

**Participatory Appraisal
of Competitive
Advantage (PACA):
Effectively Launching
Local Economic
Development Initiatives**

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The cover photo shows the technique used in PACA to prioritise LED interventions.

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1 Why stimulating economic development at the local level?

In developing countries, there is an increasing awareness of the necessity to formulate and implement economic development strategies at the local level (local economic development, LED). The 1990s have seen the demise of traditional approaches to industrial, structural, and regional policy. Within the traditional approaches, economic development programs were

- formulated (but quite often actually never implemented) by central government,
- formulated and implemented in a top-down manner, without consultation and involvement of the target group,
- based on an external evaluation of potentials and problems, rather than a process of local awareness building and learning,
- often based on huge development projects, like large dams, and huge investments, like petrochemical, steel or other basic industries,
- creating perverse incentives due to the availability of government subsidies for regions with low performance.

This approach is no longer pursued for a variety of reasons. One of the most important ones is the inability and unwillingness of central governments to conduct such activities – inability due to lack of funds, unwillingness due to the predominance of the neoliberal doctrine which, in the simplistic / fundamentalist variety, is opposed to active development-oriented policies. Another important reason is the observation that, in leading industrialized countries, development policies are quite success-

fully formulated and implemented at the local and regional level, something that is perceived as a model in latecomer countries.

Decentralization is not the only difference to traditional approaches of industrial policy. Two main aspects of traditional industrial policy are absent in the new approach. First, there is usually no creation of public enterprises. Quite the contrary, not only are state enterprises in industry and infrastructure being privatized but also traditional government activities like economic promotion. Second, there is no infant industry protection. Instead, there is a variety of (mostly supply-side) instruments which aim at improving the environment for firms so that they can create a competitive advantage.

In this paper I will present a methodology which has been employed in a number of countries¹ to kick-start local economic development activities. “Participatory Appraisal of Competitive Advantage” (PACA) combines competitiveness concepts with the principles of rapid / participatory appraisal in order to identify quickly implementable activities to stimulate a local economy. It is not aiming at grand strategies and big projects, but rather at practical approaches to remedying local market failures, state failure and network failure that so far stand in the way of business growth.

1 Until mid-2008, PACA exercises have been conducted in various localities in Algeria, Armenia, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Ghana, Guatemala, Guyana, India, Indonesia, Laos, Lesotho, Moldova, Montenegro, Nepal, Nicaragua, Namibia, Romania, Peru, Serbia, South Africa, Sri Lanka, Tanzania, Thailand, Uganda, Uruguay and Vietnam.

2 Points of departure of the PACA approach

Local economic development (LED) is at the same time a simple and a difficult task. It is simple because the necessary concepts and instruments are available and widely documented in the literature.² There is nothing particularly magic or intrinsically complicated about it. It is difficult because its success is based on the active involvement of many actors, and the successful communication and coordination among them. Local economic development can only to a limited extent be delegated to salaried professionals. Therefore, motivation is a crucial issue. This is the first point of departure of PACA.

A successful local economic development initiative relies to a substantial extent on voluntary work – businesspeople, government executives, and representatives of civic associations and other organizations spending time in meetings and doing work which often is unpaid. Any LED initiative is therefore in need of visible, tangible results, and preferably quick results. Quick and tangible results motivate local actors to dedicate more of their time, and they pull in more actors. Therefore, coming up with viable, practical, quickly implementable proposals is a crucial goal at the beginning of any LED initiative. This is the second point of departure of PACA, and it is why PACA includes a method to do a quick appraisal of a local economy, which should take no more than two weeks.

A successful local economic development initiative builds on the motivation of individuals to pursue some project as well as the willingness and

2 See, for instance, Edward J. Blakely and Ted K. & Bradshaw, *Planning Local Economic Development. Theory and Practice*. Thousand Oaks etc.: Sage, 2002, and journals like the *Economic Development Quarterly*.

ability of many individuals to formulate a shared vision which is guiding the projects. Also, many projects will only work if several individuals work together. It does not make sense to suggest projects which local actors do not find plausible, and it does not make sense to suggest projects which involve the collaboration of actors who cannot imagine to work together. Thus, the aim to come up with a diagnostic not only of economic potentials and challenges but also of a clear idea of the capacity, motivation, and cooperative spirit of key actors is the third point of departure of PACA.

