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# **Making Local Economic Development for Small Firms Evaluation of Participatory Appraisal for Competitive Advantage in Serbia**

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This publication was produced for review by the United States Agency for International Development. It was prepared by Richard Hatch and Naya Kenman with ACDI/VOCA under the Accelerated Microenterprise Advancement Project Business Development Services Knowledge and Practice Task Order.

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**Accelerated Microenterprise Advancement Project (AMAP)** is a four-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate microenterprise development programs, which are important tools for economic growth and poverty alleviation.

For more information on AMAP and related publications, please visit [www.microLINKS.org](http://www.microLINKS.org).

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Accelerated Microenterprise Advancement Project



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## Abbreviations

ACDI/VOCA	Formerly Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AMAP	Accelerated Microenterprise Advancement Project
BDS	Business Development Services
CRDA	Community Revitalization through Democratic Action project
EU	European Union
GTZ	German Technical Cooperation- Deutsche Gesellschaft für Technische Zusammenarbeit
LED	Local Economic Development
MSE	Micro and Small Enterprise
NGO	Non-Government Organization
PACA	Participatory Appraisal for Competitive Advantage
SME	Small and Medium Enterprise
SED	Small Enterprise Development
USAID	United States Agency for International Development



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# Executive Summary

## Executive Summary

In late 2003 and early 2004, ACDI/VOCA and Mesopartner through USAID funding tested a local economic development (LED) approach called Participatory Appraisal for Competitive Advantage (PACA) in central Serbia. PACA's main purpose is to bring public and private leaders together to strategically plan for economic development in a specific locality. ACDI/VOCA and its partners under AMAP BDS tested PACA to determine its usefulness in developing a plan for economic development that includes micro and small enterprises (MSE's).

While reporting on an experiment with PACA in central Serbia, this paper also attempts to provide answers to the following set of questions important to AMAP research:

1. What approaches to local economic development (LED) successfully integrate micro and small enterprises (MSE) into productive markets?
2. Can the methodology used in the central Serbia experiment stimulate LED and strengthen the role of MSE's in markets?
3. What modifications would be needed for PACA to work better for small firms?
4. How can LED and BDS market assessment be combined to maximize benefits for small firms?
5. What additional research and experimentation is needed to improve the tool set now available for integrating MSE's into local economic development strategies?

PACA is a proprietary product of the German consulting firm, *Mesopartner*.<sup>1</sup> The tools were developed in Brazil by Joerg Meyer-Stamer and associates in 1998-1999, when they were hired to design visualization and decision-making tools to help the business community, government, and educational institutions in the small city of Mafra work together to promote investment and strengthen local business. Since their origins in Brazil in the late 1990's, Mesopartner has implemented PACA in a number of countries, including South Africa, Thailand, and Serbia. Overtime, PACA has evolved into a carefully structured sequence of interviews and workshops intended to:

1. mobilize stakeholders to improve public-sector performance,
2. attract outside investment,
3. increase new-firm starts, and
4. enhance the competitiveness of existing enterprises.

While the results of this exercise were mixed, the evaluation yielded useful insights into when and how participatory LED approaches are appropriate and the preconditions critical to their success. While PACA has strengths, including focusing on clear results, bringing private and public stakeholders together, and mobilizing local actors; there are two areas where important

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<sup>1</sup> To learn more about the firm: [www.mesopartner.com](http://www.mesopartner.com)

questions arise. The first concerns the use and limitations of the tool in the context of local markets. This concern is external to the PACA tool itself but important to project managers interested in employing LED. To illustrate, in Serbia where the environment is characterized by weak markets and dominated by public sector players, the selection process did not result in an action plan that could be tied to making markets more robust, productive or vibrant. The second area of concern relates to the utility of the set of tools to identify economic opportunities for MSE's. To be successful at identifying MSE opportunities, community leaders must be involved in the process from the beginning, which the PACA manual does not suggest strongly.

The experience with PACA in Serbia highlighted a number of lessons regarding the conditions under which PACA is appropriate and lessons concerning its effectiveness at assessing opportunities for small and very small firms to participate in productive markets. Not surprisingly, the lessons learned about the utility of PACA are consistent with those drawn from other tools and approaches used in competitiveness and cluster development.

1. *The process is dependent on local leaders, sponsors, and champions.* Until these participants are involved, the process is unlikely to achieve success. Leaders of the PACA process, as external consultants, must either work with existing leaders in the private-sector community or have the leadership skills to motivate private-sector stakeholders to assume leadership of the process.
2. *The process must be private-sector led.* While the role of public officials is important to developing, maintaining and assuring a favorable enabling environment, the exercise cannot succeed if led or dominated by public officials.
3. *The process requires the presence of viable markets.* In the absence of viable markets, clusters, or value chains, PACA will not be effective.
4. *The process must be kept short and simple.* Introduce the process into one municipality or locality at a time, limit objectives to those that can be realized in a short time and ensure that the exercises do not exceed six days to maximize participant energy.
5. *Plan for sustainability.* The importance of leaders or at least facilitators who can motivate the participants argues for the use of experienced local consultants. Train the facilitators well. Once trained, market their services to local governments, NGOs, and other organizations interested in launching economic development initiatives. In this way, permanent capacity is created and help is made available to weak local governments.
6. *Target carefully.* Once important local economic activities have been identified, implement PACA exercises sequentially. Focus on activities in only one sub-sector or value chain. Maintaining a high level of commitment among stakeholders is too difficult if they lack the shared motivation of strengthening a single industry.
7. *Advance work is critical.* Preparation should take more time than the exercise and include desktop and field research in order to understand the locality, local services and solutions to firm and industry growth. Talk with key informants in the local language. Study local

clusters and subsectors first hand. Hold pre-PACA meetings with industry leaders to plan workshops and guiding questions. Emphasis on services and solutions in private industry will help maintain commitment of private sector participants, but...

8. *Do not lose sight of the long term view.* Quickly achievable goals help generate commitment but it will not sustain it. One of the goals of PACA and other LED tools is to develop shared community or industry vision so that opportunities and growth strategies are continually assessed.

In looking at the effectiveness of PACA for ensuring that small and very small firms contribute to and benefit from participation in productive markets, the evaluation found that in order to ensure that MSEs receive the attention they deserve, the following pre-conditions must be met:

- The sponsor, champions, and team members must all agree on the importance of integrating small firms into local economic development efforts.
- Participant stakeholders must have representation from the small-scale entrepreneurs targeted for the project.
- Other assessment tools, subsector, cluster or value chain analysis should be conducted before the PACA exercise in order to identify opportunities for targeted small and very small firms that enable them to either reduce their operating costs and/or increase their revenues. Findings and analysis of this market assessment exercise must be made available to champions and sponsors before beginning the PACA process.

