PN-ABL-200
76976

# MAPS:
# Manual for Action in the Private Sector

Draft Report
Not for Citation

*Bureau for Private Enterprise*
*U.S. Agency for International Development*

*Prepared for:* *Bureau for Africa / MDI*

*Prepared by:* *J.E. Austin Associates*

*Sponsored by:* *Private Enterprise Development Support Project II*
*Project Number 940-2028.03*
*Prime Contractor: Arthur Young*

*November 1988*

**Arthur Young**
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

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## OVERVIEW OF MAPS

The Manual for Action in the Private Sector (MAPS) has been developed by J. E. Austin Associates Inc. to assist officers of the United States Agency for International Development (USAID) in their efforts to promote economic development through private enterprise. It is a seven step process, each containing a set of analytical tools, designed to help Mission Directors and those involved with private sector programs in AID Missions around the world to design and implement strategies that promote the private sector led growth as an engine of economic development.

MAPS is designed to assist A.I.D. in preparing its program documentation including CDSS and action plans, and developing or modifying individual Mission private sector strategies, and helping Missions in integrating their private sector strategy and other activities into an overall Mission growth strategy. MAPS is designed to assist A.I.D. in policy dialogue leading to structural reform and liberalization of economies. MAPS can also be a powerful tool in efforts to promote privatization and in identifying options for private sector provision of services currently provided through public sector channels.

## I. PURPOSE AND OBJECTIVES OF MAPS

The general purpose of the MAPS methodology is to assist local AID Missions in practical ways to develop and implement effective private sector strategies (Exhibit 0-1).

The specific objectives include the following:

1. To assist AID officials in preparing Country Development Strategy Statements (CDSS), Project Identification Documents (PIDs), Project Papers, Program Assistance Initial Proposals (PAIPs) and Program Assistance Approval Documents (PAADs) by providing them with a comprehensive, strategic information base on the local private sector;

2. To test AID assumptions regarding private sector opportunities and constraints via surveys using a rigorous sampling methodology;

3. To enhance project feasibility by verifying local leadership and participation;

4. To widen AID's network of private sector contacts and to identify new private sector implementing agents;

5. To generate a fuller menu of programmatic options at the

## II. PROBLEMS ADDRESSED BY MAPS

MAPS was designed to respond to a number of problems expressed by AID officials and other donors in the field who confront the task of developing effective private sector programs and projects (Exhibit 0-2).

### 1. Whom Do We Talk To?

When AID worked mostly through the public sector, there was always someone to talk with and it was clear who that someone was. If one wanted to work in agriculture, there was a Ministry of Agriculture. If one worked in Health, there was a Ministry of Health. But, it has not always been clear who can speak for and represent a diverse private sector. Private enterprise is by definition a diffuse group of competing actors. MAPS seeks to address the question often asked in the field, "Whom do we talk to?"

### 2. Making vs. Catching Waves?

The problem of finding someone to talk with has, at times, led AID to respond by creating organizations to talk with and through which to channel funds. Once created, it is hoped that the local private sector will buy into the concept and exercise leadership in the new institution. More often than not, such exercises can be likened to creating a wave which crests and crashes after the original funding has passed. A more effective strategy is that of conducting more extensive efforts to identify the priorities and initiatives of greatest concern to private sector leaders. This can be likened to catching the wave. The MAPS process is designed to help AID catch and support the wave of private sector initiatives.

3. Rounding Up the Usual Suspects?

Another problem encountered in Missions is that the traditional network of private sector contacts has often been limited to that subset of the private sector who for historic, cultural, linguistic or socioeconomic reasons have felt more comfortable dealing with U.S. embassy personnel or who have made it their business to articulate their interests and to stay in close touch with AID. This sub-sector may or may not always reflect the interests and perceptions of the wider private sector in a given country. These traditional contacts, while valuable, may bias AID perceptions. The MAPS process widens AID's network of contacts and broadens the dialogue process by surveying a representative sampling of the private sector.

Consulting teams often come in and ask the Mission to help them identify key people to interview for their respective studies. It is small wonder that the same names reappear frequently. This situation has been likened to the movie character Inspector Clouseau who, when confronted with an investigation would routinely command: "Round up the usual suspects." When informed that the magnitude of the investigation called for greater efforts, he would reply, "Then round up twice the number of usual suspects." MAPS seeks to go beyond the "usual suspects" by using a rigorous sampling methodology which enables USAID to consult with a truly representative selection of the country's private sector. This includes efforts specifically targetting the informal (micro-enterprise) sector.

4. What Private Sector?

Another difficulty encountered by AID Missions, especially in Africa, is that the private sector may be extremely weak and hardly visible. In some countries the term "private sector" was used interchangeably in the government-controlled press with terms such as "hoarders" and "speculators". Some governments have only recently awakened to the value of promoting private initiative and allowing market forces to work. Manufacturing may be virtually non-existent. This raises problems for AID Missions in these environments as they seek to respond to current priorities for private sector initiatives. MAPS assists a Mission in gathering together representatives from an embryonic private sector and in fostering dialogue with the government which can result in new initiatives.

5. Who Is the Private Sector?

In countries where a thriving private sector does exist USAID officers have often reported difficulty in being able to "get their arms around the private sector," that is, to have a comprehensive overview of the private sector in a given country. The MAPS methodology provides a comprehensive overview of the private sector utilizing a private sector mapping technique. At the end of the MAPS process, the private sector has been quantified utilizing various measures.

6. How Do We Confirm Our Private Sector Assumptions?

There is often a scarcity of good data to confirm impressions of private sector opportunities and constraints. All missions have had problems at one time or another with projects or programs which failed because of a lack of local support or which were based on erroneous assumptions. The MAPS approach structures an ample dialogue with the private sector which can help test AID assumptions and reveal options which do not enjoy strong local support.

7. We Haven't Done This Before!

Most AID personnel have had relatively little experience in private sector promotion prior to 1982. MAPS is designed to provide systematic guidance and a clear methodology in an area of activity which may still be relatively new to many AID officers.

8. Identifying a Full Menu Of Options?

This same lack of experience often results in a limited number of options identified based on a limited number of success stories to date. The MAPS can help widen the menu of options which can be considered in a Mission's private sector portfolio of projects and programs.

9. Achieving Internal Mission Consensus?

Another problem found at the Mission level is a lack of an internal consensus and a team approach. MAPS can assist a local mission by clearly articulating current Mission strategy and then promoting consensus and team-building. An additional benefit is that the CDSS becomes a true exercise in developing sound strategy and generating team support for the objectives and strategies.

10. Who Will Be the Implementing Agents?

AID wishes to work through the private sector rather than to rely on the public sector. This has raised the problem of finding appropriate implementing agents. The MAPS process assists Missions in identifying and working with new potential implementing agents in the private sector.

11. How Do We Deal With Political, Gender, Ethnic and Social Considerations?

MAPs teams are currently dialoguing with AID personnel and consultants so as to incorporate information, surveys and recommendations for women in development, ethnic factors and the poorest of the poor.

12. How Do We Incorporate the Informal Sector?

MAPs specifically targets the informal sector by means of a differentiated survey and micro-enterprise focus groups.

## III. BACKGROUND AND ORIGIN OF MAPS

The recent programmatic emphasis on the private sector raised the important question of how best to promote private enterprise in LDCs and how to integrate a variety of private sector initiatives into the broader Mission strategy. This emphasis has been documented in a variety of AID publications. See for example, A.I.D. Policy Paper, Private Enterprise Development, U.S. Agency for International Development, Washington D.C., March, 1985.

Problems like those expressed in Section II above led AID-Washington to commission the MAPS effort in late 1986. Initially called the "Private Sector Development Framework", it drew heavily on experiences with private sector development in Kenya and elsewhere. Two complete field testings in Latin America and one truncated field test in Asia resulted in significant modifications and improvements in MAPS methodology. Further adaptations may result from current MAPS implementations in Africa.

MAPS is designed to assist AID in conceptualizing, planning, implementing and evaluating all of its activities as part of a comprehensive private enterprise program. MAPS is not designed to be a canned approach applied everywhere in the same lockstep manner. Rather, it is an approach which must be custom made and carefully tailored to the needs of the local mission. It is designed to be a flexible instrument which can be used both in countries with a developed private sector as well as countries where the private sector is small and embryonic. MAPS is a process which should be carefully managed in hands-on fashion by the local Mission.

## IV. THE MAPS PROCESS

MAPS assists USAIDs in carrying out seven essential tasks (Exhibit 0-3) in private sector strategy development and implementation. These are:

1. Define current USAID mission strategy,
2. Describe the local private sector,
3. Diagnose opportunities and constraints to private sector growth,
4. Dialogue with the private sector,
5. Design AID private sector strategy,
6. Develop new projects and programs, and
7. Debrief and evaluate.

1. Define Current USAID Mission Strategy

All AID Missions have an implicit or explicit strategy although it may not always be well defined. The first stage in the MAPS process is to provide an articulation of current AID Mission strategy by analyzing current strategy statements, project portfolios, and budget emphasis. As MAPS is not a canned approach, it is strategically driven. A week of orientation up front results in both an initial strategy statement and the identification of critical Mission assumptions. MAPS is then tailored to the specific needs of the local Mission.

2. Describe the Local Private Sector

The second step involves gathering a reliable and objective information base which can be useful to USAID Officers in their write-ups of Country Development Strategy Statements (CDSS), Project Identification Documents (PIDS), Project Papers (PPs), Program Assistance Initial Proposals (PAIPs), Program Assistance Approval Documents (PAADs) and Action Plans. MAPS begins with a set of statistical presentations, including a "Private Sector Map", which responds to USAID's strategic questions and which helps verify critical Mission assumptions.

3. Diagnose Opportunities and Constraints to Private Sector Growth

MAPS provides a survey methodology which enables USAID to consult with a truly representative sample of private sector actors. An effective diagnosis includes an analysis of opportunities and constraints faced by the private sector. Constraints may be faced on the demand side because of small domestic markets, trade barriers or regulatory impediments. Resource constraints may be experienced on the supply side as shortages of capital, infrastructure, skilled labor, raw materials, managerial talent, and very weak financial institutions. It may also include government policies which impede investment, discourage entrepreneurial behavior and impede free markets. This diagnostic survey provides a second means of verifying USAID's program and project assumptions.

This survey must be carefully crafted so that it answers specific questions which will be of use in upcoming project and program initiatives. While a basic core questionaire is

provided by MAPS (see Appendix), this survey is adapted and expanded to address specific questions unique to each country's situation. It is then adapted to the specific linguistic characteristics of the country environment.

Judgments regarding private sector constraints and opportunities are often made on the basis of intuitive perceptions or on the basis of conversations with a subset of private sector actors who may have access to AID but who are not representative of the wider private sector. The representative survey provides a statistically sound basis for confirming or modifying USAID's assessment regarding the major constraints to private sector growth. At this stage, a private sector diagnostic study is produced.

4. Dialogue With the Private Sector

MAPS facilitates dialogue sessions and more structured focus groups with a wider and more representative set of private sector leaders. The first objective of these meetings is to present the findings from the description and diagnosis phases to both private and public sector leadership. This allows USAID to receive qualitative feedback to confirm or modify the findings of the first two stages. It also helps build consensus regarding the most critical constraints to private sector growth.

Dialogue undertaken as part of the MAPS exercise facilitates brainstorming with local leadership regarding initiatives and interventions. This can lead to the identification of new interventions. It serves as a means of testing USAID assumptions. It also serves to verify local support for initiatives AID has been implementing or planning to undertake.

The process is also designed to enable USAID to transfer ownership of project ideas to the local private sector and ensure that local leaders will play a major leadership role in design and implementation of private sector initiatives. Another crucial activity at this stage is to identify the most credible and desirable channels or implementing agents through whom AID can implement its programs and projects.

Another important element in the dialogue phase is touching base with other important donors. This allows AID to leverage its influence by coordinating with others. In many countries, especially in Africa, AID is not the most significant development donor. Donors have recently been stressing common themes with regard to structural adjustment, policy reform and growth-oriented economic strategies. AID dialogue should include not only the local private and public leadership but the donor community as well.

5. Design Aid Private Sector Strategy

At this stage, overall objectives are clarified, a coherent set of program and project initiatives are generated, and priorities are established. Feasibility is assessed based on the results of the description, diagnosis and dialogue phases.

6. Develop Programs and Projects

Given effective support, implementation of specific programs and projects follows. This stage includes the development of Action Plans, of Project Identification Documents (PIDs), of Project Papers, and, on the program side, the development of Program Assistance Initial Proposals (PAIPs) and Program Assistance Approval Documents (PAAPs). The diagnosis and strategy steps as outlined later in this manual can help ensure consistency between the project side and the program side of AID's host country activities. At this stage, careful attention is given to assessing every aspect of program and project feasibility. The dialogue process initiated under MAPS continues to contribute to USAID officers' efforts at this stage.

7. Debrief and Evaluate

Debriefing at the end of the initial MAPS exercise results in guidance for continuing the private sector promotion process, and feedback by the local mission that can be useful in future MAPS implementations in other countries. A final strategy assessment presentation is made to USAID which includes key findings and recommendations.

An overview of the MAPS process is provided in Exhibit 0-4.

EXHIBIT 0-1

# MAPS OBJECTIVES

## GENERAL PURPOSE:

**TO ASSIST AID IN PRACTICAL WAYS TO DEVELOP AND IMPLEMENT EFFECTIVE PRIVATE SECTOR STRATEGIES**

## SPECIFIC OBJECTIVES:

1. TO GENERATE A MORE COMPREHENSIVE INFORMATION BASE FOR AID OFFICIALS TO USE IN STRATEGY AND PROJECT DOCUMENTS (CDSS, PIDS, ETC.).

