

English edition

PACA[®] NEWS

Participatory
Appraisal of
Competitive
Advantage

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Editorial

This edition of the PACA News focuses mainly at two issues:

- New tools. We recently had the first, very successful test run of the Compass of Local Competitiveness, an LED performance management and measurement tool. We also had a very exciting experience with the LED Café, a interactive LED awareness building format.
- Experience in Latin America. For reasons we don't quite understand, PACA currently seems to have the biggest impact there. In this edition, you find two articles translated from the Spanish version that highlight some of the experiences and insights from Latin America.

In another article, Sabine Becker summarises an evaluation of GTZ LED activities, where PACA plays a prominent role. PACA also features strongly in EU-sponsored LED programmes in South Africa. Dominic Mitchell contributes article that analyses how PACA was employed as a fact-finding- and mobilisation-tool at the early stage of one of these programmes. Christian Schoen presents the experience with a Rapid Appraisal of Local Innovation Systems, an approach similar to PACA, in the Western Cape province of South Africa.

Performance Management in LED: The Compass of Local Competitiveness

It is a widespread phenomenon both in industrialised and in developing countries that LED is conducted with little concern for monitoring and evaluation (M+E). As part of GTZ's BDS/LED Programme in South Africa, Jörg Meyer-Stamer recently

conducted a test run of a new, pragmatic and rapid approach to M+E: the Compass of Local Competitiveness. It is an approach that builds on the widely used Balanced Scorecard (BSC) concept.

The BSC approach was originally developed for the corporate sector. It was based on a simple observation: Actors in an organisation behave according to the incentives they face. The key idea of the BSC approach was to introduce a wider, more balanced set of performance indicators that is not one-sidedly looking at financial indicators but also at other, more qualitative indicators that address the long-term growth perspective of the business.

conditions are adverse. A BSC takes a wider perspective, including more qualitative indicators of successful LED. From a pragmatic perspective, it is important to note that a BSC can include a number of indicators that can be improved on a short-term time-line.

The objective of preparing a BSC for an LED effort is to define the critical success factors (CSFs) of the LED effort at large and of specific LED initiatives / projects and to work out the key performance indicators (KPIs) that permit us to assess the impact of our LED effort and specific activities. The purpose is not to come up with a complex set of statistical indicators that takes a lot of

<p>Economic indicators (growth, business growth, start-ups, employment, ...)</p> <p>What is the impact we need to deliver to keep our voters happy?</p>	<p>Relationships with external players</p> <p>How do we need to interact with other stakeholders (other local stakeholders, investors, customers/tourists, funding agencies, ...) to make LED a success?</p>
<p>The learning perspective (alignment of understanding of LED, alignment of expectations, role definitions, ...)</p> <p>How can we make sure that we constantly upgrade our understanding of our economic reality and of LED?</p>	<p>The local process perspective (interaction between core players, governance pattern, ...)</p> <p>How do we have to organise our LED process and effort internally to assure its effectiveness?</p>

The rationale for using BSC in public and public-private LED efforts follows the same line of reasoning. Conventional performance monitoring frameworks for territorial development tend to look one-sidedly at economic indicators, such as GDP growth, business growth, start-up performance and employment growth. The problem is that newly launched LED initiatives take some time to deliver substantial results against these indicators. The indicators may even deteriorate despite a dynamic LED process, for instance in a region that suffers from the decline of old industries, or in a setting where macro-economic framework

effort in gathering and updating, but rather a straightforward set of indicators that permit the assessment of the impact of LED.

When translating the BSC concept from a corporate setting into the LED scenery, we introduce it as the **Compass of Local Competitiveness** with four core factors that are similar to the corporate BSC but better adapted to the reality of LED:

This compass should not only be elaborated for the overall LED effort but also for the specific initiatives:

- We want to have a top-level compass that addresses the overall LED effort in a given location. We elaborate CSFs and KPIs that are rather generic. For this exercise, we would need the involvement of political decision makers, since they are ultimately responsible for setting the goals that the LED effort is supposed to achieve.

