

# PACA<sup>®</sup> News

## Participatory Appraisal of Competitive Advantage

No. 2, July 2003

### What is new around PACA<sup>®</sup>?

A couple of things have happened since the first PACA<sup>®</sup> News came out in January:

- PACA<sup>®</sup> is a registered trademark now.
- PACA<sup>®</sup> is taking off strongly in the Spanish-speaking part of Latin America. Ulrich Harnes-Liedtke is now based in Buenos Aires and developing the Latin American market. He has already conducted PACA<sup>®</sup> Training courses in Bolivia and the Dominican Republic, and he is preparing for PACA<sup>®</sup> activities in Ecuador and Peru. For details please see the Spanish edition of the PACA<sup>®</sup> News.



*Warning! A PACA<sup>®</sup> Training may be hazardous for your health!*

- We have conducted PACA<sup>®</sup> training courses in South Africa and Sri Lanka. In both countries, GTZ programs have adopted PACA<sup>®</sup> as the anchor of their LED activities.
- Last but certainly not least: The new PACA<sup>®</sup> website is online at [www.paca-online.de](http://www.paca-online.de). This will be the anchor point for the PACA<sup>®</sup> community which is quickly evolving, and it is a key element in our PACA<sup>®</sup> business concept which we describe now.

### What is the PACA<sup>®</sup> Business Model?

One of the main lessons of decades of development work is this: If you want to make sure that something works, and that it has a lasting impact, make sure that people pursue it out of self-interest, for instance because they can make a living out of it. This is basically our approach to disseminating PACA. mesopartner has no aspirations whatsoever to grow into a major consultancy company which is the sole PACA<sup>®</sup> provider all over the world. After many discussions among ourselves and with colleagues, we have decided that we will put all our effort into creating a PACA<sup>®</sup> Community of Practice.

What do we mean by “PACA<sup>®</sup> Community of Practice”? We are currently busy conducting Basic PACA<sup>®</sup> Trainings in many different countries on four continents. Some of the participants are experienced consultants with profound know-how on business and local economic development. Some of them realise the market potential which PACA<sup>®</sup> offers: There is a lot of demand for LED know-how and support, and PACA<sup>®</sup> so far seems to be the only product that focuses at a quick and visible impact. So they take PACA<sup>®</sup> on as one their products, occasionally even as the main product. These consultants who are starting to conduct PACA<sup>®</sup> Exercises on a regular basis will soon form the PACA<sup>®</sup> Community of Practice.

But what is the substance of this community? Essentially, we see it as a learning community. Even though PACA<sup>®</sup> is already a robust methodology, it is still at an early stage of evolution. We are developing new formats as we are facing new realities – not only for the PACA<sup>®</sup> Exercise but also for the build-up and the follow-up. But it will not be our development work alone that feeds into the community. We expect that it will be a community in the proper sense of the term, not a one-way communication channel. We would like to see lively exchange, with every member in the community contributing experiences, new formats and lessons learnt. Constant exchange on new concepts, formats, tools and techniques will create a steep learning curve and thus permit to maintain the early-mover-advantage

PACA<sup>®</sup> has established. The community thus creates a competitive advantage for each member.

What is the role of mesopartner in the PACA<sup>®</sup> Community of Practice? Since we intend to continue as a small partnership, there is no way we can conduct numerous PACA<sup>®</sup> Exercises. We see our role rather as the nodal point in the community, which effectively means three things:

- At this stage, we are the only providers of PACA<sup>®</sup> Training. This will start to change only next year, as consultants will have conducted a number of PACA<sup>®</sup> Exercises and gone through follow-up training with us.
- We are developing new formats and tools to suit new settings – be they deep rural areas in Africa or high-tech clusters in England.
- We organise exchange in the Community of Practice. This newsletter is one medium of exchange, the website [www.paca-online.de](http://www.paca-online.de) is another one, and we are also thinking of Internet chats and other things (not to mention that we are also dreaming of some things, like having a Community Meeting with participants from various countries).

Now, where does business come in? For the members of the community, PACA<sup>®</sup> is a product they can sell in their respective countries, but also elsewhere. For the time being, we will not go for a formal franchising or certification model, since we think that this would involve too high transaction costs. We will rather use the PACA<sup>®</sup> website to advertise practitioners who, in our judgement, are competent PACA<sup>®</sup> Consultants, and we will also recommend them directly to potential customers. Who then are customers? Based on our experience so far, we see two types of customers for PACA<sup>®</sup> Consultants: local municipalities with an interest in LED (or other government agencies, chambers / business associations, or even businesses themselves, such as major companies) in your respective country or neighbouring countries, and foreign donors who want to promote LED.

