

English edition

PACA[®] NEWS

Participatory
Appraisal of
Competitive
Advantage

A Product by mesopartner

No. 5 **August 2004**

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PACA, strategy, and GENESIS	page 1
Repositioning the role of the PACA facilitator	page 3
PACA Applications in Central Serbia in 2003/2004: Learn- ing lessons the hard way	page 5
PACA Basic Training Work- shop with participants from various Balkan Countries in Germany	page 6
LED, business style: The origins of PACA in the Empreender Project	page 7

What is new around PACA?

The number of countries where PACA is being applied keeps growing. Right now, it stands at 15, with the most recent additions being Namibia and Armenia. The main focus of mesopartner keeps shifting from doing PACA to train practitioners and develop complementary products. The total number of individuals who have gone through basic PACA training stands now at about 350. Many of them have conducted a couple of PACA Exercises, and we are observing the growth of the PACA Community of Practice that includes practitioners who deliver PACA at excellent quality.

Regarding training, things keep evolving. We always liked to conduct PACA training courses at locations where we can plug directly into LED activities, so that the training course itself is already a learning-by-doing experience. Since we don't always find such locations, we have recently started to experiment with training courses that are based on simulations of real cases. Christian Schoen reports on one of these activities.

PACA itself is also constantly evolving. One of our recent learning processes referred to the role of the PACA facilitator. Shawn Cunningham summarizes some experiences in this respect. We also learn through trial-and-error, sometimes with an emphasis on the latter, as Christian's other contribution indicates.

In terms of complementary products, we now offer GENESIS – a rapid strategic planning methodology that has been developed by Colin Mitchell in South Africa. It is presented below. Another complementary product is the Compass of Local Competitiveness, a LED monitoring concept that will take the balanced scorecard approach further ahead. We will report on experiences with the Compass in our next edition of the News.

PACA, strategy, and GENESIS

There has been a time when we packaged PACA as an alternative to planning-driven approaches to local economic development (LED). Occa-

sionally, we would even make ironic remarks regarding the limited success of strategic planning efforts. We have recently learned that this is not quite the point. In fact, PACA and strategic planning efforts can be complementary.

PACA vs. strategy?

When the term strategy comes up in the context of local development, it is usually not in the sense introduced by Michael Porter, i.e. strategy as a distinctive competitive advantage, a unique selling point for a location. Henry Mintzberg, another strategic management guru, once identified five different meanings for the term “strategy”, one of them being “strategy as plan”, i.e. a huge document that outlines a course of action. This is the predominant use of the term “strategy” in the local development community.

We have conducted quite a few PACA Exercises in locations where a strategy document existed. For instance, in South Africa all municipalities are bound to prepare an Integrated Development Plan (IDP) that includes a section on LED. IDPs are supposed to be elaborated in a participatory process that involves the local community, but we tend to find that the local business community plays only a marginal role in this process. LED sections in IDPs then tend to suggest some lines of activities that are not articulated with the private sector, and are usually difficult to implement. PACA has proven to be a useful tool to connect local government with the local business sector. A PACA Exercise allows verifying which activities from your strategic plan are realistic and viable, who are the players you can engage to pursue them and also, where exactly to start.

What comes after PACA?

In the past, we used to package PACA as an activity to initiate practical LED activities. What we usually achieve with a PACA Exercise is the initiation of a number of practical LED activities that lead to visible results in a matter of months or even weeks. As this happens, we are increasingly confronted with the question: What comes after a successful PACA Exercise?