These pre-conditions make it more likely that PACA's positive qualities—speed, involvement, motivation, enthusiasm—will translate into action, providing donors and practitioners with a useful point of entry. PACA can be useful in the startup phases of development programs, and to generate participation. However, it's a motivational approach to identifying opportunities and building a community of stakeholders committed to change; it is not a market assessment tool. These points also highlight the critical weakness of PACA which is that it is not a easily adaptable set of tools. It requires pre-intervention assessment and analysis by highly skilled consultants.

This report is divided into five sections: 1) the background and rationale for the PACA test, 2) the results of the assessment in Serbia, 3) an explanation of why PACA was used and how successful it was, 4) analysis of the tools' utility and limitations, and 5) recommendations and conclusions.

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# Introduction and Background

## 1. Introduction and Background

The Accelerated Microenterprise Advancement Project (AMAP) managed by USAID/EGAT/PR/MD aims to promote economic growth and create wealth in poor communities by sustainably linking large numbers of small enterprises into *productive* markets.<sup>2</sup> ACDI/VOCA has been awarded three task orders under the IQC, one of which is focused on research for missions and practitioners into strategies that effectively increase small firm access to business services (BDS) and other solutions that will enable MSEs to participate profitably in regional and global value chains. AMAP’s Knowledge and Practice (K&P) task order comprises four main thematic components. The second component, “research on market assessment tools,” includes the following objectives:

- To systematize and prioritize existing frameworks and tools for analyzing markets, value chains and the business environment in which donor programs aim to promote private sector growth and MSME development.
- To adapt tools from other fields to fill the gaps needed for useful market assessment and pre-design research for microenterprise and private sector development programs.
- To develop a user-friendly decision framework and guide to market assessment and pre-design research for USAID missions, practitioners and other donors.

An important first step in designing effective implementation strategies is market assessment, a process through which the local private sector context is examined and whether and how small firms are or are not participating in local or global markets. Local Economic Development (LED)<sup>3</sup> approaches such as PACA can be used for identifying opportunities - in a locality that involve broad participation of public and private sectors – to improve the

**Text Box No 1: Importance of participation in value chains and clusters for MSE’s**

*Small and medium enterprises located in clusters have a competitive advantage with respect to isolated firms because of their higher collective efficiency (namely, external economies and joint actions).*

*In addition, many SME clusters are increasingly participating in value chains. [Donors and policy makers should seek] SME upgrading in the global market in order to trigger their participation in value chains and increase competitiveness of a locality.*

Excerpt from “Upgrading in clusters and value chains in Latin America: the role of policies”, Carlo Pietrobelli, Roberta Rabellotti (Sustainable Development Department Best Practices series; MSM-124, Inter-American Development Bank).

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<sup>2</sup> What constitutes productive markets for MSE’s is a key variable researched under AMAP BDS.

<sup>3</sup> Local economic development can be defined as the process by which actors within cities and towns—*our communities*—work collectively with public, business and non-government sector partners to create better conditions for economic growth and employment generation. Through this process they establish and maintain a dynamic entrepreneurial culture and create new community and business wealth in order to enhance the quality of life for all in the community.

<http://www.worldbank.org/urban/led/history.html>

competitiveness of local industries. LED strategies can also foster micro and small enterprise participation in value chains and viable clusters and industries. Research into the competitiveness of local industries indicates that the participation of MSEs in markets is reliant on viable and vibrant clusters and value chains (see text box 1). Much of the literature reviewed under AMAP K&P collectively supports the notion that MSE participation can increase the competitiveness of the locality, as smaller firms make substantial contributions to technological innovations in industries which are subject to rapid or technological change. Smaller firms are good adapters, and provide niche industries with the ability to produce specialized and customized products.<sup>4</sup>

This paper analyzes a recent LED exercise in central Serbia and attempts to provide answers to the following set of questions important to AMAP research:

1. What approaches to local economic development (LED) successfully integrate micro and small enterprises (MSE) into productive markets?
2. Can the methodology used in the central Serbia experiment stimulate LED and strengthen the role of MSE's in markets?
3. What modifications would be needed for PACA to work better for small firms?
4. How can LED and value-chain development be combined to maximize benefits for small firms?
5. What additional research and experimentation is needed to improve the tool set now available for integrating MSE's into local economic development strategies?

PACA is a proprietary product of the German consulting firm, *Mesopartner*.<sup>5</sup> The tools were developed in Brazil by Joerg Meyer-Stamer and associates in 1998-1999, when they were hired to design visualization and decision-making tools to help the business community, government, and educational institutions in the small city of Mafra work together to promote investment and strengthen local business. Since their origins in Brazil in the late 1990's, Mesopartner has implemented PACA in a number of countries, including South Africa, Thailand, and Serbia. Overtime, PACA has evolved into a carefully structured sequence of interviews and workshops intended to:

- ◆ mobilize stakeholders to improve public-sector performance,
- ◆ attract outside investment,
- ◆ increase new-firm starts, and
- ◆ enhance the competitiveness of existing enterprises.

Mesopartner differentiates the PACA approach from other LED planning processes by eschewing “attempts to formulate grand strategy” and aiming to produce “quick, visible results” as “local actors take responsibility for [development] activities.”<sup>6</sup>

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<sup>4</sup> “Integrating MSEs into Productive Markets” Research Synthesis draft. Olaf Kula, ACDI/VOCA, January 2004.

<sup>5</sup> To learn more about the firm: [www.mesopartner.com](http://www.mesopartner.com)

<sup>6</sup> <http://www.paca-online.de/more.html>

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# The PACA Process

## 2. The PACA process and its relevance for Small Enterprise Development (SED)

The PACA manual is available online; however, for quick reference, the steps and the set of tools are outlined below.

*“The purpose of PACA is to come up with a diagnosis of competitive advantages and disadvantages of a given locality and proposals for practical activities within one to two weeks... PACA is based on the reasoning that success breeds success. It is sufficient to start working with a limited number of local stakeholders. If they succeed in implementing practical activities which make a difference to local businesses, this will have the strongest possible motivation effect.”<sup>7</sup>*

In the PACA model, a team of local volunteers, supported by a local champion and guided by Mesopartner consultants, manages a brief and intense participatory scan of a local economy.<sup>8</sup> The PACA process is organized into discrete steps.

