

*Technical Report*

# **Competitiveness Interventions: A Review of J.E. Austin Associates' Global Experiences**



**SUBMITTED TO**  
U.S. Agency for International  
Development

**SUBMITTED BY**  
J.E. Austin Associates, Inc.

**PRIME CONTRACTOR:**  
Nathan/MSI Consortium

**IN RESPONSE TO**  
PCE-I-00-98-00016-00

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# Contents

Executive Summary	1
Introduction	3
History of Competitiveness Interventions	5
Competitiveness at USAID	6
Competitiveness in Developing Countries Beyond USAID	8
Narrative Descriptions of Competitiveness Interventions	11
Competitiveness Methodology and State of the Art Practices	25
JAA Methodology	25
State of the Art Practices	34
Results	40
Country Specific Results	40
Performance Indicators	49
Constraints	51
People Skills (Workforce Development)	51
Administrative	51
Cultural	53
Political	54
Inventory of All Known Competitiveness Initiatives	55
Competitiveness Website Links	57
Appendix A. Austin Resources for Competitiveness	
Appendix B. The Expanded Development Diamond	
Competitiveness Reports E-Library (CD-ROM)	

# Executive Summary

Host country governments, the United States Agency for International Development (USAID), the World Bank, and other donors—such as the United Kingdom and Inter-American Development Bank—are increasingly structuring economic growth initiatives around the theme of country competitiveness. USAID, for instance, has been funding short-term exercises to test the relevance of the competitiveness approach and the receptivity of host countries. More often than not, these exercises generate considerable interest among private sector leaders, who formally request exercises on behalf of industry “clusters,” express willingness to form clusters that include an industry’s entire value chain, and commit to hiring and paying for cluster coordinators. Host governments have shown similar interest; heads of state in four countries requested personal briefings during short-term exercises. Competitiveness workshops and conferences also garner heavy coverage in print, television, and radio. Business associations have had competitiveness experts address gatherings of hundreds of leaders at a time. One association’s conference evaluators found that competitiveness was viewed as the most relevant of 15 topics presented that year.

J.E. Austin Associates (JAA), who developed the competitiveness methodology for USAID, has undertaken 23 competitiveness-related interventions for private clients, donors, and USAID, and has been involved in most of USAID’s competitiveness work. JAA and Nathan Associates Inc. are now implementing three long-term competitiveness initiatives in Sri Lanka, Mongolia, and Croatia. The project in Sri Lanka recently reached mid-point while others are only months old—and the results so far are encouraging.

In Sri Lanka, the project has (1) helped representatives of eight industry clusters articulate strategies, devise strategic action initiatives, and identify policy constraints; (2) assisted representatives from business, labor, government, and education in reaching broad consensus on forming a national competitiveness council in 2001; and (3) had Sri Lanka included for the first time in the annual *Global Competitiveness Report* sponsored by Harvard University and the World Economic Forum.

In Mongolia, the project is working to improve the competitiveness of various industries, including tourism, meat, and cashmere. In 2000, the project designed and implemented a tourism strategy and in 2001 tourism arrivals and growth experienced a turnaround approaching 18 percent—well beyond expectations. Mongolia’s herders depend on meat and cashmere exports for their livelihood. In recent years, they have exported mostly frozen carcasses to Siberia and cashmere in unprocessed, raw form. To improve meat exports, the project is identifying more attractive markets and helping to upgrade and certify health standards so Mongolia will be able to export higher-value meat. The project is also helping to reduce the export of raw cashmere by repositioning the Mongolian cashmere industry with trademarks, brands, and certificates of origin.

In Croatia, the project helped form the Croatian Competitiveness Council, the first business roundtable of its kind. The project has worked with labor, government, and universities to obtain commitment from the government and others for forming a National Competitiveness Council that

will identify constraints to economic growth and implement needed changes. The project is also working with the tourism, wood products, and information technology industries. Leaders in Croatia's secondary cities have requested assistance in forming regional leadership councils.

Competitiveness methodology, at first experimental, is now codified. It covers national leadership, industry clusters, secondary cities, and policy and institutional reform. In this report, we identify state-of-the art practices and describe how these have been applied in various countries. (The latest thinking on a competitiveness model is provided in Appendix B.) USAID still faces the challenge of quantifying results in hard-to-measure areas. And harmonizing traditional approaches to project design, implementation, and monitoring with the demand-driven and time-urgent nature of competitiveness initiatives remains a significant constraint.

# Introduction

At the request of the USAID Global Bureau, J.E. Austin Associates (JAA) introduced the competitiveness approach to USAID in 1997, and the approach was field tested in Uganda, Sri Lanka, and Mongolia shortly thereafter. Today, the term “competitiveness” is controversial. JAA, however, believes that those seeking to improve the economic growth prospects and competitiveness of emerging economies should not be doctrinaire. Regardless of the jargon preferred by various schools of thought—whether one speaks of “clusters” or “pyramids” or “diamonds”—the important thing is results. Given that research has indicated a poor correlation between international economic assistance programs and demonstrated economic growth in emerging economies it is all the more important for development agencies to find methodologies that work.<sup>1</sup>

Competitiveness tools and methodologies have been used with success in firms, industries, and regions in OECD countries.<sup>2</sup> These same tools and methodologies have demonstrated their appeal in client countries, but they must be adapted if they are to be relevant to emerging economies in the context of development assistance. USAID has been using competitiveness approaches for only a short time, but their early result should be assessed. Table 1 lists our experience in global competitiveness interventions.

In the following sections we review the history of competitiveness interventions, interventions in which JAA has been involved, competitiveness methodology and practices, results and constraints. We also provide an inventory of competitiveness initiatives and competitiveness website links.

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<sup>1</sup> Easterly, William. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge: The MIT Press, 2001. Page 103.

<sup>2</sup> For examples see *Clusters in Innovation: Regional Foundations of U.S. Competitiveness* by Michael Porter, et al., October 2001.

Table 1. Experience in Global Country Competitiveness Interventions

Project Country	Phase	Start Date	End Date	Local Gov't Sponsor	Donor Agency	Implementation Organization	Value	Report Title	Team Members
Uganda (Analysis)	I	9/30/1997	4/30/1998	Government of Uganda	USAID	JAA/Coopers & Lybrand	\$115,586.00	Uganda Competitiveness Study, Final Report	Kevin Murphy, Martin Webber, Joshua Rudin, Michael Fairbanks, Kristine Midhe, William Kelame
Sri Lanka (Exercise)	I	6/15/1998	1/27/1999	Government of Sri Lanka, Ministry of Trade and Investment	USAID (GBTI)	JAA/Coopers & Lybrand	\$156,548.00	Sri Lanka Competitiveness Study, Final Report	Kevin Murphy, Martin Webber, Michele Morgan
Uruguay (Workshops)	I	10/1/1998	10/31/1998	Government of Uruguay	USAID	JAA/Monitor Company	\$5,000.00	N/A	Kevin Murphy
Republic of South Africa (WFD Competitiveness)	I	2/1/1999	4/30/1999	Government of South Africa	USAID	PriceWaterhouse Coopers/JAA	\$18,479.00	Available from PriceWaterhouse Coopers	Kevin Murphy
Brazil (Workshops)	I	4/1/1999	5/5/1999	Government of Brazil	Sociedad Nacional de Agricultura	JAA/Monitor Company	\$3,000.00	N/A	Kevin Murphy
Egypt (WFD Competitiveness)	I	6/23/1999	7/15/1999	Government of Egypt	USAID	PriceWaterhouse Coopers/JAA	\$10,960.00	Available from PriceWaterhouse Coopers	Kevin Murphy, Martin Webber
Republic of South Africa (WFD Competitiveness)	II	6/23/1999	9/30/1999	Government of South Africa	USAID	PriceWaterhouse Coopers/JAA	\$37,532.00	Available from PriceWaterhouse Coopers	Kevin Murphy
Egypt (WFD Competitiveness)	II	9/7/1999	12/31/1999	Government of Egypt	USAID	PriceWaterhouse Coopers/Stanford Research Institute/JAA	\$35,008.00	Available from PriceWaterhouse Coopers	Kevin Murphy, Martin Webber
Honduras Maquiladores (Strategy Exercise)	I	1/6/2000	1/6/2001	N/A	Asociacion Honduran de Maquiladores (Private)	JAA	\$94,000.00	A Campaign for Competitiveness in the Honduran Apparel Industry	Kevin Murphy
Dominican Republic (Regional Initiative)	I	11/1/1999	12/6/1999	Government of Dominican Republic	USAID (RAISE)	Chemicals/JAA	\$118,000.00	Competitive Strategy for the Santiago Region (Santiago En Citres)	Kevin Murphy
Sri Lanka (Initiative)	II	7/22/1998	1/31/2002	Government of Sri Lanka, Ministry of Trade and Investment	USAID (GBTI)	JAA/Nathan Associates	\$4,472,088.62	In process	Kevin Murphy, Martin Webber, Michele Morgan, David Flood, Charles Conconi, James Walker, John Young, Pradeep Lyonamena, Suseewa De Alwis, John Varley, Roger Manning, Kate Grubb
Mongolia (Exercise)	I	10/12/1999	5/31/2000	Government of Mongolia	USAID (GBTI)	JAA/Nathan Associates	\$249,554.00	N/A	Kevin Murphy, Martin Webber, Michele Morgan
Mongolia (Initiative)	II			Government of Mongolia	USAID (GBTI)	JAA/Nathan Associates	\$2,076,059.92	In process	Kevin Murphy, Martin Webber, Michele Morgan
Bulgaria (Exercise)	I	5/1/2000	6/29/2001	Government of Bulgaria	USAID (GBTI)	JAA/Management Systems International	\$264,283.10	Bulgaria Competitiveness Exercise, Final Report	Martin Webber, Kate Grubb
Southeast Europe (Exercise)	I	9/25/2000	7/24/2001	Governments of Croatia, Romania, Macedonia, and Albania	USAID (GBTI)	JAA/Nathan Associates	\$195,836.04	In process	Kevin Murphy, Martin Webber, Can Tutuncu
Southeast Asia (Exercise)	I	6/5/2000	4/6/2001	Governments of Philippines, Thailand, Indonesia, Vietnam, and Cambodia	USAID (GBTI)	JAA/Nathan Associates	\$950,249.00	In process	Kevin Murphy, Martin Webber, Orzu Malyukub, David Flood
Guyana (Exercise)	I	10/26/2000	4/15/2001	Government of Guyana	DFID/CIDA	JAA/Econolytix	\$38,120.07	Guyana Competitiveness Initiative: Report of Feasibility/Mission and Programme Design	Martin Webber, Clem Duncan (Econlyrd), Kate Grubb
Croatia (Initiative)	II	4/16/2001	4/15/2002	Government of Croatia	USAID (GBTI)	JAA/Nathan Associates	\$1,028,188.00	In process	Kevin Murphy, Can Tutuncu
Russia, Ukraine, and Kazakhstan (Exercise/Conference)	I	7/23/2001	7/22/2002	Governments of Russia, Ukraine, and Kazakhstan	USAID (GBTI)	JAA/Nathan Associates	\$233,164.47	In process	Kevin Murphy, Martin Webber, Orzu Malyukub, Alexandra Pugachevsky, Can Tutuncu
Dominican Republic	II	6/15/2001	6/14/2002	Government of Dominican Republic	USAID (RAISE)	Chemicals/JAA	\$34,206.00	In process	Kevin Murphy
Nigeria Agribusiness	I	6/28/2001	7/15/2002	Government of Nigeria	USAID	JAA/Chemicals	\$100,088.00	not yet produced	Martin Webber
RAISE Eastern Europe	I	9/30/2001	5/1/2002	none	USAID (RAISE)	JAA/Chemicals	25,000	not yet produced	Kevin Murphy, Alexandra Pugachevsky, Thomas Patton, Andy Hale

# History of Competitiveness Interventions

In the late 1970s and early 1980s, there was a sense of urgency about a perceived loss of U.S. competitiveness as U.S. companies and industries were displaced by international competition. Individual companies, industry leaders and the U.S. Government shared the concern. In this context, it was natural that business strategists and policy experts would emerge to focus on “competitiveness.”

In 1980, Dr. Michael Porter of the Harvard Business School published *Competitive Strategy: Techniques for Analyzing Industries and Competitors*<sup>3</sup> presenting five forces that explained attractive versus unattractive industries and three generic types of strategy. He later published *Competitive Advantage*,<sup>4</sup> which presented value chain analysis and other techniques. His tools and approaches had a major influence on business strategy and thinking in major U.S. companies. Porter also focused on regional and national competitiveness and his work culminated in the influential 1989 book *The Competitive Advantage of Nations*<sup>5</sup> that presented the similarly influential “Porter Diamond” that sought to explain the sources of competitiveness at the regional and national level. Porter’s models were picked up by influential strategy consulting firms such as McKinsey, Bain, Boston Consulting Group and Monitor Company; and also by many leading business schools. Monitor Company, established by colleagues of Dr. Porter, was especially influential in introducing the diamond model to businesses and governments worldwide. Dr. Porter applied these tools in countries as varied as the United States, Portugal, Canada, New Zealand among others. Two of the senior consultants of Monitor’s country competitiveness practice, Michael Fairbanks and Stace Lindsay, promoted the application of competitiveness to developing countries with their book *Plowing the Sea*<sup>6</sup> that described the lessons from competitiveness initiatives in Latin America. Business and government leaders in the United States formed a Council on Competitiveness in the 1980s that focused on technology, innovation and the emergence of competitive industry clusters.

The interest in competitiveness tools and strategies quickly went beyond the firm level to the industry cluster level and then to regions and nations. In the late 1970s and early 1980s, a focus on regional “clusters” emerged at SRI International in Palo Alto, California consultancy with a strong regional development focus. However, the head of SRI International decided not to continue this practice, and most of the key individuals associated with that practice went to DRI McGraw Hill,

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<sup>3</sup> Porter, Michael. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Trade, 1980.

<sup>4</sup> Porter, Michael. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press, 1985.

<sup>5</sup> Porter, Michael. *The Competitive Advantage of Nations*. New York: Simon and Schuster Trade, 1989.

<sup>6</sup> Fairbanks, Michael and Stace Lindsay. *Plowing the Sea: Nurturing the Hidden Sources of Growth in the Developing World*. Boston: Harvard University Business School Press, 1997.

where they undertook competitiveness studies for Mexico and Morocco, the latter sponsored by the World Bank. DRI McGraw Hill also decided to discontinue this practice area. Some consultants went to ICF-Kaiser while others set up their own practices. However, the Washington office of SRI International maintained some of the focus on cluster competitiveness and implemented studies for regions in the United States (including ones for Hollywood and Silicon Valley) and in developing countries for USAID.

In the 1990s, national and regional governments showed increasing interest in strategies designed to improve competitiveness. The Organization for Economic Cooperation and Development (OECD) convened workshops, conferences and studies related to competitiveness in the 29 industrialized countries. Other developed countries showed a high level of interest in competitiveness evidenced by the formation of government-mandated competitiveness councils in the US, Ireland and Singapore. The U.S. Congress established the bi-partisan Competitiveness Policy Council (CPC) in the early 1990s that effectively addressed a number of key constraints to U.S. competitiveness and productivity growth. Not to be confused with the Council on Competitiveness, the CPC was government funded and quietly helped shape the policy agenda for much of the 1990s.