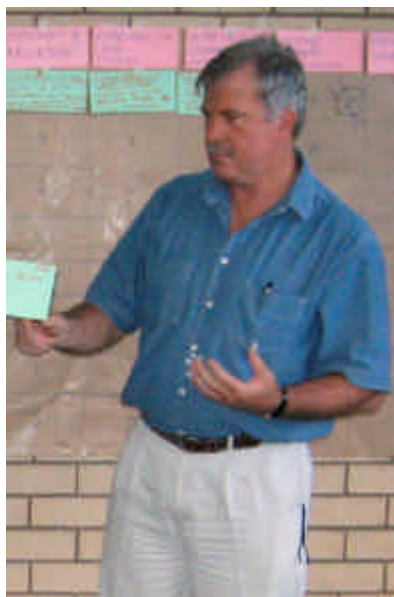
Responding to this question, we now point at two options. The first option: More PACA. When we look at the reality of LED in industrialized countries, we realize that there are few locations, where efforts are being made to formulate a strategy that includes a detailed action plan. LED is predominantly an activity that is driven by opportunities and problems. To some extent, it is an ad-hoc activity. Unlike orthodox strategic planning approaches, PACA is not a top-down plan but rather sets the stage for a bottom-up communication process that allows to form a common understanding of what is favorable for the local economy. This communication process strengthens promising ideas and approaches that already exist within the community. It promotes cooperation and understanding by spelling out common interests. The outcome of PACA is a strategy –not as a written plan, but in one other meaning identified by Mintzberg, namely strategy as a pattern of communicating, a consistency of behavior. We have seen in some locations that after the first PACA Exercise, covering the local economy at large, more PACA Exercises were conducted to address specific segments of the local economy. In our view, it makes perfect sense to conceptualize LED based on a sequence of PACA Exercises that assess the achievements of earlier exercises, engage more stakeholders and come up with new proposals.

Rapid strategy formulation: GENESIS

But there is also a second option: GENESIS – a methodology for rapid LED strategy formulation. GENESIS was developed and successfully tested by a team around Colin Mitchell, who in the meantime has become one of the main PACA salespeople in South Africa. GENESIS is based on proven scenario-building methodologies. In the course of a few meetings, Colin and mesopartner have increased the efficiency of GENESIS and reduced the time needed by introducing some PACA tools.

A GENESIS Exercise involves a sequence of activities:

1. Programme Initiation: Identify, mobilize and gain commitment from relevant stakeholders.
2. Contextual Evaluation: Assess existing research (usually, quite a few research reports sitting on some shelves there – reading and digesting them is often more effective, and always much quicker and cheaper, than conducting new research on the ground).
3. Conduct a Technical Workshop to ratify previously identified and possible new key driving forces within the economy.
4. Fieldwork: Conduct a few mini-workshops and interviews to engage stakeholders and to test perceptions, constraints and strategic opportunities.
5. Options & Competitive Positioning: Competitive positioning and Identifying of Catalytic Projects which will exploit regional advantages.
6. Facilitate decision-making: Filtered by the scenarios, formulate a limited set of catalytic activities to stimulate LED by conducting a Decision Workshop with political and other leaders to prioritize catalytic activities. Based on the outcome of this workshop, conduct a Way-forward Workshop to define specific activities and responsibilities.



*The father of GENESIS:
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Exercise that leads to one or a few PACA Exercises to operationalize the identified catalytic activities. GENESIS seeks to combine the advantages of PACA – a hands-on approach focusing on the actual needs of the local economy – with the introduction of new ideas from outside the respective area and branch. Whereas PACA was based on the concept of communication, GENESIS implies the design of economic development scenarios based on the situation as well as on growth stimulus from research and development, other branches and on local and national governments. GENESIS is therefore a more general approach, integrating more stakeholders and aiming at longer time-periods than PACA. Nevertheless, we feel that PACA has to remain

either the basis or the follow-up measure of GENESIS in order to remain with both feet on the ground – and avoid the airy lofts of ivory towers.

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We estimate that we can conduct a complete GENESIS Exercise (from step 2 to step 6) in as little as six weeks – much quicker than a conventional strategic planning exercise would take.

PACA and GENESIS are complementary activities. In a given location, basically it depends on local conditions and preferences of local stakeholders, which approach they choose to start with. Starting with PACA and conducting a GENESIS Exercise after PACA has led to involvement and alignment of stakeholders can make as much sense as launching a GENESIS

Repositioning the role of the PACA facilitator

I think it is worth reflecting on a change in the role of the PACA facilitator that we have recently witnessed – apparently in Ecuador, and certainly in KwaZulu-Natal, South Africa. There, in preparation for a provincial LED program for the EU in the KZN province of South Africa, 4 teams were appointed to do quick scans of the economies and local stakeholders in 4 district municipalities. The designers of the program based their approach on the PACA methodology, and although it was referred to as a “Rapid Appraisal of the enabling environment”, it

was supported and informed by PACA experts and GTZ.

