

*Forum Series on the Role of Institutions in Promoting Economic Growth*

**DIAGNOSING BARRIERS TO ENTREPRENEURSHIP  
AND  
ASSESSING THE CHANCES FOR IMPLEMENTING REFORM**

**A Field Guide Prepared for USAID  
by the Mercatus Center at George Mason University**

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*For Information Contact:*

Brian Hooks  
Director, Global Prosperity Initiative  
Mercatus Center at George Mason University  
3301 N. Fairfax Drive  
Arlington, VA 22201  
Phone: (703) 993-4892  
Fax: (703) 993-4935  
bhooks@gmu.edu

# **DIAGNOSING BARRIERS TO ENTREPRENEURSHIP AND ASSESSING THE CHANCES FOR IMPLEMENTING REFORM**

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## **INTRODUCTION**

Entrepreneurs and entrepreneurial actions are pivotal in the economic development process. Recognizing this, USAID is now consistently focused on alleviating barriers that impede entrepreneurial initiatives and working to channel entrepreneurial behavior into productive directions.

This field guide offers a comprehensive framework for identifying barriers to entrepreneurship and assessing the implementation potential of different policies aimed at removing those barriers and channeling entrepreneurship in economic development-inducing directions. This tool is intended as a resource for USAID Field Mission representatives charged with identifying and overcoming such barriers and should serve as a complement to existing tools and strategies. The value added of this guide is that it combines a realistic view of institutions with the powerful notion of entrepreneurial action conceptualized not as a static investment event, but as a dynamic process.

By using this field guide Field Missions charged with encouraging Small and Medium Sized Enterprise development in less developed countries should expect to be able to more realistically diagnose specific barriers to entrepreneurship and more accurately assess the implication of those barriers on the entrepreneur. Additionally, this guide offers the ability to assess the feasibility of reform efforts given the political realities and constraints of the situation in which the Mission is operating.

The strength of this field guide is rooted largely in its ability to capture rich local knowledge that eludes more abstract quantitative tools. It offers Field Missions an alternative assessment ability and using the tool will require Mission representatives to draw on their local knowledge and make informed judgments.

The approach is informed by field work conducted alongside USAID mission teams in three countries. It incorporates insights from the New Institutional Economics with an emphasis on the local expertise unique to Mission representatives. This approach takes as given, that any successful approach must:

- Reflect, integrate, and build upon the perceptions and experiences of the social actors directly involved in the issue at hand;
- Recognize the multilayered institutional complexity of each development problem;
- Realistically reflect the relevant political and institutional situation in which the problem exists and reform is to occur;
- Lead to the generation of solutions that are both technically and politically feasible;
- Lead to solutions that generate “policy ownership” among the decision makers and social actors involved.

This guide offers a three-step approach to diagnosing barriers to entrepreneurship, assessing the prospect for implementing reforms intended to remove these barriers, given the actual political realities of the situation. In order to accomplish this, the guide presents a three-step tool:

1. Interviews with entrepreneurs: A step-by-step guide to unlock local knowledge and the entrepreneurs' perception regarding the barriers in question and potential reforms. The information is organized using a simple, institutional grid.
2. Interviews with bureaucrats, administrators, and political decision makers: Again, a step-by-step process intended to enhance the mapping in Step 1 by including the perspective of political actors.
3. Political feasibility analysis and implementation assessment: Given the information collected in Steps 1 and 2, the guide presents a process through which an assessment of how various reforms might fare, given the political realities of the situation.

## **I. BACKGROUND AND CONTEXT: AN EXPLANATION OF THE DIFFERENT FACETS OF THE TOOL**

The following section defines important terms and explains the different facets of the diagnostic tool.

### **I.A Institutional levels**

Entrepreneurial action takes place in a multileveled system of institutions. The shape, dynamics and success of entrepreneurship are significantly determined by the levels at which they operate. For each level it is important to keep in mind the specific arrangements, configurations of relations and sets of *de facto* rules that are in effect. The task is to identify:

- (a) The relevant actors,
- (b) At which level they are operating – the “action arena”,
- (c) The interactions between these arenas,
- (d) Which level is causing the problem that is being examined, and at which level a potential solution would need to be implemented.

