

What is Local Economic Development?

Local economic development is a crucial element of local development initiatives. Such initiatives include three types of activities:

- Infrastructure development: roads and other transport infrastructure, electricity, water and sewage, education, public health, and other facilities.
- Community development: citizen participation, employment programs, education and training initiatives, and other activities which in particular target marginalized and underprivileged citizens.
- Economic development: various initiatives to create a locational advantage, i.e. a facilitating environment for business without unnecessary obstacles and with supporting institutions.

Local economic development targets three types of firms: local businesses, external investors, and new entrepreneurs. Typical initiatives include

- the provision of industrial estates,
- skills development programs which cater to the specific demands of local firms,
- entrepreneurship development programs and business incubators,
- cutting red tape, simplifying and streamlining license procedures, and creating first-stop or one-stop agencies,
- creation and strengthening of business support institutions, especially for micro, small and medium firms,
- strengthening of business associations,
- business networking initiatives and increased articulation between supporting institutions.

Contact and Information

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A PACA Pilot Project has been conducted in South Africa on behalf of CDG. For details and information about the ongoing work contact Bernhard Adam at CDG Headquarters, E-mail adamb@cdg.de.

PACA

Participatory Appraisal of Competitive Advantage

A Methodology to Support Local Economic Development Initiatives

Why Participatory Appraisal of Competitive Advantage?

When local actors embark on a local economic development initiative, they want results, and they want them quick. Conventional approaches, however, often involve huge up-front investment in terms of time and money, it often takes long for proposals to come up, the proposals are not always practical and compatible with the local mindset. We have created PACA as an action- and results-oriented methodology which is based on principles of rapid and participatory appraisal. Its basic elements are the following:

- The initial diagnostic should take no more than one to two weeks, and the results are presented and discussed immediately after that.
- Local actors must be involved in the diagnostic – not just as participants in workshops and respondents in interviews, but also actively, as interviewers and part of the research team. Their active participation facilitates the transfer of methodological and conceptual know-how, and it motivates and empowers them to continue with the initiative once the external consultants have left.
- External consultants play an important role in the first diagnostic, and they must be prepared to back-up local actors later on, but the main work in implementing concrete activities has to be done by local actors and institutions.

Successful local economic development initiatives depend, first and foremost, on the motivation, dedicatedness, and insistence of local actors. Identifying their latitude and motivation for action is a crucial task of a PACA diagnostic, and any practical proposal must closely relate to the capabilities and the motivation of local actors.

How does PACA work in practice?

PACA is a set of tools to come up with a diagnostic of the competitive advantages and disadvantages of a locality, and with concrete, practical proposals to stimulate the local or regional economy.

PACA starts with a kick-off workshop with the local stakeholders, followed by a series of interviews with local players (firms, business associations, supporting institutions, local government, and others), and mini-workshops with groups of local actors. Depending on the size and diversity of the locality, this takes between one and two weeks.

The diagnostic and the proposals are elaborated and presented immediately afterwards. The presentation includes a moderated discussion with the local stakeholders. After the initial diagnostic, the external consultants are prepared to conduct a planning workshop with local actors. Local actors take responsibility for the implementation of agreed activities. The external consultants are prepared to offer, on a limited scale, subsequent support.

PACA is based on concepts such as

- systemic competitiveness,
- Michael Porter's competitive advantage concept,
- cluster development,
- various concepts of local economic development
- actor-oriented and policy network concepts which have emerged from recent research in political science.

PACA employs several tools which have been developed in the context of participatory learning and action. Workshops are normally conducted using the Metaplan visualization method. Tools such as mapping, life-line, and four-field matrixes are used to structure discussions.

Where and for what purpose can PACA be applied?

PACA has been applied in cities and regions where between 50,000 and 400,000 people live. This included rural places as well as regions which host world-class industrial firms. PACA is not suitable for application in cities or regions which are much larger; however, it is perfectly applicable, say, at the level of one part of a large city.

PACA has been applied in two types of settings:

- in places where local actors wanted to do something about local economic development but were not sure how and where to start,
- in places where local actors were already conducting specific activities targeted at local economic development, but where the activities were isolated and where the local stakeholders disagreed about the definition of the problems, and even more about the remedies.

PACA can be used to kick-off a local economic development initiative or to investigate why existing initiatives show little effect. It is less useful in places where various activities are underway which are based on a broad consensus, except if the local stakeholders feel that an external evaluation of their activities is desirable.

Outcomes of PACA have been:

- a program which linked small farmers with local commercialization structures,
- the creation of a Paleontology research and tourism center,
- a strategic planning effort involving the main local stakeholders,
- the articulation of collaboration between a local university and several software companies.