

English edition

PACA[®]
NEWS

Participatory
Appraisal of
Competitive
Advantage

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Editorial: How do “Enabling Environment” and “Making Markets Work for the Poor” relate to LED and PACA?

When you have a look at current conceptual discussions on economic development, and in particular private sector development, there are two terms that come up very frequently: “Enabling Environment” and “Making Markets Work for the Poor (M4P)”. What are these concepts about, how are they related, and how do local economic development and PACA connect to them?

Enabling Environment has been a focus of donor interventions for some time. The profile of this approach was further raised by last year’s World Development Report, “A Better Investment Climate for Everyone”. Its main message was summarised in four points. First, the investment climate is central to growth and poverty reduction, since the vast majority of jobs are created in the private sector. Second, building an enabling environment is important not only to reduce unjustified costs (caused, for instance, by unnecessary regulations) but also to address macroeconomic instability, insecure property, weak contract enforcement, corruption and similar issues that relate to the basic governance pattern. Third, it is crucial not only to change policy documents and laws but actually to make sure that delivery on the ground changes. Fourth, an effort to improve the investment climate is a process, not an event.

M4P has emerged from the work on Pro-Poor Growth which was strongly pushed, among others, by the UK’s Department for International Development (DFID) and the OECD’s Development Assistance Committee, DAC (the latter last year produced a report titled “Accelerating

Academia de Verano sobre Desarrollo Territorial

After the success of our “Summer Academy on Local Economic Development”, we have decided to launch a similar event for Spanish-speaking LED practitioners. It will be held from 06 to 10 March 2006 in Buenos Aires, Argentina. For more information please consult:

www.mesopartner.com/academia-verano/.

Pro-Poor Growth through Support for Private Sector Development”). The discussion on pro-poor growth is linked to the Millennium Development Goals and their concern with lowering the incidence of poverty as measured by income. Its point of departure is the observation that growth does by no means automatically benefit the poor. The effect of growth on the number of people living below the poverty line depends on social structures, initial (in-)equality, access to education and other factors. It is thus necessary to take a deliberate effort to assure that economic growth benefits the poor. The most important types of intervention address space and sectors. More specifically: they look at poor regions and agriculture.

Is there a difference between these two concepts? Indeed there is. “Enabling Environment” carries the focus of the World Bank and other organisations at the macro- and the micro-level further, but it does not address the meso-level, i.e. targeted, selective interventions to build competitiveness in companies and stimulate competitive industries. The emphasis is on moving government out of the way of business, i.e. eliminate unnecessary regulations, make registration and permit processes more efficient, and making the environment for business more stable and predictable. This approach is justified with the data that are annually published in the “Doing Business” report. They highlight the often ridiculous procedures and regulations that turn starting and running a business, in particular a small business, into a nightmare. According to the 2005 report, “businesses in poor countries face much larger regulatory burdens than those in rich countries. They face 3 times the administrative costs, and nearly twice as many bureaucratic procedures and delays associated with them. And they have fewer than half the protections of property rights of rich countries” (World Bank 2005, p 3). The expectation is that the creation of a more business-friendly environment will finally lead to the boom in entrepre-

neurship-driven growth that has been expected but failed to materialise since structural adjustment started in the 1980s.

The M4P literature argues that an enabling environment is a necessary but not sufficient condition for dynamic growth of the private sector. Researchers have taken a close look at the workings of real markets, and they came up with quite detailed and very insightful analyses of the various institutions (in the sense of rules and principles) that are needed for markets to work efficiently (Ferrand, Gibson and Scott 2004). In their view, it is quite unlikely for markets to emerge spontaneously, especially in what is called a “low level equilibrium” where nobody

has much money, everybody waits to everybody else to make the first move and nothing much happens. Interventions are needed to create effective markets. Such interventions can come from government, but also from major private companies or societal groups. In effect, the M4P approach acknowledges the relevance of the meso-level (see, for instance, Dorward and Kydd 2005).



Enabling or disabling environment?

How do these schools of thought relate to LED? They emphasise three points which are directly relevant to LED. First, creating an enabling environment for business is not only a national-level activity. Government services are mostly delivered at the local level, so there is no alternative but to address the local level in any effort to create a more enabling environment. It is not a coincidence that LED activities in advanced countries have particularly addressed red tape in recent years. LED in developing and transformation countries needs to address this issue in a sustained and systematic way.