For mesopartner each of the three points mentioned before is about business. The first two activities are billed in the usual way. The third activity, organising the Community of Practice, will involve an annual fee for the members. The return for this fee will include advertising, know-how and some additional services, such as PACA<sup>®</sup> branding, design and marketing. In fact, we are currently in the process of expanding the website to offer three different types of access:

- *Basic access* will give you the How to Conduct a PACA<sup>®</sup> Manual plus some additional material; the idea is to assist customers in making an informed decision before they go for PACA.
- The *Premium Subscription* will give access to a broader set of materials – basically the set of manuals and presentations we hand out at PACA<sup>®</sup> Trainings; by subscribing, you get access to constantly updated versions.
- The *Community of Practice* will involve access to all available materials.

We are currently working on a pricing model. The annual fees we are considering amount to €45, 295 and 595, respectively.



Laying the foundations...



... for the PACA<sup>®</sup> Community of Practice

Last but not least: How do you become a member of the PACA<sup>®</sup> Community of Practice? We are currently formulating a set of criteria which we will publish shortly. However, there will be no entitlement and no automatic qualification. Any community involves a degree of trust, and we will only invite colleagues to the community whom we trust to deliver first-rate PACA<sup>®</sup> work.

– Jörg Meyer-Stamer  
jms@mesopartner.com

## We did a PACA<sup>®</sup> Exercise. Now what?

As an increasing number of PACA<sup>®</sup> Exercise is conducted in various countries, one of the big questions which come up all the time is: What happens after the PACA? In fact, how can we make sure that anything happens at all (this is the point addressed by Sansana in her article on p. 6)?

In fact, this not only one but two questions. One question addresses the days and weeks after a PACA<sup>®</sup> Exercise, which are decisive in determining whether or not the PACA<sup>®</sup> has an impact. The other questions addresses the longer term – what happens after some practical, down-to-earth proposals have been implemented?

## From the PACA<sup>®</sup> Exercise to the PACA<sup>®</sup> Project

The purpose of a PACA<sup>®</sup> Exercise is not primarily to have an exciting and exhausting week or two. The objective of a PACA<sup>®</sup> Exercise is to come up with

1. a diagnostic of the local economy which fits with criteria such as “better roughly right than precisely wrong” and “appropriate imprecision and optimum ignorance” and
2. a limited number of proposals for very practical LED activities.

The PACA<sup>®</sup> methodology has proven itself in achieving exactly this. It is very robust and reliable in this respect – in fact so reliable that serious snafus in the preparation of a PACA<sup>®</sup> Exercise cause only limited damage.

Yet getting to formulate proposals is one thing, while implementing them is a different story. A PACA<sup>®</sup> Exercise which leads only to a diagnosis and proposals, but no implementation, is effectively useless. What can you do to maximise the probability that some of the proposals are effectively implemented and a proper circle of diagnosis – planning – implementation – assessment – adjustment is initiated? In fact, there are quite a few points you should consider.

- Identification of the PACA<sup>®</sup> Champion: He or she plays a crucial role not only in the build-up and the organisation of the PACA<sup>®</sup> Exercise, but also in the implementation. So you want to make sure that the Champion is capable of playing a role in implementation, and that there is complete buy-in from the Champion. Ironically, this may mean that you do not go for the most influ-

ential or best-connected local actor, since he or she may be overcommitted already; there is a tricky trade-off between connectedness and availability.

- Build-up for the PACA<sup>®</sup> Exercise: You want to make sufficient noise in the preparatory phase for a PACA<sup>®</sup> Exercise, so that other local stakeholders jump onto the bandwagon. If you get buy-in from a variety of local stakeholders, the likelihood of implementation of practical activities increases.
- During fieldwork: It is not rare that people come up with practical proposals during interviews or mini-workshops. Try to commit them to the proposals they make, so that they take charge of implementation. Also, if a strong action-oriented dynamism evolves in a mini-workshop, try to fix a date for a follow-up workshop immediately – this will then be one of your way-forward-workshops.
- At the Results Workshop: Make sure that the selection criteria for proposals are strictly and consistently applied. When you ask “Can we do this with local resources?”, the local members in



What a results workshop *may* look like  
(Nova Crnja, Serbia)

the PACA<sup>®</sup> Team tend to hear “Can *somebody* to this with local resources?”. The answer to the latter question is usually yes, so that you end up with too many proposals, many of which are not quite realistic. Also, ask yourself whether you want to promote proposals which will generate political tension or personal rivalries. Try to go for proposals which do not involve this kind of risk. Always remember that PACA<sup>®</sup> is supposed to have a focus at learning, and allow for differ-

ently sloped learning curves among relevant stakeholders.