What we have seen is that the PACA experts change their role from “workshop facilitator” to “local enabler” – where the focus from the start is to equip and train the locals to address their own LED opportunities and needs using some relevant PACA tools. I believe that this learning-by-doing approach will shape the way we present and implement PACAs in the future.

This new role requires the PACA facilitator to identify a couple of locals with potential as champions and then train them on key LED issues and some of the workshop formats of PACA. During this capacity building exercise the locals identify the relevant stakeholders or issues that should be addressed by the PACA and organize the PACA around it. The facilitator plays the role of a back-stopper, almost identical to the role that Jörg Meyer-Stamer often played in PACAs in South Africa. The locals then run their own workshops, often in their own dialect, while the PACA facilitator stays behind stage, ready to assist with practical tips and advice if required.

The local people really learn by doing, and the focus of the PACA shifts from “getting the questions right” in the workshops to “getting the locals to see the golden thread” throughout the process. The PACA facilitator allows the local team members to formulate (and sometimes struggle) with their own interpretation of the workshops, and concentrates on playing devil’s advocate with the PACA team, stimulating their creativity and absorption of learning.

This approach could counteract many of the symptoms that we have seen in PACAs before:

- It solves the local dialect, culture and literacy issues.
- By equipping the locals we have stronger PACA teams – in fact nothing happens if the local capacity is not developed.



Shawn (and the very popular PACA polo shirt)

- Locals, not PACA experts who go home after the exercise, own the learning during the PACA and the outcomes. (In fact, Uli told me that he left halfway through a PACA, leaving the locals to run their own PACA up to the internal results workshop where he rejoined them).
- Locals who understand the process that they are busy with do the preparation for the PACA – thus the weak local capacity to arrange a PACA is counteracted.
 - It shifts the attention away from running perfect workshops to optimized local participation and learning.
 - Locals (not experts) define proposals in their own language, according to their own priorities and reality.
 - The likelihood of PACA turning into a longer process with several high intensity events is higher – solving the problem that local people recognize LED as a process and not just an event.
 - This approach will greatly reduce the costs of a PACA, as only one PACA expert will be needed in a community, increasing the probability of several PACA processes stringed together over time.

I’m excited by this “new” role of the PACA facilitator, as I think that the only way to get local vibrancy and dynamics going is to allow the locals to do their own thing. Even if it means local team members sometimes use a PACA instrument wrongly, as long as they learn from the process it is worthwhile. I will end by quoting Jörg on his saying “better roughly right than precisely wrong”.

*Shawn Cunningham
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PACA Applications in Central Serbia in 2003/2004: Learning lessons the hard way

ACDI/VOCA's Community Revitalization for Democratic Action (CRDA) project implemented pilot PACA activities in four municipalities in Central Serbia (Kragujevac, Jagodina, Smederevska Palanka and Svilajnac) between November 2003 and March 2004. PACA was expected by USAID and ACDI/VOCA to be potentially valuable to BDS practitioners and mission staff as a market assessment and planning tool for BDS interventions and design. However, things did not go as well as expected, and the whole experience has taught us important lessons about the do's and don'ts in the introduction of PACA.

mesopartner provided the technical expertise required for starting a PACA Exercise including the initial PACA basic training of all local PACA teams in November 2003. mesopartner coached the teams during the Kick-off Workshops, gave remote support during fieldwork (November 2003 – January 2004), facilitated the Results Workshops (February 2004) and supervised the Way Forward Workshops (March 2004).

Apart from some minor successes as a result of the PACA Exercises in Central Serbia (skills upgrading of team members from local municipalities, identification of some technical assistance projects to be funded by ACDI/VOCA) the PACA project did not meet the expectations formulated in advance. The PACA teams terminated their activities after the first series of Way Forward Workshops without following up on activities already discussed.

