

English edition

# PACA<sup>®</sup> NEWS

## Participatory Appraisal of Competitive Advantage

A Product by mesopartner

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Edited by  
**Jörg Meyer-Stamer**  
[jms@mesopartner.com](mailto:jms@mesopartner.com)

[www.mesopartner.com/paca](http://www.mesopartner.com/paca)

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### Editorial

PACA is both about building competitiveness and about stimulating learning processes. In particular, we aim at learning processes on how to do territorial development. However, it is not rare that other learning processes unfold. Take the case of PACA in Armenia, which is presented below. One of the main learning processes there was about the fact that private ownership of the means of production by no means equals a market economy. In the transition process after the collapse of communism, it was often small local elites who took hold of economic assets and who now hold local economies under tight control. In such a setting, a participatory method like PACA that creates a lot of transparency is not welcome at all. Ironically, PACA seems to work much better in Vietnam, a country that technically is still communist but where public and private actors are quite aware of the necessity to build a competitive advantage.

(continued)

### **mesopartner announces the first Summer Academy on Local Economic Development**

**You are a practitioner in local or regional economic development. You work in local or regional government, a business association, an NGO or a donor agency, and your task is to promote economic development at the level of local or regional territories. Maybe you work at national level and have to design and support local and regional initiatives. You have gone through basic training courses where you collected theoretical know-how on concepts and tools. You tried to apply them – some of them worked, some others didn't. You are looking for new insights on local and regional development, and you want share and discuss your experience with practitioners from other countries.**

(continued)

(continuation of: Summer Academy)

If you feel that this describes your situation, you should consider participating in the Summer Academy on Local Economic Development that will be organised by **mesopartner** from 27 June to 08 July 2005 at a location in the Ruhr Valley in Germany. If you are not yet familiar with mesopartner's experience and product range, please check: [www.mesopartner.com](http://www.mesopartner.com)

The Summer Academy will be held in the Ruhr Area – a region that has faced the challenge of confronting structural change, driven by the decline of the coal and steel industry, for 50 years. It is a region that has experimented with all sorts of approaches to stimulate local and regional economic development. There will be ample opportunity for participants to learn about this experience.

For details on the Summer Academy's topics, programme, trainers and location, please look at:

[www.mesopartner.com/summer-academy](http://www.mesopartner.com/summer-academy)

Here you will find the Summer Academy flyer and the **Registration Form** (in Word format).

Deadline for registration is 30 April 2005.

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(continuation of: Editorial)

In recent months, we have seen a series of efforts to assess the impact of PACA in those countries where it was introduced from 2003 onwards. In this edition, you find an article that summarizes the findings in South Africa – and quite surprising findings they were. PACA is also starting to make a difference in Sri Lanka.

Altogether, the dissemination of PACA is making good progress. We have almost 20 countries now where PACA has been introduced, including places as diverse as Colombia, Ghana, Montenegro and Nepal. We will keep track of the experience in those countries in the next editions of the PACA News.

*Jörg Meyer-Stamer*  
[jms@mesopartner.com](mailto:jms@mesopartner.com)

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## **PACA in Armenia**

PACA in Armenia? In principle – yes! The preconditions even seem very much in favour for any initiatives to promote local economy development in the South-Caucasian Republic: As the municipalities were ordered by law to tackle their strategic development planning. Central government institutions promised growing tax income as incentives. However, it didn't really go forward with the local economy in Armenia outside of “booming” capital Yerevan. What is the reason: the missing regulation of implementation, i.e. nobody knows how to follow the law and to generate a local development strategy? Or is it a missing of understanding of local economic development in general?

The Armenian-German project ProSME, implemented in its second phase since the beginning of 2003 by PEM on behalf of GTZ, undertook in spring 2004 in co-operation

with Jörg Meyer-Stamer the first PACA-steps in the former Soviet Union – in the town of Sevan located 80 km up the mountains from Yerevan. More information about the ProSME-Project: Have a look at [www.prosme.am](http://www.prosme.am)!

For ProSME it became immediately clear that PACA could also serve in Armenia as a useful tool for stimulating local economic development. But for the newly-trained Armenian PACA facilitators it looked quite a bit different: Okay, PACA had outstanding qualities as an instrument for diagnosis and the theoretical background was interesting for further studies (far away from the targeted locations – at home or within the intellectual circle), but as an instrument for imminent action? A big question mark was set.

