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NEWS

Participatory
Appraisal of
Competitive
Advantage

A Product by mesopartner

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PACA and value chains in Laos

The Lao-German Program Integrated Rural Development of Mountainous Areas in Northern Laos (RDMA) operates in the three Northern provinces of Bokeo, Luang Namtha and Sayaboury. In January and February 2006, the Sayaboury sub-program (which is funded by IFAD) contracted mesopartner to conduct a joint PACA training and exercise. The PACA exercise focussed on the following sub-sectors: rice, maize, garlic, handicraft (weaving), tourism and non-timber forest products (paper mulberry) and covered two districts in Sayaboury Province, Hongsa and Ngeun.

At the end, the team leader Dr. Jens Kallabinski pointed out that this PACA exercise significantly contributed to the development of an integrated LED concept within RDMA. Beside the practical outcome of the PACA exercise, he particularly appreciated the skills development of his staff and the government representatives involved. The latter individuals got in touch with market principles for the first time.

In this article we will highlight two specific features of this first PACA exercise in Laos: (1) PACA's ability to solve problems by simply making them explicit and (2) the discussion about how to link PACA with GTZ's *ValueLinks* approach.

The Maize Sector in Hongsa District

For 2 years, local farmers in Hongsa have been encouraged by the district government to grow maize. The seed provider and collector of maize is the government's Rural Development Company (RDC). RDC again holds a contract with the CP group in Thailand that provides the seed (hybrid) and buys the maize harvest which is then further processed to animal feed. The contract has been initiated by the provincial government and the deputy prime minister of Laos. However, during the ongoing PACA exercise we found out that RDC did not collect the maize harvested due to a lack of storage facilities and due to the fact that they are allowed to sell the maize to the CP group only a couple of months later. A multilateral trade agreement foresees the closing of the borders every year from January to

June. Although the maize harvest in Hongsa took place in November 2005, at that time RDC didn't have the funds available to collect the maize harvest and pay the farmers before the end of the year. RDC was then looking (unsuccessfully) for a special permission to sell the maize to Thailand before the re-opening of the border in middle of 2006. On the other hand, farmers do not have the skills and experience to properly store maize and, accordingly, were interested in selling the product as soon as possible. In January 2006, the maize was about to rot. Moreover, the farmers urgently needed cash to purchase seed rice.

At this time, this contractual arrangement had been in place for 2 years. Since RDC could not forward 5 tons of seed in the first year (due to late supply by CP group), the seeds provided in 2004 had been stored for a couple of months, were thus partly spoiled and partly did not bear fruit. Nevertheless, RDC expected the farmers to pay for all seeds supplied. Until February 2006, other traders were not allowed to also invest in maize contract farming or to buy the harvest sitting in the villages (only after compensating RDC for the farmers training and the seeds). The PACA team decided that a specific proposal aiming at improving this situation would be appropriate to address in one of the first way-forward workshops at the end of the PACA exercise.

Provocatively, the PACA team suggested that RDC fully pulls out of the district maize market and that the negative consequences of the current contractual agreement between RDC and farmers are mitigated immediately. The district vice governor as well as the director of RDC

attended the way-forward workshop. Surprisingly, the way-forward discussions pointed out that (1) RDC had started to collect all the maize three days before, that (2) only two villages were still waiting for the collection of their maize harvest (which was expected to be completed within the following two days) and that (3) farmers had been compensated and were not obliged to pay for bad quality seed they have been supplied with. Thus, the subsequent way-forward planning exercise focussed on the sub-activity to open the market for private traders in the future.

Later it was confirmed that the provincial and district government had learned about the discussions within the PACA team and about our intention to address the maize issue in public. In this way, the PACA Exercise had already started to solve a problem and improve the tight financial situation of the farmers concerned by simply detecting the details and intensively discussing about them.

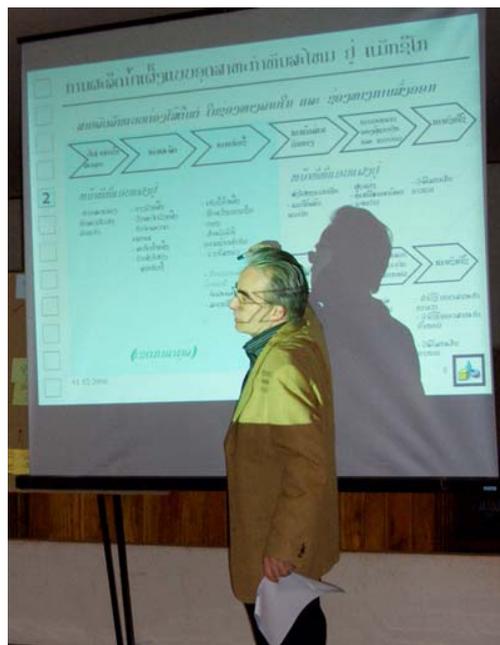


Maize....