Second, markets have a territorial dimension. In particular, markets will not work easily in rural regions with weak infrastructure and shallow productive systems. In a given country, even strong growth will not necessarily spill over into economically weak rural areas. Therefore, tar-

geted interventions are needed to make markets work in rural regions. This should not take the shape of traditional top down regional policy, which basically threw money at lagging regions and often created additional distortions, thus making the environment even more disabling. Instead, territorial development initiatives need to emphasise the endogenous potential of locations and regions. So there is a strong need to encourage bottom-up processes, i.e. LED that involves the public and the private sector. And LED needs to look at market failure, understanding it and designing interventions that make markets work, including making them work for the poor.

Third, the M4P literature builds a strong case for LED in rural areas, while also highlighting that it is crucial to organise market access for rural products, i.e. connect rural producers to national and global value chains. Effective value chains involve a combination of market and hierarchy, for instance in contractual arrangements between large processors and small outgrowers. Developmental interventions need to build and strengthen value chains, rather than trying to substitute them with exclusively market-based transactions. LED in rural regions and value chain development for agricultural products make little sense in isolation, but a lot of sense if combined.

How does all this relate to PACA? In my view, both approaches may boost the demand for PACA, and there is a strong case for marketing PACA both to initiatives for a more enabling environment and programmes to make markets work for the poor.

Regarding pro-poor growth, let me quote from the DAC report mentioned above. It states that donors “may provide the analytical support required to use diagnostic tools that reveal weaknesses in these conditions through examining patterns of growth and the ability of the poor to

participate in and benefit from growth. Perhaps most importantly, they need to support the process of stakeholder engagement that leads to pro-poor institutional change. They may use their influence and resources to help institutionalise the process, using PRSPs or other mechanisms, and ensure that participatory monitoring and evaluation forms part of the process. The priorities for donor support should emerge from their facilitation of the process of stakeholder engagement.” (DAC 2004, 63) This has obviously been written with the national level in mind. However, if you pull it down to the local level, it matches nicely with what we normally do with PACA. Moreover, it provides an opportunity and a framework

to link our activities on the ground with issues that are being discussed at a national and international level.

Regarding enabling environment, this issue comes regularly up in PACA Exercises. There have been rare cases where a PACA Exercise directly led to the removal of obstacles for business activities. The most frequent impact of PACA is to establish an effective communication channel between local government and the private sector, to highlight the rationale of the other’s action, to start building trust and

to make local government more responsive to the needs of the private sector, including an effort to reduce red tape. We have robust mini-workshop formats that address these issues.

Regarding M4P, it is notable that probably the majority of PACA exercises have been conducted in locations that are the biggest concern of this approach, i.e. medium and small towns and their surroundings in rural areas. We have consistently discovered endogenous potentials in such locations. We have often come up with practical proposals on how to upgrade local producers so that they can be connected to value chains, and we have a couple of cases where such connections have effectively been established.



Not all markets work spontaneously...

All this does not mean that can now lean back and wait for work contracts to roll in. We need to strengthen the market analysis tools in PACA – not necessarily for the initial exercise, where we try to kick off LED activities, but definitely for follow-up activities, where a deeper understanding of markets, the way they work or don't work, and a design of interventions to remedy market failure are essential. In my view, developing and testing tools for this is the top priority for LED and PACA right now.

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PACA practitioners and their stages of learning

Anyone who has attempted to change their behaviour or who has tried to improve cooperation with others will appreciate the need for support from respected friends, colleagues, or stakeholders undertaking similar efforts. In these conditions failure is not seen as the end of the process but rather as part of the learning and adaptation essential for eventual success.

“You will only learn while you do it. And while you interact with others” is also the credo and the ingredient of the methodologies of mesopartner. Integrating these common wisdoms into reality is usually difficult. Everybody knows this from own private life and work experiences. Nonetheless we sometimes experience an underestimation of the complex individual, social and organisational challenges by donors, practitioners and local stakeholders who are willing to encourage and support change processes in their localities. Rapid appraisals and the search for

quick wins do not mean that PACA and LRED processes will provide easy success. mesopartner's collected experiences with LRED initiatives have demonstrated that the capacity and the realisation of necessary individual and organisational learning processes are critical success factors for territorial economic development. Self-confidence, motivation and trust of stakeholders involved in LRED processes are additional prerequisites. But the development of these factors requires time. According to our experience motivation and trust in LRED processes will only emerge when the stakeholders are realising changes of attitudes and mindsets by others and by themselves within this process.

