

February 2009

Edited by
Shawn Cunningham
sc@mesopartner.com

<http://paca.mesopartner.com>

Editorial

page 1

Launching a regional development programme with a PACA exercise: Experience from Pelagonija, Macedonia

page 2

Latest LEDcast episodes

page 9

New publications available

page 9

Editorial

Welcome to the first PACA news for 2009. Since our previous newsletter we have redesigned the mesopartner website so that it offers more information to LED practitioners, hosted several international events, and produced several new LEDcast episodes. We have received reports from readers on processes using the PACA methodology in countries like Algeria, Colombia, Cambodia, Palestine, Laos, South Africa, Tanzania and several provinces in Vietnam.

We invite you to take a look at our revised website (www.mesopartner.com) and ask that you send us your comments to info@mesopartner.com. The publications section of the website now not only contains the different mesopartner working papers, but also allows you to order copies of mesopartner books at a small cost. You will also find a list of books that we recommend for development practitioners that can be ordered directly from the mesopartner storefront @ Amazon.

Our main feature of this newsletter is an article written by Doug Hindson, Marijana Milevska & Stevan Orozovic on the launching of a regional development programme in Pelagonija (Macedonia) using an adapted version of PACA. The article gives a good overview of the overall process, team selection, fieldwork and inner workings of a PACA process, and concludes with a reflection on the results and lessons learnt.

Several new LEDcast episodes have been published in the last 6 months, and since our last newsletter we have reached the milestone

A new mesopartner Working paper is available at www.mesopartner.com:

Doug Hindson / Jörg Meyer-Stamer /
Christian Schoen / Mattia Wegmann:

Addressing Red Tape at the Local Level: Options and Tools

The paper introduces a number of practical tools that can be used to create a local enabling environment, and it discusses which tools fits with which context.

**The Fifth International Summer
Academy on Local Economic
Development - 27-31 July 2009.**

Information @ <http://events.mesopartner.com>

of publishing our 50th episode and our 10,000th download! There are hyperlinks at the end of this newsletter that will take you directly to the featured shows on our website. If you would like to be notified of new episodes of the LEDcast then please send an e-mail to info@ledcast.net.

Our annual LED Summer Academy will take place from 27-31 July 2009. To be informed when we open for registrations please send a message to Mrs. Ute D. Mayer (udm@mesopartner.com). For more information on the LED Summer Academy visit <http://events.mesopartner.com>.

Your comments and contributions to the newsletter, website and LEDcast are highly appreciated. Please do not hesitate to send us your ideas and suggestions.

On behalf of mesopartner I wish you all the best for 2009!

*Shawn Cunningham
sc@mesopartner.com*

Launching a regional development programme with a PACA exercise: Experience from Pelagonija, Macedonia

The challenge for the PACA exercise undertaken between the 2nd June and 8th July 2008 in the region of Pelagonija in Macedonia was to help launch a Regional Development Programme. This newsletter provides an account of the process, highlighting how this challenge was addressed and drawing lessons.

The government of the Republic of Macedonia is currently drafting legislation for the formulation of Regional Development Programmes (RDPs) in each of its 8 regions. These RDPs will become the official strategic documents for each region according to the Law for Balanced Regional Development of May, 2007.

In anticipation, the Pelagonija Council of Municipalities mandated the Pelagonija Regional Development Agency (PREDA), which is

supported by the Swiss Development Cooperation, to formulate the Pelagonija Development Programme (PDP). As a step towards the PDP, PREDA contracted Mesopartner and Epicentar, a Macedonian Consultancy specialising in economic programming and innovation, to undertake a PACA exercise that would launch the PDP. The PACA exercise was to emphasise two dimensions: value chain upgrade and territorial development.

To anticipate the need for a longer term perspective set out in the national framework for RDPs, a medium to longer term perspective was built into the PACA approach in Pelagonija. The team used the concept of Lines of Action, namely actions leading from immediate, rapidly implementable, initiatives to medium and longer term ones that are more ambitious, time consuming and costly. To cater for the strategic orientation required by the PDP, something that a standard PACA exercise does not produce, the PDP would be guided by PREDA's vision: "Economic development and social prosperity of the planning region of Pelagonija and its international recognition as competitive region on the Balkans". In addition, a Compass exercise would be undertaken to provide review and strategic re-orientation, should it be needed, once experience with implementing the PDP had been gained.