2. TO TEST AID ASSUMPTIONS VIA PRIVATE SECTOR SURVEYS WITH RIGOROUS SAMPLING METHODOLOGY.

3. TO ENHANCE PROJECT FEASIBILITY BY VERIFYING LOCAL LEADERSHIP AND PARTICIPATION.

4. TO WIDEN AID'S NETWORK OF PRIVATE SECTOR CONTACTS.

5. TO GENERATE A FULLER MENU OF PROGRAMMATIC OPTIONS AT THE MISSION LEVEL.

EXHIBIT 0-2

# MAPS CONTRIBUTIONS

| PROBLEMS IN THE FIELD | WHAT MAPS DOES |
|---|---|
| 1. WHOM DO WE TALK TO? | 1. IDENTIFIES RELEVANT ACTORS AND BROADENS USAID'S NETWORK OF CONTACTS. |
| 2. MAKING VS. CATCHING WAVES? | 2. HELPS USAID TO DISCOVER AND SUPPORT EXISTING LOCAL INITIATIVES/ PROJECTS. |
| 3. ROUNDING UP THE USUAL SUSPECTS? | 3. USES A TRULY REPRESENTATIVE SAMPLING METHODOLOGY. |
| 4. WHAT PRIVATE SECTOR? | 4. IDENTIFIES INITIATIVES IN AN EMBRYONIC PRIVATE SECTOR. |
| 5. WHO IS THE PRIVATE SECTOR? | 5. PROVIDES COMPREHENSIVE OVERVIEW (PRIVATE SECTOR MAP). |
| 6. FAILURE OF PROJECTS BASED ON FAULTY ASSUMPTIONS? | 6. ALLOWS AID TO TEST ASSUMPTIONS AND ASSESS LEVEL OF LOCAL LEADERSHIP AND SUPPORT. |
| 7. WE HAVEN'T DONE THIS BEFORE! | 7. PROVIDES SYSTEMATIC GUIDANCE AND CLEAR METHODOLOGY. |
| 8. LIMITED OPTIONS? | 8. IDENTIFIES FULL MENU OF OPTIONS. |
| 9. LACK OF INTERNAL MISSION CONSENSUS? | 9. ARTICULATES OBJECTIVES CLEARLY AND PROMOTES CONSENSUS AND TEAM BUILDING. |
| 10. WHO ARE THE IMPLEMENTING AGENTS? | 10. IDENTIFIES NEW POTENTIAL IMPLEMENTING AGENTS. |

EXHIBIT 0-3

# MAPS: A SEVEN PHASE PROCESS

1. DEFINE CURRENT AID MISSION STRATEGY.

2. DESCRIBE THE LOCAL PRIVATE SECTOR.

3. DIAGNOSE OPPORTUNITIES AND CONSTRAINTS TO PRIVATE SECTOR GROWTH.

4. DIALOGUE WITH THE PRIVATE SECTOR.

5. DESIGN AID PRIVATE SECTOR STRATEGY.

6. DEVELOP NEW PROGRAMS AND PROJECTS.

7. DEBRIEF AND EVALUATE.

EXHIBIT 0-4A
MANUAL FOR ACTION IN THE PRIVATE SECTOR
(OVERVIEW)

| PHASE | KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|---|
| 1. DEFINE CURRENT MISSION STRATEGY | * WHAT IS THE CURRENT MISSION STRATEGY?<br>* WHAT DO AID & OTHERS BELIEVE WILL BE IMPORTANT COMPONENTS OF FUTURE STRATEGY?<br>* HOW SHOULD MAPS BE TAILORED TO RESPOND TO MISSION NEEDS? | * STRATEGY AUDIT<br>* PROJECT INVENTORY<br>* BUDGET ANALYSIS<br>* CONSENSUS BUILDING | * ARTICULATION OF CURRENT MISSION STRATEGY |
| 2. DESCRIBE LOCAL PRIVATE SECTOR | * WHO IS THE PRIVATE SECTOR?<br>* WHERE IN THE ECONOMY IS IT LOCATED?<br>* HOW IMPORTANT IS THE LOCAL PRIVATE SECTOR?<br>* WHAT IS THE SOE'S ROLE?<br>* HOW STRONG ARE THE CAPITAL MARKETS?<br>* WHAT IS THE IMPACT OF PUBLIC POLICY?<br>* HOW HAS THE PRIVATE SECTOR PERFORMED OVER TIME?<br>* WHAT ARE THE LEADING & LAGGING SECTORS? | * DATA GATHERING & ANALYSIS<br>* PRIVATE SECTOR MAPPING | * DATA BASE<br>* PRIVATE SECTOR MAP<br>* PRIVATE SECTOR DESCRIPTION PRESENTATION |

EXHIBIT 0-4B
MANUAL FOR ACTION IN THE PRIVATE SECTOR
(OVERVIEW)

| PHASE | KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|---|
| 3. DIAGNOSE CONSTRAINTS TO GROWTH | * WHAT ARE THE PRIVATE SECTOR'S PERCEPTIONS OF ITS OPPORTUNITIES & CONSTRAINTS?<br>* WHAT ARE THE MOST CRITICAL RESOURCE CONSTRAINTS?<br>* WHAT ARE THE IMPACTS OF PUBLIC POLICY ON THE PRIVATE SECTOR?<br>* WHAT PRIVATE SECTOR INITIATIVES WILL RECEIVE GREATEST SUPPORT AMONG LOCAL LEADERSHIP?<br>* WHAT IS THE IMPACT OF THE COMPETITIVE ENVIRONMENT?<br>* WHAT ARE THE CAPABILITIES OF LOCAL CAPITAL MARKETS & FINANCIAL INSTITUTIONS? | * PRIVATE SECTOR SURVEY<br>* CAPITAL MARKETS SURVEY | * PRIVATE SECTOR DIAGNOSTIC PAPER & PRESENTATION |
| 4. DIALOGUE WITH PRIVATE SECTOR | * HOW DO KEY PRIVATE/ PUBLIC SECTOR DECISION MAKERS VIEW THE DIAGNOSIS?<br>* WILL PRIVATE SECTOR SUPPORT AID INITIATIVES?<br>* WHAT INITIATIVES IS LOCAL PRIVATE SECTOR ALREADY UNDERTAKING?<br>* WHO ARE THE IMPORTANT POTENTIAL IMPLEMENTING AGENTS?<br>* WHAT ARE OTHER DONOR GROUPS DOING?<br>* WHAT FORMAL AGREEMENTS WILL BE REQUIRED & HOW LIKELY WILL IT BE TO GET THEM? | * INFORMAL DIALOGUE SESSIONS<br>* FOCUS GROUPS | * MINUTES OF MEETINGS<br>* SUMMARY REPORT ON DIALOGUE RESULTS |

EXHIBIT 0-4C
MANUAL FOR ACTION IN THE PRIVATE SECTOR
(OVERVIEW)

| PHASE | KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|---|
| 5. DESIGN STRATEGY | * WHAT ARE HOST GOVT'S PRIVATE SECTOR DEVELOPMENT STRATEGY OBJECTIVES?<br>* HOW ARE GOV'T GOALS RELATED TO AID'S OVERALL COUNTRY STRATEGY?<br>* WHAT ARE THE PRIORITIES AMONG ACTION AREAS GIVEN CURRENT LEVEL OF RESOURCES?<br>* WHOSE SUPPORT IN PRIVATE & PUBLIC SECTOR IS CRUCIAL & HOW CAN THE EXISTENCE OF SUCH SUPPORT BE DEMONSTRATED? | * OPTIONS MENU<br>* STRATEGY MATRIX | * PRIVATE SECTOR DEVELOPMENT STRATEGY PAPER (FOR CDSS)<br>* PRELIMINARY FEASIBILITY ASSESSMENT |
| 6. DEVELOP NEW PROJECTS & PROGRAMS | * WHAT SPECIFIC PROGRAMS & PROJECTS WILL MOST EFFECTIVELY ACHIEVE GOALS?<br>* WHO WILL IMPLEMENT THE PROJECTS?<br>* DO THEY HAVE THE NECESSARY INSTITUTIONAL CAPABILITY? | * PIDS<br>* PROJECT PAPERS<br>* PAIPS<br>* PAADS | * PROJECTS<br>* PROGRAMS |
| 7. DEBRIEF & EVALUATE | * WHAT HAVE BEEN THE FINDINGS & RECOMMENDATIONS OF MAPS FOR USAID PRIVATE SECTOR INITIATIVES?<br>* WHAT RECOMMENDATIONS FOR ONGOING AID PROCESS SHOULD BE PRESENTED?<br>* WHAT HAS BEEN LEARNED FROM THE PROCESS FOR SIMILAR FUTURE EFFORTS IN OTHER COUNTRIES? | * MEETINGS WITH AID | * FINAL REPORT |

## MAPS PHASE 1: DEFINE THE CURRENT MISSION STRATEGY

MAPS begins by providing a definition of current Mission strategy and by promoting consensus within the Mission regarding the accuracy of the articulation of current objectives and strategies. An overview of this phase appears in Exhibits 1-1 and 1-2.

### I. OBJECTIVES OF THE ARTICULATION PHASE

The objectives of this first phase are as follows:

1. To maximize the utility of MAPS implemention by informing Mission officers of project methodology and by soliciting feedback regarding how MAPS can serve their respective needs;

2. To identify and articulate current AID Mission Strategy;

3. To ensure that the project team properly understands current AID private sector strategy at a Mission- wide level and the role of the private-enterprise office within that larger strategy;

4. To identify hypotheses and assumptions underlying current strategy which can be tested in the later phases of MAPS implementation;

5. To focus the efforts of the project team on those areas of critical importance to AID;

6. To stimulate dialogue among AID officers leading to broad consensus regarding current AID goals, objectives, and strategies.

## II. KEY QUESTIONS OF DEFINITION STAGE

The key questions to be addressed are:

1. What is current Mission strategy?

2. What do USAID officers believe will be important components of future Mission strategy?

3. How should the MAPS effort be tailored to Mission needs?

## III. PROCESS OF DEFINING CURRENT MISSION STRATEGY

The articulation of strategy normally begins with an overall Mission statement, a presentation of goals and objectives, and the identification of opportunities and constraints to achievement of objectives. The process of strategy articulation also includes an analysis of current projects linked to specific strategies and an examination of current budget emphasis as related to stated strategies.

### 1. Articulating a Mission Statement

Tom Peters, in his important book In Search of Excellence has emphasized that those corporations and organizations which have been able to articulate a clear and concise sense of purpose seem to experience higher morale, greater unity, and better organizational results. Such a sense of purpose can often be summed up in one sentence (Exhibit 1-3).

### 2. Elaborating Mission Goals and Objectives

The Agency for International Development has articulated a number of central goals in its program. These are interpreted by the various regional AID Bureaus and are taken as the starting point for AID Missions in the respective regions. As such, these goals are usually found in the Mission CDSS sent to Washington. An example of Mission Goals and Objectives appears in Exhibit 1-3.

### 3. Presenting a Project Inventory

By reviewing the current project portfolio, one can link projects to the specific goals detailed in step

2 above. Projects are listed on the left hand side of a page and matched against the array of objectives across the top. The budget amounts are also filled in. Some projects may address more than one objective and this may require an estimation of the relative weight assigned to each.

A pie chart showing the budget emphasis can also be developed which will graphically illustrate the financial emphasis the Mission is placing on various objectives. An example of a Project Inventory is presented in Exhibit 1-4.

4. Preparing a Strategy Audit

Existing strategies are identified from Mission documentation, from a review of existing projects, and from a review of current budgets which best reflect true Mission priorities. Reviews of Mission strategies usually reveal the several generic strategies: policy dialogue, privatization, credit and grant provision, technical assistance, and training, institutional development, and infrastructure development (Exhibit 1-5).

If the Mission wishes, a similar linking of projects and budgets to these specific strategies can be presented along the lines mentioned in step 3 above. Such a breakdown of Mission budget by functional strategy can be a useful supplement to the project inventory described above.

5. Consensus Building

The exercises mentioned above yield an articulation of current AID Mission Strategy. At this stage no judgment is made regarding the value of the existing strategy. It is purely an exercise in accurately identifying the strategy currently in place. This then is presented to AID officials. The process normally takes only 5-6 days.

One surprising result of previous MAPS implementations is that strategies articulated from existing Mission documents can generate considerable discussion and even controversy. The Team may need to work with AID officials individually in articulating their own versions of current AID strategy and then build consensus. This type of activity was seen as especially useful in one field

implementation where the AID Mission Director fostered consensus within the Mission by using the project team. Disagreements and differences in perceptions were aired and the strategic emphasis was clarified.

The process is also useful in identifying the assumptions of Mission personnel regarding future Mission strategy in the host country. Strategy development is not done in a vacuum. It takes place as part of an evolutionary process. In some cases the local mission will want MAPS to look at broad sectors of the economy. In other cases, some areas will almost certainly be excluded from attention a priori. It is important to tailor MAPS accordingly.

### 6. Tailoring Maps to Local Mission Needs

It is also necessary to ensure that the local Mission fully understands and is in agreement with the activities to be conducted during the MAPS process. In some cases, the Mission may want to delegate the exercise to a project team. In other cases, the Mission may want to go through the steps using its own and locally sub-contracted staff. In other cases, it may use contractors for part of the process only. However a Mission chooses to handle it, it is important that the MAPS process be tailored to Mission needs. This means drafting a very specific scope of work for each of the subsequent stages.

## IV. LESSONS FROM THE FIELD

In one MAPS implementation in Asia, the first phase was not included. The result was a lack of consensus on what would be required during the description and diagnosis stages. The consultants had been led to believe that significant funds for local subcontracting would be available. When these were not forthcoming, the consulting team relied too heavily on AID resources resulting in tensions and frictions over an unauthorized use of computers. The Mission believed that the initial consultants to be provided would be of a more senior level and this was another source of tension. Given these differing perceptions, it is not suprising that the results were disappointing. As a result of this experience, it is now seen as imperative to work

with the Mission carefully up front prior to proceeding with MAPS.

