

English edition

**PACA**<sup>®</sup>  
**NEWS**

Participatory  
Appraisal of  
Competitive  
Advantage

A Product by mesopartner

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## What is new around PACA?

One of the new things around PACA is very obvious: A new design. During a PACA activity in Bolivia we got in touch with a designer who came up with a number of ideas to change the design of the PACA logo and pretty much everything else related to PACA. Martin explains the ideas behind the new design on p. 5.

Then there are more countries where PACA is now being applied. Christian Schoen conducted a PACA training in Indonesia (sponsored by GTZ), Ulrich Harmes-Liedtke in Peru (InWEnt) and Ecuador (GTZ). PACA continues to take off very dynamically in a number of Latin American countries. You find lots of detailed information in the Spanish edition of the PACA News.

Then there is a new company: mesopartner Africa. It was created in South Africa by Johann Geldenhuys, John Lawson, Colin Mitchell and Rehana Pilodia (plus a share held by Jörg Meyer-Stamer) who had participated in the GTZ-sponsored PACA training course in June 2003 and who felt that the market potential for PACA in South Africa is strong enough to justify the creation of a dedicated company.

And then there is a lot of conceptual and methodological discussion and evolution, which is to some extent driven by the commercialisation of PACA in the market for local and regional development and the needs to adjust the advertis-

### ***The PACA Impact Reporting Contest***

*Many PACA projects have been implemented in various countries. What have been the most significant, or the most surprising, or the most innovative outcomes from PACA activities? We invite you to send us your stories. Tell us what happened, and why. If there was a measurable impact, mention it. The deadline for this contest is 15 November 2003. Send your story to*

[contest@mesopartner.com](mailto:contest@mesopartner.com)

*The prize for the most convincing story:  
A webcam! We will document your stories on the PACA website.*

ing created by that. So far, we tended to emphasise the efficiency of the PACA Exercise as the main sales argument. Getting a diagnostic of a local economy in a matter of weeks and at a limited cost clearly is an important selling point. But decision-makers are not only interested in the input but also and in particular in the output. So the question is: What do you get out of PACA? And this will be the main sales argument in the future – you get three things:

- A learning process among local stakeholders regarding a promising approach to local economic development. This is something we can guarantee.
- Mobilisation of local stakeholders for practical activities. We would hesitate to give a guarantee in this respect and rather point at the fact that this usually happens.
- Practical LED activities with visible outcomes. Again, we would not give a guarantee in this respect, since the outcome very much depends on the motivation and competence of local actors. But we are confident that with PACA the local stakeholders get to proposals for action which are very likely to be implemented. In the words of one PACA practitioner in Serbia: “PACA is so simple – you get the idea from the people, develop it, make people satisfied, get another idea...”

In terms of methodology, the main development currently involves way-forward and implemen-



*Question: Where has this picture been taken? You find the answer on the last page.*

tation workshops. We tended to assume that there are enough participatory planning methodologies around, and enough people who know how to apply them. But we continue to observe that this is not necessary the case. We terminate the PACA Exercise with a way-forward workshop, define specific actions and trust that local stakeholders are motivated and capable to implement them – and then sometimes nothing happens. This is often connected to a lack of facilitation know-how, so that meetings become ineffective, and to the limited ability to deal with organisationally or politically tricky situations. Accordingly, we are now busy formatting mini-workshop formats to deal with exactly these challenges.

The next step, something we will present in more detail in the next PACA News, will involve a re-packaging of PACA where we will distinguish three different products:

1. PACA Tools: These include established and newly developed Mini-Workshop Formats which are not only useful during a PACA Exercise but also as “stand-alone products”, i.e. as a way to transfer the efficiency of a PACA Exercise to other types of activities. For instance, we are about to test a Cluster Diagnosis Workshop which, we hope, will generate within five hours the amount of information that usually would come out of two weeks of traditional fieldwork.
2. PACA Exercise: This is the main product so far – a highly efficient diagnosis methodology which generates very practical proposals for LED activities and a quickly visible impact.
3. PACA Project: This is something that runs over a longer period, involving a series of PACA Exercises, each of which has a specific focus at one territory within the local economy, or a cluster, or a value chain, or another segment of the local economy. This includes support for planning and implementation of activities which come out of the PACA Exercise, and it also includes monitoring and evaluation.

Re-packaging PACA in this manner will make it more flexible and adjustable to the needs of different customers with more diverse styles of work. In particular, it will lay the grounds for the introduction of PACA into OECD countries.