- 1) All PACA exercises begin with a *kick-off* workshop to introduce the goals of the process to the broader community. This is followed by:
- 2) a period of *fieldwork* during which team members use interviews and focus groups to define needs and identify motivated individuals to champion projects and activities. The third step is,
- 3) a *results* workshop during which the teams rank proposals using PACA screening methods and think about sources of institutional support and funds, if needed. The fourth step is a
- 4) *public presentation* of the proposals that have passed the screening. The final step in the formal process is a set of
- 5) *way forward* workshops during which project concepts are refined and the details of implementation—who, when, how—are ironed out.<sup>9</sup>

The PACA approach relies heavily on active participation of regional and local governments. In ideal situations, a local chamber or similar entity is the activity or project “champion,” with an initial purpose to line up the public and private sectors behind efforts to attract outside investment. Although current PACA literature contains references to industry sectors, clusters, and even value chains, the methodology continues to view geographical entities, i.e., cities and regions as the proper unit of activity. Other elements of the environment are important: Research and technology transfer institutions for every industry, technology, and science should be nearby.

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<sup>7</sup> *The How to Conduct a PACA Manual*, Version 4.0, (henceforth “PACA Manual” or “Manual”).

<sup>8</sup> This appraisal or diagnostic phase is referred to by Mesopartner as a “PACA exercise.” The term “PACA project” includes both the diagnostic phase and its outcomes—the local economic development activities launched by the PACA exercise.

<sup>9</sup> The PACA Manual’s “ideal PACA exercise schedule” calls for 24 interviews and four mini-workshops to be conducted over the course of one or at most two weeks. Three of the focus groups involve small business, and of 24 interviews, five are to be with small firms. The others are with large firms, government agencies, business associations, and institutions such as universities. By the evening of the seventh day, the local team is expected to have winnowed the proposals it has received and be ready to present the results to stakeholders.

Membership in chambers of commerce should be supportive of industry participation for small enterprises. Therefore, an enabling environment is an important element in PACA success. Local government should be friendly to business, financial resources should be available, and transactions should be transparent.

**SED Relevance.** LED approaches are used widely for urban management purposes and broadly to reach, by consensus, a community's economic development goals. Activities that result from LED processes can range as widely from the improvement of sewer systems to a community providing a directory of services for local businesses. ACDI/VOCA believes that LED can be an important approach to realize robust economic development by increasing the potential of the whole market, and integrating public and private stakeholders, including MSE leaders, into the process of making local markets more competitive. To this end, LED approaches should be targeted at the cluster level and used to promote the identified industrial sectors that include small enterprises. As one LED set of tools, PACA emphasizes participatory action on the part of the community to increase the competitiveness of firms geographically linked and operating in the same industry or industries. With modification, it can be a useful tool for increased small enterprise development as part of the cluster development.

**Text box #2. Preconditions for Successful Local Economic Development**

- ✓ **Sweat equity of key stakeholders is critical.** Without strong buy-in from local stakeholders the process is not likely to succeed.
- ✓ **Private sector must own and drive the process.** While the role of the public sector is important and an enabling environment is critical, the process must be responsive to and driven by private sector stakeholders.
- ✓ **Local leadership is critical.** One strong leader or champion can make all the difference—conversely, the lack of a champion can lead to stagnation in the process.
- ✓ **External consultants play a facilitative role** but cannot substitute local leadership. Strong facilitation is needed to motivate local stakeholders, who must drive the process.

*Adapted from "Promoting Competitiveness in Practice: An analysis of Cluster-Based Approaches." The Mitchell Group, 2004.*

Lessons drawn from the Serbian and other PACA applications provide evidence that to support SED, LED activities must, from the outset, be concentrated on the promotion of inter-firm collaboration, institutional development and support in targeted industrial sectors. To target key industrial sectors, an LED strategy must undertake in-depth research, targeting sectors that offer the most local economic development potential. If the local economy has existing clusters, a more targeted approach to improving economic development activity is relatively easier by leveraging resources in the direction of greatest potential return. However, in weak or non-existent markets, the activities will be more complex and may not result in the expected impact. Thus, one major problem with the test in Serbia.

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# Lessons from the PACA process in central Serbia

## 3. Lessons from the PACA process in central Serbia

Shortly before the final workshops, CRDA's income generation project officer wrote:

*I would like to be as positive as I can about the results, but right now I'm a little disappointed. In general about all the workshops, the information collected, just doesn't seem to be comprehensive enough...the teams just didn't, or weren't able, to dig deep enough, but only scratched the surface. Once again, I think this is a reflection of the teams that were formed, not their motivation, only their lack of relevant skills and experience.*

Reasons for this activity's poor outcomes were based on the inadequacies of the individual members of the PACA teams. Other cited factors include the decision to conduct PACA exercises simultaneously in four cities, and the Serbian socialist tendency to rely on government to solve economic problems. Other causes may be found in the PACA methodology and in decisions made in weeks prior to implementation. The principal reasons why the process was unable to stimulate local economic development appear to be:

- Inadequate preparation. Key stakeholders were not committed to the process prior to launch. Most important was the failure to ensure the participation of small enterprises. Their fear of participating openly in municipal government projects should have been foreseen and alterations made to the process to allay anxieties.
- Weak champions. Post-project interviews suggested that the municipal champions did not fully understand the objectives of the PACA project or feel their involvement was important to its outcomes. Most may have accepted this responsibility to avoid alienating CRDA or because they saw an opportunity to obtain grant funds.
- Over-emphasis on local government and not enough participation of the private sector. Government was a central focus of PACA activities: municipal officers selected trainees, issued invitations, and introduced meetings—and these were generally held in municipal offices. Had authority been shared with representatives of the business community, it might have been possible to motivate the business community, and small enterprise owners, to collaborate on local economic development projects.
- Willingness to proceed with teams of inexperienced individuals. The low status of team members made it impossible for them to gain the confidence of university faculty, the chamber of commerce, the regional SME agency, and other groups.<sup>10</sup> They were unable to interpret PACA questions to workshop audiences or to analyze the potential impact of most

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<sup>10</sup> "PACA will live or die in the hands of its [local] facilitators," Shawn Cunningham, GTZ South Africa from a personal communication, April 21, 2004. See more on GTZ's use of PACA below.

proposals. The option of starting over, i.e., going back to the champions to ask for stronger teams was foreclosed by the terms of the consulting contract.

