature of the problems festering at street level—where most problems are felt and need to be solved (Hausmann 2008). These top-down policies also often prove impossible to implement, given restrictive political and administrative realities prevalent in many contexts (that are often opaque to outsiders and those looking from above).

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2 Various intervention types are discussed in recent articles on industrial policy (Aiginger and Rodrik 2020, Cherif and Hasanov 2019) and implied in Pack and Saggi’s (2006, 268) definition of industrial policy as, “Any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity toward sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention.”
Various observers suggest that governments can overcome their industrial policy knowledge deficiencies, however, by pursuing policy work through organizations and processes that emphasize active, collaborative learning instead of passive, isolated solution-setting. In this light, Chang and Andreoni (2020, 8) hold that, “The promotion of learning, understood as a process of development and accumulation of productive capabilities, is perhaps the ultimate goal of industrial policy.” Much of the learning Chang and Andreoni refer to occurs inside and between private firms, but the authors also reference examples of ‘Institutions of productive capabilities development’ where governments work with private actors to facilitate learning and build new capabilities. Examples include the United States’ 19th Century network of agricultural extension and engineering experimentation stations, the similar Kohsetsushi Centre in early 20th Century Japan, and Germany’s Fraunhofer-Gesellschaft Institutes (Chang and Andreoni 2019, 14-16).

These (and similar) organizations enabled context-specific processes of exploration through which public and private sector actors could collaborate, learn, and build new capabilities needed to address problems and foster the emergence of new opportunities. They are precursors to the kinds of organizations various scholars now view as vital to doing modern industrial policy work. These organizations facilitate processes and systems of “discovery” focused on “eliciting information about the constraints markets face” and fostering “close collaboration between the government and the private sector” to address those constraints (Rodrik 2009, 19). Characterized by what Evans calls ‘embedded autonomy’, such organizations need to be deeply connected in their contexts (to listen, learn, and partner) while also being independent from actors in the contexts (limiting concerns over influence and capture and ensuring they have the status needed to mobilize and coordinate work) (Evans 1995).

This is a challenging prescription for many countries, however, especially those facing urgent challenges (where policymakers are charged with identifying a rapid response and cannot allocate the time required to build new organizations), limited finances (given that it is often costly to establish new entities in the public sector), weak human resources (with particularly low learning and adaptation skills), a history of failed efforts to build new organizations (where new organizations often do not function as hoped), and significant concerns over corruption or capture (making it hard to meet the ‘embedded autonomy’ condition). In such settings, it may be more practical and effective to build highly robust listening and response capabilities into incumbent policy organizations and systems, establishing rapid (and perhaps temporary) short-term discovery processes in existing entities. It is hard to find examples of such second-best, short-term industrial policy search processes in the literature, however. One is thus left wondering whether such processes are possible and, if so, what examples might be followed.

An Albanian case narrative

The studies referenced often cite case examples when recommending the adoption of ‘discovery’ organizations or processes. In keeping with this, the current paper describes an in-depth participant-observation based case study of a temporary government-led effort to solve sectoral growth challenges in Albania. The study recounts experiences between March 2014 and March 2015 (even though similar work continued into 2019), during which officials from Albania’s Ministry of Economy, Enterprise, and Economic Development met weekly to learn about and address a slowdown in one of the country’s main exporting sectors. Drawing on the organizational case study methods Greenhalgh et al. (2005) describe to analyze change narratives, and with special attention to the design Thor et al. (2004) adopt to examine externally facilitated quality management changes in a university hospital in Sweden, the study uses work-process data to build a process narrative of the Albanian experience. These data sources included weekly and monthly reports generated by team members and the facilitators co-authoring this paper and products developed by the team during the process (like PowerPoints, reports, and policy proposals). Other materials were collected after the intervention, including informal interviews with team members and other involved parties,
reports from workshops held to debrief the work and with officials involved in similar initiatives, and an independent external evaluation commissioned by the initiative’s funder.

The case narrative emerged from a focused review of this evidence—by the co-authors—to describe how the initiative unfolded and assess its results. Given that the co-authors were participant-observers in the work, they undertook various processes of deliberation and discussion to ensure evidence was interpreted appropriately and to mitigate positive biases (including a debriefing workshop and iterative draft writing process that began in 2017). The authors also shared the case with protagonists involved in the work and others in the Albanian government to ensure agreement on the narrative. Finally, the authors have waited for a few years to see if other narratives of the work emerged (in academic, practitioner or media sources) and to collect appropriate data on the initiative’s after-effects (as well as evidence of progress in other policy and reform initiatives undertaken contemporaneously).

**The case background**

A new government took power in Albania in September 2013. The administration ran into headwinds in its first few months, given macroeconomic and fiscal weaknesses in the country. Debt had been growing in the years preceding the 2013 election, government spending was high and inefficient, and the nation was running current account deficits that hampered private sector activity (IMF 2014a, 2014b). The government’s senior economic officials spent much of their few months with an International Monetary Fund (IMF) team called in to help address this situation. These deliberations helped stabilize the country’s macroeconomic situation but also emphasized the severity of their underlying growth challenge:

- Economic growth had been slowing for years, especially after 2011.4

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3 Drawing on methods Thor et al. (2004) took to mitigate the impact of their personal involvement in reforms on their ex-post analysis and storytelling about said reforms.