- We would work downwards into specific initiatives, preparing a set of specific compasses. Each of them would look at the LED activities in a given sector, cluster, value chain or around a key catalytic project (landmark project).

How does the Compass connect to PACA?

Two factors drove the development of the Compass. First, Jörg Meyer-Stamer learned about the possibility of using the BSC approach to measure performance in territorial development initiatives during an exchange programme between the state government of North Rhine-Westphalia and Scottish Executive and Scottish Enterprise in 2001; at that stage, Scottish Enterprise was just adopting and adapting the BSC to monitor its cluster initiatives.

Second, agencies that applied PACA increasingly started to ask for a tool to monitor and evaluate the outcome of PACA. We suggested a BSC-based approach because of the Scottish experience, but also because we felt that we would be able to transform it into a highly efficient workshop format, thus taking the approach that had evolved in PACA one step further. Let us emphasise that the Compass is perfectly applicable in a context where LED has been going on without PACA. But it is also a very effective tool in the follow-up to an initial PACA Exercise.

In order to elaborate the Compass, there are two options. First, it is possible to elaborate the Compass in just one workshop with local stakeholders. This workshop includes the following steps:

1. Clarify the objective of the exercise: Who and what exactly is it about?
2. Clarify the vision, i.e. the overall objectives of the object of the Compass
3. Brainstorming on critical success factors
4. Brainstorming on key performance indicators
5. Definition of targets and accountability
6. Brainstorming on activities related to each CSF

This format takes between 1.5 and 2.5 days.

The other option is the conduction of three distinct workshops:

1. Brainstorming Workshop: Step 1 to 4 mentioned before (1 day)
2. Technical Workshop: Core group revisits and defines KPIs and targets

3. Way-forward Workshop: Core group presents results to wider group of stakeholders (half day).

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mesopartner, agreed to test a new methodology to work interactively with large groups of participants. *mesopartner* suggested to adopt a methodology proposed by an American consultancy (www.theworldcafe.com) in the context of Local Economic Development. Thus, we created the so called “Café DEL” which is based on the metaphor of a real Café.

The idea is to set up a room or hall in the shape of a Café, utilising all the usual accessories like round tables, flower pots, paper tablecloths and music. The workshop participants gather randomly around the tables, debate a topic related to motivation and, after each debating round, changing tables; the exercise ends after the third round. They write and sketch out the content of their chat on the paper tablecloths. At the end of the workshop the “host” of each table, a person designated at the beginning, briefly presents the results to the public, pointing out the most important ideas of the debate.

As starting point for the first debate, the methodology also includes a role play of how to do LED in their locality with their own tools and without external resources.

One member of the facilitating team takes over the role of the “LED Expert” and gives conceptual suggestions after each debating round at the tables. The “LED Expert” is presenting practical and concrete concepts and experiences, based on the debates in which he has participated.

The “LED Café”

As part of the CONCADEL project – Coordination and Training in Local Economic Development – five awareness-raising workshops on Local Economic Development (*Desarrollo Económico Local, DEL*) were carried out in August 2004. The so called “Days of Sensitisation” were performed in the north of Peru, in the cities Cajamarca, Trujillo, Chiclayo, Jaén and Moyabamba. In each of these regions groups of interested people and institutions already existed, being active in promoting their regional and local economy (the “Núcleos DEL”). The purpose of the workshops was to transfer knowledge about LED to other local actors, as well as to motivate new candidates to join in development activities.

The German organization InWent, in charge of coordinating the project, and

„Cafe DEL“ / LED Café: debate at table

After the event, all participants are being invited to visit the “mercadito” (market place), where regional producers offer their products and where opportunities to establish business contacts are created. Moreover, institutions have an opportunity to inform about their development projects.

The success of these workshops surpassed our expectations. The participants felt strongly attracted by the interactive methodology and participated in the workshops in a lively and excited way.

Anke Kaulard, InWEnt

Thanks to concrete and useful comments by our “LED Experts”, the participants felt that both their worries as well as their specific and individual problems have been resolved well.

This trip to the north of Peru required a considerable effort by the entire facilitating team, due to the fact that they had to cross three different climatic zones and that there was only very little time for preparation in each town. It also meant spending every night in different places. Nevertheless, it was worth while and the success of each activity gave a lot of energy to keep going.