- Lack of focus. Although working only part time, each team chose four or more sectors to diagnose. The broad definitions used led to the organization of highly heterogeneous workshop groups. Time did not allow for a process of convergence—a series of smaller and more focused workshops that might have permitted the common needs and opportunities, market linkages, and subcontracting options of particular subsectors to emerge.
- Stress on non-economic motivations for participation. Civic spirit rather than economic gain was generally assumed to be sufficient to sustain involvement. The difficulties encountered by the teams in finding leaders to implement proposals indicates that they did not think in transactional terms and were unable, for example, to connect BDS proposals to entrepreneurial providers.
- Loss of momentum. What initial excitement was generated by the *kick-off* workshops was dissipated due to the slow pace of the exercise in which weeks passed between events. In addition, the substantial gap between the *mini-workshops* that were purely consultative and the *presentation* and *way forward workshops* which are emphasized to be about action may have affected the commitment of busy entrepreneurs.
- Sponsor/donor distortion. CRDA sponsored the project and its staff was ubiquitous throughout the exercise. This had the effect of linking PACA to CRDA's grant rules, i.e., a preference for community driven initiatives, infrastructure development and agricultural cooperatives, no loans or loan guarantees, and restrictive funding for private enterprises. Donor/sponsor involvement must be managed more carefully as it is both an incentive to participate and a powerful constraint, affecting the types of projects and project proponents that ultimately emerged.
- Too little participation. Although the goal is self-mobilization, participation in PACA does not extend beyond simple consultation. Time constraints and lack of training and technical support rule out participation in analyses of strategic information, e.g., regarding new markets or production processes, or experiments with new forms of business organization, e.g., inter-firm networks. As a result, there was little social learning or invention.
- No exit plan. The process of selecting team members did not screen for ability or interest in pursuing local economic development long term. There was nothing in the project budget for further capacity building, nor was there a plan to seek alternative ways of compensating fieldworkers so they might become the permanent local economic development capability that PACA promises.
- No focus on BDS markets, value chains or MSE participation. The project in central Serbia was intended to be a test of PACA “as market assessment planning tool for project intervention and design to incorporate large numbers of MSE's into competitive and higher value markets.” Despite this, Mesopartner and CRDA managed a traditional PACA exercise that attempted to bring together a wide range of public and private sector stakeholders around

an open-ended local economic development agenda. There was no specific focus on the competitiveness of small firms and no modifications made to the PACA process to incorporate elements of BDS market assessment.

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# Recommendations and Conclusions

## 4. Recommendations and Conclusion

The PACA process has a number of strengths: its participatory nature that ensures local buy-in, a relatively low level of effort to initiate, and its emphasis on quick initial results that catalyze stakeholder commitment. The main weakness of PACA is that it is not an easily applicable, one-size-fits-all set of tools. It requires highly-skilled customization prior to each application, and careful monitoring to ensure the process is heading in a positive direction. This requires a large outlay of funds to cover consultant time, training and monitoring which often is not available. At a minimum, prior to employing PACA tools, teams must conduct an initial assessment to determine whether the preconditions for success exist in the locality. Lessons learned from an evaluation of 50 USAID-funded cluster-based competitiveness projects yield useful recommendations for LED processes (see text box 2). Unfortunately, none of these critical elements to LED success was in place in central Serbia during the PACA process.

As PACA is an amalgam of tools and strategies adopted from PRA and other appraisal practice, logical framework models, and the competitiveness literature, careful planning must be employed to come up with the right mix of activity designs, objectives, and tools prior to application. Careful consideration must be paid to the following issues:

- *Selection bias.* Beyond the general exhortation to see that all stakeholders be involved, no form of systematic stakeholder analysis is employed to select interviewees or workshop participants. In practice, the particular interests and political connections of the project champion define the universe of participants.
- *Heterogeneity of workshop groups.* Because of time constraints, rarely is more than one workshop devoted to a sector or cluster. The effect is that teams feel pressed to include in single session economic actors who are highly disparate in roles, power, and economic interests. Time does not generally permit re-sorting participants around particular interests and conducting follow-up workshops to probe constraints and proposals. Unless the volunteer facilitators happen to be highly familiar with the participants, it is difficult in the analysis phase for them to reconcile conflicting comments, weight contradictory responses, and consider the implications of sources of proposals.
- *A standard set of questions is asked of enterprises regardless of sector, size, or competitive position.* PACA uses two basic sets of questions for workshop participants and interviewees. The first set focuses on factor conditions, rivalry, supporting industries, and demand conditions and is taken *in toto* from the determinants of national competitiveness diamond in Michael Porter's *The Competitive Advantage of Nations* (1990). The second is based on "the five forces driving industry competition" again from Porter, in this case, *Competitive Strategy* (1980).

A third tool, a form of transaction matrix, is used to measure the views of “institutions” in regard to the costs and benefits of serving private business. This is the only reference to business development services in the PACA process.

In developing countries few entrepreneurs will be familiar with the terminology and the concepts underlying Porter’s views regarding the sources of innovation and competitiveness. In small cities, most the elements of the diamond are not present (although their impact may be felt). In general terms, this is the stuff of serious strategic planning and it is difficult for all but the most sophisticated firms to provide anything more than cursory answers. The form of the Porter-based questions as well as the cost-benefit matrix makes it clear that PACA implicitly equates business development services with “institutions,” e.g., banks, research centers, universities, technical schools, and export promotion agencies (note the emphasis is on public sector services). The basic question set does not address relationships between businesses or look into enterprise skill and technology issues that are often the main constraints on growth.

The Mesopartner tools described here can be found in the appendix.

- *Inadequate analysis procedures.* The analysis of fieldwork findings in one-day *results* Workshops makes central use of voting procedures in which teams members award points to proposals. The criteria for selection emphasize proposals which are ‘realistic and viable, implementable within a few weeks, and able to produce visible results with three months.’ Given the nature of most volunteer team members this may involve guesswork—and the process specifically excludes proposals that, despite longer gestation periods, might provide substantial payoffs.
- *No reality checks or validation of findings.* PACA assumes that all the information needed for local economic development can be found in the aggregate responses of interviewees and workshop participants. In asserting this, it follows the consumer sovereignty ideology that has become common in the aftermath of the failure of top-down, donor-led development assistance schemes of the past. However, relying on limited local knowledge to deal with the issues of competitiveness in a global market is no more logical than asking patients to diagnose themselves and tell doctors what to prescribe.
- *Uses of participation.* PACA is based on the reasoning that success breeds success. It is sufficient to start working with a limited number of local stakeholders. If they succeed in implementing practical activities which make a difference to local businesses, this will have the strongest possible motivation effect. It is not necessarily the case that planning has to involve the widest possible number of potential stakeholders. It is important to keep in mind that there is a tension between innovation and participation (consensus).<sup>11</sup>

Although self help is the goal, participation in PACA is actually quite limited. Emphasis is on finding a few motivated individuals, rather than on “the active engagement of partners and

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<sup>11</sup> Concepts, page 69.

customers in sharing ideas, making decisions, and taking action to bring about a desired development objective.”<sup>12</sup>

Finally, PACA argues that local economic development “is based on the active involvement of many actors, and the successful communication and coordination among them,” but does not directly address the free rider problem. There is almost nothing in the PACA literature on incentives, although it is widely recognized that the existence of groups with common interests does not automatically give rise to collective action.