4 Based on World Bank data, GDP per capita (measured in constant 2015 dollars) grew consistently from $2,522 to $3,678 between 2004 and 2011—a compound annual growth rate (CAGR) of 6.5%—but slowed from 2011 to 2014, when it had only reached $3,856 (indicating a compound annual growth rate of 1.6%).
• Export growth had also slowed— and even declined in early 2014— limiting the reserves available to buy imports (like machinery) needed to feed many industries’ growth.

• The country’s export situation would have been worse if not for an extraordinarily positive performance in the oil sector, which observers advised was not sustainable.

• The export contribution of the manufacturing sector had been static or declining, with the fason sector (producing textiles, footwear, and other leather goods) proving particularly problematic; a slowdown in fason export growth had seen the sector’s share of goods and services exports drop from 23% in the early 2000s to 16% in 2013.

Government officials agreed that a robust industrial policy was required to rapidly improve export performance, especially in the fason sector, but were unsure what to do. Government policy organizations did exist for such a job (including a national investment promotion agency, AIDA, and departments focused on industrial and economic growth in ministries of Industry and Economy, Enterprise and Economic Development), but top leadership was sceptical about their abilities to develop and implement a needed intervention (let alone do so urgently). Their concerns were bolstered by multiple reviews that found the bureaucracy inefficient, ineffective, corrupt, and disconnected from the street-level challenges Albania’s firms and people faced (IMF 2014a, 2014b, World Bank 2013).

Looking outside for solutions

Something had to be done, however, so government looked outside for help. This generated a long list of ideas like those implied in the IMF’s proposed reform agenda (communicated in its 2013 Article IV negotiations (IMF 2014a)). This including recommendations like ‘improve financial sector supervision’, ‘reform property tax’, ‘establish commitment control’, ‘strengthen

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5 Based on World Bank data, exports grew at a CAGR of 20% between 2004 and 2007, 7.4% between 2007 and 2011, and 1.1% between 2011 and 2014. Exports declined in the first months of 2014.

6 Based on World Bank data, Albania’s score on ‘exports as a capacity to import’ rose by 8% (CAGR) between 2006 and 2010 but was relatively stagnant between 2010 and 2014 (growing at a CAGR of only 1.7%).

7 Based on data from the Atlas of Economic Complexity, crude oil exports rose from about $70 to $800 million between 2009 and 2013. Having accounted for 12% of the country’s merchandise exports in 2009, oil accounted for 31% of such in 2013. IMF (2014a, p.5) notes that this situation “is not ... a sustained basis” for future success.

8 The CAGR for fason exports was 17% from 2005 to 2008, 10% from 2008 to 2011, and 5% from 2011 to 2014.

9 Especially the elaborate theory of change shown in Box 2 on page 27.
energy sector’, ‘reform social assistance program’, ‘improve land registration and titling’, ‘curb corruption and enhance rule of law’, and ‘reform civil service’. The size of this proposed agenda was of concern to government: How would they tackle such a large agenda given limited financial and bureaucratic capability? Would it not take too long to deliver needed results?

A key recommendation focused on addressing the slowdown in manufacturing sector activity and exports. The idea was to work on improving the country’s Doing Business indicator scores and rankings. These indicators were created by the International Finance Corporation (IFC) to measure the business friendliness of a country’s economic climate (how easy legislation made it to do various activities—like starting a business, paying taxes, opening a warehouse, or clearing imports). Efforts to improve such indicators were commonly incorporated into industrial policy initiatives at the time—especially initiatives aimed at improving business climates and competitiveness (Cherif and Hasanov 2019), given the view that governments “can best promote development by improving the institutional and physical framework for markets, in the hope that, having made a level playing field in line with the World Bank’s criteria (as in its Doing Business reports), the players will turn up to play” (Wade 2015, 71).

Albania ranked 108th in the world on these indicators in 2013—having been as ‘high’ as 77 in the years between 2009 and 2012—with specific weaknesses including accessing electricity and construction permits, registering property, and paying taxes. These weaknesses reflected long-standing challenges that observers believed made it hard to ‘do business’ in the country. Consequently, government agreed that they needed to be addressed and, with donor help, hired a group of international consultants to work in a newly established Delivery Unit attached to the Prime Minister’s office. Their mandate, in relation to the Doing Business Indicators, was to rapidly foster score and ranking improvements, creating a global signal that Albania’s

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10 As proposed, for instance, in World Bank (2013).
11 IFC (2014) provides a summary of these weaknesses—as discussed in respect of the 2013 Doing Business scores. O’Brien et al. (2017) discuss the complicated nature of narratives around these weaknesses.
12 A number of these consultants were from Georgia, where similar reforms were undertaken years earlier.
13 The Delivery Unit’s story is interesting to reflect on. It addressed many other issues as well—including irrigation, energy, taxes, and governance—as told by Hart (2017).
government was committed to creating a productive business environment. The hope was that this signal would revive and stimulate private business confidence and activity.