The limited success of these PACA applications are mainly due to four reasons: deficiencies of

the PACA facilitators, the unsuitable composition of the PACA teams, the organization of four concurrent PACA Exercises and the absence of a real PACA champion in each municipality.

1. The municipal authorities did not comply with the selection criteria of trainees ACDI/VOCA had provided to them. Thus, a considerable number of PACA team members lacked skills and experience in facilitation, economic development, BDS, English language, as well as having only a weak standing in their respective communities. They also suffered from limited motivation. Consequently, they were unable to identify and motivate



ACDI/VOCA staff (Mark Pommerville, Nebojsa Simic) documenting the Results Workshop in Smederevska Palanka / Central Serbia

the right local actors at the various PACA events.

2. Since most of the team members are low ranking officials in the local municipalities, the teams lacked a variety of perspectives and disciplines.
3. The approach selected to organize and support four PACA Exercises concurrently overwhelmed the small number of staff in charge at the ACDI/VOCA project office, particularly taking into account the unexpectedly weak support given by the different municipalities. This approach extended each individual PACA Exercises to an uncharacteristically long duration of several months. The result is a negative impact on the motivation of all actors involved.
4. The four municipalities in Central Serbia apparently did not consider themselves as PACA champions, seemed to be uninterested in PACA and obviously only accepted to embark on PACA Exercises in order to further receive the financial support by ACDI/VOCA to upgrade their infrastructure.

Even though this exercise was not really successful, we think that it is extremely instructive to other donor programs that are considering to employ PACA in their work. We summarize the lessons learnt in the following principles:

(I) Carefully select the PACA trainees and the PACA facilitators. Take the selection criteria provided by mesopartner into consideration, as they are based on ample experience in numerous countries.

(II) Do not conduct a PACA training only with representatives from municipalities. It proved to be a better approach to also train consultants and multipliers (like we did with GTZ in Indonesia – see the last edition of the PACA News). Alternatively, train only local consultants and give them the perspective of widening their product portfolio with PACA (the approach pursued by GTZ in South Africa).

(III) Secure the strong commitment and support of the municipalities or other organizations expected to champion a PACA Exercise. A strong champion is needed to organize and supervise a PACA Exercise, particularly in terms of assembling an adequate PACA team and being involved in the invitation process.

(IV) Conduct each PACA Exercise over a very short period of time (2-3 weeks) along the original lines of the PACA methodology in order to keep motivation high and maintain momentum. An experienced PACA expert should supervise and guide the teams for the duration of the PACA Exercise.

(V) Advise donor organizations to keep a low profile in PACA Exercises. You do not want to create the expectation among local stakeholders that the donor organization will solve their problems. On the other hand, the endorsement by a foreign organization can be helpful to increase the credibility of the PACA methodology and to persuade local actors that a PACA Exercise is a worthwhile effort. Therefore, the build-up of the PACA Exercise should be done properly.

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PACA Basic Training Workshop with participants from various Balkan Countries in Germany

One of the first organizations to support PACA was the German international training organization CDG, which in the meantime has been merged into InWEnt. Currently, InWEnt is carrying out a multi-year (2001 – 2004) project on the promotion of decentralized structures in the countries Albania, Bosnia and Herzegovina, Macedonia and Serbia & Montenegro, financed by the Federal Ministry of Economic Cooperation and Development. The overall objective of this development project is the promotion of structural change and the integration into the European market striving for sustainable social and economic development.



*Simulated PACA Mini-Workshop
(Itoupava Role Play)*

In the scope of this project an InWEnt study tour in Germany in the field of “Local Economic Promotion“ for participants from all four Balkan countries was organized. As part of this study tour mesopartner was contracted to conduct a 5-days PACA training in the InWEnt training center in Feldafing / Bavaria from 7th to 11th of June, 2004. All 23 participants in the training are practitioners from local administration, vocational training institutions, LED offices, associations of local government and NGOs in their respective countries of origin.

Apart from deepening their knowledge on LED and learning the PACA methodology, the par-

ticipants expressed their interest on networking with colleagues from different neighboring countries and sharing ideas on how to promote and develop local economies.