The sequence of steps

Two weeks were spent preparing for the exercise, during which time Epicentar and PREDA undertook 22 interviews with business actors in a number of sectors and value chains, and collected information on the priorities of LED officers in the municipalities of Pelagonija. Going beyond the conventional PACA exercise, these interviews provided initial information on 10 commodities and sub-sectors that informed the PACA hypothesis workshop.

This preliminary work was followed by the PACA exercise itself, which lasted three weeks. Three days were spent training the PACA team and preparing for the fieldwork.

The kick off workshop was held on Tuesday the 24th November. The team conducted interviews and mini workshops between the 25th of November and 3rd July. The team then put together the results of the exercise between the 4th and 5th July, and prepared for the presentation workshop, which took place on the 7th July.

Following the presentation workshop, the PREDA team conducted a post mortem on the 8th July, during which the exercise was assessed. In addition the team mapped the prioritized value chains and identified a leading cluster in Pelagonija. (See chart below) The first draft of the PDP was written between 8th and 15th July and circulated to the Mayors of Pelagonija's municipalities. A meeting with the mayors and their representatives was then held on the 28th July, following which the PREDA team developed an implementation and coordination Action Plan, incorporating suggestions from the mayors. The Action Plan goes some way beyond a conventional PACA exercise in that it establishes a network of champions and collaborators, sets out a coordination mechanism, to be undertaken by PREDA, and establishes a system of participatory monitoring and evaluation of actions.

Characteristics of the regional economy

The team's hypothesis workshop sought to establish the main characteristics of the regional economy and its support institutions.

Agriculture emerged as a pillar of the regional economy, though its technological backwardness and the reported low levels of education, skill and information were stressed. Also em-

phasized was the low level of cooperation between farmers and between farmers and buyers of agricultural produce.

The stakeholders' diagnosis at the kick off workshop largely confirmed the team's hypothesis that processed agricultural products (vegetables, fruits, dairy and meat) were the main drivers of the regional economy and that these products are strongly demanded on international markets, notably in Europe and the USA. The kick off workshop brought out more sharply the importance of packaging and printing activities which provide high quality support to the agricultural processing sub-sector, though the importance of design to printing and packaging is not sufficiently understood by the main companies, according to the diagnosis of the stakeholders at the workshop.



Participants prioritise value chains during the Kick-off workshop in Bitola

Information Technology (IT) emerged as an important support industry, with good quality professional services being supplied to a range of industries, but the shortage of trained professionals in this sector emerged as an obstacle to its further development. An associated factor is the lack of awareness amongst companies in Pelagonija of the value of

improved IT access and IT solutions for their activities.

Regional government structures, notably the Regional Development Council (RDC) are newly established and finding their feet. There are a number of NGOs and agencies working at the regional level that are able to give support to the embryonic regional government structures. Notable amongst these is the Pelagonija Regional Development Agency (PREDA). The National Extension Agency (NEA) has its headquarters in Bitola, but is

hampered by the fact that it has only 90 extension officers servicing the whole country. There are two business chambers in the region but they do not yet have the financial and human capacity to provide substantial services to their members. The Macedonian Agricultural Advisory Support Service (MAASP) and the Federation of Farmers of the Republic of Macedonia (FFRM) support the agricultural sector, but getting the services down to the level of the farmer remains the main challenge.

The national government has adopted a policy of decentralisation of powers and functions to municipal government, including the function of promoting LED. These are promising trends for the future development of the region, but the level of capacity in human, financial and institutional terms is as yet low and needs to be built.

There is a history of good higher education in Pelagonija and this accounts for the high level of professional skills amongst sections of the population, as well as the success of its Diaspora. However these they lack faculties and course in business management.

Although Pelagonija is endowed with a beautiful natural environment, there is little awareness amongst Pelagonijans of its intrinsic value or its value as an economic asset. There are a number of environmental organisations operating in the region, but they do not yet have the capacity to preserve, promote or develop the region's natural environment.

