How to conduct a PACA Exercise

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Local Economic Delivery

PACA®
Participatory Appraisal of Competitive Advantage
A Product by mesopartner

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Updates on methodological issues around PACA are available at the password-protected Community of Practice section of the PACA Website, http://www.paca-online.de

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1 Why "Participatory Appraisal of Competitive Advantage"?

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. 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 organisations 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. 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 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 that 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 with each other. 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 co-operative spirit of key actors is the third point of departure of PACA.

PACA is an innovation in the true Schumpeterian sense. The famous economist Joseph Schumpter defined innovation as “recombination”. Innovation is not invention, i.e. something genuinely new. An innovation creates something new by pulling together existing elements. PACA combines a number of elements to create an innovative approach to launch and sustain LED initiatives:

- the Systemic Competitiveness concept, in particular its emphasis on the role of actors and of appropriate governance structures,
- a variety of elements from strategic management, like the 5 Forces Analysis, and from Michael Porter's work on localised competitive advantage,
- the discussion on market failure and market adjustment as a guiding principle for business promotion,
- the Moderation Method, i.e. a communication tool where workshop participants write on cards instead of just talking,
- the principles of Participatory Learning & Action on how to conduct rapid yet highly structured research with "optimum ignorance and appropriate imprecision".

PACA emerged from an involvement of local Business Chambers in the state of Santa Catarina, Brazil, in local development. To some extent, this explains the difference between PACA and other approaches to LED. The dominating LED approaches are the planning approach and the LEDA approach:

- The planning approach, often addressed as "Strategic Planning", is linked to the historic context of the creation of LED. Initially, LED was closely linked to urban planning, real estate / industrial estate development, and similar activities. Many LED officials have a background in urban planning. For them, doing things based on proper planning comes naturally. The problem is that while a major urban planning project must be based on a masterplan, an LED initiative like a cluster project or a business networking project cannot be based on a masterplan because it has to respond swiftly to new opportunities. The routines of urban planning and of running a business are very different. That is why industrial sites are often a nightmare in terms of urban quality standards, and that is also why planning-driven LED initiatives are often not very successful.
- The LEDA approach postulates that LED works best with a dedicated agency, a Local Economic Development Agency or LEDA. This approach is rooted in the experience of industrialised countries, where many such agencies exist. It is an approach which is strongly influenced by government executives, who naturally think in terms of structures and organisations. However, it is important to note that in industrialised

countries LEDAs have been an interim outcome of LED initiatives, not the starting point.

1.1 PACA principles

PACA has its roots in business thinking, processes and structures. The fundamental insights that underlie the PACA approach are summarised in Table 1.

A PACA Exercise

- tells local communities how they can help themselves,
- identifies practical activities to get an LED process moving,
- persuades local actors to work towards a visible and tangible outcome, not towards a strategy document.

Does doing LED in the PACA way mean to do things differently or to do different things? The answer is: Both! Doing things differently means to have an LED process

- that is driven by opportunities
- that is looking at short-term results
- that is maximising the efficiency in the use of time of the actors involved.

PACA is suggesting to do different things in terms of

- addressing market failure
- stimulate business networking
- addressing fragmentation of institutions and actors in a project- and opportunity-driven way.

Is PACA designed to be an alternative to the predominant approaches to LED? The answer is: Yes and No.

- Yes, PACA is an alternative when it comes to launching LED processes in countries and locations without a tradition in local development initiatives. We would argue that in this kind or environment PACA is clearly superior to planning- and LEDA-driven approaches.

- No, since PACA will initiate an LED process that over time will take local stakeholders to the point where they may find it useful to formulate an LED strategy and create an LED agency.

Table 1: Fundamental insights underlying PACA

1. A shift in the development paradigm	Development policy is moving • from long-term planning to short-term action; even in fields like spatial planning, current good practice involves process management, not the preparation of complex blueprints • from top-down to bottom-up – increasingly, development policy is not only delivered but also designed at local and regional levels • from government-driven to public-private partnership – development becomes a shared task of various actors
2. Development work is process management	• There is no linear sequence: capacity building – creation of institutions – implementation/delivery. Development is rather an iterative process • The most relevant element of learning is learning-by-doing • A key challenge for development work is to set the stage and to shape learning-by-doing.
3. A shift in the approach to LED	• LED must be driven by opportunity, and the business sector has to play a key role in formulation, implementation and evaluation of LED activities • LED initiatives are not necessarily addressing the main sector, but rather the motivated sector, i.e. clusters and networks where actors are willing to collaborate • There is little emphasis on strategy as a written plan; strategy is understood as a shared vision • LED is not only an iterative process, but also an open process (with a changing constellation of actors and measures) and an open-ended process (with defined interim objectives, but not a final goal that is described ex-ante in any detail) • LED involves action learning • The main role of LED actors is facilitation, i.e. connecting role players and stimulating self-help potentials
4. An emphasis on leveraging local resources for LED	A PACA Exercise • mobilises local knowledge • connects local knowledge • connects and contrasts local and external knowledge • makes local players learn that they can do things they never thought of • contrasts perceptions and facts
5. Facilitation	Efficient facilitation of LED means to • mobilise local knowledge • connect local knowledge and players • connect and contrast local and external knowledge • contrast perceptions and facts • make local players learn that they can do things they never thought of A PACA Exercise permits local government to project commitment to business, to establish communication channels with business and to engage in joint problem-solving with the business sector
6. A new understanding of government's role in development	A key challenge is to unburden government: • less delivery by government • government as facilitator It is crucial to deal constructively and pragmatically with fragmentation of government agencies, for instance via problem-oriented connection of agencies instead of re-organisation or co-ordination for the sake of co-ordination One of the most pressing tasks in most locations is to move government out of the way of business. Government, through the red tape it creates, is often a key obstacle to the growth of the local economy.

From a methodological angle, PACA applies the scientific principle: methodological rigour leads to repeatable experiences. PACA does not suggest a standardised approach to LED across locations and countries. But it does emphasise the importance of a highly structured process, all along from the build-up though the fieldwork, the preparation of a diagnosis, the communication of proposals to local stakeholders and the management of implementation. PACA tries to keep things simple yet very organised. PACA offers you guidelines all along the process, which are supposed to help you avoid the mistakes and shorten the learning period other people before you have gone through.

1.2 PACA and LED Strategy

PACA has its origin in a context where local actors had little experience in LED. Based on this experience, it is based on the insight that it is entirely unrealistic to expect that stakeholders can formulate a grand LED strategy at a very early stage:

- They do not yet know what LED is about: What is the concept? What is the objective? Which instruments are going to be employed? Which stakeholders are part of this game?
- Even if they knew about these things, they would probably not agree on many of them. LED is taking place in the real world. There are not only the different viewpoints which are characteristic of any social group. There is also the point that LED is about business, i.e. about money, where many actors may be less prone to collaborate and play with open cards.

It is inadequate to conceptualise LED as a process which leads, more or less automatically, to general alignment and the definition of an overall strategy. A more appropriate perspective is this:

- If LED starts, as PACA suggests, with a number of practical activities to strengthen the performance of companies, these may share a common vision and evolve over time into a joint strategy. It is, however, at least as likely that the opposite happens, namely a fragmentation of activities.
- The LED process is, like every economic process, a discontinuous one. The growth of a company involves a series of typical discontinuities and crises, and typical responses to these crises (see, for instance, Greiner's model). Likewise, the evolution of an LED process involves typical crises and responses to them.

PACA takes the problems of fragmentation and limited governance capacity serious. It helps local government to define more clearly its core role: creating favourable framework conditions for business, address market failure, and facilitate business promotion and other economic development activities – but not deliver business services or even conduct business activities. PACA explains that LED is not local industrial policy, but the creation of a local enabling environment and the conduction of market adjustment. A PACA Exercise identifies easy entry-points for systemic interaction and integration between various local actors and organisations.

A PACA Exercise is not directed at creating radical innovation. The purpose is rather to identify local innovation pioneers and to strengthen them by buying and disseminating their experiences and messages. More often than not, PACA is not about completely new ideas. It is mostly about highlighting existing ideas, which often have been ventilated by local players for some time without getting adequate attention. PACA is an exercise to gather such ideas, to discuss them with local players, to check their viability and to make them work by connecting the right players.

For an external agency that wants to stimulate local activities, the PACA approach is solving the handover-problem of activities. PACA emphasises the importance of having local buy-in at the outset and all along the process.

1.3 Where can you conduct a PACA?

PACA Exercises have been conducted in a diversity of locations – poor rural communities and urban industrial clusters, black townships and world-class tourism locations. The difference in the application of PACA concerns the type of stakeholders you involve and the type of proposals you identify, not the methodology as such. Market and business principles are the same, irrespective of the level of development. But who would have thought that Michael Porter’s Five Forces Model, a strategic management tool, is useful to understand the reality of marginal rural producers? Yet that is exactly what we have found.

1.4 Structure of the manual

The purpose of this manual is to give PACA practitioners an overview of the issues involved in the organisation of a PACA Process and a PACA Exercise, and to introduce the concepts and tools which are essential for successful PACA work. It complements the Book of Checklists, which gives detailed instructions, and the Book of Concepts, which gives a conceptual overview of LED issues.

This manual is organised according to the sequence of a PACA Exercise:

Build-up (few weeks) Mobilise stakeholders Recruitment of PACA Team Organisation of workshops and interviews	**Chapters 2 and 3**
↓	
Hypotheses workshop (3 hours or more) • Introduction to PACA Methodology and programme of fieldwork • Team building in the PACA Team • Align expectations, make them explicit	**Chapter 4**
↓	
Kick-off Workshop (3 hours) • Inform local stakeholders about the purpose of the PACA • Gather information on local economy	**Chapter 5**
↓	
PACA Fieldwork (1 – 2 weeks) • Mini-workshops to gather information about specific sectors of the local economy • Interviews to get in-depth information	**Chapters 6 to 8**
↓	
Results Workshop of the PACA Team (1-2 Days) • Elaborate diagnosis • Elaborate practical proposals	**Chapter 9**
↓	
PACA Presentation Event (3 hours) • Present diagnosis and proposals to local stakeholders • Get feedback and suggestions for implementation	**Chapter 10**
↓	
Way Forward Workshops (2-3 hours) • Prioritise proposals • Identify project champions • Define tasks and responsibilities	**Chapter 11**
↓	
Implementation	

2 Deciding to Conduct PACA

Main messages:

- **It is crucial to identify a local PACA Host. Successful PACA cannot be driven by external actors alone.**
- **There are four different, typical constellations in the decision to conduct PACA.**

Who decides to conduct a PACA? Based on our experience so far, there are four distinct scenarios, which we summarise in the follow matrix:

Let us look at each of these scenarios, starting with the upper row, i.e. Nos. 1 and 2.

		The decision to conduct a PACA...	
		... is taken by a domestic organisation	*... involves a foreign donor organisation*
The decision to conduct a PACA...	*... is taken at a higher level of government*	1. Regional / provincial government or a regional development agency decides to conduct PACA at the local or sub-regional level	2. A technical assistance project decides to offer PACA to local government / local actors
	... is taken by local government or other local actors themselves	3. Local government or another local organisation decides to conduct a PACA	4. A locally based technical assistance project decides to conduct a PACA

2.1 PACA in a top-down way

The cases No. 1 and No. 2 share one key concern: the identification of a local PACA Host. It frequently happens that higher levels of government, often in collaboration with a foreign donor agency, decide to conduct PACA in one or a few localities. At the outset, i.e. in countries where PACA is not yet an established product, it is the predominating pattern.

The basic challenge with this approach is this: You can develop real estate, but you cannot develop people, at least not directly. You can create framework conditions and set incentives that stimulate people to enter into a personal development process, but you cannot force this. This has been one of the main frustrations of higher level development bodies and foreign donors for decades: The external agent sees an opportunity or a necessity for development at a local level, but the local players don't buy into this. The external agent then offers money to stimulate development, or tries to coerce local actors. Neither approach is particularly promising. One of our main concerns is to avoid that the introduction of PACA replicates this kind of experience.

At the same time, from the perspective of local players it is perfectly rational to be sceptical when an external agent appears and tries to sell PACA. In many locations, local actors have seen many donors and concepts come and go, often with little or no effect. It is not rare to encounter a certain level of cynicism on the ground. An external agent must take this into account and cater for it. How can you do this? First, you can try to explain what is different about PACA. Second, you can specifically look for motivated actors.

> There are different reasons why a series of PACA Exercise in 4 different municipalities in Central Serbia turned out to be less successful. One of the reasons we identified is the absence of a real Host. Either the municipalities or the local office of the American TA agency that initiated the whole PACA activities could have taken the role of a potential Host. The municipalities did not act as Hosts, did not accept this role and did not appear to be interested in PACA. We even had the impression that the municipal administrations only accepted to run PACA Exercise after been urged by the American TA Agency hoping to continuously receive infrastructure funding like in the past. A way-forward Workshop in one of the 4 municipalities was a surprising piece of theater putting the mesopartner consultant and the representatives of the TA agency in the role of an audience rather than accepting them to be facilitators. Topic of this way-forward workshop: lighting up the city.

- The main difference between PACA and other approaches is its concern with time efficiency, with business involvement and with quickly visible outcomes. You can try to advertise this to local players – not just by giving them presentations or showing them a PACA video, but also by giving them a practical introduction to PACA tools, for instance by conducting a Mini-workshop using the Interaction Matrix format.
- If a regional organisation is looking for the first location to conduct a PACA, its selection decision can be guided by very different criteria.
  - One possibility is political / clientelist criteria; this is not necessarily the worst case, but it is often not a particularly good criterion.
  - Another possibility is to look at "needs", which will often take the PACA to a place which is particularly poverty-stricken. This is also not necessarily the worst case, though such locations often present multiple, mutually reinforcing disadvantages that make successful development really difficult. It is not wise to start with your PACA effort in such a place, especially if you want to have a PACA success story to convince many locations and actors to apply it.
  - Yet another possibility is to look for locations which really need it, at least according to higher-level bodies, though local actors think differently. It is not rare to find that executives in higher-level bodies pursue something like an "enforced enlightenment" approach, where they try to initiate a mindset among local actors in a rather clumsy, heavy-handed way. This, in fact, is the worst case, since un-

In our experience, there are two iron principles that you should respect when introducing PACA in a top-down manner:
Don't go to places where local players don't throw in own resources!
Don't go to places where local decision makers are not interested!

der such conditions it is extremely unlikely that you will find a local PACA Host, so that the PACA is likely to fail.

– The best case is a location where local actors are keen to become more involved with an active development effort, but are not quite sure where and how to start. This is the kind of location where you would like to conduct an initial PACA Exercise, since it is very likely that it will create a substantial impact there. Do not worry too much whether this location is "in need". First, it is unlikely that the location is thriving, since in that case local actors would be far too busy to care much about a joint development effort. Second, remember that you cannot force development on people. In fact, motivated local actors are a heaven-sent. In the best case, *they* approach *you* (in fact, this was why PACA was introduced in Serbia by GTZ – representatives from some locations had asked GTZ for support, and GTZ responded by offering them a PACA training course).

So a higher-level organisation has decided to introduce PACA and perhaps has an idea regarding the most promising location for the first PACA Exercise. What happens then? The answer: It depends. Essentially, it depends on the ambition and objective of this organisation. Let us look at the two different scenarios outlined above.

1. **Regional / provincial government or a regional development agency decides to conduct PACA at the local or sub-regional level**

This is a likely scenario in a country where a number of PACA Exercises have been conducted, and where PACA has proven itself. This would imply that a number of skilled PACA Consultants are available which can be contracted to conduct PACA Exercises. The sequence of activities this involves is presented in the following chapters.

2. **A technical assistance project decides to offer PACA to local government / local actors**

In this scenario, PACA Consultants may already be available in the country in question. If this is not the case, it is recommendable to go to the following sequence of activities:

– As a first step, consider to contract experienced PACA Consultants abroad to conduct a local PACA Exercise to demonstrate the effectiveness of the method to decision-makers in your country.

– If decision-makers are already positive about PACA, contract a PACA Trainer to conduct a PACA Training Course. There are usually four types of possible candidates for such a training course:

  - Local consultants with experience in local development, entrepreneurship development, SME promotion etc. In our experience, this is the most appropriate target group for a PACA Training Course. First, for these people PACA is a new, promising product which will complement their portfolio. They have an interest to "sell" PACA to local customers, so you have to worry much less about the sustainability of your intervention. Second, some of these people (in particular CEFE Trainers) are already familiar with some of the tools involved in PACA, in particular facilitation techniques.

  - Government officials, possibly with a background in business promotion agencies or LED sections in local government. If you consider them to be the main target group for a PACA Training Course, you should consider two things. First, will these individuals really be available to prepare, conduct and follow up on PACA Exercises? Doing PACA work is very time-consuming. A government official who can dedicate no more than 20 – 30 % of his/her time is unlikely to become an effective PACA practitioners. Second, what is their credibility with other actors, in particular from the private sector? Will they be taken serious? Will private business-people talk to them in the first place? Involving government officials in a PACA Training Course is most useful in terms of getting advocates for PACA within government.

  - Chamber or business association officials. For them, the same consideration applies as for government officials in terms of availability. Involving them in a PACA Training Course is most useful in terms of getting advocates for PACA within the business sector. Perhaps they can dedicate only a small portion of their time to actually doing PACA work. But they can be enormously valuable in terms of facilitating access to the private sector.

  - Academics from a local university or research institute. We have found that academics often are just too academical, i.e. suffer from the ivory tower syndrome. Moreover, they are often bad facilitators, since they are used to lecturing, not facilitating. You should consider very carefully before you involve academics in PACA.

Based on experience in Vojvodina / Serbia, where we conducted a tourism PACA in March 2004, a possible 5^{th} type of candidates for the PACA training course are students, who are about to finish their studies soon or are in the post-graduate phase. Students proved to be very interested, critical, motivated, curious and extremely flexible. Students participating in a PACA training (and some of them thereafter in a PACA exercise) should ideally be educated in economics or an economics-related field, such as tourism.

From a practical perspective it will often be useful to run a PACA Training Course for a group of trainees with different backgrounds. A good size for a course is around 15 participants, and a good mixture would one third or more consultants, one third or less government officials and one third or less business association / chamber officials. This gives you a mix of skilled PACA Practitioners who can conduct PACA adequately and advocate it in their respective organisations.

We recommend to run a PACA Training Course, which has a duration of one week, and a PACA Exercise shoulder to shoulder. A PACA Training Course does already involve some practical work (interviews and a Mini-workshop with real stakeholders), so it should be conducted in a location where you want to stimulate LED activities. In our experience, it is very useful to have a real PACA Exercise in the week immediately after the training course. You would select a limited number of participants from the training course, approximately six persons, to conduct the PACA Exercise. The PACA Trainer would supervise and coach the six. Immediate practice clarifies many of the issues raised in the training course, and it multiplies the impact of the training. After one week of training and one week of supervised exercise, you can rest assured that at least some of your trainees will have become competent PACA Practitioners.

– After the training-cum-exercise, you can start to roll out PACA into a number of locations. However, we would not recommend to embark on 4 or 5 simultaneous PACA Exercises which are supervised by one single technical assistance organisation. This approach was selected in Serbia first by a German technical assistance organization (2002/2003) and subsequently copied by an American technical assistance organization (2003/2004). The experience in Serbia has shown that a single donor agency organizing and supporting several PACA Exercises at the same time is completely overwhelmed by this task, particularly taking into account the weak support given by the different municipalities. This approach is also extending the PACA Exercise to an uncharacteristically long duration of several months. The result is a negative impact on the motivation of all actors involved.

2.2 PACA initiated by local actors

The other two scenarios address situations where local actors decide to conduct a PACA.

3. Local government or another local organisation decides to conduct a PACA

In countries where a number of PACAs have been conducted, and where they have had an impact, the news usually spreads and actors in other locations become interested. The procedure in this case is fairly standard: They will conduct some research, possibly via the Internet, they will locate the PACA Website, they will identify potential providers, and they will invite them to submit a proposal or to tender.

If you start interacting with a location in this way, one of your main concerns will be to understand the local actors, their interests and the process that lead to the decision to do PACA. The decision may be based on a consensus between key actors. But the decision may also be the result of the lone decision of a single decision-maker, who is hoping to gain prestige or to accumulate more power. If the latter is the case, you should seriously consider whether you want to get involved, since you would enter into a minefield, and the probability of the PACA turning into a failure is huge.

4. A locally based technical assistance project decides to conduct a PACA

This is a possible, albeit not very likely scenario (since donors are rarely operating at the level of just one location). In this case, the same considerations apply as in scenario 3. On top of that, you will like to know whether the donor agency is aligned with its local partners regarding the use of PACA.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
PACA is introduced in a top-down way without sufficient effort to mobilise a local Host.	External agencies underestimate the importance of a local Host for the success of PACA. The local Host is crucial. Without strong ownership at the local level the PACA Exercise will not be well-prepared, will not go well and will have little impact.	Don't rush to do a PACA Exercise. Rather spend some more time and effort trying to identify one or a few local Hosts.

3 The build-up for a PACA Exercise

Main messages:

- **Effective and efficient organisation of the build-up phase substantially improves the probability of success of the PACA**
- **A PACA Host who takes the lead in organising is crucial for the success of the PACA Exercise**
- **In the build-up phase, good management of expectations is essential**

3.1 Identifying a PACA Host

The **first step** in PACA is that somebody has to decide to do it; this is what the preceding chapter was about. If there is no host for a PACA, it will not take place. It is particularly important for external agencies to take this into account. Likely local PACA Hosts are a local business chamber, a governmental or parastatal business promotion organisation, a local development agency, a local stakeholder forum or a NGO. In the end, the PACA Host is an individual, but this individual should be linked to an organisation which is able to organise the PACA Exercise and to take a lead role in the implementation of practical activities after conclusion of the diagnostic.

Taking up the line of thought from the preceding chapter, there are two possible scenarios. One scenario is that local players decide to conduct a PACA. In this case, they are the PACA Hosts.

> The first ever PACA Training Course was conducted in Thailand in January 2002, sponsored by GTZ. This was just after Prime Minister Thaksin had declared that a number of provincial governors were to become "CEO Governors", without giving very specific instructions as to what this meant. Some governors grabbed the opportunity PACA offered them, since it permitted them not to waste much time with research but rather to move to practical action quickly. This is, obviously, a perfect kind of setting for the introduction of PACA.

The other scenario is the more difficult one. If the PACA is initiated by an external agency, where does the local PACA Host come from? We often observe that PACA is used to stimulate and encourage bottom-up initiatives in countries with a long tradition of top-down development policy. Local actors have little experience in defining and implementing their own initiatives. PACA creates an occasion for them to practice just this. However, they will tend be hesitant. Even if they come up with very good proposals, and really nobody objects, they will often ask "Do I have permission to do this"? And as long as they are not absolutely sure that they have permission, they will hesitate to move forward.