*Concerns about these ideas*

Government officials were concerned, however, that improving Doing Business scores might not solve the manufacturing sector’s problems or do so quickly enough to ignite the country’s stagnating export performance and shore up its foreign exchange reserves. They worried, particularly, that steps taken to improve the externally defined, globally generic Doing Business indicator scores would not address the peculiar, local problems ailing Albania’s manufacturers. This concern echoes Hausmann’s warnings about indicators suppressing necessary specificity in policy work (Hausmann 2008, 13). In explaining such view, Hausmann notes that Doing Business measures capture highly generalized issues when assessing countries, whereas “the real quality of the investment climate is affected by many [country and] sector-specific dimensions that are not fixed unless they are addressed at the right level of specificity” (ibid, brackets inserted).

Related to this perspective, officials were also aware that Doing Business scores could be improved by re-writing laws alone and worried that this would not be enough to address the de facto constraints private actors faced in Albania. The argument was not that Doing Business reform ideas were bad, but rather that it was unclear if they were the right treatments for Albania’s peculiar ills. Bolstering this view was the observation that Albania had performed better on the Doing Business Indicators between 2009 and 2012 (ranking from 77 to 82) when rates of economic and manufacturing exports growth were slowing (because of a mix of known and unknown global, regional and local social, political, and economic challenges that the Doing Business indicators did not capture and that future Doing Business reforms might not address). They also worried about response lags to improved Doing Business indicator signals, such that even if indicators improved and boosted business confidence it would take years to see results.

*A less conventional parallel policy process*

Given such concerns, government decided to pursue a parallel policy process focused on engaging local manufacturers to see if the problems they faced were contextually peculiar and, if so, to cultivate contextually fitted solutions. They reached out to Harvard University’s Growth
Lab and Building State Capability program (BSC) for assistance, hoping these entities could help internal policymakers better understand and respond to their challenge. The request was, essentially, to provide the kind of exploration, search, or discovery process authors like Rodrik (2004, 2009) and Hausmann (2008) have emphasized as vital in modern industrial policy (facilitating the learning and social capability enhancements Chang and Andreoni (2019, 2020) argue are central to developing strong economies, albeit primarily in the public sector14). The Growth Lab and BSC initiated various activities, including a review of problems in the electricity sector, steps to identify and pursue long-term growth opportunities, and an exercise focused on reinvigorating existing industrial sectors crucial to the country’s short and medium-term growth.15 This is where the two co-authors entered the story, as facilitators of a rapid, locally centered policy discovery process called problem driven iterative adaptation (PDIA).

**PDIA to facilitate learning and discovery**

PDIA is a policy process BSC developed to help organizations build their capability to solve complex challenges while they address such challenges (learning to do by doing).16 The process involves shepherding teams of existing government officials (working in their existing organizations) through a multi-month series of collaborative engagements focused on identifying and deconstructing policy problems, finding ideas to experiment with in addressing these problems, and trying these ideas out—stopping regularly to learn about what worked, what did not, and why—until the problems are solved (or better managed17). Four such authorizers and teams were identified at the start of the Albania work (in March 2014)—focused on reinvigorating the agriculture, fason, and tourism sectors and learning why past industrial parks

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14 Chang and Andreoni (2020) lament that the industrial policy literature has paid insufficient attention to the importance of learning and capability building in economic systems. While they emphasize productive capabilities in firms and sectors, they also refer (especially in Chang and Andreoni 2019) to the importance of broader social capabilities—‘tenacious societal characteristics’—needed in economic systems, which include institutions of industrial change and restructuring. The process described in this case is an example of such institution, structuring interactions in a sector to ensure change needs are surfaced and addressed through collaborative learning.

15 Hausmann (2018) discusses a range of these activities.


17 Given that many complex problems are often not solvable but can generally be better managed.
had not succeeded to attract new business to the country. This case focuses on the fason team, authorized by the Minister of Economy, Enterprise and Economic Development. It was called the Fason Black Belt Team (BBT) and comprised seven people—a Deputy Minister, Director, two Sector Heads and a technical specialist from the ministry, and a sector head and two specialists from the Albania promotion agency (called AIDA).

Constructing the problem

Given that authors like Rodrik (2004, 2009) emphasize the importance of ‘problem solving’ in the industrial policy discovery process, it was fitting for the PDIA work to start with BSC facilitators posing three questions to BBT members: ‘What is the problem you are trying to solve?’, ‘Why does this problem matter?’ and ‘How will you know—and measure—if the problem is solved?’ The objective was to foster a thoughtful reflection on the problem and establish a common, agreed, motivational focus for the work—something many entities lack.