Conducting a PACA training in Germany with participants from various foreign countries means that the typical 'real-world'-components of a PACA training (interviews and mini-workshops with real actors) cannot be carried out. We thus decided to work with simulations:

(1) To simulate a 'real-world'-mini-workshop we used a proprietary role-play that involves a dozen different role descriptions. The purpose of the play is to understand basic issues of local economic development: the playing field, players with conflicting interests, and alignment and negotiation among them. We simulated a workshop of the Local Economic Development Council of Itoupava, a location which was modeled after a real city in Southern Brazil, using Porter's Diamond.

(2) Since all participants work in the field of economic promotion or skills development on a regular basis, we could assume that they had sufficient knowledge and information that could be discussed in structured interviews among each other. This procedure also supported the important exchange of experience between the trainees and across countries. Two rounds of training interviews were conducted. Small groups of participants conducted one interview and each group was interviewed once. The groups interviewing each other always came from different countries.

At the end of the training, the participants expressed their interest to actually apply the PACA methodology in their respective locations. The question was raised: *how do we start to implement PACA?* It was pointed out that it is necessary to identify some organization, which is willing to organizationally and financially support the PACA Exercise and market the idea in the location where PACA will be applied. This could be an international donor (like in most PACA cases), local government, a business chamber or some other stakeholder. In this context, mesopartner would support any PACA marketing efforts by the participants by provid-

ing marketing material and remote advice on how to sell the idea of PACA and convince potential financiers and/or future PACA hosts.

Moreover, InWEnt was asked to encourage the future networking between the training participants. The need for networking and keeping contact was discussed frequently during the training. The internal interview results revealed that there are many opportunities to learn from each other's practice in the field of LED. One of the LED proposals that was suggested and prioritized during the training even focused on the establishment of a future electronic network among the organizations of the participants.

We are expecting that based on this PACA training organized by InWEnt, mesopartner's good contact to several (donor) organizations active in Balkan countries and the need for participatory, bottom-up LED approaches in those countries, further PACA training courses and exercises will take place in South Eastern Europe in the near future.

Based on this PACA training, organized by InWEnt, based also on mesopartner's good contact to several (donor) organizations active in Balkan countries, and based on the need for participatory, bottom-up LED approaches in those countries, we are expecting that further PACA training courses and exercises will take place in South Eastern Europe in the near future.

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LED, business style: The origins of PACA in the *Empreender* Project

Why is PACA different from other approaches to territorial development and local economic development (LED)? One important reason is the context in which PACA started. The first PACA exercises were conducted in 1998/1999 in Santa Catarina, Brazil, under the umbrella of Fundação Empreender, an organization that had emerged from a twinning project between the Chamber of Crafts and Small Industries for Munich and Upper Bavaria and a number of local

Business Chambers in Santa Catarina. The Empreender project was hugely successful, stimulating an impressive evolution in the performance of Business Chambers – so successful indeed that the Empreender methodology was rolled out by SEBRAE, the Brazilian SME promotion agency, all across the country, involving 866 Business Chambers, 3,200 business working groups (Nuclei) and 43,000 companies.

The Empreender methodology evolved through trial and error in a setting where engaging businesses was not easy at all and where the main project goal – achieving a stronger presence of small companies in Business Chambers, and having Business Chamber offering attractive services to small businesses – appeared extremely ambitious. The project officers realized quickly that the (predominantly small) companies they wanted to engage were quite reluctant to be engaged. The world-view of the entrepreneurs was that of a shark-pond. He or she sees enemies all over the place. There is nobody to be trusted – not other businesses, nor the Business Chamber, nor government. Other entrepreneurs are seen as personal enemies – competitors try to steal your business, suppliers and customers try to rip you off. The Business Chamber is an old boys club that mostly involves the big guys. Government is the chief enemy of private business, coming up with new ideas to harass businesses all the time.

