

HISTORY OF COMPETITIVENESS INITIATIVES

HISTORY

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

In 1979, Dr. Michael Porter at Harvard Business School published *Industry and Competitive Analysis* presenting 5 Forces that explained attractive versus unattractive industries and three generic types of strategy. This was followed by *Competitive Advantage*, which presented value chain analysis. His tools and approaches had a major influence on business strategy and thinking in major U.S. companies. Porter also focused on regional and national competitiveness and his work culminated in the influential 1990 book *The Competitive Advantage of Nations* that presented the similarly influential Porter Diamond that sought to explain the sources of competitiveness at the regional and national level. Porter's models were picked up by influential strategy consulting firms such as McKinsey, Bain, Boston Consulting Group and Monitor Company and by business schools. Monitor Company, established by colleagues of Dr. Porter, was especially influential in introducing the diamond model to businesses and governments worldwide. Dr. Porter applied these tools in countries as varied as the USA, Portugal and New Zealand. Two of the senior consultants of Monitor's country competitiveness practice, Michael Fairbanks and Stace Lindsay, further promoted the application of competitiveness to developing countries with their book *Plowing the Sea* that described the lessons from competitiveness initiatives in Latin America

Also in the late 1970s and early 1980s, a focus on competitive clusters emerged at SRI International in Palo Alto, California with a strong regional development focus. However, the head of SRI International decided not to continue this practice, and the key individuals associated with that practice went to DRI McGraw Hill, where they undertook competitiveness studies for Mexico and Morocco, the latter sponsored by the World Bank. DRI McGraw Hill also decided not to continue this practice area. Some consultants went to ICF-Kaiser while others set up their own practices. However, the Washington office of SRI International maintained some of the focus on cluster competitiveness and implemented studies for regions in the USA (including ones for Hollywood and Silicon Valley) and in developing countries for USAID.

The interest in competitiveness tools and strategies quickly went beyond the firm level to the level of industry clusters and then to regions and nations. The OECD convened workshops, conferences and studies related to competitiveness in the

29 industrialized countries. Other developed countries showed a high level of interest in competitiveness evidenced by the formation of government-mandated competitiveness councils in countries such as the USA, Ireland and Singapore. The US Congress established the bi-partisan Competitiveness Policy Council in the early 1990s that effectively addressed a number of key constraints to US competitiveness and productivity growth.

Competitiveness at USAID

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

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

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

Shortly thereafter, the Africa Bureau decided to conduct a test implementation of the competitiveness exercise. After reviewing various countries and consulting with various Mission Directors, the Bureau provided limited funding for an initial exercise in Uganda. Uganda was chosen because it was widely believed that President Museveni was strongly committed to economic reform and private

sector competitiveness and the USAID Mission expressed interest.¹ The result of work with Ugandan industry clusters (fish, flowers, tourism, and coffee) elicited a high level of interest from both private and public sector leaders resulting in a request to personally brief President Museveni at his country home two hours outside of Kampala.

Two years later, USAID/Kampala issued an RFP for a competitiveness initiative. Those involved in the original exercise were not awarded the bid, which went to a consortium led by Carana, a consulting firm well known to USAID specializing in economic growth.

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

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

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

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

¹ The methodology, description and results of this exercise and those that follows are described elsewhere and will not be repeated in this brief historical synopsis.

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

Also in 2001, the E&E Bureau also provided limited funding for a multi-country series of workshops and exercises in four countries: Croatia, Romania, Macedonia and Albania. (USAID/Bulgaria, had already commissioned an add-on competitiveness component to an existing project run by MSI).

USAID/Croatia, seeing the responsiveness of Croatian leaders to the initial sets of presentations, commissioned a 1-year competitiveness initiative with modest funding in April 2001 and by year-end results included the formation of the first Business Roundtable type organization called the Croatian Competitiveness Council led by the 15 leading CEOs and representatives of the SME sector. The signing of a formal agreement where the Government of Croatia recognized and agreed to dialogue with business leadership followed this. The dialogue was then expanded to include labor leaders and educators who, with business and government leaders, agreed to form the National Competitiveness Council to address key national challenges.

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

Competitiveness in Developing Countries Beyond USAID

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

Other governments commissioned competitiveness studies to provide guidance for stimulating rapid economic growth and improvements in living standards. Interest in developed countries was soon echoed in developing countries. Important competitiveness initiatives were undertaken in the state of Chihuahua with tangible and quantifiable results superior to most other states of Mexico. A regional competitiveness initiative was undertaken for Central American countries by INCAE and advised by Dr. Porter. The result is the Center for Latin American Competitiveness and Sustainable Development established in 1995 at INCAE. The World Bank, having conducted a competitiveness study for Morocco, also cooperated with the Government of El Salvador to sponsor a competitiveness initiative there.

USAID has helped to pioneer an approach and developed methodologies which are now being emulated by other donors and which pass the market test of demand by stakeholders in host countries.

INVENTORY OF ALL KNOWN COMPETITIVENESS INITIATIVES

Project Name	Donor or Sponsor
The Balkan Network Competitiveness Project	USAID
The Business of Growth , 2001 report	Inter-American Development Bank
Morocco Competitiveness Study	DRI McGraw Hill
Mexico Competitiveness Study	DRI McGraw Hill
Competitiveness Policy Council	U.S. Congress
MAPS (Manual for Action in the Private Sector)	USAID
Uganda Competitiveness Exercise	USAID Africa Bureau
Uganda Competitiveness Initiative	USAID Africa Bureau
Sri Lanka Competitiveness Initiative	USAID
Mongolia Competitiveness Initiative	USAID
Dominican Republic Competitiveness Exercise	USAID
Competitiveness Conference — Dominican Republic	USAID
S.E. Asia Competitiveness Initiative (Vietnam, Cambodia, Thailand, Indonesia, Philippines)	USAID
S.E. Europe Competitiveness Initiative (Croatia, Romania, Macedonia, Albania)	USAID
Bulgaria Competitiveness Initiative	USAID
Croatia Competitiveness Initiative	USAID
Russia, Ukraine, Kazakhstan Competitiveness Initiative	USAID
El Salvador Competitiveness Enhancement Technical Assistance Project	The World Bank
Morocco Competitiveness Exercise	The World Bank
Guyana Competitiveness Study	DFID, UK
Chihuahua state competitiveness initiative	Government of Mexico
Central American regional competitiveness initiative, Center for Latin American Competitiveness and Sustainable Development	INCAE
The Competitiveness Institute , Barcelona — Annual Conferences, Research	Member supported funding, Harvard University initial funding
Rwanda, The Competitiveness and Enterprise Development Project	The World Bank
Nicaragua, The Competitiveness Learning and Innovation Loan Project	The World Bank
Guatemala National Competitiveness Program (PRONACOM)	The World Bank
Senegal, Trade Reform and Competitiveness Project	The World Bank
Cameroon, The Public/Private Partnership for Growth and Poverty Reduction Project	The World Bank

[Tunisia, The Export Development Project](#)

The World Bank

[Uganda, Private Sector Competitiveness](#)

The World Bank

[Project](#)

[Senegal Private Sector Capacity Building](#)

The World Bank

[Project](#)

Cote d'Ivoire, Competitiveness and Regulatory Reform Adjustment Project

The World Bank

[Burkina Faso, Competitiveness and Enterprise Development Project](#)

The World Bank