In this kind of setting, it is unlikely that you will identify a local actor or agency that can swiftly move into the role of a PACA Host, taking the lead in preparing and organising the exercise. Instead, you will to some extent use the PACA Exercise itself to identify possible hosts. In the build-up phase, you will try to identify a local actor or institution that can take an active role in the organisation of the PACA Exercise. There usually is some local branch of development-oriented government bodies, and perhaps also a Business Chamber. They will hesitate to take the lead on PACA, so that you have to liaise closely with them. Allocate enough resources for an ongoing coaching. Don't consider that you manage this by phone and e-mail; our experience shows that face-to-face communication is very useful at this stage. Ask yourself: How can I package PACA in a way that appeals to the self-interest of this local actor? How can I make sure that PACA solves some of his problems (instead of creating more headache)? These considerations will lead you to a specific sales pitch for PACA. It can be quite helpful to develop attractive marketing material such as flyers according to the needs of potential hosts.

One major challenge for the external promoter of a local PACA Exercise is make sure that he does not discourage or overwhelm potential local hosts. For the external promoter, the guiding question at any step must be: What can I do at this stage to motivate and stimulate local initiative? What can I do to strengthen possible local hosts, rather than crowding them out or discourage them by insisting on doing too much, too quickly?

3.2 Defining the focus of the PACA Exercise

A PACA Exercise can address an entire local economy or parts of it. If a local economy is not too big and complex, the first PACA Exercise ought to have a broad perspective, looking at the local economy at large. You would conduct more focussed PACA Exercises at a later stage.

If the local economy is just too big (for instance, if travel is an issue) or too complex (with complexity being measured by the experience and skills of the PACA Team members), the PACA Exercise will only address parts of it. We strongly advise against a conventional sectoral focus (see Annex 4). Instead, we would recommend to look at clusters or value chains within the local economy, since this gives you a perspective that is more in line with the economic reality and that is more likely to render practical results.

If you have to select one or a few clusters or value chains for your PACA Exercise, how do you proceed? There are basically two types of approaches, which in reality are complementary. One approach is the pragmatic one. You ask: In which cluster or value chain do we know, or expect to meet, stakeholders who would like to get involved in upgrading and problem-solving activities?

> Why not a conventional sectoral focus in PACA? A "sector" is, first of all, a statistical artifact. Volkswagen and Boeing are both part of the transport equipment sector, but that's about all they have in common. In one PACA Exercise, we had to cope with the problem that local guesthouses did not define themselves as part of the tourism sector but rather the hospitality sector. In another PACA Exercise, our local host focussed the agriculture sector – and completely forgot about downstream activities, i.e. distribution and sales. To prevent these types of problems, we recommend a cluster or value chain focus.

The other approach is a more systematic approach, where you can use tools such as the

BCG matrix to identify the promising clusters or value chains of the local economy.

We would like to highlight, though, that in selecting clusters or value chains you should be guided by “people criteria”, not by “economic criteria”. We have often found that the largest sector in a local economy was very disinterested in getting involved in the PACA Exercise, whereas more marginal or emerging clusters or value chains were very keen. Go for those clusters or value chains where you identify players with a keen interest in collective action.

3.3 Deciding on a time to conduct a PACA Exercise

When do you conduct a PACA Exercise? You might expect the answer: anytime, why do you ask? But there are in fact some points worth considering in this respect.

- It is not advisable to conduct a PACA Exercise immediately before a long break period. For instance, in many countries of the southern hemisphere the time from early December to mid/end January is a holiday and vacation season. Conducting a PACA Exercise in November is not a good idea, since you would not have an immediate follow-up, so that you would need a major re-mobilisation effort after the holiday period. In other parts of the world you would try to avoid Ramadan, Chinese New Year, Carnival and similar times.

- If important sectors of the local economy have very clear high and low seasons, go for the low season. A typical example would be tourism, where the best time to conduct a PACA Exercise is in the very low season. Similarly, you would avoid the planting and the harvesting season in places where agriculture is strong.

- Avoid election times. It is a complete waste of time to conduct a PACA Exercise during the time of election campaign, and it is also not advisable to conduct it too soon after elections, where the new incumbents are still busy finding individuals for all sorts of government positions.

- Try timing the Exercise to ensure that the results can be integrated into yearly activity plans of hosts and stakeholders. Especially activities taken up by public sector partners often need to be incorporated into development plans or annual budgets.

3.4 Getting the buy-in of local stakeholders for PACA

The **next step** is that the PACA Host has to convince other stakeholders to participate in the PACA exercise – not just to be interviewed, but to become actively involved, for instance by contributing one professional to the PACA team. If the host does not convince other stakeholders, it should seriously consider not to conduct a PACA. It should only go ahead if there is good reason to expect that other stakeholders may get motivated in the course of the PACA diagnosis or as a result of the presentation of results and proposals.

There are at least six means of communication you can use when inviting people to Kick-off and Mini-workshops and arranging interviews: face-to-face, phone, e-mail, fax, letter, SMS. If you would now tend to ask *Which is the one I should use?* the answer is *Wrong question*. You should use more than one – as a rule of thumb, use at least three of them.

- You will need a face-to-face meeting or a phone call to get people interested.
- They will then want to receive information to know what the PACA Exercise is all about, which you will send by fax, e-mail or letter.
- Call again. Sometimes the business person will claim that the fax never arrived. Be patient. Send it again.
- Then you have to confirm the date, probably with a phone call.
- Finally, you want to send people a reminder, probably by SMS; to do this efficiently, websites of cellphone companies that permit to send out one SMS to a group of people are useful.
- Make invitees listen: Get the right people to establish first contact (e.g. business leaders contact business people, political leader contacts politicians, etc.)
- Get invitees involved: Explain purpose and benefit to invitees to convince them to sacrifice time
- Use adequate media to get in touch and to convey information and raise interest

It is remarkable how often things go wrong at this stage, in particular in locations where the PACA Exercise is organised by the public sector and where the relationship between public and private sector are strained or weak. The first idea of a public sector PACA Host is to send out letters of invitation. This, however, is a recipe for disaster. A business person who receives this letter will probably through the following sequence of thoughts:

Is it a bill? Is it another fine? Is it a new silly regulation? No. It's PACA. Never heard of that, but if it's public, it can't be any good. Let's drop it right into the waste bin.

Public sector agencies are very often very bad at communicating with the private sector. They tend to choose the means of communication that is most convenient or habitual for them, not the one that appeals most to business people and other actors. What they often fail to understand is that organising a PACA Exercise is entirely different from other government interventions. If government is sending a tax bill to a company, or when it fines a business for whatever misconduct, sending a letter is the adequate means of communication. However, when it comes to effectively organising a PACA, the only promising means of communication is direct communication, possibly face-to-face, possibly via the phone.

In one major exercise in South Africa, the local PACA Host hired a person specifically to take care of this communication task – and that person was busy for five weeks (three weeks of preparation, two weeks of the PACA Exercise, calling people over and again to make sure they showed up for Kick-off, Mini-workshops and Presentation Event). It is important that this person has a good understanding of PACA, since he or she will have to explain it over and again – and an inadequate explanation will create serious problems in terms of management of expectations.

A very promising option for coping with all this is to distribute the task of inviting actors among different players. The PACA Host may convene a small group of actors from different sectors, who then communicate in their respective sectors. A government person would communicate with government entities, a business person would communicate with business people, a person from a meso-level institutions with colleagues in other such institutions, etc. It is also very useful to leverage the personal prestige of individuals. An personal invitation by the president of the Business Chamber will have a different impact than a call by an office assistant.

A particularly tricky issue concerns the involvement of local politicians in the build-up for a PACA Exercise. If they are actively involved from the very beginning, things may be fine. But this is a rare occasion. Usually, the PACA is either initiated by officials from the executive branch of local government, who then have to sell it to their politicians, or by an external agent, which is creating an even more delicate situation. We have repeatedly observed something like this: We try to involve politicians in the build-up phase, but they are not very responsive. Anyway, we keep them informed by sending them invitations, PACA Flyers etc. During the fieldwork, all of a sudden a group of local politicians crashes noisily into a meeting of the PACA Team, demanding immediate explanation of what this is all about. In this situation, it is not wise to point out that they should have a look at their in-tray, dammit. Instead, explain patiently what the PACA is all about, who is involved, and why. We often observe that local politicians distance themselves from something they don't know and don't understand, so that they cannot be blamed if it does not lead to anything. However, as other local stakeholders start to get excited, the politicians start to feel sidelined and often react in a somewhat emotional way. You should be prepared for this and take any opportunity to get the buy-in of politicians.

3.5 Management of expectations in the build-up phase

The moment the word gets out that you are preparing a PACA you are creating expectations. Development agencies are not always good at managing expectations, i.e. at understanding what kind of expectations other actors have, perceiving what kind of expectations it is creating through its routine behaviour (e.g. by driving around in poor rural areas with fancy 4x4s), and at formulating an explicit approach to communicating their intentions.

Management of expectations is more important and more difficult in the context of PACA. With other types of developmental interventions, say infrastructure development, the matter is relatively straightforward: Local government lobbies for a road, central government decides to build a road, and that's it. In the case of PACA, management of expectations is difficult. If an external agent is involved, it usually does not come with a bucket of money. The idea is rather to help local actors help themselves, mostly based on locally available resources.

The main challenge is thus to avoid the notion that PACA is an externally driven project, where external actors take the lead and solve local problems. This message must be communicated loud, clear and consistently from the very first moment, especially in a situation where an external agent initiates the PACA, since this will naturally create the expectation that the external agent will take responsibility and bring money.

What you need is a communcation concept. This concept includes at least the following elements:

1) a communication approach to stakeholders you want to involve in the PACA,

2) a communication approach to local decision makers, including politicians, who are unlikely to take an active role but who should still know about the PACA,

3) a communication approach to the business community,

4) a communication approach to the wider public.

Let us look at each component.

1) Stakeholders

To address stakeholders you want to actively involve in the PACA Exercise, you will need relatively detailed documentation about PACA. This would include a Powerpoint presentation about PACA generally, a Powerpoint presentation about the specific objectives of your PACA Exercise, a PACA Flyer and possibly mesopartner Working Paper No. 1, which gives a more detailed overview of PACA.

The preferred channel of communication with this group is direct interaction, i.e. face-to-face individually and in meetings, and by phone.

2) Decision makers

To inform decision makers, you will need a more compact Powerpoint presentation that introduces both PACA and your objectives, and a flyer as backup information. The channels of communication will be face-to-face with key persons, if they are available; presentations in a Council meeting or at other appropriate occasions; and written communication.

3) Business community

To mobilise the business community, you will need yet a different Powerpoint presentation that summarises the benefits a PACA Exercise can create for business. You can back this up with the PACA Flyer. The channels of communication will be face-to-face; presentations in Chamber meetings and at other occasions; and written communication.

In a PACA Exercise in South Africa, no less than 150 people pitched up for the Kick-off Workshop – and many of them were not the type of persons that we need for an efficient Kick-off Workshop. They appeared mostly because it had been announced publicly, and the majority of participants expected that they would get some direct benefit, like maybe an opportunity to enroll for another skills development course, or at least free food and drink. This is the kind of experience you want to avoid by pursuing a well-targeted communication strategy.

4) Public

There are three main reasons why you want to inform the public about the PACA. First, you want to indicate that something is being done to promote economic development. This helps you to get the buy in of politicians, but also of other stakeholders. Second, you want to create the impression that something important is going on, as this helps you to mobilise people for Mini-workshops; they feel that they are contributing to something relevant if it has been in the news. Third, you want to raise the interest of local actors who have not been identified through the usual channels, such as new businesses that are not yet part of business associations, specific experts who are not networked well at the local level, or newcomers who are looking for an occasion to get locally connected. At the same time, you need to be careful what exactly you are communicating, since otherwise you may not attract the people you need for an

PACA branding in Thailand...

... and in Ecuador

effective PACA. The main channels of communication are printed media and local radio.

It is advisable to pursue a strong branding of PACA during the build-up and the exercise. If all the events you organise are branded clearly and consistenly, it helps local people understand what they are involved in. It helps building a momentum. This should include the consistent use of the PACA Logo.

3.6 Assembling a PACA Team

The **next step** is to **set up a PACA Team** and, if a local actor is initiating the PACA, to hire PACA Consultants:

- The local PACA Team consists of a group of three to five local persons. They have to meet two key criteria. First, they should not be too junior in their respective organisations and with respect to their standing in the local community (it is important to make this point since local organisations will tend to delegate junior staff to the PACA, especially if they are sceptical that PACA is worth any effort). Local PACA Team members are not only participating in the diagnosis, but also have to play an important role in the implementation and accompanying of practical activities, and therefore they ought to be persons whose word carries some weight. In particular, they ought not be junior university researchers with some theoretical knowledge but zero experience with real-life business and government institutions. Second, they should have different backgrounds. For instance, a good team might consist of one person each from the local business promotion organisation, the local Chamber of Industry and Commerce, the local university's community extension agency and the economic development section of local government.

- The external PACA Consultants should be experienced in the PACA methodology and knowledgeable in LED concepts and tools. They contribute their specific know-how, not only in terms of transferring it to local persons but also in terms of having a different bias. External consultants must question the views and convictions local persons are sharing, especially when it comes to defining the local reality and defining possible remedies. Local persons are often prisoners of a local discourse and cannot easily step out of their frame of mind. mesopartner has created an accreditation process for PACA Consultants, which stipulates that only those persons should lead a PACA Team who have gone through a comprehensive PACA training (one basic course, two follow-up training

The PACA Team in El Oro, Ecuador ...

... and in Picota, Peru

courses) and who have participated in at least three PACA Exercises.

One important issue you may need to address when selecting the PACA Team is the language issue. In many places where we have been conducting PACA Exercises, the local people spoke various languages – Spanish and Guarani in Bolivia, English and Swazi in one case in South Africa, English and Zulu in another, etc. As you have to be prepared for a situation where many participants in a Mini-workshop do not speak both languages, you would like to have persons in the PACA Team who are multilingual.

One PACA Team in Nova Crnja, Serbia ... *... and two Teams in Ilembe, South Africa*

One of the questions people will tend to ask when you try to recruit them for the PACA Team is: what's in it for me? Be prepared to give a convincing answer. Don't only respond by explaining the person how s/he can help you in your PACA effort. Try to package PACA in a way that would help the person to understand how it helps him/her. For instance, for an LED person from local government, an important benefit is to get a much better first-hand understanding of the local economy, and also to build credibility with the private sector. The same would apply for business association officials. Persons from training institutions or other service provider will get first-hand information on the needs of potential customers. However, you should avoid to pay members of the PACA Team, since this interferes with the spirit of the whole affair and spoils your management of expectations effort.

3.7 Collect advance information

Before the PACA Exercise it is important to gather advance information, i.e. prepare the diagnostic in terms of content. Before starting the fieldwork, it is important to gather the available data. This is often not easy; for instance, in Brazil we have found that systematic data on local economic structures are often not available within the locality. Even leaving aside the problems of measuring the informal sector, it was often difficult to identify the sectoral composition and the internal structure of the sectors. However, with some knowledge of the country it was possible to get at least a rough idea. For instance, in Brazil we detected that the Ministry of Labor maintains an excellent statistical database of formal employment by municipality and branch (which often was unknown at the local level). In larger towns, annual commercial publications with firm data are useful to get an idea of the performance of medium and large firms. At the local level, annual reports of chambers may exist. But most importantly, there are often consultant's reports gathering dust on some shelf, even though they contain very valuable information. Better ask local stakeholders specifically for such reports. Local actors may have discarded them, though they offer you valuable insights.

In the “PACA Book of Checklists” you find a checklist which you may send to your local counterparts some time before starting the fieldwork in order to get information on the locality.

In analysing these data, the PACA Team should try to answer two main questions. First, what is the economic structure of the locale? What are the main sources of employment and income? This kind of information is one of the inputs necessary to decide which kind of firms and branches to investigate in some detail. Second, what are the main tendencies? In which sectors employment is increasing or decreasing? How are important firms doing, and how is their financial viability? Based on this, the PACA Team should formulate a first set of hypotheses which describe the reality and the possible strong and weak points of the locality, as well as consider possible proposals, based on available national and international experience. For instance, if one of the strong sectors in the local economy is a furniture cluster, it is useful to verify whether other furniture clusters elsewhere have tried to launch local economic development initiatives.

This leads us to another important question which should be pursued in advance: What are the main tendencies of the main local sectors in a national and global perspective, the possible existence of a cluster, and the kind of involvement in international value chains. Regarding the first point, it is useful to have information about major trends available to be able to discuss competently with local businesspeople, and to compare their interpretation of the sector’s reality with the prevailing view in other places. In terms of clustering, it is useful to identify in advance which clusters in the same sector exist elsewhere in the world, and what is going on there, in order to be able to do a rough benchmarking. Regarding international value chains, the opportunity may arise to talk to key actors in the chain (e.g. representatives of foreign buyers in the region) in advance and confront their perspective with that of local actors.

3.8 Preparing the fieldwork: Practical matters

An essential part of the preparatory activities is to discuss concept, contents, and logistics of PACA with the local host who organises the work, preferably face-to-face. This includes discussing who should be invited to the kick-off workshop, and discussing which firms, organisations, and persons should be interviewed and/or invited to Mini-workshops.

The following actors should be invited to the **kick-off workshop**:

- representatives of different sectors and groups within the local business chamber,
- representatives of local government,
- representatives of technical schools, university, R&D and MSTQ institutes, technology incubators, extension agencies, and other such institutions,
- representatives of SME promotion and other business support organisations,
- representatives of business and important professional associations (e.g. associations of micro and small firms, association of retail firms, branch associations, engineers' association),
- representatives of trade unions, community organisations, and other non-governmental organisations which may have an interest in economic issues,
- representatives of local banks and important firms,
- representatives of the local and regional media. Information on the whole project should be disseminated among the media in advance. It is useful for the course of the fieldwork if the PACA Project has been advertised by the local media.

What is the best time to have the Kick-off Workshop? Basically, you must judge this on the basis of your knowledge of the availability of local leaders. However, there is one basic rule: Monday morning is the worst time for a Kick-off Workshop. Monday afternoon, perhaps late afternoon, may be appropriate. You will often find that government officials would like to end the workshop before 5 o'clock, whereas private sector people would like it to start only after 5 o'clock. You will have to compromise.

When selecting firms, organisations, and persons to be **interviewed**, the following should be considered:

- Firms from the main local branches of agriculture, industry, and services. This should include both leading firms (in terms of size and competitiveness) and "typical" firms, especially SME. However, in order to be able to conduct a rapid exercise, it is important to limit the number of

As you try to make an appointment for an interview, the person will often ask "What kind of questions are they going to ask me?" Responding, you should point out two things. First, the interview is not really an interview, but more like a conversation (some people would connotate "interview" with an unpleasant situation as in "job interview"). Second, the questions will focus at business matters – the business environment, competitive pressure, business support structures and so forth.

Some observations from a practitioner's perspective

I think that in the preparation of the PACA certain interviews can already take place. This is usually where we can test our ideas for workshop themes, key participants, critical success factors and possible hosts. It is important to meet with the local business leaders, associations or even the local banks before the PACA even kicks-off. Usually these people (like the local bank manager) know of people that we should involve. During these interviews / meetings these key people can then be mobilised to participate and draw other people to the kick-off.

The ideal situation is that the PACA team leader is involved in the whole planning and preparation of the PACA. Therefore the Team leader would be already be fairly well informed of the target of the PACA, and would hopefully have some clues that they would want to discuss with some key individuals. This was not the case in Ilembe, as we had to prepare the process without the team leaders.

The team leader (not the logistics person) is ultimately responsible for the program, and should play a active role in identify (with the locals) whom to interview, and will have to arrange the program of the PACA according to their own preferences. I personnally like the idea of only arranging a few key interviews and workshops beforehand, and then during the workshops identify more people that need to be interviewed (or even additional workshops if there is sufficient demand). During one PACA Exercise we learned that if you ask the participants in a workshop who else should have been here or be involved, you would find names that your local host may not even be aware of. I'm not saying that you should not have a completely non-fixed program, but you should have at least one half day open for a surprise workshop, and you should have a few spaces open for additional interviews.

In all our plans and quotes for PACA we now budget at least 9 days of the Team Leaders time to allow for sufficient local meetings and interviews to take place before the PACA. The team should be in the target locality at least 1 whole day before the PACA starts to look specifically at the interviews and the workshops so that glaring gaps in the program can be addressed.

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companies to be interviewed. In particular, there is no point in visiting half a dozen micro-enterprises from the same sector. You should rather visit two of them, to get a first-hand impression of their way of operating, and invite a larger group to a Mini-workshop.

- Firms which have a specific perception of the local business situation – banks, suppliers of key inputs, subcontractors, vendors and local manufacturers of capital goods, consultancy and software firms, transport firms, export agents, but also less obvious candidates like job placement firms, construction firms, insurance agents, or realtors.

- Supporting institutions, like the local chamber of commerce and industry, important business associations and trade unions, professional associations, SME support organisations, technical schools / polytechnics and the local university, business-related NGOs (including, for instance, agricultural-related NGOs and cooperatives), technology and testing institutes, and the like.

- Local government representatives, preferably the mayor, the secretary in charge of economic development, and representatives of other branches of local government which are relevant for firms, like for instance the local environmental agency.

- Key informants, for instance journalists or retired persons who were in important political, administrative, or private sector positions in the past.

It is important to point out that in most cases you will go to see these people. You conduct most of the interviews on their premises, be it a business, a training centre or whatever else. One of the purposes of the interview is to get a first-hand idea of what businesses and organisations actually look like – how big they are, what kind of premises they have, what kind of technologies they employ, etc.

Apart from face-to-face interviews, it is crucial to organise **Mini-workshops** with a group of about eight to fifteen representatives of micro, small and medium-sized firms of the same sector (e.g. garments/dressmaking, metalworking/brasswork, food processing, footwear, training providers) or another homogeneous group (e.g. women entrepreneurs, start-up entrepreneurs, technology-intensive businesses, training providers, government support organisations). Since the available time is very limited and only few small firms can be visited, this has proved to be an enormously efficient way of getting insights into the tendencies, problems and potentials of the local economy.

What is a good venue for a Mini-workshop? First of all, it should be not too difficult for the participants to get there (e.g. in terms of distance, but possibly also in terms of guards they have to convince to let them in). Sometimes PACA Hosts tend to choose venues that are convenient for them, but not for the participants. Second, consider to pick venues which are easily available, so that a group of project hosts that emerges during the PACA Exercise can continue to use that venue for their subsequent meetings.

What should be the ratio between interviews and Mini-workshop? A rule of thumb would be this: You conduct two to three times as many interviews as Mini-workshops.

When you determinate a date and time for the Kick-off- or a Mini-workshop, the guiding question should be: What is the most convenient time for the participants I want to invite? That is opposed to the question: What is the most convenient time for me or my organisation? We often observe that a PACA does not give consideration to this point. Yet it is a crucial issue, not only for PACA but actually for local economic development at large – people in support organisations and in government want to go home at the end of the afternoon, whereas business people are often only available for workshops at the end of the afternoon or in the early evening. We often find government employees inviting businesspeople for a workshop at nine o'clock in the morning – and then wondering why so few people pitch up.