The linkages between the levels are crucial. One of the major advantages of approaching the issues from this perspective is that this multilevel institutional framework can illuminate these linkages and clearly identifies that although a problem may manifest itself at one level, it often originates at another and this must therefore inform any potential solution. Thus, identifying how specific rules or decisions from one level have consequences for the structure and dynamics of another level is an important part of the analytical effort.

It is not necessary to introduce all possible levels in every case, and a pre-assessment of the case will determine which levels the diagnosis will examine. (This guide presents a comprehensive tool for assessing four institutional levels: The Individual Level, the Local Level, the National Level, and the International Level, however, the task at hand may only require an initial investigation into one or two of these levels. The broad view is presented here for maximal replicability.) An explanation of the potential institutional levels follows:

The *individual level* consists of personal features and resources and the social context that immediately influences entrepreneurial choices and possibilities. Important factors at this level include education and available social networks/social capital.

The *local level* is the lowest governance unit or administrative unit: the town in urban areas and the commune in rural areas. Sometime in rural areas such political-administrative units are equivalent to the anthropologic notion of “community”. (In some cases the *county/region level* intervenes between the local and national level. In that case, it may be necessary to include an additional institutional/governance level in the analytical framework.)

The *national level* is composed of central government structures and activities that generate nation-wide rules and behaviours, affecting the entrepreneur’s opportunities, barriers and environment. This is typically the epicentre of taxation, regulation, financing, legislation etc. and the major area of action for special interest groups.

The *international level* refers to factors originating in the international arena that affect the entrepreneurial space, such as international agreements (WTO, for example), subsidies and protectionist measures in other countries, or conditions resulting from international aid organizations.

## **I.B Stages in the Entrepreneurial Process**

One can view entrepreneurship as a process that occurs over time. At any point in time an entrepreneur is in some stage of the process. The way the entrepreneurial process is conceptualized and segmented for diagnostic purposes will have an effect on the resulting policy recommendations.

A four-stage framework of the entrepreneurial process is presented for the diagnostic assessment:

*Existence of Entrepreneurial Situation and Identification.* This is the stage at which the entrepreneur identifies a profit-making opportunity. Mapping this stage involves examining the impact of the various action arenas or institutional level variables on the existence of an entrepreneurial situation – do the variables prevent or promote the existence of such situations? Assuming that such a situation exists, the process of identification by the entrepreneur is then analyzed. How do the factors impact the entrepreneur’s identification of the opportunity?

*Planning, Financing, Assessment/Decision, Resource Mobilization & Project Launch.* This stage involves the development of a business plan by the entrepreneur as well as the process of seeking, meeting and pitching the plan to potential investors. Based on the availability of funds, the entrepreneur assesses his prospects for obtaining funding and makes a decision about whether or not to proceed. If he does decide to proceed, the entrepreneur begins the process of mobilizing resources – taking possession of and investing funds and securing physical resources – leading to the launch of the enterprise. Mapping this stage involves analyzing the steps and entrepreneur takes and how they are impacted by variables located at different institutional levels.

*Organization, Consolidation & Operation.* This stage involves the organization of the start-up firm with the main focus on human capital – hiring labor and determining its various roles and wages as well as the general management structure of the firm. It is in this stage where the business plan (determined in stage two) comes to fruition through the operation of the firm. Mapping this stage includes studying the impact of the various institutional levels on human capital (labor laws, etc.) and the structure of the firm (regulations, etc.).

*Reassessment of Plan.* This stage involves two key aspects. The first is an assessment by the entrepreneur of actions he or she has taken to this point. Analysis requires one to ask how the variables from different levels impact the ability of the entrepreneur to evaluate the past performance – did some specific variable(s) cause the entrepreneur to incorrectly undertake the venture? What information is now available for the entrepreneur to judge his or her performance? Closely connected to this is a second aspect of plan reassessment which involves looking into the future and forecasting future conditions – should the entrepreneur expand or contract his or her business? As in the former case, mapping involves studying the variables as they impact the entrepreneur’s ability to consider his or her future position.