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What works in LED?

In May 2004, GTZ commissioned a survey to assess its project experiences with Local Economic Development (LED) – Sabine Becker, Anja Gomm (Hrsg.), *What works in LRED? (Lern-)Erfahrungen aus den Vorhaben der lokalen und regionalen Wirtschaftsförderung der GTZ, Sektorvorhaben WiRAM, GTZ Abt. 41, Arbeitspapier im Auftrag des BMZ, November 2004*. Managers of 13 LED projects worldwide were interviewed on issues such as the conditions for successful LED processes, the criteria for selecting communities and regions, strengths and weaknesses of LED instruments, experiences with implementing LED initiatives and respective support systems.

The survey shows that dialogue between the public and the private sector is key to LED and project interventions. Project managers consider the minimal conditions for applying a LED approach to be high: the single most important one is the political will and the commitment of local government to develop the local economy. Also, public and private sector actors have to show a basic readiness to cooperate. In addition, there has to be some budget and room for manoeuvre at local level as well as a critical mass of private sector operators.

Regarding the projects’ regional focus, the survey found that rather than selecting a particular region, the project should leave it to the regions to apply for support in LED, thus using a more demand-oriented selection procedure.

Particular instruments used in GTZ’s LED projects include the PACA tool, computer-based Regional Information Systems, the GENESIS regional strategy development tool, and the Nucleus Approach to SME development combined with LED (on the latter two, see PACA News No. 5, August 2004, p. 1 and p. 7)

The PACA tool is used by most GTZ projects. The strengths of PACA are considered to be its bottom-up approach to LED planning, its impact on building trust, on improving the flow of information and on making sectors, localities and partly organisations more dynamic. The main weakness of PACA is seen in its focus on very practical action plans, thus not encouraging long-term and higher impact strategic orientation and vision. Moreover, according to the project managers, the PACA process needs quite some follow-up and resources for LED initiatives to get implemented. Depending on the project, the follow-up is provided by either local government, by the project or by local LED consultants.

Experience shows that before launching PACA workshops, projects should support public-private dialogue and stakeholder fora to build up know-how and confidence among participants. Even though individuals ('champions', drivers) are most important in a LED process, a broader base of private sector stakeholders allows for impact and outreach of LED initiatives. Therefore, some projects assist in strengthening private sector organisations and capacity building.

The type of support to the implementation of LED initiatives depends on the projects' design.

Some projects assist in building up general business development services for SME, others support the development of value chains, sectors and clusters. In very few projects, a small fund is available to co-finance LED initiatives. Especially in poverty-stricken areas, there is hardly any sustainable support system.

In terms of monitoring and evaluation, LED projects are experimenting with both, qualitative and quantitative methods.

Qualitative methods include the balanced score card approach, business climate index and GTZ's EVAL tool. More quantitative methods are regional information systems or a provincial competitiveness index.

From the survey, 3 types of LED projects can be distinguished based on their objectives and components:

- *sector-oriented LED projects* to raise the competitiveness of a particular value chain or cluster,
- *community-oriented LED projects* to economically develop a locality and
- *poverty-oriented LED projects* with a focus on poverty reduction.

Sabine Becker
SB-Consult

Looking at 'what does not work in LED?', the survey shows the importance of operating in a demand-oriented and participatory way, especially with regard to selecting intervention areas, involving stakeholders and supporting the implementation of LED initiatives. Moreover, in regions of extreme poverty, conditions might be insufficient for LED to be a suitable development approach.

The answer to 'what works in LED?' is that good practice can be extracted from the projects in the field of cluster and value chain development, promotion of public-private dialogue, PACA and the implementation of LED initiatives. Additional promising experiences are the building up of local public or private LED consultant pools, the combination of the nucleus approach with LED, the use of regional information systems and the strategic cooperation with banks for cluster loans.