When making appointments for interviews or inviting people to Mini-workshops, they will often ask: What's in it for me? Why should I spend my scarce time with this? You would give three responses:

- The PACA Exercise will contribute to an improvement of the local business environment, which will benefit the person's business.
- A PACA Exercise often reveals business opportunities, one of which may be interesting for this person.
- A PACA Exercise, and in particular the different workshops, are a great opportunity for business networking.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
The PACA Host does not succeed in explaining to other local stakeholders what the purpose and the specific features of a PACA are	The PACA Host has not fully understood PACA, which is only to be expected if s/he has never conducted a PACA	Make a Powerpoint presentation on PACA available in the local language Make standard letters / faxes available in local language, to avoid confusion about terminology Prepare experience-oriented exercises which help local stakeholders understand why PACA is different Make PACA Video available
Only the "usual suspects" are invited for kick-off workshop, mini-workshops and interviews (for instance only those companies who are already clients of the organization which is hosting the PACA)	PACA Host and other organizations involved in the preparation • are uncertain how to approach companies they do not know yet • are prisoners of their routines	Persuade PACA Host to have a wide scope in invitations External PACA Consultant or sponsor of PACA Exercise discuss specific names of invitees with PACA Host, and question his selection / proposals
Invitations for Kick-off Workshop and Mini-workshops are only sent out by letter (and perhaps only few days before the event)	PACA Host and other organizations involved in the preparation • are prisoners of their routines • do not give high priority to PACA • delegate PACA preparation to secretarial staff that is not particularly motivated	Make sure that the PACA Host understands the necessity to extend a personal invitation for workshops and interviews Re-check that personal contact has been made, and that letters/faxes are only used as a backup/re-confirmation
The media are not informed about the PACA and are not invited for the Kick-off Workshop	The PACA Host has little or no experience in dealing with the media	Brief the PACA Host on the importance of involving the media, and clarify the practical approach to do this

The PACA Host underestimates the organizational effort involved in preparing a PACA Exercise	The PACA Host confuses "rapid" with "little"	The external consultants sit down with the PACA Host some weeks in advance, face-to-face, to go through the organisational details. Supply the PACA Host with the Book of Checklists – but not all of it at once! S/he will be overwhelmed. Only send those pages that are immediately relevant. Allocate adequate time and manpower for preparation. For instance, for invitation to Kick-off Workshop and Mini-Workshops and organisation of interviews calculate 15 minutes per invitee = Kick-off: 30 people = 7:30 h Mini-W: 5 x 12 people = 15 h Interviews: 30 = 7:30 h – which means effectively four person-days

4 The Hypotheses Workshop

Main messages:

- **PACA practitioners tend to underestimate the importance of the Hypotheses Workshop, and of the issue of hypotheses in general**
- **The Hypotheses Workshop is a short yet crucial exercise**
- **The Hypothesis Workshop is an excellent opportunity for the PACA Team to align their understanding of PACA and discuss expectations of the upcoming Exercise**
- **The Hypotheses Workshop can contribute a lot to a positive dynamic of the PACA Team**

The Hypotheses Workshop is often the time and place where the entire PACA Team – the external PACA Consultants and the local team members – meet for the first time. The main purpose of the workshop is to formulate hypotheses, but this is not the only purpose. It is an occasion to align the understanding of PACA and the expectations regarding the upcoming PACA Exercise. It is also the appropriate time and place to assure that the PACA Team has a good start in terms of team spirit and cohesion, and a constructive way of dealing with group dynamics.

Duration and structure of the Hypotheses Workshop depends on the structure of the PACA Team. The following table gives an overview of two typical scenarios:

The PACA Team has not met before, and some members don't know each other. Some members are not really familiar with PACA.	The PACA Team has met before, and the team members know each other. Team members are at least reasonably familiar with the PACA methodology
• The external PACA Consultant conducts an exercise to familiarise the team members with each other, including a team-building exercise • The PACA Consultant gives an overview of the PACA Methodology • The team simulates a typical Mini-workshop format – Options: – Interaction matrix: looking at the interaction between external and local team members – contributes to alignment of expectations and team building – Diamond on the location: leads into the formulation of hypotheses • You start with the proper hypotheses formulation process (see right column)	• Mesocard exercise: What are our personal expectations for this PACA Exercise? (addresses not only topical issues but also personal expectations, helps to align expectations in the team) • Mesocard exercise: What would we expect to be the main findings of this PACA Exercise? • Mesocard exercise: What would we expect to be the main proposals / areas of proposals that come out of this PACA Exercise?

It is useful to address the concept of "Competitive Advantage" at this stage, since one cannot assume that every member of the team has the same understanding. For instance, a conceptual confusion between competitive advantage and comparative advantage is common.[1] It is useful to run a Mesocard exercise with the team, asking for definitions, aligning them, and then asking for the team members' perceptions regarding the competitive advantage of the location.

4.1 Addressing group dynamics

What we would tend to emphasise – after some painful learning – is the importance of making the expectations of team members towards each other and towards the exercise explicit. We find that collaboration within the PACA Team is not always smooth, especially if the roles of each member are not clearly defined and the expectations and objectives are not aligned.

In this respect, it is generally recommendable to define rules of group interaction. This would refer to

- defining in advance regular meetings, where all the team members must be present, e.g. interim assessments of the results on each second day during fieldwork
- explicitly defining roles, for instance lead facilitator / assistant facilitor for Mini-workshop, lead interviewer / assistant interviewer in interviews; this should be defined anew for each Mini-workshop / interview, since each member should take the lead role from time to time,
- define roles for "disturbance resolution", i.e. situations when, for instance, tensions evolve between individuals in the team. You don't want them to build up until they erupt in a serious conflict but rather would like to address them early. One way of doing it is to have a brief team session every morning that follows the "flash" rules: Each participant may say one sentence, nobody is allowed to respond directly (in particular not to defend himself / herself). If the PACA Team leader feels that some serious disturbances are brewing, s/he would address the respective team members directly.

4.2 The relevance of hypotheses for the PACA Exercise

From a topical perspective, the relevance of the Hypotheses Workshop relates to the general observation that any researcher, anywhere never arrives with a clear plate. Whenever you see a place for the first time, you will start

1 To put it in layperson's terms: A competitive advantage is something you are really good at. A comparative advantage is something you are least clumsy at.

to form an opinion immediately, typically by comparing it with other, similar places you've seen before. For this reason, it is important that the external PACA Team members formulate their hypotheses.

For the local team members, the main purpose of the Hypotheses Workshop is to make their perceptions of their local reality explicit, and to compare it with the perception of the other local team members.

Contrasting the initial perception of the external team members and the entrenched perception of the local team members is an effective means of initiating a very constructive discussion process in the PACA Team.

The Hypotheses Workshop is only the start of what must be an essential element of the team interaction during the PACA Exercise. What all the team members will do during the exercise is one thing: trying to make sense of the various, and often contradicting, pieces of information, perception and opinion they get. It is paramount to discuss this in the team – for instance in the car, when going from one appointment to the next.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
The PACA Team does not conduct a Hypotheses Workshop.	Team members underestimate the importance of hypotheses.	Always conduct a Hypotheses Workshop! It is extremely helpful if, at a later stage of the exercise, you can compare your insights with your expectations. You will often note major discrepancies.
The PACA Team is not quite sure what a "hypothesis" is in the first place.	Team members have little academic education.	Explain that a hypotheses is a factual statement that may or may not be true, and that will be checked in the course of the PACA Exercise. A question is never a hypothesis.

5 The Kick-off Workshop at the beginning of a PACA project

Main messages:

- **The Kick-off Workshop marks the beginning of the fieldwork. Its aim is**
  - **to inform local leaders and role-players about the upcoming PACA Exercise,**
  - **to gather information and perceptions about the local economy.**
- **The format for the Kick-off Workshop is based on Michael Porter's diamond. This format has been tested often and is robust.**

In order to start a PACA project, you organise a kick-off workshop with local actors. The workshop has two main objectives:

- to spread the news about the project among local actors, and to motivate them to participate,
- to gather information from the participants – to complement the data gathered in advance, to get an idea how local actors perceive their economic situation, and to be able to design an adequate program of visits to firms and support institutions and of subsequent mini- workshops.

Resources necessary for a PACA Workshop

- a room with enough sitting space, where the seats are easily accessible so that distributing and collecting the mesocards is no problem (highly formal rooms, like Council Chambers, are not particularly appropriate)
- wallspace to put up the written cards, which is visible from each place and not too distant; moveable panels are another option
- 30 mesocards per participant
- 1 marker for each participant
- Kraft paper and adhesive tape to put up the cards
- Flip-chart

The workshop is organised by the local PACA Host. The workshop is facilitated by the PACA Consultants and members of the PACA Team, but altogether by no more than four persons. It may involve some ceremony, if local culture requires this. However, it is crucial to make sure that it does not reproduce established hierarchies and tiresome rituals. Local dignitaries are *not* supposed to give long speeches at the Kick-off Workshop. It is fine if they just welcome the participants and signal their support to PACA. Also, try to avoid the use of an elevated podium and a formal front table. Whenever possible, go for a U-shaped sitting order.

To assure a smooth process in the Kick-off Workshop, it is useful to have one PACA Team member is a "Master of Ceremonies". S/he must have a clear understanding of the steps involved in the workshop and must make sure that there are no breaks between steps, for instance because the hand-over from one team-member to the next does not work.

The structure of the workshop is as follows:

1. After a few introductory remarks, e.g. by the president of the chamber or a representative of local government, the PACA Consultants explain briefly what PACA is about – why an economic development effort at the local level makes sense, what are some key categories and main instruments of local economic development, and what kind of work will

be done during the workshop and during the following days. This step should take no more than five minutes.

2. The external consultants explain Michael Porter's diamond. Among the concepts which aim at identifying key factors of successful development, this has the advantage that it can be explained rapidly (i.e. within 10 minutes) – its disadvantage, i.e. the neglect of several important factors, is ironically its advantage when it comes to do something quickly. But it also has the advantage of introducing some crucial concepts which often have never been considered by local actors. In particular, this applies to the factor "sophisticated demand". We come back to these points below, in the section on mini-workshops. It is usually advisable as well to explain the concept of 'competitive advantage' and its difference to 'comparative advantage'.

3. The participants are asked to note strong points, weak points, and observations regarding each of the four factors of the diamond, i.e. first firms and business strategies, then suppliers, subcontractors, and service providers, then supporting institutions and other factor conditions, and finally sophisticated demand. This is done using the mesocard method, i.e. writing with markers on cards sized 16 x 8 cm, with its three basic rules – one idea per card, up to three lines / seven words per card, and legibility of writing. Each participant will usually write between three to six cards for each of the four factors (though usually many participants find it difficult to come up with any cards when it comes to sophisticated demand). Each of the four angles of the diamond is introduced separately. The cards are attached to the wall and clustered according to strong points, weak points, and observations; in fact, it often happens that discussions erupt whether a given observation denotes a strong or a weak point. The result of this exercise will normally be a wall covered with a large number of cards. This gives the consultants an important input in terms of both information about the local economic structure and impressions of the perceptions of local key actors. An important element of this exercise are diverging views and discussions which erupt between the participants.
   An option at this stage is to give each participant five sticky points to indicate those cards s/he finds most relevant. (In this case, we deliberately break with the normal Pareto rule.)

4. Two complementary **meso-card** exercises can be useful, but are not mandatory. The first question is “What is the competitive advantage of your city / region?”, the second “What is going to be the backbone of the local economy in ten years’ time?”. Each participant is asked to prepare one card per question. The first question often gives rise to the observation that there is actually no competitive advantage at all. In any case, it gives rise to interesting considerations because many participants have never asked themselves this question. It is crucial to have the participants consider the competitive advantage of their place in relation to comparable places in the region, not in relation to hypothetical places elsewhere (e.g. in less advanced regions of the country). The second question often gives an idea of what is the predominating local discourse regarding economic potentials.

What do you do if you get a huge crowd at the Kick-off Workshop, instead of the 20 – 30 persons you like to have there? First, don’t panic. Everything will go fine. Second, after the introductory part (explanation of PACA, Diamond) divide the crowd into smaller groups for the Diamond exercise. Third, decide whether you want to have the groups use mesocards or rather write on Flipchart or brown paper. Both techniques usually work well.

Typical impressions fromKick-off Workshops
(clockwise from top right: Dominican Republic, Serbia, South Africa, Sri Lanka)

5. Finally, it is explained to the participants that during the following days a series of individual interviews and mini-workshops will take place; it is often useful to involve some of the participants in the kick-off workshop in setting this up. Moreover, an appropriate time for the final presentation is defined and/or announced.

What does the PACA Team do with the information obtained in the Kick-off Workshop? Actually, not too much, at least not immediately after the workshop. The Kick-off Workshop is no scientific exercise, so that it is not advisable to spend too much time interpreting the information obtained there. The crucial point is rather this: At the Kick-off Workshop, you are going to have local business and government leaders. They have their perceptions of the local economy. In the course of the following days, during the fieldwork, you will be confronted with many other perceptions. For the PACA Team, it is important to verify whether the leaders' perception matches with what is going on on the ground – often enough, you will find a serious mismatch.

An alternative format for the Kick-off Workshop: The Thai experience

Rather than applying the relatively lean Kick-off Workshop format described above, PACA facilitators in Thailand have been working with a different, more extensive format. It included introductions to the Systemic Competitiveness concept and basic concepts of LED. Behind this was a simple reasoning. The PACA Facilitators used the Kick-off Workshop to recruit more members for the PACA Team (which in some places had up to 20 members), so that it necessarily became both a kick-off and a training workshop.

However, this approach also had its limitations. In particular, there was a simple practical problem: As this workshop easily lastet one entire day, it was difficult to recruit high-level participants of relevant local organisations. Usually, the workshop ended up with participants which mostly were from the second or third level of the hierarchy in their respective organisation, so that the quality and relevance of the whole exercise was compromised.

As a consequence, the Kick-off Workshop format has been cut down to the following elements:

30 min	Opening, introduction, brief oral presentation of participants
10 min	Stone soup story (to explain what LED is about)
80 min	Diamond exercise (possibly in working groups, if the audience is > 30)
15 min	mesocard exercise: What are the locational advantages of your place?
15 min	Matching the results of the exercise with the Book of Concepts wisdom on locational advantages
10 min	Wrap-up: Explanation of fieldwork, invitation to participate in the fieldwork, invitation to Presentation Event
	(Coffee break, many participants leave)
60 min	Volunteers are introduced to PACA Interview method
40 min	Practical organisation of fieldwork and interview teams

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
There are only few participants, and many of them are not decision-makers.	The build-up has not been done properly. The PACA Host has not been able to communicate the relevance and benefit of the PACA Exercise to local stakeholders.	Do the build-up properly.
There are far more participants than you expected, and most of them are not decision-makers.	You have announced the Kick-off Workshop in the local media, and all sorts of people arrive because they hope they may get something for free.	Be careful when announcing the Kick-off Workshop in local media. Communicate it in a targeted way.
The PACA Team spends too much time with the explanations of concepts and background at the beginning.	Team members are irritated by the puzzled faces of workshop participants. Team members are convinced that it is important to give a long presentation at the beginning of any workshop.	Keep the introductory part short. Explain things as you go along. Business people in particular tend to get very impatient if they are exposed to lengthy presentations that have no immediate relevance to them.
The facilitator does not explain the Diamond concept before going into the mesocard-writing exercise.	The facilitator is nervous. The facilitator is not aware of the relevance of introducing all elements of the Diamond at the outset.	Explain the complete Diamond, so that participants know that there is more to come after the first element.

6 How to Conduct PACA Fieldwork

Main messages:

- **PACA Fieldwork is a short and intense experience.**
- **There are strong reasons for keeping the fieldwork short.**

PACA fieldwork has four purposes:

- to understand the structure and performance of the local economy,
- to identify possible activities to strengthen the performance of the local economy,
- to identify entities and individuals who can take responsibility for the implementation of such activities.
- to start stimulating networking between local actors, mainly by conducting Mini-workshops.

Field research consists of interviews and mini-workshops. We have mentioned above a number of points regarding preparation, in particular selection of companies and institutions to be interviewed. In the Brazilian cases, the standard procedure was to discuss the selection criteria with the local chamber and to leave the final decision to the local chamber. The chamber would then contact companies and institutions and make appointments. It is useful to leave some slots open for the last two days so that it is possible to fit in interviews with firms and organisations which are suggested in the kick-off workshop or come up during fieldwork. Usually, the PACA Host would call the firms and institutions to make an appointment, would then send a fax describing the purpose of PACA and the interview and confirming the appointment, and would call again on the day before the interview to re-confirm the appointment. Preparation of mini-workshops proceeded in the same way.

Schedule of the fieldwork

The duration of field-research depends on the size and complexity of the locale. In smaller places (under 100,000 citizens) it took us a week, in larger places two weeks. Table 2 presents a typical schedule for a small town. This schedule is very dense, and it involves a very intense and also exhausting experience for the PACA Team. A schedule like this is appropriate if two criteria apply: first, the external consultant(s) are remunerated according to the number of days they spend in the locality, and the available funds are limited; second, the local PACA Team is available most of the time.

In case these criteria do not apply, a schedule may also look as shown in Table 3. Note that the sequence of activities on each given day is supposed to be the same as in Table 2; it is therefore not mentioned again. The difference regards the fact that there are PACA-free days in between, and that there is a kind of rotating scheme with respect to the local members of the PACA Team.

Table 2: Schedule of a quick PACA Exercise

	Monday	*Tuesday*	*Wednesday*	*Thursday*	*Friday*	*Monday*	*Tuesday*
Morning 1	Hypotheses Workshop	Large industrial firm	Bank	Large industrial firm	Large industrial firm	Results Workshop: Elaboration of diagnostic	Results Workshop: Elaboration of presentation
Morning 2		Local government	Large industrial firm	Large industrial firm	Medium-sized industrial firm		
Lunch		President of assn. of micro and small bus.	City council members	NGO activists	Journalists		
Afternoon 1	Kick-off workshop	Export agent	Miniworkshop with business development service providers	Small software firm	Transport firm		
Afternoon 2		President of retail association		Small subcontractor	Medium-sized industrial firm		
Afternoon 3		University	Human resources firm	Trade union representatives	Small service firm		
Evening	Chamber directors	Mini-workshop with small businesses from branch A	Interim Assessment by the PACA Team	Mini-workshop with small businesses from branch B			Presentation and discussion of results

Table 3: Alternative schedule for a PACA Exercise

	Week 1			Week 2			Week 3				Week 4
	Tuesday	Thursday	Friday	Tuesday	Wednesday	Thursday	Monday	Tuesday	Friday	Saturday	Monday
Morning	Kick-off workshop Entire PACA Team	EPC LPTM 2 LPTM 3	EPC LPTM 3 LPTM 4	EPC LPTM 1 LPTM 4	LPTM 1 LPTM 2 LPTM 3	LPTM 2 LPTM 3 LPTM 4	LPTM 1 LPTM 3 LPTM 4	EPC LPTM 2 LPTM 3	EPC LPTM 3 LPTM 4	Entire PACA Team: Results Workshop: Elaboration of results and proposals	
Afternoon	EPC LPTM 1 LPTM 2	EPC LPTM 2 LPTM 4	Entire PACA Team: Progress review	EPC LPTM 1 LPTM 3	LPTM 1 LPTM 2 LPTM 4	Entire PACA Team: Progress review	LPTM 1 LPTM 3 LPTM 4	EPC LPTM 1 LPTM 3	Entire PACA Team: Elaboration of findings and proposals		Presentation of PACA diagnostic
EPC = external PACA Consultant, LPTM = Local PACA Team Member											

Note that interviews and Mini-workshops alternate. Each of them renders specific types of information, and they complement each other. There is no point in conducting first interviews and then Mini-workshops, or the other way around.

We have found that a good duration for a PACA Exercise is two weeks. The schedule indicated in Table 2 applies to a small local economy. If a local economy is more complex you would want to conduct five or six miniworkshops. A typical schedule would then look as follows:

First week		*Second week*	
Monday	Hypotheses workshop (morning) Kick-off workshop (afternoon)	Monday	Fieldwork (leave some slots in the agenda open to accomodate interviewees and possibly even miniworkshops that are decided on during the first week
Tuesday	Fieldwork (miniworkshops and interviews)	Tuesday	
Wednesday	Fieldwork (miniworkshops and interviews)	Wednesday	Results workshop
Thursday	Fieldwork (miniworkshops and interviews)	Thursday	Preparing and rehearsing the presentation (morning) Presentation event (afternoon)
Friday	Fieldwork (miniworkshops and interviews)	Friday	Way-forward workshop(s)
Saturday	Perhaps conduct a miniworkshop or an interview with stakeholders who are not available during the workweek		

Note that you can conduct miniworkshops and interviews in parallel, to the extent that the PACA team has a sufficient number of members.

In the course of the fieldwork, it is useful to have frequent team meetings to exchange information, assess progress, and review hypotheses. This is particularly important if a big PACA Team conducts interviews and Mini-workshops concurrently. This is perfectly possible, and very efficient. But it obviously creates a necessity to share have frequent meetings to share information.

After every day of fieldwork it is recommendable to do the following in a team meeting:

- Interchange information about interviews and Mini-workshops

- Ask: What con we do better on the next day?
- Redefine hypotheses (using the 4 questions of the hipotheses workshop)
- Review fieldwork schedule (new persons to interview?)
- Clarify logistics and team coherence.

What is the reason for suggesting to conduct the PACA fieldwork in such a short time period? The main reasons are these:

- There is no need to spend much more time gathering information about the local economy, and ideas on how to upgrade it. You do not want a map in scale 1:1. What you want is a quick appraisal that gives you a reasonably clear idea of what is going on, and what to do about it. The PRA principle in this respect is *Optimum ignorance and appropriate imprecision*.

- You do not want to have to much time lapsing between your fieldwork, the Presentation Event and the Way-forward Workshops. During the PACA Exercise, you build momentum. Local players get excited and motivated. You want to keep that momentum and turn it into practical action before it runs low.

- The longer time you spend with research, the more costly it becomes. In Econospeak: The marginal utility of additional time does not outweigh the marginal cost for the consultants.

- Members of the local PACA team are usually employed elsewhere and are volunteering their time on the PACA project; some even taking time off from their regular jobs to be involved. Committing more than one to two weeks for them just isn't realistic; anything more than that and you start running into motivation issues and people just not being available anymore.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
The PACA Host arranges many Mini-workshops but only few interviews	• The PACA Host is so busy with the organisation of interviews that s/he forgets about interviews • The PACA Host likes the efficiency of Mini-workshops and finds interviews unnecessary	Both Mini-workshops and interviews play a crucial role in the PACA fieldwork. It is crucial to organise them both in advance. It is important to leave some time slots available towards the end of the schedule of the fieldwork to accommodate interview opportunities and needs that emerge during the fieldwork.
The PACA Host arranges only interviews for the first phase of fieldwork and only interviews for the second phase, or vice versa	• The PACA Host has a theory about one format being important for generating information and the other one to verify it	Mini-workshops and interviews provide complementary information. There should be both interviews and at least one Mini-workshop on each day of the fieldwork.