In another, more successful implementation, the team was careful to work closely with the Mission up front. This helped to ensure a positive outcome. Usefulness of MAPS was enhanced after USAID provided detailed guidance. The following examples, taken from the Dominican Republic implementation, illustrate the kinds of modifications made to MAPS after stage 1:

--Description: Data requirements were expanded for the following specific sectors of interest to AID: free trade zones, agro-exports, financial sector, and micro-enterprise.

--Diagnosis: Specific questions were added to the private sector survey to quantify impact of energy shortage on business and to identify specific human-resource shortages by industry.

--Dialogue: Dialogue sessions with private sector leaders were begun immediately, rather than waiting for completion of survey.

--All Stages: Specific mission assumptions were explicity tested, such as:

-Are free zone companies interested in backward linkages with local manufacturers not located in free zones? Are they willing to organize on-site training in coordination with voc-tech schools?

-Are micro-enterprise groups willing to work together? Do they support AID's market interest rate policy?

-Are financial institutions interested in pioneering new initiatives such as debt-equity conversion, deposit insurance, and loan guarantees?

The output at this stage is an articulation of current Mission strategy and a detailed plan of action for MAPS implementation.

EXHIBIT 1-1

# MAPS PHASE 1: DEFINING STRATEGY

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * WHAT IS THE CURRENT MISSION STRATEGY? | * STRATEGY AUDIT | * ARTICULATION OF THE CURRENT MISSION STRATEGY |
| * WHAT DO AID & OTHERS BELIEVE WILL BE THE IMPORTANT COMPONENTS OF FUTURE STRATEGY? | * PROJECT INVENTORY | * DETAILED MAPS IMPLEMENTATION PLAN (TAILOR MADE TO LOCAL MISSION REQUIREMENTS |
| * HOW SHOULD MAPS BE TAILORED TO RESPOND TO MISSION NEEDS? | * BUDGET ANALYSIS | |
| | * CONSENSUS BUILDING | |

EXHIBIT 1-2

# PROCESS FOR DEFINING CURRENT MISSION STRATEGY

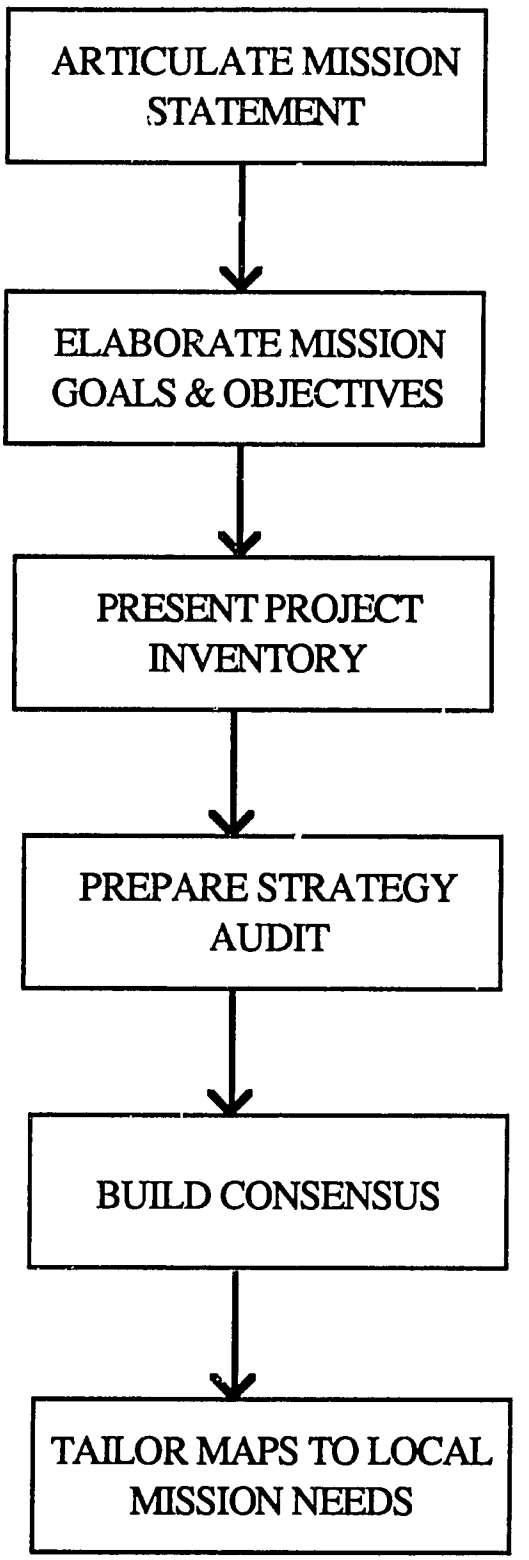
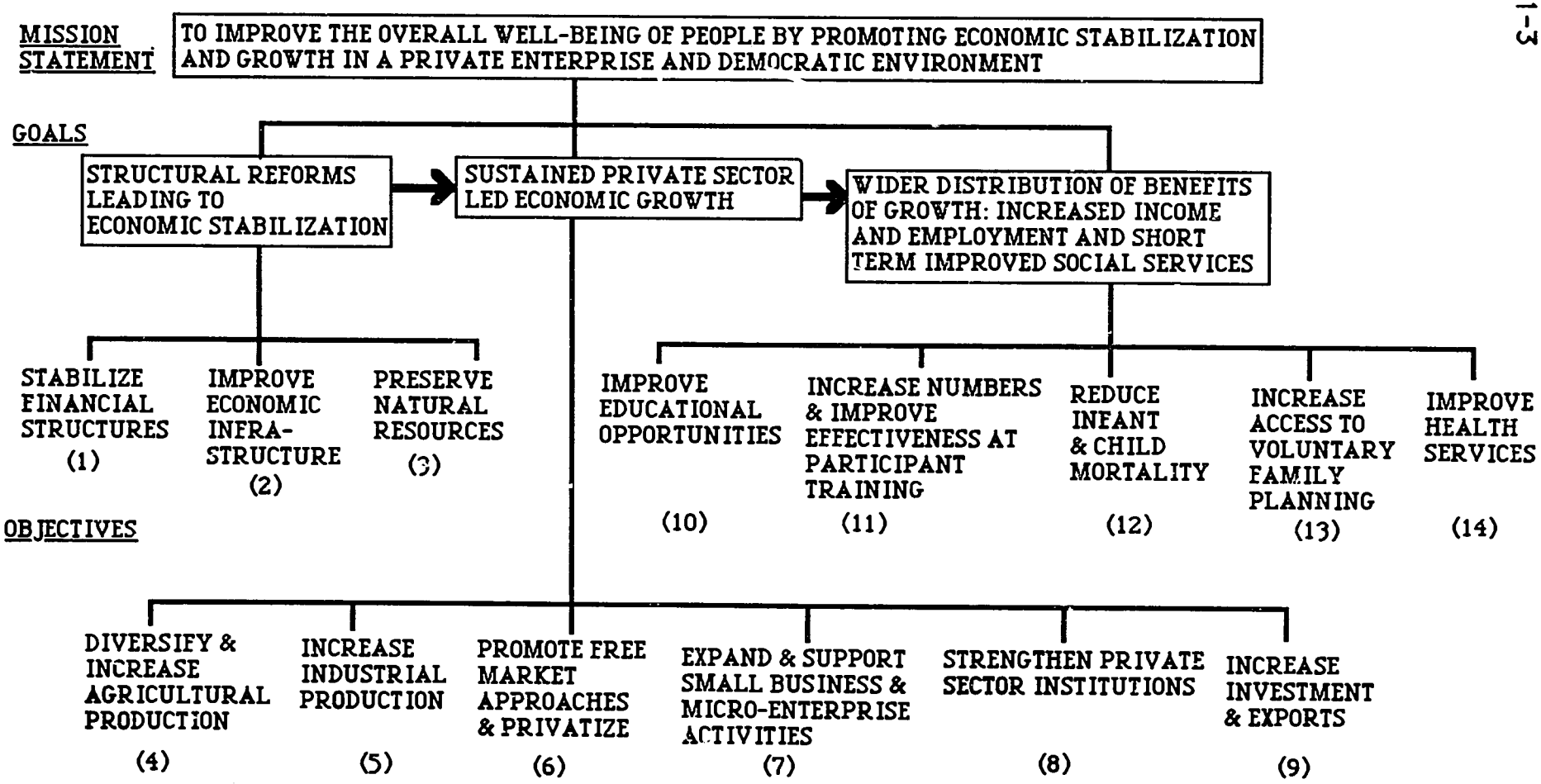


EXHIBIT 1-3

## EXAMPLE OF A MISSION STATEMENT, GOALS, AND OBJECTIVES



# EXHIBIT 1-4

## MAPS PROJECT INVENTORY

## EXAMPLE FROM THE DOMINICAN REPUBLIC

| ACTIVE PROJECTS | POLICY REFORM | INSTIT'L DEVELOP PRIVATE SECTOR | INSTIT'L DEVELOP PUBLIC SECTOR | EXPAND CAPITAL | IMPROVE CAPITAL SYSTEM | INCREASE NON-TRAD EXPORTS | IMPROVE PRODUCTION TECHNOLOGY | IMPROVE LABOR PRODUCTIVITY | EXPAND PRIVATE SECTOR BASE | INCREASE PRIVATE INVESTMENT | PRIVATIZE PUBLIC ENTERPRISES | PRIVATE SECTOR INFRASTRUCTURE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rural Develop. Management | | 2.2mm | | | | | x | | | | | |
| Agricul.Policy Analysis | x | | 4.7mm | | | | | | | | | |
| On Farm Water Management | | | 9.8mm | | | | 6.5mm | | | | | |
| Agribusiness Promotion | | 12.7mm | | 55.1mm | | x | | | | | | |
| Commercial Farming Systems | | 2.6mm | 3.5mm | 13.2mm | 1.1mm | | x | | | | | |
| Sugar Diversification | | 5.1mm | 6.5mm | 58.2mm | | x | | | x | x | x | x |
| Agr. Prod. Credits (various) | | | | 26.8mm | | x | | | | | | |
| Human Resource Development | | | | | | | | 6.8mm | | | | |
| Grad Management Training | | | | | | | | 8.1mm | | | | |
| Development Training | | | | | | | | 5.0mm | | | | |
| Educat./Technical Training | | | | | | | | 0.2mm | | | | |
| Energy Conserv. & Resources | | 2.5mm | 7.6mm | 10.2mm | | | | | | | | |
| Small Industry Development | | 0.6mm | 0.3mm | 5.0mm | | | | | x | x | | |
| Export/Investment Promotion | 0.5mm | 2.0mm | 0.3mm | | | x | | | | 6.2mm | | |
| Assist. to Private Sector | | 18.4mm | | 30.7mm | | | 9.2mm | 3.1mm | x | | | |
| Strengthen Private Sector | | 4.6mm | | 7.8mm | | | 2.3mm | 0.7mm | x | | | |
| Free Zone Development | | | | 20.8mm | | | x | | x | x | | x |
| Tourism Infrastructure | | | | 10mm | | x | | | | x | | x |
| PL480 Title I Sect 108 | | | | 52.9mm | | | | | | x | | |
| Sub-Total Existing Projects | 0.5mm | 50.7mm | 32.7mm | 290.6mm | 1.1mm | 0 | 18.0mm | 23.9mm | 0 | 6.2mm | 0 | 0 |
| NEW PROJECTS | | | | | | | | | | | | |
| Agribusiness Training | | 12.0mm | | | | x | | | | | | |
| Div'ization/Debt Conv. | | | 5.0mm | 10.0mm | | x | | | x | x | x | |
| Industrial Linkage | | 1.0mm | | 4.0mm | | x | x | | x | | | |
| Micro/Small Bus Devel. | | 1.5mm | | x | | | | | | | | |
| Employer Related Train. | | | | | | | | 4.5mm | | | | |
| Sub-Total New Projects | 0 | 14.5mm | 5mm | 14.0mm | | 0 | 0 | 4.5mm | 0 | 0 | 0 | 0 |
| GRAND TOTAL (existing + new) | 0.5mm | 65.2mm | 37.7mm | 304.6mm | 1.1mm | 0 | 18.0mm | 28.4mm | 0 | 6.2mm | 0 | 0 |

Notes to Matrix:

- This chart includes all mission projects which appear to have direct or strong indirect private sector focus. The list was reviewed with Capital Resources Development Office, and includes all projects active as of January 1, 1988, plus projects in active planning.
- $ amounts in columns indicate primary impact(s) of project.
- "x" = secondary impact: of project.
- $ under active projects = life of project amount allocated, including additions approved in 1988.

  ( )= amount obligated to January 1, 1988.
- $ amounts for local currency are US$ as tranalated for Action Plan.

EXHIBIT 1-5

## GENERIC STRATEGIES OF AID MISSIONS

| CONSTRAINTS | STRATEGIES |
|---|---|
| 1. POLICY ENVIRONMENT | 1. POLICY REFORM |
| 2. INSTITUTIONAL WEAKNESS | 2. INSTITUTIONAL DEVELOPMENT |
| 3. FINANCIAL RESOURCES | 3. CAPITAL MOBILIZATION |
| 4. INFRASTRUCTURE | 4. INFRASTRUCTURE DEVELOPMENT |
| 5. HUMAN RESOURCES/SKILLS | 5. TECHNICAL ASSISTANCE TRAINING & EDUCATION |

## MAPS PHASE 2: DESCRIBE THE LOCAL PRIVATE SECTOR

The second step in the strategic planning process is to assess the "real world" in which the private sector operates. This assessment assists AID officers in gathering and analyzing current and historical data on the local private sector. It provides AID officers with a data base which is of practical utility not only in preparing the CDSS but in developing project documents and Project Papers. It can also be useful as benchmark data for measuring change over time.