3 Why “Participatory Appraisal of Competitive Advantage”?

The name PACA introduces three terms:

1. *Participatory*: PACA is a participatory approach, but not in the way participation is sometimes conceptualized. PACA is not about inviting everybody to a huge round table, only to have everybody staring at everybody else and nobody having a clear idea what the whole meeting is about. PACA also does not suggest endless community mobilization processes. The PACA concept of participation rather revolves around two main points:
 - Successful local economic development must be based on the active involvement of those stakeholders who are relevant for economic development, i.e. have relevant resources at their disposal (know-how, money, time, delivery capacity, etc.) or could create obstacles. Also, an LED process must be organized in a transparent way, and it should be managed in a way which encourages additional actors to jump in along the way.
 - Successful local economic development involves a constructive relationship between the public and the private sector, without either of them having a-priori a clear guiding role. LED cannot be a task of local government alone. But it is also not advisable to leave it to the private sector alone. A constructive relationship often does not exist at the outset. On the contrary, we often find that both sides feel distrust and contempt for the other side. Improving the relationship, and learning to cooperate, is one of the purposes of applying the PACA principles.

2. *Appraisal*: The core of PACA is a methodology which permits a rapid appraisal of a local economy – not only of its economic potentials, but also of the political factors which may or may not be propitious for an LED initiative.
3. *Competitive Advantage*: The main thrust of PACA is not to elaborate endless lists of problems, deficiencies and bottlenecks, but to look for opportunities which improve the local business environment within a short period of time. PACA relates to Michael Porter's concept of location-based competitive advantage and the analytical concept of systemic competitiveness.³

In fact, PACA has two meanings:

- In the *narrow sense*, it is a method to conduct a quick, action-oriented appraisal of a local economy, looking not only at economic potentials but also, and in particular, at the motivation and capacity for action of local stakeholders. This is what the PACA Exercise, which is describe in the next section, is about.
- In the *wider sense*, PACA is an alternative approach to Local Economic Development, based on a critique of orthodox approaches. I will elaborate this point in Section 7.

3 Michael Porter, *The Competitive Advantage of Nations*. New York: The Free Press, 1990; idem, *Location, Competition, and Economic Development: Local Clusters in a Global Economy*. *Economic Development Quarterly*, Vol. 14, 2000, No. 1, pp. 15-34; Klaus Esser, Wolfgang Hillebrand, Dirk Messner & Jörg Meyer-Stamer, *Systemic Competitiveness. New Governance Patterns for Industrial Development*. London: Frank Cass, 1995.

4 What does a PACA Exercise look like?

A PACA Exercise involves a team of between four and eight persons, most of them from the respective location, who conduct a rapid appraisal of the local economy. We call this the “PACA Team”. Strong participation of local stakeholders in the PACA Team is essential, since this is the only way to assure ownership both with the diagnosis and with proposals for practical action. A PACA must be driven by the “PACA Host”, i.e. a local organization and a credible person who are capable of pulling in various other stakeholders.

The sequence of the activities of the PACA Team starts with a build-up phase where

- relevant local and other stakeholders are engaged,
- available data and information are assessed,
- a schedule of mini-workshops and interviews is set up.