The team’s first response was that the problem was ‘a lack of a policy for fason sector growth’. This was not surprising, given that their official mandate and (what Rodrik calls) ‘bureaucratic routine’ was to craft policy. The BSC facilitators suggested that the lack of a policy was not a meaningful problem beyond their ministry’s walls, however, and asked ‘why it mattered’ that no policy existed—for firms and citizens served by the ministry. This question shifted the team’s focus to higher-level concerns, such as ‘the sector is not growing enough, producing sufficient jobs, or yielding necessary exports for the country’. These, the BSC facilitators offered, were elements of a real problem—poor performance that mattered to the country—and asked for evidence showing how severe the problem was and what it might look like ‘solved’. This was to verify the problem’s size, create a measurable focal point for policy work (needed for motivation and accountability), and develop an evidence-based narrative to communicate to others.

The team adjourned for a few hours and reconvened to produce three sets of data they had at-hand, for sector employment and exports. The data showed that the sector had been growing, but at a flat and (most recently) declining rate: Fason sector jobs had only increased from 27,000
in 2011 to 28,700 in 2013,\textsuperscript{18} and the share of fason exports in total merchandise exports had declined from 43\% in 2008 to 28\% in 2013.\textsuperscript{19} In addition, they showed that fason exports per capita (about $230) lagged those in neighboring countries ($300 and $425 in Romania and Macedonia). With these data, the team could communicate an evidence-based problem narrative and what ‘problem solved’ might look like. Their ‘problem solved’ vision emphasized a reinvigorated fason sector producing more output, jobs, and exports—with job numbers growing from 28,700 to 31,000 between 2013 and 2016 (a 2.9\% compound annual growth rate (CAGR), up from 1.7\% in the preceding three years) and exports rising from €495 million in 2013 to €600 million in 2016 (a 6.6\% CAGR, up from 3\% between 2010 and 2013).

The BSC facilitators noted that this was a well-constructed problem. It communicated clearly what the problem was, why it mattered, and what it would look like solved in the short and medium run. It did not specify the solution—how it would be solved—but provided focus and motivation to the team members to move towards such detail. When these members shared the problem narrative with their authorizing Minister and selected fason firm owners and managers (to ensure they received input and built connections), they found it motivated them as well.

\textit{Deconstructing the problem}

The BBT now had a problem to work with but were left asking how they could tackle such a large and important challenge (being “in the dark about the nature of the root problems” (Rodrik 2009, 2)). The BSC facilitators argued that they did not need to jump to solutions but should proceed quickly but though regular, purposeful steps to learn more about the problem. This began with the next stage of PDIA—problem deconstruction—where BBT members were charged with finding answers (or at least hypotheses) in response to the question, ‘why is the fason sector underperforming in job and export creation?’

\textsuperscript{18} Fason sector employment data in the sector are often disputed, with sources putting total jobs between 20,000 and 50,000. The BBT used estimates at the time from the national statistical bureau (INSTAT). These numbers, as updated a few years later, are close to those shown here (INSTAT 2016, Kosta 2018, 5).

\textsuperscript{19} The team drew these data from INSTAT as well. The numbers were still being finalized and had to be converted from LEK to Euro and are thus not precisely what one finds in more up-to-date data (as later shown in Figure 5).
The question could only be properly answered by firms who were in the sector, and so BBT members were all charged with visiting firms and asking why they were not performing at the levels suggested in the ‘problem solved’ narrative.²⁰ Some of the BBT members wanted to meet with industry representatives like the fason chamber instead, arguing that this smaller group already knew what ailed the sector.²¹ The BSC facilitators advised against this, noting that these entities would likely only speak to “whatever shared interests constitute a common denominator [among their many members], which often is a subsidy or tax holiday” (echoing Hausmann 2008, p.30). To identify specific sector challenges, the BSC facilitators argued, BBT members needed to visit as many firms as possible and speak directly to owners, managers, and workers—learning about the realities of their jobs and the opportunities and constraints they faced (always being curious and open to new information). Additionally, the BSC facilitators noted that meeting with many firms reduced the likelihood and appearance of being captured by a few, which was something that worried some BBT members (and is often mentioned as a risk for industrial policy efforts that involve thick government-business interaction (Rodrik 2009)).

Convinced by these arguments, BBT members visited over one hundred firms in an intense three-week period, identifying over 40 specific reasons why the fason sector was struggling. Some reasons were shared across many firms and some were expressed by just a few. At least half were new and even surprising to the BBT members (who were the most knowledgeable public sector experts on the sector). Most tended to be specific to the Albanian fason sector. None related to issues being addressed in the Doing Business Indicator work.

Some firms noted that exports had stagnated because they could not buy new machinery needed to ramp up and improve the quality of production, for instance, given that these machines were costly and they lacked funds and could not access bank loans because the sector was perceived as risky (given recent slowdowns in exports). Other firms noted that they could not identify new export markets and customers because their products were not showcased in

²⁰ In the spirit of the Toyota ‘5 why’ root cause analysis, BBT members were advised to follow every answer up with another ‘why’ until they felt close to identifying ‘root’ causes. For instance, if a firm said they were not exporting because of costly customs processes, the team should ask ‘why’ these processes appear costly.
²¹ They had already done this before the PDIA work began, ‘learning’ that the sector needed lower tax and tariff rates and higher levels of financial support from government.
enough new countries. Other firms argued that customs charges (on imports used in production) were too high because they were levied on the weight of leather and cloth that was often wet when passing through customs (entering the country) and so weighed more than it should have, leading to artificially inflated charges.