The information base includes a quantification of the current importance of the private sector in the economy, an assessment of the role of state-owned enterprises, a description of the policy environment as it affects private sector growth, a review of private sector performance in recent years, an identification of key private sector actors, a presentation of existing government and donor objectives and programs, and a detailed description of the local capital markets, banking system and financial institutions. This picture, or map, of the private sector is a prerequisite for further diagnostic analysis. An overview of this phase appears in Exhibit 2-1.

### I. OBJECTIVE

The objective of phase two is to gather and present relevant data about the private sector in a given country such that AID personnel will be able to understand clearly who and what the private sector is, how significant it is in a given economy and where it is located in the economy. The descriptive phase does not concern itself with underlying causes of problems in a given country, as this question will be dealt with in the diagnosis phase.

## II. KEY QUESTIONS OF DESCRIPTION PHASE

The Private Sector Description is organized around a series of important questions. These include:

1. Who Is the Private Sector?
2. How Important Is the Private Sector In This Economy?
3. Where In the Economy Is It Located?
4. How Strong Are the Capital Markets?
5. What Is the Role Of State-Owned Enterprises (SOEs)?
6. What Is the Impact of Public Policies?
7. How Has the Private Sector Performed Over Time?
8. What Are the Leading and Lagging Sectors?

## III. THE DESCRIPTION PROCESS

The specific output of the description phase is agreed upon early on in the Description Phase. This usually includes a data set, graphics and a written report which responds to AID information needs (Exhibit 2-2).

Next, local subcontractees are identified to gather and format the necessary data. These subcontractors often include individuals with economic and statistical training, universites, thinktanks and local consulting firms. They should include at least one member with access to government information sources. Normally, the team assembles data which are available from existing sources rather than generating new data.

AID or the chief subcontractor supervises the progress of the local subcontractees. This process normally takes 4-6 weeks. At the end of this period, a presentation is provided to AID.

The value of such information in the policy dialogue process must be stressed. Public sector officials are often unaware of, or have only a general sense of the critical importance of the private sector in contributing to politically important goals such as employment growth or foreign exchange generation. By having data on private sector importance, one can greatly contribute to the process of consensus building on issues which affect the policy environment for private sector growth. Such data often include World Bank studies illustrating the correlation between high growth and market-oriented policies.

This information should also be shared with local private sector associations. In past MAPS implementations, local associations have shown great interest in obtaining copies of the description presentation. This generates good will and also provides these associations with factual data that strengthen their own policy dialogue efforts.

Involving local subcontractors also helps put private sector issues on the agenda. In previous implementations, past local subcontractors have gone on to present articles and even television commentaries utilizing information gathered by MAPS in the description phase. This helped create consciousness regarding the need for market forces and the contribution of the the private sector to the local economy.

An effort should be made to subcontract whenever possible with local universities, industry associations, lobbying groups or other institutions. This approach develops local capabilities. It can stimulate the local private sector to represent its own interests before government on the basis of reliable information. In the Dominican Republic four subcontracts were utilized to strengthen the abilities of two universities and two private sector associations.

Maximum utilization of in-country capabilities has another advantage. It helps to institutionalize local capability to update the information base on a periodic basis.

The descriptive phase does not seek to explain cause and effect. Such analysis comes in later stages of diagnosis and dialogue. The descriptive techniques presented are not intended to provide normative guidance. They do not, in and of themselves, suggest or present priorities. However, the information presented is useful to those who do set such priorities.

## IV. OUTPUT OF DESCRIPTION PHASE

The outputs at this stage include a Private Sector Map and Data Base. These are described in detail below.

### A. Private Sector Map

Private sector mapping refers to the set of analytical techniques which create a systematic description of the importance of the private sector and its location in the economy. It allows AID officers to get their arms around the conceptually complex private sector. A good private sector map should have the following characteristics:

--Conceptually Clear: It allows an AID officer to get a quick overview of the terrain, a clear indication of both absolute and relative importance of the private sector in all major industry segments.

--Standardized for Comparative Purposes: It can be used over time or for cross-country comparisons.

--Comprehensive: It can provide an overview of the whole private sector although it may go into greater detail on specific sub-sectors of greater interest to AID.

--Carefully Segmented: It differentiates by type of actor. It is important that missions segment the private sector because constraints to growth vary, for example by industry and by company size. Different actors or groups of actors behave differently in the marketplace and play different roles in the economy.

They face different constraints and bottlenecks in their attempts to thrive. They enjoy different opportunities. They need to be reached through different access channels and in different ways. For instance, the leading business groups in a given country may be able to take advantage of a large scale credit project through commercial banks; to reach micro-enterprises, small farmers or women, another access route and kind of project may be necessary. A stimulus may work for one segment but entirely miss another. As a result, AID will need to employ different kinds of projects depending on the private sector segments it intends to promote. Even macro-policy reform will affect different segments in very different ways, and it is important to be aware of both positive and negative impacts and primary and secondary effects.

--Dynamic: A good private sector map should be dynamic, illustrating changes in the private sector topography over time. This can provide AID with insights as to where the private sector is going or how it has changed in recent years. This can alert AID to potential problem areas or to help AID target areas which appear to be especially promising at a particular moment in time.

## B. Data Base

While the outline of the MAPS Description will depend upon the needs of the local Mission, there are certain elements which will be common to most MAPS implementations. Approximately 30 data sets and graphic presentations form the core of the MAPS private sector description. This is further expanded to include data which test specific assumptions for the USAID Mission or which generate information specifically requested by USAID officers for use in upcoming CDSS, Action Plans, PIDS, Project Papers, PAIPs OR PAADs.

### 1. How Important Is the Private Sector?

A presentation of private sector shares of total GDP, total employment, total investment and total credit utilization can provide a flash indicator of the strength of the private sector in a given economy. Similar data on parastatals can be presented as important benchmark data. Time series, if available, will be valuable to illustrate trends.

It is interesting to note that the private sector share of commercial and investment credit correlates highly with strong economic performance in less developed countries. Therefore these data should also be collected and presented.

## 2. Where in the Economy Is the Private Sector Located?

The description then proceeds to create the "Private Sector Map." The mapping technique begins with the four standard economic sectors: agriculture, mining, manufacturing and services. It then divides each of these into major industry groupings and shows both the absolute and relative importance of the private sector versus the state-owned sector.

This allows AID personnel to have a comprehensive overview of both the economy and the private sector role in the economy. The map reveals, for example, that the private sector may be crowded out of the state-owned mining sector while flourishing in small-scale manufacturing and dominant in agriculture.

## 3. What Is the Role of the SOEs?

The Private Sector Mapping Exercise illustrates where in the economy the SOEs play a predominant role. It is then important to quantify this role. If data on aggregate losses are available over time, these should be presented. It is helpful to present such losses as a percentage of GDP. Another helpful analysis is to present the losses divided by number of employees. In some cases, losses have exceeded the total wage bill. Such comparisons put the losses into graphic perspective.

Problems regarding availability of data and the methodology of calculating true losses may be encountered. In many countries the explicit losses are disguised via hidden subsidies, protectionism, or monopolistic distortions. In many cases, World Bank studies have already quantified the real losses using a rigorous methodology. This source should be checked first.

Still another analysis is that of the relative productivity of labor in SOEs vs. the private sector where comparative data are available. In one country it was determined that the losses of the SOEs were greater than the total salaries of all SOE employees leading to pressures to divest while still providing direct income subsidies. These data, when presented in dialogue sessions, can result in consciousness raising and consensus building among the private and public sector leadership.

## 4. What Is the Impact of Public Policy?

Private Sector Description typically moves on to assess changes in government policy over time in various areas: government spending, composition of government spending, monetary growth, inflation rates, foreign exchange regime, economic strategies of successive governments, government taxation, protectionism, free market policies, and incentives. This enables one to assess the policy environment and the trends over time in government treatment of the private sector. It allows one to assess the stability in the rules of the game which is an all important criterion for stimulating investment.

Such data are normally already in Mission hands and are available from the Mission economist.

## 5. How Has the Private Sector Performed Over Time?

A twenty year overview of annual economic growth can reveal broad trends over time. Then, data on leading and lagging sectors can be presented. These might include economic growth, employment generation, installed capacity and foreign exchange generation. This information should be provided on all sectors of priority to AID. These may include agro-exports, free trade zones, the financial sector and micro-enterprise. The informal sector is clearly problematic for those wishing to find good data. Nonetheless, estimates can often be made based on interviews with those who have studied or have channeled credit to this sector.

## 6. Who Is the Private Sector?

Data are normally available on the numbers of registered firms and on the size of firms by employment, sales or capital. It can be helpful for AID to know the "universe" of registered companies and this is especially useful when it comes time to conduct a random sample of this universe.

A presentation of up to 10 of the top business groups and their holdings is also a useful contribution where such business groups exist. Not all countries are sufficiently developed to have such groups, but it is often the case that formal private sector activity (especially access to credit) is dominated by a relatively small number of business groups which enjoy favored access to credit.

AID officers often identify with those representatives of the private sector who either speak their language or who most effectively represent their own interests. There are many other segments in the private sector including cooperatives, small and medium businesses and others. Information on the numbers and significance of these is helpful.

At this stage information on the country's business associations is also presented.

## 7. How Strong are the Capital Markets?

Capital investment and medium-term credit are most often cited as the fundamental and most important constraints to private sector growth, especially among small- and medium-sized companies. A clear understanding of the structure, operations and capabilities of capital markets, and, more importantly, the commercial banking system and the informal credit sector is therefore essential. This survey also reviews the structure and regulatory systems of central and regional banking structures and World Bank/IMF structural adjustment programs as they affect private sector investment and credit.

A more exhaustive survey of the financial sector is often undertaken concurrent with or as a part of the strategy assessment. A more complete financial sector assessment is characterized by the following specific tasks:

* To provide a current overview of how capital markets operate and the role of government, financial institutions and private banks in these markets.

* To describe the size, capabilities and current operations of the major development and commercial banks.

* To assess the strengths and weaknesses of the banking system in serving private sector needs for short, medium and long-termm credit.

* To summarize existing information on the importance and activities of the informal savings and lending system.

* To describe and evaluate financial markets: savings mobilization, business financing, credit assessments, range and availability of banking products and services, loan terms including treatment of collateral, legal and regulatory support of the banking system including bank audits.

* To evaluate the capabilities and involvement of commercial and development banks, credit unions and cooperatives in private sector based on interviews with both borrowers and lenders.

* To review in summary fashion the importance and activities of informal financial institutions.

* To identify and assess effectiveness of loan guarantee and export finance programs.

* To identify and assess capabilities of business and financial advisory and assistance services offered by the banking system.

* To identify major policy and regulatory issues in the finance and banking sectors including World Bank/IMF structural adjustment programs, which limit private sector access to bank credit and services.

* To review multilateral lender and donor efforts to regulate and improve the finance and banking system including interest rate and credit ceiling controls.

* To assess the impact of regional banking authorities, such as are found in francophone African countries, in developing private sector credit programs and financial intermediation.

## V. LESSONS LEARNED FROM FIELD EXPERIENCE

In one field implementation, great effort was expended in gathering data and conducting original research. While this resulted in the most comprehensive data base available on the Costan Rican private sector, it was also costly. In another implementation, the team relied almost exculsively on data available from existing sources and this was regarded as a more cost-effective approach.

Experience has shown the following:

* Large amounts of information already exist within the host government, multilateral and bilateral donor organizations, and AID, which, once assembled, analyzed and summarized, can provide a general framework for private sector planning.

* Exploiting this abundant data base, however, is difficult since the available material is neither organized for nor focused on private sector program requirements.

* Major information gaps exist, moreover, in that little is known of the range, scope, size, capabilities, location, needs and plans of the country's private sector, nor of realistic market and profitability based private sector investment opportunities. There is normally a lack of relevant data on the formal and informal financial and banking systems. Nonetheless, good estimates can usually be made despite the lack of official data.

* Local sub-contracting should be fostered so that institution building can take place. However, great care should be taken in the selection process. The choice of sub-contractors will be critical to success. They should possess inside channels to information (i.e., contacts in the Central Bank) as well as strong analytical capabilities.

## VI. OUTPUT AND USES OF PRIVATE SECTOR DESCRIPTION

After completing the analysis associated with this step, AID will have a Data Base and a Private Sector Map. This will serve as an information base for later steps.

Such data are first and foremost of great practical utility to AID officers. Preparation of project identification documents and project papers can be greatly facilitated by good descriptive data on the importance of the private sector in the economy in general and in the most relevant subsectors.

This exercise can also be of critical importance by identifying where the private sector is languishing or flourishing. This can assist AID in developing its strategy either by taking advantage of the momentum in those areas which are strong or by targeting the weak areas for special efforts of privatization or policy reform.

Such an output can be useful to many groups such as industry associations, banks, potential investors and host-country policy makers and should be made available to them. In Costa Rica, great interest was shown by the private sector in getting access to the Private Sector Map information so as to more effectively present their case for policy reform to the government. The private sector data bank and mapping give new leverage to private sector initiatives by creating opportunities for sounder analysis, more informed dialogue, and more effective strategies.

Benchmark data will also be crucial at later stages in measuring change in the private sector over time. By measuring the impact of the private sector both at the macro level and at the sectoral and industry levels, one can develop an in-depth knowledge of how the private sector is faring at any location on the economic map.

A thorough collection of data in this descriptive step can help ensure a more effective effort at later stages in diagnosis, dialogue, strategy formulation, project development and evaluation. It is important to note that a totally comprehensive and complete map will generally not be feasible due to information gaps. What one is trying to do is to construct a data bank which can be built up over time. A partial map is better than none and will facilitate moving forward with the problem diagnosis. Descriptive information can be added over time to fill in the gaps.