## **I.C The Entrepreneurial Grid**

By combining the institutional level with the entrepreneurial stages, one obtains a two-dimensional framework for analyzing the impact of various action and decision areas on the entrepreneurial process. Given this understanding of the entrepreneurial process it is easier to identify how various institutional variables pertaining to the International, National, Local, and Individual levels impact the various stages of entrepreneurship: existence of entrepreneurial situation and its identification; planning, financing, assessment/decision, resource mobilization & project launch; organization, consolidation & operation; reassessment of plan. This gives insight into which reforms might be initiated, and what results can be expected at which stage of the entrepreneurial process.

The grid is presented on the following page. This will be used to organize the information gathered in the interview process. It should be noted that the grid is an instrument designed to enhance the analysts’ ability to make an *informed judgment* about the situation and as a consequence, proper reform efforts. It should not, however, be taken as a formula from which exclusive solutions arise. The context and specifics of the situations are such that one-size-fits-all algorithms cannot adequately deal with them. This tool reflects this understanding.

The topics that one should consider at each institutional level will vary, depending on the goal of the assessment. For instance, if the project is to determine the impact of a specific type of barrier to entrepreneurship, one will need to formulate interview questions that target specific topics at each institutional level that may be different from those formulated to identify barriers broadly. In this sense, the tool included in this guide is flexible and adaptable based on the task at hand.

In the following section, two examples of generally applicable topics to include in interviews at each level are outlined along with sample questions to ask of interviewees that will fill in the substance of the grid presented below.

<p><b><u>International</u></b>  <b>Examples of Potential Topics:</b></p> <ul style="list-style-type: none"> <li>- Corruption</li> <li>- Legal Uncertainty/ Regulation</li> <li>- Etc.</li> </ul>				
<p><b><u>National</u></b>  <b>Examples of Potential Topics:</b></p> <ul style="list-style-type: none"> <li>- Corruption</li> <li>- Legal Uncertainty/ Regulation</li> <li>- Sources of Finance</li> <li>- Restricted Entry (Special-Interest Groups)</li> <li>- Etc.</li> </ul>				
<p><b><u>Local</u></b>  <b>Examples of Potential Topics:</b></p> <ul style="list-style-type: none"> <li>- Corruption</li> <li>- Legal Uncertainty/ Regulation</li> <li>- Etc.</li> </ul>				
<p><b><u>Individual</u></b>  <b>Examples of Potential Topics:</b></p> <ul style="list-style-type: none"> <li>- Corruption</li> <li>- Legal Uncertainty/ Regulation</li> <li>- Social Networks</li> <li>- Education</li> </ul>				
Existence of Entrepreneurial Situation & Identification	Planning, Financing, Assessment/ Decision, Resource Mobilization & Project Launch	Organization, Consolidation & Operation	Reassessment of Plan	

**Stages in the Entrepreneurial Process**

## **I.D Interview topics and example questions**

The strength of this field guide is rooted largely in its ability to capture rich local knowledge that eludes more abstract quantitative tools. As such, the questions that will be appropriate to any given mission will vary based on the particulars of both the specific goal of the mission and the particular context in which the assessment is undertaken. It is generally best to conduct interviews in the local language and so translations need also to be considered.

The field guide depends on a series of “structured interviews” as opposed to “standardized surveys.” Topic areas, such as the following, should be chosen or formulated before beginning the interview and are intended to guide free-flowing discussion around specific topics. Rather than “yes” or “no” answers, the tool is equipped to capture the richness of experience (this can often have a significant impact on the resulting policy decision) while keeping within a structured analytic framework. Qualitative responses should be recorded and organized using the above grid. (In some cases it may be appropriate to use a voice recorder to record responses, in others this will not be appropriate and detailed note-taking will suffice.) Notes on nonverbal behavior (fidgeting, systematically avoiding answers, etc.), or any other comment or observation, relevant for assessing the situation should also be recorded.