- At the Presentation Event: To the extent that people in the audience are excited about your proposals, try to make appointments with them immediately to have your way-forward-workshops quickly, preferably on the next day and definitely no more than one week later.

Probably the most important reason for a unsatisfactory implementation record of PACA<sup>®</sup> proposals is that local stakeholders overestimate their available time and capacity, and underestimate the time and effort involved in doing LED. For this reason, it is so important to get the buy-in of competent stakeholders who can throw in some resources – and to come up with proposals which match with the available capacity and resources, even if such proposals may appear underambitious. So much about the issues involved in immediate implementation. Let us now look at the other question.

### **A PACA-Project as a long-term activity?**

My answer would be: Why not? Many people think that LED must involve grand visions, huge strategy formulation efforts and big projects. However, the evidence from all over the world tells a different story. Effective LED is mostly about limited proj-

ects, often driven by immediate problems, needs or opportunities – and PACA<sup>®</sup> is a very useful tool not only to kick-start your LED activities but also to audit and re-focus them, and to come up with new ideas. If you conceptualise LED from a business perspective – as opposed to a strategic planning or urban planning perspective – the PACA<sup>®</sup> approach will keep you busy for quite a while.

But what if you think that you cannot work without vision & strategy, or if you need it to motivate relevant stakeholders? Initially, you would pursue the onion approach: peeling off the not-so-attractive outer layers (such as excessive red tape or ridiculous market failures), using successive PACA<sup>®</sup> Exercises to identify opportunities for practical activities. As you get rid of them, and as you go through a thorough learning process on LED, you are getting closer to the tasty inner layers. At this point, approaches such as cluster promotion and value chain development, and concepts such as the Hexagon and Systemic Competitiveness (all of which are described in the PACA<sup>®</sup> Manuals, which most PACA<sup>®</sup> practitioners are too busy to read ☺), become relevant and can guide you in your strategy formulation effort.

– Jörg Meyer-Stamer  
jms@mesopartner.com

### **PACA<sup>®</sup> Projects in Vojvodina / Serbia**

Between February and May 2003 PACA<sup>®</sup> projects in 5 different municipalities in the province of Vojvodina (Serbia) have been started. They built on the PACA<sup>®</sup> training workshop held by mesopartner in October 2002 in Kula / Vojvodina with representa-



Results Workshop in Novi Kneževac

tives of various municipalities of the province.

We supported the PACA<sup>®</sup> activities in the region in cooperation with the local GTZ office by giving advice to all PACA<sup>®</sup> Teams, participating in some kick-off workshops and facilitating most findings workshops.

The success and progress of the started and/or ongoing PACA<sup>®</sup> projects are very different in the 5 municipalities (Kula, Mali Idios, Novi Kneževac, Srpska Crnja, Subotica).

In Kula the PACA<sup>®</sup> project was stopped after the findings workshop. The local PACA<sup>®</sup> team leader there is concerned that the local business community is expecting spectacular, big bang activities and not the typical small-scale PACA<sup>®</sup> proposals.

There are some common tendencies regarding the situation and progress of the PACA<sup>®</sup> exercises in the remaining 4 municipalities. Those PACA<sup>®</sup> teams are all highly motivated and convinced that PACA<sup>®</sup> will help to stimulate their local economies. However, all PACA<sup>®</sup> exercises in Vojvodina lasted up to 2,5 to 3 months caused by the tight time budget of the team

members, who have been engaged in their usual jobs in the municipalities also during the PACA<sup>®</sup> process.

Due to the economic structure of the province Vojvodina most PACA<sup>®</sup> proposals are in the fields of agriculture, food processing and local government. In some municipalities also banks, SME sector and hunting tourism have been addressed.

Apart from two specific PACA<sup>®</sup> proposals that have already been implemented in Novi Kneževac (presentation event of Micro-Finance Bank; organization of a farmers educational seminar given by FAO) there seems to be some hesitation by the PACA<sup>®</sup> teams to actually start the implementation of selected PACA<sup>®</sup> proposals by organizing way-forward workshops shortly after the presentation. In this respect, the serious current drought in Serbia has to be

taken into account. The PACA<sup>®</sup> teams emphasized that way-forward workshops with farmers are therefore rather to be conducted in autumn.

mesopartner pointed out the significance of immediate way-forward workshops to start implementation – at least for now with non-agricultural sectors – in face-to-face discussions with the PACA<sup>®</sup> teams and by sending email reminders.