Fact is that if you work closely with individuals and organisations there are many communication traps, and there is a huge potential for misunderstandings that can quickly lead to the failure of activities. To keep momentum in LRED initiatives it is necessary to illustrate to the local stakeholders the challenges of mutual and individual learning and to accompany them in these processes.

Challenges of individual learning in PACA projects

In many of our PACA training courses, trainees and practitioners do not have in-depth knowledge on LRED. We use working group formats, new tools and methodologies to encourage reflection and learning processes but at the same time we have to be careful not to exhaust the participants. “You will have the chance to practice it in the PACA exercises”, is something that we often have to mention to demonstrate that implementing PACA is also a process of learning by doing. The PACA practitioners are faced with complex and new learning experiences in this process, individually and in the contact with other stakeholders to whom they often have never spoken before. They need to develop a certain capacity to observe themselves in the interaction with others, some communication skills and economic insight knowledge is required. In order to go through this process they also have to develop patience with themselves and others to encourage and keep motivation.

The “5 stages of learning” model

In PACA training courses there are generally practitioners with different levels of knowledge about LRED or facilitation skills. Nonetheless the model of the “5 stages of learning” provides a good structure to demonstrate the challenges of the different steps a newcomer in LRED has to go through. The model differentiates between

- *a novice or advanced beginner (1st and 2nd stage)* who is just beginning to develop awareness of the subject area and after gaining real experience the person starts to understand the scope of the subject area, increases its perception of the environment and acknowledge areas with lack of knowledge within the discipline.
- *a competent and proficient person (3rd and 4th stage)* has gained knowledge from experience in diverse situations. New skills and capabilities have been internalised. These persons are able to adapt their learning to different situations by analysing changed circumstances and selecting among viable alternatives. They start to develop an intuitive, holistic grasp of the situation.
- *The expert (5th stage)* has fully internalised both perception and action into their normal work processes. When things are going normally, all work is routine, they do "just what works." Reaching this stage is not an end in itself. It requires ongoing additional learning through continued exposure, observation, conversation and other interaction. (See also <http://www.entarga.com/km/learning.htm>)



Learning-by-asking

PACA practitioners and their process of learning

The beginners (stage 1 and 2)

Some participants of PACA training courses start to reflect about the content of LRED for the first time. Most of their concentration goes into trying to get a picture of LRED and to be able to explain it with own words. Experts who have worked in community development for a long period of time are struggling with the challenge to understand the economic rationality that lies behind LRED. Most of their attention is absorbed by following the procedures and set of rules they have been told by the trainer. Often their judgements about other stakeholders are still very much shaped by their individual experiences and by prejudices. Normally they stick quite closely to the hand-outs or the PACA manual.

These participants develop a deeper understanding through practice in the working groups and real test-interviews during the PACA training. Often their increasing interest emerges from the learning and reflection process they are going through. The participation in the PACA exercise takes this process of learning to the next level. Due to the intensity of the PACA exercise and the necessity of everybody to expose him- or herself, it is amazing to observe the increasing confidence and insight view the PACA beginners are developing during these 2 weeks. Although they sometimes face the difficulty to identify potential linkages (e.g. between sectors, between suppliers and possible buyers) or real business opportunities, they start to realise what LRED is mainly all about. New insights are encouraging new questions. The more experiences they have made, the more they are able to understand the local economic circumstances, the more confident they use the tools in a flexible way and the more professional and relaxed they present themselves in front of the local stakeholders.

We normally recommend to include an experienced practitioner during first PACA exercises to accompany the PACA beginners in their

learning process and to be able to answer questions and contribute with new explanations.

The already experienced PACA practitioners (stage 3 and 4)

Many of the PACA training participants are consultants or practitioners who have worked on economic issues or LRED before. Others have worked in other fields but have developed good facilitation and communication skills. For all of them the PACA methodology is new. They therefore have to go also through learning processes like the “beginners”. But often it connects nicely to earlier experience, so that they are able to grasp the concept more easily or they need a shorter period of time to become a good PACA practitioner.

In PACA exercises practitioners and consultants demonstrate their experience and competency when they quickly know which kind of mini-workshop tools and actor compositions might bring out the most interesting output. They start to use tools like the diamond or the 5 forces in a more flexible manner, they don't need to use the guidelines and hand-outs for themselves anymore, and they feel relaxed and self-confident in interviews. They also are able to assess the local economic situation more quickly and have a constant eye on business opportunities, possible proposals and possible PACA champions.