This is followed by a phase of intense research, involving the following activities:

- a hypotheses workshop, where the PACA Team clarifies its expectations,
- a kick-off workshop, where additional information is gathered from key stakeholders who are at the same time informed about the PACA Exercise,

Table 1: Sequence of a PACA Exercise

Build-up

Recruitment of PACA Team

Organization of workshops and interviews

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Kick-off Workshop (3 hours)

- Inform local stakeholders about the purpose of the PACA
- Gather information on local economy

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PACA Fieldwork (1 – 2 weeks)

- Mini-workshops to gather information about specific sectors of the local economy
- Interviews to get in-depth information

↓

Results Workshop of the PACA Team (1 Day)

- Elaborate diagnosis
- Elaborate practical proposals

↓

PACA Presentation Event (3 hours)

- Present diagnosis and proposals to local stakeholders
- Get feedback and suggestions for implementation

↓

Way Forward Workshops

Implementation

- Mini-workshops which last about two hours each, i.e. are aligned with the time constraints of business people, where a number of specific formats are applied to gather sector-specific information in a very efficient way,
- interviews with key companies, institutions and informers,
- a Results Workshop of the PACA Team to elaborate findings and proposals,
- a Presentation Event to present and discuss diagnostic and proposals with local stakeholders,
- a series of Way Forward Workshops to plan the details of the implementation of proposals.

A PACA Exercise usually lasts no more than two weeks. After that, implementation of practical activities to stimulate local economic development begins. A first series of PACA Appraisal Workshops should be organized after six months, to assess the progress and to define a new round of activities. This will reinforce the LED process. The underlying idea is to set an evolutionary process in motion that over time leads from quick-win activities to strategic interventions that address critical constraints of the local economy and generate opportunities for growth.

5 Why did the concept come about?

The concept presented in this paper initially was an ad-hoc response to an articulated demand for support of local economic development efforts. The demand came from municipal-level Chambers of Industry and Commerce (Associações Comerciais e Industriais, ACIs) in the state of Santa Catarina in the South of Brazil. Around 1997/98, some ACI directors and executives perceived that it was necessary to promote economic development at the local level – unemployment and a sense of crisis were increasing, and federal and state governments which had traditionally played a leading role in stimulating economic development were less and less active in this field. However, it was not at all clear how to promote economic development at the local level. The prevailing idea was to attract external investors – from other parts of the country or from abroad. But it was an open question how to do this, and whether other activities might be possible as well.

This was where Fundação Empreender (FE) came in. FE is an organization maintained by several ACIs in the Northeastern part of Santa Catarina; it emerged from a technical cooperation project between ACIs and the Chamber of Arts and Crafts for Munich and Upper Bavaria in Germany. Its main tasks are training of ACI professionals, other kinds of support for ACIs (e.g. moderation of annual planning exercises), and dissemination of methodologies to stimulate organization development in business associations in other regions of Santa Catarina and Brazil.

FE's brand label for PACA was "Projeto Marketing Municipal". This label reflected the paradigm which usually prevailed in the places where practical work was conducted – local economic development meant projecting the place elsewhere to attract firms. The label facilitated an easy connotation for local actors, unlike other possible labels like "Promoting

local economic development” which had an unclear connotation with local actors. However, it is essential to emphasize one point: One of the main purposes of PACA is to stimulate a learning process among local actors that economic promotion involves more than trying to attract firms, and maybe even that attracting external investors at the moment is a remote possibility.

These roots explain why PACA is different from other approaches to LED. It emerged in a private sector setting, not in government. It relates to the profound conceptual and methodological know-how on private sector development FE has accumulated. It is based on a sound understanding of the thinking and behavior of business actors. Ultimately, PACA tries to introduce a sense of business into LED.

6 What are the principles of PACA?

The purpose of PACA is to come up with a diagnosis of competitive advantages and disadvantages of a given locality and proposals for practical activities. A PACA exercise lasts between one and two weeks. It is based on the work of the PACA Team, consisting of one or two external consultants and three to six, possibly more, local members (typically from local government, the business chamber or a business association, the local university, and other local organizations). The proposal to conduct such a swift exercise is much less audacious than it may appear. Our experience so far has shown that it is perfectly possible to come up with a reasonably reliable analysis of local conditions in such a short time, provided that methodologies based on the participatory appraisal and the participatory planning schools of thought, combined with concepts to analyze determinants of competitiveness and the Moderation Method as a core communication tool, are competently and consistently used.