The goal of the interview is three-fold: First, to generate a list of barriers to entrepreneurship as identified by those who have actually experienced them, second to generate a list of the perceived sources of the problems (levels, individuals, organizations, agencies, etc.), and third to generate a list of potential solutions. This information is sorted according to four factors:

1. Who said it.
2. At which level the problem/solution is attributed.
3. On which stage of the entrepreneurial process the problem/solution is acting.
4. The type of problem/solution to which the information refers.

It is this fourth factor that will be illuminated by the interview topics below. Again, this is not an exhaustive list, and topics not listed below may be appropriate to the task at hand. The following section presents the type of topic most useful for this tool. It provides sample questions to use during an interview, and on which to base others, as well as some tips to conducting an effective interview.

### **Tips for conducting an effective interview using this method of assessment**

The interviewer begins the dialogue explaining the nature of the investigation (research on the barriers entrepreneurs encounter) and expresses the intention to ask questions about the respondent’s experiences in this respect. He or she asks for details about the respondent’s business, focusing the discussion on the issue-areas of interest. Even if the inquiry is interested only in one aspect or dimension, in the initial stages of the conversation the respondent will be asked to talk about any case/situation in the recent past that comes to mind when he or she encountered barriers.

The interviewee should feel free to choose the case(s) and speak freely. However, the interviewer has to make sure that later during the conversations the discussion is refocused to the key issue. If, for instance, the aim of inquiry is a general assessment of barriers over the entire

entrepreneurial process, it is important that the respondent covers all of the entrepreneurial stages and levels.

The following simple sequence – original expectations, the encounter with the problem, coping strategy, and eventual success/failure/compromise – is a possible way of guiding the process. If the interviewee misses any stage in that sequence the interviewer will politely ask him or her to fill the gap. If the respondent cannot recall any problem/barrier in particular, the interviewer may ask him or her about specific topics, pre-defined on the grid (for example, taxation, regulation, local administration etc.) If this does not work, the interviewer may make either even more concrete suggestions concerning potentially barriers and problems, or simply move on.

It will be important at some point during the interview to directly probe details regarding the interviewee's opinions about both the source of the problem and potential solutions to the problem, provided these have not been covered in the normal course of the conversation.

Although the framework will structure the dialogue, the framework itself should always remain in the background of the conversation. The interview should be as conversational as possible and should avoid creating the impression of a questionnaire. The interviewer should show maximum flexibility in conversation while at the same time keeping in mind the specific information required by the framework.

### **Examples of pre-selected topics and interview questions that follow**

#### **Pre-selected Topic A: Identifying the role of *Corruption* in the first stage of the entrepreneurial process**

1. How important were friends and family in starting up your business? How were they important?
2. How important were 'strangers' in starting up your business? How were they important?
3. How well-connect are you to your community? Did your connection to your community help or hurt your ability to start up your business? How?
4. How would you describe your relationship to your competitors?
5. Was the payment of bribes (or, alternatively, "the use of special favors," depending on the sensitivity of the issue) an important consideration affecting what line of business you would enter?
6. How significant of a role did the payment of bribes play in setting up your business?
7. Do your competitors pay bribes? How does this effect you?
8. How expensive was it to gain the authorization required to set up your business?
9. How important were your connections to government authorities in setting up your business?
10. Do some lines of business benefit from political corruption more than others? Which ones? Why? Did this influence what line of business you would enter?

#### **Pre-Selected Topic B: Identifying the role of *Regulation* in the first stage of the entrepreneurial process**

1. How strong is the competition in your line of business? Do you personally know your competitors well?
2. Are your competitors trying to avoid regulations? If yes how are they doing it?