At this stage of the learning process mesopartner recommends a follow-up training for these practitioners in which they get a deeper insight in LRED procedures and in using further and more complex tools and products that go beyond the normal PACA methodology.

The PACA experts

The certification process to become a PACA trainer or PACA specialist requires compliance with certain criteria. This is to assure a quality within training courses that is based on real experiences. Becoming a PACA trainer requires the participation in a basic PACA training, in at least 3 PACA exercises, in a PACA basic training as co-trainer and in a follow-up training. A PACA expert has internalised the normal PACA

exercise procedure. S/he can provide differentiated judgements due to his or her background of different experiences. When changing from a PACA exercise specialist (or expert) to become a trainer everybody starts again as a novice before becoming an expert PACA trainer. The expert trainer has the ability to develop new tools, to change the structured procedure intuitively and to think about new manuals and new training products.



Teaching-by-demonstrating

Life as an iterative learning process

In general the process of learning is like this: the more you are familiar with one issue, the more questions and the more new unknown areas turn up. Every “expert” will have to go through these 5 stage process of learning over and over again in new areas and fields. The latter is an iterative process and is required to broaden personal knowledge. There is also a world beyond PACA, LRED and economic issues that have to be taken into consideration for professional consultancy and facilitation.

Understanding life and expertise as an iterative learning process requires inspiration, creativity, interest in thinking things differently, and the openness to take risks and failures as part of learning and success.

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Variations of PACA

PACA is a flexible and adaptable methodology. With the following article, we will start a series of reports by practitioners who have successfully tested with variations of PACA.

PACA enhancements from GTZ BDS/LED programme in South Africa

The GTZ BDS/LED Programme aims to introduce and establish more effective LED approaches to South Africa. Mbombela, a municipal area located in the Mpumalanga province, was chosen to test a new LED process. The intervention aimed to establish a self-sustainable local LED facilitator to improve LED vibrancy especially in the private sector of Mbombela. The Lowveld Chamber of Business and Tourism (LCBT) was chosen as facilitator partner.

This article focuses on the rapid appraisal part of the LED process, where the PACA methodology was adapted and applied to two sectors, Tourism and Business Services. The main variations from the normal PACA process are illustrated in the green blocks in the diagram below.

A new activity introduced into the hypothesis workshop consisted of building a model of the sector, in the form of a value chain. The diagnostic questions of the hypothesis workshop then utilised this model as a frame of reference. The model was built as a modular display and was refined throughout the PACA process.

The main variation in the mini-workshop was that idea generation was considered essential to elicit ideas for the early way forward process.

The internal results workshop was made easier by having the systemic model or value chain of the sector available. It was easier to consider project selection within a systemic context. The early internal results workshop identified the likely priority projects and what information was required to reduce remaining uncertainties. This provided greater focus to interviews.

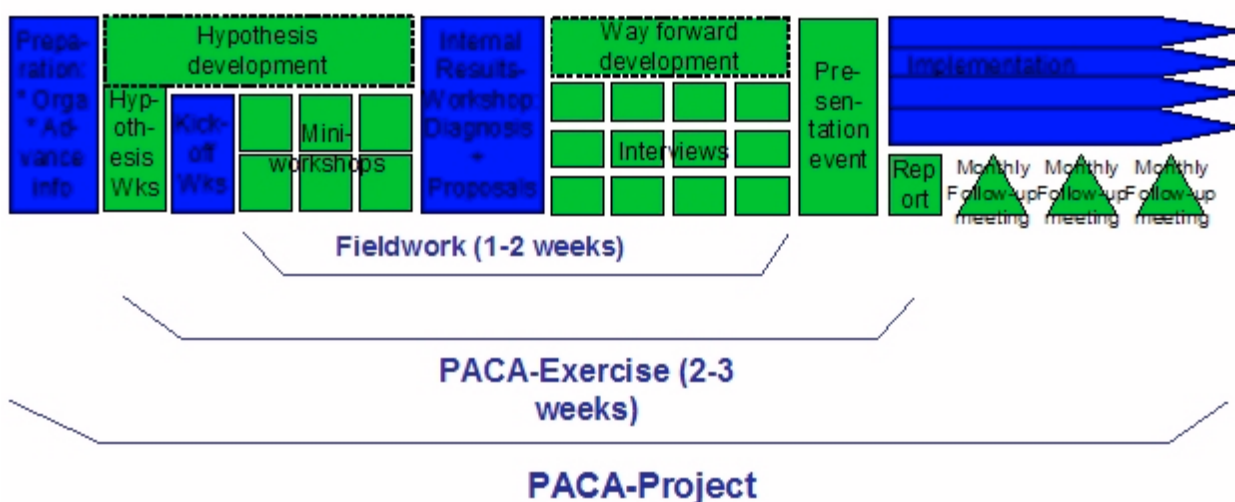
Most of the interviews took place after the internal results workshop and also doubled up as the search for the relevant champions to drive initiatives. There is a good correlation between the right champions and the persons that know most about the proposed initiative. The range of priority projects and proposed choice of champions were tested with all interviewees.