**Recommendations.** Observations on the outcomes in central Serbia and problems in its underlying methodology are corroborated by changes now underway in PACA practice. Mesopartner has been working in South Africa for more than a year as part of a GTZ team overseeing a multi-faceted local economic development program.<sup>13</sup> As listed in text box #3, Mesopartner and GTZ are very responsive to the need for change and have implemented several good innovations.

Together, the lessons drawn from central Serbia and from the recent GTZ modifications lead us to conclude that PACA can be an effective part of local economic development projects in that it combines private and public sector viewpoints, and helps partners work through often complicated planning. To ensure that the small enterprise sector receives the attention required to include these private sector actors in the PACA plans, the following additional conditions must be met:

1. The sponsor, champions, and team members must all agree on the need to integrate small firms into local economic development efforts.
2. Champions and team members must be drawn, at least in part, from among those who are similar in terms of background, interests, and values to the small-scale entrepreneurs targeted for the project. It is possible to include members of the team in a project activity for the short term.
3. A reasonable census of MSE’s and initial outlines of key subsectors and value chains must be available prior to the start date, and it must appear possible to identify opportunities for target firms to reduce operating costs and/or increase revenues.
4. The external technical assistance group must include specialists who are familiar with small enterprise limitations and knowledgeable about the processes, products, and markets that are important in the local economy.

These changes in staffing and procedure will make it more likely that PACA’s positive qualities—speed, involvement, motivation, hope—translate into action, providing donors and practitioners with a useful point of entry for intervention. Although a revised PACA can be useful in the startup phases of development programs, it is not particularly suitable for MSE

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<sup>12</sup> Taken from “USAID and Participation,” November 14, 2000.

<sup>13</sup> These comments are based on GTZ project reports sent to the author by Gabriele Trah and Shawn Cunningham and on personal communications from Cunningham.

development market assessment. PACA is dynamic, opportunistic, and entrepreneurial. These are not qualities donors or project management teams require for sound market assessment research.

**Conclusion.** Market assessment cannot be ‘quick and dirty’ if broad but inclusive economic development is desired. A good market assessment protocol must be able to measure unfilled needs and estimate demand for specific business services and other solutions—requiring quantitative methods which PACA eschews. Technical expertise and global research capability, neither a natural part of PACA methodology, are essential if these assessments are to reveal the behavior of productive markets, the procurement policies of distant buyers and the practices of benchmark suppliers. Knowledge of local skills and equipment, sources of supply, uses of information, and marketing practices is essential. Better methods for moving from consultations to social learning and invention must be added to the mix.

Good market assessment methodology will make it possible for donors, practitioners, and clients to take this complex web of information about local capabilities, value chain opportunities, and buyer expectations and turn it into the sustainable business development services that enable MSEs to compete on equal footing.

**Text Box #3. Recent Innovations.** GTZ introduced innovations over the course of six PACA projects in South Africa that address many of the weaknesses noted in this paper.

1. Keep it short and simple. Introduce target communities to local economic development program through PACA. Streamline objectives, reduce PACA exercises to days instead of weeks to maximize excitement and maintain momentum.
2. Plan for sustainability. Replace volunteers with trained, experienced private sector consultants. Provide apprenticeship opportunities with Mesopartner and other GTZ project staff. Once trained, market their services to local governments, NGOs, and other organizations interested in launching LED initiatives. Create permanent capacity and provide help to weak local governments.
3. Target carefully. Once important local economic activities have been identified, implement PACA exercises sequentially. One sector or value chain is sufficient for a PACA exercise.
4. Prepare well. Spend more time on preparation than on the exercise, talking with key informants, studying local clusters and subsectors, holding meetings with industry leaders to plan PACA workshops.
5. Multiply and support champions. Use the PACA process to find champions who can motivate individual sectors, clusters, or social groups. Reinforce their commitment by arranging press coverage, project and public recognition.
6. Close the gap. Move seamlessly from planning to action. When mini-workshops produce good project ideas, go directly into the way forward mode—and follow up quickly with technical assistance.
7. Look for business transactions. Find individuals for whom new business services have commercial value. Emphasize new business relationships as an indicator of success.
8. Find the balance between quick and catalytic. Modify PACA criteria to allow a few major projects capable of generating enthusiasm. The development of a shared community or industry vision is recognized as an important part of the process.

## **ANNEX A: TESTING PACA**

### **Testing PACA in central Serbia**

In central Serbia, PACA was tested as a participatory tool for designing interventions that incorporate large numbers of small firms (MSE's) into competitive markets. ACDI/VOCA tested PACA in four municipalities between November 2003 and March 2004 under its Community Revitalization through Democratic Action (CRDA) project.<sup>14</sup> The CRDA staff expected PACA to help select economic growth opportunities for local economic development. Up until then, the majority of CRDA project activities identified by community boards were related to civic participation and infrastructure reconstruction.

The CRDA initiative was launched in Serbia in July, 2001, by USAID through five implementing partners. ACDI/VOCA and its partners manage the program in 21 municipalities across Serbia's central region, promoting democratic decision making, linkages across community boundaries, and reconciliation among ethnic and religious groups. CRDA operates through 76 community boards and 345 working groups that conduct regular town hall meetings to prioritize local needs and prepare proposals for submission to ACDI/VOCA for review and up to 75 percent financing. Typical projects include rebuilding of schools and medical centers, repaving roads, improving electrical distribution, providing seeds and breeding stock to cooperatives, and providing equipment for municipal small enterprise assistance centers. At this time, 425 projects have been completed and 97 more are underway. Infrastructure projects were the principal focus in the early years of this post-conflict aid program.

In early 2003, CRDA staff urged community boards to focus on one of the project's other broad mandates: economic growth and income generation. A GTZ-funded PACA exercise in Vojvodina province, northern Serbia, brought the PACA methodology to the attention of CRDA staff after it attracted popular and media attention.<sup>15</sup> Believing that PACA represented a viable approach to motivating community boards, ACDI/VOCA's CRDA and AMAP staff hired a PACA consultant and MSE industry expert to assist CRDA staff to implement a PACA activity in central Serbia.