The support of ongoing PACA<sup>®</sup> projects in Vojvodina will be continued by GTZ and mesopartner in the months to come. Moreover, there was already some discussion with the GTZ office in Vojvodina to extend the application of the PACA<sup>®</sup> approach to further regions in Serbia.

– Christian Schoen  
cs@mesopartner.com

### **PACA<sup>®</sup> Project in Lukhanji / South Africa**

In March 2003 we conducted a 10-days PACA<sup>®</sup> exercise in the municipality of Queenstown / Lukhanji in the province of Eastern Cape (South Africa) on behalf of GTZ.

Queenstown / Lukhanji is characterized by a high fragmentation of the business community, a lack of networking between private and public actors and a striking inward-orientation. One of the significant disadvantages of Lukhanji is its location (200 km distance to the next larger city East London). After the phasing out of subsidies some years ago only a small number of mostly big manufacturers is still located in Lukhanji. Currently, Lukhanji is providing goods and services to a catchment area of about 150 km and can thus be considered as distribution and service hub. Additionally, there is some untapped tourism potential with highly motivated stakeholders. Traditionally, the agricultural sector is very strong, dominated by a small number of white farmers and a huge number of small black farmers.

It was agreed that this initial PACA<sup>®</sup> in Lukhanji should focus on the three formal sectors tourism, services and distribution. During the Kick-off Workshop the unexpectedly high number of 150 participants showed up, making it very difficult to separately conduct Mesocard exercises on all four elements of Porter's Diamond. Since in the course of discussing the first question ('What are the strong and weak points of the local economy in Lukhanji?') the attendants gave answers to all four elements of the diamond, we decided to skip the other questions.



Way-forward Workshop with the tourism group

Subsequently, 4 mini-workshops and a series of 13 interviews have been conducted. Particularly, the local actors from the tourism sector proved to be highly interested, motivated and obviously ready to initiate and drive LED activities. The 4 (out of total 12) PACA<sup>®</sup> proposal on tourism have been prepared for further action in the course of an immediate way-forward workshop.

A follow-up visit to Queenstown / Lukhanji by the external PACA<sup>®</sup> team members took place in May 2003. In close cooperation with a newly contracted local PACA<sup>®</sup> team member, we had way-forward workshops on distribution and services and reviewed the progress of the LED initiatives on tourism.

The PACA<sup>®</sup> working group in the tourism sector had already made good progress in the implementation of the PACA<sup>®</sup> proposals. Most importantly, the Local Tourism Office (LTO) was revived by substitut-

### **PACA® in Hazyview, South Africa: How the local stakeholders liked it**

More than 150 tourism roleplayers, big and small, participated in last week's PACA® in Hazyview - and here are some of their comments from the Feed-Back Workshop held on Friday morning: "Good workshop, great ideas, now implement!" - "Magic workshop - motivating!" - "PACA® has brought the community together" - "Very informative" - "Great brainstorming in Hazyview!" - "Short time, very focused, great results!" - "Amazing to see so many people on the same mission!" - "Positive experience! Good for interaction!" - "A good starting point" - "An eye-opener"

Source: The Big 5 Country E-Times -  
A Weekly Lowveld, Panorama,  
Escarpment and Kruger National  
Park Newsletter, 15 June 2003

ing the chairman and adjusting the agenda to the newly defined tasks. Moreover, meetings have been held with DBSA (Development Bank of South Africa) in order to coordinate the activities and strive

### **PACA: Stimulating Local Economic Development or Creating Temporary Excitement?**

From my experience in facilitating PACA® exercises in several regions of Thailand under the small industrial business promotion project (SSIPP), I have found that PACA® was a way to stimulate local stakeholders to develop their region. I suspect that the desire to make their region a better place has always been there. Who wouldn't want for their region to be developed, to raise the living standard of the local population and to establish cooperation among local stakeholders? I think PACA® has fulfilled this wish. Not only it involves concepts, implementation, and tools, but PACA® also deals profoundly with the people's mood, feelings and desires. What could be observed from the workshops and field trips was the fact that the participants were excited about the projects presented during the PACA® Exercise and they truly wanted these projects to materialize with haste under the cooperation between the government and private sectors. This is a real experience and a genuine feeling of the stakeholders as well as of the PACA® team.

Though the project proposals from the participants have included both practical ideas and wishful thinking, both kinds have been meaningful to them. I think the important thing is to discuss openly which

for common objectives. Tourism-focused website and brochure are in preparation.

The way-forward workshops with a number of actors from the services and distribution sector revealed that there is still follow-up work needed to identify suitable drivers of the respective proposals and to motivate them properly. It has been proved again that a PACA® way-forward workshop has to be organized with hand-picked stakeholders, who are familiar with the ongoing PACA® process and who in advance have indicated their ability and willingness to go for collective action.