### **COMPETITIVENESS AT USAID**

USAID has always dealt with themes related to economic growth, private sector development and competitiveness. USAID was among the first of the major multilateral development agencies and bilateral donors to pioneer a number of initiatives that have since been adopted by the European Union, OECD, United Nations Development Programme (UNDP) and international finance institutions. Among these were the focus on privatization, micro-finance, small and medium enterprise, women-owned enterprise, export promotion, business association strengthening and policy advocacy among others. In 1986, USAID requested J.E. Austin Associates (JAA) to create the Agency's Manual for Action in the Private Sector (MAPS), which combined economic analysis, random sample surveys of businesses in host countries and focus groups to identify constraints and prioritize initiatives. MAPS was subsequently implemented in 18 countries, leading to a portfolio of interventions in places as diverse as the Dominican Republic and Ghana that have left a legacy of USAID projects with tangible and measurable results on employment, exports, investment, backward linkages, non-traditional agro-exports and institutional strengthening. The MAPS initiative was further recognized and implemented by the UNDP.

In the mid-1990s, the Government of Cambodia made a formal request to the U.S. Ambassador for a competitiveness study for that country. The USAID Director at the time committed himself in a written letter to the Minister of Finance to have USAID conduct such a study. However, USAID was unable to deliver on this promise because the agency did not have the capability to provide a study.

The USAID Global Bureau, under the Private Enterprise Development Support III (PEDS III) Indefinite Quantity Contract (IQC) issued a request for new approaches and tools that could be useful to the economic growth efforts of USAID missions worldwide. JAA responded by presenting an approach to competitiveness adapted to developing country environments. The Global Bureau did not fund the development of this approach nor its implementation, but played a catalytic role providing forums and encouragement for a series of different economic growth tools.

Shortly thereafter, the Africa Bureau decided to conduct a test implementation of the Competitiveness Exercise. After reviewing various countries and consulting with various Mission Directors, the Bureau provided limited funding for an initial exercise in Uganda. Uganda was chosen because it was widely believed that President Museveni was strongly committed to economic reform and private sector competitiveness and the USAID Mission expressed interest.<sup>7</sup> The result of work with Ugandan industry clusters (fish, flowers, tourism, and coffee) elicited a high level of interest from both private and public sector leaders resulting in a request to personally brief President Museveni at his country home two hours outside of Kampala.

Two years later, USAID/Uganda issued a Request for Proposal (RFP) for a Competitiveness Initiative. Those involved in the original exercise were not awarded the bid, which went to a consortium led by Carana, a consulting firm well known to USAID specializing in economic growth.

In the meantime, USAID/Washington officials were expressing growing interest in the topic of competitiveness and experts on the subject addressed various USAID conferences and leadership retreats. Presentations by different experts were made at the USAID Mission Director Conference, the conference for economists and private sector development officers and a two-day retreat of senior Agency leadership focusing exclusively on the topic of competitiveness.

USAID/Sri Lanka requested a Competitiveness Exercise as part of a strategy to move from firm level assistance to more highly leveraged impacts in the context of declining budgetary resources. The impact of the initial Exercise was similar to that of Uganda in that private and public sector leaders responded enthusiastically and made formal requests to USAID for a long-term Competitiveness Initiative. USAID/Sri Lanka issued its RFP for this, evaluated competing bids, and awarded the contract in August of 1999 to Nathan-MSI with JAA as the lead technical firm. The project is ongoing as of late 2001.

In late 1999, USAID/Mongolia requested a Competitiveness Exercise that led to presentations to the Prime Minister, the Mongolian Parliament, various cabinet ministers and a broad cross-section of industry and academic leaders. As a result of this response, the Mission moved immediately to continue the process with a 2-year competitiveness initiative focusing on the meat, cashmere and tourism clusters.

Also in late 1999, USAID/Dominican Republic requested a Competitiveness Exercise that was performed by Chemonics, Monitor Company and JAA over a 9-month period and included a secondary city component in Santiago de los Caballeros. USAID/Haiti, though it realized Haiti was not ready for a competitiveness initiative, asked for a competitiveness approach to be included in a major set of activities undertaken by JAA and the leading think tank the Centre pour la Libre Entreprise et la Démocratie (CLED), which culminated in a competitiveness conference attended by the former heads of state of Costa Rica and the Dominican Republic.

In 2000, the Asia Near East (ANE) Bureau provided funding for regional Competitiveness Exercise covering Thailand, Indonesia and the Philippines and later amended to include Vietnam and Cambodia in an exercise that is still ongoing. Initial responses, even in Vietnam, seemed to indicate a high level of interest in competitiveness especially in light of the newly signed Bilateral Trade Agreement (BTA) with the USA.

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<sup>7</sup> The methodology, description and results of this exercise and those that follows are described elsewhere and will not be repeated in this brief historical synopsis.

Also in 2001, the Europe and Eurasia (E&E) Bureau provided limited funding for a multi-country series of workshops and exercises in four countries: Croatia, Romania, Macedonia and Albania. Through the Nathan Associates and Management Systems International (MSI) consortium, USAID/Bulgaria commissioned JAA to include a competitiveness component to provide guidance on business and economic issues to the Policy Reform and Advocacy Strengthening project managed by MSI.

USAID/Croatia, considering the receptiveness of Croatian leaders to the initial sets of presentations, commissioned a one-year competitiveness initiative with modest funding in April 2001. By year-end results included the formation of the first Business Roundtable type organization called the Croatian Competitiveness Council led by the 15 leading CEOs and representatives of the SME sector. The signing of a formal agreement where the Government of Croatia recognized and agreed to dialogue with business leadership followed. The dialogue was then expanded to include labor leaders and educators who, with business and government leaders, agreed to form the National Competitiveness Council to address key national challenges.

Other USAID Missions have begun to include competitiveness elements in their projects. Namibia recently issued an RFP related to SMEs and competitiveness. Other missions are said to be including this focus as well.

### **COMPETITIVENESS IN DEVELOPING COUNTRIES BEYOND USAID**

USAID has not been alone in its effort to embrace competitiveness. The World Bank, which had already funded competitiveness exercises in Morocco and El Salvador, funded other competitiveness initiatives. The Inter-American Development Bank (IDB) issued its annual Economic and Social Progress Report for 2001<sup>8</sup> focused around the theme of competitiveness. Department for International Development (DFID), the UK development agency, has commissioned an initial competitiveness study of Guyana and is said to be cooperating with USAID in doing a similar project in the English-speaking Caribbean. The Commonwealth Business Council evaluated the positive impacts of competitiveness councils in three Commonwealth countries and recommended the use of such councils for Commonwealth countries. The OECD also commissioned studies and has held conferences on the topics of competitiveness and cluster competitiveness. In October 2001, Association of South East Asian Nations (ASEAN) issued an RFP for a competitiveness study that could help their member countries address the very significant challenges faced by these countries in the wake of the Asian financial crisis and the diversion of investment from ASEAN to North East Asia.

Some OECD governments commissioned competitiveness studies to provide guidance for stimulating rapid economic growth and improvements in living standards. Shortly thereafter, many developing countries started to undertake their own competitiveness studies. Important competitiveness initiatives were undertaken in the state of Chihuahua with tangible and quantifiable results superior to most other states of Mexico. A regional competitiveness initiative was undertaken for Central American countries by the Central American Institute of Business Administration

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<sup>8</sup> "Competitiveness: The Business of Growth. Economic and Social Progress in Latin America, 2001 Report." Washington, DC: Inter-American Development Bank, 2001.

(INCAE) and advised by Dr. Porter. The result is the Center for Latin American Competitiveness and Sustainable Development established in 1995 at INCAE.

USAID has helped to pioneer an approach and developed methodologies which are now being emulated by other donors and which pass the market test of demand by stakeholders in host countries. The story of how it has done this is a significant example of a private-public partnership among USAID, JAA and the companies and NGOs that have participated in the ongoing design and implementation of competitiveness exercises and initiatives worldwide. This can be better understood by a careful review of the narrative descriptions of these competitiveness interventions.

# Narrative Descriptions of Competitiveness Interventions

JAA's partners were using competitiveness tools to assist private sector clients in corporate strategy formation and implementation even before the founding of the company in 1986.<sup>9</sup> As the originator of an important methodology for private sector development, JAA was later asked to assist USAID in applying competitiveness theory and tools to developing and emerging economies. Apart from the USAID interventions, senior JAA experts have been continually requested to lead and facilitate competitiveness presentations and sessions in emerging economies and have made such presentations for the OECD in the Kyrgyz Republic and at the request of the private sector in Uruguay, Honduras and Brazil.

JAA has also developed new applications for competitiveness approaches: agribusiness competitiveness; workforce competitiveness (South Africa and Egypt), secondary city competitiveness (Dominican Republic and Croatia), and SME competitiveness (Uganda, Bulgaria).

Cited below are project narratives on a number of competitiveness interventions undertaken by JAA as well as other related projects in which competitiveness represented a main component. The results are summarized only briefly in this section; a more complete treatment of project results appears in Chapter 5.

**Country:** Uganda  
**Project:** Competitiveness Exercise  
**Year:** 1998–1999  
**Client:** USAID

The USAID Africa Bureau funded this initial short-term study and exercise in Uganda, selecting that country because of its commitment to economic reform and private sector development and because of the interest expressed by USAID/Kampala.

In a pilot program for Africa, JAA (in collaboration with Monitor Company under PEDS III subcontract to Coopers & Lybrand) applied methods of Competitiveness Analysis to industry clusters in Uganda and also engaged leaders of the Government of Uganda. Particular focus was on four Uganda industry clusters: cut flowers, fisheries, coffee and tourism. The analysis also included a comprehensive assessment of the extent to which Uganda has a favorable national platform (i.e., policy environment, infrastructure, human resources) for attracting foreign capital and enabling the competitiveness of Ugandan enterprise and industry. The team also examined the existing private-public dialogue mechanisms and recommended ways to strengthen these.

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<sup>9</sup> In 1984, Mr. Murphy arranged for one of Monitor's founding partners to advise a leading Dominican manufacturing company on corporate strategy using competitiveness tools and methodologies.

The initiative lasted about six months and involved intensive work with industry clusters and the identification of case studies of competitive enterprises that could serve as models to others. The head of the leading business association and the Finance Minister requested immediate follow-on assistance. Towards the end of the study, President Museveni requested a personal briefing at his country home two hours outside of Kampala. Present were 20 top government and private sector leaders. The USAID team leader engaged the President in lively conversation regarding the study findings and recommendations. The Government implemented a Medium-term Competitiveness Strategy (MTCS) to guide public sector improvements.

Two years later, USAID issued an RFP for a competitiveness initiative and awarded the follow-on project to a consortium led by Carana, a firm that has specialized in economic growth and private sector development.

**Key Results:**

- President Museveni requested a personal briefing by key project personnel on competitiveness.
- Twenty leading public and private sector leaders attended a retreat on competitiveness to develop priorities.
- Examples of competitive companies were identified in the coffee, flower, fish and tourism industries.
- Medium-Term Competitiveness Strategy (MTCS) was put into place for the Government of Uganda.
- Ministry of Finance formally requested USAID assistance.
- Two years later, USAID implemented recommendations of project to fund a competitiveness intervention in Uganda.

**Countries:** Uruguay and Brazil  
**Project:** Competitiveness Analysis Workshops  
**Year:** 1998  
**Client:** Private Sector Clients

At the request of private sector clients and associations, JAA provided a series of workshops to the meat, dairy, cereals and fruit/vegetable clusters in Uruguay. On another occasion, JAA provided a presentation on competitiveness for a major agribusiness conference in Rio de Janeiro at the request of private sector clients in Brazil.

**Key Results:**

- Approximately 100 private sector leaders from the meat, dairy, cereals and fruits and vegetable industries in Uruguay took part in workshops on competitiveness applied to their industry clusters.
- Approximately 80 Brazilian agribusiness leaders received a presentation on competitiveness at a major agribusiness conference.

**Country: Sri Lanka**  
**Project: Sri Lanka Competitiveness**  
**Year: 1998–Present**  
**Client: USAID**

<http://www.competitiveness.lk>

JAA began in Sri Lanka with a competitiveness exercise that included an evaluation of the macro-economic and business environment provided by SRI International. JAA then assessed industry and firm-level competitiveness in tea, rubber and rubber products, tourism, electronic components, gems and jewelry, and textiles. JAA then conducted 26 workshops for business and government leaders. In August of 1998, JAA worked with leading business associations to focus on techniques of effective dialogue and emphasized the need to work with one voice, ensure bi-partisan support and to prioritize its advocacy efforts. In October of that year, for the first time in Sri Lankan history, all 5 leading business associations came together and issued a set of 10 key priorities calling on the Government to work in bi-partisan ways to address these. Since that time, these priorities have been issued annually with greater levels of analytical sophistication and have led to direct sessions with the head of state and business leaders. The Ceylon Chamber also established its Economics Intelligence Unit. The Minister of Industrial Development, the Minister of Trade and the Board of Investment requested competitiveness-training sessions for approximately 20 top staff in each of these three ministries. The Minister of Industrial Development adjusted his productivity campaign to include a focus on competitiveness. The Minister of Trade, who was trying to generate support in South Asia for a regional trade agreement, sponsored a regional competitiveness conference.

On the basis of the results from the competitiveness exercise, USAID issued an RFP for a longer-term Competitiveness Initiative that was awarded to the Nathan-MSI consortium in competitive bid and executed by JAA as the lead technical firm. JAA facilitated the development and implementation of competitive strategies in 5 industry clusters (later expanded to eight). The initial effort was expanded to include 3 additional clusters—ceramics, coir and spices. JAA is assisting the Government of Sri Lanka in the establishment of National Competitiveness Council. JAA has worked with partner organizations in Sri Lanka on the inclusion of Sri Lanka in the Global Competitiveness Report, published by the World Economic Forum in association with the Harvard Institute for International Development.

### **Key Results:**

- The Initiative was successful in bringing together business, labor, education and government leaders in active dialogue processes.
- Eight industry clusters were formed in the sectors of ceramics, coir, information technology, jewelry, rubber, spices, tea and tourism.
- Action initiatives are being implemented by five of the eight clusters.
- The Regional Competitiveness Conference was judged as a success.
- The Government of Sri Lanka requested help to establish the National Competitiveness Council.

- The World Economic Forum and Harvard University now include Sri Lanka in their annual Global Competitiveness Report.

**Country: Republic of South Africa**

**Project: Development of Workforce Competitiveness**

**Year: 2000**

**Client: USAID**

Under a subcontract to PriceWaterhouse Coopers (PWC), JAA consultants helped USAID develop a methodology for workforce development that began with an analysis of the competitiveness challenges facing industry clusters, connecting industry leaders with their education, and training providers to invest more in workforce development in ways that are responsive to industry needs. The effort assisted the Government of South Africa in its policy to ensure that those who had been excluded under apartheid could have certifiable and portable skills.

**Key Results:**

- JAA created and left behind the first directory of public management and training institutions listing their current students, faculty, executive programs and areas of strength.
- Government of South Africa and the Department of Labor followed up with a request to USAID for assistance in implementation of a workforce initiative related to stimulating investments in workforce training.
- JAA and PWC provided with a set of tools and frameworks for workforce development initiatives applicable to other countries.

**Country: Egypt**

**Project: Workforce Development Strategy**

**Year: 2000**

**Client: USAID**

JAA consultants, in partnership with PWC and SRI International, conducted a workforce development exercise in Egypt. The focus of this exercise was on the agribusiness, tourism, and information technology clusters. The competitiveness focus proved capable of convening industry leaders. PWC, SRI and JAA consultants facilitated a dialogue between private sector tourism executives and education and training providers in order to forge better linkages between them. JAA consultants focused on the IT sector and provided a skills development CD-ROM capable of connecting Egyptians to sources of free training and skills certification worldwide.

**Key Results:**

- Ministry of Information requested and received a portal based 'virtual incubator' for skills development.
- USAID was provided with a framework and methodology for workforce development further refined from the prior South African application.