#### **A.1. Project preparation**

As a first step in gaining support for the PACA process, the CRDA income generation officer and his staff approached municipal governments and major business organizations. Skepticism

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<sup>14</sup> The USAID/Serbia funded project aims to help citizens improve the quality of life in their communities by participating in decision-making processes. ACDI/VOCA provides significant training and technical assistance to community boards. Over the course of the five-year project, ACDI/VOCA will develop boards capacity to assess problems, identify solutions, increase citizen participation and identify donors and other partners in project implementation. Community boards submit detailed project proposals and budget forms to ACDI/VOCA to receive up to 75percent funding for project realization. Once a community board has submitted a project proposal and budget, ACDI/VOCA manages the open and transparent tender process through which businesses, vendors or NGO's are selected. [http://www.acdivoca.org.yu/index\\_e.htm](http://www.acdivoca.org.yu/index_e.htm)

<sup>7</sup> The best current information suggests that the PACA exercise resulted in proposals for large-scale infrastructure projects, including an irrigation canal to be cut through the mountains. To date, none have been implemented.

and lack of stakeholder buy-in was a major constraint from the onset. The newly-privatized chamber of commerce declined involvement. The EU-funded regional SME agency initially offered to provide lists of small firms, but then withdrew the offer. The university economics faculty, approached early on for technical assistance, insisted on being paid for its expertise and played no further role. PACA's Manual suggests not paying participants in order to not skew incentive structures.

Mesopartner and CRDA then invited high-level municipal officials to workshops in the cities served by CRDA. These workshop presentations emphasized the importance of community involvement in local economic development and PACA's potential for rapid impact. The planners stressed the need for elected officials' support in encouraging business participation and the need to recruit qualified individuals to serve as PACA team members. CRDA believed that announcing that grants were available for good proposals brought forward through community boards as a result of the PACA process would help motivate and encourage participation; however, it may have also distorted incentives.

Following guidance from the PACA Manual, CRDA approached public sector participants first. Four of the 12 municipalities approached agreed to participate.<sup>16</sup> Each municipality appointed a "PACA champion," who was the president of the city council or the senior economic minister, whose primary task was to recruit municipal agency staff and outside volunteers to form teams to handle the required fieldwork. The PACA champions were all public sector representatives. This selection inevitably drove the identification of viable activities. The stage was set for Mesopartner's consultant to begin training PACA teams in November 2003.

## **A.2. Team selection and training**

CRDA selected participants for the PACA teams based on their business experience, community contacts, and English language ability<sup>17</sup> following the Manual's guidance. On the first day of training, teams from each of the cities were represented. Of these, four were undergraduate business students and six were municipal employees, largely from finance departments. There were two entrepreneurs, but not from a key industry sector. None played important roles in their respective communities or had economic development experience.

The Mesopartner trainer set out by defining local economic development for the trainees as, "competitive advantage via collective action, a business-friendly environment, improved location quality, the stimulation of upgrading, attraction of new firms and an increase in entrepreneurship. [The process] starts by identifying strengths and weaknesses and moves quickly to action. It doesn't take much time and it's not very demanding. People can improve their economy through their own means in a short time."

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<sup>16</sup> The four are Kragujevac, the regional center with a population of some 300,000, and three smaller cities—Jagodina, Svilajnac, and Smederevska Palanka—with populations in the 20,000-40,000 range.

<sup>17</sup> Mesopartner's working language.

As required by the *PACA Book of Checklists*, teams were expected to arrive with collections of industry studies and economic data to be used in choosing sectors for the PACA exercise. The materials brought to the first training session were limited to population figures and estimates of employment by industry. The data presented were insufficient for informed choices; the project timetable did not allow for the collection of additional materials.

The Mesopartner trainer conducted the team training over a period of four and a half days. Training consisted of presentations on trainees' responsibilities, checklists for conducting each of the planned PACA activities, and practice in the use of PACA interview and workshop tools, i.e., the Porter diagrams and transaction matrix. There was no discussion of economic development principles, business systems, market failure, or competitiveness strategies.<sup>18</sup> Trainees were told that field experience would fill in the substantial gaps in their knowledge.

The mode of training does not stress interaction; it was not until the morning of the third day that it became evident that the bulk of the trainees had little or no English—therefore, little of what had been presented had been understood. This discovery required that some presentations be repeated and other training materials cut. One afternoon was devoted to practice in the facilitation skills needed to conduct a PACA workshop. Tools are not provided to map value chains or quantify demand for business development services.

The brief training program concluded with the distribution of course certificates and CDs containing the PACA Manual and other Mesopartner documents. It is not known if these were read, but trainees were deemed ready to begin the public process of PACA project planning.

There was already some team turnover during the training period and more afterward. Mesopartner and CRDA staff were immediately aware that the team members selected by the municipal champions were not up to the job. Rather than start over with a stronger group, CRDA staff spent time traveling to workshops to support the teams and, in some cases, compensate for their inadequacies.

### **A.3. The PACA exercise**

PACA exercises consist of an ordered set of activities built around a discrete set of tools. Following the manual, the process in central Serbia began with a *kick-off* workshop in each municipality. Representatives of major institutions, government agencies, and the business community were invited in the name of the champion to attend. Between 20 and 40 individuals, selected on the basis of personal connections, were asked to attend these workshops. Without formal stakeholder analysis included in the training, these meetings were attended by

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<sup>18</sup> This report is based on two visits to Serbia. The author was present during training and was given the opportunity to make two brief presentations on the nature of value chains and the importance of business development services to small enterprise outcomes. A second visit coincided with the series of *way forward* workshops held in early March, 2004.

heterogeneous collections of local officials, business people, cooperative managers, farmers, and others.

One example of a kick-off workshop follows: In Kragujevac, the deputy mayor welcomed participants gathered around a conference table in the city hall and then left. The Mesopartner consultant hired to lead the PACA exercise next offered a detailed description of the methods and objectives of PACA before turning the meeting over to the Kragujevac PACA team. PACA utilizes a visualization technique called Mesocard—a technique known to readers familiar with ZOPP, Metaplan, and similar methods. Using Mesocard, attendees respond to questions by writing brief comments on colored cards. The responses are read back to the audience, and then grouped to indicate the relative weight of themes that emerge. The Mesocard process, although good at getting unassertive participants to respond to questions, takes a large amount of time.

In this case, the team used Mesocards to lead workshop attendees through the series of questions based on Michael Porter’s “determinants of national advantage” diamond. According to the Manual, *kick-off* meetings are supposed to shed light on the leading sectors and firms in the local economy. The questions used in the *kick-off*, and later in mini-workshops, explored sophisticated issues of firm strategy, inter-sectoral rivalry, factor availability, and demand conditions.<sup>19</sup> Few attendees had the knowledge required to answer them well, and the team members were unable to provide explanations or examples that might have helped participants reach useful conclusions. Although the majority of attendees remained to the end, little strategic information emerged to guide the team’s future work.<sup>20</sup> The central question posed in the Manual, “what are the locational advantages of your place?,” was not emphasized.