The BBT streamlined and organized the firm responses, using ‘sticky notes’ on a ministry office wall, to identify 32 reasons they would work on, in 7 clusters (like taxes, finance, corruption, infrastructure, and trade support). Figure 1 shows how these clusters were presented.

**Figure 1.** How the team arranged ‘reasons’ into clusters

Source: Authors’ work product records.

The deconstruction process taught the BBT that the problem they were trying to address was not open to one big solution but would need many small interventions (reflecting the complex, multi or high dimensional nature of many industrial policy challenges discussed by Hausmann (2008)). It also provided them with a map (of sorts) to use in navigating pathways to potential solutions. This map was drawn up as a fishbone (or Ishikawa) diagram; with the problem identified at one end (like the head of a fish) and reasons (or causes) featuring as bones. The BBT featured such diagram on the wall of a meeting room in the ministry, with sticky notes, cello-tape, and paper (as in Figure 2). Much of the diagram’s detail still needed validation. Nonetheless, it provided an effective guiding device for their work.
Identifying entry points for action

Inspired by their progress, the team moved onto the next step of PDIA—identifying entry points for action. They acknowledged many unknowns in this process—about solutions to the many issues represented on their fishbone, the level of political support for different activities, capabilities to implement and coordinate others, and more. Recognizing these unknowns, they decided to categorize the causes on their map based on what they did know (or assumed they knew) about the status of work across government. They identified three categories given such approach, each with a defined discovery strategy (to foster more learning):

1. In some cases, BBT team members believed that policy solutions already existed that firms did not seem to know about or that were not working. For example, firms seemed unaware of an innovation fund the team knew had been established to help firms buy new equipment (which would have resolved one of the issues firms had identified for poor performance). The BBT’s starting strategy in such cases was to find out how existing policies were working and why there seemed to be a disconnect with firms (who were unaware of the reforms).
2. In other cases, BBT team members believed that issues were being addressed but solutions had not yet been delivered. For example, the Ministry of Foreign Affairs was working on expanding international trade representation for the sector, but a solution was still pending. The BBT’s starting strategy here was to inquire about the status of in-process policies and connect firms to the entities involved in the policy work.

3. In a third set of cases, BBT members felt that issues raised by firms were not relevant or that they could not be addressed (given constraints on policy action). For example, firms did not believe that new subsidies would be possible because of conditions in the government’s agreement with the IMF. The BBT’s strategy in these areas would be to ask their authorizer (the Minister) if he agreed with their views and to communicate their perspective back to firms (hoping that transparency would build understanding and even trust and confidence).

Having categorized causes, the BBT produced a new version of the fishbone to share with their Minister. Shown in Figure 3, this demonstrated what they had learned about the problem they were addressing and starting points for action. Aware that many observations still required validation, they treated the fishbone as work-in-process. It was not a final deliverable but mapped the policy terrain and helped chart potential next steps in the policy discovery process.

**Figure 3.** The fishbone diagram mapped its policy terrain

*Source: Authors’ work product records.*
Establishing procedural accountability

Although it was only a month in, the team now had to report to a broader set of actors—including the country’s broader political leadership and business community. This was needed to establish procedural accountability for the work, ensure transparency and avoid opportunities for and appearances of any untoward engagement (something that, as noted, is vital when government agents interact directly with private actors (Hausmann et al. 2008, Rodrik 2009)).

Given that the work had involved a process of discovery and not ‘solution delivery’, the BBT wondered how it could report on progress. They had no solutions to offer (yet) but knew that promises about solutions were the normal currency required in reports from bureaucrats to political overseers. After deliberating on this issue, the BBT decided to develop a ‘Fason Sector Package’ based on the work it had done, communicating their problem statement, ‘problem solved’ vision, and the 32 issues demanding attention. The package (see Figure 4) was launched in the presence of business leaders and representatives, with a document delivered to each firm in the fason sector to ensure they were informed about what government was doing in the sector (and so that they could see government was talking to and learning from business).

Figure 4. Contents of the fason sector package document

Source: Authors’ work product records.

Action learning iterations

The BBT had done all this work in about 6 weeks, demonstrating progress that fed expectations and helped expand authorization for the work agenda. Team members felt that the bulk of their
work was done, however, given that the policy package was in place. They argued that their ministry was not responsible for tackling most issues in the package (lacking jurisdiction over issues related to tax and infrastructure, for instance). This is a common bureaucratic challenge when dealing with high-bandwidth problems that require broad engagement from governmental systems that silo activities to focus on narrow issues (Devlin and Moguillansky 2013).22 At this point, the BSC facilitators reminded BBT members that the problem they themselves identified was not ‘the lack of a policy’ but rather ‘the low employment and export performance of the fason sector’ and argued that they needed to maintain ownership of the discovery process until they had at least made an effort to reach their self-defined ‘problem solved’ goals. The facilitators agreed that the BBT lacked tools or authority to address all the outstanding issues but suggested that they should be the ones to mobilize, inspire and coordinate those who could bring solutions—across government and outside government. Persuaded, the team agreed to coordinate the process but did not know how this could be done.