7 PACA Fieldwork: Interviews

Main messages:

- **PACA interviews are more like conversations.**
- **You use an interview guideline, not a questionnaire.**
- **The main purpose of the interview is to learn about the local economy. You don't only gather information about internal matters of a company or organisation, but also and in particular on how it interacts with the local economy, and how it assesses the quality and potential of the local economy.**

Interviews are conducted with several firms and organisations as outlined above. Preferably, you would try to interview the owner, president, or chief executive in a company and the director or executive secretary in a supporting institution. In preparing for the interview, there are two things you should consider:

- Topical preparation: Try to get advance information about the company / institution you are going to visit. Have a look at newspapers or magazines. You may also find some information on the Internet. The more information you get in advance, the less questions you have to ask about basic features and the more time you have to discuss the really interesting things.
- Practical organisation: Before you go out to conduct the interview, make sure that you know exactly whom you want to talk to, and where to find him or her. In particular in large organisations, it might otherwise be difficult and time-consuming to get past security and to locate the interviewee. Also make sure that you have your notebook and a spare pencil with you.

There are two types of interviews: the conversation-interview and the structured interview. Neither is based on a closed questionnaire, and they do not involve the use of techniques like scoring and ranking or other quantitative methods.

7.1.1 Conversation-interview

In this interview format, the idea is to stimulate the interviewee to outline the structure, activities, and performance of his firm or organisation, including its relationship with other organisations, and to give his/her view of the local political and economic situation. Instead of a questionnaire, the interview is based on a guideline to make sure that all important issues are touched upon. This type of interview is appropriate for PACA Team members who are experienced and confident in an interview situation.

What is the sequence or the dramaturgy of the interview? First, you explain why you asked for the interview and what the purpose of the interview is, namely to gather information which will feed into a diagnostic of the local economy and, based on that, into real activities to enhance the competitiveness of the location. Second, there will be a warm-up phase. The purpose is to create an atmosphere which makes the interviewee feel comfortable to share information with the interviewers. One way of doing this is to have just a bit of chit-chat, of small talk. Another way is to mention some positive information about the company or institution and provoke the interviewee to comment about it. Yet another way is to enter into the interview

Porter's Five Forces Analysis

The Five Forces Analysis is an analytical concept developed by Michael Porter. It is a useful concept in analyzing the competitive position and strategic challenges of a company or a cluster. The five forces are:

1. *Rivalry among existing firms*. The main question is: Who are your competitors, and what are your competitive advantages and disadvantages?
2. *Bargaining power of suppliers*. The main questions are: Who are your suppliers, how many of them are there, how easy is it to find suppliers, and what is the bargaining power of you vis-à-vis your suppliers?
3. *Bargaining power of buyers*. The main questions are: Who are your customers, how many are there, is it easy to find customers, and what is your bargaining power vis-à-vis your customers?

What is meant by "bargaining power"? Take this example: In many industries, there are suppliers which have a quasi-monopoly. They charge the prices they want, and they deliver the amount and quality of products as it suits them, and at a time that suits them instead of their customer. So the customer has little bargaining power as he cannot threaten to switch to another supplier.

4. *Threat of new entrants*. The main questions are: How likely is it that new competitors selling the same product enter your business, who might they be, and what kind of advantage might they have?
5. *Threat of substitute products or services*. The main questions are: Is there a threat of substitute products which may be due to radical technical innovation or a radical change in consumers' behavior? (Examples: Synthetic fabric instead of silk, PC instead of type-writer, fresh packaged or frozen instead of canned vegetables)

straight on, but to start with a question that is entirely uncontroversial, such as "Could you tell us a bit about the history of your company / institution?".

In fact, this question leads directly into the main part of the interview, during which we can distinguish three phases:

1. The first phase of the interview is around basic information about the company: its history, legal status and ownership structure, key numbers (such as number of employees, turnover), its main product lines, production technology, investment projects, certification according to international standards, co-operation with foreign companies etc.

2. The second phase of the interview is specifically about the competitive position of the company. A useful tool in analysing this is Michael Porter's Five Forces Analysis. Consider to prepare a printout of the Five Forces, to take it to the interview and to leave it with the interviewee – he or she may not know it and find it useful.

3. The third phase of the interview addresses the embeddedness of the company in its local setting, in particular with respect to relations to supporting institutions (training, technology, SME promotion, finance, export promotion, etc.). This is also the moment to ask for ideas and proposals for local economic development activities.

If the interviewee is very eloquent and willing to provide information, it is an option not to stick rigidly to the sequence but rather to stimulate the interviewee to unfold his particular argument, in the sequence s/he prefers, and then to ask specific questions in order to touch upon issues s/he has not mentioned before. A typical observation is that in the first part of the interview, the interviewee will elaborate quite extensively on the issues which s/he finds most important. It is then the task of the interviewers to check which points in the guideline have already been addressed by the interviewee. Based on that, in the second part of the interview the interviewers will ask specifically about those points not mentioned spontaneously by the interviewee. Overall, it is a good estimate that the interviewer will talk no more than one third of the total time of the interview, and probably much less.

It is useful to keep some points in mind with respect to interviews / conversations:

- It may be that the interviewee has never been in this situation before, and therefore feels profoundly insecure as to how to behave and what to say. It depends largely on the sensitiveness of the interviewers to deal adequately with such a situation.

- Do not interrupt the interviewee too often. In fact, try not to interrupt at all, except if the s/he repeats himself or if s/he talks at length about issues which are irrelevant for your diagnosis.

- Do not ask suggestive questions, such as "How are your relationships with customers – highly conflictive?". If you ask like this the interviewee may answer affirmatively, but out of politeness, not because s/he thinks that this is the correct response. Rather ask questions such as "How are your relationships with customers – do you have a trust-based

Typical interview situations in Brazil: Go see the shop-floor. And maybe bring rubber boots.

relationship, or is it a conflictive relationship?", i.e. questions where you give several options, so that you explain what the question is about without prejudicating the response.

- It is useful for the interviewers to combine signals to be able to communicate non-verbally during the interview, for instance in a situation where one of the interviewers starts to dominate the discussion, e.g. unfolds his arguments rather than listening to the interviewee.

- It is crucial to take notes during the interviews, and it is preferable that at least two interviewers take notes to be able to verify disputes on factual issues which occasionally emerge afterwards.

An interview in Sri Lanka...

... and in the Dominican Republic

The typical duration of an interview is between one and two hours. When conducting it, it is important to remember one of the principles of PRA: direct contact to the field, even if this implies getting wet feet. In particular, this means that the interviewer should not just talk to a director or executive secretary but also ask to have a look at the factory or the facilities. This is important to check some of the information obtained in the conversation. For instance, it a company claims to have sophisticated quality management systems in place but the factory is a total mess, the interviewer knows that there is some inconsistency in the information s/he got. Similarly, if a supporting institution claims to have intense interaction with customer but there is no customer on the premises, it may be interesting to ask the interviewee about that.

In our experience, there are three ideal-types of interviews (or rather conversations, since this is the kind of atmosphere we try to create at the interview – rather than a quick succession of questions and answers).

- Interviews with persons who grasp quickly what the interviewers want, and who try to give their view of the situation of their firm / organisation and of the overall scenario. It is useful to let the interviewee unfold his argument and only interrupt him when s/he starts to wander astray. The interviewers should write down questions which spontaneously come to their mind and ask them at a later point in time.

- Interviews with persons who do not quite know what the whole exercise is about, or who feel that they have little to tell, or who are suspicious that the researchers might be spies, and in any case are not very responsive. In such an interview, it is even more important than normally to create an atmosphere of trust. The main challenge is to encourage more that just brief responses to questions, i.e. to stimulate the interviewee to unfold his view, experiences, and arguments. Depending on the cultural context local team members are sometimes afraid to question indistinct or unclear responses from the interviewees, for instance because they are worried to embarrass their community members. In this situation external team members are expected to pose those questions in a very polite way. However, interruptions and an inquisitive style of interviewing are inadequate.

- Interviews with people who mistake the situation and start a kind of Sunday speech involving lots of rhetoric and little facts. This happens sometimes with political representatives and representatives of associations. In such a situation it is perfectly sensible to interrupt the interviewee, and to try to guide him to more specific and concrete issues. If he is unwilling to get away from rhetoric, it may be necessary to be moderately impolite or to try to provoke him to move to more specific issues.

7.1.2 Structured interview

The structured interview is a format which is appropriate for less experienced interviewers. It does not have the conversation-like atmosphere of the

Company	**Supporting Institution**	**Business Association, Chamber**
1. Warm-up 2. General information: History, ownership structure, products, turnover, investment, no. employees 3. 5 Forces 4. Interaction with supporting institutions 5. If you had 3 wishes for free, which would that be? 6. Invitation to Presentation Event	1. Warm-up 2. History, profile of activities, main products and customers 3. Transaction matrix: Benefits and cost/risk of interaction between your institution and companies 4. What is your contribution to LED? What will or might be your contribution to LED in the future? 5. If you had 3 wishes for free, which would that be? 6. Invitation to Presentation Event	1. Warm-up 2. History, profile of activities, main products and customers 3. Discuss the virtuous circle of a business association with the interviewee 4. What is your contribution to LED? What will or might be your contribution to LED in the future? 5. If you had 3 wishes for free, which would that be? 6. Invitation to Presentation Event

format introduced above but is rather a question-and-answer exercise. It still is a qualitative interview. However, it is based on a clear sequence of issues, which is outlined in the following table.

Some of the issues mentioned in the table merit clarification.

Company interview: interaction with supporting institutions

The idea here is to address the interaction with different types of supporting institutions (in training, finance, technology, SME promotion, business information; this includes associations, chambers and government) one by one, asking for both benefits and costs/risks of interaction. The benefit is what the company gets out of the interaction, such as training, technological upgrading or capital. The cost is what it has to pay, but also the opportunity cost. Typical risks include loss of trade secrets and delays.

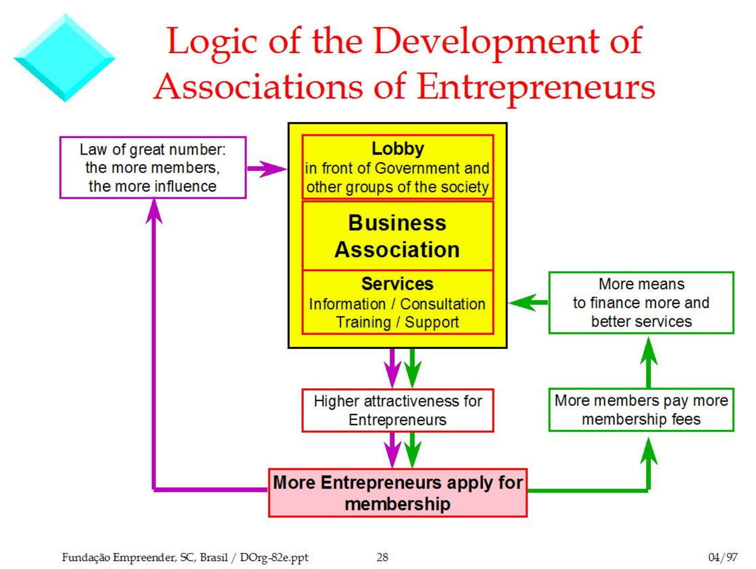
Supporting institution interview: Interaction Matrix

This is a tool which we also use as a Mini-workshop format. It is explained in the section on Mini-workshops.

Business Association / Chamber interview: Virtuous circle

The virtuous circle of the evolution of a business association is described in Figure 1. Any business association fulfils two roles: It represents the interests of its member firms (lobby), and it offers services to member firms (service).

Figure 1



The lobby-role is not exclusive, i.e. usually also non-members benefit from successful lobbying, so that there is an incentive for companies to free-ride. The service-role is exclusive, i.e. only members benefit. Therefore, the service-role is the key in creating an incentive to become a member.

7.1.3 Interviewing, learning and hypothesising

It is important for the interviewers to realise that a series of interviews involves a rapid learning process on their side. This gives rise to both opportunities and risks. For instance, one of the opportunities is the possibility to form hypotheses in the course of the interviews, and to discuss them with interviewees in subsequent interviews. Probably the most important risk is to confuse facts and perceptions. Interviewees usually report both facts and perceptions, mental models, constructed reality, and the like. It is essential for the interviewer to figure out what information is based on personal experience, and what information is based on hearsay, common wisdom, and the like. It is disastrous if the interviewer assumes uncritically the mental models of the interviewees. In this respect, it is important to note that there is no reason for not contradicting interviewees, even though this may appear impolite in the view of the local culture. In fact, questioning views, perceptions, and mental models of interviewees can lead to important insights – actually on both sides. Interviews are also a learning opportunity for the interviewee, and may even occasionally lead the interviewee to question his mental models. In this respect, it is often useful to confront an interviewee with (non-confidential) information gathered in earlier interviews, and with other information gathered elsewhere (for instance, the consultants may have information on business support programs which are locally unknown).

One of the aspects mentioned in the paragraph before merits more consideration. In a given locale, there are usually two realities: the “objective” re-

A socially constructed reality contradicted by the real reality

Blumenau is a city in Southern Brazil with a tradition in the textiles and garments industry which goes back to the late 19th century. After 1994, several of the six large firms which dominated the sector locally went into crisis, cutting down the number of employees dramatically. Two firms came close to bankruptcy. This experience created in the city a sense of crisis, which was formulated explicitly when we did a PACA there in early 1999.

In our field research, however, we came across a lot of evidence which clearly was not compatible with the sense of crisis. Labor brokers reported that it was extremely difficult to find skilled textile workers, even though thousands of them had been laid off. Subcontractors, for instance in embroidery, reported that they were expanding their production all the time.

What came out as an explanation was that in the shadow of the crisis of the traditional firms a booming sector of SMEs had begun to emerge. Most of these firms, however, were subcontractors or producing private brands for large chains, so that they were hardly visible. So one of the main points of our presentation was that in reality there were two Blumenaus – the old one, with big firms, in crisis, and the new one, booming, with a little known set of new firms.

About formulating and revising hypotheses during the fieldwork

How do you deal with hypotheses which come up during the fieldwork, or with information which contradicts earlier hypotheses? First of all, it is important to recognise a hypothesis. For instance, if an interviewee states "I don't think that local government is doing anything about the economy" and you respond "Perhaps it is facing so many different, and mostly incompatible, proposals that it finds it difficult to decide what to do", you have just formulated a hypothesis. It is important to write down such hypotheses. They come in handy when you have to prepare the diagnostic.

What do you do if you start to formulate inconsistent hypotheses? One way of dealing with this is to discuss it with interviewees. You cannot take their responses at face value, but their feedback helps them in gathering additional information which in the end may help you in deciding which hypotheses are convincing, and which are just wrong.

ality and the socially constructed reality. It is not rare that there is a wide gap between the two (see box). This gap may exist in different respects:

- perception of the business climate: it is rational for firms not to report good business, for instance to deter new entrants,
- economic structure: data on the current sectoral composition are often unknown, especially if the last industrial census was conducted a long time ago,
- business opportunities: as the media report selectively, and often focus on disasters and crises while neglecting positive news, some dynamic branches may be largely unknown.

It is essential for the consultant to unveil both realities, and the relationship between them, and to confront the local actors with the gap between the two.

Taking these considerations into account, it becomes obvious why it is essential that local actors are not only involved as interviewees but also as interviewers. We have had different experiences in this respect. In the city which subsequently launched the most effective marketing municipal activity, the executive secretary of the ACI took part in all the interviews. In another city, a professor of the local university took part in most of the field research. In other cities, ACI executives and consultants, and sometimes even directors, participated in the field research (and, of course, the elaboration of results). Their active participation involves a particularly rapid learning experience, creates the conditions for them to present the main findings later on, and motivates them to take an active role in the implementation.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
Interviewers don't get precise information whom to meet, and where to go.	Careless behaviour of the person who organises the interviews.	Always use the interview organisation template. For each interview, fill in all the columns in the template.
Interviewers are not well prepared: They don't know why they see this company or organisation, what it does, and what kind of specific information they should obtain.	The PACA Team is under high time pressure. The PACA Team forgets to ask and to consider.	At the very least, address these issues as you are on your way to the interview. Normally, you try to get some advance information. Ask the PACA Host to provide you with the fact sheet (based on template).
Tensions in the interview team emerge.	Members of an interview team have not defined roles in advance, and have not agreed on signals / non-verbal communication.	Define roles (lead interviewer / support interviewer). Agree non-verbal signals, to avoid interviewers interrupting each other.

8 PACA Fieldwork: Mini-workshops

Main messages:

- **PACA Mini-workshops are highly efficient means of information collection, because the facilitator deals with a number of people at the same time, extracting information from all of them at the same time.**
- **PACA Mini-workshops are very effective means to get people together, who would not normally speak to each other. One can expect quite a number of important contacts being made, which will be of value long after the PACA exercise. They sometimes directly stimulate business contacts or practical action, even if it was not planned that way.**
- **They sometimes directly stimulate business contacts or practical action.**
- **There are different Mini-workshop formats for different types of target groups.**
- **Mini-workshops also serve as a basis to do further 'research' into topics surfacing at the workshops.**
- **It is of the utmost importance that the participants to these work-shops are carefully selected, to ensure that the righty groups attend. Obviously, it is even more important to ensure that the invitees actually turn up.**

The purpose of a Mini-workshop is to gather information about specific segments (sectors, clusters, value chains, actor groups) of the local economy. It is more efficient than conducting interviews. At the same time, we must acknowledge that with this format we will miss some information that we would gather in an interview. This is why we conduct both interviews and mini-workshops. Mini-workshops are particularly useful in cases where you have sectors of the local economy with a large number of participants. For instance, if there are 200 local micro and small garment producers, it is unlikely that you have the time to visit, say, 20 of them. Also, after the first few interviews the additional information you get out of each further interview would most likely be very limited. In this case, it is useful to have one or two interviews, to see what such an operation looks like and to get information which people would not mention in a mini-workshop, and then to organise a Mini-workshop with perhaps 8 to 15 businesspeople from this sector.

Likewise, it is often useful to have a Mini-workshop with business service providers, for instance in skills development, or with business promotion and economic development agencies, especially in locations with a proliferation of business-related government agencies.

The basic structure of the Mini-workshops is similar to the Kick-off workshop. The first main difference is that participants of a Mini-workshop should come from a more homogeneous group, e.g.

- one branch of industry or services,
- a group of businesspeople who are homogeneous for some other reason, e.g. a group of CEFE or EMPRETEC entrepreneurs, or a group of businesswomen, or a group of highly innovative businesses,
- a group of representatives from a given type of supporting institutions, such as training institutions.

The second difference is a slightly different topical focus. Whereas the objective of the Kick-off Workshop is to paint an overall picture of the local economy, a Mini-workshop is meant to give an in-depth insight into specific segments of the local economy. This has implications for the structuring tools which can be used in a Mini-workshop. One option is to use, similar to the Kick-off workshop, the diamond. But there are other options as well. Let us look at some of them.

You have invited ten people to a Mini-workshop, but only three pitch up. Now what? There are two options:

- You can run the Mini-workshop as planned. An exercise like 5 Forces works even with this small group.
- Interview them. Split the PACA-Team for one-on-one interviews, or conduct something akin to a focus group interview.

And what if nobody appears at all? On average, this happens about once per PACA Exercise. It usually happens because somebody promised you to organise a Mini-workshop and didn't deliver. You can use this time to conduct an interim assessment in the PACA Team, or quickly arrange and conduct some interviews, or just go out into the business district, a market place or roadside stalls and interview business people on the spot (in PRA terminology: do a "Walkover").

8.1 The Mini-workshop format using Porter's Diamond

It is useful to use Porter's diamond as a structuring tool in the Mini-workshop if you have reason to expect that the businesses which will participate have some choice in selecting their location, so that the diamond-perspective at locational quality is adequate. It is also adequate in situations where the group is not as homogeneous as you had hoped.

There are only minor alterations to the format of the Kick-off workshop. The most important one is the following: During the Kick-off workshop, the first box of the diamond is introduced as "Leading sectors and firms in the local economy". In the Mini-workshop, you will introduce the first box in a different way:

- If the participants of the mini-workshop come from a sector which produces final products, the first box is usually introduced as "Competitive advantages and disadvantages of your firms/organisations". The other boxes are introduced in the same way as in the kick-off workshop.
- If the mini-workshop involves a group of suppliers or service providers, the participants will address the box "Supporting industries" based on the question "What are the competitive advantages and disadvantages of your firms?".
- If the mini-workshop involves a group of representatives of supporting institutions, the participants will address the box "Supporting institutions" based on the question "What are the competitive advantages and disadvantages of your firms?".

A Diamond Mini-workshop in South Africa...

... and in Sri Lanka

In any case, the diamond is presented to the participants as shown in Figure 2.

What is usually most difficult for the participants is to come up with responses to the category "demand conditions". The idea behind this category is very straightforward: If customers accept products of inferior quality, there is no reason for companies to produce first-rate quality. Companies become competitive because they have to compete, and in practical terms

Figure 2: Presentation of Porter's Diamond in a mini-workshop

	Competitive advantages and disadvantages of lead firms in the given sector ➢ What are the strong and the weak points?	
Supporting institutions (factor conditions): – training, technology, finance, infrastructure, public utilities, etc. – location, land ➢ What are the strong and the weak points?		Demand conditions: – sophisticated demand – unusual demand – pioneering / innovative demand ➢ What are the strong and the weak points?
	Supporting industries: suppliers, subcontractors, service providers (transport, real estate, IT, insurance, etc.) ➢ What are the strong and the weak points?	

this means that customers can switch do a different supplier if they are not happy with the price, quality or service of a given company. If there are no other suppliers, or if the other suppliers are no better, customers may have to accept their fate. In fact, in developing countries we often find a vicious circle of inefficient companies and unsophisticated customers. This is not necessarily just due to poverty. It may also be due to import restrictions which protect domestic producers with inferior products, or to the incompetence of higher income consumers. Where then does sophisticated demand come from? One source of sophisticated demand are companies which compete in international markets who put pressure on their suppliers. Another candidate are foreign customers themselves. Yet another candidate may be tourists.

The typical duration of these Mini-workshops is somewhere between 1.5 and 2.5 hours. As it is based on the mesocard methodology, it is preferable to conduct it in a room without tables and with lots of wallspace. Standard boardrooms with huge tables are quite inappropriate for this kind of exercise.

The mini-workshop should be facilitated by two, possibly three, facilitators. They have to prepare and give a brief presentation on the Diamond, preferably visualised so that the participants can have a look at the model at all times. After that, they are facilitating the workshop, i.e. explain what the participants are supposed to do, distribute mesocards, collect them, read them, put them up, organise them, and possible run a Pareto.

8.2 The Mini-workshop format using Porter's Five Forces Model

An different format for a Mini-workshop involves Porter's Five Forces model. This format is useful if you are working with a group of business-people with little or no interaction with supporting institutions and for which "sophisticated demand" is not really an issue; typical examples would be microenterprises and informal companies.