PACA is more than just a recipe for how to have two exiting weeks. Underlying is a vision on how to do local economic development, including support of small and medium-sized enterprises (SME) and employment promotion. The key propositions of this vision are:

- Successful local economic development is based on collective action, and involves a partnership between the public sector, the private sector, and interested parts of civil society. It is not an activity to be pursued exclusively by the public sector.
- It is important to combine bottom-up and top-down approaches. PACA avoids focusing one of these approaches exclusively. But it has a clear bias. It is based on the conviction that bottom-up is ex-

tremely important, and will often have to be the prevalent pattern. The top-down element often comes in through some external agent who is persuading local actors to conduct a PACA, and who is supporting and coaching the entire process. Often, these are donor agencies; sometimes, higher level government bodies.

- It is an approach which combines supply- and demand-driven activities. The period when we developed PACA was also a period when the international donor committee formulated the Business Development Services (BDS) approach, which tended to overemphasize the demand side. Like BDS, PACA puts a lot of emphasis on effectiveness, significance, and financial sustainability of development interventions, and emphasizes the importance of creating functioning markets. One key objective of PACA is to understand market failure (such as barriers to entry or information failure) and government-created barriers to business in order to propose practical activities which make markets work better and thus remove barriers to business growth.

Implicit in PACA is a distancing both from the traditional and the currently fashionable approach to development, in particular promotion of economic development. The traditional approach – not just in development cooperation, but also, interestingly, in fields such as corporate R&D – was supply driven. In R&D, the idea was that you needed brilliant science which would automatically spill-over into brilliant technology which would lay the grounds for hugely successful products. In development cooperation, the idea was that you had to build up the necessary structures and that development would start, hopefully, once the building blocks – human resources and institutions – were in place. Today, the perspective tends to be the other way around: things have to be demand-driven. Approaches which try to anticipate or to create demand tend to be frowned upon.

PACA suggests that there may be a virtuous circle between demand and supply. The initial PACA Exercise will indicate a variety of market failures and obvious opportunities for businesses and business promotion.

With the completion of the first diagnostic, various local actors will start to implement, sometimes jointly, practical activities to address market failure and to exploit opportunities. In doing so, they will probably notice missing elements, such as inadequate supply of training offers or a mismatch between available financial resources and demand. They may decide to create that supply, and when they do so, it may appear pretty much like conventional capacity building activities – except that this time it is the outcome of the clearly defined demand (as opposed to “needs”), and those who conduct the activity know exactly what the purpose is. Supply-driven capacity building is a slow, cumbersome process – few people voluntarily do it if there is no clear goal except the abstract notion that this specific capacity may fit into something somewhere sometime and may be crucial for development. Demand-driven capacity building can build on a strong motivation, since that capacity is necessary to solve a problem right here, right now.

7 Why use PACA instead of another approach?

PACA is different from other approaches to LED. A mainstream approach is strategic planning at the local level.⁴ We have often seen cases where a local team of experts gathered an enormous amount of data, came up with an objective analysis of the local situation, and suggested a series of initiatives based on international best practice – only to find that local actors did not believe in the possibility of action, or had no experience in even simple LED activities, or that local organizations were weak or fragmented. Strategic planning usually is conceived as a comprehensive effort which demands significant resources and takes a lot of time. It also does not give much latitude for learning-by-doing in implementation. If a community is doing local economic development, it may after some time decide that it would be useful to think more strategically, and to formulate an explicit strategy. But in this case, the formulation of a strategy and the planning of strategic interventions is an outcome of a LED initiative, not the start.