In the spirit of the search and discovery orientation in PDIA, BSC facilitators advised taking a step-by-step approach to this new role, using short iterations to act, learn (about who was doing what, for instance) and allow the emergence of new ideas, relationships, and solutions. The goal was not to develop a comprehensive multi-month plan to coordinate actors and address all issues but to identify specific ‘next steps’ they could take in short, defined periods (usually a week or two weeks), stopping at the end of each period to capture lessons, and repeating—until results suggested they and the system of emergent actors had reached the goals defined in their ‘problem solved’ vision (or learned that this was not possible and settled for such realization).

Accepting this approach, the BBT initiated work on the first category of issues in their fishbone diagram, where they thought policies already existed to address issues and had a good idea which entities were responsible for implementation. This included the concern over ‘poor financial support for innovation’ which the BBT members were confused about given that an Albanian Competitiveness Fund had been created in 2013 to subsidize innovation. There were

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22 Devlin and Moguillansky (2013, 25) note that “Effective coordination and monitoring of industrial (or for that matter any) policies are critical for effective implementation. For all governments coordination is always a major challenge. Moreover ... the complexity of coordinated management rises sharply the more ministries/executing agencies must leave their “silos” to address cross-sectoral, regional or interregional policy initiatives.”
eight such issue areas\textsuperscript{23} in which the team started engaging—meeting weekly with government actors and firms to learn why policies were not working and identify practical support needed to mobilize better results. The BBT also decided to build its own simple database of fason firms so that it could maintain contact and monitor business sentiment and plans to expand employment and exports (given that official business confidence, employment and export data took time to process and the team needed more regular feedback on how interventions were progressing).

Acting into this work, each member began reaching out to contacts across government—asking why their policies were not working and how they could be made more effective. BBT members met weekly to share notes on who had made contact, how contact was made, what was learned, and more (where meetings were organized around four PDIA check-in questions: ‘What you have done?’, ‘What you have learned?’, ‘What are your struggling with?’, and ‘What’s next?’). The meetings ensured that each member was held accountable for their work (by other members) and allowed every member to learn from others (a way of fostering thicker, faster, shared learning). These lessons were captured in month-end reports by each member and the team as-a-whole (which were used to check-in with the Minister and other authorizing entities, maintaining necessary accountability relationships throughout the exercise).

The team made significant progress in its first month, learning a lot about coordination and relationship building and drawing different government agents into a growing ‘fason package’ implementation community. These agents helped to facilitate learning about why existing policies were not working and mobilized new ideas to improve policy performance. In respect of the competitiveness fund, for instance, agents in a different part of government shared (in the first week of work) that very few firms had applied to the fund since it was created in 2013. In the second week they learned (from interviews with firms) that many firms did not know the fund existed. In the third week they found that the fund administrators had not undertaken a broad communication initiative to inform firms, largely because they lacked the authority to advertise or reach out to firms and help them apply for support. In the fourth week, BBT

\textsuperscript{23} The eight targeted issues were (with an associated number in the package): 8. Political representation; 9. AIDA one stop shop; 12. Showrooms; 15. Competitiveness Fund; 17. VAT exemption list for machinery; 20. Decree on work hazards; 25. Establish professional centers; 32. Customs authorization of machinery.
members worked with fund administrators to address this shortcoming, slightly amending the policy decision that created the fund to allow for more direct outreach. This draft amendment was approved by the Minister and other authorizers in late May. After weekly experiments with low-cost outreach in early June, the BBT (and its new implementing partner in the fund) started seeing increased applications for the innovation assistance. Disbursements followed in July.

The BBT also made significant and rapid progress engaging with fason sector firms and establishing a mechanism to garner these firms’ feedback. After early engagements, two junior staff in the AIDA agency were appointed to call twenty firms a week and ask them about their awareness and experience with fason sector reforms and about plans they had to expand employment and exports. By late May, data from these calls was already used to determine how the new package and policy interventions were being received by firms and if firms were starting to hire or export more. The BBT regularly used this feedback to shape next steps.

Rapid progress was also made on the first eight issues, with BBT members making new contacts, learning why policies were not being implemented or were slow in coming, and identifying ideas to potentially address roadblocks, remedy weaknesses, and such. The breadth of engagements were stretching the team, however, and a few new members were brought on board (especially where sub-causes were highly sector specific—like labor). The BBT also developed a rudimentary coordinating matrix to monitor progress across its work agenda. Table 1 shows a simplified version of this matrix, which was very basic, to facilitate coordination of (and by) busy officials.