The initiatives identified by the two PACAs are listed below. The complete findings of the PACAs are available on request and a comprehensive case study will be available soon.

Champions presented their own initiatives at the presentation event, thereby committing their professional reputations publicly. A brief report was circulated to inform the broader stakeholders and media.

Monthly follow-up meetings maintained pressure to show progress and have also helped to keep the motivation levels up. A monthly news-

Enhanced PACA sequence of activities



<i>Tourism Sector PACA initiatives</i>	<i>Services Sector PACA initiatives</i>
1. Develop clear and effective tourism destination brand messages	1. Establish Mbombela as “The Intellectual Capital of Environmental Management and Environmental Tourism”
2. Lowveld Tourism Indaba (tourism product owner exhibition for the trade)	2. Educate new consumers of financial and insurance services
3. Generate more Event based Tourism	3. Develop a partnership between Business- and Government to drive the economy to sustained jobs, growth and equity
4. Review Lowveld website options	4. “Buy Local” media campaign
5. Improved exposure in Mass Media	5. Establish an information hub (knowledgebase) for business
7. Develop a good Map with Key Attractions	6. Establish a reliable referral service
8. Develop a good Destination Brochure	7. Speed dating – structured method of meeting prospective business partners
9. Develop a Database of Industry Contacts	8. Opportunity brokering service - joint NAFCOC and LCBT
10. Provide Industry Statistics and Trends	9. Network facilitator
11. Improve substance of newsletters	10. Set up quarterly meeting with SARS (Tax authority) to resolve issues
12. Quarterly Update Events	Projects 2,4,7,8 and 10 above may be viewed as imbedded Business Development Services, assisting many enterprises by making the service markets work better. Projects 3, 5, 6, and 9 are new chamber services. Project 1 is a special catalytic project initiated by the chamber but for the public sector to pick up later.
13. “Swarm” to negotiate better deals	
14. Shuttle service at LCBT Info Offices	
15. Input to municipality to upgrade the Transport System	

letter has kept other stakeholders on the tourism side informed about progress and given champions public recognition for work completed.

It is still too early to determine the full impact of the PACAs. However some positive indicators are already visible:

- Four months after the PACAs 23 out of 25 projects are still active. This represents a successful follow through rate compared to other PACAs conducted in South Africa. This implies that the amended PACA process yielded good projects and committed champions.
- More than two hundred other stakeholders have become involved in the PACA initiatives driven by PACA champions with minimal support by GTZ.
- The performance agreements of the LCBT managers have been amended to include successful completion of the PACA projects.

This provides evidence that the LED process is being institutionalised.

The main learning from the pilot project is that the changes to the PACA methodology has yielded improved results and is worth generalising:

- The probability of selecting good projects by means of a PACA process is enhanced. Sector value chain mapping provides a framework for data collection, analysis and project selection, making it easier for the team to understand sector dynamics and conceptualise strategic interventions. Secondly, the project proposals are scrutinized and refined during a number of interviews (which include prospective champions), before the final presentation event.
- Commitment to project implementation is increased by various changes to the sequence and activities. The local team owns respon-

sibility for executing the PACA, never the external consultant. Commitment to execution of the portfolio of projects by champions is gained prior to the presentation event. Champions further commit themselves publicly at the presentation event to execute the projects. Commitment is further entrenched in the document that is distributed to all stakeholders. Thereafter, systematic follow-up maintains pressure and provides energy to the champions.