Linking up PACA and ValueLinks

Starting from the second interim assessment during the PACA Exercise, the PACA team has been thinking in the framework of stakeholder maps and along value chain maps. This was in order to anticipate the discussions during the upcoming results workshop when the GTZ value chain expert Dr. Andreas Springer-Heinze joined in order to explore the possibilities of linking-up PACA with GTZ's ValueLinks approach.

Though we did not conduct a proper value chain PACA, in which value chain mapping is used as standard tool, discussions based on value chain maps provided more inter-



Dr Andreas Springer-Heinze at the PACA Exercise in Hongsa / Laos

connected insights and deeper information than in a typical ‘territorial’ PACA interim assessment. For instance, the severity of the maize issue, highlighting all stakeholders involved, only became clear after the profound analysis along the maize sector map.

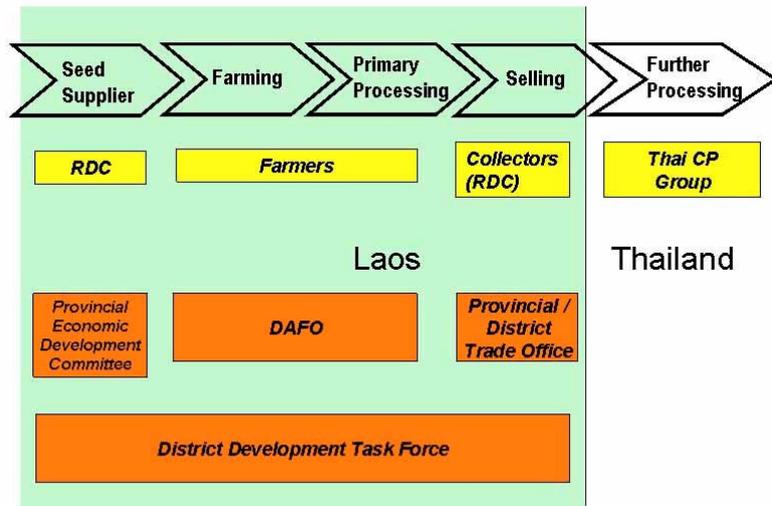
During the results workshop, following the presentation of Dr. Springer-Heinze on systematic value chain mapping, the PACA team prepared generic value chain maps for all six sectors investigated. All subsequent brainstorming activities on the diagnosis of the sectors and the identification of LED proposals were based on these value chain maps.

The results of the internal discussions during and after the PACA exercise identified a number of similarities and differences of PACA and ValueLinks. Both methodologies are grounded in the same basic “development philosophy”, which is characterized by “systemic competitiveness”, common PRA principles, such as “optimal ignorance” and “appropriate imprecision” as well as aiming at quick wins instead of comprehensive planning.

The main difference between PACA and ValueLinks is methodological in nature: PACA a proven format for the application of research, decision-making and planning tools for regional economic development in general, whereas ValueLinks offers know-how and a menu of tools covering the complete cycle of value chain promotion projects.

There are different options in combining PACA and ValueLinks. The two most obvious options are to start the PACA exercise as a preparatory activity prior to a ValueLinks promotion project or to include the PACA exercise as tool within the ValueLinks’s toolbox. Yet there are still questions to be answered by practical testing in the field, such as:

- How can the visioning element be strengthened in a PACA exercise?



Simple GTZ ValueLinks Map

Simple Maize ValueLinks Map in Hongsa District

- Can PACA results be improved by structuring the analysis along particular value chains? (also in territorial exercises, such as in Hongsa/Laos)
- How to design a PACA exercise in preparation of a subsequent ValueLinks promotion project?
- How can PACA be modified to become a tool for ValueLinks? What are the requirements?
- What issues and tools should a basic PACA training include to better prepare the team for a modified PACA exercise prior to or as part of a ValueLinks promotion project?

We are confident that there will be a more systematic opportunity to test the combination of both approaches in practice soon. We will keep PACA practitioners informed about further attempts to link up PACA and ValueLinks and about the lessons learnt.

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