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Another PACA experience in KwaZulu-Natal – district wide PACA exercises in four learning areas

The KwaZulu-Natal PACA exercise was held in four administrative districts in the Province of KwaZulu-Natal in South Africa in June 2004. The four PACAs were run simultaneously by four separate teams to act as a mobilisation exercise preceding the implementation of an LED Support Programme funded by the European Union. The proposed LED support programme was planned as a six-year exercise and so it was imperative that the PACA teams laid a sound foundation. The most important outputs of the exercise were to:

- mobilise local stakeholders in four "learning areas" through a participatory assessment of the local economy
- to identify key opportunities and barriers to competitive advantage
- to formulate and initiate catalytic projects.

European framework contractors submitted two valid proposals and the team proposed by the Ecodes Consortium was selected following an adjudication process. The team was then sorted into pairs and linked to each of the four learning areas. Ecodes also appointed a local team administrative manager to assist in the co-ordination of finances and claims.

A successful training event to ensure that the teams employed similar approaches and methodologies was arranged with support from the German technical assistance agency, GTZ. The intensive training session was aimed at familiarising the teams with the PACA methodologies packaged by

mesopartner.

Due to the fact that the four teams had already had some training and experience in the PACA methodologies a two day session was held, but all members would have benefited from a longer training period.

Dominic Mitchell

The teams proceeded with the PACA exercise following a similar and replicable methodology, though there were some adaptations and variations made to suit local conditions.

In most cases the consultant team introduced the key local stakeholders to the PACA process. They discussed the aims and approach of the process, PACA participation methodology and facilitation techniques, as well as administrative, organisational and logistical issues. Some of the key local members had also received a brief training in the PACA methodology at the initial training workshop.

A critical assessment of the exercise

The key outputs expected from the exercise are described in the Terms of Reference and bear repeating in this summarised report:

- Undertake a rapid, participatory and action-oriented diagnostic of the local economy of each of the 4 selected district municipal learning areas with a particular focus on identifying realistic and practical opportunities and real barriers to competitive advantage and local economic growth in each of the district municipal areas;

- Facilitate the identification, formulation and initiation of short term (1-3 months) high impact projects that will contribute towards the improvement of the local economy and competitive advantage, as well as bring positive results to the KZN LED program and serve as a learning process for district and provincial stakeholders;
- Familiarise, educate and mobilise local (district and provincial) stakeholders in each of the 4 district municipalities around the objectives, concepts, resources and tools of the KZN LED program in particular and LED approaches in general; and
- Provide a basis for promoting and strengthening dialogue, co-operation and partnership between key stakeholders (government, business and civil society).

areas ranged from the creation of specific databases to the setting up of business linkages between differing economic role players.

Each of the project teams also identified longer-term catalytic projects that are the result of the participative process rather than an analysis of sectors or value chains in the districts. These will be taken into consideration by the Economic Baseline Study team and verified following a more empirical process.

Conclusion

Overall the PACA exercise was successful in meeting the Terms of Reference, but it was noted that one of the districts in particular, lacked LED capacity and that not all stakeholders were effectively engaged. An urgent intervention in the capacitation of

	Ugu	Uthungulu	Umkhanyakude	Umgungundlovu
Identify opportunities and barriers	Good	Good	Good	Good
Identify short term quick win projects	Good	Good	Fair	Good
Mobilise and educate stakeholders	Good	Good	Poor	Fair
Strengthen dialogue and co-operation	Good	Good	Fair	Fair

The four teams had differing levels of success in achieving the objectives of the PACA primarily due to the capacity and attitude of local stakeholders, the capacity of the teams themselves and the geographically extensive districts.

One of the more prominent outputs from the PACA exercise was the identification of so-called “quick win” projects. These projects are identified by local stakeholders and are implementable with visible results and effects within a short space of time. The projects were identified by theme, project description, and an indicator of achievement. The theme

LED practitioners and stakeholders was recommended in this District before the programme is rolled out.

In all four Districts, it was predictable that a Rapid Appraisal process would not be completely successful in accessing and mobilising all rural stakeholders. This is a reflection of existing social and economic patterns, and it will take more than an exercise of this nature to reverse decades of economic growth being centred on urban centres, mineral resource exploitation or concentrated in the hands of privileged farmers.