The region has an advantage in organic food production due to the relatively low level of industrialisation of agriculture and the good soils, climate and weather conditions. It has a potential advantage over colder parts of Europe in early fresh food production and can combine with other countries in the region to extend the season for a number of important products.

An area of unusual demand that could be further exploited is that of the Pelangonijan and Macedonian Diaspora. This population provides a market especially for traditional foods and beverages from the region, and could also

be creatively used to develop new markets in the countries in the Diaspora's host countries.

There is a whole range of potential tourism assets that could be used to exploit or create unusual or even unique demand. These include natural assets such as endemic flora and fauna species, a unique history and culture, religious diversity, archaeology, arts, music, traditional foods, beverages, cultural activities and events.

The team

The team comprised 2 external facilitators, one from France and the other from Skopje, and 9 local specialists, three from PREDA, two from local municipalities in Pelagonija, one from the business sector and three from non-governmental organizations supporting agriculture.

Selecting value chains

Several steps were taken to select value chains and sub-sectors for the exercise, with the original objective of focusing on 4-6 of them. Epicentar used an expert group to weight 9 criteria against a list of 61 products and arrived at a list of 10 for consideration. To these the team added a further 5 value chains during the hypothesis workshop, based on their local knowledge.

To the combined list of 15, the team applied an assessment matrix. The matrix distinguished between strategic (score of 4), promising (score of 3), pre-occupied (score of 2) or unpromising (score of 1) for LED promotion based on the team's knowledge of the region. This exercise produced 6 top scoring value chains/sectors. At the Kick Off workshop, participants were asked to express on cards which sectors they believed were most important for LED promotion. New sectors were added to the team's list of 15 and a Pareto exercise applied by the participants on the basis of the following question: "Which of these sectors/value chains, in your view, has the actors that are most willing and able to take actions to promote the value chain/sector".

The results of the three value chain prioritization exercises corresponded closely, although some sectors changed their rank order. On the basis of these exercises, taking into account the experience, contacts and availability of team members, the team made a final choice of the following five sectors/value chains, one team member being given responsibility for each:

- Apples
- Fresh vegetables (tomatoes and peppers)
- Processed foods
- IT
- Tourism.

During the fieldwork the team discovered the importance of the packing, printing and design industries supporting food processing. It was decided to add this sub-sector to the list to arrive at 6 value chains/sectors.

The field work

After the kick off workshop the team conducted interviews and mini-workshops with actors in the region for a period of one week. Each team member focused on one or more sectors in which they had professional expertise and/or experience. Custom made tools such as Porter's Five Forces, the Interaction Matrix and Value Chain Mapping were used to involve participants in diagnosis of the competitiveness of their companies and sectors/value chains. Support institutions were involved in the diagnosis of their relations with business and the role they play in improving the environment for business in the region.

The results workshop

Over two days the team members worked together to assemble their findings from the field work and to test these against the original hypothesis. The team listed and then prioritized actions to upgrade sectors/value chains and for