The mesocard method is usually the most efficient tool to conduct this Mini-workshop. However, it sometimes happens that it is inadequate, especially if your group is much larger than 15 persons. In that case, an alternative option is to divide the group into smaller groups with four to eight participants and have each group note its observations on a sheet of flipchart paper or Kraft paper. You explain PACA and the 5 Forces concept to the group, divide it into smaller groups which discuss each of the five forces and write down their observations, and then have the groups report back. This format is particular useful with participants who do not speak a common language.

A 5 Forces Mini-workshop in South Africa... ... and in Nicaragua

8.3 A Mini-workshop format using the Interaction Matrix

The Interaction Matrix is a useful tools to get a more profound understanding of the benefits/opportunities and costs/risks of co-operation between two types of organisations. Its most adequate application involves co-operation between businesses and business support organisations (in training or technology or advice). The basic structure of the matrix is like this:

Interaction between firms and supporting institutions in XY		
	Benefits Opportunities	Costs Risks
... for firms	(1)	(2)
... for supporting institutions	(3)	(4)

The participants are again asked to respond by writing observations on mesocards. Ask the participants to fill out cards for field (1) first, then field (2) etc. It can be useful to ask the participants for a priorization. This is done using the Pareto method, i.e. each participant gets a number of points which is equal to 20% of the total number of cards, so that he can then mark those cards which he finds most relevant. For this exercise to be effective, it is essential that duplicate cards are eliminated beforehand. It is useful to involve participants directly in the process of consolidating the cards at the wall.

The interaction matrix may look at all firms or sub-groups (e.g. a given sector or firms of similar size), and it may address all supporting institutions, only one group (training, SME promotion, finance etc.) or just one specific supporting institution.

The interaction matrix workshop is useful for a first tentative appraisal of possible collaboration. But it is particularly powerful if very specific suggestions for collaboration between two parties have come up, and you want to get a balanced view of the benefits, costs and risks involved in this interaction.

What do you do if suggestions for collaboration come up that involve three or more parties? There are different options. One option, with three parties, is to elaborate three bilateral matrixes. Another option is to simply add a third row. A further option, especially with multiple players, is to shift to a different format altogether, such as the Expectation Matrix.

Mini-workshops in unusual ways: Ecuador...

...and Sri Lanka

8.4 The Mapping on the Floor Mini-Workshop

Mapping is a useful technique to understand the structure of actors involved in a local economy, a cluster or a value chain. A very powerful technique is the Mapping on the Floor. It involves four steps:

1. Participants name relevant actors, which are written onto cards. The cards are put onto the floor in no particular order.

2. Some participants organise the cards on the floor.

3. Some participants lay down additional cards to indicate connections between actors, be they cooperation, be they conflicts. Cooperation and conflict may be indicated in different colours.

4. Some participants note on the connecting cards what type of relationship exists.

A Mapping on the floor exercise in South Africa

While some participants are on the floor, the others sit around them and make suggestions. Usually, we find that all participants are following this exercise with keen attention.

8.5 General observations on Mini-workshops

The facilitators in the Mini-workshop must not forget a few key points:

- At the beginning of the workshop, you have to explain what the PACA Exercise is all about, what the purpose of this Mini-workshop is, how it fits into the bigger picture and why you invited the people you invited. When you explain PACA, try your best to match the level of abstraction and the terminology the participants are comfortable with. Also, don't forget to present yourself.

- Do not lecture, but facilitate! It is important to explain the concept applied in a given Mini-workshop to the participants, but this should take no more than 10-15 minutes. After that, the facilitator may have to explain one or another aspect, but s/he should avoid talking more than 1-2 minutes at a time. The objective of a Mini-workshop is to get information from the participants, not the other way around.

> How does a Mini-workshop start?
> Typically like this: Some participants are early, some are on time, and some are late. So you usually start with a slight delay. What do you do to keep the early arrivals busy? A useful tool are little brainteasers, such as the task to connect 3x3 dots with four straight, connected lines without lifting the pen. This breaks through the often awkward situation that you cannot address all the early arrivals, and that you may not quite know how to address them.

- At the beginning of each step, distribute four to six mesocards to each participant. If some participants need more cards, don't hesitate to distribute them.
- Read the cards aloud before pinning or taping them to the wall.
- Never criticise a card, neither for content or for misspelling. If the meaning of a card is unclear, ask for clarification. If the author does not come forward, continue in your work. One of the principles of mesocard is anonimity, and it is essential to preserve this.
- If you note that a given card relates to another element of the Diamond, the Five Forces or the Matrix, mention this, fix it at a separate part of the wall and take it into account as you reach the proper step.
- Do not spend too much time during the workshop with oral discussion. If a discussion erupts about one point, try to convert it into a mesocard-based discussion, where the participants are noting their contribution to the discussion on cards.

Both during the Kick-off Workshop and a Mini-Workshop it is useful to split the participants into smaller working groups

- if the number of participants is large (Kick-off Workshop: > 25-30 participants; Mini-Workshop: > 12-15 participants);
- if there are language problems (i.e. some participants do not understand the "official" language – very common in countries such as South Africa or Sri Lanka where many people don't understand English). The working-groups operate in the local language but prepare the results of their work (e.g. the observations on the 5 Forces) in English.

Are the Diamond, the Five Forces and the Transaction Matrix the only instrument in structuring a Mini-workshop? The answer is: No, but they are proven and normally useful tools. Other options include the SWOT model or mapping exercises (see Annex). The following table summarises the applicability of different formats to different groups of participants in a given Mini-workshop.

Single company		*Subsector*		*Cluster*		*Location*
			5 Forces			
			SWOT			
		Interaction	**Matrix**			
		Value Chain	**Mapping**			
			Triangle of	**Locational**	**Factors**	
				Diamond		

A practical question that often comes up with regard to Mini-workshops is: Do we have to serve drinks and possibly food? The answer is: Depends on the local customs. In some countries participants would take this for granted, elsewhere it would be a special treat. Leave the decision on this to the local PACA Host. From a practical perspective, it is always desirable to create an opportunity for an informal get-together, especially in Mini-workshops with business-people who often have not met before and who are keen to talk to colleagues.

After each Mini-workshop, sit down in the PACA Team and identify possible project champions. We often observe that some individuals in a Mini-workshop appear particularly keen and motivated to get involved, and wait only to be addressed. Don't hesitate to do that.

What do you do if individuals appear at each workshop, even though each Mini-workshop addresses a different target group? We often observe that these are individuals who are very keen to make sure that they get something out of the PACA Exercise – maybe a business idea, maybe business contacts, maybe government support for a development project. All of these motives are perfectly acceptable, and there is no reason to turn such people away. However, if you start to notice repeat visitors, don't hesitate to engage them in a direct conversation to discuss their motivation. They may have unrealistic expectations, and you don't want them to scream and shout at the Presentation Event, when they see that their pet idea hasn't made it into the list of proposals.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
Inexperienced PACA Consultants experiment with their own mini-workshop format, instead of applying a proven format.	Inexperienced PACA Consultants commit all sorts of minor errors which stifle the smooth proceeding of Mini-workshop, and deduct, wrongly, that the format does not work.	Apply the proven format. Make sure that you understand the instructions. Carry the A6 card with the instructions on your body. Have two facilitators who can alternate in facilitation, and where one person comes in when the other forgets something important or explains it wrongly.
PACA Consultants don't react flexibly to very small or very large numbers of participants.	Inexperienced PACA Consultants are not yet confident in the use of Mini-workshop formats, and apply them too rigidly.	There is some degree of flexibility in the use of Mini-workshop formats. For instance, if the group is big (> 25 persons) you would like to divide it. Also, you would consider not to use mesocards. Instead, create small groups of six to eight persons each who write their issues onto a piece of flipchart or brown paper.

9 Results workshop

Main messages

- The purpose of the results workshop is to elaborate, in a short time, the main findings and proposals.
- Proposals are prioritised using three criteria:
  - doable with local resources,
  - quickly implementable,
  - visible impact within three months.

The preparation of the results starts long before the end of the field research. In fact, it is useful to conceptualise the field research as an iterative process of formulating and confirming or rejecting hypotheses. (In some cases, this takes place inside the car between interviews, with the obvious disadvantage being that it is complicated to document discussion processes under such a condition. You should also have more formal team meetings to work on hypotheses in the course of the fieldwork.) In other words, the preparation of results does not start from scratch after the end of the field research but rather is based on extended hypothesising during field research.

The results workshop is an internal exercise of the PACA Team. You start the preparation of results using the mesocard technique, asking yourselves for observations regarding each of the important local branches. The result is a collection of cards with observations regarding the strengths and weaknesses of each sector. It is also useful to raise some cross-cutting issues, like entrepreneurial spirit, the quality and responsiveness of supporting institutions, or the behaviour of local government. The next step is to discuss these cards; part of this exercise is to go back to the notes taken in the interviews to confirm or reject certain observations. Moreover, if there are four or more persons involved, it is useful to employ the Pareto method (putting points onto cards, with each participant having a number of points equivalent to 20 % of the total number of cards) to define priorities. The result of this is then transformed into a Powerpoint presentation. It is useful to include digital photos that you have taken during the fieldwork into this presentation.

The preparation of proposals follows the same sequence: Preparing a mesocard with proposals, discussing the proposals, defining priorities, and putting them into the same Powerpoint presentation. The first criterion for proposals, quite obviously, is that they make sense, i.e. that their implementation can improve the local competitive advantage. There are, however, further important criteria. The majority of proposals should be implementable within a short period of time. The basic idea of the whole project is to create a virtuous circle: Implement certain proposals, have a positive impact / payback with a short period of time (one to three months), thus reinforce the credibility of the whole venture and the motivation of key actors to define further, more ambitious activities. Therefore the main task is not to formulate as many proposals as possible, and also not to formulate proposals which are as fancy and state-of-the-art as possible, but to elaborate a list of not-too-ambitious proposals which is compatible with the number,

Leading questions for the diagnosis:

- What is the economic base?
- What are the main sources of income?
- Which LED activities are already going on?
- Are there obvious business opportunities which are not taken up, and why not?
- What are the big dreams + fixed ideas?
- But not: how to apply currently fashionable concepts

An important issue to be addressed in the elaboration of the diagnostic: Myths
Everybody's favourite myths: How do the local stakeholders describe the structure and evolution of the local economy, and does this match with our observations from the field-work?
It is not rare to find that opinions and viewpoints which are often heard in a local economy actually do not quite meet with the observations the PACA team made. If that is the case, it is crucial to mention this in the presentation.

capacity, and motivation of key actors. Furthermore, it is important to consider how proposals fit into the mindset of local actors. This is not to say that one should avoid proposals which break with established orientations and behavioural patterns. Rather, the point is to take the mindset of actors into account, and to present proposals in such a way that the actors do not feel criticised or alienated.

Another possible sequence for an **Abridged Results Workshop**, which is swifter, would go as follows:

1. Mesocard 1: What were the biggest surprises during the fieldwork?
2. Mesocard 2: Main observations by sector
   - Option 1: Working groups => Report back to complete group
   - Option 2: Complete PACA Team
3. Mesocard 3: What are the main observations we want to communicate to our audience?
4. Which proposals came up during the fieldwork or crossed our minds – generally and for each sector?
5. Priorization of proposals – 3 criteria
6. Optional: Working groups by sector – How to implement proposals?

Finally, under certain circumstances it may be an option to conduct a **Rapid Results Workshop:**

- overall brainstorming on findings (e.g. first "What were the most surprising observations during the fieldwork?", second "What are the main messages we want to tell the community?"), not sector by sector
- clustering, elimination of duplicates, Pareto
- brainstorming on proposals
- application of Three Criteria

The last format is acceptable if applied by very experienced PACA Consultants in a not very complex local economy.

Regarding proposals, two further points should be mentioned. First, there is no reason for not making proposals which have been mentioned by local actors in the course of the interviews and workshops, quite the contrary. The closer your proposals relate to the ideas and motivation of local players, the better. You should, however, be prepared to justify why some proposals made it into the presentation, while others were dropped.

Second, it can be useful to propose the continuation, amplification and possibly adjustment of existing activities, especially in those cases where the PACA Team perceives that they make a lot of sense but are facing opposition from certain local actors.

At the same time, it is important to note that the presentation may, and indeed under certain conditions should, be controversial. In a setting where local activities to shape a competitive advantage are inadequate, a moderate and friendly presentation runs the risk of reinforcing rather than overcoming an adverse mindset. Do not avoid touchy issues, and do not hide unpleasant truths. If the local team members feel uncomfortable with this, an external team member should commit from the beginning to give the presentation.

A further aspect regards the creation of some key phrases or concepts which summarise local problems, deficiencies, constellations, or options. After the presentation, key actors who want to implement certain proposals can refer to such key phrases rather than having to give complex explanations all the time. Also, the media love key phrases or terms which summarise the argument.

9.1 Perceived problems vs. real problems

In order to identify the bottlenecks which hamper the growth of small businesses, it is not useful to organise a workshop and simply ask the businesspeople "What are your main problems?". The usual, very predictable outcome of such an exercise is

- the identification of problems outside the company, such as: too strong bargaining power of suppliers and/or customers, lack of easy finance, too high taxes (read: any taxes), etc.,

An important issue to be addressed in the elaboration of proposals

Pet proposals: Are there proposals some stakeholder, or everybody, is making all the time, even though they are not really realistic and viable?

If sometimes happens that some key stakeholders have a favourite proposals, and they often suggest that realising it would solve most problems with one strike. For instance, in regions with some tourism potential there are usually stakeholders who are convinced that having an international airport would have an enormous push effect. In fact, this is not quite true (as tourists do not come to visit an international airport but rather to spend the most important two weeks of the year in a nice place, so if your location is offering little attraction to spend two weeks, having an international airport makes not difference). The most pragmatic way of dealing with such unrealistic proposals, however, is to simply apply the three criteria. The international airport does not even match the first criterion, let alone the second and third one.

Inconvenience or business problem? An example of how small business owners don't reflect on consequences of wishful thinking

In a PACA in a South African black township we came across a number of dressmakers. One of their perceived problems was access to fabric and sewing materials. They could get hold of it in a nearby "white" town, but at relatively high prices; or they could go to a far-away industrial town to purchase directly at the factories, but it was difficult to organise transport. The solution they suggested was either to attract a textile factory to the township or to attract a wholesaler. What they did not consider was this: If there were an easily accessible local supplier, the likely consequence would be many more micro-firms entering the business, creating strong competition for the established businesses. The new entrants would most likely copy the products of the established businesses and drive down prices, thus creating ruinous competition. In other words: what the established businesses perceived as a problem was rather an inconvenience, the know-how how to deal with this inconvenience was part of their competitive advantage, and the elimination of that inconvenience would possibly eliminate the business itself.

During the same PACA, we also came across a number of small local retailers who suffered from a kind of sandwich situation: on the one hand, customers went to the "white" town to shop at the big supermarkets, on the other hand, the would buy at "spazas", i.e. very small neighbourhood shops which fit into a garage or less. As a solution, the retailers dreamt of switching their business to wholesale trading. It was next to impossible to convince them that operating as a wholesaler would mean to compete against large and powerful multinational wholesale operators. The price disadvantage of the small local wholesalers vis-à-vis the large wholesalers (located in the "white" town) would remain so large that it would make sense for spaza owners to incur the transport cost to the "white" town rather than frequent the local wholesalers.

- the description of factors which are not really problems but rather inconveniences.

Small business owners tend to locate problems everywhere except within themselves. But the main problem usually is their limited business skills. It is an important element of a PACA to point this out, possibly in a slide which puts problems perceived by local business people against the problems perceived by the PACA Team. Telling business people that their competence is limited may be impolite, and probably they won't buy it. But it is essential to make this statement in order to explain why the PACA Team does take up most of the, often unrealistic or silly, proposals for problem resolution which come up in the course of mini-workshops. Moreover, it is the task of the PACA Team to make specific proposals how to upgrade the competence of local business people, such as organising local self-help groups, informal get-togethers, mentoring schemes, or series of seminars with successful businesspeople or motivational speakers.

The overall structure of the presentation is:

1. presentation of the conceptual background, especially the concepts of competitive advantage and systemic competitiveness,

Perceptions vs. reality

In a PACA Exercise in South Africa, we looked at agriculture. The dominating culture in that region was sugar cane. The sugar market in South Africa used to be highly protected and regulated. Large white commercial farmers growing sugar cane lead a comfortable life, becoming wealthy without having to be entrepreneurial and risk-taking – their harvest was purchased by a small number of sugar processors who are the powerful players in that value chain. At the time of the PACA Exercise, some liberalisation of the sugar market was going on, which put the farmers under pressure. But the history of the sector created a complicated situation in terms of defining opportunities for the evolution of agriculture, in particular for emerging (black) farmers. The emerging farmers looked at the white sugar cane farmers as role models. They also wanted to become wealthy sugar cane farmers. At the same time, some of the white sugar cane farmers looked for other options, since they clearly perceived the bleak future of sugar cane production. Typical options were selling land for property development in the booming tourism industry (including the conversion of agricultural land into golf courses) and the diversification into new cultures, which, however, was a difficult option since this requires marketing skills which the sugar cane farmers simply didn't have. From the perspective of the sugar mills, the problem was a decrease in sugar cane production, so that they stimulated sugar cane production by emerging farmers, though on their small plots sugar cane production did not offer them an attractive income. The outcome of all this was a seriously distorted discussion on options for agriculture in that region, which was all the more ironic as a small number of white farmers was extremely successful with differentiated, high-quality, value-added vegetable production – but this was much less visible than the white sugar cane farmers driving around in their big 4x4s.

2. the diagnosis of the local constellation, mainly following the branch structure of the local economy and/or the four levels of systemic competitiveness, with an overall appraisal according to the four levels as a conclusion,
3. presentation of proposals (not only regarding what to do, but also naming who might implement them) in a structure that mirrors the diagnosis, with concluding remarks regarding the next practical steps to be taken. Examples of presentations are available at the PACA Community of Practice section at http://www.paca-online.de.

The average number of slides in the presentations tends to be between 35 and 50.

9.2 How to select the sectors which will be the target of local economic development activities?

As a matter of fact, this is a wrong question. Somebody who asks this question is probably a person who thinks along the lines of traditional industrial policy or business promotion activities. Those activities tended to be supply-driven, sometimes based on an analysis of various sectors which determined, scientifically, what were the "objective" problems of those sectors and how to address them. As a result, companies saw themselves confronted with promotion activities which they had not demanded and which usually did not fit with their subjectively perceived problems. Accordingly, demand for such promotion activities was low to nonexistent, and promotion agencies often lured companies by offering fringe benefits (e.g. seminars in beautiful resorts); I call this the Business Surprise & Entertainment (BSE) approach to private sector promotion.

As part of a PACA, we try our best to avoid repeating such mistakes. One of the purposes of a PACA is to identify in which sectors of the local economy businesspeople are looking out for support, or open to joint activities to resolve commonly felt problems, or perhaps open to a consultation on possible promotion activities. The main issue is not objective problems, but subjective motivation. Formulating proposals after the PACA fieldwork is not about the PACA Team selecting sectors, but rather about sectors selecting themselves: Those sectors will get involved in practical activities which take up proposals formulated as a result of the PACA diagnostic.

In fact, one will often find that local business sectors may be sorted into four different groups, as shown in Table 4. It is a bit of a simplification, but often we find that things are as simple as this: some sectors are doing well, others do not, and some sectors show a certain willingness to go for joint activities to enhance competitiveness, whereas others do not.

Table 4: Typical constellations regarding business sectors in the local economy

	Sector is doing well	*Sector is doing not so well*
Sector wants joint action to improve competitiveness	Strategic sector (1)	Desperate sector (2)
Sector does not want joint action to improve competitiveness	Busy sector (3)	Hopeless sector (4)

(1) **Strategic sector:** This is the dream of competitiveness scholars and practitioners, but it is a very rare case. It typically occurs in cases where, for some reason, often due to historical coincidence, a sector has already developed a culture of joint problem solving. In such a sector, actors may be keen to get some fresh input on how to further improve their joint action.

(2) **Desperate sector:** This is a case which is convenient for a PACA Team – there is a sector which is not doing well, i.e. actors feel to be in a crisis and are willing to do something about it. Looking out for such sectors is an obvious option in a PACA. It may appear as a soft option, but actually it is not: Even in this case it is not trivial to start a joint problem

solving initiative. Successfully starting to do so may create an important showcase for other sectors.

(3) **Busy sector:** This is a case a PACA Team has to accept – a sector is doing fine, and companies are very busy and really do not have much time to waste for any meeting. Also, competitiveness seems to be just fine, so there is little obvious reason to start something difficult, such as a joint initiative.

A rapid results workshop...

... and a very thorough one

(4) **Hopeless sector:** This is the nightmare of a PACA Team and of any business promotion practitioner – a sector which is suffering, which is in a crisis, where to the external observer it may appear obvious how to improve the situation through joint activities, and where the actors in the sector are unwilling to do so. There is little the PACA Team or any other local actor can do about this, except perhaps to identify viable, modest activities with little cost and immediate benefits to overcome the passive, non-cooperative disposition of the sector.

9.3 Proposals: Thinking in occasions

Typical PACA proposals include "More collaboration between local business" or "More communication between business and local government". The problem with such proposals is that sometimes they confuse a means with an end. Interaction and communication are means, not ends. This is not to dispute that a lack of interaction and communication are problems. In fact, they are the typical key obstacles in local development. However, suggesting to interaction for the sake of interaction, or to communicate for the sake of communication, is not very convincing. Local players will not buy into this: they probably have reasons for communicating less than you would expect them to do, such as time constraints. So you need to come up with an occasion.

Guiding questions for proposals:

- *Are there any disadvantages that may be turned into advantages?*
- *How can we turn long-term aspirations into short-term activities?*
- *Are there obvious but unexploited business opportunities?*
- *Are there unexpected and unexploited potentials?*
- *What can we do about critical market failure, such as barriers to entry?*
- *Did we see convincing opportunities for collective action?*

What do we mean by occasion?

- Joint purpose: You identify a problem that can only be solved through collaboration. Collaboration then becomes the means, not the end.

- Informal get-together: Things like a business breakfast (for instance every second Tuesday in the month at the same place) can create an occasion for informal communication.

- Events: A series of monthly presentations around a given theme, like new technological developments in a given sector, can be an occasion where participants not only get relevant input but also have an opportunity for informal communication.

- Government-business communication: One way of providing for this is, again, a business breakfast. Another way is a more formal event, where government invites interested businesses at a given time to a central place, like a community hall; in this case, it may be useful to have an external, neutral facilitator.

9.4 Prioritising proposals

In order to prioritise proposals, we use three criteria:

1. Is this a proposal that we can implement with locally available resources (motivation, time, skills, money – often in exactly this order)?

2. Is this a proposal that can be implemented quickly, like starting next week? “Starting next week” does not mean that implementation as such would start next week. It is sufficient if you can get the necessary role-players assembled for a meeting next week. What would not qualify? For instance, a proposal where you need role-players who are not available, or where you need a huge amount of funds so that you would need an extensive fund-raising effort, probably involving months of delays before you get any message back from funding bodies.