Break-out groups by common sector, need, or opportunity are not part of the PACA workshop format, and discussion was limited to probing for explanations of written responses. Post-workshop surveys are not part of the PACA process, making it difficult to ascertain how meeting participants felt about their investment of time.

Target sectors and industry segments identified during training, and discussed in the PACA *kick-off* workshops held in mid-November, as reported by team members are as follows:

<b>KRAGUJEVAC</b>	<b>SVILAJNAC</b>	<b>JAGODINA</b>	<b>SMEDEREVSKA PALANKA</b>
Metals/metal products	Cattle/meat production	Tourism	Tourism

<sup>19</sup> PACA participants throughout the exercise interpreted demand in quantitative terms, i.e., high, medium, or low. In Porter, demand conditions drive (or fail to drive) innovation in industry.

<sup>20</sup> Kragujevac is a city of 300,000 with a highly-educated population. It is also the home of Zastava, the only automobile constructor in the former Yugoslavia, now radically downsized and undergoing privatization. Unemployment is high, and 35 percent of the local population is engaged in commercial and/or subsistence farming. Metal products and agriculture were prominent mentioned, joined by tourism, wood furniture, and “SMEs” not further defined. Principal growth constraints cited were limited to weak management, lack of vision, and failure of government to provide capital, find markets, and ensure jobs for all.

Tourism	Fruits & vegetables	Electric cables	Fruits & vegetables
SMEs	SMEs	Wood furniture	Cattle/meat/dairy
Wood/furniture	Wood/furniture	Cattle/meat production	BDS
	Serbian <i>diaspora</i> as investors/tourists		
	Some BDS <sup>21</sup>		
	Apparel		

PACA is intended to be a one or two week diagnostic exercise generating concrete economic development proposals and commitment on the part of individuals and organizations to implement them. In central Serbia the time allotted to the exercise was initially extended to 13 weeks to accommodate the Christmas holidays and to permit CRDA staff to be present at key workshops in four separate cities. Because of problems with the teams’ performance, this eventually grew to 19 weeks. This deviation from Manual prescription seems to have adversely affected the project’s momentum and ability to maintain motivation of members of teams.

In the weeks following the *kick-off*, each team conducted interviews and organized mini-workshops (focus groups) in hopes of identifying dynamic sectors, dynamic leaders, and ideas that could become “quick and visible” economic development projects. Some municipal employees assigned to PACA teams were allowed to spend parts of their regular workweeks on PACA activities. Most team members, however, had to carry out these tasks after normal business hours and to cover a variety of costs out of pocket. As a result, several teams lost members during this period. The principal reasons cited for dropping out were the difficulty of the assignment and the need to keep up with the demands of regular jobs.

*Mini-workshops* were mixed both in attendance and results. A workshop on agriculture, for example, included farmers, distributors, cooperatives, research institutions, government agencies, and managers from state firms. Because of the reliance on Mesocard methodology, there was little discussion so it was difficult to ascertain the consensus of the diverse groups. Teams reported that most MSE’s were unwilling to participate as they operate in the gray market and do not wish to attract the attention of municipal authorities.

The PACA Manual instructs teams to undertake a “topical preparation” prior to interviews to ensure the appropriate tools are used and the maximum amount of important information gathered. In the case of central Serbia, volunteers had neither the resources nor the time to do this. Interviews were unstructured, and in the hands of inexperienced interviewers led to little more than a history and activity description of the firm or institution involved (a sample report from Kragujevac is appended). As there were no available databases of small firms, bigger firms, often state owned, received the bulk of teams’ attentions.

While it seems that PACA tools were used less frequently in interviews as time went on, they were important in the organization of workshops. In addition to the Mesocard visualization

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<sup>21</sup> Defined in both cases as professional services, e.g., accountancy, law.

method and the Michael Porter diamond mentioned in regard to the *kick-off* workshops, the second Michael Porter diagram called “five forces driving industry competition” was generally used with workshop participants. This diagram calls for informed opinions regarding the threat of substitution and new industry entrants, the bargaining power of suppliers and buyers, and the nature and intensity of competition. Reports from *mini-workshops* suggest that a combination of time pressure, participants’ limited knowledge, and the Mesocard format tended to support non-controversial discussion. For example, the *mini-workshop* on the Jagodina wood furniture industry reported the following conclusions:

### *Strengths*

- Tradition and experience in manufacturing
- Competitive prices
- Experience with construction joinery and cable wrapping material
- Good supply of domestic raw materials
- Capacity for series production
- High quality
- Knowledge of market
- Encircled manufacturing (locksmith, upholstery, carpentry)

### *Weaknesses*

- Market; hard disposal
- Poor financing; lack of favorable credit terms for working capital requirements
- Certain companies only using imported parts; dependence on imports
- Low payments in hard currency
- Thriving gray economy
- Imported raw materials; juniper bush
- High import and transportation costs
- Strong competition from imported goods of fabulous design but poor quality
- Disposal of the serial production is impossible [sic]

### **Concrete proposals for improving your sector**

- Provide access to more favorable credits
- Market research
- Binding [sic] of domestic companies (better organization, forming an association)
- Joint purchasing of raw materials
- Purchase and implement new production technologies
- Improved inspections at customs
- Improve access to foreign equipment producers and their product lines
- Participation in trade fairs

It was difficult for the team to dig more deeply into the problems and solutions written on Mesocards during the *mini-workshops*. When the fieldwork was concluded in late January, teams

had held 20 *mini-workshops* and conducted 70 interviews.<sup>22</sup> Seventeen of these interviews involved private firms. The remainder were with among government agencies, state-owned firms, technical schools, and research institutes. Selection of individuals to be interviewed and invitations to workshops reflected the personal contacts of team members and municipal champions.

#### **A.4. Screening proposals**

When the fieldwork was completed, Christian Schoen conducted a *results* workshop with each team, with assistance from CRDA staff. These one-day workshops had the purpose of reviewing and ranking development proposals collected during the interviews and workshops.