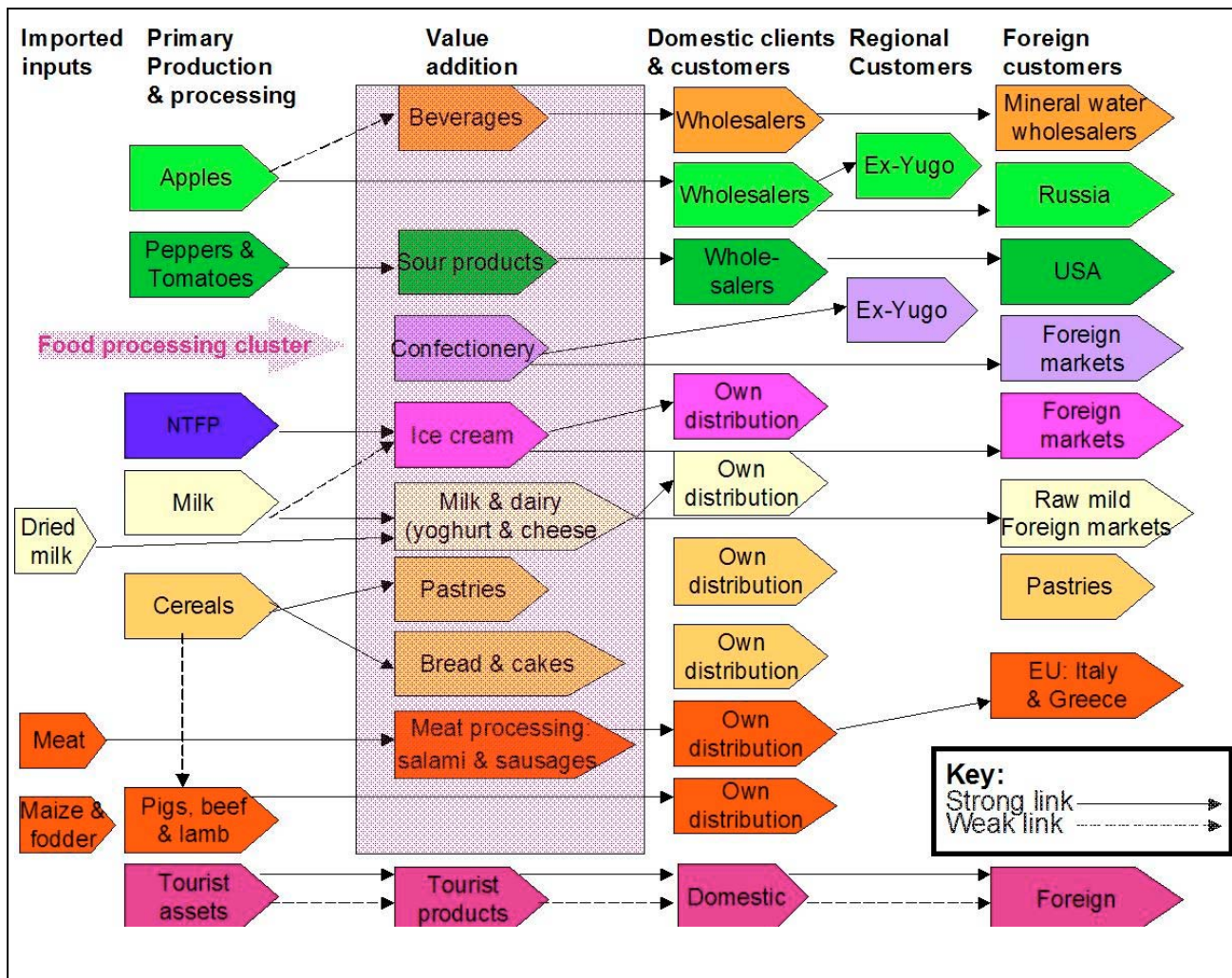
The team at work

territorial development in the region of Pelagonija as a whole.

Following the standard PACA procedure, each team member responsible for a sector/value chain or support institutions first tested his/her findings against the original hypothesis, explaining to the other team members whether it was confirmed or needed modification in the light of findings. Cards were then used by all the team members together to identify strengths and weaknesses of the sector. Drawing on their fieldwork notes and their own thinking, the team members identified possible actions for the sector/value chain or support institutions. The Three Criteria were used to prioritize short term actions, and Pfeiffer's six points to set out an action plan.

Two further steps were added to the standard PACA approach. All the higher scoring actions were considered for their possible contribution to a Line of Action going beyond the immediate into a medium and longer term time frame. Milestones along the Lines of Action were then established using the SMART principle (Specific, Measurable, Achievable, Relevant and Timed). These criteria induce actors to be clear about their objectives and provide concise indicators for monitoring and evaluating progress.

In practice, it was found that adding Lines of Action prolongs the results workshop to quite



some degree. For some Lines of Action, team members had to submit final details after the results workshop but in time for the presentation event. However, it was useful in inducing team members to think through the anticipated practical results of an action and in giving a longer term perspective to the standard PACA action plans.

The outcome of the results workshop was a set of 11 immediate and 29 medium to longer term actions within 6 priority sectors, and within the territory as a whole. These actions included measures to upgrade the following value chains and sectors: apples, peppers and tomatoes, food processing, packaging, printing and design, information technologies and tourism.