Besides, we succeeded in convincing the weekly local newspaper 'The Rep' to publish a regular LED column reporting about ongoing LED activities in general and implementation and success stories of certain LED actions in particular.

A second PACA® in Lukhanji will be started in August or September 2003, most probably focusing on black businesses in townships and on agriculture.

- Christian Schoen  
cs@mesopartner.com

projects can materialize. The facilitators have to be very open-minded and patient; they should listen to the ideas without interference and then try to help make the ideas work in practicality. Moreover, a final conclusion about implementability was often difficult to be reached in the short time we had.

Some problems which were persistent in almost every workshop was the lack of supporting information and the lack of key local stakeholders who could work as reference. I think the organizer has to adhere strictly to the criteria of participant selections according to the handbook and make sure that public relations activities to get people interested should be done much in advance. In order for the desire to develop the local economy to materialize, it is greatly important to have cooperation from key people both from the government and the private sectors.

In Lampang, the proposal about Ceramic City materialized in such a quick time because there were many PACA® champions involved in pushing the project forward. They participated attentively in the workshop and had become role models for concerned people. This resulted in such a coordinated cooperation. The benefit for all from the project was the perfect stimulant to drive PACA® projects to reach their success.

What is the success of PACA? Is PACA® considered a stimulant for local economy or simply a stimulant



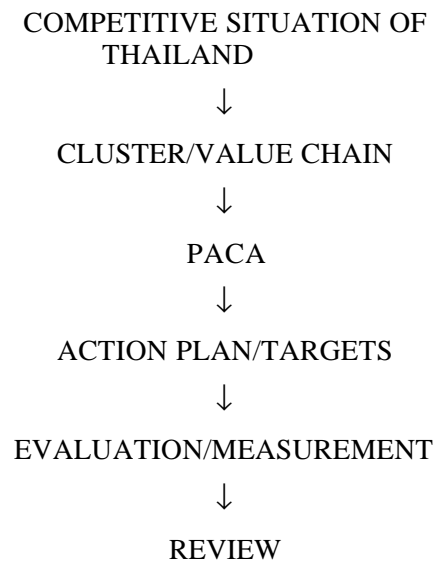
Sansana at work: Mini-workshop in Korat, Thailand

for the excitement of some local stakeholders which quickly fades after the exercise? If it is considered the former, is the success measured by the fact that the project materializes? Or should the measurement be a much more complicated procedure, that is figures and data compilation in order to compare the rate of economic growth? Assuming that PACA® is in the big picture for the local economic development, how should pre- and post-PACA® processes be implemented? This means looking at the overall process of local economic development. On the other hand, if PACA® is considered a stimulant for the temporary excitement, I see it as a very effective tool. The drawback is that it stimulates only for a short period of 1-2 weeks, and then the result usually "evaporates."

Would follow-up workshop work as a continuing stimulant? When should it end? These are questions that need to be answered. In fact, the answer depends on how much PACA® means. In my opinion, PACA® is a part of local economic development. This understanding about PACA® is very important

for the perception of the local stakeholders. This understanding will avoid unrealistic expectations and continuing disappointments for there have been many projects which have stimulated the economy but gradually disappeared.

The process of local economy development that I have mentioned has been formed through my perception of combining cluster development and value chain promotion, which was presented by Grant McKenzie and Angela Copland from CMI, Scotland (www.coplandmckenzie.com), as follows.



This is a general concept which should enable the involved people to envision the overall picture of the development of the local economy which works in terms of competition. This concept might need to be thoroughly explained to generate basic understanding among the people involved in the project.

– Sansana Siritarm  
ssiritarm@ingka.com

PACA® is a methodology to conduct a rapid, action-oriented appraisal of a local economy. It is also useful as a tool to audit and re-focus ongoing LED activities. The PACA® approach is based on the conviction that LED should be about business and action, not about workshopping and strategising. For more information on PACA® see: [www.paca-online.de](http://www.paca-online.de)

PACA® is a product of mesopartner:  
 Dr Ulrich Harmes-Liedtke [uhl@mesopartner.com](mailto:uhl@mesopartner.com)  
 Dr Jörg Meyer-Stamer [jms@mesopartner.com](mailto:jms@mesopartner.com)  
 Christian Schoen [cs@mesopartner.com](mailto:cs@mesopartner.com)

We do admit that a PACA® Exercise can be a very exhausting experience – especially if you have your business to run at the same time! Thanks, Tinie, for your commitment and support!