PACA tries not only to analyze the economic potential, but also the potential for collective action. It was initially developed in a setting where organizational weakness and lack of interaction between institutions are commonplace. The explicit aim of concrete applications of PACA was therefore to identify possible points of entry to collaboration and collec-

4 See, for instance, The World Bank, Urban Development Division: Local Economic Development. LED Quick Reference, Washington, October 2001: “Good practice indicates that local economic development should always begin with the formulation of a strategy” (p. 3). It is also instructive of the orthodox approach to LED that the standard textbook on LED is called “Planning Local Economic Development. Theory and Practice” (Blakely, E. J., & Bradshaw, T. K., 2002. Thousand Oaks etc.: Sage [Third Edition]).

tive action in order to create positive, encouraging experiences and thus initiate a paradigm change among local actors. This explains the attention to quick wins. This is, in our view, the most promising way to create credibility for such an effort among local actors, especially firms which often have a very short-term orientation (like, for instance, six months or so as the maximum period allowed as a payback-period in investments). As firms and their associations are key actors in this work, taking their usual time-frame into account is crucial. Another consideration has to do with the observation that it is experience-based learning which tends to render the most sustained effects – preaching the best practice of local economic promotion seems much less promising than promoting projects which initially may appear timid and not ambitious but which initiate a learning process, and over time a paradigm change.

PACA is also different from the usual approach pursued by management consultancy firms. Their primary objective is not to help the client help himself, but to create more demand for their consultancy services.⁵ PACA emphasizes the need to use the PACA Exercise to transfer skills to local actors and to reduce their dependency on external support as much as possible. The only similarity between PACA and the usual consultant's approach is the use of Powerpoint for the final presentation, but even here the content is quite different: PACA deliberately tries not to be fancy, but rather to use concepts and a language which is easily comprehensible for the average stakeholder.

PACA is also clearly distinct from approaches to LED that focus at the creation of Local Economic Development Agencies (LEDAs).⁶ There is little use in proposing the creation of a LEDA as the main initial activity under LED. A LEDA is a means, not an end in itself. LEDAs exist in

5 Cf. Lewis Pinault, *Consulting Demons. Inside the Unscrupulous World of Global Corporate Consulting*. Harper Business, New York 2000.

6 See, for instance, ILO, UNOPS, EURADA & Cooperazione Italiana, *Local economic development agencies. International co-operation for human development, democratic economies and poverty reduction*, no date and location given.

many localities, but they usually are the outcome of a long evolution of LED activities.

PACA is also different from approaches which put a lot of effort into motivation and consensus-building before doing any practical LED activities.⁷ PACA is based on the reasoning that success breeds success. It is sufficient to start working with a limited number of local stakeholders. If they succeed in implementing practical activities which make a difference to local producers and businesses, this will have the strongest possible motivation effect.

Consensus-building is another story. Why do you need consensus to do LED? Successful business is built on diversity, not on consensus. Likewise, successful LED is diverse and stimulates diversity. It is crucial to have a basic consensus on the necessity of LED as such. But more often than not, trying to form a broad consensus on specific LED projects is a recipe for disaster, as stakeholders get stuck in endless disagreement. This is even worse at the outset of LED, when stakeholders do not yet know LED from their own experience and therefore don't really know what they are talking about – and thus pile conceptual and instrumental confusion on top of strategy disagreements.

So is PACA then an approach that focuses exclusively at businesses, i.e. individuals who are well off already? Actually, the opposite tends to be the case. Without LED, a local economy tends to be run by a limited group of well-connected individuals and families who are keen to defend their privileges. Avoiding transparency about market structures and opportunities is one way of achieving that. PACA is an approach that creates an opportunity for outsiders and marginalized groups to understand the local economy and identify economic opportunities. It aims at pulling such groups into the formal economy and create income opportunities, rather than reinforcing exclusion by running activities that exclusively

7 See, for instance, Club du Sahel & OECD, *Managing the economy locally in Africa. ECOLOC handbook. Assessing local economies and their prospects. Volume 1. Summary.* Paris: Club du Sahel / OECD, 2001.

address those people who are already excluded. PACA involves a couple of shrewd tools that favor the inclusion of less privileged or marginalized groups, and that break with traditional mechanisms through which local elites assure their dominance.