- Local facilitators take ownership and drive the process from start to finish, with guidance and support from an external technical expert. Locals gather information, diagnose, improve their understanding of their local economy and decide what the priority interventions are. The sophistication of the process is adapted to stretch the capacity of the local team to the next level without making it too complex.

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Clusters and LRED under the pressure from China.

Observations at the annual TCI Conference in Hong Kong

From 9 to 11 November 2005 I had the opportunity to participate in the 8th annual international Cluster Conference of the Competitiveness Institute (TCI) in Hong Kong; the TCI is an international network of cluster promotion practitioners. This year the Conference was hosted in Hong Kong with the overarching question every cluster practitioner should ask him- or herself: What will be the impact of China's growing regional economies for developing and industrialised economies and clusters? Or as Michael Enright, the well known cluster researcher, South China expert and host of the Conference in Hong Kong, pointed out: *"If you are worried about China you are probably not worried enough. If you are excited about the opportunities, you probably aren't excited enough."*

Two days before the official start of the conference, economic visit tours of institutions and companies in South China as well as of clusters in Hong Kong were organised. The 3-day conference itself contained a number of plenary sessions and 29 break-away sessions. The program offered the opportunity for information exchange on many cluster issues in industrialised and developing countries (see program at www.tciconference8.org/schedule.htm). In overall there are several impressions we would like to highlight:

- 1) China as the dragon for developing or even industrialised Countries?
- 2) The Discovery of Common Cluster Problems during Practical Implementation
- 3) Integrating the Experience of Developing Countries and Donor Institutions
- 4) The organisation of the conference and the weak participation of the business sector

China as the dragon for developing or even industrialised countries?

Even seasoned cluster experts can be impressed. While crossing the border to the South China mainland and driving into the fastest growing economic region of the world, the Greater Pearl River Delta, colleagues in the bus were still chatting to get to know each other. This situation changed some minutes later when everybody started to look out of the window while passing kilometres of lined-up high-rise flats of the Chinese cities like Shenzhen or Guangzhou. On the way to visit large specialised technology parks, development institutes, and multinational companies in South China everybody realised with their own eyes that this country bases its competitive advantages not only on cheap labour. *"Scary"*, *"Crazy"*, *"Frightening"* were the comments of everybody while realising the emerging knowledge-intensive power and self confidence with which the country is crashing into the world economy.

25 years back, towns like Shenzhen and Guangzhou were small towns (that is, by Chinese standards). But at the end of the 1970s the

Pearl River Delta became one of the main laboratories of Chinese open market economy. At present each city has more than 10 Million habitants and the area still appears like a large construction site that will grow even faster in the next decade. The region accounts for less than 0,5% of the land mass and less than 5% of the population of China but approximately 20% of its GDP and nearly 40% of the exports.

“What we see here in China implies the biggest change the economic history experienced so far”, said Hubert Schmitz, the prominent cluster expert. “And it will affect every other country all over the world”. According to estimates China will become the largest importer and exporter by 2010, it has increased its competitiveness in particular areas of international chains (software, textile, clothing, toys, leather products etc.), and it is continuously increasing its national and international market integration. Increasing foreign direct investments are focused not only on assembly and production but also increasingly on innovation activities and R&D. The best international supply chain coordinators of Asia are based just around the corner in Hong Kong. Intermediaries like Li & Fung are sourcing garments and other products world-wide and thereby increase their purchasing power continuously.

In plenary sessions the conference deepened the understanding of the participants regarding Chinas development in the next decade. Some aspects of Chinas way of development, like its tendency to weaken international rules (like international property rights, labour, social and en-

vironmental standards), were not really a subject of discussion.

Common Problems in the Implementation of Cluster Initiatives

Cluster development is easy, at least theoretically. But as soon as it comes to practice many initiatives face similar problems and challenges.

The TCI conference demonstrated the continuing challenges that are involved in bringing different actors with different interests together. Especially Scandinavian, Baltic, East European, Eurasian as well as African and Asian countries were represented at the Conference. Although their economic structures and prerequisites differ dramatically, many cluster initiatives face similar problems in implementation. Many of the new cluster initiatives in the more developed countries have done extensive research work on different clusters and have developed several competence centres or project plans. In developing countries like Tanzania, Uganda, and Mozambique initial cluster

or business network activities were developed on an ad-hoc base oriented to produce quick wins and to gather experiences in the implementation of activities.