**Country: Honduras**

**Project: Competitiveness Strategy: Honduran Textile & Apparel Cluster**

**Year: 2000**

**Client: Private Sector Client**

JAA conducted a competitiveness analysis of the Honduran apparel export industry, particularly in the context of the expiration of the MFA agreement. JAA drew upon centers of excellence in the United States in order to provide support in improving the competitiveness of the Honduran textile and apparel cluster, creating better firm level strategies, improving market intelligence capabilities, raising export and employment levels, and instituting contingency plans for alternative scenarios after the end of quotas. Honduras has generated 115,000 new jobs and over \$2B in annual exports. The benefits to Honduras include GDP growth, enhanced export revenues, higher employment, better jobs, expansion of these benefits to regions outside of San Pedro Sula, achievement of industrialization and a lasting achievement of a more modern and diversified economy. Most of the newly created jobs go to poor women from rural areas, a majority of which has access to improved health care provided at the workplace.

**Key Results:**

- Despite the events of September 11th and an overall downturn in U.S. purchasing trends, Honduras expected to record export values in 2001 at the 2000 levels.
- Productivity has increased year on year by an estimated 8 percent in 2001.
- In country value-addition has increased by an estimated 10 percent in 2001.
- The industry committed USD\$800,000 to workforce development programs which will establish twenty training centers at work sites to train 30,000 people over the next two years.
- Approximately 20 Honduran companies have earned WRAP (Worldwide Responsible Apparel Production) certification, which has made Honduras a global leader in receiving such certifications.
- Industry leaders presented policy reform priorities to the new reform oriented Head of State who has indicated commitment to act on these reforms upon taking office.

**Country: Dominican Republic**

**Project: Regional Competitiveness Initiative**

**Year: 1999–2000**

**Client: USAID**

In the Dominican Republic, JAA carried out a series of workshops and facilitations that helped to define a regional competitiveness initiative. The Association for Development of Santiago (APEDI), together with other leading business associations of Santiago came together to develop the Competitiveness Strategy for Santiago and its region as an input to Santiago's Strategic Plan. JAA provided inputs for the larger project, led by Chemonics, which developed a National Competitiveness Strategy and presented this to all major political parties. JAA brought together leaders from 6 of Santiago's key industry clusters and applied competitiveness tools so as to develop practical, action-oriented strategies for the tobacco/cigar, apparel/leather, construction, tourism,

health and education clusters. This effort has identified ten flagship interventions (cross-cluster) to increase the future prosperity of the region.

**Key Results:**

- Briefing on competitiveness principles made to President of Dominican Republic.
- Ten flagship initiatives were identified.
- Six clusters requested assistance in forming industry strategies (two more than planned).
- Three other cities began similar initiatives based on work completed in Santiago.

**Country: Mongolia**

**Project: Competitiveness Exercise and Initiative**

**Year: 1999–Present**

**Client: USAID**

JAA began a competitiveness exercise in January 2000. The exercise included briefings to the Prime Minister, the Mongolian Parliament, Cabinet Ministers, all major political parties, industry clusters, university faculties, the financial press and two secondary cities. This resulted in requests by Mongolian stakeholders for a competitiveness initiative that USAID implemented in a project amendment to Nathan-MSI and that has been implemented by Nathan Associates, Inc. JAA is providing technical support to Nathan efforts working with the meat, cashmere and tourism clusters. The initiative is helping to reposition the meat cluster from low-end exports of animal carcasses to Siberia towards the export of value-added products to more demanding markets. This requires improvements in the health and sanitary standards and the project is providing a former USDA expert in meat regulatory standards for this purpose. The initiative also worked with the tourism cluster in 2000 on its strategy for the 2001 tourist season. Growth in tourism exceeded expected benchmarks and the project contributed by linking up the industry with contacts abroad and providing on-site technical assistance. The team has worked with the cashmere cluster to develop strategies that can reposition the industry away from head-to-head competition with China to create brands, certificates of origin and quality certifications (similar to “Woolmark”) that will allow Mongolian herders and manufacturers to provide and capture more value-added.

**Key Results:**

*Exercise—*

- Prime Minister requested a briefing with key advisors on competitiveness.
- Mongolian Parliament and political parties requested briefings.
- Meat, cashmere and tourism clusters formally requested assistance.
- USAID implemented Competitiveness Initiative immediately upon conclusion of the Competitiveness Exercise.

*Initiative—*

- As a result of instituted strategies developed with the Initiative, tourism arrivals doubled in first year.
- Local cashmere auctions were established in collaboration with efforts of the Gobi Initiative resulting in greater value paid to herders.

- Cashmere industry strategy led to quality-based purchasing policies making more cashmere available in country, while reducing the amounts of cashmere exported in raw form.
- Meat industry strategy led to a repositioning of export for carcasses to higher value markets.

**Country:** Haiti  
**Project:** Haiti CLED Forum  
**Year:** 1999–2001  
**Client:** USAID

Although Haiti is not the first country that comes to mind when thinking of highly competitive countries, JAA has been able to assist the leading Haitian think-tank in introducing these tools and approaches. Over a two-year period, JAA provided support to CLED (an association of business people focused on improving the economic environment). The aim of the project was to develop the policy agenda to improve the investment climate.

JAA assisted CLED in organizing and conducting six major economic conferences, preparing several position papers and related seminars on major economic and political issues, and organizing and conducting two seminars for the Haitian media. The two-day National Competitiveness Conference covered many issues related to competitiveness and included focus on 2 industry sectors (agribusiness and tourism). The keynote speakers included former President Fernandez of the Dominican Republic and former President Figueres of Costa Rica (currently managing Director of the World Economic Forum).

**Key Results:**

- National Competitiveness Conference held with more than 200 participants.
- Former President of the Dominican Republic, Leonel Fernandez, addressed conference participants generating remarkable dialogue with an audience of 300 people. This assisted in forming economic and business linkages between the Dominican Republic and Haiti.
- Competitiveness themes were adopted as action areas by the Forum 2000 project sponsored by the leading Haitian think tank CLED (Centre pour La Libre Entreprise et La Démocratie).
- Upon formal request, a CLED Director briefed President Aristide on competitiveness.
- There has been no measurable impact on Haitian exports or on policy and institutional reforms attributable to this exercise as yet.

**Country:** Bulgaria  
**Project:** National Competitiveness Exercise  
**Year:** 2000–2001  
**Client:** USAID

<http://www.competitiveness.bg>

As a guiding element on business and economic issues, and related public-private dialogue and public service change, JAA implemented a particularly intensive competitiveness exercise as part of the Policy Reform and Advocacy Strengthening project. JAA has helped to build stakeholder

coalitions to promote competitiveness for Bulgaria, with particular emphasis on business strategy and improvement of the microeconomic environment for business. The exercise included competitiveness presentations to over 700 business, government and other stakeholders and then followed up with strategic work among seven industry clusters (apparel, wine, maritime transport, tourism, agribusiness and canning). The team formed cluster working groups, led by Bulgarians that had been trained by JAA, to convene and facilitate the industry discussions. This process was supported by a number of competitiveness case studies of industries and companies, prepared by Bulgarian counterparts under JAA supervision. For the clusters that were the most committed to the competitiveness process, JAA assisted the competitiveness thinking by mobilizing industry experts to help the industry stakeholders examine their strategic issues.

JAA prepared a competitiveness benchmarking report to assist the competitiveness dialogue, trained Bulgarians to lead competitiveness presentations and strategic roundtables, and supervised the preparation of a number of thematic “think-pieces.” Media coverage was very extensive, and JAA prepared a documentary on competitiveness that has been widely disseminated.

The climax of the competitiveness exercise was a national competitiveness conference. In addition to top-level keynote speakers, the conference was particularly oriented to the work of the industry cluster groups. Competitiveness action plans were discussed by the industries, and presented at the conference.

This exercise was notable in stressing the role of local stakeholders in implementing the competitiveness process. It also emphasized a decentralized approach to cluster work and public-private dialogue, which corresponded to the decentralized location of Bulgarian business.

Competitiveness is now widely accepted as a guiding theme for business and government in Bulgaria. The industry groups are continuing their collaboration. With the assistance of USAID, World Learning and MSI, JAA facilitated a weeklong visit to Ireland to examine some of the mechanisms for Ireland’s success. As a result, a working group was established, and continues to be assisted by JAA. They are exploring creating a National Competitiveness Council. USAID is considering ongoing support to implement a competitiveness initiative.

### **Key Results:**

- National Conference on Competitiveness was judged as a major success in convening industries and in opening dialogue mechanisms between the public and private sector.
- Following the Conference, USAID committed to support a follow up activity based on the interest of Bulgarian stakeholders.
- Six industry groups set specific action plans based on conversations and planning sessions at the National Conference on Competitiveness.
- Competitiveness working groups were formed allowing local counterparts to take ownership and play major roles in guiding the process of increasing competitiveness.
- A working group was also formed to assist in the creation of a National Competitiveness Council.

**Country: Southeast Europe (Albania, Croatia, Macedonia and Romania)**

**Project: National Competitiveness Building**

**Year: 2001**

**Client: USAID**

JAA worked with stakeholders in 4 SE Europe countries, introduced the themes and tools of competitiveness and applied these to local industry clusters. JAA made presentations at the MSI-IESC sponsored competitiveness conference in Macedonia. JAA was also asked by the Croatian Association of Entrepreneurs (the leading voluntary business association in that country) to speak at its Annual General Assembly to 450 business and government leaders in Croatia. JAA was requested to present its findings at another conference of 350 private sector leaders. Independent evaluations showed that competitiveness was the topic judged most relevant to business needs of the 15 presentations made at the conference. JAA also worked with subcontractors in Romania, Croatia, Macedonia, and Albania in an attempt to apply tools of competitiveness to local conditions through local groups.

**Key Results:**

*Macedonia—*

- SEETI Regional Conference on Competitiveness drew Macedonian Head of State.

*Croatia—*

- Multiple follow on requests led to USAID establishment of Croatian Competitiveness Initiative in 2001.

*Albania and Romania—*

- In process.

**Country: Southeast Asia (Cambodia, Indonesia, Philippines, Thailand, and Vietnam)**

**Project: Southeast Asia Competitiveness Exercise**

**Year: 2000–2002**

**Client: USAID**

<http://www.seasia-strategy.com>

JAA is carrying out a regional competitiveness exercise that includes work in Thailand, Philippines, Indonesia, Vietnam and Cambodia. The purpose of the regional program is to introduce the competitiveness themes and approaches within the region, and to gauge interest in follow-on work.

In Thailand, JAA worked with USAID's legacy institution, Kenan Institute Asia (KI Asia). JAA produced a competitiveness benchmarking study for Thailand and made initial presentations to five industry clusters. The resulting level of interest led to a request by the Ministry of Finance for one JAA consultant to work at Government of Thailand expense at the ministry. The consultant also presented his briefing directly to the new Head of State. The Governor of Chang Mai requested the

team to travel to northern Thailand where regional leaders assembled, listened to the presentation and decided to form a working group to build regional competitiveness.

The work in the Philippines has benefited from strong local stakeholders, who have joined JAA in a competitiveness working group. The approach has strongly focused on regional competitiveness (especially Mindanao and Cebu), on specific industry groups (various agribusiness industries, ceramics, jewelry, tourism, ICT), and on the regional public-private linkages.

JAA initially made numerous presentations on competitiveness, and then conducted more than 15 industry workshops. Filipino experts have been trained to provide competitiveness presentations and to lead workshops. The work in the Philippines is ongoing. In December 2001, a high-level workshop, involving top government and business leaders, took place.

The exercise in Indonesia has received business and government support and involvement. The work has approached competitiveness from a decentralized perspective, emphasizing opportunities for developing a geographic competitiveness cluster with effective public-private collaboration. The pilot for this is Bandung, recommended by USAID. JAA provided some initial competitiveness presentations, and then facilitated four strategy workshops for industry groups (leather products, ICT, agribusiness and garments) in Bandung.

The work in Indonesia is ongoing, but has been suspended because of current insecurity issues.

In Vietnam, JAA has made arrangements to work with local government and private sector counterparts and will present its results in March of 2002. The initial trips to Vietnam revealed a very high level of interest on the part of the Vietnam Chamber of Commerce and Industry (VCCI), the leading think-tank the Central Institute for Economic Management (CIEM), the Hanoi School of Business and private entrepreneurs.

In Cambodia, there will be more limited opportunity to apply the tools of competitiveness given the environment and the nature of the USAID program. JAA has nonetheless completed a benchmarking exercise and will present the results in March of 2002.

### **Key Results:**

#### *Thailand—*

- Governor Chang Mai requested additional competitiveness briefings of provincial level leaders.
- Ministry of Finance arranged for additional analytical work and for a briefing directly to the Prime Minister.

#### *Philippines—*

- Seven industry groups requested follow on initiatives.
- National and local working groups formed.

#### *Indonesia, Vietnam and Cambodia—*

- In process.

**Country: Guyana**  
**Project: Guyana Competitiveness Initiative Feasibility Study and Design**  
**Year: 2001**  
**Client: DFID and CIDA**

For DFID and CIDA, JAA evaluated the potential for successful implementation of a competitiveness initiative for Guyana. The four-person team (which included a CIDA consultant) met with representatives of 12 industry groups (Fisheries and Fish Processing, Jewelry and Gems, Agro-processing, Tourism Industry, Wood Products, Garment Assembly Industry, Rice Industry, Information Technology, Shipping, Handicrafts, Beverages (Rum), Banking/Finance). The group met with business support organizations and government agencies (Ministry of Trade, Tourism and Industry, Bank of Guyana, Guyana National Bureau of Standards (BoS), Guyana Office for Investment (GOInvest), New Guyana Marketing Corporation (New GMC), Private Sector Commission (PSC), Guyana Manufacturers Association (GMA), Trades Union Congress (TUC), CARICOM, Multilateral and Bilateral Organizations, GEO Project). In these meetings, JAA assessed the readiness of industry and government to participate in a national competitiveness initiative. The opportunities for such an initiative seemed to be very promising, and JAA prepared the project design for the National Competitiveness Initiative, likely to be underway in 2002.

**Key Results:**

- High levels of receptivity among leaders in Guyana
- DFID and CIDA are structuring a long-term project likely to be implemented in 2002.

**Country: Croatia**  
**Project: Competitiveness Initiative**  
**Year: 2001–2002**  
**Client: USAID**

JAA is leading a long-term Competitiveness Initiative, which began in April 2001. The earlier exercise had pinpointed the lack of institutionalized private-public dialogue mechanisms as a constraint. It had also developed a leadership map of Croatian private and public leaders and had generated commitment to forming a Croatian Competitiveness Council. After project inception, JAA served as the catalyst that formed the Croatian Competitiveness Council (CCC) made up of the 15 leading CEOs of Croatia and including two leaders from HUP, Croatia's leading voluntary business association that also represents SMEs. The Council has met monthly since May 2001, has defined six key constraints to economic growth and is implementing initiatives to address these. This is the first business roundtable of its kind in Croatia. Shortly after its formation, the Deputy Prime Minister signed a formal Memo of Understanding on behalf of the Government of Croatia recognizing the Council and agreeing to dialogue with it.

JAA then served as a catalyst to engage the heads of Croatia's four leading labor unions and five leading universities. This, along with its work with government leaders, culminated in the formation of the National Competitiveness Council representing business, government, labor and educators.

The purpose of this council will be to identify leading constraints to sustainable economic growth, help the Government set priorities, and monitor implementation.