**Table 1.** The basic structure of the BBT coordination matrix

<table>
<thead>
<tr>
<th>No.</th>
<th>ISSUE</th>
<th>INITIATIVES TAKEN</th>
<th>INSTITUTIONS RESPONSIBLE</th>
<th>CONTACT (with mobile number)</th>
<th>IMPLEMENTATION STATUS (and date for next check in)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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*Source: Authors’ work product records.*
The team ensured that it had a specific contact at every institution listed in its matrix. This was a crucial inclusion as the BBT members had learned that personal contacts were more responsive and accountable. They learned also that these contacts required formal authority to participate in the work agenda, which led to the rapid development of a template letter their minister could issue to ask for such (streamlining the bureaucratic process). They also learned that, once authorized, contacts responded more to mobile phone communication than emails. As a result, they included a mobile phone number in their matrix and developed a series of WhatsApp groups for coordination purposes. These innovations may seem mundane but proved crucial for the work’s success and emerged because of the learning and discovery process.

In the next period (June 2014) the BBT once again worked week-by-week, tackling the eight issues it was already addressing plus three new issues. The team made connections with other ministries officially responsible for each area, asked for ideas on what could be done to resolve the problems identified by firms, and pushed their new partners to try these ideas out. The team’s coordination matrix was growing now, as was the list of ‘initiatives’ it was coordinating and the progress and results they could report to firms and elicit firms’ feedback about. The evidence of progress and feedback was well received by the Minister as well, whose trust and authorization of the team and process grew. This allowed the BBT to work broader and faster as they knew they could ‘ask’ their minister for more (and with more rapid responses).

Drawing on their expanded authorization, the BBT continued iterating, acting through a growing network of counterparts of government entities (who it started to convene in monthly meetings) and with constant feedback from fason sector firms. Progress was not always rapid or even, and the BBT had to deal with adversity and even failure. They struggled at times to get other agencies to prioritize the fason work agenda, for instance, sometimes found themselves waiting on political or bureaucratic decisions, and encountered institutions without the requisite capacity to act. In all such situations, the BBT was encouraged to interpret difficulties as ‘lessons’ that required adaptation (trying new things to find what works). Through such adaptation, the BBT made significant progress on all 32 issues in its fishbone diagram by February 2015, only 11
months after being authorized to speak to the fason sector firms. They even advanced issues they did not believe could be touched when starting out in March 2014.24

Results of the learning and discovery process

This work yielded important gains, starting early in March 2014 with lessons about problems, potential solutions, collaborators, and more. The main evidence of these gains were the fishbone diagram (that embedded issues and concerns no-one in government had registered before, showcasing the learning that was happening), the list of firms the BBT had engaged (demonstrating the rapid effort at embedding themselves in their context, learning about their clients’ concerns and building relationships with these clients), and the ‘fason package’ (that demonstrated a roadmap of action they would pursue). Other results manifest after June and July 2014, when the BBT started learning about procedural challenges to the work they were doing—and ways of solving these (reflected in their emergent coordination matrix, for instance) and when they started receiving feedback from firms (showing more firm engagement with and confidence in government work and that firms were building inventories, working on new export orders, and expanding employment—such that sector jobs grew even in the down year of 2014).

The gains kept coming, month-by-month, as the BBT and its expanding network of allies chipped away at their list of 32 issues. Jobs and exports were growing at a vigorous pace by early 2015 and the BBT quickly saw its ‘problem solved’ goals realized and exceeded—with sector employment at over 46,000 in 2016 (against a target of 31,000) and exports reaching over €800 million at the end of that year (better than the €600 million target). As shown in Figures 5 and 6, the sector grew significantly thereafter—with compound annual growth rates of 14% for employment (between 2014 and 2016, double the 7% between 2010 and 2013) and 9% for exports (between 2014 and 2018, nearly double the 5% between 2011 and 2014). The growth in exports exceeded that in comparator countries like North Macedonia, Romania, and Serbia.25

24 For instance, they did not believe support would be available to subsidize employment in the sector—but actually saw such support materialize in the last months of the work—largely because the BBT’s effectiveness led to expanded authority and influence in policy agendas—making seemingly impossible challenges possible.

25 Textile exports in North Macedonia and Romania did not grow between 2014 and 2018 (staying static at $1.08 billion and $8.61 billion), while Serbia’s textile exports grew at a CAGR of below 8% (from $1.6 billion to $1.9 billion).
It is impossible to credit the BBT’s work solely for all these gains. There were other initiatives underway in Albania at the time, with many factors potentially inspiring fason sector performance. The Prime Minister’s Delivery Unit orchestrated a rapid improvement in Doing Business rankings, for instance, from 108 in 2013 to 62 in 2014 (before dropping back to 90 in 2015, recovering into the 60s in the 2015 to 2018 period and falling again—to 82—in 2019). Such results could have also influenced business confidence and helped to reinvigorate the fason sector, but it is hard to determine if and whether this happened and what part of the success story it played. We can see a much more direct line of reasoning connecting the BBT’s work to the sector’s improved performance, however, as supported by a formal 2017 external evaluation of the engagement—which described the BBT’s contribution as follows:

“A list of 42 actions was drawn up of which 32 were deemed to be in scope. These were then largely achieved over a six-month period. The results were dramatic. Garments exports have averaged more than 20% per annum growth since then. By February 2015 ... the sector had seen a 24.6% or $165 million increase in exports and had created 5,000 new jobs. Attribution of these impacts is problematic, but a strong link is assumed by all involved.”