Cross-cutting problems that many cluster initiatives are facing include

- the difficulty of moving from information gathering into real implementation procedures,
- the genuine involvement of the business sector,



Scraping the sky...



and there's more to come.

- a certain frustration due to the relatively long process it takes to get a cluster initiative going and to identify really motivated actors for a longer period of time,
- the identification of training tools for the implementation of cluster initiatives. The process of setting up a cluster is defined in several concepts. But practical tools and formats to facilitate the communication process, to overcome mistrust and to manage network failures are still lacking,
- the difficulty of identifying strategies and follow-up procedures to move from quick win activities towards longer-term and more sustainable and institutionalised activities.

Integrating the Experience of Developing Countries and Donor Institutions

Several sessions were focusing specifically on an exchange of information between developing countries. For example, a cluster initiative of three universities in East Africa (Mozambique, Uganda, Tanzania) presented their activities, and within a Developing Country Forum a email-based cluster network was set up to increase exchange of information and cooperation, and to foster the participation of developing countries in future TCI conferences.

In general, the conference demonstrated increasing interest of networking between initiatives and institutions in industrialised and developing countries. Development agencies and other institutions especially of Scandinavian countries (VINNOVA, Stockholm School of Economics, also Cluster Navigators from New Zealand) have started to cooperate with some African and Baltic cluster initiatives.

Several business associations and governmental bodies, e.g. in Indonesia and Thailand, have started to work together more closely with MNCs and international supply chain coordinators (e.g. Thai actors with Li & Fung). The developing countries increasingly have to increase their sectoral expertise, their knowledge about international trade conditions in regard to specific sub products and components. Local governments and business organisations have to be-

come more entrepreneurial in their thinking. Hubert Schmitz gave this recommendation to developing country representatives: *“Come to China to face reality and the challenges as well as opportunities.”* You will come back sobered, but also with a more realistic perspective and maybe with new ideas and more motivation to encourage cluster and LED processes in your country.

International donors with valuable experiences in initiating cluster initiatives were hardly represented at the conference. In our view, this is a real pity. They miss a great opportunity for networking and marketing of own valuable experiences. Their absence reinforces at the same time the prejudice of many conference participants that international donors are mainly working in an isolated manner (see also results of the newest survey for the greenbook undertaken by SSE).

An increasing participation of developing countries within the TCI conference would be recommendable because many tools, activities and experiences that have been tested in these countries (with regard to integrating the private sector, to encourage quick win activities, to monitor and evaluate processes effectively, etc.) can also enrich discussions in industrialised countries.

The organisation of the conference and the weak participation of the business sector

The TCI conference is a dynamic, stimulating environment and encourages the matching of experts with different experiences and backgrounds. The overall climate was very open-minded. Nonetheless it was also marked by some typical features of conferences of this type

- The plenary discussions were very input-oriented (one presentation after the other) and endowed with a very short discussion time (max. 2 questions).
- The smaller break-away sessions left more time for the exchange of information. But also here many of the sessions were packed with presentations. Our suggestion for the next Conference would be to increase the output orientation of the most of the sessions and use, especially in the small workshops, tools (like metaplan cards or other methods)

to increase the direct exchange between the international experts and to document the discussions within these groups for others who could not participate.

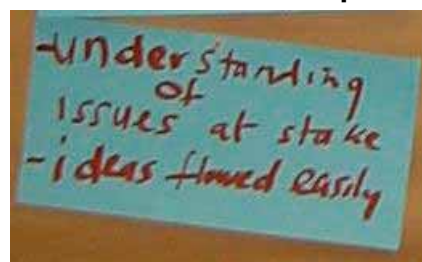
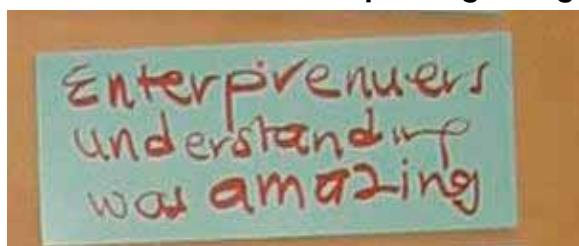
- The business sector itself was hardly present. It is difficult to involve business people in such meetings because of their time constraints. But especially cluster issues need to involve the viewpoint of the private sector which finally is the essential target group. Within the conference, discussions between representatives of development agencies, governments, consultancy companies and training institutions sometimes lacked down-to-earth comments from the business sector. Many experts were impressed by the guest-speech of Victor Fung, chairman of the largest global supply chain coordination company, Li & Fung (see www.lifung.com). He pointed out that many cluster activities all over the world have to act in a more business- and market oriented manner. Fung: "Cluster and supply chain relations have changed dramatically within the last years and all stakeholders that are not able to integrate these changes of business realities into their practical work will fail."