Three screening procedures were used to triage proposals. First, teams were advised to set aside “busy sectors” (firms doing fine, have no time for projects) and “hopeless sectors” (industries too sick to take action) and focus on “desperate sectors” in which “actors feel [themselves] to be in a crisis and are willing to do something about it.” Next, teams were asked to summarize their observations regarding target sector competitiveness and use the *Pareto method* to prioritize them. This method involves awarding points to comments regarding sector strengths and weaknesses recorded on Mesocards, with each team member having a number of points equivalent to 20 percent of the total number of cards.<sup>23</sup> The third screen used a scoring system in which teams assigned points to proposals in accordance with core PACA criteria found in the PACA literature.<sup>24</sup>

*Criteria Exercise (from the PACA Book of Checklists):*

1. *Is it realistic and viable, i.e., can it be implemented given the available skills and funds, and given the articulation and implementation capacity of key stakeholders?*
  2. *Is this proposal quickly implementable, i.e. within the next few weeks?*
  3. *Would the implementation of this proposal render quick and visible results, i.e., within maybe three months?*
- 1 point = not really, 2 points = maybe, 3 points = absolutely.*  
*Multiply the three scores.*

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<sup>22</sup> As reported by CRDA’s Mark Pomerville. This is an average of 4.6 interviews per team member and 5 Mini-workshops (focus groups) per team.

<sup>23</sup> This is, in effect, a poll about a random industry survey. Issues of outreach, impact, and resource availability were not included in the proposal screening process.

<sup>24</sup> See p. 23 ff.

Proposal	Realistic and feasible with own resources and skills	Quickly Implementable (2-4 weeks)	Quick visible effects (3-4 months)	Total points awarded
Wood Processing & Furniture Production				
Form an association of carpenters	3	3	2	18
Meet with experts from USAID funded competitiveness project; provide information on benefits of clustering	3	3	2	18
Provide Information to member wood processing firms and furniture producers	3	1	1	3
Provide education on a market economy (seminar)	3	2	2	12
Make contacts with banks; provide producers with more information on credit opportunities	3	3	3	27
Organizing producers to promote export opportunities	2	1	1	2
Apply international quality standards in production	3	1	1	3
Organize micro enterprises to work together to secure large contracts	1	1	1	1
Joint purchasing of raw materials	2	1	1	2
Honey Production & Processing				
Establishing and protecting a local brand name	3	1	1	3
Experts in the field to provide training in how to best utilize local potentials	3	3	3	27
Learning about international quality standards	3	3	3	27
Information about new products made from honey	3	3	3	27
Educating young beekeepers	3	2	2	12
Research on packaging and purchasing joint packaging materials	3	1	1	3
Fruit & Vegetable Production & Processing				
Establishing mini processing facilities	1	1	1	1
Long term planning of planting	3	3	2	18

season				
Better, modern technical equipment	1	1	1	1
Provide information about regulations necessary for producing organic food.	2	1	1	2
Information about planting and other modern farm practices	3	3	3	27
Repair/construct irrigation canals	1	1	1	1
Mini-dry mill for drying fruit and vegetables	1	1	1	1
FAO seminars on association objectives and founding procedures	3	3	2	18
FAO seminars on crop selection and growing	3	3	2	18
Meat Production & Processing				
Seminar how to associate	3	3	2	18
Stimulating snail production	1	1	1	1
Establishing a reproductive center for pig breeding in agriculture school.	3	1	1	3
Inform farmers of credit opportunities	3	3	3	27
New breeds of sheep together with VOCA	3	1	1	3
Provide education on feeding, breeding, care, and profitability of investment	3	1	1	3
Assist association in solving problems regarding cattle breed certificates	1	1	1	1

All together, the *results* workshops evaluated more than 100 proposals that had been suggested over the course of the fieldwork. While most involve information dissemination, as many as half were ideas for business development services. The BDS list is long, however, teams had no time to look into potential providers and no tools available to them with which they might have been able to assess demand. Team members concluded that BDS projects could not be implemented quickly enough or achieve sufficient visibility in the brief time allowed by the screening criteria.

### **A.5. Proposal implementation**

In the weeks following, *presentation* workshops were held in each of the cities in an effort to validate the findings of the *results* workshops. All those who had attended the *kick-off* workshops were invited, as were interviewees and participants in *mini-workshops*. The *presentation* workshops were expected to ratify project priorities and identify individuals and organizations willing to take the lead in implementation. Verbal reports from team members suggest that these presentations did not result in significant changes to proposal priorities, and were not successful

in identifying committed project leaders. In the end, no projects emerged that dealt directly with enterprise competitiveness, the business environment, new firm formation, or job creation.

The final step in a PACA exercise is a series of *way forward* workshops. In these meetings, those who had expressed interest in the remaining proposals were asked to define their objectives, consider what resources might be needed, and agree on an implementation plan and timetable. Between March 2 and 5, small groups of five to 12 people met in *way forward* workshops in each of the four cities. Kragujevac held back-to-back workshops on agriculture and tourism, both about the need for sector associations and both so far without results. The other city teams each focused on single proposals with the best prospects for CRDA funding. Jagodina, for example, assembled a group of city officials to request funds for new road signs to attract tourists. They were not clear as to the function, location, or costs of the signage they wanted and their proposal was not, in the end, supported by CRDA.

The last two cities focused their workshops on activities that fit better CRDA criteria. The Svilajnac team, now under the direction of a city employee, essentially scrapped its field research and results priorities and asked for breeding stock to improve local pig production.<sup>25</sup> This possibility was mentioned in a workshop, but was given a very low ranking in the results screening in that city. Still, two veterinarians and a group of faculty from the local agricultural institute—all direct beneficiaries—were able to make the case that the purchase of 20 high-quality brood sows (whose offspring would be sold) would raise rural incomes.<sup>26</sup> Only two farmers attended this *way forward* workshop; one left early, the other had nothing to say.

Smederevska Palanka also ignored its PACA fieldwork results. In mid-stream, the municipal champion in this small city had assigned a new team leader from his budget department. The two then proceeded to transform a tourism sector initiative into a project to replace the streetlights in the downtown area with more efficient lighting. The proposal, along with technical specifications and budget figures, was actually presented to CRDA before the *way forward* workshop, which was then conducted as a theater piece fulfilling the municipality's obligation to PACA. The street lighting proposal apparently did fit CRDA criteria and agreement was reached on the spot to fund it; however, there was no evidence of business support and it could not easily be described as local economic development in a region of high unemployment.

***It was hoped at the outset that the PACA exercise would lead to demonstration projects that would motivate a growing volume of development activity. After the way forward workshops municipal team members returned to their regular jobs. No further work was done. While the brood sow and street lighting projects will be funded, the expectation that “financial support available through ACDI/VOCA’s CRDA project will greatly enhance sustainability [in] economic planning” will not be met. The investment in training has been lost, no learning has***

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<sup>25</sup> Given that thousands of unemployed factory workers in this region now raise pigs to generate income, this is an appropriate project for CRDA to support even if it stretches the definition of local economic development.

<sup>26</sup> Pig raising is a common form of income generation among workers laid off from state enterprises.

*been captured, and expectations have been raised but not fulfilled. Engaging the business community once again in participatory development planning will be difficult.*





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