This private sector data bank should be viewed as an on-going depository and reference source from which private sector maps can be constructed or specific pieces of information drawn. The data bank will become an important basic asset in the overall private sector development effort; one must invest in its creation and maintenance. Missing or erroneous information characterizes developing country environments and impedes meaningful analysis, dialogue, and action.

EXHIBIT 2-1

# MAPS PHASE 2: DESCRIBING THE PRIVATE SECTOR

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * WHO IS THE PRIVATE SECTOR? | * DATA GATHERING | * DATA BASE |
| * WHERE IN THE ECONOMY IS IT LOCATED? | * DATA ANALYSIS | * PRIVATE SECTOR DESCRIPTION PRESENTATION |
| * HOW IMPORTANT IS THE LOCAL PRIVATE SECTOR? | * PRIVATE SECTOR MAPPING | * PRIVATE SECTOR MAP |
| * WHAT IS THE ROLE OF STATE-OWNED ENTERPRISES? | | |
| * HOW STRONG ARE THE CAPITAL MARKETS? | | |
| * WHAT IS THE IMPACT OF PUBLIC POLICY? | | |
| * HOW HAS THE PRIVATE SECTOR PERFORMED OVER TIME? | | |
| * WHAT ARE THE LEADING & LAGGING SECTORS? | | |

## MAPS PHASE 3: DIAGNOSE CONSTRAINTS TO PRIVATE SECTOR GROWTH

The first step in performing a medical diagnosis is to ask the patient, "What's wrong?" Similarly, in diagnosing the private sector, AID can go out and ask entrepreneurs, small businessmen, and business leaders what their problems are. These people are quite conscious of the symptoms that affect their ability to thrive. They make a living by getting around the constraints they face and in taking advantage of the opportunities. Therefore, it is wise to consult with them at the outset. The "symptoms" are the signs of difficulty reported by people in the private sector who are generally very accurate in identifying both their critical resource constraints as well as those public policies which most inhibit their potential growth.

### I. OBJECTIVES

The objectives of the diagnosis phase are:

1. To broaden USAID's consultation within the local private sector,
2. To identify and prioritize the principal factors constraining private sector growth,
3. To identify opportunity areas,
4. To identify potential implementing agents, and
5. To test critical USAID assumptions.

### II. KEY QUESTIONS

The key questions in the diagnosis are:

1. What are the private sector's perceptions of its opportunities and constraints?
2. What are the most critical resource constraints?

3. What are the impacts of public policy on the private sector?

4. What private sector initiatives will receive greatest support among local leadership?

5. What is the impact of the competitive environment?

6. What are the capabilities of local capital markets and financial institutions?

## III. THE DIAGNOSIS PROCESS

The diagnosis process begins by designing a private sector survey which can identify the opportunities and constraints to private sector growth as experienced by private firms themselves.

The survey process begins by utilizing the "universe" of private sector actors developed in the description phase and then selecting particular sectors of priority emphasis for USAID. Some Missions have preferred to survey the entire private sector with a general questionaire. The more recent trend has been to focus on specific sub-sectors which are of priority interest. Responses will be analyzed at a macro level and then cross-tabulated by sector, by industry, and by size of business. The constraints to growth faced by a small agribusiness entrepreneur may be quite different from those of a multinational free zone company. This enables AID to develop a more flexible approach to specific sectors in the economy or segments in the private sector.

The Private Sector Survey, as refined during three successive field implementations, currently has five important sections:

1. General Assessment of Investment Climate - This section deals with current and expected growth and general perceptions regarding the business climate.

2. Investment Opportunities - This section verifies leading sectors in the economy and verifies continued future interest or flags emerging problems.

3. Resource Constraints to Growth - This section enables AID to establish which of many factors are constraining private sector growth. The survey goes into depth on the nature and importance of human resource, capital, land, infrastructure, services, technology and information as constraints to growth.

4. Public Policy Constraints to Growth - The survey goes into depth on public policy and its effects on the private sector. These include fiscal, monetary, customs, foreign exchange, trade, investment and other policies.

5. Constructive Initiatives and Implementing Agents This section identifies the private sector's own priorities for constructive initiatives and actors in which the private sector has a high level of confidence (e.g. business associations, universities, consulting firms, micro-enterprise groups, etc.)

The survey may be targeted to specific sectors in the economy or be conducted on a random basis throughout the entire private sector. Every country has one or more important sectors in which competitive advantage offers the possiblity for profitable investment. In Africa, examples include agriculture-agroindustry, forest products, fisheries, cattle raising, mining, small manufacturing and services. If AID has already determined to target specific sectors in an economy and not be involved in others, a more segmented and focused survey, which concentrates on confirming critical AID assumptions, should be implemented.

After the survey has been designed, it must then be carefully adapted to the local business language. Once adapted, it is then field tested with about 6 to 10 firms. On the basis of these results, the survey language is modified to resolve ambiguities.

Careful attention must be given to the selection of the survey team. Surveyors should be people with at least a university degree and also be able to speak the language of business and feel at ease with chief executives. Daily supervision is required to ensure that surveys are completed accurately.

Once the survey results begin to come in, it is necessary to tabulate the results. If the capability exists in country to manage statistical packages such as SPSS, then data entry and analysis can be done on-site. If not, the questionaires may have to be sent by courier to the United States or elsewhere.

Results are then tabulated at a macro level and also by sector, industry or size of firm. An experienced data analyst is required at this stage. The Mission should also be involved so that the diagnosis report addresses the kinds of analyses that AID is most interested in. The major findings are then presented to AID.

## IV. OUTPUTS

At the end of the Diagnosis Phase, AID has as a deliverable the tabulated questionaire which can be used for comparison should the survey be conducted in the future and a Private Sector Diagnostic Paper which can be used as one input into the CDSS. The survey results are also useful as data which can support later project papers. It is helpful to know that, for example, lack of skilled labor is the major constraint facing growth in a particular industry, or that 73% of all agribusiness firms reported difficulty getting access to long term capital.

## V. LESSONS FROM THE FIELD

In one Mission, a MAPS standardized survey was implemented for the entire private sector. In retrospect, the Mission believed that the survey would have been of even greater utility had the survey targeted specific sectors, going in to more depth regarding constraints relevant to those specific sectors.

In another implementation, questions were included which sought to verify Mission assumptions regarding particular upcoming projects. The results were seen as highly useful for upcoming PIDS and Project Papers.

For an overview of the diagnosis process and survey outline, please refer to Exhibits 3-1, 3-2, and 3-3. A sample private sector survey which was used in the Dominican Republic has been included as an Appendix for illustrative purposes. Such surveys should be tailor made to local conditions and to specific Mission information needs.

EXHIBIT 3-1

# MAPS PHASE 3: DIAGNOSING CONSTRAINTS TO GROWTH

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * WHAT ARE THE PRIVATE SECTOR'S PERCEPTIONS OF ITS OPPORTUNITES & CONSTRAINTS? | * PRIVATE SECTOR SURVEY | * PRIVATE SECTOR DIAGNOSTIC PAPER & PRESENTATION |
| * WHAT ARE THE MOST CRITICAL RESOURCE CONSTRAINTS? | * CAPITAL MARKETS SURVEY | |
| * WHAT ARE THE IMPACTS OF PUBLIC POLICY ON THE PRIVATE SECTOR? | | |
| * WHAT PRIVATE SECTOR INITIATIVES WILL RECEIVE GREATEST SUPPORT AMONG LOCAL LEADERSHIP? | | |
| * WHAT IS THE IMPACT OF THE COMPETITIVE ENVIRONMENT? | | |
| * WHAT ARE THE CAPABILITIES OF LOCAL CAPITAL MARKETS AND FINANCIAL INSTITUTIONS? | | |

EXHIBIT 3-2

## THE SURVEY PROCESS

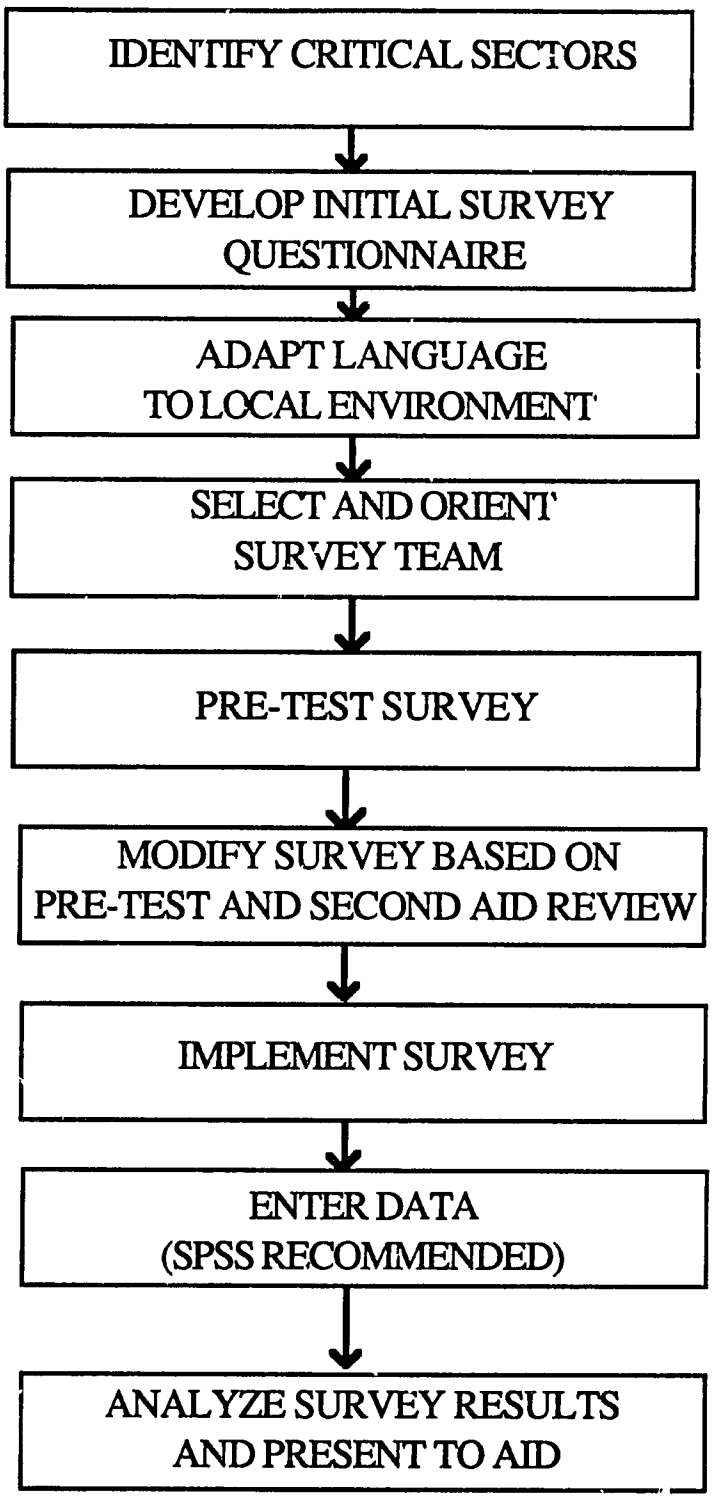


EXHIBIT 3-3

# THE SURVEY OUTLINE

1. GENERAL BUSINESS CLIMATE

2. INVESTMENT OPPORTUNITIES

3. CONSTRAINTS TO GROWTH: POLICY

4. CONSTRAINTS TO GROWTH: RESOURCES
   - CAPITAL
   - HUMAN RESOURCES
   - LAND
   - INFORMATION
   - INFRASTRUCTURE
   - OTHER

5. INITIATIVES PURSUED BY THE PRIVATE SECTOR

6. BUSINESS ASSOCIATIONS AND OTHER IMPLEMENTING AGENTS

## MAPS PHASE 4: DIALOGUE WITH THE PRIVATE SECTOR

The dialogue phase is perhaps the most important single element in the MAPS process. It includes internal meetings and more structured focus groups of private sector leaders.

### I. OBJECTIVES

The purpose of the dialogue phase is to involve the leadership of the local private sector in the identification of constraints and opportunities. The specific objectives include the following:

1. To widen AID's network of contacts
2. To solicit qualitative feedback on survey findings and private sector description
3. To test AID assumptions which underpin new or existing projects and programs
4. To brainstorm positive interventions which the private sector itself could make with or without AID assistance and to catalyze action by the private sector
5. To identify new implementing agents.

### II. KEY QUESTIONS

The key questions at this stage are:

1. How do key private/public sector decision makers view the diagnosis?
2. Will private sector support AID initiatives?

3. What initiatives is local private sector already undertaking?

4. Who are the important potential implementing agents?

5. What are other donor groups doing?

6. What formal agreements will be required and how likely will it be to get them?

## III. THE DIALOGUE PROCESS

After AID has identified key sectors, the search begins to identify leadership groups. AID's traditional network of contacts is the initial core group. This is complemented by ensuring that private business people who have been movers and shakers in a given sector are also sought out.

An important issue to address up front is the inclusion of government representatives. In countries with a strong private sector, and where AID operates with a large degree of latitude, it has seemed appropriate to include only private sector people as these tend to speak more freely among their colleagues than among political and governmental people. In the African context, where the private sector is weak and where AID programs are carefully scrutinized and controlled by the public sector, it may be necessary to include government representatives as well. This must be decided on a case by case basis. It is also important to include representatives from other donor groups such as the World Bank, the regional development banks, and perhaps other bilateral donors.

Until the description and diagnosis are ready, informal dialogue sessions are held which serve to identify major areas of potential initiative. They help AID to develop and test assumptions.