– Jörg Meyer-Stamer  
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*PACA as public entertainment: An entire village participates in a mini-workshop in the El Oro province in Ecuador.*

### **RALIS Training in Port Elisabeth / South Africa**

The RALIS (Rapid Appraisal of Local Innovation Systems) methodology offered by mesopartner has been developed and successfully tested by Dr Jorg Meyer-Stamer and Christian Schoen in the course of a comprehensive consultancy project with Fraunhofer Gesellschaft in Indonesia (2000-2002) in order to study local/regional innovation systems.

RALIS is a modification of PACA focusing on local innovation systems. Like PACA, the RALIS methodology can be characterised as being rapid, practical, bottom-up, participatory and network-stimulating.

The key idea of RALIS is to conduct a rapid diagnostic of a locality with a special focus at technology and innovation. The starting point is an observation which is consistently coming out of the analysis of successful localities: innovation is not only based on intra-firm efforts but also, and in particular, on dense networks of interaction between a variety of actors – companies, training institutions, research and technology extension institutions, and others. Thus,

RALIS is designed in a way which permits the identification of such networks, or their absence, and a rough assessment of their density and effectiveness.

The local GTZ office in South Africa decided to organise a RALIS training workshop as part of its support of the ‘Technology Station Programme’ (TSP). TSP is developing and introducing a system of demand-oriented technology transfer towards SMEs at Technikons (technical universities) by setting up Technology Stations (technology transfer centers) and establishing a coordination and service structure. In order to ensure the demand-orientation of Technology Stations (TS) it is necessary to analyse the supply of local innovation services and local economic development activities and to adjust it to the needs of SMEs.

Moreover, the current policy of the South African Department for Science and Technology (DST) requires a more systematic integration between the TSP and other strategic partners in the innovation system with Local Economic Development (LED) initiatives. Therefore, it was a specific requirement by the TSP programme management to highlight possibilities to link technology innovation with LED initiatives in the course of the RALIS training workshop.

The intended outcome of the RALIS training was a good understanding of the methodology with the objective to apply it in the respective regions as a basis for more target-oriented strategies and possible expansions or start-ups of new TS. The RALIS training workshop took place at the Port Elisabeth Technikon between the 16<sup>th</sup> and 20<sup>th</sup> of June 2003. The training was conducted by Christian Schoen (trainer) assisted by Francois Minnaar (co-trainer)

Most of the 14 workshop participants are involved in the management of TS with emphasis on direction, strategic partnerships and communication with stakeholders from business and local government. Six different TS at Technikons in South Africa have been involved [Port Elisabeth, Free State (Bloemfontain), Peninsula (Cape Town), Pretoria, Vaal Triangle, Mangosuthu].

At the end of the training we could perceive quite clearly that the participants had generally understood and digested the contents of the training. Some participants mentioned that they will use specific RALIS tools in the future, such as Transaction Matrix, Mesocard exercises, interview guidelines, even without conducting a comprehensive RALIS exercise. Nevertheless, we expect the first real RALIS exercises to be conducted in South Africa by the beginning of 2004.

The next most important ambition of mesopartner is to further develop RALIS. As technology and innovation continue to be major preoccupations of local actors who want to create a localised advantage in a globalised world, we expect that there is a lot of potential demand for a tool like RALIS which addresses the most important obstacle for the leveraging of local innovation systems: fragmentation between local companies, agencies and organisations.

– Christian Schoen  
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### Enthusiasm at the first Basic PACA Training in Indonesia

Enthusiasm is likely the most suitable term describing the recent basic PACA training organised by GTZ and conducted by mesopartner from August 25th to 29th in Solo, Indonesia. After the training, a considerable number of the total 23 participants deliberately stated their high interest in the methodology. There are two essential reasons why this kind of enthusiasm emerged: Firstly, the successfulness of the training, and secondly, the participant's positive assessment of the PACA approach as a promising methodology for Local Economic Development, which is actually very important in the course of the ongoing decentralisation process in Indonesia.

Nevertheless, we faced difficulties with time management in the course of the training workshop due to the fact that the training had to be performed in two languages. Since the training

A PACA Training is a combination of



... interactive classroom training ...



... real fieldwork, meeting real businesses ...