But PACA is different, is understood in a different way by the local partners. But what makes PACA so different? Why doesn't the partner grasp it easily? Why are they even reluctant about PACA? In principal people in Armenia are not different from others! And this is true also after 70 years of Soviet Union!

PACA is in general different to other development approaches – it requires systemic thinking and is based on networking principles. In the Soviet Union non-hierarchic thinking, like in networking, wasn't really encouraged. So everybody seems to know how everything works, how to assess any situation, and who is responsible. This technocratic attitude hampers the unprejudiced access to new instruments supporting dynamic thinking. In Armenia even in small and remote regions and towns economic activities are split among the monopolistic actors – or to put it more bluntly: perfect mafia structures. And people do not see this as a limiting factor for economic development as competition would mean destruction and indigence. The so-called market economy in the 90s coincided with the total break-down of all economic structures. And acting in networks was identified with building up a

### *The emeraina market economy*

It was not the first time for ProSME to introduce methods and instruments the partners were unfamiliar with. In these cases ProSME was more than once faced with scepticism. However, this attitude was previously overcome rather fast after brief explanation of the newly introduced approach. And ownership for the implemented activities and projects was assumed by the Armenian partners relatively rapidly. This general openness for chance on partner's side encouraged ProSME to start with PACA.

### *PACA Team and local stakeholders*

safety net around oneself. So how can you expect that a person or an organisation will take over ownership for a programme that

implies a (very unpleasant and not imaginable) situation to step out of one's sphere of influence?

Against this background even the interview situation becomes complicated for both – the interviewer and the interviewee. To formulate a question that would lead to new awareness and support the interviewee can become difficult. So the “interviews” reminded to an official examination or interrogation.

A further obstacle for the PACA Team and especially for the local participants was the misunderstanding of general terms of market economy, such as demand or competition, not to mention competitiveness. In many interviews and mini-workshops of the PACA Exercises it occurred that the local stakeholders did not really know how to handle these terms. But after some in-depth and practical explanations of the terms and principles this hurdle was taken too.

Since summer 2004 PACA-Exercises were carried out in 3 locations. In two of them they were implemented successfully until the end. But in one place – in Charentsavan – the exercise was terminated prematurely after 10 days as the local Host had not taken ownership for the programme. Furthermore the solid monopolistic structures did not allow (at that time) to expect any success. Yet, ironically, the decision to quit the work in that town has given the whole PACA Team in Armenia a great impulse to go on.

And PACA will continue in Armenia: Until end of June two or three further exercises are expected to be implemented. For that reason ProSME has invited by press announcement and direct mailing the mayors and local business support organisations to a meeting. At this event they will be introduced to PACA and LED instruments and the conditions of participation in the competition to

become a PACA-location. Following this event the stakeholders have a fortnight time to apply (in written form) to become the site of the next PACA-location. Based on these applications a number of towns will be short-listed and invited to present their ideas and visions of LED. The most convincing presentation will host the forth PACA-Exercise in Armenia.

PACA will go on to be a success in Armenia and ProSME will keep you informed! Do not miss to have a look at [www.prosme.am](http://www.prosme.am)!

*Lena Zieschang  
Zieschang@t-online.de  
Götz Borchardt  
borchardt@prosme.am  
Henning Bungards  
henning.bungards@pem-consult.de*

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### **The impact of PACA on LED processes in South Africa – Some observations from the work of GTZ's LED Project**

PACA was introduced to South Africa two years ago through the work of the GTZ LED Project. Since then, the methodology has been applied and developed further in 14 exercises, and nearly 70 South Africans have been trained as PACA facilitators.

The GTZ LED Project therefore decided that it was time to look back and assess the developmental impact of PACA in South Africa. For this purpose, we conducted two case studies at the end of 2004, evaluating a total of four PACAs in two municipalities, Ilembe and Mbombela, which provide some interesting insights into how PACA stimulates LED processes in post-Apartheid times.

At the start of the evaluation process, the evaluation team was confronted with a rather sobering picture. It seemed that many initiatives had not been picked up, and momentum seemed to have faded.

However, at second sight, it became clear that the picture was much more positive than initially perceived. Many proposals had found their way into implementation in a modified form or had been converted into medium term projects to be integrated into the municipality's Integrated Development Plan (IDP). On average, the four PACAs showed an implementation rate of roughly 40% of the initial proposals.