It was noted that while the requirements of the terms of reference were achieved, the PACA methodology has a greater effect in smaller geographic localities and it was recommended that the broader LED Programme should consider doing a similar exercise at local municipality level.

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decreasing sales. This will lead to business closures resulting in further massive job losses.

Mini Workshop

The RALIS Exercise in the Clothing & Textile Value Chain in the Western Cape / South Africa

The growth in the clothing and textiles (C&T) sector in South Africa has been negative in recent years. This has resulted in a loss of 21,000 jobs in the sector in 2003 alone. This is a result of the decreasing competitiveness of the sector compared to the alternative of cheap imports from Asia combined with the growth in illegal imports. The sector is facing increased competition due to global trade liberalization and the strong Rand.

The Technology Imbizo in Western Cape in early 2004, a major stakeholder event, highlighted bottlenecks in the interaction between different elements of the C&T value chain, in particular the small clothing manufacturers and the local textile manufacturers. Whereas the low productivity of the small clothing manufacturers appears to be one of the critical issues to be addressed, it seemed necessary to deeper investigate all other factors related to the value chain, the microeconomic factors and the local framework conditions.

Based on this information, it was proposed to apply RALIS (Rapid Appraisal of Local Innovation Systems) in April 2004 to further investigate potential bottlenecks in the innovation process and along the C&T value chain. Industry leaders across the total value chain and of the relevant supporting institutions were expected to contribute their views through structured mini-workshops and interviews. The main objective was to identify their priorities to achieve rapid and effective impact.

Workers in Textile Industry

Unless global competitiveness improves dramatically, the local C&T industry faces a serious threat of extinction, similar to what has occurred in other countries. Reduced competitiveness will lead to rapidly

The RALIS methodology had been introduced by GTZ into the Technology Station Programme' (TSP), an effort to strengthen technology transfer from Technikon tertiary institutions, via a one week training conducted by **mesopartner** in June 2003. This RALIS Exercise was the

second one ever conducted, after the initial application in 10 districts of Indonesia in 2001. However, due to its similarity to PACA, the status of the RALIS methodology certainly benefited from the experiences gained in frequent and extensive applications of PACA in recent years. Another first was that RALIS has been applied for the first time to assess the innovation efforts along a regional value chain and to kick-start development initiatives in a sectoral value chain that faces the challenges of a severe crisis.

The overall goal of the RALIS exercise in Western Cape specifically aimed at increasing *competitiveness* of the C&T value chain through *innovation*. *Innovation* is here defined broadly to include all stakeholders along this value chain and any action that

John Lawson and Christian Schoen, lead facilitators in the RALIS Exercise

will result in improved competitiveness. It is not just confined to production factors, nor just on the roles of firms. In this respect, innovation can mean producing a given garment or fabric in a more efficient way. But it can also mean finding a better way of defining the development priorities of the society including labour-related issues.

The RALIS Exercise in the C&T value chain in Western Cape in April 2004 was hosted by the *Technology Station (TS) in Clothing & Textiles* at the *Peninsula Technikon* and has been supported by German Agency for Technical Assistance (GTZ), Department of Science and Technology (DST), Tshumisano (Technology Stations Programme),

Peninsula Technikon, Department of Economic Affairs and Tourism Western Cape.

The RALIS project comprising the build-up, preparation and organization phase, the RALIS exercise as well as the implementation phase started in February 2004 and is currently still going on. A copy of the flyer on the RALIS Exercise in the C&T sector in Western Cape can be downloaded at:

<http://www.mesopartner.com/englisch/e-ralis.html>.

The RALIS Exercise supervised by **mesopartner** consisting of the Hypothesis Workshop, the Kick-off Workshop, the fieldwork (interviews and mini-workshops), the Results Workshop and the Presentation

Event lasted from 18 April to 30 April 2004. During the RALIS Exercise until the Presentation Event, the total number of local actors involved amounted to approximately 90. At the end, eleven proposals were identified that reasonably fulfil the three RALIS criteria and are particularly suitable to show visible

effects at least in the medium term (6-12 month). Five more proposals not fulfilling the three criteria should be kept in mind for implementation in the long-term.

