Participatory Appraisal of Pro-Poor Income Potentials (Pro-Poor PACA)

Manual

Version 1.3

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About this Manual

This manual has been written by Christian Schoen, Mesopartner. Some sections of the manual have been adopted from the 'The How to do a PACA Manual, Version 5.1' written by Jörg Meyer-Stamer in 2005, but they have been adjusted and revised. The elaboration of the manual is based on close coordination with Ellen Kramer, GIZ Programme 'Support for Poverty Reduction'. The author appreciates the comments on the draft version of the manual given by Ulrich Harmes-Liedtke and Doug Hindson. For the version 1.2 some further revisions have been done in coordination with Shawn Cunningham and World Vision Australia.

The purpose of this manual is to give practitioners an overview of the issues involved in the organisation and conducting of a Pro-Poor PACA Exercise, and to introduce the concepts and tools which are essential for successfully applying the methodology. This manual is organised according to the sequence of activities in an Exercise.

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Structure of the Manual

Preparation & Build-up (few weeks) • Mobilise stakeholders • Recruitment of Team • Organisation of workshops and interviews	**Chapters 2**
↓	
Hypotheses & Training Workshop (up to 3 days) • Introduction to the methodology • Input on market and poverty concepts • Team building • Align expectations, make them explicit	**Chapter 3**
↓	
Kick-off Workshop (4 hours) • Inform local stakeholders about the purpose of the exercise • Select sectors with pro-poor income potentials • Gather information on framework conditions	**Chapter 4**
↓	
Fieldwork (1 – 2 weeks) • Mini-workshops to gather information about selected sectors of the local economy • Interviews to get in-depth information • Mini-surveys to learn about the buyers' view	**Chapters 5 -7**
↓	
Results Workshop (1-2 Days) • Elaborate diagnosis • Elaborate practical proposals	**Chapter 8**
↓	
Presentation Event (3 hours) • Present diagnosis/proposals to local actors • Get feedback and suggestions for implementation	**Chapter 9**
↓	
Way Forward Workshops (2-3 hours) • Prioritise proposals • Identify project champions • Define tasks and responsibilities	**Chapter 10**
↓	
Implementation	
↓	
Monitoring & Evaluation	**Chapter 11**

Detailed Contents

1	**Introduction**	**8**
1.1	History of the Methodology	8
1.2	Underlying Principles of the Methodology	11
1.3	Terminology	12
1.4	Methodology at a Glance	13
2	**Preparation and Build-up**	**14**
2.1	Preparatory Checklist	15
2.2	Selection of a Location	17
2.3	Identification of a local Host	17
2.4	Deciding on a time to conduct an Exercise	18
2.5	Assembling the team	19
2.6	Management of expectations in the build-up phase	20
2.7	Collecting Advance Information	20
2.8	Preparation of Exercise Schedule	22
2.9	Checklist for Equipment and Material	28
2.10	Gender equity in Pro-poor PACA	29
3	**The Hypotheses & Training Workshop**	**32**
3.1	Why Hypotheses & Training Workshop?	33
3.2	Structure of Hypotheses Workshop	34
3.3	Why formulating hypotheses?	37
3.4	Mapping Exercise	38
3.5	Allocating tasks and roles within the team	40
3.6	Decision on Criteria for Sub-sector selection	41
4	**The Kick-off Workshop**	**44**
4.1	Why Kick-off Workshop?	45
4.2	Sequence of activities in the Kick-off Workshop	45
4.3	Excel Sheet for the Sub-Sector Selection Procedure (Example from Thanh Hoa, June 2008)	50

5	**Conducting Fieldwork**	**53**
5.1	Why and how to conduct fieldwork?	54
5.2	Organising schedule and time table of the fieldwork	55
5.3	Interim Assessments during fieldwork	58
6	**Fieldwork: Interviews & Mini-Surveys**	**62**
6.1	Why Interviews?	63
6.2	How to prepare interviews	64
6.3	How to conduct interviews	64
6.3.1	Conversation-interview	65
6.3.2	Structured interview	68
6.3.3	Interviewing, learning and hypothesising	69
6.4	Documentation of Interviews	70
6.5	Mini-surveys	71
6.5.1	Why Mini-surveys?	71
6.5.2	Preparing and Conducting Mini-Surveys	72
6.5.3	Processing of Survey Results	73
7	**Fieldwork: Mini-workshops**	**76**
7.1	Why Mini-workshops?	77
7.2	A Mini-workshop format using a variation of Porter's Five Forces Model	78
7.3	A Mini-workshop format for Supporting Institutions	80
7.4	General observations on Mini-workshops	83
8	**Results Workshop**	**87**
8.1	Why results workshop?	88
8.2	Detailed structure of results workshop	89
8.3	Rationale behind prioritising proposals	93
9	**The Presentation Event**	**96**
9.1	Why Presentation event?	97
9.2	Detailed structure of presentation event	98
10	**Way Forward Workshops**	**101**
10.1	Why way-forward workshops?	102
10.2	Steps of activities	102