Preparing proposals: What you must avoid

- Any proposal that starts with something like "Identify the needs of ..." (needs are not relevant – everybody has lots of them. Want counts is manifest demand)
- Any proposal that sounds like "Wouldn't it be nice if ..."
- Any proposal that confuses means with ends (business networking is a means, not an end – you must find a convincing reason for networking, i.e. an occasion where networking is necessary to solve a problem)
- Don't think like a politician who can give orders to underlings. Always ask yourself: Is there actually anybody who will or might champion this proposal? Is there enough resources (time, motivation, skills, money) available to pursue it?
- Don't create unrealistic expectations. Don't promise anything.

3. Is this a proposal that can have a visible / tangible /audible effect within three months? This needs not be a huge building. Some kind of event that creates excitement, or a meeting where role players agree on how to quickly fix a simple problem, is perfectly in line with this criterion, as is an initiative which can reach an important milestone within three months.

The logic behind these criteria is simple: We want to move to proposals that are likely to be implemented, as opposed to suffering death by strategising. We deliberately do not conduct an analysis of key bottlenecks. We don't mind if our proposals don't address the key bottlenecks. The key bottlenecks are most likely key bottlenecks because it is very difficult to get them out of the way, so we better direct our energies at activities that can achieve practical, tangible results within a reasonable time.

In the application of the three criteria, it is sometimes difficult to keep the PACA Team from getting too excited, assuming a too optimistic perspective. In particular, this tends to be the case with the first criterion, where the team will sometimes tend to ask *Is there somebody who perhaps may implement it*. But this is not the question. The question is: Given our resources, and the resources of those players we identified and involved during the fieldwork, can we implement this activity?

This approach occasionally creates one problem: Members of the PACA Team are underwhelmed by the proposals that pass the three criteria test. They find that these proposals are trivial, not sexy and not heroic. Since this can lead to a serious motivation problem on their side, it can be useful to conduct a second exercise to identify a highly visible, catalytic landmark project. To identify this, three different criteria would be applied:

1. Is this a project that we can manage, provided that we get access to the necessary financial resources?

2. Is this a project where we can start preparation within the next month?

Lukheto, representative of an inland community of small emerging farmers, walked 20 km to participate in the PACA Presentation Event in Ilembe (South Africa) in October 2003. It was the clearest statement of the value of PACA we had received until that point, and it was also the clearest statement of interest we ever got from a potential PACA Project Champion. As a result of his dedicated involvement, he entered into an arrangement with a commercial farmer that secured training and greenhouses for his community.

3. Is this a project where we can see a highly visible effect, preferably a massive leveraging effect for the local economy, within little more than a year?

9.5 Project Champions

There are two entirely different processes which can unfold in the course of the Results Workshop, the Presentation Event and the Way-forward Workshops. One process is driven by the PACA Team, the other process is driven by local champions, with the PACA Team playing a facilitator role. Which of them will emerge depends on what happened during the fieldwork, which in turn to a large extent depends on what happened in the preparation / build-up phase.

We have already described the role of the local PACA Host. Apart from this profile, there is also the profile of the Project Champion, i.e. a person who – often voluntarily, though driven by a certain degree of self-interest – pursues the implementation of a given project idea.

Where do Project Champions come from? We have observed a number of typical constellations:

- Local actors wait to be activated: You often find a situation where local actors – in government, in the private sector, in the academia, in NGOs and elsewhere – just wait for an opportunity to become active. Some of them have had this nice idea on what to do for local development for a while, but nobody ever asked them about it or even asked them to implement it, and they themselves were too busy to pursue it further, especially in the wake of potential negative comments from other local citizens. Too often, local development is rather local under-development, following the asparagus principle: the first to put the head up gets cut off. One would also find that these persons do not normally come over as being particularly convincing, since they have been denied the opportunity to show their worth in the past.

- There are few latent local actors: In this situation, you have to put more effort into identifying the few individuals who show any potential to become a champion. They may need more encouragement, coaching and prodding that in the bullet above, but if you can provide that there is a good chance that they will turn into active, self-sustained champions.

- External organisations have quenched local dynamism, created a support dependency or created exaggerated expectations: There are places where local actors have been spoilt or disappointed by external interventions. This is perhaps the most difficult environment in terms of finding local champions

In order to identify potential champions, it is often useful to look for locally hardly connected specialists who happen to live but do not work in the location. You thus would not encounter them via professional networks. You may be able to locate them via church, clubs, or sports-based networks.

Things that often go wrong at this stage: Procedural issues

Typical errors,	*why they occur,*	*and how to avoid them*
Time management gets out of control	Too much oral discussion, too little mesocard	Systematically use meso-cards for discussion

Things that often go wrong at this stage: Conceptual issues

Three Criteria are not ap-plied rigorously	The PACA Team • is infatuated with fancy proposals • fears that the audience will find practical pro-posals boring	Trust the methodology, which is based on ample experience Always ask: Do we really have the resources – know-how, funds, available and prepared implement-ing agency – to implement this proposal?
Proposals don't follow the "form follows function" principle	PACA Team members confuse means and ends. Example: A Business Chamber is a means (to organise business collabo-ration) and not an end in itself	The PACA Team must dis-cipline itself to clearly dis-tinguish means and ends. A typical problem (and op-portunity) is "Lack of col-laboration in the business sector". There are several possible responses to that, and "Creating a Business Chamber here and now" is usually not the best. Rather, go for an informal solution, e.g. organising business breakfasts.

10 The Presentation Event: Presenting and discussing diagnostic and proposals

Main messages:

- **Everybody involved in the Kick-off Workshop and the PACA Fieldwork gets invited to the Presentation Event.**
- **The purpose of the Presentation Event is not only to present findings and proposals, but also to get the buy-in of Project Champions.**
- **The Presentation Event format is designed in a way that avoids endless oral discussions.**

For the presentation of the diagnostic and proposals, the same persons and institutions which were invited for the initial workshop should again be invited. Moreover, all those persons who were interviewed or took part in mini-workshops should be invited. (In fact, the invitation should already be extended at the end of the interview / mini-workshop.)

You may consider to conduct the presentation in an unusual place, rather than, say, the auditorium of the local technical school. Giving the presentation in an unusual place (for instance, in one case we did it inside a construction site, an almost-finished shopping mall) has the advantage of creating a special connotation among the participants. It is not just another event but something that will stand out in their memory.

It may be preferable that external members of the PACA Team give the presentation; our experience so far indicates that local actors accept the observations of external observers (and especially their criticism) more easily than those of local persons. However, the proposals should be presented by local members of the PACA Team – to avoid the perception that the external people will solve the local problems. Our experience so far indicates that the typical duration of the presentation is about one hour.

An important opportunity is to use the Presentation Event to announce practical activities. During the fieldwork, you may have come across organisations that want to have, say, an Open Day and eager to have that communicated. The Presentation Event is a good forum for this. Even better is a situation where some organisation announces during the Presentation Event that, thanks to discussions during the PACA Fieldwork, it is going to take some specific action.

After the presentation, rather than opening the floor for questions and discussion, we distribute **mesocards** and markers among the audience and ask them to write down questions, remarks, observations, and proposals. The

Pat Dunne is a very active person in one the local communities in Ilembe (KwaZulu-Natal, South Africa). Pat participated in most of the tourism-related workshops during the PACA Exercise in October 2003. At one stage of the presentation event, she was disappointed and furious, since she noted that none of the ideas she had contributed during the workshops turned into a proposal. Why? Because Pat is living and working in a troubled community, with a high level of political conflict and violence. We did not find activities that would have fit with the three criteria for PACA activities. So is there nothing that we can do with PACA in her place? Unlikely, but we would have to have a closer look to identify quick-win opportunities. So the conclusion was that Pat would lobby with her local municipality to set-up a PACA Exercise specifically for her location.

Presentation Events: Thailand, Peru,
South Africa, Bolivia

cards are afterwards attached to the front wall of the auditorium and clustered by topic. The consultants then read the cards loudly, and after reading each cluster the floor is opened for a brief discussion. The advantage of this procedure is that more persons can participate and more points be raised than during a conventional discussion. Moreover, the discussion proceeds in a much more structured way. We also observed repeatedly that on some cards answers were given to questions posed on other cards, or that practical proposals on how to implement certain ideas (and by whom) were made.

What do you do after presentation and mesocard-based discussion? One option is to invite the participants to another sequence that paves the way towards the Way-forward Workshop:

- You write you proposals on mesocards in advance. You put them up at the Presentation Event venue.
- Participants distribute green and red dots onto cards, depending on whether they agree or disagree with the proposals.

- Participants attach their name to those proposals they want to get involved in.
  - In the case of proposals that end up with one or two names: invite the respective participants for an immediate brief brainstorming session with PACA Team.
  - For those proposals that receive more than two names: Invite the respective persons for a Way-forward Workshop, preferably on the following day.

Occasionally, we have had additional presentations to local government, explaining diagnosis and proposals in more detail. This is particularly pertinent in situations where business formulate strong criticism regarding local government, and where local government is seriously committed to improving its relationship with the business sector. In this kind of setting, you would probably not want to quote some of the statements you heard from business people, but you would still want to communicate them to local government.

Things that often go wrong at this stage: Preparation

Typical errors,	*why they occur,*	*and how to avoid them*
Invitation to Presentation Event is extended at very short notice	PACA Host is very busy with the organisation of the fieldwork	Reserve venue before Kick-off workshop Invite participants of Kick-off Workshop, Mini-workshops, interviews on the spot, indicate exact time and venue Inform media about Presentation Event
Venue for Presentation Event is not appropriate (e.g. too small)	PACA Host underestimates the number of participants	Expect many more participants to the Presentation Event than to the Kick-off Workshop Consider a unusual venue for the Presentation Event (e.g. factory hall, construction site, hangar)

Things that often go wrong at this stage: Presentation

Presentation is too long (far more than 1 hour)	Lack of rigor in preparation of presentation No rehearsing of presentation	Stick to rules in preparation of presentation: limited number of observations in diagnosis, limited number of proposals Rehearse presentation
Errors in the Powerpoint file for the presentation	Time pressure during preparation of presentation	Despite time pressure, proof-read the presentation Rehearse presentation
Proposals are too vague or abstract or nice ideas instead of practical proposals	PACA Team does not stick to the rules, in particular 3 Criteria	Apply 3 Criteria For each proposal ask: Who is going to implement this? Name the person / institution in the presentation

Things that often go wrong at this stage: Facilitation

No mesocards distributed at beginning of Presentation Event	Presenters are too nervous	Prepare a checklist for the presentation which lists all the activities to be conducted, and distribute to the whole PACA Team
During the presentation, oral discussion erupts	Presenters do not stick to the rules	Persuade participants who want to ask question or discuss issues to write their points on mesocards
Important local persons want to give a statement	Habit of important persons	Blame the PACA Methodology when you refuse their wish

11 Way Forward Workshops, implementation and follow-up

Main messages:

- **Way-forward Workshops should happen immediately after the Presentation Event**
- **Practical activities should be run by motivated champions**
- **Follow-up support is needed to energise the PACA Process**

Immediately after the presentation, the PACA Team should have a meeting, or a series of meetings, with the representatives of the organisation in charge of the PACA project and other local stakeholders willing to get involved in practical activities. The purpose of the meeting is to discuss the proposals in a more detailed way, i.e. to explain the background of each proposal, and to discuss possible ways of implementing it. It is desirable that each proposal is adopted by clearly defined stakeholders who then become the "champions" of practical activities based on the proposal. This will be followed by a Way Forward Workshop for each proposal and group of stakeholders. The purpose of this workshop is to define the details of the implementation of a given proposal.

How would a champion proceed to get some activity running? A typical sequence might go like this. Let us assume that the activity involves creating a working group to address the skills problems of local small and medium-sized ceramics firms. The champion is the president of the ceramics business association. He organises a meeting which is attended by 15 business owners and facilitated by one of the PACA Team members. Based on the mesocard method, they define more specifically what the skills problems are. This process takes 1.5 hours, and as some people have other appointments, the group decides to have a further meeting the next week, asking the facilitator to continue working with them. The second meeting addresses specifically the interaction between the firms and training providers. Again using the mesocard method, the group defines the typical problems of interaction and the reasons for them. The group agrees to have another meeting the following week to discuss how to solve these problems, again inviting the facilitator to apply the mesocard method. During the third meeting the

Salami Tactics

It is not rare to find that local stakeholders have a pretty clear idea of how to address local development: Formulate a proposal for a big project, involving a budget of $ 5 million, submit it to central government, and then wait for something to happen (and more often than not waiting forever). This is, in another words, usually not the most effective way to proceed.

The alternative is Salami Tactics: If you want implement a big, ambitious project, do not wait eternally for a big heap of money but rather go ahead, implementing and financing it slice by slice. In a later section, you will find some information about the Paleontology Center project which came out of a PACA in the South Brazilian municipality of Mafra. Initially, local stakeholders were considering applying for a large pot of money. But then they went for salami tactics. They persuaded local government to allocate one person (with a background in engineering) full-time to the project. They persuaded a local school to allocate another person, also full-time. The biggest obstacle seemed to be the renovation of the chapel in the former seminar which was to house the center. Chapel renovation specialists are rare and very expensive. The solution: Launch a training course in chapel renovation, to be held inside the chapel, accept 12 students, charge them $ 100 per month, and use this money to hire one specialist in chapel renovation.

group formulates a number of proposals for specific short-term courses. Four of the members of the group volunteer to have another meeting, jointly with a professional of the business association, to formulate a number of requests for proposal for specific training courses which will then be sent to several training providers. As the requests for proposal include a set of quality criteria, the group asks a retired teacher of the local technical school to support them in their work.

Another sequence might go as follows. Let us assume that one of the proposals was to set up a coaching scheme where owners and managers of highly competitive medium and large firms meet an owner of a small business on a quarterly basis to discuss his business problems and possible solutions. The champion of this initiative is the CEO of a large local company; actually, he is the person who suggested the scheme during the interview. The champion proceeds as follows. He talks personally to a number of other businesspeople he knows personally, trying to persuade them to join the scheme. He also presents the scheme at the weekly meeting of the directors of the local Chamber of Industry and Commerce. Eight other person volunteer to take part in the scheme. They meet during the following week, jointly with the executive secretary of the chamber, to discuss how to proceed. They agree that initially the small businesses to be assisted will be selected from the member base of the Chamber. Each of the volunteers names two or three sectors he feels familiar with. Three days later the scheme is announced in the weekly column the Chamber has in the local newspaper, and owners of small businesses are asked to call one professional of the Chamber to apply for the scheme. 23 businesses apply. As this is communicated to the volunteers, five of them decide to make themselves available on a monthly basis, i.e. to visit the same small firms every three months and to accompany three small businesses, visiting one of them per month. For the first meeting, the professional of the Chamber accompanies the volunteer. Future appointments are directly negotiated between the volunteer and the owner of the small business. After two months, the Chamber organises a workshop for the volunteers where they share their experiences. A common observation is that small businesses are weak in human resources management, and it is decided that the Chamber will organise a weekend course on basic tools for human resources management. After the workshop, a press conference is organised to make the scheme more widely known and to motivate further volunteers.

Another sequence might go as follows. Let us assume that there is a local branch of a governmental investment promotion agency, and that its manager bought the idea of attracting complementary investors. Rather than trying to do this all alone, which would go beyond her resources, she decides to approach other local stakeholder. So she has a meeting with lecturers at the local university's economics department and persuades them to gather and update data on the local economy, including this activity into the undergraduate training and employing students to do the legwork. She also has a meeting with the local Chamber, which is willing to prepare a quality of life assessment, based on a brief workshop which involves local businesspeople who have moved to the place over the past years and can thus compare it with other locations. She also has a meeting with representatives of the utilities to get up-to-date information about their specific schemes to attract new customers. Most importantly, she has a meeting with representatives of the most important local business sectors to discuss the kind of investor they would like to have attracted. It immediately becomes obvious that this issue cannot be settled within one meeting, and so they agree to have a separate meeting for each sector two weeks later. After about a month, she invites everybody involved so far for a presentation at the Chamber, where the results of the quality of life assessment are presented and discussed. As the participants of the meeting agree with most of the observations, the Chamber expresses a commitment to contract a journalist and a photographer to prepare a brochure on quality of life in the location. The following month, everybody is invited to another meeting where the university people present their data. This meeting does not run as smoothly, as some of the businesspeople observe that some the data are not relevant, whereas some really relevant data are missing. The facilitator, however, avoids any tension by suggesting a separate meeting between some of the businesspeople and the university people. In the meantime, the sectoral representatives have met repeatedly to come up with a list of types of companies, and also specific names of companies, which may be attracted to the location. As soon as the university concludes its data collection effort, these companies which be approached directly be the manager and the president of the Chamber.

Another sequence might go as follows. Let us assume that there was a mini-workshop with owners of restaurants, and a big issue which emerged there was a local parking problem. Given that the restaurant owners were adamant about trying to solve this problem, the local association of restaurants or the Chamber may decide to invite the group for another meeting to discuss possible solutions. This meeting would have to be facilitated using the meso-card method. Its focus might be a brainstorming on possible solutions. One of the main questions might be to find out how the same problem has been solved elsewhere.

What have proposals like these to do with the idea of creating a local competitive advantage? To some extent, implementing these activities does mean a step towards shaping a competitive advantage. Apart from that, we expect such activities to be points of entry to LED activities, showing local stakeholders that stimulating economic development and competitiveness is something they can do themselves, rather than waiting for higher levels of government to solve problems for them. The idea is that modest activities create a virtuous circle, where a group of stakeholders gets motivated by the fact that they have solved a given problem, and then address the next problem.

We suggest that the external consultants who guided the initial diagnosis of the PMM project return after four to six months to discuss the progress of the project with local actors. It is useful to organise this in the form of mini-workshops with a duration of two to three hours. First, local representatives present what has been done so far, and they explain the obstacles which emerged. After that, a joint brainstorming is conducted, using mesocard, to come up with ideas on how to continue the work. It is useful to have two to three days available, depending on the number of initiatives going on.

11.1 What is Facilitation?

In LED initiatives, one main role of local government is facilitation. What does this mean? In the context of local economic development, facilitation is constructive deflection. The principal recommendation for a government official is this: Rather than solving problems or delivering support yourself, you should ask the following questions:

- Is there a commercial provider who can help to solve this problem? Can the client pay? If not, why not? If really not, a matching grant from your side is an option. For specific, specialised support services, you may also consider a retainer with a provider.
- Is there somebody else who might help (and preferably would benefit from helping, so that s/he is really committed)? Is there perhaps a business matching opportunity? (Essentially, an LED officer should personally know a large number of businesses in her/his territory.)
- Is the government itself the problem? Can you help to make other government departments more helpful?
- Is the problem a business opportunity? How can you flag it, or directly find somebody to take it up?

11.2 Typical crises of PACA processes

There are a number of typical crises that occur in the follow-up to a PACA Exercises, when proposals are often not taken forward. Typical reasons include

- Project Champions feel themselves overwhelmed, feel that they don’t get enough support, get lonely, and stop their activity,
- PACA Team and Champions have underestimated the effort involved in a given proposal, and underestimated the obstacles standing in its way,

There are also more general crises of LED processes, which tend to be due to the following factors:

- only some segments of local economy are involved
- stakeholders get stuck in strategizing, there is no action
- fragmentation between role-players (i.e. lack / breakdown of communication)
- inequitable benefits
- decreasing participation and commitment due to strong growth (= success of LED)

11.3 Follow-up activities in the PACA Process

The PACA Exercise has been completed, a number of Project Champions are busily implementing projects, some projects are not really moving forward – things have run smoothly, relatively speaking. What happens next?

- In the short term, we recommend that the PACA Host organises informal get-togethers of Project Champions, to avoid them getting lonely and to create an opportunity for people to exchange experiences in problem-solving. One way of doing this is the “Champions’ Breakfast”, which should be organised every six to eight weeks.
- We also recommend that one of the external consultants returns on a regular basis to monitor and energise the progress, and to facilitate sessions with local role players. Often, an external facilitator is very effective in overcoming local petty conflicts. Also, the external facilitator can feed local players with ideas on how LED actors elsewhere have solved similar projects.
- Four to eight months after the PACA Exercise, it is recommendable to conduct a more comprehensive PACA Follow-up Exercise. Its purpose is a systematic assessment of progress, a re-assessment of the proposals that were discarded at the end of the PACA Exercise, brainstorming on new ideas and planning of new activities.

Things that often go wrong at this stage

Typical errors,	*why they occur,*	*and how to avoid them*
Way-forward workshop(s) are not organised immediately after the Presentation Event	• PACA Host forgot to allocate time • PACA Host is not confident to move forward	• Allocate time for Way-forward Workshops as you plan the PACA Exercise • Raise the issue that a PACA Exercise is only successful if there is immediate action from the outset
Way-forward Workshops are inefficiently facilitated	• The participants in a Way-forward Workshop are too diverse, i.e. represent too many different, unconnected proposals	• Allow a sufficient number of Way-forward Workshops so that you have one Workshop per proposal or cluster of closely related proposals

12 Critical success factors of PACA

Preparatory phase

- Identify adequate PACA Host – main criteria: motivation, local prestige, organisational capacity.
- Mobilizing political support for PACA project.
- Personal, direct meeting between experienced PACA Consultants, PACA Host and other local stakeholders to explain the organisational procedures.
- Competent explanation of PACA approach, and its difference from other approaches (e.g. strategic planning, top-down-style initiatives); useful in this respect is the use of photos and of PACA videos.
- Involve the private sector in the preparation of the PACA, in particular to facilitate access to firms.
- Adequate organisational preparation of the workshops and interviews: Involving prestigious persons in the invitation process, using at least three types of communication (phone, personal visit, letter, fax, e-mail, SMS) for each contact.
- Make sure that not only the “usual suspects” are involved in interviews and mini-workshops (e.g. long-time customers of business promotion agencies).
- Recruiting the PACA-Team: not too junior, with sufficient availability, ideally trained in PACA, meeting the basic requirements on PACA facilitators.
- Make sure that all PACA team members speak the same language, avoid translation problems.
- Leading of the PACA team by an experienced PACA expert (who has conducted at least 2 PACA exercises before).
- Conduct a brief training of the entire PACA-Team, facilitated Hypotheses Workshop.

- Establish contacts and advertise PACA in local media.
- Management of expectations: Make sure that local players do not expect a pot of money or external miracle solutions to their problems.
- Do not underestimate the organisation effort involved in the preparation of a PACA!

Fieldwork

- Check the expectations and the availability of each PACA team member.
- Allocate reflection time for members of PACA Team, organised reflection on initial hypotheses and formulation of new hypotheses (facilitated exercises during fieldwork).
- Frank communication within the PACA Team (importance of facilitation, consistent use of mesocards). Reserve time for a daily meeting of the entire PACA team to interchange information and redefine hypotheses
- Respond flexibly to new interview and Mini-workshop opportunities. Maintain flexibility to include unexpected contacts for interviews and mini-workshops.
- Select sectors which are crucial for the local economy, and look for a workable number of sectors
- Effort to spot possible champions for specific proposals. During interviews and Mini-workshops constantly assess the suitability of actors to drive the implementation of proposals and to become champions. Prepare a preliminary list of potential champions per sector (and later invitees to the way-forward workshops).
- Respect power structures and try to involve all relevant and powerful actors (e.g. prevent that they could damage specific PACA activities, if not being involved in the process).
- Prepare the Mini-workshops including the materials in advance, and be there on time to receive the participants.
- Facilitation, not lecturing in mini-workshop; consistent application of mini-workshop formats.
- Selecting appropriate mini-workshop format for different types of participants (diamond, 5 forces, interaction matrix etc.).