JAA is also providing strategic and technical assistance to three industry clusters (wood products, tourism and IT), and has received demand from several secondary cities to work with them on forming regional competitiveness councils to undertake regional initiatives. The emphasis will be on identifying, prioritizing and implementing action initiatives undertaken by the industry cluster or region itself while strengthening the embryonic associations.

**Key Results:**

- Croatian Competitiveness Council (CCC) formed.
- CCC identified 6 key constraints to competitiveness.
- CCC has begun implementing actions to address these constraints
- National Competitiveness Council formed with representation from the Government of Croatia, labor leaders, academic leaders and private sector representatives.
- Secondary city of Byelovar has formed councils; 2 others underway
- Leaders from tourism, information technology and wood products industries are working with the project.

**Country: Russia Ukraine Kazakhstan**

**Project: Russia-Ukraine-Kazakhstan E&E Bureau National  
Competitiveness Building Process (Exercise)**

**Year: 2001–2002**

**Client: USAID**

JAA is assisting USAID in presenting competitiveness tools and approaches in Russia, Kazakhstan and Ukraine. The approach will include a benchmarking exercise for each country, workshops with local counterparts and a regional competitiveness conference.

**Key Results:**

- A trip to Russia in early September 2001 has generated wide interest among local business leaders in Moscow.

**Country: Nigeria**

**Project: Agribusiness Competitiveness Study**

**Year: 2001–2002**

**Client: USAID**

JAA is working with Chemonics to assess and develop action plans for large growth in Nigeria's agriculture and agribusiness, particularly for export. The project is adopting a competitiveness cluster approach to the analysis and recommendations.

The goal of the project is to define profitable exports in agriculture, analyze potential markets, and work with industry leaders to promote these exports. Beginning with a Delphi exercise, which is

aimed at finding the best possible exports from each regional group in Nigeria, the project is to progress to in-country meetings and analysis. This project is just underway.

**Key Results:**

- Chemonics' Nigeria agricultural project adopted competitiveness as a major component of the project.

**Country: E&E Bureau**

**Project: Agribusiness Competitiveness Study (RAISE)**

**Year: 2001–2002**

**Client: USAID**

JAA is adapting the competitiveness methodology to apply it to agribusiness and environmental concerns addressed under the USAID RAISE contract. It has presented a revised methodology and will seek to apply this on a pilot basis to three countries of the region. Under the RAISE contract, JAA and Chemonics have made 2 presentations to USAID on competitiveness in Eastern Europe and CIS, and its implications for the environment. The team's further work is to make recommendations on 4 client countries for in-depth agribusiness competitiveness initiatives.

**Key Results:**

JAA and Chemonics delivered 2 presentations on competitiveness and environmental linkages to USAID E&E Bureau staff.

A second conference was widely attended by representatives from the Global Bureau and received positive feedback.

# Competitiveness Methodology and State of the Art Practices

The methodology of competitiveness exercises and initiatives has evolved. It began as a methodology for engaging industry clusters on how to reposition themselves for higher growth, higher profitability and more attractive market segments. Interest by governments and donor agencies led to the development of methodologies for creating national competitiveness councils that could involve business, labor, educators and government in the design, implementation and monitoring of economic reform. It has also included work at the secondary city level on regional economic development. Finally, there has been an emphasis on working with the mindset of the leadership and with the larger population of a country through the media and universities to help secure sustainable change.

## JAA METHODOLOGY

Understanding of the JAA methodology requires consideration of the overarching strategy for achieving economic growth. In other words, the JAA approach for competitiveness must be viewed as part of a comprehensive approach that takes into account firm-level behavior, industry clusters, the business environment, the macro-economic policy environment and the political and economic leadership structures of a nation. To provide greater insight into the operational context of JAA's methodology, a description of its overarching framework for development is presented in Appendix A. A brief explanation of the Expanded Competitiveness Diamond, also known as the "Development Diamond," used in JAA's competitiveness approach is also presented.

Competitiveness initiatives are distinctive projects that create leadership groups and councils where industry and other groups design and implement strategies for economic growth. Consequently, there are several approaches that differentiate Competitiveness Initiatives from traditional economic growth or policy reform projects.

First, they seek to engage the broadest leadership of a nation including the heads of state, cabinet, parliament, government officials, political party leaders, university faculties and students, business associations, industry clusters, think-tanks and the economic and financial press.

Second, they elicit cooperation from at least 3 industry clusters in each country by presenting tools and approaches that are validated by the local industries. The focus on clusters, rather than producers, manufacturers or exporters, allows the entire value chain to come together and represents a comprehensive approach.

Third, the Initiatives focus not only on trade linkages and building efficiency of local firms but also on the strategic repositioning of firms and even industry clusters.

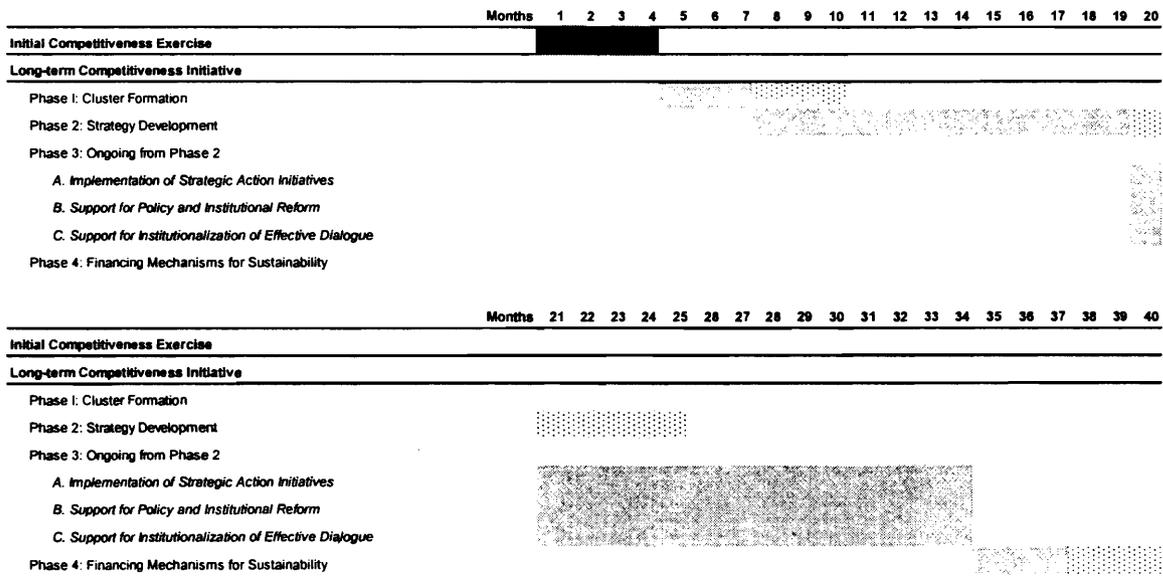
Fourth, the Initiatives begin with the assumption that the tools and approaches of competitiveness are not that difficult to communicate and that local counterparts, with some coaching, can be quick to implement these tools. The initiatives also put industry leadership in the “driver’s seat.”

Fifth, Competitiveness Initiatives work simultaneously on several fronts: industry strategy, policy and institutional reform, private-public dialogue and changing mindsets through universities and the media.

Sixth, Competitiveness Initiatives have proven that they are capable of strengthening and institutionalizing private-public dialogue and even private-public-labor dialogue.

Finally, they have the additional benefit of ensuring that USAID has a place at the table with a broad section of a country’s leadership.

**Figure 1. Timeline of Competitiveness Exercise and Initiative**



The JAA methodology has many generic aspects, but to be fully relevant it must be tailored to the particular country’s situation and to the needs of the particular USAID mission. As the firm that originally introduced the competitiveness approach to USAID, JAA is the first to point out that the methodology must be adapted to the peculiarities of the region, stage of development, and interests of stakeholders. The following is a composite methodology based on JAA’s best practices.

**Initial Competitiveness Exercise (16-24 Weeks)**

It is highly recommended that USAID *not* proceed with a competitiveness initiative until it can be demonstrated that the approach is relevant to the local country and that there is a high level of receptivity. This is usually done during an initial Exercise with an explicit understanding that unless relevance and receptivity can be demonstrated, no additional work should be undertaken.

### *Objectives of the Initial Exercise*

The objectives of the Initial Competitiveness Exercise are to make an impact on the mindset of the leadership, contribute to private-public dialogue, provide useful analysis to local stakeholders and test the relevance and receptivity of the competitiveness approach in the host country.

### *Tasks and Activities*

JAA prepares a competitiveness benchmarking for the country based on its database of over indicators for up to 185 countries of the world. This is provided to local stakeholders as a way of informing the debate. It is high on description and low on prescription so that those from different economic and political backgrounds can utilize it as a source of objective data and analysis. A competitiveness presentation is developed incorporating these findings and presenting examples of competitiveness results from other countries.

USAID or its in-country contractors usually take responsible for the initial convening of public and private sector stakeholders. Convening the right people is critical. In cases where there is no major in-country presence, JAA sends in its own team to engage the leadership, identify the appropriate partners and ensure the appropriate convening authority. At this stage, JAA also identifies potential local partners, consultants and subcontractors in the host country although contracting decisions will normally wait until the first visit to the country.

Gifted international and sometimes local presenters make presentations to a broad variety of leadership groups. Local consultants or contractors are hired to co-present with the JAA team, especially if there is a language barrier. This was especially important in Mongolia. It was not so important in Sri Lanka where most leaders speak English. USAID has proven to be an effective convening authority in most cases. These presentations normally provoke a remarkable initial response followed by requests for follow-up activity. During this initial trip, JAA also identifies local consultants and sub-contractors who can work in the subsequent phase of the initiative. They will attend the workshops and be briefed with regard to the follow-up research and analytical work to be undertaken.

After the initial round of presentations, the JAA team and local counterparts, apply the analytical tools to those industry clusters that have demonstrated the highest level of interest in the form of commitment to counterpart activity. In-country analysis depends heavily on correct identification of a reliable counterpart. Previous exercises have shown that there must be ongoing monitoring and supervision by the contractor in the country itself. Attempts to train local consultants and subcontractors and then manage them via the Internet have not proven to be highly effective in terms of getting quality results on a timely basis.

Country analysis takes about 12 weeks and normally includes:

- Country Competitiveness Benchmarking,
- Assessment of the business environment,
- Industry cluster analysis,
- Evaluation of current public-private dialogue mechanisms, and
- Recommendations.

After the analysis is complete, the JAA presenter(s) and local subcontractors make another round of intensive presentations. These may include up to 25 briefings and presentations during an intensive 3-week period. Presentations are made to industry clusters, business associations, government officials, party leaders, university faculty and students, the business press, political parties and leadership groups in secondary cities.

Usually, 3-5 clusters must express interest in order for JAA to be willing to work long-term in a given country. Government leadership must also indicate openness and interest. Testing the receptivity of the audience, government, and civil society is crucial at this stage. The final step is a go/no-go decision, which is taken at the end of the second visit among USAID, JAA and the cooperating USAID contractor(s) and local counterparts.

#### *Deliverables*

- Approximately 20 Workshops.
- Country Competitiveness Benchmarking.
- Country Competitiveness Report.

#### *Results and Indicators*

- Receptivity of local leadership demonstrated (or not).
- Relevance of approach proven (or not).
- Positive indicators are measured by a high attendance of workshops.
- Sustained interest is measured by noting if counterparts return for the second round of workshop after the initial presentations.
- Formal expression of interest by industry clusters to USAID is another positive indicator.

#### *Go/No Go Decision by USAID*

USAID takes the crucial go/no-go decision at this point. USAID should not proceed unless three or more clusters are willing to sign MOUs and provide counterpart time and resources and if the local government has demonstrated substantial interest. If so, a long-term competitiveness initiative can proceed.

#### **Long-Term Competitiveness Initiative (2-5 Years)**

If USAID decides to proceed, it is important to proceed with as little hiatus as possible between the exercise and the initiative. In Uganda, the lag time was about two years and much of the early momentum was lost. In Sri Lanka, Croatia and Mongolia, the follow-on took place relatively quickly and built upon the level of interest and commitment generated during the exercise. In Bulgaria, the initial interest expressed by industry clusters is being experiencing a long pause while waiting for approval of follow-on activities. Counterparts can normally accept a lag time of up to 3 months, which is usually sufficient for a USAID competitive bidding process utilizing one of USAID's SEGIR contract mechanisms. Most USAID regional bureaus have scopes of work used by USAID missions that, with some adaptation, can be used by other missions.

### ***Phase I: Cluster Formation (3 Months)***

JAA builds on the initial cluster work to sign memoranda of understanding (MOUs) formalizing the commitments of the contractor and the industry cluster. In Sri Lanka, five industry clusters agreed to meet with the contractor monthly and to identify, hire and pay the salary of a cluster coordinator to work under the guidance of JAA. The challenge at this stage is to ensure that the entire value chain, or at least a critical mass, has come to the table. This requires a lot of work behind the scenes identifying and meeting with key leaders among producers, traders, manufacturers, exporters and other supporting industries.

There are several reasons why it is important to get the entire cluster together. First, improving the competitiveness of an industry requires effort by the entire value chain and cannot be accomplished by one segment alone. Second, it avoids working for the interests of one particular group and focuses on the larger interest of the entire industry. Third, different parts of the value chain have different sets of information that are useful to the others. Fourth, when the entire value chain comes together and makes a recommendation to the government regarding a policy or institutional reform the government takes it more seriously. This often involves several associations and it is important to gain their cooperation and their confidence in the cluster approach. If this is not done, they could view the cluster as a competing group to their own authority.

At this stage, work with the media and the national mindset continues. JAA works with the local media to communicate the initiatives. In Sri Lanka, the leading business magazine devoted an entire issue to publishing the results of the competitiveness benchmarking. Work with universities continues. In Mongolia, one university commissioned papers on competitiveness and organized a symposium at its own expense. In Croatia, the organizers of the leading annual business leadership conference agreed to set the entire agenda on the topic of competitiveness and allowed JAA to provide many of the speakers.

In the public sector, the competitiveness team also engages leaders in the ministries of finance, trade and industry and in the office of the prime minister. An initial assessment is made of Government priorities on policy and institutional reform and in some cases immediate technical assistance is provided. In Croatia, the Government immediately requested help on a foreign investment promotion strategy. In Sri Lanka, the Board of Investment requested help to form a competitiveness unit while the Minister of Trade asked for assistance in his effort to gain support for a South Asia Regional Free Trade Agreement. This allows the team to stay engaged with the Government while building the advocacy capacity of industry clusters. The crucial step at this stage is identifying the champions of competitiveness. An excellent working relationship can be formed if the project demonstrates the ability show quick response to policy and institutional reform opportunities.

Finally, the team strengthens the private-public dialogue process by providing analytical support and STTA to reinforce dialogue mechanisms or in some cases to create them. In Croatia, there was no institutionalized private-public dialogue at project inception so JAA served as a catalyst in forming the Croatian Competitiveness Council of key business leaders.

### *Tasks and Activities*

During the first phase, the project will usually undertake a national or regional Competitiveness Conference in order to bring stakeholders back into the conversation on competitiveness and to provide a starting point for future dialogue and strategy setting activities.

Also in the first phase the project begins intensive work with 3 to 5 clusters to develop industry strategies and action plans that will be implemented in the coming phases of the project. During this phase the project will also work with industry to analyze the policy and institutional environment as compared to other countries. This also assists industries to identify existing mechanisms of institutional dialogue.

In Phase 1, the project will engage host country leadership on the formation of a National Competitiveness Council.

### *Deliverables*

- Minimum of 3 clusters formed.
- Assistance provided to at least one policy/institutional reform initiative.
- Analysis of institutional and policy environment completed.