A detailed documentation of the results from the RALIS exercise on the C&T value chain in Western Cape has been prepared by the RALIS team in an elaborate report that is available on the **mesopartner** website.

The RALIS proposals resulting from the process can be considered being very suitable to support the C&T sector in its innovation processes and its effort to increase competitiveness on the domestic market and on international markets. It is

arguable whether the combined impact of those catalytic projects is actually leading to “an estimated improvement of between 2.000 and 10.000 jobs” as stated in the RALIS Report. However, all projects are addressing the priority issues of the C&T sector and are derived from engaging leading representatives across the whole C&T value chain in a participatory way.

It seems that there was strong optimism regarding the feasibility of the RALIS proposals and the expected commitment of the key players in the value chain. This optimism has not been entirely confirmed by the progress of implementation until October 2004. We therefore suggested to further follow up on the short term and medium term proposals that are currently making progress and where next steps are planned, to find out why training-related projects are stuck mainly due to rejection of funding, to seriously consider to drop the two labour-related projects, if the resistance of the sector-related trade union appears to be insurmountable, and to make the RALIS results more visible and accessible.

Despite the obstacles, the representatives of the TS in C&T at Pentech Peninsula recognized some very relevant benefits from the RALIS process immediately after the RALIS exercise that will support the future work of the TS (marketing, networking, production of profound database, identification of specific needs for training courses).

To sum up, the RALIS exercise in the C&T sector in Western Cape has shown that the methodology is suitable for assessing the competitiveness of a value chain in a highly industrialized environment and even in a situation of crisis and strong problem pressure. It is not necessary to contract

specific external value chain researchers to conduct mappings and analyses of regional value chains. A RALIS exercise can render the necessary results much quicker and at a lower cost. Moreover, it has a potential to already involve, mobilise and motivate those players who subsequently would champion practical activities in a given value chain initiative – at least to a certain extent.

Results Workshop Some marketing and promotion efforts for RALIS already took place in recent months, such as the presentation of method applied, process and results of the C&T value chain RALIS to the Minister of Science and Technology in October 2004 and discussions with SETA (Sector Education and Training Authority) on applying RALIS to all the SETAs to improve their performance and enrich their training contents. Moreover, in cooperation with GTZ further possibilities are currently explored to organize RALIS exercises with more technology stations at Technikons in South Africa.

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The Butterfly Effect and PACA chain reactions

In a recent PACA training, a GTZ colleague said: “I have the impression that PACA activities do not resolve the problems regarding competitiveness. They seem to be simple quick-fix activities or analgetics”.

To this comment I could add: It is not a heroic deed to execute a PACA activity. The

three criteria that it should meet – one can begin immediately after the PACA exercise is finished, it can be done with local resources and, it will show tangible results within three months –guarantee a high likelihood for implementation.

Within the PACA concept, these activities are not an end in themselves. The activity is not of major interest, but rather its effects are. And these effects can be valued by a three-fold perspective:

- 1) The execution of a PACA activity creates learning about competitiveness (“practical” learning, far beyond the academic level), it creates motivation (the “owners” of the action feel that it is within their reach to become competitive) and it creates communication between different actors and levels of systemic competitiveness. This important effect is a condition and a platform to continue with for further initiatives. Along our PACA experiences we have noticed that once the phase of implementation has been concluded, the teams, which were formed ad hoc for the exercises, almost without exception continue meeting and working on behalf of economic development.
- 2) We have also noticed that certain PACA activities unleash unforeseeable dynamics in the promotion of competitiveness. Or, using a picture from chaos theory, these dynamics produce a “butterfly effect” (the palpitation of a butterfly in New York causes, hours later, a storm in Tokyo). This effect represents the triumph of the simple over the baroque or too complex phenomenon, and it emphasizes how a small motion within in a sluggish operational system (lets say, a PACA action within an economy) after a while induces functional changes in the very system – changes that may be

predictable, but that may also create unexpected dynamics. Let’s take the example of a PACA event in the city of Zamora which brought together milk suppliers (cattle raisers) and the management of the center for milk production, actors who had not known each other and had never even met before. Fifteen days after the meeting (being performed with a minimum agenda), the cattle raisers renewed their herd; the following month they introduced sanitary utilities; two months later they achieved to raise their sales to the production center and began selling to new clients. Today they are working in cattle breeding and in artificial insemination. Within our PACA experiences we record various cases where the palpitation of butterflies was seen...