- Follow roughly the PACA interview guidelines and lead the interviews like conversations.
- Be critical during interviews, i.e. question indistinct and vague statements; don't be satisfied with superficial answers
- Advertise time and venue of Presentation Event in each interview and Mini-workshop.

Results Workshop

- Schedule enough time for the Results Workshop (1-2 days).
- External PACA Consultants have to question the bias of locals.
- Priming exercises before brainstorming.
- Consistent application of 3 prioritisation criteria, in particular: is a given proposal really feasible with locally available resources (as opposed to: with resources which local stakeholders can perhaps mobilise elsewhere, sometime, maybe).
- Discuss within the PACA team: how could an adequate PACA proposal be turned into a business opportunity? Avoid market distortion!
- Reserve time for triangulation and targeted interviews to check or deepen information

PACA Presentation Event

- Distribute mesocards at the beginning of the event, explain that discussion will be based on mesocards.
- Limit the presentation time to approximately 60 minutes.
- Be flexible to modify or even discard proposals, if valid objections are brought up during the Mesocard discussions.
- Call for volunteers to implement proposals.
- Agree with volunteers on date and venue for Way Forward Workshops to plan the implementation of proposals.
- Guarantee the presence of local decision makers to assure continuation of the PACA process

Entire PACA Project

- Avoid unnecessary delays in the PACA process; capitalise on the motivation and impetus created by the kick-off workshop and the fieldwork.

- Start the implementation of PACA proposals immediately after the PACA Exercise

- External actors: Allocate resources to monitor and technically support the implementation of PACA proposals.

Annex

1 About mesocard

1.1 What is mesocard?

mesocard is also known as Moderation Method (and frequently, but erroneously, called ZOPP).[2] It is a method to communicate by writing cards and stick them to the wall instead of just talking. This is very productive in conducting brainstorming and planning processes in a group. The basic format consists in a card with a question being taped or pinned to a place which is visible to all participants, and all participants responding by writing the answer / comment / proposal onto cards, all of which are then read aloud and pinned or taped to the wall.

Advantages: Every member of the group can participate. More people can communicate at the same time. The communication is visible, it is traceable, and it is goal-oriented. The process is participatory. It also offers some degree of anonymity.

Disadvantages: Some people are not comfortable with the method, for instance because they are afraid that it might become embarrassing, or just because it is participatory. It is sometimes tricky to be applied in settings where the local culture gives a very strong emphasis on hierarchy, and where communication between persons from different hierarchical levels is not common.

Limitations: mesocard is usually more efficient than oral communication. But it still needs some time, and there is a minimum time of usually one hour to run a useful mesocard exercise.

Equipment: The basic equipment consists of cardboard cards, sized between 8 x 16 and 10 x 20 cm, markers, adhesive tape, and kraft paper sized about 90 x 120 cm. In the de luxe version, the cards are pinned to moveable panels rather than taped onto the kraft paper.

Rules: There are three basic rules:

1) write legibly,

2) aim at 7 - 10 words per card / 3 - 4 lines,

2 mesocard is also known as Metaplan®, which is a trademark owned by the company of the same name.

12 Mesocard Exercise Principles	
1. Facilitate. Don't preach, don't teach.	Don't give lectures when you are facilitating. When you feel that it might help the process to give an input, hand over the facilitation task to your co-facilitator.
2. Facilitate. Don't speculate.	Never explain unclear cards yourself. Ask the participants to clarify. Always ask for clarification: Water - is no clear statement Unpredictable water supply - is a clear statement Make sure that cards are clear – instruct participants to qualify statements, to clarify the subject (the "who" in the statement – use active voice)
3. Facilitate. Don't offend.	Never comment on cards. Never ask "Who wrote this?", and certainly not "Who wrote this silly statement?"
4. Accept different learning and thinking speeds of participants.	Some participants write few things and quickly. They look bored while others are slowly formulating their ideas, or are writing many statements. Be patient, and ask the quick participants to be patient.
5. Always ask a complete question.	The question should be a complete phrase. It should end with a question mark.
6. Always ask open questions.	Don't ask questions that can be answered with Yes or No.
7. Be careful when you give examples.	Sometimes participants find it difficult to come up with answers. But if you specific examples of they might respond, you are influencing, and probably limiting, their thinking.
8. Don't be too neat when putting up the cards.	Leave space between the cards. Don't put them up in columns but rather in a randomly scattered way.
9. Don't order the cards when putting them up.	Put up the cards. Then, as a second step, cluster them. Involve the participants in the clustering. All this takes a lot of pressure from you.
10. Never give the impression that you are hiding cards or let them disappear.	When cards come up that you can hardly read you may be tempted to put them to the back of the stack. Don't do that. It creates the impression that you are manipulating the exercise.
11. Be visible.	Never sit on a chair when you are facilitating. Always stand up. The group appreciates your visibility and your acting as a focal point.
12. Be a good example.	If the facilitator does not write legibly, why should the participants? If the facilitator makes fun of some contributions, why should participants respect each other? If the facilitator talks more than necessary, why should participants limit their communication to writing only?

3) only 1 idea / observation / suggestion per card.

More specific rules include the following:

1) read each card before sticking it to the wall, and show the card to the participants when you read it,

2) clarify unclear cards and re-write unfocused / too general cards,

3) always respect anonymity, i.e. never ask "Who wrote this?"; a way to enhance anonymity is to mix the cards before presenting them.

If oral discussions come up, nobody should talk for more than 30 seconds at a time, and everybody should try to write her/his arguments on cards so that they are not forgotten. Cards which do not fit into the current question may be put, visibly, in a different section for possible later use. If observations are contested, the counter-argument should be written on a card, and argument and counter-argument should be marked with a flash.

You can conduct mesocard exercises in almost any setting. The fancy variety is with cards in different colours, moveable panels and pins. But it works just as well with A6 cards that you stick with masking tape to brown paper. The only limiting factor is wall-space; if you find yourself in a room with neither panels nor wall-space, you are in trouble.

One of the interesting observations is that participants tend to sit down as far away from the panels / wall as possible. Don't encourage this by putting the chairs too far away from the panel or wall. A distance of 2 meters is sufficient.

1.2 A standard sequence in a mesocard exercise

The use of mesocard as presented above is just one of several options. mesocard generally is a method which can be used for all sorts of brainstorming and planning exercises, for instance to formulate hypotheses, to plan the research process, or to come up with and organise the results.

A typical format in mesocard-exercises is brainstorming → clustering → priorizing → next brainstorming. An example would be the following:

First **Question**: What are the main reasons for lack of interaction between companies and supporting institutions?
N responses. The responses are **clustered** into four groups: 1) company-related reasons, 2) reasons related to supporting institutions, 3) problems in the management of interaction, 4) framework conditions. (One of the purposes of this is clarify what exactly is written on the several cards, and to eliminate duplicates.)

The responses are then **priorised**. Each participant may mark those cards which s/he finds most relevant. The number of marks each participant may set is equal to 20 % of the total number of cards (*Pareto*-rule). Those cards which receive most marks are the point of departure for the subsequent work.
Let us assume that three cards get most marks: 1) supporting institutions are not business-oriented, 2) training institutions are too academically oriented, 3) there are not effective intermediaries between S+T institutions and firms. For the next step, there are two options for turning the first card into a question.
The second question may be: Why are supporting institutions not business-oriented?
The **second question** may also be: How can supporting institutions may be turned more business-oriented?
Let us assume that the second option is pursued. The participants then give a number of responses on cards, which are then **clustered**. Let us assume that three clusters emerge: 1) Career and incentives for employees, 2) financing structure of institutions, 3) voice of potential clients.
The total responses are then **priorised**. Let us assume that two cards get most marks: 1) tie the salary of employees to the income they generate for the institution, 2) reduce the core financing for the institutions. For the next step, there are again two options for turning the first card into a question.
The third question may be: How can the salary of employees be tied to the income they generate for the institutions?
The third question may also be: What are the obstacles for tying the salary of employees to the income they generate for the institution?
The exercise can go on in this fashion until the facilitator and the participants feel that they have explored a given track. This may mean that they have reached a conclusion, for instance a good set of hypotheses. It may also mean that they have come to reasonably specific and concrete proposals. In this case, it can be useful to operationalise the proposals in the following way:

Proposal	*How exactly will we implement it?*	*Who is responsible?*	*Who has to collaborate?*	*Which resources do we need?*	*When do we start?*	*How do we know that the activity has started?*
Proposal 1	...	...	...	...	...	...
Proposal 2	...	...	...	...	...	...
etc.						

At this point there are again two options. One option is to conclude the exercise. The other option is to go back to the results of the first question and go for the second proposal, i.e. search for ways to make training institutions less academically oriented.

It is obvious that the formulation of the questions is one of the keys to a successful mesocard exercise. Good questions are neither too narrow nor too wide, i.e. give the participants a certain freedom to let their thinking roam without generating random responses. It is often useful to discuss the exact wording of a question with the group.

1.3 Structuring tools for mesocard exercises

Another useful application of a Four-Field-Matrix, similar to the Interaction Matrix, is in situations where a group has to decide between two options. The matrix then looks like this:

	Arguments in favor of Option 1	Arguments against Option 1
Arguments in favor of Option 2	(1)	(2)
Arguments against Option 2	(3)	(4)

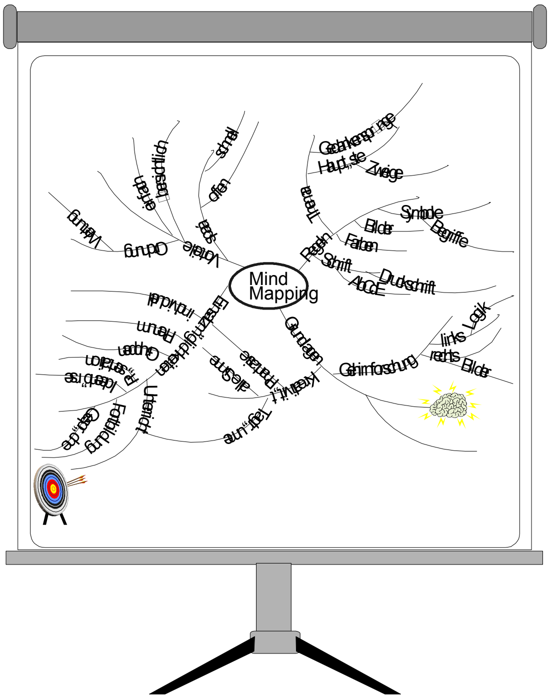
Such an exercise often helps to understand that many arguments for one option actually are not arguments against the other option, and vice versa. The discussion can thus be boiled down to a limited number of decisive arguments.

Another structuring tool is the SWOT matrix, which can take either of the two following shapes:

Strength (factors internal to the organisation)	Opportunity (activities to strengthen the organisation further)
Weaknesses (factors internal to the organisation)	Threats (factors which can further weaken the organisation)

Strength (current factors)	Opportunities (future factors)
Weaknesses (current factors)	Threats (future factors)

Another structuring tool is the mindmap, where interrelationships between different factors are explored. It looks like this:


Mind
Mapping

2 Methodological issues regarding participation

A key aspect of the concept outlined in this paper is the participatory approach. It is by no means self-evident that local economic promotion, and especially the formulation of a local economic development strategy, is a participatory exercise. Quite often it is delegated to external actors, especially consultancy firms specialised in this field: External consultants parachute in, conduct a series of interviews, collect a lot of data, and present their results to an audience of surprised and impressed local agents. What happens afterwards, and in fact whether anything happens, is unpredictable.

In order to initiate a process which can be sustained by local actors it is crucial to involve them from the start. It is essential to find an adequate balance between inputs from outside and local activity. External inputs are important, in terms of bringing in both methodologies and concepts of development, especially in places where local actors have little to no experience with economic promotion. However, it must complement and stimulate local activities rather than substitute them. In practical terms, this means that it is desirable that at least one important local person, e.g. the executive secretary of the ACI, takes part in the whole field research and elaboration of the diagnostic.

The basic idea of the concept outlined in this paper is this: It is possible to undertake a rapid appraisal of strengths and weaknesses in a given locality and to come up with practical proposals. Rapid means: within a few weeks, at maximum three weeks for fact-finding and elaboration, presentation, and discussion of results, and in less complex localities even within days. A key aspect of such an appraisal is that it is conducted jointly by external specialists and by local actors. The appraisal should build on some principles which have been formulated in the participatory rural appraisal work:[3]

- offsetting biases (spatial, project, person - gender, elite etc, seasonal, professional, courtesy...)
- rapid progressive learning – flexible, exploratory, interactive, inventive

3 Quoted from *The PRA Pages*, http://www.ids.ac.uk/pra/intro/origins.html.

- reversals – learning from, with and by local people, eliciting and using their criteria and categories, and finding, understanding and appreciating their knowledge
- optimal ignorance, and appropriate imprecision – not finding out more than is needed, not measuring more accurately than needed, and not trying to measure what does not need to be measured. We are trained to make absolute measurements, but often trends, scores or ranking are all that are required
- triangulation – using different methods, sources and disciplines, and a range of informants in a range of places, and cross-checking to get closer to the truth through successive approximations
- principal investigators' direct contact, face to face, in the field
- seeking diversity and differences

There is no reason why this kind of approach should be limited to rural environments. On the contrary, our experience so far shows that such a perspective renders a very valuable diagnosis of urban economic structures as well, specifically if it is combined with analytical concepts to understand the key determinants of successful development.

At the same time, it is important to acknowledge the pitfalls and limits of PRA/PLA approaches. First, there are the risks of inadequate application of the methodology:[4]

- failing to put behaviour and attitudes before methods
- rushing and dominating
- pretending to be experienced trainers when not
- rigid, routinised applications
- taking local people's time without recompense, raising expectations
- demanding instant PRA on a large scale
- cosmetic labeling without substance

Second, there are some difficulties with participatory methodologies as such. Summarizing the literature on participatory monitoring and evaluation, which is a closely related approach, Estrella and Gaventa (1998) point

4 ibid.

at three issues: power, conflict, and methodological rigor. PRA sometimes is being presented as an instrument that overcomes issues of power and conflict. This is an idealistic view. The likelihood that a PRA exercise is biased by existing power structures, or that local actors try to move it around an existing conflict, is always there. It is specifically the insistence on participation which is creating risks in this respect – how would a PRA practitioner who is truly dedicated to participation justify that he is tackling the consistent evasiveness of local people when it comes to addressing certain touchy, conflict-prone issues? Likewise, methodological rigor can suffer if local actors feel consistently awkward in applying certain techniques, so that a trade-off between participativeness and rigor emerges.

3 Diagnostic Tools to Understand your Local Economy and to Assess your LED Initiative

The purpose of this section is to present a number of research tools which help in the field research inside local economies. Quite obviously, it does not make sense to go to a place and ask local actors questions such as "Are you an industrial district?" or "Would you define your cluster rather as Italianate, hub-and-spoke or satellite?". More specifically, it may make sense to ask such questions in Italian clusters where local actors define their city as an industrial district. But almost everywhere else things are different.

In terms of research tools, there are essentially three possible approaches. First, the researcher may just ask. That is fine, and a lot of the fieldwork will involve just this. However, very valuable information may not turn up this way. So talking alone is not enough. Second, the researcher may sympathise with the idea of applying quantitative instruments, such as a local input-output-analysis or attempts to measure information flows. Such instruments can be very valuable; it was not by chance that OECD researchers in their recent investigation of innovation systems devoted a lot of effort to developing such tools. However, in the context of this project, which is counting with very limited resources in terms of time and money, it is unlikely that it will be possible to use such instruments, except if pertinent data are available and just have to be computed. Third, there are tools which come out of the participatory and rapid appraisal toolbox. The disadvantage of this instruments is that their applicability for "scientific research" is disputed. But this project is not only about academic interests, but also and in particular about policy issues. Therefore, such tools are perfectly applicable, individually and combining two or three of them. Their advantage is that they often unearth a huge amount of information, and do so in a structured way.

The following table gives an overview of the tools which are introduced in this section.

Name of the tool	*Description*	*Application*
Diamond (Michael Porter)	Distinguishes four determining factors of competitiveness: - Business strategy and rivalry - Supporting industries and clustering - Factor conditions / supporting institutions - Demand structure / sophisticated or unusual demand	- in individual interview, especially in firms and support institutions - in workshop with local stakeholders
Cluster economic mapping	Depicts the interaction between economically relevant agents (firms, business associations, supporting institutions, government, etc.), including the intensity of interaction and main characteristics of the relationship	- in individual interview - in workshop with local stakeholders
Local political mapping	Depicts the structure of the politically relevant local/regional actors, including the characteristics of the relationships between them	- in individual interview - in workshop with local stakeholders
Mapping of the value system (commodity chain)	Depicts the structure of the value system / commodity chain beyond the borders of the local cluster, from the generation of main inputs to final commercialization	- in individual interview, especially in firms and support institutions - in workshop with local stakeholders
Life line	Depicts the evolution of an organisation, a community or a cluster, especially looking at the ups and downs and the turning points	- in individual interview - in workshop with local stakeholders

The idea is not to apply all these tools in all interviews and workshops. We rather suggest that researchers apply at least one of the, and maybe two or three, depending on the willingness of the interviewee or the participants of a workshop to take part in the application of such tools. They can also be applied as a set, i.e. Porter´s Diamond + Mapping; or Life line + Trend analyisis, depending on the purpose of the research´s as well as the characteristics of interviewees.

3.1 Michael Porter's Diamond

Porter's diamond is a tool which stimulates a view at a given reality which is structured in a specific way. I will not present the concept involved in the diamond here; there are numerous publications by Porter himself available where he does that. I will rather address one possible practical application of the diamond.

The main advantage of the diamond is that it encourages both researchers and actors to organise their perception of the reality in a new way, different from the story they usually tell. I have found the diamond particularly useful in little workshops, working with groups of a size anywhere between 5 and maybe 25 persons. The operationalization of the diamond in such a situation is as follows. The first issue is how to introduce the diamond to the group. It is useful to do it the following way:

1. Business strategy: Ask the participants to come up with observations who or what are the main firms and economic activities in the city or region - what are their strengths, what their weaknesses. In a cluster, the response may be predictable. But even there it is often interesting to see that, even though statistical data indicate that a given industry has a dominating position, local actors ascribe importance to other branches as well.

2. Supporting industries: This point is still about firms, again asking about strengths and weaknesses. The main challenge for the participants is usually to distinguish between core firms and supporting firms, the latter being the suppliers and service providers of the core firms.

3. Factor conditions: Introduce this issue in terms of strengths and weaknesses of "supporting institutions" in fields such as training, technology, finance, and business associations. It also includes infrastructure and utilities.

4. Demand conditions: Introduce this issue by asking for regional manifestations of sophisticated or unusual demand. This is usually the issue which is least clear to local actors, and for specifically this reason it often is particularly enlightening – if their is no sophisticated demand at all (which is a major weakness for a cluster), or if their is some unusual demand which local actors never considered as an asset.

I often introduce the diamond by stating that its disadvantage is also its advantage: It's relatively simple. It is too simple since it does not address power relationships and governance patterns inside the cluster as well as its connection to external actors. It also does not systematically try to address the actors and their interests. Nevertheless, it is useful since it opens a systemic perspective at important features of the cluster, permitting to get a good idea of strengths and weaknesses.

The second issue is how to work with the group. One way is just to let the participants talk and to take notes. It is better to write down the things mentioned by the participants on a flip-chart, since seeing things written visibly often stimulates discussion. Still better it is to use the mesocard technique.

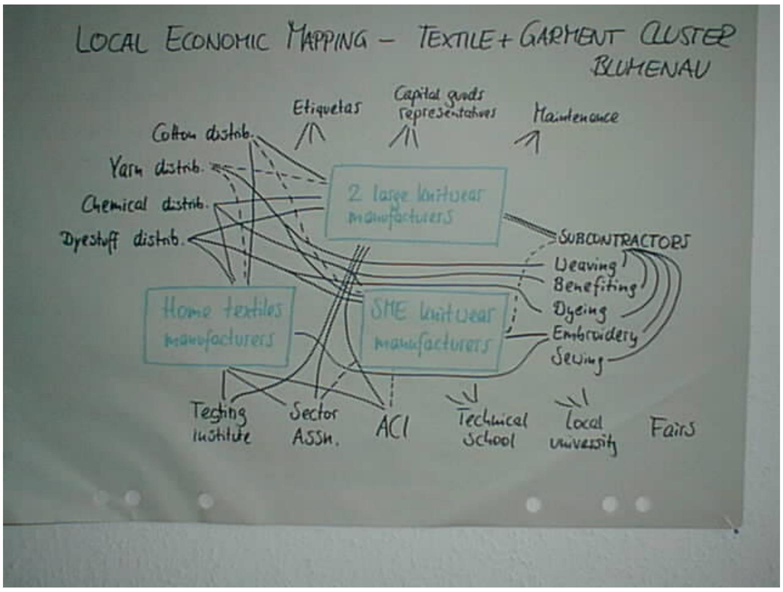
3.2 Cluster economic mapping

The purpose of an economic mapping is threefold. First, it serves to identify the actors who play a role in a given cluster - firms and types of firms, supporting institutions, associations, government, and others. Second, it is a way to depict the flows between firms and with supporting institutions. Third, it also is way to visualise the power structure between the economic actors.

The procedure is very straightforward: Take a piece of paper, preferably in size A-3 (42 x 29,7 cm) or larger and ask the interview partner or the participants of a workshop to draw. Your role, especially when working with a group of people, is basically that of an observer - taking notes on the comments the participants make when they draw the map, perhaps asking them to clarify certain issues, and asking about actors they have not mentioned on their own but who in your view may be important. The optimum size of a group to do mapping is 3 to 5 persons. It is feasible to do it with a larger group, but actually it is often more interesting, and also more fun, to split the group so that afterwards you have two or maybe three maps. Comparing them, and discussing the differences with the participants, may render important additional insights.

What are the main traps and errors? Actually, there are not many. Participants may confuse this kind of mapping with other types, i.e. the political and the value chain mapping, but that does not really create a problem. Participants may have contrary opinions about certain issues; you may suggest to note this in the mapping, or you may take an according note yourself.

The following figure gives an idea of how an economic map may look like.