3. Were national or local regulations influential on your decision as to what business you would enter? Which ones? Why?
4. Has any recent change in the enforcement of government regulation helped or hurt your starting up the business?
5. Are some lines of business hurt more than others by the [specific] regulation(s) and or their selective enforcement? Which ones? Why? Did this influence your decision regarding what line of business you would enter?
6. Did any industry-specific regulations help or hurt your ability to start your business? Which ones? How?
7. How expensive was it to gain the authorization required to set up your business?
8. Have you hired somebody to obtain the necessary licenses and approvals?
9. What role, if any, did local regulation play in helping or hurting your start your business?
10. What regulation, if any, did you find most onerous in setting up your business? Why?

Some topics will be more important than others given the specific task at hand and these will need to be pre-selected accordingly. It is not usually the case that topics of concern (corruption, for example) are unknown prior to investigation, this tool illuminates in detail the source and implications of the topics.

Note that in the sample questions above, the range of potential responses might extend beyond the first stage of the entrepreneurial process. This can be sorted out from the notes after the interview. Also important to note is that the questions are formulated to allow responses that indicate the level (International, National, Local, Individual) at which [corruption or the enforcement of regulation], has impacted the stage of the entrepreneurial process. Again, this should be recorded and noted accordingly on the entrepreneurial grid after the interview.

## **II. STEP BY STEP DIAGNOSTIC ASSESSMENT**

In the next section, a step by step explanation of how to use this diagnostic tool is provided.

### **STEP 1: INTERVIEWS WITH ENTREPRENEURS**

**Objective:** To identify barriers to entrepreneurship, at each stage of the entrepreneurial process, as perceived by entrepreneurs themselves, and begin to generate a political and institutional map of the possible solutions.

**Tool:** Structured interview. The interview will be guided by predetermined topic areas and the entrepreneurial grid and conducted with entrepreneurs identified in advance of the interviews.

#### **Step 1.A, 1.B, 1.C: Pre selecting (A) Topics and (B) Actors and (C) Formulating example questions**

(A) At each institutional level and stage of entrepreneurship, topics of interest should be pre-defined (See the above examples in I.D). They can be made more general or specific depending on the case.

(B) Actors should be chosen based on the sector and area with which the project is concerned. Regarding the appropriate number of interviews, the interviewing process should continue until it reaches a “saturation point”: the answers are repetitive, the information is redundant, and no new

relevant information is brought up. (When choosing individuals to interview, consider a “snowball strategy.” Begin by identifying three or four sufficiently distinct entrepreneurs and conduct interviews with each of them. At the end of the interview ask them whom they would suggest you speak with and continue to do so as you move from contact to contact. This is especially effective in small sectors that operate largely through social networks. If the initial interviewees are sufficiently distinct, this method may effectively cause saturation very quickly, while yielding a good range of response.)

(C) For each topic addressed, questions should be formulated to guide the discussion toward identification of:

- (a) Problem/barrier (*I have found it difficult to keep up with changes in the applicable laws issued by the mayor. If I grow too large, I'm afraid of the licenses I might need.*),
- (b) Political economic sources of the problem (*The mayor's office.*),
- (c) Possible solutions (*If only the local newspaper would print the new laws each week, I would know whether or not I was in violation.*)

Given the above goals, three sets of questions should be asked on each topic:

1. A set of questions asking for barriers encountered at each stage. What is the entrepreneur's perception/definition of the problem(s) they encounter? Using the grid in following institutional levels and potential issue areas will help in structuring the answers and inquiry process. (For instance, given the example responses above: *How easy is it to comply with new laws that are enacted at the municipal level? Did this affect your decision to expand your business?*)
2. A set of questions about the sources of the problem. These questions are aimed at determining the political economy/institutional context of the problem(s). What is the actor's perception/definition of the political dimension of the problem(s) encountered, and the role of politics in generating/maintaining/aggravating those problems? (*Do you experience similar problems with laws at the national level, or is it mainly a function of the mayor's office?*)
3. A set of questions about possible solutions to the problem. What are the actor's suggested solutions? The questions asked during this phase include who will support, and who will oppose, the various options, which alternatives will be easier to implement, and what types of additional analysis might be needed. (*What would allow you to more easily comply with the laws? Has the newspaper ever tried this before? How do you think the mayor would react?*)

Each interview should last between 30-minutes and 1-hour. It is best to conduct interviews at the home or business of the entrepreneur, rather than in an “official setting” in order to encourage honest and candid responses.