Examples of the kinds of actions proposed were the implementation of advisory packages for farmers in the apples, pepper and tomato

value chains, promoting the expanded use of local agricultural inputs within the food processing sector, and developing IT packages targeting specific business needs in the region.

In terms of territorial development, the outcome of the results workshop was a set of actions to improve the environment for business in the region. These included its branding, support for municipal industrial zones, and piloting efficient energy use. Medium to longer term actions included the coordination of regional actors to promote LED, support for municipal LED promotion, entrepreneurship promotion for youth, start-ups and the middle aged emergent entrepreneurs, the establishment of an IT academy, municipal waste management and improved municipal water supplies.

Mapping the prioritized value chains

The figure above represents the value chains prioritized by the PACA exercise in Pelagonija, mapped by the team after the Presentation Workshop. It highlights the food processing cluster, which emerged as Pelagonija's strongest area of competitive advantage and the main driver of the regional economy. The sectors within cluster were ranked as "pre-occupied" which means that promotional work within them is difficult because they are doing well and their managers are thus "pre-occupied" with keeping the businesses successful.

The value chain map on the next page distinguishes between "primary" and "value addition" activities in the left hand columns and between "domestic, regional and foreign customers" on the three right hand columns. The continuous lines represent strong relationships, while the broken lines represent either weak or relationships that nevertheless hold potential for linking primary to value addition activities.

It may be noted that some primary activities that support value addition activities in the region are taking place outside the region, as in the case of milk, meat, maize and fodder, shown on the extreme left hand column, while cereals produced in the region, could develop a stronger link with meat processing in the region.

As an overall strategy for LED promotion, the actions proposed by the team seek, inter alia, to strengthen the links between primary agriculture and the food processing sector, to further build the competitive advantage of the food sector in Pelagonija and to improve the environment for LED more generally in the region.

The presentation workshop

The presentation workshop was held in the Museum in Bitola and attracted about 60 participants, in addition to the team. The ambience was that of a fair, with tables displaying brochures on the work of the municipalities,

and agricultural and processed foods, lining the entrance to the workshop.

The actions suggested by the team were posted on display sheets on the walls of the workshop venue. A slide show of Pelagonija's assets and products and the work of the PACA team, accompanied by traditional Pelagonijan music preceded the workshop.

Responses to the team's presentations from the stakeholders were very appreciative and a number of further ideas for action, notably on territorial development were added by the participants.

Implementing and coordinating the Action Plan

The PACA approach emphasizes the importance of taking action immediately, using available human, financial and institutional resources and focusing on actions that have a visible impact that will inspire confidence in and commitment to the process. Amongst the 40 actions identified by the team, 11 met these criteria and their champions began implementing them in the week following the



At the presentation workshop

PACA exercise. Members of the PACA team emerged as champions for each of the 6 prioritized sectors. Further champions, notably from the business sector, arose during the process and are being drawn into it.

The 29 additional medium and longer term actions formulated by the team require further

preparatory work. Some of these actions need external funding and the formulation of funding proposals. These preparatory tasks can begin immediately, but it will take time before the actions themselves to begin, and longer before they have visible impacts.

The scale and complexity of the actions arising out of the PACA exercise in Pelagonija calls for the establishment of a coordination mechanism from the outset. The team produced the beginnings of a data base, including information on champions, collaborators, actions and milestones, during the exercise. A second step was to create a network and coordination structure to manage the actions. The elements of a network were established during the PACA exercise, comprising the team, additional champions, collaborators and other participants in the exercise. PREDA took the role of setting up the network.

Report back to the mayors

Following the exercise and the production of a draft Pelagonija Regional Development Programme report, the team presented the report to a meeting of the mayors of the 9 municipalities. At this meeting a number of further actions, notably relating to water and road infrastructure in the region were suggested, as well as increased focus on municipalities not visited during the PACA exercise. These suggestions were incorporated into the final report. The PDP, entitled Launching the Pelagonija Development Programme was endorsed by the Regional Council and mayors as Pelagonija's official strategic document until the year 2013 and PREDA's mandate was extended to the year 2010 to begin the process of implementing and coordinating the Programme.