### *Results and Indicators*

- Signed MOUs with at least 3 industry clusters to demonstrate commitment.
- Clusters agree to pay for a local cluster coordinator.
- Small “competitiveness library” of 10 books and 20 articles provided to at least 3 universities.
- National Competitiveness Council is formed and begins meeting.
- Minutes of the initial cluster meetings and first meeting of National Competitiveness Council demonstrate broad representations and the building of a long-term relationship.

## ***Phase 2: Strategy Development (Months 3-9)***

### *Objectives*

The objectives of this phase are to develop superior industry cluster strategies that enjoy consensus and support of the industry cluster.

### *Tasks and Activities*

Phase 2 of the Initiative includes a number of elements focused on the provision of technical assistance to the industry clusters for assistance in industry strategy development and building dialogue mechanisms.

During the second phase, business strategists work with the industry cluster in the application of a variety of diagnostic tools and gather benchmarking data on current industry performance. The tools may include SWOT analysis, gap analysis, the Porter Diamond, value chain analysis,

competitive positioning analysis, analysis of attractive versus unattractive segments, analysis of industry trends and other tools. It may take time to ensure that the industry cluster has reached a consensus and supports the diagnosis of its situation.

Strategic initiatives are identified in broad outlines. At this point, it is preferable to include industry-specific expertise using international STTA to complement the expertise provided by business strategists. In Sri Lanka, there was almost no industry specific STTA programmed for the first year and this weakened the effort. However, industry experts alone may be knowledgeable but lack a sense of business strategy. It has proven most effective to combine good business strategists with good technical industry experts. Unfortunately, these kinds of people are not the normal types of consultants found in the rosters of USAID contractors and many private industry experts are not willing to work for USAID daily rates. This requires great effort on the part of the contractor to identify and recruit the right kinds of people. Once selected, good strategists and industry experts must work together. Access to high-quality STTA tends to be one factor motivating the participation of industry clusters in the project.

There is a tendency for industry leaders to point to shortcomings in the government and the business environment as the reasons for poor industry performance. This tendency should be resisted and the business strategist should focus the attention on customer learning, innovation, competitive positioning and other factors that are under their own control. Only after a good strategy has been developed can the cluster adequately assess the appropriate priorities for policy reform. JAA's mantra in Thailand was "strategy drives policy."

Efforts to strengthen private-public dialogue deepen. In Sri Lanka, the leading business associations issued a joint declaration 8 weeks after the competitiveness exercise in which they presented 10 key priorities and charged the political leadership with forming a bi-partisan approach to achieving these. In Croatia, the successful formation of the Croatian Competitiveness Council led to the signing of a formal MOU with the Government of Croatia to engage the Council in dialogue. This was later broadened to include labor unions and educators so that 8 months after project initiation these groups agreed to establish a National Competitiveness Council to work constructively in advancing critical initiatives for economic growth.

### *Deliverables*

- Three to five Industry Strategies presented and accepted by industry clusters.
- Strategic action initiatives identified by each cluster.

### *Results and Indicators*

- Three to five industry clusters reach consensus on strategic priorities.

### **Phase 3: (2-4 Years)**

#### *Implementation of Strategic Action Initiatives (Ongoing from Phase 2)*

**Objectives.** Objectives in the first part of Phase 3 are to implement strategic action priorities thereby reinforcing the benefits of cluster cooperation by showing tangible results.

**Tasks and Activities.** The first portion of Phase 3 involves effective use of local and international STTA as a means to supporting action initiatives laid out in the strategy development stage.

#### **Deliverables**

- STTA Activity Reports on two strategic action initiatives per cluster.
- STTA provided on at least 3 areas of policy and institutional reform.

#### **Results and Indicators**

- Minimum of 3 strategic action initiatives being implemented by each cluster.
- Industry growth rates, employment and/or exports achieve results above those expected without the initiative per benchmarks established in Phase 1.
- Government's acceptance of 2 or 3 specific reforms.
- Media tracking shows public is using the vocabulary of competitiveness.

#### *Policy and Institutional Reform (Ongoing from Phase 2)*

**Objectives.** To encourage reforms by responding quickly to targets of opportunity among competitiveness champions within the Government and to prepare the way for industry clusters to communicate their issues to the Government.

**Tasks and Activities.** The contractor continues to be responsive in providing STTA for specific policy and institutional reform initiatives suggested by reform champions within the government while also preparing for a more institutionalized approach through which industry clusters communicate their issues to the Government.

#### **Results and Indicators**

- Proposals for reform which reflect serious analysis and understanding of the problems.
- Letters by Government, along with minutes of meetings with working groups and written presentations of reports by private sector to Government are all accepted as indicators results.

### *Support Institutionalization of Effective Dialogue (Ongoing from Phase 2)*

**Objectives.** The objective of the third portion of Phase 3 is to support effective and institutionalized private-public dialogue.

**Tasks and Activities.** During the third portion of Phase 3, the National Competitiveness Council drafts one of the first Annual Country Competitiveness Report, which will serve as a catalyst for dialogue between the private, public, labor and academic sectors on the obstacles to competitiveness and possible resolutions for competitiveness constraints.

The project also supports continues monthly or quarterly meetings between key public-private leaders. The project will give briefings to government champions of competitiveness.

#### **Deliverables**

- Annual Competitiveness Report.
- Regular private-public dialogue.

#### **Results and Indicators**

- Consensus achieved on two-to-three major reform priorities.
- Minutes on meetings; agreement on priorities are used as measures of success.

### ***Phase 4. Financing Mechanisms Identified and Sustainability Ensured (Last 6 Months)***

#### *Objectives*

To achieve sustainability of ongoing competitiveness initiatives after project and to identify ongoing funding mechanisms

#### *Tasks and Activities*

This stage is fully dedicated to assessment of feasibility of several methods that can be used for sustaining the operation after USAID's involvement comes to an end. Funding mechanisms may include:

- Cess funds (mandatory)
- Voluntary industry contributions (check-off system, etc)
- Private-public co-financing (U.S. Cooperators' Program)
- Investment grade action initiatives (funded by banks, etc)
- Private-public projects

In Sri Lanka, the gems and jewelry cluster implemented a strategy to generate and capture increased value through certifying that their sapphires were of Ceylon origin and had not been heat-

treated. This required the purchase of \$2M of laboratory equipment. The industry agreed to impose a voluntary cess on its exports until it raised the necessary funds. In the tourism industry, efforts are underway to convince the government to let the private sector use some of the tax money raised from occupancy taxes to manage its own promotional campaign. Several cluster members also agreed to jointly invest in the country's first ecolodge so as to reduce the risk and provide a learning laboratory for the entire industry that is seeking to reposition itself away from low-cost sun and sand tourism to higher income ecotourism clients.

#### *Deliverables*

- STTA on financial mechanisms used elsewhere.
- Report recommending approaches for sustainability.

#### *Results and Indicators*

- Current financing raised; projected financing based on mechanisms in place.
- Financial statements, tax reports, industry self-reporting.

## **STATE OF THE ART PRACTICES**

The following represent a composite of state of the art practices as they have emerged in the short-term competitiveness exercises and long-term competitiveness initiatives. However, a comprehensive state of the art paradigm for Competitiveness Initiatives can be found in more detail in Appendix B.

### **Competitiveness Exercises**

***Get early agreement on the right definitions.*** Each actor is likely to understand competitiveness based on his or her interpretation. It is important to establish from the outset that competitiveness is NOT a matter of cheap labor, depreciated currency, high government incentives or lower interest rates. It is important, early on, to get consensus among business and government leaders that competitiveness is defined by productivity as measured by the value added by person employed. Competitiveness can also be defined as sustainable increases in productivity leading to improvements in the standards of living for the average person. The U.S. Competitiveness Council defines competitiveness as “an economy’s ability to produce goods and services that meet the test of international markets while its citizens earn a standard of living that is both rising and sustainable over the long run.”

***Use Country Competitiveness Benchmarking to provide comprehensive and unassailable data and analysis.*** The competitiveness benchmarking is used to establish credibility from the outset and to avoid being sidetracked by those who would utilize anecdotal evidence to support biased positions. Providing this initial report also increases credibility and helps develop a relationship between the contractor and the key leadership groups.

***Ensure appropriate convening authority.*** In Sri Lanka, the IESC was an excellent convener. In Mongolia, the U.S. Embassy and USAID played this role. In Croatia both USAID and JAA

developed the relationships critical to engaging the leadership. The initial exercise will not be successful unless someone has played this role effectively prior to the time the consultants arrive to give their first round of presentations.

***Use very gifted strategic thinkers and communicators to present state-of-the art approaches with relevant examples.*** The initial presentations should be done by gifted presenters who are culturally sensitive. The ability to galvanize audiences depends on having world-class presenters who are utilizing material relevant to the situations of the local industry clusters and government agencies. In countries where the exercise has caused a major impact on the mindset of the leadership, presentations were made to as many as 1,000 people in a series of intensive sessions including government, industry, labor, academia and the media. The presentations should contain appropriate and relevant examples used from industries relevant to clients. Usually, the best examples come from the same region as the country under question. U.S. models are useful, but removed from realities of emerging economies. Therefore, the U.S. models should not be over-used in these presentations. Ireland, Costa Rica, Hungary and Singapore have proven useful examples in some instances. However, examples from the region, where the country is located are even more powerful. For example, Mongolia will not consider the Costa Rica model to be applicable to its realities. By the same token, Mexico will not see Singapore as a good model for its competitiveness building exercise. Usually, gifted local presenters help to overcome the initial barrier in accepting competitiveness as pertinent to the country's development. The model in Mongolia, where the language barrier with English was very difficult, proved successful, when the local presenter not only gave a speech in Mongolian, but also used local examples to make the message even more pertinent and powerful.

***Use hurdles to test relevance and receptivity.*** Those conducting the exercise should make it clear that there is no planned follow-on activity and that any further activity depends on the local leadership responding in such a way as to demonstrate a high level of commitment through formal requests that indicate a willingness to shoulder some of the cost of any follow-on activity.

***Move quickly from Competitiveness Exercise to Competitiveness Initiative to keep motivation and momentum.***

### **Competitiveness Initiatives**

The following are some of the lessons learned from the implementation of Competitiveness Initiatives that have been incorporated into JAA's competitiveness methodology and approach.

- Balance STTA and LTTA throughout the project life cycle.
- Use both business strategists and industry expertise and bring both in during the diagnostic and strategy formulation phase (versus bringing the latter in later on implementation).
- Focus on timely recruitment and fielding of STTA.
- Get the rules of the game right and well understood (use of non-U.S. consultants).
- Use of former heads of state who present powerful supporting messages used to great effect (Ireland, Costa Rica, and Dominican Republic [for Haiti]).
- Behind the scenes meetings critical to success of large public meetings.
- Very important to understand what is going on behind the scenes in the political process if you are going to have influence—knowing who are the champions, who has the influence.

- Timing is everything—we decided not to form a council during the latter days of a weak government that was soon replaced.
- Practical results—in Mongolia the focus has been on very practical solutions to exporting more meat at higher prices, same with cashmere, and generating high growth in the next tourist season—in the context of long term strategy.
- Convening the entire industry cluster before moving to strategy formation is critical—worked well in Sri Lanka.
- High quality industry experts, available for ST work overseas at USAID rates can be hard to find and this requires extra effort on recruitment of highly specialized experts not normally on the rosters.

In addition to these lessons, a number of practices have been incorporated into the practical implementation of JAA's methodology and approach.

### **Paying Attention to Process, Not Just Product**

#### ***Mapping of system***

It is crucial to understand how policy and practical decisions are made in the country, who government leaders are and what extent each leader plays in the decision making process. Government leadership, industry leadership and social leadership should all be assessed. Public-private dialogue mechanisms should be mapped so that the process runs smoothly. The Competitiveness Initiative must “fit” the system. The sustained technical resources are to be fully studied.

#### ***One-on-one “behind-the-scenes” meetings are more important than events***

Meeting with stakeholders and decision makers one-on-one to facilitate discussion is often more effective than hosting events at which the hope is that discussions will take place.

#### ***Identifying and managing local subcontractors (goes into exercise above)***

Distance management via telecommunications and the Internet is no substitute for direct on-site management.

### **Use of Competitiveness Working Groups**

The third framework in the state of the art practice developed by JAA is the use of competitiveness working groups. Working groups bring together committed organizations and individuals. Much implementation can be done through the working groups—presenters, convening, case studies, etc. The working groups create consistency, where all counterparts can be handpicked. Furthermore, the groups create sustainability—people who know competitiveness, who can carry on activities when the consultant is not in country, or after the consultant leaves. The working groups also magnify the consultant's impact—leverages the consultant's resources—the participating institutions and

individuals will help to carry out the work. The initiative can create working groups on a regional (secondary city) level, too, just as is done with the Competitiveness Council. The group serves as an advisor to the process as well. It must be noted that working groups are not the same thing as a steering committee or a Board of Directors. Consultant retains as much role as appropriate as the decision-maker in the group. This mechanism has been used effectively in Bulgaria and Philippines.

## **Cluster Formation – “Clusters Lead”**

### ***Convening***

In order to present most effectively, the project should locate an unbiased, high-level organization to serve as a partner in the convening process. This partner should be chosen based on its ability to convene the most relevant groups including high-level officials and its ability to assist in the facilitation of future dialogue processes. In some cases USAID has been the most effective partner for convening presentation participants.

### ***Associations vs. Clusters***

The difference between associations and clusters is crucial for the competitiveness initiative. Trade associations are not clusters but can serve as the nucleus of clusters. Clusters tend to be more effective than associations. Associations typically are either single-industry or functionally focused formal bodies delivering services and advocacy to their membership. Clusters are *ad hoc* bodies that tend to include both vertical and horizontal players. Clusters are formed to help establish strategic direction and to focus on and advance coordination between *strategy* and *policy*. Clusters are vehicles that help to develop a critical mass (in investments, scale, or lobbying efforts, for example) that is essential to achieving competitiveness.

### ***Cluster formation***

Cluster formation includes the supply chain as well as related and supporting industries. No one group dominates any one cluster. The cluster may include input providers, producers, processors, distributors, manufacturers and exporters. The long-term advisor serves as catalyst and coach and ensures balance within the industry cluster. Hurdles are used at this stage. Clusters are not selected by experts, but are self-selected by their commitment. A go/no-go decision is taken once the level of commitment among the clusters is established.

### ***Use of local presenters, not simultaneous interpreters***

Gifted local champions should be identified and given every opportunity to take the lead on the exercise. In Mongolia, local presenters took over quickly from the U.S. team. They were able to use local examples to bring more credibility to the presentations.

## **Strategy Development (“Strategy Leads Policy”)**

### ***Good local examples – prisms on competitiveness***

In Uganda (original pilot for competitiveness), USAID sent the team back to the drawing board after the initial exercise focused exclusively on private sector strategy. As a result, subsequent initiatives included

- A country competitiveness benchmarking exercise
- A strong emphasis on policy/institutional reform
- A focus on the macro/micro linkages using to hook reforms

### ***Public-private dialogue***

The dialogue should focus first on good strategy. Policy and institutional constraints will emerge in strategy implementation. This helps prioritize and sequence public policy reforms. Work should be done in multiple industries in order to identify cross-cluster constraints.

Local independent think tanks inform the dialogue process and promote change. In Sri Lanka, the leading and most respected think-tank, the IPS, has formed a competitiveness unit and will analyze proposals coming from the 5 industry clusters and make recommendations to the government based on independent confirmation of the national economic interest.