More important, however, was PACA's impact on local stakeholders' capacity to implement and sustain an effective LED process – beyond the mere realization of quick wins. In all cases, the follow-up identified a clear improvement of stakeholder communication regardless of the occasional breakdown of formal networking meetings. Linked with the improved communication structures are the results that were achieved in terms of facilitated learning. Especially the Mbombela stakeholders emphasized their better individual understanding of the local economy, the roles of the different sectors and players involved in LED and their mutual expectations.

In Ilembe, PACA contributed substantially to more effective municipal planning, as PACA results were used to inform and improve the IDP. Furthermore, IDM's LED Director expects this process to substantially enhance

*Anja (left) at a PACA Training*

the possibilities for an effective monitoring and evaluation of IDM's LED activities.

As one of the most positive impacts of PACA, the increased interaction between white and black businesses has to be mentioned. Especially in Mbombela, where racial tensions were sensed quite strongly at the beginning of the PACA process, the different role players made use of the opportunities to get to know each other better in a way that helped them discover common challenges and opportunities.

Now, what do these observations say about tangible economic changes? Not much in Ilembe yet, although the process gives a lot of space for optimism. In Mbombela, the report states that at least 24 jobs were directly created through the PACA. Regardless of the methodological problems involved in such counts, this number reflects an overall positive dynamism, which is even more visible in the fact that black and white South Africans have started to cooperate around concrete business opportunities. After ten years of transformation, it is one of the most interesting results of PACA that people from different backgrounds feel clearly motivated to start working together.

*Mike Newton, Ilembe's LED officer, and Colin Mitchell*

*Anja Rücker  
GTZ LED Project South Africa  
anja.ruecker@gtz.de*

(The summary report is available under “Testimonials” at [www.paca-online.org](http://www.paca-online.org). For case studies please contact Anja directly.)

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### **Focus at value chain and territory: PACA in Vietnam**

Since July 2003, the GTZ Project for SME Promotion in Vietnam has conducted several events to introduce the concepts of LED and PACA in Vietnam. mesopartner supported GTZ to organize and conduct LED Sensitization workshops at the national, regional and provincial level throughout the country: Hanoi, Hai Phong (Northern Vietnam); Da Nang (Central Vietnam) and Can Tho, An Giang, Dong Thap, and Kien Giang (Mekong Delta / Southern Vietnam). These activities created a more comprehensive understanding among key multipliers of an integrated approach towards LED and generated a strong interest in PACA.

*“Formerly, LED followed guidelines from the central level, proposed unrealistic targets, and did not mobilize local resources.*

*The Stone Soup metaphor helps us approach LED more flexibly and comprehensively. We learn that LED requires a high level of cooperation.”*

*Mrs. Chung Thá Kim Minh,  
Director of Kien Giang  
Trade Promotion Center*

*(Ms. Minh,  
Kien Giang  
Province Trade*

*and Investment Promotion Agency).*

To respond to the strong demand for PACA training and exercises expressed by key stakeholders in the Mekong Delta, the GTZ

Project contracted mesopartner to facilitate a PACA basic training (November 2004) and supervise PACA exercises (December 2004). These PACA activities were also expected to contribute to preparing the forthcoming SME Promotion Program that is envisaged to start in March 2005 and its embedded LED program component, which has been awarded to a consortium consisting of the two German firms Regionomica and mesopartner. The upcoming 4-year SME Promotion Program will focus at four provinces in different parts of the country (An Giang, Dak Lak, Quang Nam, Hung Yen).

*The authorities in charge of PACA in An Giang:  
Mrs. Dep (Vice Director of DPI),  
Mr. Dung (Director of VCCI Can Tho),  
Vice Chairman of Provincial People's Committee)*

The PACA basic training held in the second week of November 2004 in An Giang’s provincial capital Long Xuyen City had several specific characteristics. The mesopartner trainer put a particular emphasis on the usage of PACA to analyse regional value chains. The most experienced PACA facilitator from Southeast Asia, Sansana Siritarm from Thailand, was involved as co-trainer. She enriched the training by sharing her PACA experience gained in 2002 in Thailand, the country were the first ever formal PACA training took place in early 2002.

The local PACA host, the regional branch office of the Vietnamese Chamber of Com-

*Catfish feeding at an enclosure  
in Mekong River*

merce and Industry (VCCI) in Can Tho and the supporting organisations in An Giang (Department of Industry and Department - DPI of Agriculture and Rural Development - DARD) strongly favoured the organisation of two parallel PACA exercises right after the training.

