This study is a first contribution to prioritization across productivity determinant capabilities (such as education, infrastructure, or health) that estimates their impact on the chances of success a country may have in reaching a higher stage of development. Prioritization of these determinants seems to be specific to the income per capita group to which a country belongs.

The usefulness of this model is that it allows development agencies to develop a strategy pinpointing which sectors could be given particular attention when designing a joint development program with governments in developing countries. It is currently being used at the Inter-American Development Bank as a tool for informing country strategies.

Using a generalized ordered Probit, our methodology first separates countries into different income per capita groups reflecting different development stages, and then learns from countries that have been able to attain larger development across time to identify priority areas. These priorities, which are specific to each group of countries, are the sectors that increase the likelihood of jumping to the next income per capita cluster the most. The impact of each sector is conditional on the levels attained by other sectors, capturing the concept of interaction across constraints. Additional expenditure to boost infrastructure, for example, may depend on capital market depth.

In contrast to other prioritization strategies in the literature, which identify the largest gaps across different sectors and base prioritization on the size of those gaps—which may or may not coincide with sectors in which the value of development constraints are the largest—our methodology evaluates the relevance of each sector by looking into the impact that it has on increasing the probability of reaching a higher development group. The impact of each sector is not necessarily associated with the size of the gap in that sector; as a matter of fact, some sectors with large gaps may not be a priority, while others are.