*The Butterfly:
a tourist attraction in Costa Rica*

- 3) There are PACA activities that form part of rather complex processes or projects, representing initial chain links of economic promotion. In a PACA exercise, they are introduced in order to achieve clearly defined results in the short, medium and long term. For example, in the textile industry of Cuenca, where GTZ recently executed PACA, the businessmen were able to unite and to resolve several difficulties (low negotiation power towards the suppliers of tools and spare parts,

missing support linkages within the sector, no representation in business forums, etc.). Establishing a business association in Ecuador takes more than three months and is, in itself, not a PACA activity. But then again it is, if you start by encouraging a core group of players to address immediate issues, and this group evolves towards a board of directors of a formalised association. At the same time, this board of directors is nothing but one step further to reach higher goals (for example collective purchases of supplies, coordination of technical support, foundation of a service center, etc.).

A “PACA chain reaction” creates a strong dynamic in processes to promote competitiveness which involved strategic visions and complex projects. PACA activities are very useful in such cases, as they are capable of activating and setting them in motion. Besides, we observe a good opportunity of mutual benefit among different methodological foci, whose final intention actually is the same one.

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Experiences with the application of PACA to strengthen provincial and local Governments

For one and a half years the GTZ-program PROMODE in Ecuador has used the PACA methodology in order to strengthen local governments (municipal and regional) in their role to promote economic development. The starting point was almost always a high level of distrust between the public and private sector and, a assistencialist focus

which in many cases led to the creation of public businesses, competing with private business instead of stimulating their economic activities.

As the mission of PROMODE is the strengthening of local governments, we began to utilise PACA, encouraging provincial and local governments to take the lead in each LED process. The work with the provincial governments responded to the priorities of our counterpart CONCOPE (committee of the Ecuadorian provincial councils). In spite of the fact that the original orientation of PACA is oriented towards the private sector, we have seen that the methodology can also be utilised under the leadership of the public sector.

PACA requires a new style of governing

There are some lessons for the work in the public sector that we have learned:

- a) Approval of local authorities is crucial for the success of the intervention. If they do not show a serious and important commitment from the beginning, it is preferable not to launch the intervention at all. The same applies when there are strong political conflicts among different support institutions that impede the participation of some of them. During the PACA process, the official authorities at least will have to be involved in the launching workshops and in the presentation of final results.

Besides, it is recommendable to keep them informed about the progress of the process.

- b) To initiate the PACA process it is recommendable to involve the most important public institutions and also to insist in the participation of the private sector. Ideally, the local team consists of 50% private sector and 50% public sector representatives.
- c) As opposed to planning tasks, which do not give visible effects and even less recognition to public officials, PACA actions create a very strong motivation. This can be considered a central point of the intervention as a whole. With a strong motivation, not only an activity itself will be successful, but also a multiplier effect will be ensured after the intervention is finalised.
- d) Through the emphasis on business needs, one can pull the public sector technicians out of their offices, and can generate new work dynamics with respect to efficiency, having them approaching and understanding the business realities of agents in private sector.
- e) As several public institutions are involved in the execution of many PACA actions, very interesting effects of public cooperation will appear. We observed new cooperation experiences among several public institutions which had never been in contact before or even were fighting each other.
- f) Besides, we observe that inside the public institutions which are playing a leading role in the PACA activities, administrative processes have become more efficient and new cooperation activities between different departments were stimulated.

Next to the many decisively positive experiences with the application of the PACA methodology we have had in Equator, we also observed some limitations, above all in the sustainability of the process. Although all the PACA teams may continue existing and working after three months of execution of the initial actions, they still cannot work on their own in the strengthening of local competitive advantages. The local “dynamics” still do not lead to sufficiently strong internal processes in the local environment that would enable them to work without external support. Trying to fill this empty spot, we have initiated different actions, for example, the organisation of an event to exchange experiences among all 14 PACA teams existing in Equator up to now. Besides, in some cases, the provincial governors and mayors wanted to carry out further PACAs to sustain the initiated processes by means of external cooperation.