The instrument Empreender developed appears very simple, but it is by no means trivial: Create an organizational platform in the Business Chamber, working groups of entrepreneurs (“Nuclei”), moderated and facilitated by a chamber counselor. Here the participants define their problems and joint activities, compare another through benchmarking, get ideas how to improve their businesses and start to develop self-confidence and to grow personally – a bottom-up approach that gradually builds trust. Consequently, the Nuclei started to request better services from the chambers, more qualified staff, new lobby activities, improved public relations. Thus, processes of organizational development of the chambers started, gradually changing them into institutions with the character of a service enterprise.

At a later stage, some chambers and Nucleus entrepreneurs observed that it was not sufficient to improve processes within their companies. The local economic environment had to change. The question arose how to start interaction with local governments and other groups of society in order to initiate change processes. One thing was clear: The traditional way, to call SEBRAE for executing a three month research work about the local situation, producing a 1000-pages paper with lots of numbers and figures which nobody would read and understand, a lot of words without any concrete impact, this conventional way nobody wanted. And that's where something later called “PACA” started.

When we started with PACA, the Empreender officers learned that one of the biggest challenges was to address business people. We didn't only face the problem that business people wouldn't trust anybody. There was also the problem that business people tend to be very busy, especially owner-managers of small businesses. Involving them in any kind of developmental activity was thus hugely difficult. The main lessons learnt in the early phase of the project were these:

- An effort to engage businesses makes or breaks at the very beginning. If the first contact ends up seriously wrong, most of it is lost already. If the first one or two meetings of a group of entrepreneurs do not promise any real value to the participants, everything is lost.
- It is crucial to choreograph an elaborate methodology to engage with businesses: What are the communication channels you use? Answer: preferably face-to-face. Who engages with any given business? Answer: a project officer together with a credible personality from the given sector. What are the expectations you create? Answer: not too many, in particular you don't promise major external support.
- It is even more crucial to choreograph the first meetings of a group of business people, turning them into workshops that quickly stimulate topical discussion among the participants, thus showing the benefit of com-

munication between businesses from the same sector. One key element at this stage is the use of the “moderation method”, i.e. communicating by writing on Mesocards instead of just talking. An improved quality of discussion, i.e. a much more output orientated type of discussion, is already a sensational experience for the participants.

- Finally yet importantly, the entrepreneurs must quickly feel that the Nucleus is for their own benefit and that they are not instrumentalized in favor of someone else's interests. (This was relatively easy in Brazil; this is less easy for example in Sri Lanka, where entrepreneurs traditionally expected hand-outs from government and donors.)

Starting with our first PACA Exercises, these were the lessons from Empreender, we had in the back of our minds. Adapting them to an LED setting, we started from a number of key assumptions:

- You are on the safe side if you assume that a development initiative, in particular if government is involved, at the outset has little credibility with businesses.
- It is difficult to persuade business people, in particular successful business people, to participate in workshops; since they have repeatedly made the experience that workshops are a waste of time.
- If you try to do LED with an active involvement of business, you need to take the typical time-frames of businesses into account. Whereas politicians think in four- or five-year electoral cycles, and government executives like five- or ten-year strategic plans, business people think in much shorter terms, often much less than a year.

The main conclusion was this: If you want to involve business in LED, you will need a process

that appeals to business. Such a process has to meet at least three criteria:

1. You need to set up a process where business is not just the “beneficiary” but also a key partner, being actively involved since the initial stage, taking a leading role in identifying LED activities and implementing them.
2. You need to design a process that is highly time-efficient, catering to the time constraints suffered by business people (but actually also by other relevant decision makers). You must avoid a process design that caters predominantly to professional and compulsive workshopers.
3. You need quick wins to overcome the prevailing mistrust. You will only get the buy-in of businesses if they expect a tangible outcome in the short term, i.e. within a couple of months.

This type of reasoning explains many of the specific features of PACA – the absence of a strategic planning effort; the emphasis on engaging the private sector at the earliest possible stage; the design of highly efficient mini-workshop formats that moreover encourage participation and self-help; and the emphasis on quick wins. Other approaches to LED have emerged in different settings, such as urban or regional planning or public sector institution building, and their core features reflect this different context of conception. PACA is a pragmatic, business-oriented approach to LED because it emerged in a setting that was predominantly concerned with the mindset, interests and constraints of businesses.

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