The first 'sectoral' PACA exercise analysed the catfish (*Pangasius*) value chain in Mekong Delta with a specific geographical focus on An Giang province. Overall, An Giang's key industries are rice, fish farming and fish processing (specifically catfish), garments, and construction materials. We were told that when people refer to the US-Vietnam catfish conflict they are, in fact, referring to the US-An Giang catfish issue. Christian Schoen led the catfish value chain PACA based in Long Xuyen City.

*The map of the catfish value chain in Mekong  
Delta prepared by the PACA team*

The second 'territorial' PACA exercise focused at Chau Doc district since its average development level and its diversified economy showed potentials in aquaculture, food processing, tourism and border economy. The district has always been considered to play a key role in the economic growth of the province An Giang. The Chau Doc PACA exercise was supervised by Sansana Siritarm (INGKA CO.)

*Thomas Ganslmayr (CIM expert at VCCI  
Can Tho) presenting PACA at the National  
An Giang Pangasius Conference in Long  
Xuyen City in December 2004*

In order to better understand the structure of the catfish value chain, a value chain map was drafted by the PACA team and continuously refined during the fieldwork. Since this kind of value chain map did not exist before, it can be considered a first essential PACA result.

The composition of the value chain PACA team can be considered very suitable and could be used as model for future PACA exercises in value chain PACAs. It was particularly important to put two fish experts on the team. Both had many years of working experience in the global fish sector in general and in the catfish sector in Vietnam in particular plus excellent contacts to the key stakeholders in the sector.

During fieldwork and the Presentation Event, the PACA team felt that the PACA process created interest and motivation among relevant key players in the catfish value chain. This impact would certainly have been stronger if the scope and involvement of regional and national institutions had been defined wider from the beginning.

The feedback on the PACA diagnosis and proposals presented during the Presentation Event was largely positive. A second presentation of the PACA results during the National An Giang Pangasius Conference in Long Xuyen City in the week following the PACA exercise generated positive feedback from the high-ranking audience.

In general, the PACA exercise along the catfish value chain in the Mekong Delta has proved again that the methodology is suitable for assessing the competitiveness of a value chain. The PACA exercise rendered the necessary results much quicker and at lower costs than contracting specific external value chain researcher to conduct mappings and analyses.

In future value chain PACAs it will be useful to organize a pre-meeting with a small number of key players in the value chain to conduct an exploratory workshop to get a better understanding of the players and issues involved in the value chain and to prepare a preliminary value chain map.

Looking at tourism, the major asset of Chau Doc is certainly *Sam Mountain* and its temples and pagodas attracting about 2 million

pilgrims and tourists per year. Apart from that, the PACA team in Chau Doc faced some difficulties in identifying competitive advantages of the city and district. There are very few strong private enterprises engaged in the tourism industry, aquaculture (with low-tech operations) and border trading.

Besides, hardly any supporting industries have been identified. The cooperation between the public and the private sector to create a favourable business environment is low, the infrastructure poor. The lesson learned at this point is to create awareness among local stakeholders on the current situation. As a result, the PACA team focused more on the first and indispensable step to lay the foundation for the creation of competitive advantages by building and strengthening the collaboration among actors in the local economy.

As 'general proposal' it was suggested and formulated to initiate closer collaboration between private sector and local Government. The idea is to increase the capabilities of entrepreneurs to perform properly by establishing a network of public and private actors and by organizing regular meetings (public-private dialogue).

The first topic of this regular meeting would be to monitor and support the action plans of selected sector proposals.

It has been reconfirmed that launching at least one immediate activity right after the PACA exercise ensures the continuity of the

*Sansana Siritarm from Thailand has been involved as co-trainer and PACA team leader in Chau Doc district*

LED process. Following the Chau Doc PACA Exercise, a study tour of local public and private actor stakeholders in December 2004 to Malaysia and Thailand took place in order to broaden their visions, benchmark LED approaches and attract new investors. This can be considered as a joint initiative to create a new territorial image and to strengthen the public-private relationship. Due to the excellent international contacts of a private consultant on the PACA team an investor's mission to Chau Doc district is planned and first foreign investment projects are under discussion.