Once the description and diagnosis are complete, organized focus groups sessions are held in each of the relevant action sectors (i.e. agribusiness, micro-enterprise, financial sector, etc.). During the first half hour, the key findings are presented from the first two phases. The next half hour is devoted to receiving qualitative feedback on those conclusions and achieving some level of consensus on the major problems affecting their sector. The second hour is devoted to brainstorming potential new initiatives and assessing the degree of support that such initiatives would find among the private sector leadership and the government. The discussion may even go further to identify the most effective implementing agents or the best ways to organize the initiative.

It is very important that a skilled focus group facilitator be used to moderate the discussion. The person must have a firm grasp of the results of the first two phases and must be adept at moving a discussion along, building consensus and bringing out the ideas from the participants.

AID officers will also, of course, participate during these sessions. Minutes of each of the meetings are taken and a debriefing takes place after the meetings to assess the major findings.

The written output is then summarized in report form at the end of this phase.

## IV. OUTPUTS

Outputs at this stage include the following:

1. Minutes from the dialogue sessions
2. Minutes from the focus groups
3. Summary dialogue report
4. A structured dialogue process between AID and the private sector has been established.

## V. LESSONS FROM THE FIELD

Dialogue sessions should begin almost immediately upon identification of the important players. Dialogue should not wait until the description and diagnosis are complete.

The dialogue process was seen as one of the most valuable aspects of the MAPS process in terms of actually helping AID officials understand the private sector and develop new initiatives.

Recent experience has demonstrated that these sessions can have a catalytic effect in terms of mobilizing private sector action in advance of direct support from AID.

One should not try to combine groups from all sectors in one large focus group session as was done in the first implementation. After utilizing a day-long seminar format with break-out sessions by sector, it was decided that separate focus groups on separate days would maximize the utility and not overwhelm AID staff with information in too short a period of time.

Two hours were scheduled for focus groups but the local leaders invariably decided to continue the sessions for a total of 3 or more hours.

Sometimes, the sessions themselves produce new initiatives taken by the private sector leaders present. For example, in the Dominican Republic, the dialogue sessions with micro-enterprise groups resulted in the formation of a national micro-enterprise federation. By the third dialogue session, bylaws had been drafted and broad agreement regarding the need for market interest rates had been achieved. This organizational strengthening will allow larger volumes of credit to be channeled to the micro-enterprise sector. This result also confirmed the success of AID's efforts to date.

A yellow light may be as important as a green light. In one case, top executives from 20 leading commercial banks did not support a proposed initiative. The banking sector was simply not interested in taking the lead in the proposed area. This was seen as an equally valuable outcome.

One agribusiness focus group identified a major private sector initiative to privatize and modernize many agricultural commercialization functions formerly handled by the public sector. Unknown to AID, local entrepreneurs had already been trying to launch this effort.

For an overview of the dialogue phase, please refer to Exhibit 4-1 and 4-2.

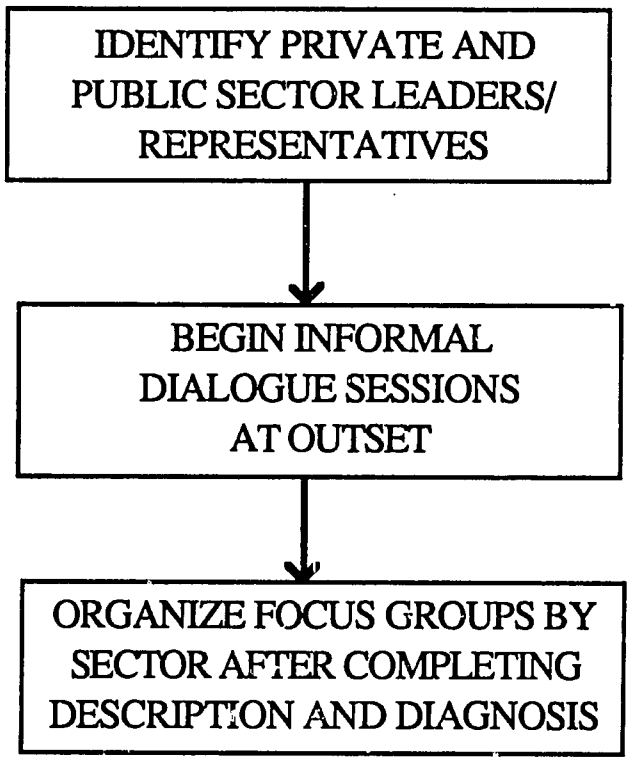
EXHIBIT 4-1

# MAPS PHASE 4: DIALOGUING WITH THE PRIVATE SECTOR

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * HOW DO KEY PRIVATE AND PUBLIC SECTOR DECISION MAKERS VIEW THE DIAGNOSIS? | * INFORMAL DIALOGUE SESSIONS | * MINUTES OF MEETINGS |
| * WILL PRIVATE SECTOR SUPPORT AID'S INITIATIVES? | * FOCUS GROUPS | * SUMMARY REPORT ON DIALOGUE RESULTS |
| * WHAT INITIATIVES IS THE LOCAL PRIVATE SECTOR ALREADY UNDERTAKING? | | |
| * WHO ARE THE IMPORTANT POTENTIAL IMPLEMENTING AGENTS? | | |
| * WHAT ARE OTHER DONOR GROUPS DOING? | | |
| * WHAT FORMAL AGREEMENTS WILL BE REQUIRED & HOW LIKELY WILL IT BE TO GET THEM? | | |

EXHIBIT 4-2

# THE DIALOGUE PROCESS



## MAPS PHASE 5: DESIGN USAID PRIVATE SECTOR STRATEGY

The information base, the survey results and the dialogue process described above will permit the preparation of a private sector strategy document for inclusion in the CDSS. An overview of this phase appears in Exhibits 5-1 and 5-2.

### I. OBJECTIVES OF STRATEGY DEVELOPMENT

The objectives of this phase are:

1. to ensure that a full set of programmatic options have been identified;

2. to set priorities among programmatic options based on established AID criteria;

3. to ensure that AID's strategy is consistent and internally, mutually reinforcing; and

4. to assess the feasibility of the options given the analysis that has been conducted.

### II. KEY QUESTIONS

The key questions in formulating a strategy are:

1. What are host government's private sector development strategy objectives?

2. How are government goals related to AID's overall country strategy?

3. What are the priorities among action areas given current level of resources?

4. What priorities might other donors be interested in or encouraged to take on?

5. Whose support in private and public sector is crucial and how can the existence of such support be demonstrated?

## III. PROCESS OF STRATEGY DEVELOPMENT

While there are any number of acceptable ways of defining and stating a mission's Private Sector Strategy, including approaches used in CDSS preparation and presentation, the general approach described below has been followed in recent field work.

1. Private Sector Strategy Analysis Begins with a Clear Statement of the Host Government's National Development Policies and Strategies

The private sector strategy design team prepares a short statement of the host government's national development objectives, policies, priorities, programs and timetables. Specific mention is made of any component specifically addressing industrial development and/or the private sector.

2. Donor Community Support of the National Development Policy and Strategy is Briefly and Clearly Summarized

An overview of the international donor and financial community's support of the host government's development policy is prepared. Special reference is made to programs designed to improve the investment climate via structural adjustment and policy reform, provide direct assistance to the private sector, restructure or privatize parastatals, improve financial and other services supporting private sector development, and utilize private sector or nongovernment entities in the delivery of social services.

3. AID Guidelines For the Achievement of Economic Development Objectives Are Reviewed

For example, recent AID Washington guidelines for priority countries in Africa stress the following short and medium term objectives:

* Short term: Remove policy impediments to private sector growth, and provide fast disbursing aid to increase foreign exchange and local currency credit to the private sector.

* Medium Term: Improve the working of competitive markets, in particular agricultural and financial markets.

A number of strategy planning guidelines for reassessing traditional AID development approaches are suggested as part of a mission's strategic planning process.

* Achieve a balance between project and non-project aid.

* Review the needs and strategic balance between agricultural and non-agricultural initiatives.

* Assess the need to change strategic emphasis from agricultural to non agricultural initiatives.

* Explore the balance between food self-sufficiency and export crop strategies.

* Consider strategies utilizing decentralized and private sector or NGO-delivered social services.

* Review development advantages of shifting aid from a rural to an urban focused strategy.

* Consider various forms of cooperation and financing with the World Bank and other donors in developing policy reform strategies and programs.

## 4. USAID's Historical, Current and Planned Development Strategies and Initiatives are Summarized

At this point, one returns to the Mission's strategic statement developed in stage 1 of MAPS. It summarizes the mission's most current development philosophy and strategy, and outlines major program or project initiatives being employed -- or in design -- for reaching these objectives.

5. <u>USAID's Current Development Strategy Is Assessed vs. MAPS findings and vs. National Development Strategic Objectives and Donor Support</u>

This assessment reviews the missions's current development objectives and priorities, and AID's strategic concern for balanced and profitable growth of the private sector as a major vehicle for national developmment.

The results of this analysis in two recent pilot studies showed that the mission's basic development objectives and programs already provided a solid foundation for a meaningful private sector program. Where this is the case, primary consideration and attention may be placed on design and management of existing and proposed programs and projects, with little need to restate strategy. In another case, the success of previous strategy (e.g. in promoting free trade zones) necessitated new changes in strategy to cope with the bottlenecks developing in the labor force.

Missions with little or no private sector strategic or program content should at this stage review the possible need for changes in their underlying CDSS if the objectives stated there do not reflect the changed AID policy and national development environments.

Pilot studies suggest that a private sector strategic statement "add-on" to a CDSS is usually not the answer -- and that often a "stand-alone" private sector strategic statement without backward linkage to the CDSS can be a cause for possible confusion at Washington, regional and mission levels.

6. <u>A Statement of the Mission's Revised Private Sector Strategy Objectives Is Prepared</u>

The selected strategic option -- or options -- become the basis for drafting a brief private sector strategy statement. A good example of a specific statement of goals and objectives for private sector development is that formulated by USAID Kenya in 1985 (see Exhibit 5-3).

7. A Full Menu of Private Sector Strategy Options Is Generated

The dialogue process will have generated a broad set of possible AID interventions (see Exhibit 5-4 for an example). It is important to keep in mind a full set of programmatic options.

Strategy planning and development without an accompanying implementing "action" or "business" plan is a sterile exercise. Once the private sector strategy statement is accepted, the survey team should review the program and project options for achieving the strategic objectives which are within the budgetary, planning and management capabilities of the mission.

8. The Feasibility of Initiatives is Assessed Given the Level of Commitment and Leadership Demonstrated by Local Private Sector, Political Realities, the Technical and Economic Requirements, and AID's Administrative Capabilities

The final task in strategy formulation is to assess the feasibility of the options. Here one is considering the level of local support and the political, economic, and administrative feasibility of implementing the option. This entails, of course, considerable qualitative judgment and forecasting.

The dialogue sessions and focus groups will have allowed AID to identify those initiatives already being championed by the local private sector and to assess the level of interest in other initiatives which AID might propose. Those interventions which already enjoy strong local leadership are most likely to succeed. Projects which AID would like to sponsor but which do not enjoy a warm reception in the dialogue sessions should be approached with great caution. Avoiding costly failures is an important contribution of the MAPS process.

Political feasibility requires an analysis of where opposition will occur and whether such opposition can be managed. It identifies areas in which actions might be formulated to improve feasibility.

Economic feasibility requires an assessment of the resources which can be mobilized by AID, the local private sector, the host government and other international sources.

In assessing administrative feasibility, it is necessary to analyze the capacity of key implementing organizations. This may require detailed institutional analysis. Projects must also be within the USAID financial and administrative capacity to manage.

Feasible action options will normally be characterized by being in accordance with most of the following criteria:

* Are relevant to government, donor and USAID strategic objectives and programs with particular reference to the private sector;

* Will meet the private sector development needs as reflected in survey responses;

* Coincide with initiatives which are already being promoted by the local private sector or which can count on enthusiastic support and local leadership for their implementation;

* Focus on priority development sectors and viable investment opportunities;

* Demonstrate clearly that they will be cost effective and sustainable;

* Are based on a conditionalities that can be achieved over the time frame of the program;

* Can be planned, designed and managed within the budgetary, staffing and experience resources available to the mission;

* Are feasible from political, economic, and administrative points of view.

## IV. OUTPUTS

At this stage it may be helpful to utilize a strategy matrix such as that presented in the MAPS implementation in Costa Rica (see Exhibit 5-5).

The output of the strategy step is the Private Sector Development Strategy Paper which is in turn a component of the CDSS. Another output is a full menu of programmatic and project options which reflect AID priorities, dovetail with host country development objectives, enjoy a high level of local support and leadership; and which are economically, politically and administratively feasible.

The program or project options which survive this review process -- including activities retained from the mission's current and in-planning portfolio -- form the basis for the action program recommendations for implementing the country private sector stragegy. Once approved, new initiatives included in the recommendations will follow the normal AID program or project design and approval cycle.