If no institutionalized dialogue exists, the initiative can develop one. The initiative created the private sector Croatian Competitiveness Council and then moved on to create a National Competitiveness Council with labor unions, government officials, and university rectors. Bi-partisan support for such a council is important, or else it may only last till the next election.

### ***Secondary cities***

Secondary cities often generate demand for regional Competitiveness Initiatives. A national approach is useful but should be supplemented by working with leadership groups in secondary cities.

In the Dominican Republic, the team developed a “leadership mapping” technique to the secondary city of Santiago that identified the key players and then cultivated their support to get a critical mass of support for proposed initiatives. In Honduras, the private sector of San Pedro Sula committed \$100K of its own funds for a regional competitiveness exercise (non-USAID funded).

## **Implementation of Strategic Action Initiatives**

### ***Consultants***

The initiative needs both good strategist and good industry expert. Quick approvals for industry consultants are needed in this case to ensure that the best consultants can be hired. The initiative can thus promote linkages with centers of excellence in USA

**Government**

The initiative must make sure government is open to the clusters' findings. In addition, government should be willing to accommodate policy and institutional reforms

**Dialogue**

The Dialogue is to focus on early wins and win-win initiatives first, and then tackle the more difficult ones. The dialogue requires momentum of practical results, not dialogue for its own sake.

**Mindset**

The operation can engage in a careful use of publicity, if necessary. Investment in educating the business press and economic/business faculties helps to prepare the public for further changes. Leading economic and business professors should be contracted for competitiveness studies, as they will teach the next generation what they are currently researching.

**Financing Mechanisms Identified for Sustainability*****Sustainability and Financing***

Various financing alternatives have been used beyond project assistance:

- USA Cooperators Program type model;
- Government matching funds to private sector initiatives;
- Industry cess;
- Voluntary tax (Sri Lanka gem and jewelry cluster);
- Joint investment (Sri Lanka tourism cluster);
- Return of some tax money to the industry for private management;
- "Pass the hat" contributions (less effective); and
- Venture capital.

# Results

To date no competitiveness initiative has completed its life cycle so it is difficult to present historical results. Competitiveness projects have ambitious goals:

- To reinforce the leading forum for private-public dialogue or create such a forum where one does not currently exist;
- To work with a minimum of 3 to 5 industry clusters in each country to formulate strategies, implement initiatives to help reposition the industry, boost exports and serve as models for other industry clusters to follow;
- To identify at least two policy and institutional reforms per cluster that address the most important constraints faced by these industry clusters and to assist the Government in its efforts to implement such reforms;
- To engage Government leaders in undertaking other reforms that address cross-cutting issues faced by all industry clusters;
- To work with universities, the media and leaders from labor, business, government and academia on changing the mindsets within the country;
- To create, if appropriate, private-public leadership councils in secondary cities that can direct economic growth and competitiveness initiatives at the regional level.

The long-term measurable results would include improved rates of growth in GDP, improved export growth rates in specific industry clusters, expanded employment, and increased value per worker. But beyond these measurable indicators, there is another goal that is less measurable. Competitiveness initiatives seek to inform a national debate on economic strategy and policy while forming an organizational capacity in the country to formulate consensus among the leadership of Government, private sector, labor and academia. To date, the initiatives are viewed as experimental and have received only modest funding. Yet, they have achieved impressive results in terms of the responses from the leadership groups of the nations where they have been undertaken.

## COUNTRY SPECIFIC RESULTS

JAA has carried out short-term competitiveness exercises in 11 countries (5 of these are still underway).<sup>10</sup> JAA has begun carrying out long-term competitiveness initiatives (or projects) with Nathan Associates, Inc. in Sri Lanka, Mongolia and Croatia. The following is an analysis of results first in the short-term exercises and then in the long-term projects.

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<sup>10</sup> The five are Philippines, Indonesia, Thailand, Cambodia and Vietnam. Introductory competitiveness programs have been or are being carried out in eight other countries (Russia, Ukraine, Kazakhstan, Haiti, Guyana, Macedonia, Albania, Romania.)

## **Country Competitiveness Exercises (Short-Term Technical Assistance)**

### ***Uganda Competitiveness Exercise***

The major results of this exercise were

- Confirmation of high level of interest among industry clusters.
- Confirmation of high level of interest by the Government of Uganda.
- Request for a personal briefing by President Museveni with his top advisors.
- Twenty Ugandan leaders traveled to Boston for a competitiveness strategy retreat
- Development of a model for such an exercise for USAID.
- Government and private sector leaders subsequently put in place a medium term competitiveness strategy.
- Two years later, USAID began implementing competitiveness project.

JAA first introduced competitiveness to Uganda in 1998. The team was requested to personally brief President Museveni with the immediate result being that a group of 20 Ugandan leaders from business, government, business support organizations and Ugandan media representatives came to the USA and participated in a competitiveness retreat in Boston.

Another result was that the government, in consultation with business, put in place a Medium-Term Competitiveness Strategy (MTCS), to guide government and public sector organizations in their actions to improve policy, regulation, service delivery and public investment so as to provide a better environment for competitive business, and, when requested, to assist business in its cluster development. Its focus has been to remove constraints that prevent the Ugandan private sector from being domestically and globally competitive. The MTCS has proven to be an ongoing and participative effort that is continually developing competitiveness-focused actions.

The most pervasive impact of the Uganda exercise was in its influence on several programs now in place to implement competitiveness in Uganda. The follow-on activity to the exercise was funded through the new national competitiveness project (COMPETE), which is working with 3 clusters (coffee, cotton, fish processing) to develop and implement cluster strategies and to establish national public-private competitiveness structures. Through the USAID-funded SPEED program JAA is assisting three government agencies for investment, export promotion and tourism to merge and develop a program linked to competitiveness strategies.

The exercise also had a lasting impact on government. The Uganda Investment Agency (a government body) has defined its priorities in terms of competitiveness, and looks to the MTCS and the SPEED/COMPETE priority industries to define many of its targets.

### ***Dominican Republic—Santiago***

The major results of this exercise were

- Six industry clusters came together and developed strategies and initiatives in the secondary city of Santiago de los Caballeros.
- Ten Flagship initiatives were identified for the city as a whole.

- Consensus was developed around these culminating in support by all 4 leading business associations.
- Three other secondary cities subsequently began initiatives patterned on this model and approach.
- Inputs were provided to the National Competitiveness Strategy.
- The outgoing and incoming heads of state met with project leaders and agreed to support these initiatives.

Full coverage of this project will be presented in the Chemonics International report on Competitiveness Interventions. JAA was a subcontractor in the initial 9-month exercise and is currently a subcontractor under a second phase. JAA focused on the secondary cities component (Santiago Region). JAA provided inputs into the December 2000 “Forum for a National Development Agenda”, sponsored by the office of the Presidency, and at which the National Competitiveness Strategy was presented. Although in the next election the opposition party won the presidency, they have acknowledged their support for a competitiveness initiative.

### **Bulgaria Competitiveness Exercise**

The major results of this exercise were

- National Conference on Competitiveness was judged as a major success.
- Following the Conference, USAID committed to support a follow up activity based on the interest of Bulgarian stakeholders.
- Six industry groups set specific action plans.
- Competitiveness working groups were formed.
- A working group was formed to assist in the creation of a National Competitiveness Council.

Competitiveness has become a widely accepted approach for business and government in Bulgaria. Several industry/cluster groups have formed and have continued to collaborate on industry dialogue and activities. Bulgarian “think-tanks” and consultants have been using the competitiveness themes and approaches, including materials developed in the course of JAA’s work in Bulgaria, as the basis for dialogue and analysis at the industry, business environment, and policy levels.

During this exercise, JAA established a national competitiveness working group to lead dialogue on issues of competitiveness. A related working group was also formed to focus on the establishment of a National Competitiveness Council. These working groups provide

#### **The Benefit of Working Groups**

In Bulgaria, JAA coordinated with local partner organizations and individuals to form working groups to facilitate industry specific competitiveness as well as an overall competitiveness working group. Several working groups were trained to give presentations on competitiveness and facilitate dialogue among stakeholders. Participants drafted industry case studies, thematic reports and economic environment assessments. Throughout the process, JAA served as a facilitator of the groups as well as providing quality control over outputs. While waiting for an extension of USAID funding, these working groups have enabled the competitiveness dialogue process to continue.

The exercise also sponsored a National Competitiveness Conference in 2001, which was judged as a major success. At the conference, 6 industries presented specific action plans based on conversations and planning sessions for industry stakeholders. At the conclusion of the conference, USAID committed to providing ongoing support to implement a competitiveness initiative.

The Bulgaria exercise created a website through which most of the reports, case studies and industry analyses produced through the term of the project are available for review.  
<http://www.competitiveness.bg/>

### South East Europe Competitiveness Exercise

The major results of this exercise were:

- A successful S.E. Europe Regional Competitiveness Conference was held in Macedonia, keynoted by the former Prime Minister of Ireland and attended by leaders of countries of the region.
- Reform-minded leaders from Serbia attended and, after the fall of Milosevic, introduced competitiveness themes into the new government.

Competitiveness themes were successfully introduced to Croatia resulting in presentations to over 600 leaders in two key leadership conferences.

**Getting the Message Across in Croatia**  
 During the SE Europe Regional Competitiveness Exercise, the team found a high level of receptivity among Croatian leaders. The organizers of the Croatia's largest conference of business leaders invited JAA President Kevin Murphy to make a presentation on competitiveness to the 350 business leaders assembled in December 2000. Written participant evaluations indicated that the topic was the most relevant of all 15-conference presentations. At the 3<sup>rd</sup> annual conference in 2001, conference organizers structured the conference around competitiveness themes. Similarly, the largest voluntary business association invited the JAA President to deliver a speech to its 250 members at its annual general assembly. Observations of radio and print media demonstrate that the project has been successful in putting competitiveness on the national agenda.

JAA has undertaken an exercise covering Croatia, Macedonia, Albania and Romania. In Albania and Romania, local USAID missions did not express a high level of interest in this exercise and JAA's efforts were limited to producing a study with the help of local subcontractors.

In Macedonia, JAA helped organize a regional competitiveness conference including the participation of the former Prime Minister of Ireland. Workshops to be held in Macedonia were delayed when hostilities erupted between ethnic Albanians and the Government of Macedonia.

In Croatia, the results of the initial exercise were more notable. The largest annual business conference including 350 heads of company issued an invitation to JAA to present competitiveness results. The assembled leaders ranked the competitiveness presentation

number 1 of the 15 conference presentations and also judged the topic to be the most relevant of the topics covered at the conference. HUP, the largest voluntary business association in Croatia, also requested JAA to present competitiveness at their annual conference. The most prevalent of results

was the issuing of a task order by USAID that established the Croatian Competitiveness Initiative in April 2001.

### **South East Asia Competitiveness Exercise**

The major results of this exercise were

- Presentations made to 5 industry clusters in Thailand.
- Governor of Chang Mai requested additional presentations in that province.
- New Government of Thailand paid to have consultant return to do follow-up work.
- Vietnam, Philippines and Indonesia are underway. Counterparts have demonstrated high levels of interest.

This initiative is ongoing and it is premature as of yet, to present definitive results. However, the high level of interest can be demonstrated by anecdotal evidence. The Governor of Chang Mai convened a meeting of leaders of that province and requested the JAA team to travel there, make an additional presentation and facilitate a meeting that has led to their developing a potential regional initiative.

The JAA lead consultant was asked to return to Thailand at the expense of the Thai Government to work in the Ministry of Finance on follow-on activity. The Prime Minister of Thailand met with the consultant to receive a briefing on the results of this work. The South East Asia exercise also produced a website <http://www.seasia-strategy.com/>.

### **Competitiveness Initiatives (Project Results)**

#### ***Mongolia Competitiveness Initiative (MCI) and Exercise***

JAA arrived in Mongolia in January 2000 and worked through June of 2000 on the initial exercise. During this time, presentations were made to the Prime Minister, the Mongolian Parliament, various cabinet ministers, university faculties and industry clusters. The exercise led to requests by the meat, cashmere and tourism industry clusters for a competitiveness initiative, which began in August 2000. NAI and JAA have worked since that time with these three industry clusters. Intensive work with and by the industries has quickly led to action plans that are being implemented by the industries.

Examples of this cluster-directed activity include the following:

- MCI helped establish public-private sector "task forces" in the tourism and meat industries to address very specific constraints.
- MCI helped create favorable environment for adventure travel in Mongolia and on the development of adventure travel products.

#### **Changing Mongolian Mindsets**

After the first set of presentations in Mongolia in January 2000, the JAA team returned in May and were pleased to learn that the leading university had sponsored a symposium on the topic of competitiveness, had photocopied the studies of the JAA team for distribution and had issued a call for papers on the subject that were presented at their conference. This activity was funded entirely by the university with no donor assistance.

- Government responded to tour operators requests to modify government standards for tour camps, guide certification, and other regulations preventing tour operators from delivering products and services that would meet the needs of tourists.
- Over 50 participants attended a meeting facilitated by MCI to overhaul the structure of the Mongolian Tourism Association and make it more representative, service oriented to its membership, and proactive in marketing.
- MCI also led coordination meetings with other donors, the Mongolian Advertising Association, the Tourism Board, and the Tourism Association which resulted in an agreement between all parties to use a common theme and unified design in marketing Mongolia as a destination, while producing multi-purpose brochures and marketing pieces that could be shared by the entire tourism industry.
- MCI helped turn around a 3 year steady decline in tourism arrivals and shifted arrival percentages between lower-paying Asian "package" tourists and higher paying Euro and north American arrivals on adventure tours.
- MCI obtained an agreement from MIAT, the Mongolian airline, to make available complimentary seats for travel agents on familiarization trips, travel writers and

#### **Mongolian Tourism Takes Off**

In 2000, MCI worked with the tourism industry to build its strategy and campaign for 2001.

The cluster, with project assistance, hired a full time tourism specialist focused on developing key contacts with tour agencies in Europe and elsewhere. While tourist arrivals have been on the decline over the past 3 years, arrivals were targeted to increase by 6 percent in 2001. Current figures on tourist arrivals to date estimate actual increases in arrivals for 2001 could be as high as 19 percent.

photographers, and other industry professionals invited to Mongolia by tour operators for marketing purposes.

- In the cashmere sector, organized better internal markets for procurement, which stopped the heavy export of raw cashmere to China last year and allowed Mongolian processors to purchase greater quantities of better quality material. While last year the cashmere industry lost 2/3 of the raw material crop to China, this year very little (maybe 10 %) was exported in raw form.
- MCI carried out a market survey in the meat sector of 5 Asian markets and 1 Middle East market, and identified products and target

markets for Mongolian processors. MCI also identified transport options and completed cost studies to confirm the feasibility of export to these markets.

- MCI developed a draft protocol for foot and mouth free certification that would enable Mongolia to export meat during years in which foot and mouth outbreaks have been declared.
- MCI and Gobi Business News have designed a national radio program that targets herders, the raw material producers for the cashmere and meat industries and have successfully produced and piloted four test series. Herders responded that the series was entertaining, educational, and had valuable technical content that would help them improve productivity. MCI and Gobi Business News will produce 26 episodes.
- MCI is working on a program to collaborate with U.S. design schools to produce professional marketing materials (logos, brochures, displays, multimedia products, etc.) for Mongolian

industries to effectively promote the cashmere collective mark, Mongolia as a tourism destination, and meat products from Mongolia.

- The project has changed the government's policies and standards governing businesses through lobbying with various associations and government agencies, in order to make progress with the exports.
- MCI was the lead presenter on economic issues at a retreat held by the new government to plan its economic growth strategy. Much of the resulting government strategy for economic growth was adapted from the MCI presentation.