At the same time, the local elite tends not to perceive PACA as a threat. Thanks to its emphasis on quick wins and modest interventions, it does not necessarily appear to them as something that they have to fully control. PACA is pro-poor by virtue of creating an opportunity for poor groups without obviously threatening the position of privileged groups. Moreover, it is pro-poor by introducing business principles into efforts to connect poor groups to the formal economy. This creates a much higher probability of generating sustained effects than other supposed pro-poor interventions, such as income generating projects that often fail to become sustainable business ventures.

8 What are results favored by PACA?

The purpose of a PACA Exercise is to formulate proposals for practical LED activities. In the course of Mini-workshops and interviews, local stakeholders usually come up with all sorts of suggestions, and the PACA Team should add its own ideas to this. The main point, however, is not to overwhelm local stakeholders with a multitude of proposals but rather to limit the number of proposals, and to cut the proposals down to those who fit with three criteria: Can it be done with local resources? Can it be implemented quickly? Can it achieve a visible result within, say, three months? Given the typical mindset and time-frame of businesses, only proposals which fit with these criteria have a good chance of successful implementation.

PACA is particularly appropriate for locations where local stakeholders have little experience with LED, or where a strategic planning exercise has failed to deliver tangible results. In many locations, there are opportunities for spectacular LED initiatives, for instance activating a passive cluster, creating a new business estate, starting a training & technology center for an important local industry, or converting an abandoned industrial site into a business incubator. All these examples, however, require a well-developed competence in planning and implementation, a highly competent public administration, a well-organized private sector and close ties between public and private sector. You will frequently find that in a place where you do a PACA neither of these elements is present. This is why PACA emphasizes practical, down-to-earth proposals, rather than fancy ideas. Essentially, such proposals fit with one of the following criteria:

- They make local markets work

- by removing barriers to entry (e.g. by making existing demand more visible for potential entrepreneurs)
- by resolving information problems (e.g. by creating opportunities for business people to meet)
- by amplifying supply or demand (e.g. by organizing local markets or product-related events)
- They remove bureaucratic obstacles to doing business (e.g. persuading local government to better explain registration and permit requirements and processes)
- They make improved use of locally available resources (e.g. by highlighting the economic value of the sawdust the local sawmills dumped into the nearby river)

Finally, it is important to mention yet another set of criteria: Good proposals are those which encourage learning among local stakeholders, which encourage them to do LED and which stimulate networking and collaboration between local actors, thus creating social capital. The purpose of PACA is not to avoid ambitious LED projects, but rather to prevent LED efforts from collapsing early because local stakeholders are overwhelmed by the challenges of overly sophisticated interventions. There is no reason why PACA should not lead, in the medium term, to the formulation of ambitious projects to develop a local economy, on the contrary. But why would you start with this, in particular if there are so many simple and often silly obstacles standing in the way of businesses, obstacles which you can remove rather easily?

9 What is the impact of a PACA?

PACA does not come with a built-in guarantee of high-impact LED. In fact, exactly the opposite may happen. In one of the early PACAs in Santa Catarina, the conclusion of the diagnostic was that the probability of any successful LED initiative in that location was very low, as the private sector was not effectively organized and the local Business Chamber was paralyzed by infighting, so that the good intentions of local government did not meet with much response from the private sector. The advantage of PACA was that it took just one week to identify this blockade situation.

Moreover, PACA explicitly does not focus at huge and fancy projects which are highly visible because thousands of tons of concrete have been consumed in building them. LED is often linked to major urban redevelopment projects, such as a convention center or a waterfront development. This kind of project undoubtedly has a major economic impact. But it is urban development, and not the kind of LED which PACA aims at: concrete, practical projects which quickly improve the environment for producers and businesses and make business opportunities visible. Urban development is thinking in periods of decades, whereas PACA is thinking in months.