... and mini-workshops with real local players.

was basically given in English by the trainer (Christian Schoen) and subsequently translated into Bahasa Indonesia by me as the co-trainer, we spent double the amount of time particularly for the presentations than in a usual PACA training. Considering the time we additionally had to sacrifice for the official opening ceremony on the first training day in the morning (2 hours) the available time was shortened again. Due to the resulting time constraints the training agenda had to be adjusted on a daily basis. However, even though some details have been changed with respect to the structure which was suggested before the training, we succeeded in presenting and practising all relevant components of a PACA training. Sometimes, we even answered relevant questions in coffee breaks.

Besides that, some participants able to speak English felt a bit uncomfortable with the procedures because they received the same information twice.

From my perspective as both the co-trainer (based on my experience in applying the PACA modification RALIS in Indonesia two years ago) and a trainee (since I have been trained in RALIS but never in PACA), I was really faced with an overwhelming situation. First, I had to receive information from the chief trainer in English, then to understand the idea, and finally to construct words in Indonesian. But finally we succeeded to find a very efficient way of co-acting as trainer and co-trainer.

Will PACA now be utilised and applied in Indonesia in the future? If we refer to the eagerness of the participants, the likelihood is unquestionable. What is most important, PACA could facilitate the decentralisation process that is currently in progress in Indonesia. In fact, PACA is not the first participatory tool that was ever introduced in Indonesia. For example, RRA (Rapid Rural Appraisal) and PRA (Participatory Rural Appraisal) techniques have been already applied in some regions. However, none of those techniques specifically focus on Local Economic Development using a competitive advantage approach like PACA.

A considerable part of the training workshop participants appears to be very keen on the application of PACA in their specific regions due to its new and unique approach. In fact, in October 2003 GTZ plans to conduct the first PACA exercises in Boyolali in Central Java and in the provinces Bima and Dompu in West Nusa Tenggara.

Finally, learning from this very first PACA training in Indonesia, there are some recommendations that may be considered for future activities. First, further PACA training workshops in Indonesia would be more efficient and effective if they were delivered totally in Indonesian. This, of course, depends on the progress of increasing experience and abilities of the now freshly trained PACA facilitators. In any case,

mesopartner is supposed to supervise the future training workshops in order to assure the quality.

Second, because the PACA methodology is very relevant to the decentralisation process in Indonesia, an extensive promotion and dissemination of PACA is an important precondition for future successful exercises. Both central and local government should understand the advantages and the basic concepts of the methodology in order to support its application.

Third, a sound qualification and certification system of facilitators, trainers and consultants should be established by mesopartner in order to assure the quality of every PACA activity. With this system, we may likely change the emerging PACA enthusiasm to become PACA professionalism, not just a short-term “euphoria”.

– Fabekyus Kasmansyah  
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*The GTZ colleagues in Indonesia made a innovative suggestion for the new PACA logo design.*

### A New Logo for PACA

I am the one who developed the new logo for PACA. It was a protracted process, and I would like to thank everybody involved for their input.

The basic idea was to design a visual representation of the brand which is consistent with our ideas and which immediately indicates some of the key characteristics of our product. How did we do that?

- We chose the font family **Tekton** to identify our product. Tekton looks like hand-lettering and reminds of the visual appearance of Mesocard which is one of the crucial participatory tools we use. This typeface was developed in 1989 by David Siegel, a famous designer and visionary of the potentials of the world-wide web.

- We picked the colours **blue and yellow**. Now, explaining why exactly I picked a given colour has always escaped me. Colours are a very subtle matter – ambiguous, very differently perceived between cultures and individuals.

In any case, yellow is the brightest, warmest and expansive colour. It is the colour of sun, light and gold, and it is very intense. It is perceived as animated, exciting and affective. In many cultures, it is associated with gold and thus with prosperity and wealth.

Blue is a symbol of depth. It is immaterial and cold. It is associated with sky, sea and air. From an esoteric perspective it represents a dynamic equilibrium. The psychologists specify the connotations when they say that it creates a positive attitude, a sensation of fade and abundance that distinguished it from the calm characteristic of the green. They add: "it expresses harmony, friendship, fidelity, serenity and peace... "

- We also introduced an element which we call "the separating line", in the spirit of transmitting dynamism. This line is associated with the typical life-line of a project, and it is supposed to have a positive connotation.

I hope that PACA practitioners in all the different places feel comfortable with the new way to present our product, and that they share with us the comments and perceptions which the new design generates!