Lessons

As shown in Pelagonija, a PACA exercise can play an effective role in launching a regional development programme, but there are a number of important preconditions for this to work. Primary amongst these is to ensure that

stakeholder expectations match the outcome of the exercise. It is important to emphasise from the outset that a PACA approach can act as a spearhead, but not replacement for a regional development plan, which by its nature has a wider scope than LED. Stakeholder responses to this are likely to be most favourable where there is wide agreement that promoting local economic development should be a high priority of a regional development programme.

While the PACA approach proved a very useful tool for setting in motion a regional programme, there were certain features of a regional programme that are not well catered for in a standard PACA exercise. One of these is the time frame of a programme which runs into years and not just weeks and months. Using the Lines of Action went a long way in addressing this aspect, but would not have been sufficient on its own.

A second area of adaptation of a standard PACA exercise was to establish the basis for a network, coordination and M & E structure for the post-PACA process, made possible by the presence and involvement of PREDA.

A third area that a standard PACA exercise does not address, but which is stressed in regional development programmes, is a vision statement. Using PREDA's vision provided a convenient means of addressing this deficit. Undertaking a compass exercise once the programme has gathered experience of implementation is one way of responding to the need for a vision within a regional development programme.

The advantage of using a PACA approach is that it stimulates interest and commitment that enables the champions to get moving right away. If there is sufficient positive participation in the workshops, this creates the enthusiasm and confidence amongst stakeholders that is needed for them to accept that LED can spearhead the process and that the wider, longer term challenges will not be set aside, but taken up as the process gets moving.

The large number of actions generated by the Pelagonija PACA exercise was made realistic

by the fact that the team members were not only capable and committed, but were themselves already involved in work that required such actions.

The challenges presented by the time frame and complexity of the Action Plan were realistic because there already existed within the region a development agency capable and ready to take them on. Without an organization like PREDA, this would have been a risky exercise.

Marijan Milevska

(marijana.milevska@preda.org.mk) is director of the Pelagonija Regional Development Agency that championed the PACA exercise.

Stevan Orozovic (stevan.orozovic@gmail.com) is a consultant with Epicentar.

Dr. Doug Hindson (doug.hindson@gmail.com) is an international development consultant and experienced PACA practitioner based in France.

Latest LEDcast episodes

Since our last newsletter we have succeeded in publishing our 50th LEDcast episode. Click [here](#) to go to the new webpage on the mesopartner website where you download all the previous shows, or where you can subscribe to automatically receive the latest shows.

Your comments and contributions to the LEDCast can be sent to contact@ledcast.net.

In our most recent episode Jorg Meyer-Stamer has a conversation with Jim Tomecko (GTZ, Thailand) on some of the main lessons learnt in value chain development initiatives.

[Download file](#)

Earlier episodes in the series:

Shawn and Jorg kick off a new LEDcast series on innovation. In the first episode they discuss

some basic issues, such as: What is innovation, and how is it different from invention?

[Download file](#)

In this second episode on innovation Shawn and Jorg explore the relevance of national, regional and sectoral innovation systems and discuss practical ways of changing the way in which they work.

[Download file](#)

New publications available

It is now possible to purchase hardcopies of mesopartner books and some working papers directly from the [publications page](#) on the [mesopartner website](#). Many of the publications are available for free in electronic format.

Some of the latest publications are:

[How to conduct a PACA](#)

The volume contains a narrative explanation of how to apply the PACA method. It takes you through all the steps from the build-up through the fieldwork and to action planning.

[Building Competitive Rural Locations](#)



Edited by Jörg Meyer-Stamer

Local economic development around agriculture and agriprocessing: Cases and concepts. mesopartner monograph #2

[Creating Prosperous Towns](#)

By Jörg Meyer-Stamer



How to launch and sustain local economic development in developing and transformation countries. mesopartner monograph #1

PACA was originally developed by **mesopartner**, a knowledge firm specialised in territorial development and competitiveness. **mesopartner** are Shawn Cunningham (sc@mesopartner.com), Dr Ulrich Harmes-Liedtke (uhl@mesopartner.com), Dr Jörg Meyer-Stamer (jms@mesopartner.com), Colin Mitchell (cm@mesopartner.com), Christian Schoen (cs@mesopartner.com) and Frank Wältring (fw@mesopartner.com).