A good example of the kind of impact PACA can have is one of the outcomes of the very first PACA ever conducted, in Mafra, Brazil, in September 1998. What we detected in this exercise was a small but very competent NGO working with smallholder families, teaching them to raise new products and managing the entire value chain. The striking observation was that the products – at that time mostly tomatoes, to some extent organic, which were grown in simple tunnels – were sold at a wholesale market in a major city several hours away, rather than to local

supermarkets. The reason for this was a lack of trust of local supermarkets into the reliability of small local producers. Thanks to the mediation of the local business chamber (which was championing the PACA), a direct contact between NGO and supermarkets was established. The benefits were shared: the producers received a higher price, the supermarkets increased their profit, and the consumer price dropped. As the transactions ran well, trust was built between NGO and some of the supermarket owners, who then decided to deposit part of their liquid funds at the credit cooperative which was collaborating with the NGO. Half a year after the PACA, this amounted to about half a million dollars, thanks to which the NGO could expand its scheme, involving more families and introducing additional varieties. Five years later, the initiative was still thriving, constantly identifying new opportunities and creating a massive income increase for hundreds of poor families.

Other examples of practical outcomes of PACA exercises are the following:

- the establishment of a working group between training providing and software firms in Blumenau, Brazil, which led to the creation of training products which fit with the demands of firms,
- the design of a strategy to overcome the resistance against a new zoning law in Brusque, Brazil, which had been blocked by the city council for two years and was passed a few weeks after a PACA had been conducted,
- a successful effort of ceramics firms from Lampang, Thailand, to jointly enter the regional market of southwestern China,
- in the same city, a cooperation project between the local ceramics industry and the tourism sector who launched a special award for hotel/ restaurants which use Lampang ceramics, as well as a project to organize visits to ceramics plants for tourists,
- an initiative of garments firms in Chiang Mai, Thailand, to start joint sourcing of raw materials,

- the re-launch of a local tourism association in Queenstown, Eastern Cape, South Africa, where before the PACA Exercise nobody believed that there was much tourism in the first place,
- the creation of a joint brand and label for bricks produced in Kundasale, Sri Lanka,
- an initiative to check and standardize the weights used by middlemen who buy the catch of the fishermen in El Oro, Ecuador.

The common feature of these outcomes is that they were highly valued by local businesses and, in their view, created a significant difference for their operations. They laid the groundwork for subsequent activities to upgrade locational quality, improve the competitiveness of local businesses and generate more income for local people.

10 How has PACA evolved over time?

PACA started in September 1998 as an ad-hoc response to an immediate problem of local policy makers in some municipalities in Santa Catarina, Brazil. In 1998/1999, five PACA exercises were executed there. In 2000, an experimental PACA exercise was conducted in South Africa, which established that the approach was transferable to other countries and economic structures. In 2001, a variation of PACA was developed and successfully applied: the Rapid Appraisal of Local Innovation System, RALIS – again a pragmatic response to the need to conduct an appraisal of technology transfer and localized technological capability as part of a larger assessment of the science and technology system in Indonesia. This included the training of local facilitators who then conducted the fieldwork, an experience which confirmed that a method like PACA/RALIS can be codified and trained. In early 2002, the first systematic PACA training workshops took place in Thailand, which has since been followed by training workshops in numerous other countries.

Six points should be mentioned regarding the evolution of PACA. First, it has evolved from an ad-hoc approach to a documented and codified methodology, with manuals which at version 5.3 (2006) amount to more than 300 pages.

Second, the structure of a PACA exercise has changed. In the early PACAs, we relied mostly on interviews and only to a limited extent on workshops. Today, it tends to be the other way around. We have developed a number of Mini-workshop formats for exercises which, in the course of no more than two hours, extract a very substantial amount of information from local stakeholders. Relying more on Mini-workshops

and less on interviews economizes on the time of both local actors and the PACA team.