We also believe it is necessary to set in motion processes to formulate economic development visions at least with a medium-term time perspective (and not only three months), involving all the economic actors and regional key politicians, based on the experience and the knowledge achieved together from PACA exercises. In this way the actors will be able to approach the long-term challenges of greater impact regarding the economic development in their respective localities.

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Assessing the PACA Experience in Ecuador

I had the great opportunity to visit Ecuador for a three week independent evaluation job

—sponsored by mesopartner— that took me from Quito to Zamora. I had the chance to visit three different PACA experiences which provided me with primary data that I am currently using as part of the thesis that I am writing for a master program in Development Studies. I anticipated that such a trip would bring many rewards in personal as well as professional terms. And I was not mistaken...

Ecuador's natural beauties are spectacular, the mountains and the greenery are truly something special. However, the first impression is soon deleted when one starts being part of the country's daily life. Interacting with local people, surviving chaotic and very much polluted traffic in Quito, reading the newspaper, walking through cities and towns filled with street vendors where the informal economy has the complacent acceptance from government officials -where one could find pirate movies that have not even hit the European screen- by watching TV and talking to taxi drivers you can catch a glimpse of the pulse within which the country is moving. The result of such exercise is quite distressing.

Sad as it is, Ecuador's current situation seems very much like many others that can be found in the developing world. Indeed there are no surprises. High levels of populism and corruption, poverty figures on the rise especially after the dollarization process took place, all of this with a great dose of inequality and lack of opportunities for the less privileged -namely the local native population- what at the end has resulted in a total distrust towards the political class and its institutions.

Regardless how hopeless this situation might seem it was very rewarding to realize that there is still people there giving the fight to

have a better future. I could see in Babahoyo, Machala and Zamora, private as well as public actors engaged in partnerships seeking for an overall improvement for their communities. That was indeed the highlight of the trip. It was very stimulating to see that despite all difficulties there were truly motivated people working which had a real concern on becoming actors of change and promoters of economic well-being.

Maria José Molina Alvarez

Certainly, my favorite moment was a conversation that took place one Saturday morning in Puerto Bolivar at the fishermen's association office. That morning I was able to realize that despite the fact that their leaders might be lacking several skills; the determination to better their lives and the ones of their fellow fishermen is all the motivation they need. I was amazed on their capacity to learn and how open they are for new ideas.

Thus, even though the whole globalization process is widening the gap between poor and rich territories throughout the globe. Backward areas still stand a chance, because when there is the drive people will most likely become agents of their own change. That is something I could see in those fishermen in Machala and in some very dedicated public officials. The challenge is to anyone to be taken... and I am greatly thankful to have had the experience to see how development interventions really work in the field. Warmest regards to all those who made my trip an easy ride worth to remember.

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Maria José has prepared an independent report on the PACA experience in three locations in Ecuador. You can download the report from the Testimonials section of the PACA website.

Personalia

Since November **mesopartner** is supported by a project assistant, Ute D. Mayer. She is a German citizen, is fluent in English and Spanish and is delighted to provide everybody who interacts with **mesopartner** with her services and assistance.

Almost three years ago Ute left Germany to live in Buenos Aires where she got married to an Argentinean. Since her arrival in the country she has been working in foreign trade between Europe and USA and South America. Before that, she has worked within a Global Service Line in a large international consulting company in Germany for many years.

One of her mayor assignments will be to support the PACA-Community of Practice. From now on she will be your point of contact regarding all your administrative questions with respect to PACA, including PACA News.

Please feel free to communicate directly with Ute either through mail: udm@mesopartner.com, or by phone: +54-11-4862-1849 (Monday through Friday, 6:00 to 14:00 h. UTC).

Ute D. Mayer

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), Dr Jörg Meyer-Stamer (jms@mesopartner.com) and Christian Schoen (cs@mesopartner.com).

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