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26 This evaluation is not available in the public domain but was by an independent, external entity.
Even recognizing other policy initiatives, therefore, a lot of evidence suggests that the BBT’s work contributed significantly to the fason sector’s export and job creation reinvigoration in 2014 and 2015. This reinvigoration was also not short-lived, with the sector’s exports growing rapidly until 2018 (shown in Figure 6) and faltering only with the shock of Covid-19 in 2020.

Conclusion

Critics may suggest that a permanent BBT could have helped soften the hard landing in 2020 (being available to trouble-shoot the many unknowns emerging at that time) or that a 2014 BBT process focused on broader sectoral problems—like labor conditions, which was not part of its mandate—may have better prepared the sector for the Covid-19 shock. While interesting, these potential critiques do not detract from the BBT’s success in facilitating a rapid response to the challenges it was tasked to address—or that it constituted the kind of learning and discovery approach studies commonly prescribe for doing modern industrial policy. As described, it was the vehicle for what Hausmann (2008, 30-31) might call a ‘high bandwidth’ “search ... for opportunities and obstacles” in the fason sector, fostered the “strategic collaboration[,] ... coordination ... and learning” Rodrik (2009, 20) advocates, and ultimately facilitated the emergence of rapid, contextually fitted responses that “help[ed] firms [and government actors] produce more ... [and] acquire ... new knowledge” (Chang and Andreoni 2020, 11). It also ticked the boxes implied in the criteria Rodrik (2009, 20) suggests one can use to judge the success of discovery-oriented policy, in asking: “[H]ave we set up the institutions that engage the bureaucrats in an ongoing conversation with the private sector, and do we have the capacity to respond selectively, but also quickly and using a range of policies, to the economic opportunities that these conversations are helping identify?”

What makes the fason BBT experience more noteworthy is that it took place in a particularly challenging context where problems were urgent, capability limited, and corruption concerns pronounced. Policymakers in such situations often say they lack the time, people, or resources to create new learning and discovery processes or organizations and that they worry about the risk

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27 Such critiques have not been levelled at the work but were raised by the authors in reflecting on the experience.
that such organizations—if created—will be ineffective, captured, and corrupt. It may seem less risky—and more rational—for policymakers to source external policy design and implementation expertise in such situations, foregoing efforts at a local learning and discovery industrial policy process because it seems too hazardous and difficult to pull off.

The fason BBT experience demonstrates that learning and discovery can be a part of industrial policy work in such situations; and offers a less hazardous and difficult option to consider. This option involves establishing temporary discovery capabilities—to listen, collaborate, and learn about ways to solve problems and pursue opportunities—inside incumbent policy organizations and processes. This option is a practical, cost efficient and rapid alternative to that of creating completely new organizations and processes and it can be pursued alongside conventional policy work (by external experts) to moderate the risk associated with unconventional work.

While less demanding than creating new organizations and processes, this option is not straightforward (as some critics might suggest28). It is important, therefore, to understand the conditions or strategies needed to ensure entities like the Albanian fason BBT succeed. These have been described in other texts on PDIA work (like Andrews et al. 2013, 2017, 2017a) but could be further defined in future work—especially in respect of industrial policy. Such work would focus on attaining and maintaining political and bureaucratic authorization for this work, establishing and sustaining teams, providing effective facilitation (where outsiders act as ‘learner helpers’ instead of solution providers (Thor et al. 2004)), structuring the discovery process, and understanding the kinds of policy problems best suited to such approach. More information about these and other topics is vital to understand where, when and how temporary discovery

28 The only ‘critique’ of the work the authors have seen was by a political commentator (Estrada 2018) challenging the ‘propaganda machine of the Albanian government’. This critique is less focused on the PDIA work or fason story but challenges the larger narrative that Albania’s policy work after 2013 helped it escape a significant downturn (claiming, in part, that the country’s economic trajectory over this period was simply in line with other regional comparators—something we disagree with, given data like that in footnote 25). As part of this critique, however, the commentator offers an off-handed dig at the PDIA work, exclaiming “Ah yes, that incredible approach of identifying problems and trying to fix it! How very innovative.” The implication is that this kind of work is common and easy to do, which we feel is misinformed (as evidenced by the many studies calling for more of this work): structuring solution-driven organizations to become ‘discovery’ entities that recognize, diagnose and iteratively address problem (without clear solutions) is difficult to do.
processes can be used to foster industrial policy work. The Albanian case offers a first lens to use in sourcing such information, as next steps for this work.

References