Martín Gache,  
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## Getting the focus of PACA right: Addressing market failure

Imagine that you are conducting a diagnosis of a local economy. As you talk to business people, they mention all sorts of challenges that compromise their competitiveness: they find it difficult to locate inputs, they are battling with their registration and tax issues, they are struggling to find adequately skilled workers, they are concerned about security, and so forth. Obviously, each of these problems establishes a business opportunity. But it appears that these opportunities are not taken up by entrepreneurs. In fact, as you learn later, some of them have been taken up, but somehow the information doesn't come across to the potential customers.

If you look into a microeconomics textbook, you find that the conceptualisation of markets is based on heroic assumptions: perfect competition, no cost of information, no barriers to entry, and so forth. Economists have made these assumptions for the sake of creating models which are straightforward and permit easy explanation of basic economic processes to newcomers to the discipline. They know, just like everybody else, that real markets in the real world don't work like this. In the real world, there is market failure – markets don't work for a variety of reasons. This is what the scenario in the first paragraph describes.

*A typical market failure: lack of information about business opportunities – the market will often not provide this, and business associations are not always effective. Organising a business meeting,*



*and pulling in a speaker to discuss a challenge common to many businesses, is a useful tool for a local economic development champion who wants to stimulate business networking. A series of meetings may create a dynamism which is then sustained by the business people themselves, without external support.*

What can you do about this? The traditional approach often was that government came in and tried to do what the market didn't. Experience has shown that this has mostly failed. There is not only market failure but also government failure. Government is usually driven by a bureaucratic logic and/or political interests, not by the quick realisation of opportunities which is the basic driver of business. Since the 1990s, there has been an ample discussion on ineffective attempts to promote private business in developing countries. This label for this discussion is Business Development Services, since research showed that in their effort to promote businesses governments often crowded out private, for-profit providers of services (for more information look for Donor Committee and BDS at the ILO website, [www.ilo.org](http://www.ilo.org)). The conclusion of this discussion was that rather than trying to set up public delivery structures for promoting business, government should look at the private business service sector, analyse its strengths and weaknesses, understand the causes of weaknesses and address them. This is what BDS projects all over the world try to implement today.

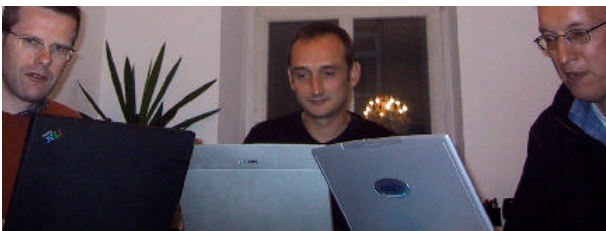
What is the conclusion of all this for PACA? Usually, when we do a PACA Exercise, we observe a variety of market failure. What we should then do is to understand the causes and possible remedies. To understand the causes, we employ the usual tools, such as Mini-workshops (the five-forces-format is quite useful, as is the interaction matrix) and triangulation (interviews

with actors from different sectors to get the complete picture). During the results workshop, we then do a couple of things:

- We ask ourselves: What are the critical incidences of market failure, i.e. which are the problems that create serious barriers to entry for businesses or barriers to growth?
- Very often, these problems are at the same time opportunities. What can we do to address a given problem as an opportunity, and preferably how can we create conditions that a private business can come in and take up this opportunity? (With a private, for-profit business coming in, we would assume that the problem is solved on a sustained basis, and that once the business is up and running we / the local PACA champions can direct our energies and resources at other issues.)
- Looking at the proposals which come out of our exercise: Can we prioritise those proposals which address market failure? It is perfectly possible to introduce "addresses a critical market failure" as a fourth criterion in the prioritisation exercise.

Introducing market failure in this way has the potential to further enhance the effectiveness of PACA: We do not only get quick results, but we also can be confident that those results really make a difference to the local economy.

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*What it looks like when mesopartners meet...*

*Ulrich shot the picture on p. 2 during a PACA Exercise in the Dominican Republic. But it is really hard to tell – the place might as well have been in Indonesia, or Brazil, or Sri Lanka, or in many other places.*

PACA® is a product by **mesopartner**, a consultancy firm specialised in local economic development. **mesopartner** was created by Dr Ulrich Harmes-Liedtke ([uhl@mesopartner.com](mailto:uhl@mesopartner.com)), Dr Jörg Meyer-Stamer ([jms@mesopartner.com](mailto:jms@mesopartner.com)) and Christian Schoen ([cs@mesopartner.com](mailto:cs@mesopartner.com)).

**mesopartner** offers training and advice on local economic development in general and PACA in particular.