Third, the focus has changed. This was due to one of the lessons we learnt from the early PACA exercises, where we tended to throw too many and too fancy proposals at the local actors. In places where local actors have little or no experience with LED, this is bound to defeat the purpose of the whole exercise. Today we insist on a limiting the number of proposals, and making only proposals which can be implemented quickly by local actors. Admittedly, this gives rise to a new problem, namely that some local actors find the proposals not sufficiently exciting. However, given the observation that even rather simple proposals prove to be quite challenging to rather inexperienced local actors, we tend to stick to our current approach – at least in those cases where a PACA marks the start of LED activities. Moreover, we put much more effort now into the build-up, especially getting the buy-in of relevant local stakeholders. One of the goals is to make sure that influential local persons become members of the PACA Team. The better the local representation and participation in the PACA Team is, the more dynamic the implementation of activities after the PACA Exercise will be, and the more likely it is that a sustained LED process will emerge. Local economic development depends on the energy and motivation of local players. External skilled PACA Facilitators can guide them, but they cannot substitute the involvement of local actors.

Fourth, we have learned that PACA has to be aligned with existing structures and processes. In many countries, decentralization has been implemented through the introduction of elaborate planning processes or the specific definition of local government responsibilities. In principle, it is possible to run PACA exclusively through and with the private sector, but that is not advisable. In order to get the public sector on board, it is essential for PACA facilitators to understand how PACA fits with and adds value to public sector routines.

Fifth, we have understood the critical link between understanding a given local economy and its connection to value chains, in particular regarding

the commercialization of local products. An LED diagnosis and practical activities need to take this reality into account, even if this means that apart from local stakeholders also buyers in some far away places need to be interviewed.

Sixth, it is important to understand that PACA often is an implicit change tool. It is often used to change behavior within the public sector and the private sector, and to change the pattern of interaction between the two. Any change effort tends to meet with resistance, typically based on denial (that there is a need for change) or anger (that somebody dares to suggest change). PACA facilitators need to be aware of this and manage expectations and calibrate interventions accordingly.

About the author

Jörg Meyer-Stamer, born 1958. PhD in political science, University of Hamburg. 1988 – 1998 fellow at German Development Institute, Germany's leading development policy think tank, in charge of conceptual and policy-oriented research on technology, innovation and competitiveness. 1998 – 2001 project manager at Institute for Development and Peace, University of Duisburg, conducting an overall assessment of structural policy (local and regional economic development, active labour market policy, urban renewal) in the state of North Rhine Westphalia. 2003 co-founder of **mesopartner - local economic delivery**, a firm that specialises in developing and disseminating concepts and methodologies around local and regional economic development. 1998 – 2000 German commissioner in the United Nations Commission on Science and Technology for Development. Co-author of the concept of Systemic Competitiveness. Author of the PACA methodology and other concepts and methods for territorial development (Hexagon of LED; Rapid Appraisal of Local Innovation Systems / RALIS, Compass of Local Economic Development). Experienced consultant, facilitator and trainer on territorial development, competitiveness, innovation and related issues. Author of numerous monographs and publications in academic journals. Co-host of the Local Economic Development Podcast. Further information and numerous publications available at:

<http://www.mesopartner.com>,

<http://www.ledcast.net>

<http://www.meyer-stamer.de>

mesopartner is a consultancy partnership that specialises in territorial development, cluster promotion and value chain development. It was founded in December 2002 and registered in April 2003 by Dr Ulrich Harmes-Liedtke, Dr Jörg Meyer-Stamer and Christian Schoen. Frank Wältring joined in 2004, Shawn Cunningham in 2007.

The most widely used product of mesopartner is PACA, a methodology to kick-start or refocus local economic development initiatives which has been developed by Jörg Meyer-Stamer. It has been successfully applied in many developing and transformation countries. The main objectives of mesopartner are

- to train PACA practitioners in various countries,
- to develop more specific PACA instruments, for instance for cluster analysis, value chain analysis and analysis of government-created obstacles to business,
- to develop and disseminate further methodologies and tools for local and regional economic development initiatives,
- to develop innovative concepts and tools to train practitioners in local and regional economic development.

Another mesopartner tool is RALIS (Rapid Appraisal of Local Innovation Systems). 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.

Further mesopartner tools include

- the Compass of Local Competitiveness, a balanced scorecard-based approach to performance management of territorial development initiatives,
- GENESIS, a methodology for the participatory elaboration of strategic interventions for a local or regional economy.

You find more information at our website, www.mesopartner.com