It may be necessary, especially when confronting sensitive issues, such as corruption, to guarantee the anonymity of the interviewee. If this is the case, make sure to:

- (a) Record the time, date, and location (city or town),
- (b) Type, sector, and size of business (producer/manufacturer/service provider; technology/food/agriculture; micro/small/large)

After Step 1 is complete, three lists of information should emerge. These lists can be organized according to level of impact, stage of impact, and topic using the entrepreneurial grid:

1. A list of problems/barriers and their respective positions in the grid. (A relative order of significance may emerge based on their clustering in the grid.)
2. A “political economy diagnostic list” that identifies some political and institutional mechanism (licensing procedures, lack of transparency/availability of information) involved in the problem and some stakeholders (names or positions who either benefit from the current situation, or would benefit from reform).
3. A list of potential solutions suggested by the entrepreneurs.

## **STEP 2: INTERVIEWS WITH BUREAUCRATS, ADMINISTRATORS, AND POLITICAL DECISION MAKERS**

**Objective:** To enhance the assessment generated in Step 1 by adding the perception of political actors; to gather the elements for an analysis of the political feasibility of the possible reform solutions.

**Tool:** Structured interviews based on the three lists generated in Step 1.

### **Step 2.A, 2.B, 2.C: Pre selecting (A) Topics and (B) Actors and (C) Formulating example questions**

(A) The topics to be addressed will be the same pre selected topics used in Step 1, however, this list may have expanded as a result of new issues discovered in interviews with entrepreneurs.

(B) A list of political actors to interview should be gleaned from the second list generated in Step 1 (stakeholders identified within the political process and bureaus or agencies responsible for mechanisms identified). Additional names should be added to this list based on the particulars of the situation (for example, if the target is streamlining Customs, someone from that agency should be included on the list of political actors to interview, whether or not they were mentioned in Step 1). The snowball technique can also be effective here.

(C) The questions should cover the same three areas as they did in Step 1:

- (a) Problem/Barrier: A set of questions asking about barriers that were identified by entrepreneurs in Step 1. What is the political actor’s perception of the problem?
- (b) Political economic sources of the problem: A set of questions about the sources of the problem. These questions are aimed at determining the political economy/institutional content. What is the political actor’s perception of the political dimension of the problem(s) encountered and of the role of politics and specific political institutions in generating, maintaining, and/or aggravating those problems?
- (c) Possible Solutions: A set of questions about the potential solutions to the problem. What are the political actor’s suggested solutions? The questions asked during this phase of analysis include who will support and who will oppose the various options, which alternatives will be easier to implement, and what types of additional analysis might be needed.

Given the fact that most of those interviewed in Step 2 are political appointees, and sometimes part of the political equation of the problem, their answers need to be interpreted with care. The direct contact with them however will give a sense of the political environment and dynamics that surround the issue and notes to this effect should be included as qualifiers in the resulting lists.

At the conclusion of Step 2, the following lists will have been generated:

1. An enhanced list of problems/barriers in the light of the political actors' comments
2. A list of perceived sources of the problems/barriers
3. A list of potential solutions and the political actors that supported them.

At this stage, a detailed assessment of the specific barriers to entrepreneurship is complete.

### **STEP 3: POLITICAL FEASIBILITY ANALYSIS AND IMPLEMENTATION ASSESSMENT**

**Objective:** (1) To use the information and conclusions drawn from the three lists generated in Steps 1 and 2 to identify potential solutions to specific problems by creating individual "policy files"; (2) To gauge the political and implementational feasibility of these solutions.

During the problem-definition phase, based on the results from Steps 1 and 2, the necessary information should be available to make a judgment as to whether the problem to be overcome is (a) technical, (b) political, or (c) both. If the problem is technical, then the next step is outside the scope of this tool and requires a technical solution. If the problem is determined to be political or both technical and political, this tool provides a means for further assessment.