MCI is carrying out a "MAPS survey" (an approach, developed by JAA, to understanding business and competitiveness constraints, to identifying needed public-private actions, and to creating a process of public-private dialogue for change) as input to a component directed toward better public-private dialogue and guiding improvement in government actions and public services. The MAPS exercise will be completed shortly, and the component will be launched in early 2002.

By the end of the project, MCI will show results in foreign exchange generation in Mongolia's key industries: meat, cashmere and tourism.

### ***Croatia Competitiveness Initiative (CCI)***

Since the Initiative's inception in April 2001, dialogue between the private and public sectors in Croatia on issues of competitiveness has become a reality.

This is due to the efforts of Croatian business leaders working with the USAID-supported Croatian Competitiveness Initiative (CCI). As recently as early 2001, dialogue mainly took place between individual CEOs and government counterparts and many times these were not dialogues but rather confrontations.

J.E. Austin Associates played a catalytic role in forming the Croatian Competitiveness Council (CCC) of fifteen leading Croatian CEOs who, in their first meeting in April 2001, identified the lack of an institutionalized channel of dialogue with government as one of six key constraints to increasing the competitiveness of Croatian business. In the second meeting of the council, 6 action initiatives were developed:

1. ***Changing mindsets:*** continue to collaborate with a local organization on the organization and implementation of a National Competitiveness Conference;
2. ***Justice and the courts:*** pursue opportunities to collaborate with a newly-formed Advisory Council of commercial court justices in the area of commercial law reform;
3. ***Channel for dialogue:*** pursue a formal understanding by which the Government of Croatia recognizes the Council as a channel for institutionalized private-public dialogue;

#### **Secondary Cities in Croatia**

The original Croatia project was slated to include 3 industry clusters, establish a Croatian Competitiveness Council, and work with the media and universities. Additionally, due to interest from presentations given in various regions of Croatia, local organizations are forming competitiveness councils to respond to regional needs. The city of Byelovar has taken a particular interest in forming a council and for the first time, private and public leadership in that area have come together to establish a locally based competitiveness council.

4. ***Slow response to FDI***: develop a national strategy and appropriate structures for the attraction of FDI;
5. ***“Bad management”***: collaborate with local organizations and particularly the Croatian Employers’ Association to develop executive training programs; and
6. ***Educational system***: support the Council in bringing together the Minister of Science and Technology and the Rector of the University to form a partnership for excellence in education.

Government soon took notice of this prestigious group. The Deputy Prime Minister approached the Council Chairman with a letter of understanding by which the Government of Croatia would receive the Council initiatives as the basis for its action plan for economic and institutional reform.

To ensure that this letter of understanding led to real implementation, JAA brought in the former Executive Director of the U.S. Competitiveness Policy Council and the Chairman of the National Competitiveness Council of Ireland to meet with government leaders and explain the role of these councils in achieving national competitiveness.

In workshops facilitated by CCI staff and including not only government and business leaders but also leaders from labor and education, true national dialogue was initiated for the first time in modern Croatian history. It has yielded calls by all parties for the formation of National Competitiveness Council that will begin operations in early 2002. The CCI had gained enough credibility among all parties that it was asked to propose the mission, operating principles, scope, and organization of the new Council. These have been prepared with JAA’s assistance.

The CCI has played a critical role in the fostering competitiveness in Croatia. The following are additional areas where CCI has made definitive impacts:

1. Helped create an agenda for action in foreign investment and provided the staff support to implement that agenda, for example in the removal of administrative barriers.
2. Identified sectors of the economy such as tourism, furniture manufacture, and IT that could be repositioned to compete more effectively in regional and world markets.
3. Extended the concept of dialogue to secondary cities, where, in the city of Bjelovar, the first competitiveness council is in the process of formation.

### ***Sri Lanka Competitiveness Initiative (TCI)***

The Sri Lanka Competitiveness Initiative, a continuation of the Competitiveness Exercise, has been in operation since the fall of 1999. Despite barriers to competitiveness, several clusters produced impressive success stories. Among these success stories are cases when the TCI project, by assisting clusters to reposition their strategies, helped the industry to access new markets.

In the case of the rubber cluster, Sri Lanka only had 2.5% of the world market for raw rubber and there was continued downward pressure on the price of rubber. It was becoming hard to find people willing to work for the low wages typically provided to rubber tree tappers. For the first time in Sri

#### **Repositioning Sri Lankan Gems**

JAA analysis demonstrated that the gem and jewelry industry had been acting as a "back office" exporter of quality gems as if they were commodity suppliers of inputs. The industry cluster came together for the first time under project auspices to cooperate on repositioning the industry and developing an industry strategy. and had not been treated, they would receive a 30-50% premium for their product. They then reached an agreement with the American Gemological Society to provide this certification. However, they had to raise \$2 million to acquire the laboratory testing equipment. In order to acquire the necessary funding the entire industry met with the President of Sri Lanka, for the first time, and it was agreed to impose a cess on exports until the requisite funds had been raised. Once implemented, it is expected that Sri Lanka's gem export values will increase and consumers in other countries will have greater confidence and trust in the Sri Lankan product.

Lanka's history, the entire value chain came together under TCI to focus on strategic repositioning of the industry. At project inception, Sri Lanka had approximately 20 percent of the world market for specialty all-rubber (non-pneumatic) tires. Today Sri Lanka has over 30 percent of the world market for non-pneumatic all rubber tires. The industry cluster has been encouraged to focus on new product development. Adding to previous successes in exporting surgical gloves, other companies are now exporting shoe heels and soles to the Italian shoe industry. The rubber manufacturers are also seeking to develop a bonded warehouse for imports. This will not only allow them to save money on joint purchasing, it will provide important savings for companies that in the past had to maintain their own independent inventories in a high-interest environment.

The tourism industry did not need much convincing when TCI business strategists noted the need to reposition the industry from the prevailing model of low-cost tourism based on sun-and-sand packages marketed to economy tourists in Europe where most of the revenues stayed in Europe. With TCI guidance, several companies have agreed to make a joint investment in an eco-tourism lodge and to jointly use this project to learn how to enter this market. Land has now been identified at the edge of a national park. The industry has suffered greatly from the current ethnic conflict in Sri Lanka that resulted in an attack on the only international airport earlier this year as well as from the events of September 11th. The overall indicators for the year will not represent growth from the previous year. Nonetheless, the industry is still undertaking initiatives that can position it for future recovery and growth.

A strong achievement of this project has been in the area of Public-Private Dialogue. Based on response to presentations given by TCI, broad agreement has been reached on establishing a National Competitiveness Council (NCC). The NCC steering committee is comprised of 20 individuals from the private and public sectors.

TCI succeeded in having Sri Lanka included Global Competitiveness Report published by the World Economic Forum and Harvard University. As a result of this activity, Sri Lanka will be included in the WEF report annually after 2001.

The Competitiveness Initiative launched a project website (<http://www.competitiveness.lk/>) to provide a wide range of information on the project's activities. The site also provides links to other sites that deal with competitiveness

## PERFORMANCE INDICATORS

The initiative's measures of success directly relate to the outputs generated at each level of the initiative—industry, project, government, and public–private dialogue. The following are the typical outputs of an initiative, where each cluster has a measure of its individual success with more specific outcomes.

- Industry benchmarking analyses (by industry).
- Memoranda/brief reports documenting the strategizing process (by industry).
- Strategy statements (by industry).
- Strategic action plans (by industry).
- Periodic national competitiveness benchmarking analyses.
- Agendas for public private dialogue (by industry and nationally).
- Thematic reports prepared by the industry as inputs to the strategizing and implementation (by industry).
- Trip reports prepared by industry experts.
- Regular work plans and progress reports.

***Quantifiable Measures of Success.*** The primary measurements by which the success of the initiative will be judged will be the quantifiable results achieved by the participating industries.

- Overall, and in terms of the individual participating industries, the results should include measures such as increases in
  - Revenues and value added in participating industries.
  - Overall exports of participating industries.
  - Participation in niche market segments by participating industries.
  - Overall profitability of participating industries.
  - Employment and wages within participating industries.
  - Private sector investment in participating industries.
  - Domestic confidence in industries through increased domestic investment in participating industries.
  - Foreign direct investment (FDI) in participating industries.
- At the Industry Level
  - At least one “quick action” agreed and implemented per industry group.
  - At least four industry actions agreed to and implemented by the cluster participants.
  - At least two actions per cluster based on the results of the policy action agenda.
- At the Initiative Level
  - Expressions of interest on the part of the industry and industry stakeholders to participate in the Initiative.
  - Formation of industry clusters (especially those that have never been convened in the past).
  - Memoranda of Understanding between industry groups and the Initiative.
  - Interest of additional industry groups in joining the process.
- At the Government Level

- Inclusion of competitiveness issues in the debate about macro and micro-level changes
- Policy, legal, regulatory, institutional and service delivery changes based on information provided to government by industry clusters
- Government reforms are guided/influenced by the public/private dialogue fostered by the Initiative
- In Public-Private Dialogue
  - Establishment/strengthening of institutionalized dialogue mechanisms (competitiveness councils, annual presentation of priorities for reform, etc.).
  - Widespread media and other discussion/coverage of competitiveness themes.

# Constraints

As experiments, competitiveness initiatives have revealed a number of impediments and constraints, such as a lack of skills in and a need for workforce development. Other constraints are internal to project administration as USAID and contractors balance competitiveness interventions with the policies and practices governing traditional economic growth projects. Other constraints are cultural and political in nature.

## **PEOPLE SKILLS (WORKFORCE DEVELOPMENT)**

Competitiveness depends not only on literacy, primary and secondary education, but also on specialized education and training relevant to the needs of industry clusters. In many countries there is a poor connection between the educational system and the evolving needs of the private sector. However, in many countries the ministries of education are among the most traditional and slow to change as they are dealing with people's children and are risk-averse. As a result, USAID has had problems in countries like Egypt and Sri Lanka in raising issues related to curriculum reform or support for privately funded universities. One effective way to work on this problem is to approach it by working with the leadership groups of industry clusters who can define skill sets that are scarce and in demand.

Workforce deficiencies and skills gaps have often been identified as constraints to competitiveness. Middle management and specialized technical skill gaps have come up in nearly every country of operation. Also, there is generally a deficiency in resources devoted to research and development and in the availability of specialized technical people. For example, Thailand's exports include a large percentage of high-tech goods. However, Thailand's R&D expenditures are relatively low as are the availability of scientists and engineers relative to other countries indicating a dependency on assembly and/or foreign sources of technical expertise.

Workforce development initiatives should be sequenced after industry clusters have developed their strategies. In most cases, workforce development emerges as one of the leading constraints. At this point, experts in workforce development can be called in to present models and approaches that have worked in similar industry clusters (tourism, information technology, agribusiness, etc.). Also, it is more difficult to assemble high-level industry leadership solely around the issue of workforce.

## **ADMINISTRATIVE**

It is critical to balance long-term with short-term TA in the project design. During the first year of the Sri Lanka project, there was relatively little technical STTA for industry clusters. As a result, the clusters mainly received the inputs of one long-term strategist. After the first year, the project was expanded to include very large STTA inputs. However, the low level of LTTA was now too modest to effectively manage relatively high levels of STTA as well as engaging in policy and institutional

reform and monitoring and evaluation. The lesson is that there should be a better balancing of LTTA and STTA. Specifically, industry clusters require not only competitiveness strategists but also industry-specific technical expertise to formulate appropriate strategies. The availability of such STTA early on in the project also helps bring the clusters together. Originally, the idea was that technical STTA would come after strategy development. However, technical inputs can be important in strategy design as well.

USAID needs to be flexible in allowing non-U.S. technical assistance. While not prohibited, the use of third country nationals (TCNs) in the Sri Lanka Competitiveness Initiative was strictly limited and in some cases denied due to the desire of the project to make direct linkages to U.S. markets. Yet for industries like rubber and tea, it has been difficult to find Americans with the requisite expertise. In the Rubber industry, individuals with requisite skills were identified early on outside the USA but were not easily found in the USA and in fact are still being searched for more than 12 months after the original scopes of work were written.

Support, guidance and training must be provided to cluster coordinators. As part of the original plan for the realization of a Competitiveness Initiative, coordinators were hired and employed by the clusters as the price of admission to the initiative. However, not all industry clusters had the office, administrative and technical support to manage these cluster coordinators. JAA then took on the role of providing a locale, office support and training. After a year, these people became direct project employees. The cluster coordinators are a very talented group of people who have gotten high marks for their work. But it was unrealistic to assume that the industry clusters would provide similar levels of logistical support.

Reliance on local think tanks, consultants and contractors can create problems. During the initial competitiveness exercises, the use of local counterparts and subcontractors has been an uneven experience, especially when there is not sufficient budget for onsite management by the contractor. The quality of analysis and reports from local contractors has been good in some countries but not good in others. In one particular case the local contractor was conscripted to military service in Macedonia after while in the midst of completing a report. Onsite supervision had not been budgeted in the original exercises but is now seen as necessary for future exercises.

Some clusters are unwilling to cooperate with each other or to fully coalesce. In Sri Lanka, The IT cluster did not come together as a group in Sri Lanka for nearly a year until two specialists were sent out to work with different segments of the industry to bring them together around a common strategy. In such cases, it is better to wait till they come to the table lest efforts be hijacked by one vocal sub-group.

Clusters should be in the driver's seat—up to a point. There was a high philosophical commitment at the outset of the Sri Lanka project to putting the cluster leadership in the driver's seat. When clusters are given total control, it can also lead to a case in which one company or sector of an industry cluster taking control of the entire process. It can also result in short-term T.A. being provided where the private sector would have contracted the service anyway resulting in a subsidy of an industry activity. It is the contractor's responsibility to supervise the process, ensure that it is broadly representative (and of the interests of small enterprises and women-owned enterprises as well) and that the activities receiving technical assistance are truly ones that have a developmental purpose and would have been undertaken in absence of the project.

Some USAID policies constrain effective action by a Competitiveness Project. The policies in place have legitimate foundations, but hamper project implementation. USAID rate caps restrict the ability of the contractor to access some professionals that are crucial to the implementation of industry strategy plans in that many industry consultants work for market rates which are higher than USAID's approved rates. Additionally, the requirement for all consultants Level I and II to have a minimum number of years of developing country context experience may mean that one cannot utilize people chosen for their experience and expertise in sophisticated target markets. Specialists with 20 years of relevant industry experience could not be used because they did not have developing country experience.

Delays in Contractor Officer Approvals can hamper project effectiveness. Since competitiveness projects identify technical needs during an iterative process with the industry cluster, there are many TBD slots requiring CO approval. This creates a larger than expected workload for contracts officers. It may lead to project delays. In one case, some 18 requests sent to the CO in early January were not acted upon until March and most were denied because they were not U.S. citizens. This meant having to go back to the drawing board and exacerbated delays in getting technical assistance to the clusters.

USAID delay between the conclusion of an Exercise and the approval of an Initiative can slow momentum. In the case of Bulgaria over 10 months has passed since the conclusion of the Exercise with no action on the follow-on. In Uganda, there was a delay of about two years. Immediate follow-on proved effective at getting results in Croatia and Mongolia.

## CULTURAL

JAA has found that the leading constraint to competitiveness at the level of a nation, industry cluster or firm is the mindset of the leadership. That is why competitiveness initiatives seek to change the mindsets first and then work on technical implementation. When leaders believe that competitiveness is synonymous with low-wages, cheap raw materials and a depreciated currency, effort must be made at the outset to inculcate the appropriate definitions.