His speech impressed the participants because he talked about realities that many public representatives are often tuning out during their daily routine. It would be a significant improvement if the business sector could be involved in future TCI conferences, maybe via special workshops in which communication tools are used that generate an effective exchange between public and private representatives and which raise down-to-earth issues that many clusters are struggling with.

Nonetheless the annual TCI conference is a valuable platform for experts and practitioners to make contacts, increase networking and exchange experiences. mesopartner would like to encourage LRED and PACA practitioners in developing countries to contribute their experiences and to propose inputs from their side into future conferences. The 9th TCI Conference in 2006 will be held in Lyon/France with the theme: Governance and Companies as Cornerstones of Cluster Initiatives. The theme itself would be a good chance to raise the participation of the business sector.

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The Mesocard Corner: What are surprising insights from the mini-workshops?



What we have experienced in many PACA training courses and PACA Exercises is the underestimation of the entrepreneurs' awareness of and knowledge about the local realities. The PACA methodology and especially its effective mini-workshop formats often reveal the untapped knowledge that these actors bring into the local development process. In general it is nice to see that participants and even the trainees and consultants themselves are then surprised about

the discoveries due to a joint and focused communication process.

It is the business-, reflection- and action-oriented approach which is an essential reason of this success. We often observe that the participants (e.g. business sector and public representatives, different entrepreneurial representatives of the value chain, etc.) have never met or never jointly reflected about common problems or not even identified that they have a common problem.

Participating in a workshop itself is nothing new for these stakeholders. On the contrary, many of them have participated in endless workshops and suffer from serious workshop fatigue. This is because they have seldom experienced concrete outcome or follow-up activities.

In general, traditional workshop formats are organised in a round table manner where everybody can raise his voice, but where the concrete objective is not defined and no activities, and responsibilities for their implementation, are clearly defined. Many of these workshop formats are organised for awareness raising and communication, as if this was an end, not a means. Some of them are supposed to create action plans or to design strategies, often without follow-through. There are different reasons for the lack of implementation. Objectives and responsibilities may not correspond with real capacities and the scheduled time frame; responsibilities are not clearly allocated; last but not least, often the essential target group, the entrepreneurs, is not really integrated into such workshops.

Thus the outcomes of traditional workshops seem often more than a wish list of activities that specific action plans. They don't lead to implementation, and because of that they don't encourage reflection processes and new individual discoveries.

Normally the PACA trainees and mini-workshop participants are positively surprised about the outcomes of our mini-workshops because they

have not experienced such outcome-, reflection-, action- and business-oriented formats before. We often ask our trainees before the first introduction into our mini-workshop formats about their opinions on workshops with entrepreneurs or between the public and private sector. Many of them expect "entrepreneurs will plead for subsidies", "scepticism", "mistrust", "reserved mood", "lack of awareness", "lack of interest", "lack of understanding". Comparing these expectations with the real outcomes of the mini-workshops leads to an important learning process. In general the PACA trainees and PACA Exercise members have to revise their earlier judgements and realise that they were to a large extent based on prejudice. Afterwards we normally hear statements that indicate a fundamental change in perspective: "Participants did not ask for rewards!", "Impressive dynamic!", "Great own analytical skills of the entrepreneurs!", "Openness and confidence to speak out!", "willingness to cooperate", "ability to grasp the essentials!", "Their insight information!"

The mini-workshops are effective due to their short duration and their output- and target group-oriented design. A sound appraisal of a local economy cannot count only on the results of mini-workshops. But one important aspect of the success of our mini-workshop formats is the fact that they encourage a process of self-reflection within and between the participants that entails a further incentive to change traditional mind sets, to discover own prejudice, and subsequently identify new opportunities for action.

PACA® is a product by mesopartner, a consultancy firm specialised in local economic development. mesopartner was created by Dr Ulrich Harmes-Liedtke (uhl@mesopartner.com), Dr Jörg Meyer-Stamer (jms@mesopartner.com) and Christian Schoen (cs@mesopartner.com). mesopartner offers training and advice on local economic development in general and PACA in particular.