EXHIBIT 5-1

# MAPS PHASE 5: DESIGNING THE STRATEGY

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * WHAT ARE THE HOST GOVERNMENT'S PRIVATE SECTOR DEVELOPMENT STRATEGY OBJECTIVES? | * OPTIONS MENU | * PRIVATE SECTOR DEVELOPMENT STRATEGY PAPER (FOR CDSS) |
| * HOW ARE GOVERNMENT GOALS RELATED TO AID'S OVERALL COUNTRY STRATEGY? | * STRATEGY MATRIX | * PRELIMINARY FEASIBILITY ASSESSMENT |
| * WHAT ARE THE PRIORITIES AMONG ACTION AREAS GIVEN THE CURRENT LEVEL OF RESOURCES? | | |
| * WHOSE SUPPORT IN THE PRIVATE AND PUBLIC SECTORS IS CRUCIAL & HOW CAN THE EXISTENCE OF SUCH SUPPORT BE DEMONSTRATED? | | |

EXHIBIT 5-2

# PROCESS FOR DESIGNING THE STRATEGY

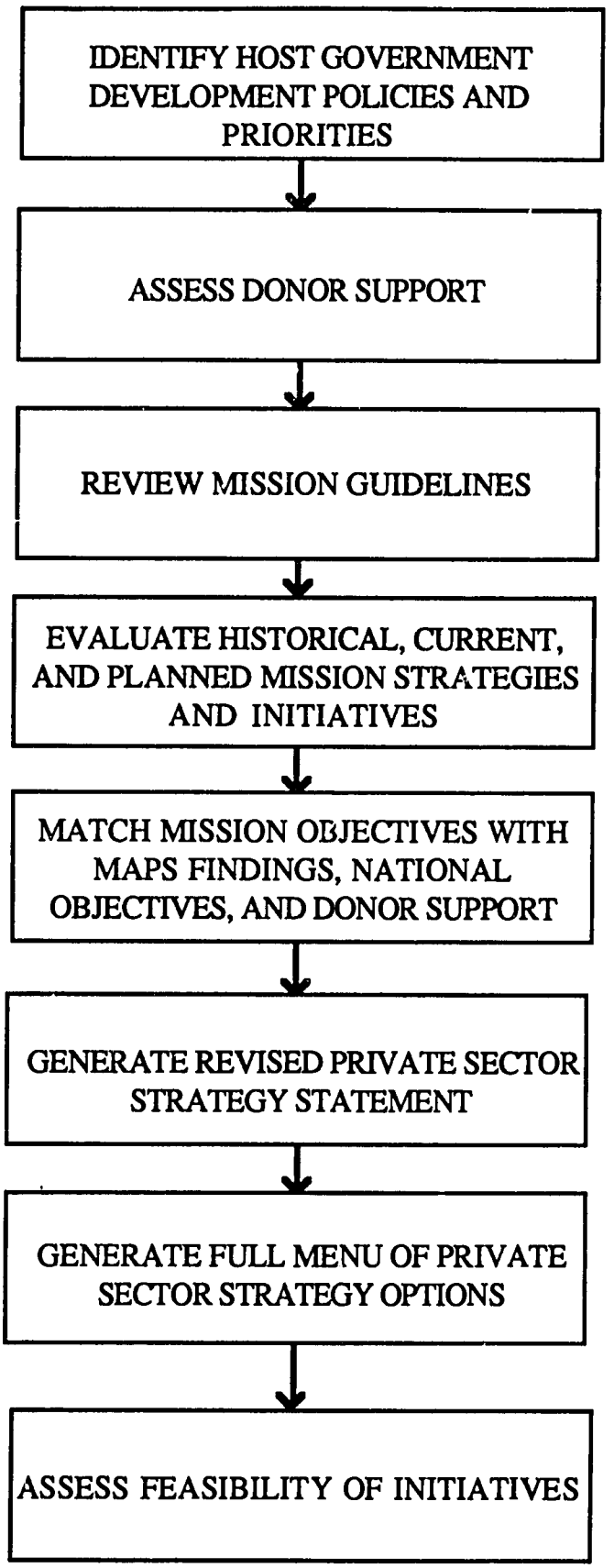


**EXHIBIT 5-3**

**USAID KENYA, STRATEGY OBJECTIVES, 1985**

The primary objective of AID's private enterprise strategy in Kenya is to promote the growth of the economy through private enterprise. This growth should not be based on short-term policies but should be sustainable in the long run. . . .

This overall goal implies several specific objectives. . . .

- First, AID will seek to promote a policy environment conducive to long-term, self-sustaining growth. It will continue to press for government policies that do not distort prices nor stifle incentives. In short, AID will seek to promote policies that allow private markets to operate more freely.

- Second, AID will seek to help overcome the constraints to growth that are the natural result of Kenya's current economic status, including small domestic market, inadequacies of local inputs, lack of managerial and entrepreneurial skills, incomplete adaptation of technology and shortages of investment finance. The aim is to help create the endowment base within Kenya that can support continued and accelerated growth.

In pursuing these objectives we will promote investments with the characteristics of labor-intensity, use of local resources and foreign exchange earning or saving potential.

Source: USAID/Kenya, Private Enterprise Strategy Statement, Nairobi, August, 1985.

## EXHIBIT 5-4

## EXAMPLE OF OPTIONS MENU

Policy Reform and Privatization

* Secure selected policy reforms essential for improvement of the investment climate and encouragement of the private sector via loan and grant program conditionalities and supporting technical assistance programs.

* Facilitate policy and regulatory dialogue between the private sector and the government.

* Obtain planned reductions in goverment and parastatal employment by use of local currency funds for payment of redundancy and retirement benefits.

Availability of Capital and Foreign Exchange

* Increase the capabilities of non-governmental savings and credit institutions to mobilize savings and expand self-sustaining lending and credit programs to micro and small business borrowers.

* Develop the voluntary rural cooperative movement and create credit and guarantee mechanisms for financing viable projects of qualified cooperatives.

* Expand the availability of existing local currency funds to provide credit to qualified small and medium sized businesses.

* Develop debt-equity conversion projects to reduce debt burdens while enhancing availability of capital for private sector

* Ease balance of payments constraints by directed grants or loans to the government, and create local currency counterpart funds to support small business lending.

* Expand the pool of foreign exchange available for private sector imports of essential materials and equipment.

Agriculture

* Develop marketing exchanges, commodity exchanges, and other commercialization channels

* Promote privatization of agricultural parastatals

* Promote structural change which allows agrarian reform settlements to become more market and business oriented rather than collectivist

* Assist local private business associations in investment and export promotion

* Assist in raising availability of credit to competitive producers

Human Resources, Training and Health

* Enhance private sector capabilities to identify, qualify, finance and manage projects for the export of locally produced products.

* Upgrade private sector technical and managerial skills.

* Build in major private sector participation in the management and/or delivery of services in existing agricultural, rural development, health, population, human resources and infrastructure development projects.

EXHIBIT 5-5

MAPS STRATEGY MATRIX

COSTA RICA

## ANALYSIS OF STRATEGIC OPTION AREAS

CRITERIA

| STRATEGIC OPTION AREAS: | LEGITIMACY | IMPACT ON N.T.X. | SHORT-TERM RESULTS | WINNING COALITION | PRIVATE SECTOR PARTICIPATION | NOT REQUIRING EXCESSIVE RESOURCES | NOT IN CONTRADICTION WITH GOVT POL | NO DUPLICATION WITH OTHER AGENCIES | INVESTMENT ALREADY MADE | CAPABLE IMPLEMENTING AGENCY |
|---|---|---|---|---|---|---|---|---|---|---|
| FREE ZONE DEVELOPMENT | + | + | + | + | + | + | + | + | + | + |
| CUSTOMS IMPROVEMENTS | ? | (+) | + | X | X | + | + | + | + | X |
| PORTS/INFRA-STRUCTURE | + | (+) | + | ? | X | X | + | + | + | X |
| EXPORT MKT INFORMATION | + | + | + | + | + | + | + | ? | X | X |
| VACATIONAL TRAINING | + | ? | X | + | + | + | + | + | X | + |
| DIALOGUE | ? | ? | + | ? | + | + | + | X | X | + |
| FINAL SECTOR | ? | + | + | ? | X | X | ? | X | + | ? |
| BACKWARD LINKAGES | + | X | X | + | + | X | + | + | X | ? |
| TOURISM | + | (+) | ? | + | + | ? | + | + | + | X |
| PRODUCTIVITY ASSISTANCE | + | ? | + | ? | + | + | + | + | X | + |

## MAPS STAGE 6: DEVELOP NEW PROJECTS AND PROGRAMS

After strategy design comes the process of developing specific program and project initiatives. USAID has, over many years, developed its procedures such as PIDS, Project Papers, PAIPs and PAADs. It has developed approval processes and created tools such the Logframe to provide analytical guidance. It is not the purpose of MAPS to reinvent such procedures. Rather, MAPS is designed to fit into and strengthen the existing project and program cycle. Therefore, this section will focus on how MAPS contributes to the project and program development cycle.

### I. OBJECTIVES

The objectives at this stage are to develop programs and projects which have the greatest impact in promoting private sector led growth given the level of USAID resources and which are most likely to succeed based on a number of feasibility criteria.

### II. KEY QUESTIONS

The key questions at this stage are:

1. What specific programs and projects will most effectively achieve USAID's goals?

2. Who will implement the projects?

3. Do they have the necessary institutional capability?

At this stage one takes the menu of action options and addresses issues of priority, implementation, timing and support.

## III. OUTPUTS

At this stage the tools and outputs will be familiar to those working with AID. They are Project Identification Documents (PIDs), Project Papers, Program Assistance Initial Proposals (PAIPs), and Program Assistance Approval Documents (PAADs). The ultimate outputs are successful projects and programs.

## IV. CONTRIBUTIONS OF MAPS TO PROJECT AND PROGRAM DEVELOPMENT

At this stage, MAPS facilitates sound program and project development in a number of ways.

1. The dialogue process will have resulted in the identification of new initiatives which USAID may not have considered.

2. The diagnosis and dialogue will have allowed USAID to test its assumptions regarding initiatives which have been under consideration.

3. The dialogue process allows USAID officers to flesh out project or program ideas, thinking through the implementation steps with private and public sector donors.

4. The description and diagnosis will provide hard data on the justification for proposed initiatives and will raise AID's confidence level regarding the need for and likely success of proposed initiatives.

5. MAPS fosters broader participation of the private and public sectors in project and program design and implementation. Such participation tends to correlate highly with ultimate project success.

6. MAPS helps AID to identify and evaluate potential implementing agents. The dialogue process allows USAID officer to get to know a variety of individuals and institutions in a setting which provides an opportunity to assess their intellectual and leadership qualities.

## V. LESSONS FROM THE FIELD

In a recent implementation, two new implementing agents were created during the dialogue process. These emerged because of initiatives taken by private sector leaders themselves to address their own training and credit needs. They enjoy broad support from the local private sector.

As mentioned earlier, several project initiatives proposed by AID were put on hold or given a "proceed with caution" warning when the expected local support did not emerge from the local Association of Commercial Banks. AID may still pursue the initiatives with individual innovators.

A new project initiative was identified in modernizing and privatizing agricultural commercialization. AID had not been aware of this local private sector initiative.

For an overview of this phase, please refer to Exhibit 6-1.

EXHIBIT 6-1

# MAPS PHASE 6: DEVELOPING PROJECTS AND PROGRAMS

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * WHAT SPECIFIC PROGRAMS AND PROJECTS WILL MOST EFFECTIVELY ACHIEVE GOALS? | * PIDS | * PROJECTS |
| | * PROJECT PAPERS | * PROGRAMS |
| * WHO WILL IMPLEMENT THE PROJECTS? | * PAIPS | |
| | * PAADS | |
| * DO THE IMPLEMENTING FIRMS HAVE THE NECESSARY INSTITUTIONAL CAPABILITY? | | |

## MAPS PHASE 7: DEBRIEF AND EVALUATE

At the end of the MAPS exercise, a final presentation and debriefing takes place. This normally takes place in a meeting with senior mission staff and more informal meetings with the mission director and chief private sector officer.

### I. OBJECTIVES

There are several objectives at this stage:

1. To present findings and recommendations to USAID regarding specific program and project action options - the "what" of private sector promotion.

2. To present recommendations to USAID regarding process - the "how" of private sector promotion.

3. To specify benchmark data to be updated in the future.

4. To identify lessons from this implementation for future MAPs implementations.

### II. KEY QUESTIONS

The key questions for debriefing are:

1 What have been the findings and recommendations of MAPS for USAID Private Sector initiatives?

2. What recommendations for the ongoing aid process should be presented?

3. What has been learned from the process for similar future efforts in other countries?

## III. OUTPUTS

The final output of the MAPS process is a report which presents the strategy assessment. This includes specific analysis and recommendations regarding future projects and programs and for strengthening of the process by which AID promotes local enterprise. Here MAPS comes full circle by specifying how USAID will overcome the initial problems mentioned: the lack of someone to talk to and implement projects in the private sector, the need to test more thoroughly AID assumptions, the desire to catch the wave of initiative in the private sector rather than creating waves, and the enhancement of probabilities for success of projects and programs through local ownership. It is important to spend some time reflecting on the implications of the MAPS activities for ongoing interaction between the local private sector and the AID Mission.

Finally, debriefing includes the reflections of USAID officials regarding the utility of the MAPS approach for their Mission, the lessons learned, and recommendations they would propose for future implementations in other countries.

For an overview of this phase please refer to Exhibit 7-1. An example of strategy findings and recommendations from the MAPS debriefing and final report to USAID Santo Domingo is presented in Exhibit 7-2.

## IV. LESSONS LEARNED

In each implementation, important changes have been made to MAPs and such modifications will likely continue in the future. Mnay of these have been covered already under the "lessons learned" sections of preceeding chapters. The following are a few highlights.

The final briefing of the Mission normally contains few surprises as the MAPs process is highly interactive. Mission personnel are usually aware of the contents of the final presentation because they have participated in the focus groups and in the description and diagnosis phases.

Mission feedback, both verbal and written, has been extremely useful in the past. In general, Mission personnel have wanted more emphasis on the dialogue phase and the MAPs has expanded this by structuring informal dialogue sessions almost from the very outset of a MAPs implementation.

Another important modification has been the process by which MAPs teams interact with Mission personnel. Rather than drawing upon scarce resources of USAID time and equipment, a MAPs program is designed to do the opposite - to leverage a Mission officer's time by doing the background research and logistical organizing. As a result, the Missioin officer's scaarce time is utilized in review of important information, in face-to-face contact with private sector leaders, and in developing project interventions with those who can best assist in both the brainstroming and reality-testing of these ideas.