The second constraint has been the historical isolation of many companies and industries from world markets and of dependency on government protection or incentives as a basis of competitiveness. Change requires a different mindset but new information, new paradigms, new tools and approaches. In countries undergoing a transition from centrally planned or socialist economies, the concepts and tools of competitiveness can appear to be new. This has been the case in Mongolia, which has been among the most isolated of countries.

In some cases, the language barrier can be a constraint in the presentation of competitiveness materials and ideas, especially when not all modern economic terms are readily translatable. This was not a barrier in Sri Lanka where many people speak English but it was a barrier in Mongolia and Bulgaria. To overcome this constraint, the project hired persons to not only act as interpreters but also as presenters. They were trained in the JAA Competitiveness Methodology and were able to not only translate Team Leader presentations but to interject the necessary nuances that would allow the audience to fully understand the principles being presented. Presentations by Americans to audiences that don't speak English may suffer from difficulties in translating concepts related to competitiveness and metaphors and analogies from a foreign culture. Whatever great information is being poured into the wide end of the funnel, the audience only gets what comes through the thin end

of the funnel of the simultaneous translators unless an effort is made to incorporate and train local co-presenters.

Finally, JAA has found skepticism regarding foreign and especially U.S. models. In most countries the audience assumes that their country is somehow different and that foreign and especially U.S. models and examples and models won't necessarily work. JAA has sought to address this constraint by identifying local case studies and companies that illustrate competitiveness strategies and principles.

## POLITICAL

Lack of political will is a constraint to implementing change. In Croatia, the Government requested technical assistance on a foreign investment promotion strategy but has yet to come to consensus on where this function would be housed. It is important to assess whether there is sufficient political will to implement legal and institutional reform even when one agency of Government makes a formal request for assistance.

A change in the government, the ruling party or the leader is a constraint to continuous engagement with the public sector. In Sri Lanka, the Minister of Trade lost the election and the Minister of Industrial Development was assassinated leading to a ratcheting down of project activity directly with government leaders. In Mongolia, the election of the opposition party also resulted in less direct access to the Prime Minister which JAA consultants had enjoyed during the initial phase of the project. JAA seeks to deal with this constraint by providing briefings to all major political parties and by ensuring that competitiveness councils have bipartisan representation.

A history of political acrimony, and a tradition of bitterness is another constraint. In Sri Lanka, the opposition party would not go on record supporting the competitiveness initiative while the other party was in power. It is important to keep the opposition party in the loop in any case. In the Dominican Republic, briefings were made to the opposition party, which supported the initiative upon assuming office.

Ethnic conflict can be a limiting factor. After assisting the tourism industry in Sri Lanka to implement plans to reposition the industry from low-cost sun-and-sand tourism to higher value segments of the market, efforts have been temporarily overwhelmed by the attack of ethnic separatists on the airport and later by the events of September 11th. The tourism industry is not achieving its targets at the moment because of these events.

# Inventory of All Known Competitiveness Initiatives

Project Name	Donor/Sponsor	Implementing Organization
The Balkan Network Competitiveness Project	USAID	Chesapeake Associates
"The Business of Growth", 2001 report	Inter-American Development Bank	IADB
Morocco Competitiveness Study	The World Bank	DRI McGraw Hill
Mexico Competitiveness Study	The World Bank	DRI McGraw Hill
Competitiveness Policy Council	U.S. Congress	U.S. Congress
MAPS (Manual for Action in the Private Sector)	USAID	JAA
Uganda Competitiveness Exercise	USAID Africa Bureau	JAA/Coopers & Lybrand
Uganda Competitiveness Initiative	USAID Africa Bureau	Carana Institute
Sri Lanka Competitiveness Exercise	USAID	JAA/Nathan Associates
Mongolia Competitiveness Initiative	USAID	JAA/Nathan Associates
Dominican Republic Competitiveness Exercise	USAID	JAA/Chemonics
Competitiveness Conference – Dominican Republic	USAID	Chemonics
S.E. Asia Competitiveness Initiative (Vietnam, Cambodia, Thailand, Indonesia, Philippines)	USAID	JAA/Nathan Associates
S.E. Europe Competitiveness Initiative (Croatia, Romania, Macedonia, Albania)	USAID	JAA/Nathan Associates
Bulgaria Competitiveness Initiative	USAID	JAA/MSI/Nathan Associates
Croatia Competitiveness Initiative	USAID	JAA/Nathan Associates
Russia, Ukraine, Kazakhstan Competitiveness Initiative	USAID	JAA/Nathan Associates
El Salvador Competitiveness Enhancement Technical Assistance Project	The World Bank	Ministerio de Coordinación del Desarrollo Económico y Social (MICDES)
Morocco Competitiveness Exercise	The World Bank	DRI McGraw Hill
Guyana Competitiveness Study	DFID, UK	JAA
Chihuahua state competitiveness initiative	Government of Mexico	Chihuahua Economic Development Group, Chihuahua Siglo XXI
Central American regional competitiveness initiative, Center for Latin American Competitiveness and Sustainable Development	INCAE Central American Bank of Economic Integration	INCAE, Harvard University Institute for International Development
The Competitiveness Institute, Barcelona – Annual Conferences, Research	Member supported funding, Harvard University initial funding	N/A

Project Name	Donor/Sponsor	Implementing Organization
Rwanda, The Competitiveness and Enterprise Development Project	The World Bank	Rwanda Ministry of Finance – Private Sector Steering Committee
Nicaragua, The Competitiveness Learning and Innovation Loan Project	The World Bank	Nicaragua Ministry of Industry
Guatemala National Competitiveness Program (PRONACOM)	The World Bank	Guatemala National Competitiveness/Program Ministry of Economy
Senegal, Trade Reform and Competitiveness Project	The World Bank	Senegal Ministry of Finance
Cameroon, The Public/Private Partnership for Growth and Poverty Reduction Project	The World Bank	Cameroon Ministry of Finance
Tunisia, The Export Development Project	The World Bank	Tunisia Ministry of Economic Development
Uganda, Private Sector Competitiveness Project	The World Bank	Private Sector Foundation
Senegal Private Sector Capacity Building Project	The World Bank	Fondation de Secteur Privé
Cote d'Ivoire, Competitiveness and Regulatory Reform Adjustment Project	The World Bank	N/A
Burkina Faso, Competitiveness and Enterprise Development Project	The World Bank	Government of Burkina Faso

# Competitiveness Website Links

<http://www.competitiveness.bg/>

The Bulgaria Competitiveness Institute, implemented by Management Systems International in association with J.E. Austin, Associates.

[www.competitiveness.lk](http://www.competitiveness.lk)

The Sri Lanka Competitiveness Initiative Homepage, sponsored by USAID and implemented by J.E. Austin, Associates.

<http://www.seasia-strategy.com>

Competitiveness building in Thailand, Vietnam, Cambodia, Indonesia, and the Philippines, sponsored by the USAID and implemented by J.E. Austin, Associates, and Nathan Associates.

<http://www.competitiveness.org>

The Competitiveness Institute, a professional group for cluster development advisors, which held its first international conference on cluster development in Barcelona in 1998. Most resources available only to members.

<http://www.competitiveness.com>

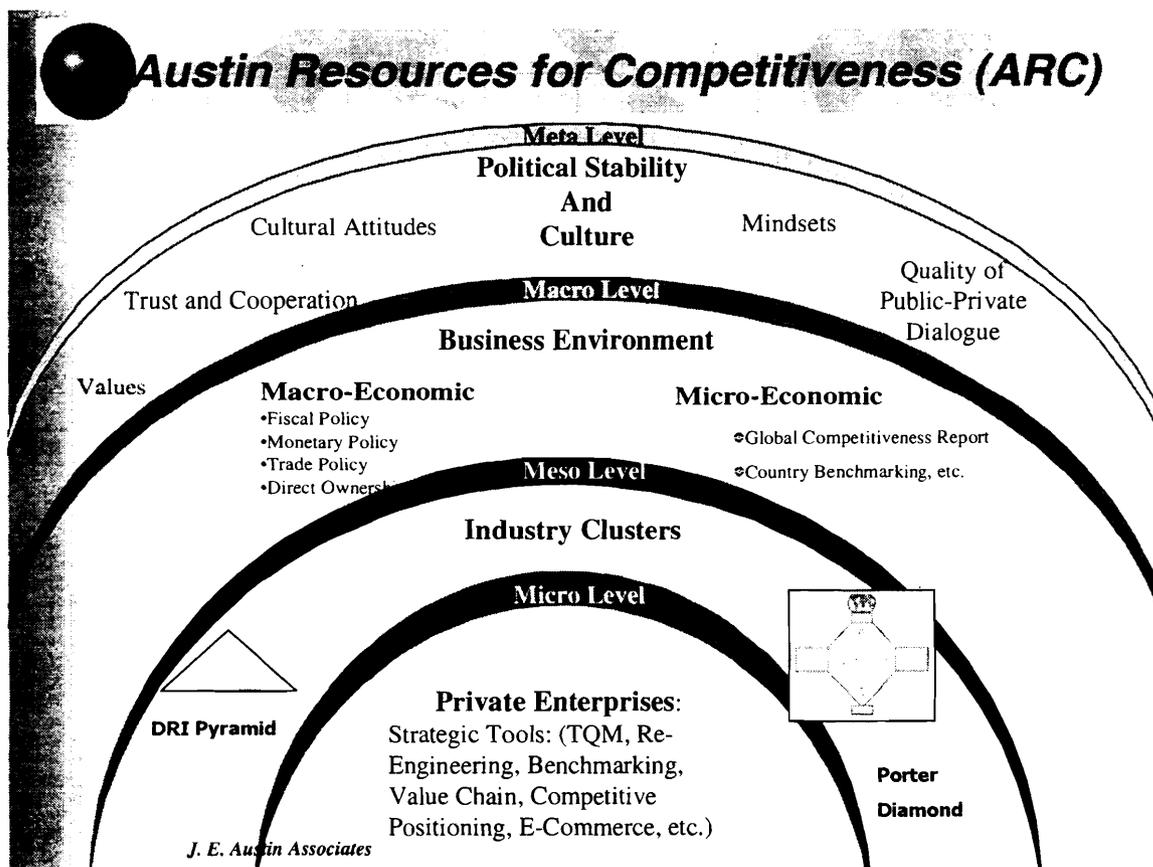
Competitiveness.com is an international group with headquarters in Barcelona, specialized in the implementation of business-to-business vertical portals with a cluster approach.

## Appendix A

### AUSTIN RESOURCES FOR COMPETITIVENESS (ARC)<sup>11</sup>

The Austin Resources for Competitiveness is a comprehensive strategic framework that allows leaders of Government, industry, labor unions, and the social enterprise sector to come together to map out strategies and interventions for building competitiveness in their firms, industry clusters and nations. It is the first framework that allows policy makers and opinion leaders to deal at all four levels: the firm, the industry cluster, the macro-economic, and policy environment and the level of national culture, values, and mindset.

The importance of an overall map of the critical issues is to be able to formulate priorities. If industry clusters develop sound strategies, these will often reveal the key priorities that can facilitate competitiveness. Otherwise, they remain just a list of constraints that provide little guidance as to importance or sequencing.



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The *Micro* level describes firms and the challenges they face as a part of the industry cluster. Shaping strategies for corporations occurs at the Micro level. The value chain analysis, industry benchmarking and competitive positioning all take place at the micro level. The *Meso* level concerns the industry clusters, their operation and the competitive constraints they may face. It includes advice to heads of state, national parliaments and cabinet ministers and the Macro level. The *Macro* level describes macro-economic policy and the institutional and policy environments within which industry clusters thrive, or struggle to survive. The *Meta* level evolves by institutionalizing private-public dialogue, introducing new vocabulary and working with universities and the economic press. The Meta level refers to political stability, values, cultural attitudes, mindsets, trust, cooperation, and the overall context of the dialogue among key sectors of a society. At one extreme, ethnic or class conflict can set countries back many years. Values and attitudes can also work against savings, investment or innovation. It is necessary to build not just physical capital but also social capital. Educational systems and attitudes must evolve if policies and industry clusters are to adopt new technologies and processes that can build prosperity.

## **Appendix B**

### **THE EXPANDED COMPETITIVENESS DIAMOND (THE DEVELOPMENT DIAMOND)<sup>12</sup>**

The oft-cited model for competitiveness is the Porter Competitiveness Diamond developed by Michael Porter on the basis of extensive industry research. The “diamond” represents the competitive environment faced by firms. It is used by companies to develop strategy and by governments to improve the national platform for competitiveness. The elements of the diamond include:

- Demand conditions;
- Factor conditions;
- Strategy, structure and rivalry within industries;
- The cluster of related and supporting industries; and
- The influence of government (and sometimes chance events) on the above.

However, the key to the analysis is not in understanding the elements of the analysis, but in the interactions between them.

Work by David Flood and others from JAA in several countries led to additional perspectives regarding the competitiveness diamond. (An example of the Expanded Competitiveness Diamond is below.) Competitive businesses and industries are good at understanding customer needs, and innovating to continually provide more value to the customer. This occurs at the ‘top’ of the diamond, which in the exhibit is rotated to put Demand at the top. Through constant improvements in strategies, the best businesses are able to continually increase their productivity, hence their competitiveness.

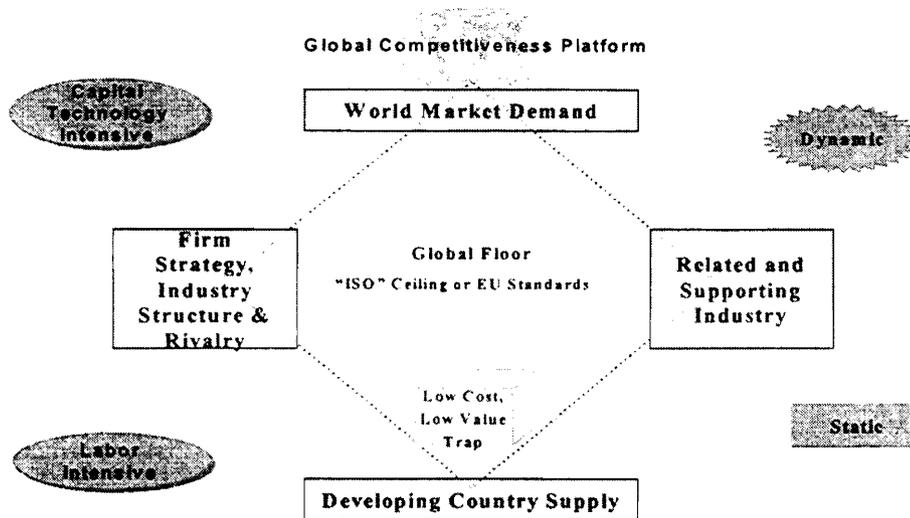
Companies with resource-driven strategies tend to focus on factors of production, particularly costs. They compete and invest at the ‘bottom’ of the diamond, and continually lose position vis-à-vis customer-oriented companies. Worse, governments in search of job-creation or otherwise adopting old models of economic development, also tend to invest in the low end of the diamond—for example, implementing policies and attracting labor-intensive investment, such as assembly operations.

To make sizeable gains in competitiveness, businesses and supporting government action in the microenvironment need to strive for the ‘top’ of the diamond. Often, however, the goal is stated as simply meeting international standards—e.g. ISO compliance, or meeting EU safety requirements. This is a false objective—as achievement will only place companies in competition with the least competitive producers. Meeting EU standards, for example would only mean that firms are competing with the companies that meet minimum EU market entry requirements—hence low cost, lesser quality producers.

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<sup>12</sup> Developed by David Flood for J.E. Austin Associates, Inc, 2000.

# The Expanded Competitive Diamond



Using the Expanded Competitiveness Diamond allows countries and firms to assess previous strategy plans and to develop more effective strategy action plans.