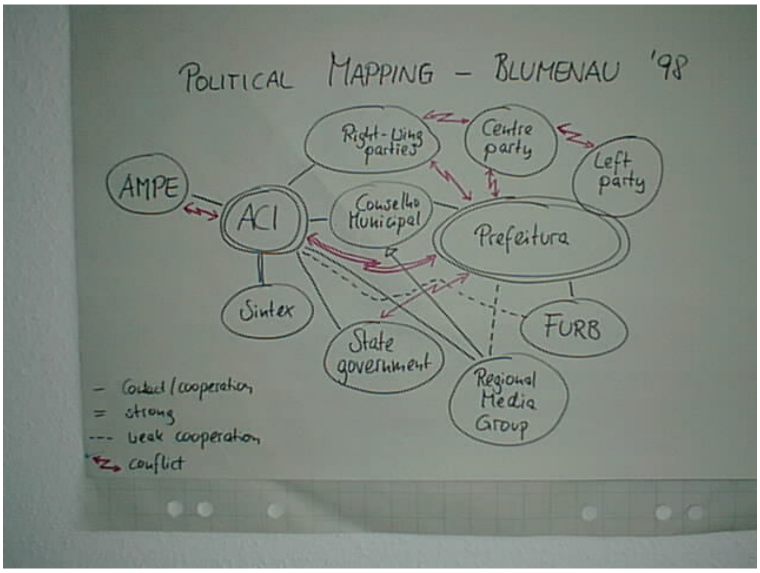


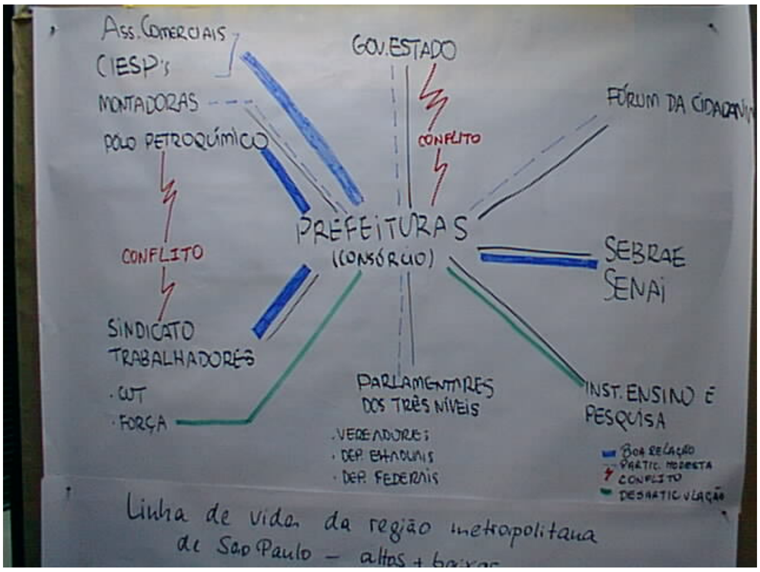
3.3 Local political mapping

When producing a political mapping, the procedure is basically the same as in the economic mapping. What is different is the focus. A political mapping is not primarily about economic interaction but about local politics and polity. The purpose is to draw a map which includes the important political actors (with special reference to economic issues, as opposed to, say, cultural issues) and the relationships between them - the relative power positions, power games, hierarchical relationships, conflicts, etc.

What are the main traps and errors? Probably the main problem is that participants may hesitate to address explicitly the existing political tensions and conflicts. It will rely on the persuasiveness and tact of you to overcome this kind of problem.

The following figures give an idea of how a political map may look like.



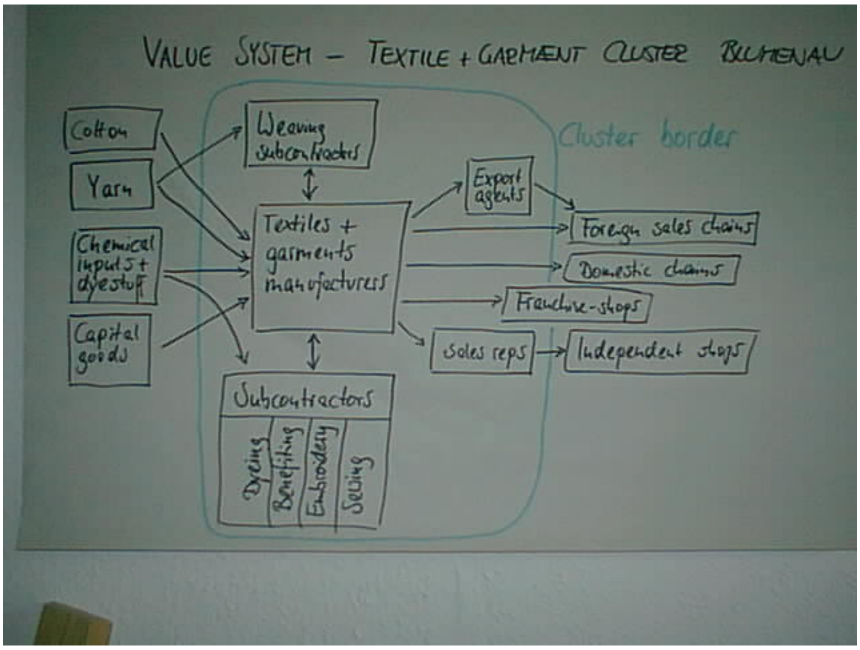


3.4 Mapping of the value system (commodity chain)

The mapping of the value system intends to provide a better understanding of the embedding of the cluster in larger economic structures. The purpose is to get an idea of the position of the cluster in the value system, both physically and in terms of power structures. Physically, this map is supposed to show the sequence of the value system, i.e. the main production steps along the chain as well as the key inputs. In terms of power structure, the idea is to denote in the map which actors are most powerful, for instance in terms of price negotiations.

What are the main traps and errors? Probably the largest problem is that participants have never thought about their reality in such a way, so that it may take some time to get the flow of observations moving. In this context, more than in the others, you may decide to suggest possible elements of the chain, in order to put the participants onto the track.

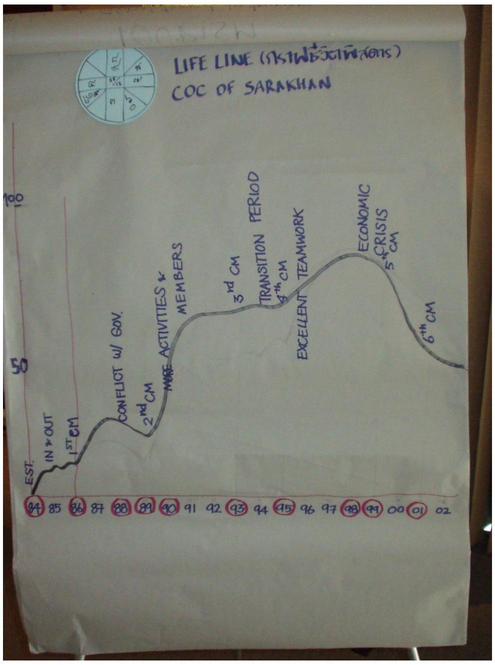
The following figure gives an idea of how a value system map may look like.



3.5 Life line

The life line is a useful tool to get information about the evolution of a cluster over time, for instance over the last 30 years. Basically, the researcher asks the participants to draw a line with the ups and downs and turning points of a given cluster. It can be useful to establish a base-line, to establish the opportunity to distinguish between periods of history with a positive and those with a negative connotation.

The following figure shows a life-line.



3.6 Concluding remarks

In our experience these tools are useful in all sorts of contexts. However, it is conceivable that with certain interviewees or groups, as well as in certain contexts (e.g. when there are strong conflicts), some of the tools are not applicable. It would be useful for our future research to have your feedback in this respect.

As I have mentioned before, it is perfectly possible to use different tools in the same interview or workshop. I find it difficult to suggest ideal combinations; I would rather expect that the choice of appropriate tools depends very much of the dynamic which unfolds in the interview or workshop. Regarding workshops, however, it is useful to develop in advance a “dramaturgy”, i.e. try to imagine the process and the sequence of tools to be used; but do not hesitate to change your dramaturgy if you feel this to be appropriate in the course of the workshop.

Under certain conditions, complexity and demarcation may become problems. If a cluster is very differentiated, a mapping become so complex that it becomes confusing rather than enlightening. In such a situation, you have different options. One would be to ask the participants to draw only those elements which they perceive to be important. Another option is to ask the participants to distinguish, for instance by using different colors, between strong and weak elements of the cluster. Yet another option would be to question whether there really is one cluster, or maybe two or three (possibly related) clusters in the same locality.

The last option is related to the problem of demarcation. There are, in fact, three different problems when it comes to demarcation. First, there is the issue of whether there is one local cluster in a given industry, or maybe two or three. For instance, in my research I found that in a given textile and garment cluster there were in fact three clusters – a fabric cluster, a home textiles cluster, and a garment cluster. These clusters were connected only to a limited degree, especially in terms of drawing on the same pool of managers and technically skilled employees. In other respects they were clearly separated – little if any commercial transactions, different types of firms, different types of products, different types of customers, and so on.

Second, there is the question whether it is possible to clearly separate a cluster from other segments of the local economy. To give an example, in another locality I was surprised to find that a local metal-engineering cluster was closely connected to a local plastic products cluster, namely in terms of the machining shops which produced parts for the former and injection tools for the latter.

Third, there is the question where the cluster ends geographically. For instance, in the textiles case mentioned before, I found that two of the three clusters were closely connected with similar clusters in a neighboring town, so that in fact there were two regional clusters and one local cluster.

How do you resolve problems of demarcation? I see two possible suggestions. One would be: do it pragmatically. The other one, which I would prefer: let the actors, i.e. the participants in the workshop or the interviewee, decide. In the end, it is their interpretation of the local economy you want to know about. So, defining demarcations for them may distort the information you obtain.

4 PACA Exercises in Sectors, Clusters and Value Chains

One of the recent tendencies in the application of PACA has been a focus at sectors. We have seen this in Indonesia, where half a dozen industrial sectors were addressed in concurrent PACA Exercises. We have also seen this in South Africa, where recent PACA Exercises addressed agriculture and tourism.

There are typically two reasons why we have a sectoral focus:

- A given local economy is dominated by one sector. A PACA Exercise thus necessarily has a strong sectoral focus.
- A local or regional economy is relatively large and complex, so that it would be difficult to organise a PACA Exercise that draws a picture of the entire local or regional economy. For practical reasons, we then decide to look only at parts of the local or regional economy, and we often end up addressing one, two or more sectors.

I am not particularly happy with this trend to address sectors. My main concern is this: A sector is usually defined for statistical purposes. It is often not really an economically relevant aggregate. Take the example of agriculture: If you want to understand it properly, you must also look at the vehicle industry (tractors, transport equipment), the chemical industry (fertilisers, chemical protection), the retail industry (= the main customer), etc. If you address exclusively the agricultural sector, i.e. those economic activities which are statistically subsumed under this heading, you may get a picture which is limited by the furrows in the plot, or the potato plants, metaphorically speaking. This observation may appear irrelevant, since you would perhaps argue that it is trivial to also look at the sectors mentioned above when you investigate agriculture. However, in one of the recent exercises in South Africa exactly this did not happen: the downstream activities, i.e. distribution and sales, got completely out of sight, and we found ourselves with a series of mini-workshops that were exclusively addressing agricultural production and upstream activities, and which completely lacked a market and customer focus. Moreover, one sector will often consist of hardly related, very different aggregates; in South Africa, looking at agriculture, you would typically find successful commercial farmers, much less successful emerging farmers, and“farming projects” and community gardens. Each of these aggregates involves different opportunities and faces completely different challenges, so that lumping them all together is probably not helpful, even if the idea of connecting them (i.e. leveraging the skills and market connections of commercial farmers for the other groups) is very plausible.

It is for these reasons that I would advocate to run limited PACA Exercises not from a pure sectoral, but from a cluster or value chain perspective. (In this case, we would follow the practice we see in places like Scotland, where these terms are effectively used as synonyms.) We would take a sector, i.e. a predominating economic activity in the given territory, as the starting point – for instance agriculture. We would then try to understand the upstream and downstream activities linked to that sector, and to the extent that those activities are being exercised in the same territory, we would include them in our PACA Exercise. Taking example of agriculture again, we would for instance have a Mini-workshop not only with local supermarkets and informal traders, but also main consumers such as hospitals and schools, since there might be a potential to leverage their demand to stimulate the local supply side.

What are the tools we can use to understand a given cluster or value chain? In the PACA Manual, you find examples and instructions for a couple of mapping exercises, which are a very practical tool to get a basic understanding. Moreover, the 5-Forces-format is quite useful in understanding the embeddedness of a given sector into a value chain. Further tools we have been experimenting with include the following:

- A dynamic, Mesocard-based mapping which you conduct on the floor. It works as follows:

    1. You ask the participants in your Mini-workshop: Who are the players you are dealing with – suppliers, customers, associations, service providers, support institutions, etc.? You write each of them on one card, and you put the card onto the floor, in no particular order.

    2. You ask the participants to organise the cards, i.e. to put those players close to each other that are closely interacting (or involved in conflicts) in real life.

    3. You take additional cards (mesocards that you have cut into half, i.e. about 5 x 10 cm) to indicate connections between players. Connections can be collaboration, business transactions, tensions or conflicts.

    4. You note on these additional cards the type of connection.

- An analytical mapping exercise where you do not just map the technically determined flow along the value chain, but actually organise the different steps in the following manner:

  1. Ask for mesocards on the different players involved in the value chain, from raw materials to final sales.

  2. Organise the cards according to the following stages:

     – raw materials

     – basic processing

     – value-added processing

     – customers

     ! put infrastructure/services and supporting institutions into separate clusters

  3. Analyse, together with the participants, the outcome:

     – is anything missing?

     – how is the distribution of activities: is there some density of value-added processing?

  We have done this exercise for instance for tourism, where

     – raw materials = natural attractions

     – basic processing = the basic tourism infrastructure, i.e. hotels, restaurants, transport, etc.

     – value-added processing = the creation of unique experiences, i.e. canyoning, gold washing contests or shebeen tours

     – customers = the different types of sales channels, from tour operators to individual tourists

How do we include these tools into a PACA Exercise that is supposed to have a sectoral focus? One way is by organising a mini-workshop where you invite a variety of role-players not only from your "sector" but also from upstream, downstream and related activities, and conduct a value chain mapping with them. The other way is to abandon the idea of a sectoral PACA altogether and immediately go for a cluster / value chain PACA Exercise.

5 Questionnaire for Reflection on the PACA Methodology

How much time did you spend and what did you do to prepare for the PACA field-work?	
Did you formulate explicit hypotheses at the beginning of the PACA fieldwork?	
• If yes, did you find the exercise useful?	
• If no, why didn't you do it? And looking back, do you find it would have been useful to do it?	
Did you formulate explicit hypotheses in the course of the PACA fieldwork?	
• If yes, did you find the exercise useful?	
• If no, why didn't you do it? And looking back, do you find it would have been useful to do it?	

Did you use a questionnaire during the interviews? How long was it?	
What would you change in the preparation and use of a questionnaire in future PACA diagnostics?	
What was the biggest problem in arranging interviews?	
What was the biggest problem in conducting interviews?	
What was the biggest surprise in conducting interviews?	
Did you change the way you conducted interviews in the course of the fieldwork?	
What was the biggest problem in arranging Mini-Workshops?	
What was the biggest problem in conducting Mini-Workshops?	
What was the biggest surprise in conducting Mini-Workshops?	
Did you change the way you conducted Mini-Workshops in the course of the fieldwork?	

What was the biggest problem during the elaboration of the diagnostic?	
What was the biggest surprise during the elaboration of the diagnostic?	
What was the biggest problem during the presentation of the diagnostic?	
What was the biggest surprise during the presentation of the diagnostic?	
What was your expectation when you started applying the PACA methodology?	

Did you find that the way local stakeholders presented their reality was similar to your perception? If not, how did you deal with this?	
Looking at the result of the diagnostic, do you think the diagnosis done by the local stakeholders is correct and suggests in most aspects the right strategy for the location? Please explain!	

Looking at the proposals, do you feel that they are viable, given the competence and commitment of local stakeholders? If not, how might you have persuaded local stakeholders to go for more realistic proposals? Please explain!	
Are you confident with the results of the diagnostic, or do you feel that you missed something important? If so, why? And what might you have done about it?	

What was your biggest fear when you started applying the PACA methodology?	
What was the biggest fear which arose during the course of the PACA fieldwork?	
What was the biggest surprise during the PACA fieldwork?	
What are the main strengths of the PACA methodology?	
What are the main weaknesses of the PACA methodology?	

What changes to the PACA methodology would you recom-mend?	
To what extent did you use the PACA Manual for the prepa-ration of your work?	
To what extent did you use the PACA Manual in the course of your work?	
What are the strengths of the PACA Manual?	
What are the weak-nesses of the PACA Manual?	
Which changes would you recommend for future versions of the PACA Manual?	

Please send this questionnaire back to: jms@mesopartner.com. Thank you!

6 PACA: Questionnaire for the Benchmarking of Localities

The purpose of this questionnaire

This questionnaire is supposed to help PACA practitioners in getting a better understanding of the systemic competitiveness of the place they are investigating. More specifically, it provides them with a list of features which define the difference between poor and high-performance localities. A high-performance locality would score high on most, if not all features.

How to use this questionnaire

There are two options in applying this questionnaire. The first option is to apply it within the PACA Team. This would be done after the fieldwork (interviews and mini-workshops) has been conducted and the PACA Team members have gained an understanding of the strengths and weaknesses of the locality. They would discuss each feature among themselves and agree on a score for each feature.

The second option is to apply it with a group of local stakeholders. This ought to be done at a late stage in the fieldwork, so that the PACA Team members can question the judgements of the local stakeholders. One option is to introduce a dynamic perspective, i.e. to look at the current situation and the situation five or ten years ago.

Whereas defining scores for meta- and macro-level features ought to be straightforward, it may be difficult to agree on scores for meso- and micro-level factors, as there may be large differences in performance between meso-institutions and between companies. If the group cannot agree on a score, it should process as follows. For meso-level institutions, it should define a score for each institutions and then calculate the average. For companies, it should apply the Pareto as explained in the instructions for mesocard.

Meta-Level

Points:	1	2	3	4	5
Government	Local government agencies are not interested in economic development		Local government agencies show some interest in economic development, but it is not their top priority		For local government agencies, economic development is a top priority
Entrepreneurship	Businesspeople enjoy little respect and social prestige		Businesspeople are respected, but other professions are more prestigious		Businesspeople are highly respected, and becoming a businessperson is preferred option
Organisations	There are no or weak business organisations. They have a small membership base.		Business organisations are mostly dominated by local leading businessmen which pursue their own agenda		Business organisations have a broad membership bare and are internally organised in a democratic, transparent way. They are representative of the private sector
Policy networks	There are no effective means and channels of communication and negotiation between local government and the private sector		There are some means and channels of communication and negotiation between local government and the private sector, but they are on an ad-hoc basis		Local government is consulting the business sector on key policy decisions, and there is an ongoing practice of problem-solving-oriented negotiations between both sides
Vision, development strategy	There is no shared vision regarding the development goal and strategy of the locality		There are competing views regarding the development goal and strategy of the locality		Key stakeholders agree on a development goal and strategy of the locality

Macro-Level

Points:	1	2	3	4	5
Finance	Local government is financially broke and has no means of fulfilling tasks which are elementary for economic development (infrastructure, education, health)		Local government is suffering from budget restrictions, but it fulfills its elementary tasks		Local government is financially strong and can make funds available for economic development projects
Red tape	There is a dense web of laws, regulations and permits which make doing business really difficult, and local government is doing little to simplify things		There are numerous laws, regulations and permits but local government is trying to reduce them		Government is streamlining laws, regulations and permits, and it is committed not to let them stand in the way of business
Business mindedness	Local government officials have no idea what running a business involves, and they do not care		Local government understand that running a business is not easy, but still they interact with companies in a bureaucratic manner		Local government is dealing with companies in a business-like manner
Corruption	Most interaction with government involves a bribe		Businesses do not have to bribe government officials, but it makes processes much swifter		Very few government officials would accept a bribe, and few businesses to try to bribe an official

Meso-Level

Points:	1	2	3	4	5
Policy	There are few defined economic and business promotion activities		Government and other institutions have defined economic and business promotion policies, but they are fragmented and ideosyncratic		Government and other organisations systematically and coordinatedly adjust and develop their economic and business promotion policies
Evaluation	Governmental economic development and business promotion organisations are not evaluated		Governmental economic development and business promotion organisations are only occasionally evaluated		Governmental economic development and business promotion organisations are regularly evaluated
SME promotion	Institutions do not respond to the needs of companies		Only some institutions respond to some extent to the needs of companies		Most institutions respond with their offers to the demand of companies
Chamber	The Business Chamber is little more than a club of some local business leaders		The Business Chamber has a few professionals and is organizing activities such as legal advice and seminars		The Business Chamber is highly professionalised and offers a broad spectrum of services
Business Associations	There are no operational sectoral business associations		The capacity of sectoral business associations is limited, e.g. to ad-hoc lobbying activities		Sectoral business associations play a crucial role in organizing exchange between companies and supporting their upgrading effort

Meso-Level (continued)

Points:	1	2	3	4	5
Secondary training	Local institutions do not respond to the needs of companies and the labor market		Only some institutions respond to some extent to the needs of companies and the labor market		Most institutions respond with their offers to the demand of companies and the labor market
Higher education	Local institutions do not respond to the needs of companies and the labor market		Only some institutions respond to some extent to the needs of companies and the labor market		Most institutions respond with their offers to the demand of companies and the labor market
Technology institutions (if existent)	Institutions do not respond to the needs of companies		Only some institutions respond to some extent to the needs of companies		Most institutions respond with their offers to the demand of companies
Development finance instituions	Institutions do not respond to the needs of companies and the labor market		Only some institutions respond to some extent to the needs of companies and the labor market		Most institutions respond with their offers to the demand of companies and the labor market
Co-ordination	There is little communication and no co-ordination among meso-level institutions		There is some amount of communication and co-ordination among some of the meso-level institutions		Communication and co-ordination among meso-level institutions is a well-established practice

Micro-Level

Points:	1	2	3	4	5
ISO 9000	There are no or only a handful of certified companies in the locality		In the main industries, only a minority of companies is certified		In the main industries, the majority of companies is certified or preparing for certification
Benchmarking	Hardly any company is involved in any systematic benchmarking effort		In the main industries, only a minority of companies is pursuing a systematic benchmarking effort		In the main industries, the majority of companies is pursuing a systematic benchmarking effort
Specialization	In the main industries, most companies are producing the same or very similar products		In the main industries, there is some degree of specialization between companies, both in terms of final products and in terms of production steps along the value chain		In the main industries, there is a high degree of specialization between companies, both in terms of final products and in terms of production steps along the value chain
Informal collaboration	In the main industries, there is little or not informal collaboration between companies		In the main industries, there is some degree of informal collaboration between companies, e.g. mutual support after a key machine broke down		In the main industries, there is a high degree of informal collaboration, e.g. constant exchange about new trends in technology and markets
Formal collaboration	In the main industries, there is little or not formal collaboration between companies		In the main industries, there is some degree of formal collaboration between companies, e.g. joint visits to foreign fairs		In the main industries, there is a high degree of formal collaboration, e.g. joint purchasing / sales, export consortia, technology alliances