EXHIBIT 7-1

# MAPS PHASE 7: DEBRIEFING AND EVALUATING

| KEY QUESTIONS | ANALYTICAL TECHNIQUES | OUTPUTS |
|---|---|---|
| * WHAT HAVE BEEN THE FINDINGS & RECOMMENDATIONS OF MAPS FOR USAID PRIVATE SECTOR INITIATIVES? | * MEETINGS WITH AID | * FINAL REPORT |
| * WHAT RECOMMENDATIONS FOR ONGOING AID PROCESS SHOULD BE PRESENTED? | | |
| * WHAT HAS BEEN LEARNED FROM THE PROCESS FOR SIMILAR FUTURE EFFORTS IN OTHER COUNTRIES? | | |

EXHIBIT 7-2

## DOMINICAN REPUBLIC STRATEGY ASSESSMENT: FINDINGS AND RECOMMENDATIONS

| FINDINGS | RECOMMENDATIONS | |
|---|---|---|
| | ACTION OPTIONS | PROCESS TASKS |
| **POLICY DIALOGUE**<br>* POLICY = #1 CONSTRAINT TO GROWTH ACCORDING TO SURVEY RESULTS<br>* KEY CONCERNS ARE EXCESSIVE GOVERNMENT SPENDING, MONETARY GROWTH & INFLATION, FOR. EXCH. RATE & REGIME, CUSTOMS, AGRARIAN REFORM<br>* INSTABILITY IN THE "RULES OF THE GAME" LIMITS INVESTMENT GROWTH<br>* STRONG EXECUTIVE, WEAK CONGRESS, MEANS ASSOCIATIONS HAVE LITTLE LOBBYING ROLE; INFLUENCE IS PERSONAL BASED ON INDIVIDUAL ACCESS TO PRESIDENT<br>* INDIVIDUALS RELUCTANT TO RISK ACCESS TO PUSH UNPOPULAR MESSAGE<br>* BUDGET CUTS REDUCE AID INFLUENCE<br>* EXTREME PESSIMISM AMONG COMMERCIAL BANKS | * CONTINUE OVERALL POLICY DIALOGUE<br>* FOCUS ON MORE MODEST SECTORAL OBJECTIVES (E.G., ENERGY SECTOR)<br>* CONTINUE TO STRENGTHEN PRIVATE SECTOR ASSOCIATIONS | * CONTINUE & AUGMENT COORDINATION WITH OTHER DONORS TO MAXIMIZE POLICY DIALOGUE RESULTS |
| **SOES**<br>* SOE LOSSES = 3.5% OF GDP<br>* POOR PERFORMANCE AFFECTS PROVISION OF KEY INPUTS, E.G., ELECTRICITY<br>* USAID EFFORTS HAVE RESULTED IN PROGRESS WITH CEA (SUGAR) | * FOCUS ON ENERGY SECTOR, PRIVATE SECTOR CO-GENERATION<br>* CONTINUE CEA PROGRAMS | * ASSESS AID ROLE IN RESOLVING ELECTRICITY PROBLEM<br>* TAKE ADVANTAGE OF ANY PRIVATIZATION OPPORTUNITIES WITH CORDE COMPANIES |

EXHIBIT 7-2 (continued)

## DOMINICAN REPUBLIC STRATEGY ASSESSMENT: FINDINGS AND RECOMMENDATIONS

| FINDINGS | RECOMMENDATIONS | |
|---|---|---|
| | ACTION OPTIONS | PROCESS TASKS |
| **FINANCIAL SECTOR** | | |
| • REGULATED FINANCIAL SECTOR BEING DECAPITALIZED:<br>-HIGH INFLATION<br>-RESERVE REQUIREMENTS<br>-MONETARY POLICY<br>-FIXED INTEREST REGIME | • CONTINUE DIALOGUE WITH BANKING SECTOR | • CONTINUE TO DIALOGUE WITH ASSOCIATIONS ON TRAINING PROGRAMS & OTHER INITIATIVES |
| • UNREGULATED SECTOR HAS BOOMED BUT SOME INSTITUTIONS IN PRECARIOUS FINANCIAL CONDITION | • PURSUE DEBT-EQUITY SWAPS:<br>-LOCAL BANKS INTERESTED<br>-INCREASES CAPITAL AVAILABILE FOR INVESTMENTS<br>-REDUCES DEBT BURDEN | • DON'T WAIT FOR INDUSTRY-WIDE CONSENSUS; PROCEED WITH INDIVIDUAL INNOVATORS ON SPECIFIC PROJECTS |
| • LACK OF LONG-TERM & SHORT TERM CAPITAL SEVERELY CONSTRAINS GROWTH | • PURSUE INITIATIVES IN SPECIFIC INSTRUMENTS WITH INNOVATIVE BANKS:<br>-LOAN GUARANTEES<br>-DEPOSIT INSURANCE | • USE RFP APPROACH TO SELECT MOST DYNAMIC INSTITUTIONS TO WORK WITH PILOT PROJECTS |
| • 90% OF FIRMS SURVEYED REPORT DIFFICULTY IN SECURING LONG-TERM CAPITAL (70% FOR SHORT-TERM CAPITAL) | • BE RESPONSIVE TO GODR REQUESTS FOR STRENGTHENING FINANCIAL SECTOR<br>-DEPOSIT INSURANCE | |
| • COMMERCIAL BANKS PESSIMISTIC & RELUCTANT TO PURSUE MAJOR POLICY DIALOGUE INITIATIVES & "GROUP" PROJECTS | | |
| • SOME INDIVIDUAL INTEREST EXPRESSED IN PROMOTING NEW PROGRAMS | | |
| • INTEREST EXPRESSED IN TRAINING PROGRAMS | | |

EXHIBIT 7-2 (continued)

## DOMINICAN REPUBLIC STRATEGY ASSESSMENT: FINDINGS AND RECOMMENDATIONS

| FINDINGS | RECOMMENDATIONS | |
|---|---|---|
| | ACTION OPTIONS | PROCESS TASKS |
| **FTZ**<br>* FTZ STRATEGY SUCCESSFUL TO DATE<br>* DIRECT & INDIRECT EMPLOYMENT APPROACHING 10% OF ECONOMICALLY ACTIVE WORK FORCE<br>* DEVELOPERS CITE LACK OF CAPITAL FOR EXPANSION<br>* FIRMS CITE CRITICAL HUMAN RESOURCES BOTTLENECK<br>* OPPORTUNITIES FOR BACKWARD LINKAGES EXIST | * TRAINING: SET UP MAJOR VOC-TECH TRAINING PROGRAM WITH "ON-SITE" TRAINING UNITS AT FTZS<br>* BACKWARD LINKAGES:<br>-START AUDIT/SURVEY OF DEMAND & LOCAL PRODUCTION CAPABILITY<br>-ESTABLISH CLEARINGHOUSE TO LINK BUYERS & SELLERS<br>-PROVIDE TECHNICAL ASSISTANCE FOR PRODUCERS | * WORK THROUGH NEW ASSOCIATION OF FTZ OPERATORS<br>* CONTINUE TO WORK WITH IPC |
| **MICRO-ENTERPRISES**<br>* AID BASIC APPROACH & PREVIOUS STRATEGY SUCCESSFUL TO DATE<br>* DISPROPORTIONATELY HIT BY UNRELIABLE ELECTRIC POWER<br>* GREAT DEMAND EXISTS FOR EXPANSION OF LENDING | * PROMOTE GREATER MOBILIZATION OF DOMESTIC CAPITAL<br>* ASSIST COOPERATIVE EFFORT ("ADOMICRO") WITH CENTRALIZED GUARANTEE FUND, LENDING AT MARKET RATES<br>* CONTINUE CREDIT PROGRAMS | * SUPPORT & CONTINUE DIALOGUE WITH NEW NATIONAL ASSOCIATION<br>* CONTINUE DIALOGUE WITH ADO-MICRO |

EXHIBIT 7-2 (continued)

## DOMINICAN REPUBLIC STRATEGY ASSESSMENT: FINDINGS AND RECOMMENDATIONS

| FINDINGS | RECOMMENDATIONS | |
|---|---|---|
| | ACTION OPTIONS | PROCESS TASKS |
| **AGRIBUSINESS** | | |
| * HIGH LEVEL OF INTEREST EXISTS IN PRIVATE SECTOR FOR EXPANDING INVESTMENT IN AGRICULTURE<br><br>* INVESTORS CONCERNED ABOUT GOVERNMENT POLICIES ON CUSTOMS, FOREIGN EXCHANGE, AGRARIAN REFORM & PRICE CONTROLS<br><br>REDUCED ROLE OF INSPRE MEANS OPPORTUNITY TO STRENGTHEN PRIVATE SECTOR AGRI-COMMERCIALIZATION<br><br>STAGNANT/DECLINING ROLE OF TRADITIONAL EXPORTS<br><br>DISAPPOINTING PERFORMANCE OF NON-TRADITIONAL EXPORTS<br><br>SHORTAGE OF QUALIFIED MANAGERS DETECTED | * CONTINUE TARGETTED CREDIT<br><br>* PURSUE PRIVATE SECTOR COMMERCIALIZATION PROJECT:<br>-COMMODITY EXCHANGE<br>-BONDED WAREHOUSES<br>-GRADINGS & STANDARDS<br>-LETTERS OF GUARANTEE<br><br>* CONTINUE POLICY DIALOGUE<br><br>* CONTINUE SUPPORT FOR OTHER PRIVATE SECTOR AGRICULTURAL ASSOCIATIONS<br>-JACC<br>-AGRI. DEV. FOUNDATION<br><br>* CONTINUE PRIVATE SECTOR AGRICULTURAL TRAINING<br><br>* CONTINUE TO WORK IN SUGAR DIVERSIFICATION | * INITIATE DIALOGUE WITH PRIVATE SECTOR BANKS & ENTRPRENEURS PROMOTING COMMERCIALIZATION PROJECT (SUPPORT INITIAL FEASIBILITY STUDY)<br><br>* CONTINUE DIALOGUE WITH DIFFERENT REPRESENTATIVE GROUPS IN AGRICULTURE |
| **HUMAN RESOURCES** | | |
| HUMAN RESOURCE AVAILABILITY LAGS BEHIND RAPIDLY DIVERSIFYING ECONOMY (FTZS & FINANCE SECTOR)<br><br>EXODUS OF TRAINED PERSONNEL FROM FINANCE SECTOR TO UNREGULATED SECTOR<br><br>KEY SHORTAGES IN FTZ TECHNICAL AREAS, MANAGERIAL & TECHNICAL PERSONNEL FOR AGRICULTURAL DIVERSIFICATION PROJECTS, & BASIC PRIMARY EDUCATION | * SET UP ON-SITE VOC-TECH TRAINING PROGRAMS AT FTZ<br><br>* SUPPORT FINANCE SECTOR TRAINING PROGRAMS<br><br>* SUPPORT TECHNICAL & MANAGERIAL AGRIBUSINESS TRAINING<br><br>* CONTINUE TECHNICAL ASSISTANCE TO MICRO-SECTOR | * WORK THROUGH PRIVATE SECTOR GROUPS:<br>-FTZ ASSOCIATION<br>-JACC<br>-MICRO ASSOCIATIONS<br>-CNHE<br><br>* LEVERAGE EXISTING RESOURCES<br>-VOC-TECH SCHOOLS<br>-ISA-CADER<br>-PUCMM<br>-OTHERS |

EXHIBIT 7-2 (continued)

## DOMINICAN REPUBLIC STRATEGY ASSESSMENT: FINDINGS AND RECOMMENDATIONS

| FINDINGS | RECOMMENDATIONS | |
|---|---|---|
| | ACTION OPTIONS | PROCESS TASKS |
| **GENERAL FINDINGS**<br><br>* PRIVATE SECTOR SURPRISINGLY STRONG, DIVERSIFIED & ADAPTABLE<br><br>* DESPITE GENERAL ECONOMIC SITUATION SOME SECTORS ARE DYNAMIC, CONFIRMING PRIVATE SECTOR STRATEGY ASSUMPTIONS<br><br>* CONFIRMED VALIDITY OF CURRENT MISSION STRATEGY:<br>-PRIVATE SECTOR LED GROWTH IS WORKING<br>-PROGRAM CONCENTRATION IS JUSTIFIED<br><br>* AID NETWORK OF CONTACTS HAS BEEN BROADENED<br><br>* NEW IMPLEMENTING AGENTS FOUND:<br>-ADOMICRO<br>-ASSOCIATION OF FREE TRADE ZONES<br>-ASSOCIATION OF COMMERCIAL BANKS<br>-PROMOTERS OF AGRICULTURAL COMMERCIALIZATION PROJECTS | * AID SHOULD SUPPORT PRIVATE SECTOR EFFORTS TO INFORM & EDUCATE GENERAL POPULATION ABOUT PRIVATE SECTOR<br><br>* AID MAY NEED TO FOCUS PROGRAM MORE BECAUSE OF REDUCED RESOURCES<br><br>* UPDATE PRIVATE SECTOR DESCRIPTION EVERY 1-2 YEARS THROUGH LOCAL SUBCONTRACTORS | * PRIVATE SECTOR'S INTEREST & WILLINGNESS TO LEAD SHOULD BE THE LITMUS TEST FOR NEW INITIATIVES<br><br>* CONTINUE DIALOGUE WITH IMPORTANT PRIVATE SECTOR GROUPS:<br>-ASOCIACION DE BANCOS COMERCIALES<br>-ADOMICRO<br>-FDD<br>-ASESORES MACRO-ECONOMICOS<br>-SMALL ENTERPRISE RESEARCH GROUP<br>-ASSOCIATION OF FREE TRADE OPERATORS<br>-JACC<br>-IPC<br>-ASOCIACION PARA EL DESARROLLO<br><br>* DON'T MAKE CONSENSUS A PREREQUISITE; BE PREPARED TO DEAL WITH INNOVATORS |