#### **Step 3.A: Creating a political stakeholder map with respect to a specific problem/barrier**

If the problem has a political element, then it will be necessary to further examine the political economy in which it is embedded. Using the following political feasibility analysis, one should be able to make a better informed judgment about: which technically feasible potential solution is politically feasible and therefore implementable, whether intermediate action needs to be taken in order to prepare the relevant political actors to take responsibility for the reform and implement it (The scope of possible actions here will greatly depend on the specific situation. Potential intermediate actions include: raising public awareness of the problem, working within the incentive frameworks of the authorities so that solving the problem is net beneficial for them, altering the institutional framework in which a solution would take root by building political coalitions, etc.)

Questions that arise when considering the political feasibility of a reform include questions about the political, social, and organizational constraints:

- Who wins and loses as a result of the current situation and, therefore, who might win or lose as a result of the proposed reform?
- Who supports or opposes the proposed solution?
- How have relevant actors responded to similar proposals in the past?
- What is the disposition, or community climate, toward new ideas in general?

In Step 3.A, the political analysis is conducted based on information gathered during the problem-definition stage by compiling and analyzing responses and observations gathered from interviews in Step 1 and 2 about perceived problems, the sources of the perceived problems, and potential solutions.

### **Step 3.A.1: Isolating and defining a specific problem/barrier**

First, isolate a specific problem or barrier to a specific stage of the entrepreneurial process (for example registering a firm, getting or renewing an operation license, corruption in courts/litigation process, costs to market agricultural products).

### **Step 3.A.2: Creating a stakeholder map**

Next, create the stakeholder map by answering the following questions from the lists compiled in Steps 1 and 2: Who are the actors (groups and individuals) that:

1. Perceive the issue at hand as a problem?
2. Do not perceive the issue at hand as a problem?
3. Have suggested they would support an alternative arrangement?
4. Have suggested they are satisfied with the current situation and/or would oppose an alternative arrangement.

Group the answers in the following manner:

- *Vested Interests*: Those who are benefiting from the status quo (Those actors identified in 2 and 4 above).
- *Constituency for Change*: Those for whom the status quo is detrimental (Those actors identified in 1 and 3 above).

From the list of sources of problems/barriers created in Steps 1 and 2, identify from which level(s) the problem stems and revise the groups of *Vested Interests* and *Constituencies for Change* to include only those actors who have influence or act within that/those levels.

The result is a *stakeholder map*, which should be used to analyze the political feasibility of creating change – overall.

That is, if the vested interests are greater, both in number and in terms of influence on the political process, the chances that *any* reform will be “owned” by a political actor and implemented, let alone sustained, is small. In this case, any reform strategy must undertake the types of intermediary efforts described above to reorganize the institutional environment until the constituency for change overwhelms the vested interests before attempting any solution that attempts to overcome the problem/barrier.

If the constituency for change is greater than the vested interests, then a window of opportunity has been identified and the focus of the effort shifts and consideration of specific reforms

(solutions to the problem) is appropriate. In this case, it is appropriate to consider the implementation potential of specific reforms as demonstrated in Step 3.B.

### **Step 3.B: Assessing the chances that reforms will be implemented**

#### **Step 3.B.1: Analyzing the actors**

Take the list of actors identified as *Constituencies for Change* in Step 3.A.2 and, from information gathered in Steps 1 and 2, compile the following information on each of the actors:

1. Individual objectives of reform: Beliefs about the situation, motivations for desiring change, expected results.
2. Non-negotiable positions (what each actor is unwilling to do, no matter what).
3. Ability to influence the political process at the relevant institutional level: This can be thought of in terms of the *actor's resources*: What does each actor have that can be used to get what is wanted? The list is completed with the resources that actors might muster:
  - a. Power, influence, or authority to control events, to modify procedures, and to affect the actions of other actors.
  - b. Financial resources to support analysis, litigation, and communication.