Apart from the necessity to organize further way-forward workshops, the following basic conclusions can be drawn from the lessons learnt in both PACA exercises:

- The local PACA team members and the local PACA host must receive strong direct and possibly on-site support during the final preparation and build-up phase. This can be achieved by sending an experienced local PACA facilitator to the locality during the final phase of preparation
- It will be useful and even necessary for the support of the ongoing implementation of LED activities to send one of the previous external PACA team members, ideally from one of the private consulting

companies involved, to the location to identify problems and give advice on how to overcome obstacles in implementation.

Looking ahead, in the scope of the new SME Promotion Programme of GTZ mesopartner envisages to offer two PACA follow up trainings after each second PACA exercise in An Giang and in the other three pilot provinces.

GTZ Vietnam followed the example of GTZ Indonesia in 2003 and used the opportunity to produce a PACA movie that reflects the first PACA experiences in Vietnam, describes the economic structure of a Southern Vietnamese

province bordering Cambodia and throws a particular light on the fishery and tourism sectors in this area. The quality of the video reflects the fact that the director and his crew are normally producing movies that run at international film festivals.

*Christian Schoen  
cs@mesopartner.com*

*Sansana Siritarm  
ssiritarm@ingka.com*

## LOCA Sri Lanka

Sri Lanka has made the headlines recently as one of the countries most affected by the Tsunami of 26<sup>th</sup> December 2004. Unfortunately, this is not the only challenge the country has to confront. Except for few sub-sectors like the export-oriented garments industry, productivity levels and competitiveness in the productive sector are low. Past top-down, government-controlled development policy has created numerous economic development organisations that today create a highly fragmented and not too effective landscape. Convincing actors at the local and regional levels to take an active, creative role in development is still a challenge. For these reasons, the GTZ-supported Economic Strategy Support Programme in the Central Province adopted PACA as its key approach to local and regional economic development – and relabelled it as LOCA, since the word ‘paca’ has a negative connotation in Sinhala.

- an elephant safari route,
- the introduction of new, less polluting and more materials efficient technology into a very traditional lime production cluster,
- the introduction of a local brand in a brick-making cluster,
- turning local rice farmers into producers of seed paddy,
- organising a group of 15 local investors to create a fresh milk packaging centre, building on an existing outgrowing system that includes 150 dairy farmers,
- facilitating the creation of circles of spice producers to comply with the scale requirements of exporters,
- organising a group of 45 cut foliage producers and linking them with exporters.

At the same time, the LOCA practitioners had to battle with some serious challenges:

- It is difficult to bridge the distance between government and the private sector. The credibility of government in the private sector is not too high, and communication and mutual understanding is low. One of the effects are serious problems to mobilise private sector players as

### *A brick with a brand*

Until the end of 2004 six LOCA Exercises have been conducted in Sri Lanka. They looked at “Divisions”, i.e. the local government unit. They identified a significant number of possible activities that fit with the LOCA criteria, i.e. implementable with local resources, start quickly and get a visible result within a few months. Successful projects include

*Ratty at work*

## Envisioning the future – Foresight and Scenario Workshop in St. Gallen

Castulus Kolo and Christian Schoen (**meso-partner**) jointly conducted a two-days scenario writing workshop at the MBA program for media and communication at the University of St. Gallen, Switzerland, in December 2004. Both had previously worked together at Fraunhofer Management in Munich and in the PERISKOP project in Indonesia ('Evaluation of the Science, Research and Technology Landscape in Indonesia') in 2001/2002.

In contrast to running a formal foresight study that will be a costly and time-consuming endeavor, the objective was to introduce an efficient workshop format that is pragmatic, straightforward and participatory. The foresight methodology of choice was scenario writing. Scenario writing means that small groups of experts and stakeholders identify likely alternative trajectories of the future by developing scenarios and assess their implications for the next 10 to 20 years. Scenario writing can be used for a variety of purposes, whenever strategizing of the future is required in business environment as well as in regional or national development planning.

The format used in this scenario writing workshop followed the lines of efficient PACA and RALIS mini-workshops, including the application of visualization techniques (Mesocard) and prioritization techniques (Pareto). A similar workshop format had already been developed and applied in the above-mentioned PERISKOP project in Indonesia but has been considerably adjusted for the foresight workshop in St. Gallen.

The scenario writing workshop has been carried out only at the end of the MBA programme in St. Gallen and was initially considered by the MBA students as some kind

### *A typical Miniworkshop*

LOCA Host and LOCA Team members. At the same time, some public MSME promotion institutions are aware of this problem and see LOCA as a possible solution for this problem.

- There is a long tradition of government providing discretionary grants to the private sector. To this day, this is the first connotation both public and private sector actors have if the issue of "business promotion" comes up. It is often not easy to convince groups of business people to address a given issue unless government, or in this case ESSP, offers a grant that covers part of the expenditure.

Nevertheless, it is important to point out that LOCA is stimulating important learning processes. Hidden business opportunities are made visible and highlighted to private investors and possible funding agencies. LOCA highlights opportunities for a different, more efficient type of interaction between government support institutions and private businesses. It creates more transparency in terms of what to expect from various support institutions. And it starts to have an impact on the behaviour of support institutions who become more client-focused.

*D Ratnayake ("Ratty")*  
Regional Economic Development Coordinator,  
ESSP/GTZ, [essp\\_ratty@sltnet.lk](mailto:essp_ratty@sltnet.lk)

of entertainment programme. Nevertheless, the students' participation was very active. In particular, we have been very impressed by the productivity of the participants with respect to the multitude and quality of the Mesocard answers. At the beginning, there was some scepticism regarding the Mesocard visualization technique, which however was quickly replaced by the insight into its efficiency.

In principle, we followed the 8-step-approach of developing scenarios as suggested by Peter Schwartz (RAND Corporation). Even though the development of scenarios was to be simulated from the view of enterprises, we preferred the perspective of a final consumer who will use products and services in the fields of media, communication and end user devices within the next 16 years (until 2020). The main reason for choosing the end user perspective was the quite composition of the group of participants, who had formerly worked in media enterprises, in telecommunications enterprises or with hardware manufacturers. Therefore, a consistent business perspective was difficult to establish. However, the final consumer perspective is of essential interest for enterprises and is applied in practice

(though less frequently) during strategic business development efforts.

The core questions were these: What are the keys factors influencing the usage of media and communication and what driving forces in the macro-environment are considerably affecting those keys factors? The task was to identify those key factors and driving forces that might be particularly important and particularly uncertain in their development and, on the other hand, to find out about trends and pre-determined developments. The relevant key factors and driving forces identified have been plotted and grouped in a way that the resulting scenarios would be free of contradictions. Four different scenario plots served as basis for the development of the scenarios.

We were surprised about the explosion of creativity of the students during the fleshing-out of the scenarios, including the identification of business opportunities and the search of suitable pictures and graphics in Internet. It was obvious that the students enjoyed to eventually live out their creativity and to exploit their knowledge gathered at the end of the MBA program.

The feedback on the 2-days-workshop was very positive. We consider now to offer this workshop format at further universities (in particular with MBA programs and other forms of executive training). Moreover, mesopartner will internalize the experiences gained at this workshop in the future application of the methodology GENESIS, a tool to conduct a quick, participatory exercise to formulate a local or regional economic development strategy. One of the key components in GENESIS is the 'futures workshop' that involves the elaboration of scenarios around real or potential competitive advantages for the strategic development of localities.

Christian Schoen  
cs@mesopartner.com

Castulus Kolo  
ck@future-directions.com

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## The mesocard-corner

*Answers to the question: What proposal do you expect from a 3 month LED mission?*

Stakeholders who give this kind of response follow their traditional patterns of thinking. In most places this was the dominant way of (not) doing LED, used as a synonym of government-run infrastructure and urban development projects. Although the latter are important for LED, they follow a different rationale and focus on other objectives.

**mesocards** like these ones are useful for our trainings and workshops, because they highlight on the one hand the participants' path dependency of thinking, learning and practice, and on the other hand the importance of new ways of learning and practice. This is where our methodologies and tools come into play.

The enthusiasm and motivation we create in our workshops and trainings have to be understood from this "path" perspective of the participants. Our methodology often appears as an eye-opener and encourages new ways of doing (and thinking) things differently. They start to understand that LED is an iterative process of learning by doing and interacting, which can lead to tangible results.

This is possible also without having a national stadium as your first real LED project.

*collected by: Frank Wältring  
fw@mesopartner.com*

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## mesopartner's Annual Report 2004

Latest News: Now available and brand new online, the **mesopartner Annual Report 2004**. You can find the report in pdf-format on our website: <http://mesopartner.com/englisch/e-publ.html>

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.