#### **Step 3.B.2: Analyzing potential solutions in light of the actors**

Next, isolate and consider each potential solution in light of the characteristics compiled in Step 3.B.1. The resulting analysis should present information about the prospects of specific reform solutions. For example, if a reform effort/solution can be identified that originates with an actor who favors change, has an appropriate level of influence in the political process (or can mobilize such influence), and does not violate an overwhelming number of the non-negotiable positions of the other actors in this group, the prospects for the reform are favorable. Policy ownership can be assigned and incentives are aligned to encourage a sustained effort to see the reform through.

The information compiled in Step 3 can be organized into a *problem file* that contains the following information on a specific policy problem/barrier:

1. Definition of the problem to be addressed.
2. Source(s) of the problem including political actors and the level(s) at which the problem is caused.
3. Stakeholder Map with respect to the problem.
4. Potential Solution (A).
5. Potential source of Solution (A), including political actors and the level(s) at which the solution could be implemented.
6. Assessment of the relevant actors (from Step 3.B.1)
7. Repeat steps 4-6 for each potential solution considered.

Repeat Step 3 for each problem/barrier the Mission seeks to address.

## CONCLUSION

It is important to stress that this tool *frames and guides* the analytical and assessment process. In this respect, it can be used to identify problems and possible solutions, and map the environment in which reforms would be implemented. While in the assessment phase, this tool will yield possible policy solutions, this is not its intended functions. This tool will not generate ready-made solutions that once mechanically applied automatically produce optimal conditions. Desirable reforms will need to be drawn from local perceptions and matched with broader USAID goals. Once these solutions are conceived, this tool provides a technique for understanding their chances for being implemented.

This tool relies in all aspects on the informed judgment of field operatives with access to local knowledge, and therefore requires their attention and effort. It is intended to be used in the assessment stage of mission projects by USAID field missions, in lieu of contractor support. Given this, the tool is flexible and may be applied to very different contexts and it can be expected to account for those differences and particularities in ways that alternatives cannot.

A visual representation of the process of executing the entire assessment using this tool is included on the following page.

**DIAGNOSING BARRIERS TO ENTREPRENEURSHIP**  
**AND**  
**ASSESSING THE CHANCES FOR IMPLEMENTING REFORM**

**S**  
**H**  
**E**  
**P**  
**1**

**PROBLEMS/BARRIERS**

1. PROBLEM A
2. PROBLEM B
3. PROBLEM C
4. PROBLEM D
5. PROBLEM E

**SOURCES AND CONDITIONS FOR...**

1. ...PROBLEM A
2. ...PROBLEM B
3. ...PROBLEM C
4. ...PROBLEM D
5. ...PROBLEM E

**SUGGESTED SOLUTIONS FOR...**

1. ...PROBLEM A
2. ...PROBLEM B
3. ...PROBLEM C
4. ...PROBLEM D
5. ...PROBLEM E

**S**  
**H**  
**E**  
**P**  
**2**

**ENHANCED/REVISED LIST OF BARRIERS**

1. PROBLEM A
2. PROBLEM B
3. PROBLEM C
4. PROBLEM D
5. PROBLEM E

**ENHANCED/REVISED LIST OF SOURCES AND CONDITIONS FOR...**

1. ...PROBLEM A
2. ...PROBLEM B
3. ...PROBLEM C
4. ...PROBLEM D
5. ...PROBLEM E

**ENHANCED/REVISED LIST OF SUGGESTED SOLUTIONS FOR...**

1. ...PROBLEM A
2. ...PROBLEM B
3. ...PROBLEM C
4. ...PROBLEM D
5. ...PROBLEM E

Organize the data gathered in the three lists into individual Policy Files

**S**  
**H**  
**E**  
**P**  
**3**

**POLICY FILE**

- Definition of the problem to be addressed.
- Source(s) of the problem including political actors and the level(s) at which the problem is caused.
- Stakeholder Map with respect to the problem.
- Potential Solution (A).
- Potential source of Solution (A), including political actors and the level(s) at which the solution could be implemented.
- Assessment of the relevant actors (from Step 3.B.1)
- Potential Solution (B), etc.