10.3	Follow-up activities	105
11	**Monitoring & Evaluation**	**108**
12	**About Mesocard Facilitation**	**115**
12.1	What is Mesocard?	115
12.2	A standard sequence in a Mesocard exercise	117
12.3	A Mini-workshop format using the Interaction Matrix	119
12.4	More structuring tools for Mesocard exercises	120
12.5	The Pareto Principle or the 80/20 Rule	121
12.5.1	Historical Background	121
12.5.2	The Pareto Rule as Prioritization Instrument	122
13	**Value Chain Mapping**	**125**
14	**Methodological issues regarding participation**	**129**
15	**Interview Guides (PACA)**	**132**
16	**Interview Guides (pro-poor PACA)**	**134**
17	**Relevant Poverty Concepts**	**136**
17.1	Basic Poverty Concepts	136
17.2	The context of poverty and micro-enterprise development	137
17.3	Survival entrepreneurs vs. growth-oriented entrepreneurs	138
17.4	Pro-poor Tourism	141
18	**Relevant Economic Concepts**	**145**
18.1	Comparative & Competitive Advantages	145
18.2	Markets & Value chains	146
18.3	What is market failure?	148
18.4	Market failures & Exclusion	150
18.5	Modified 5-Forces Model	152
Bibliography		154

Abbreviations

BSC	Balanced Scorecard
CSF	Critical Success Factors
DOLISA	Department of Labour, Invalids and Social Affairs
FSC	Forestry Stewardship Council
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
IDS	Institute for Development Studies
KPI	Key Performance Indicator
LED	Local Economic Development
LRED	Local and Regional Economic Development
MC	Master of Ceremonies
M&E	Monitoring and Evaluation
M4P	Making markets work for the poor
NGO	Non-Government Organization
ODI	Overseas Development Institute
PACA	Participatory Appraisal of Competitive Advantage
PRA	Participatory Rural Appraisal
Pro-Poor PACA	Participatory Appraisal of Pro-Poor Income Potentials
SME	Small and Medium Sized Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
VND	Vietnamese Dong
ZOPP	Zielorientierte Projektplanung

1 Introduction

1.1 History of the Methodology

In 2008, the "Support for Poverty Reduction Program" of GIZ Vietnam in cooperation with mesopartner designed a methodology that poor districts can use to assess their economic potentials, whereby to implement some interventions that can kick-start local economic development initiatives. In June 2008, the methodology has been successfully tested in a field application in Ba Thuoc district, Thanh Hoa Province, Vietnam.

To a certain extent, the pro-poor appraisal tool was informed by the PACA approach (Participatory Appraisal of Competitive Advantage / www.paca-online.org), a well-tested rapid action research approach, involving local stakeholders in a participatory way and conducted by a team of mostly local members. The following modified PACA features apply to the new pro-poor appraisal tool:

- Action-oriented diagnostic of a given poor district
- Launching a local economic development initiative
- Motivating local (poor and better-off) stakeholders to take an active role in Local Economic Development
- Quick and limited fact-finding effort (10-14 days)
- Limited involvement of external consultants
- Training of local actors/local consultants in applying the methodology
- Pro-poor and action-orientation
- Market- and business-orientation
- Strong involvement of private sector
- Looking at opportunities for quick, visible results
- Addressing the causes for exclusion of poor people from markets

The quite robust structure of PACA helps to sequence the various tools and formats along the process of a rapid appraisal exercise, and allows for various modifications and adjustments to the specific purposes and target groups of such an exercise.

Most newly integrated tools and formats had previously been tested in other contexts, but have been modified and newly recombined for this specific pro-poor appraisal tool. This applies to the following methodological elements:

- Sub-sector selection process (used in the Kick-off Workshop);
- Modification of Porter's 5 Forces model that enables the appraisal team to identify barriers to entry in markets for the poor (used for interviews and mini-workshops);
- Critical Success Factor analysis from the buyers' perspective and the subsequent radar screen and gap analysis (used in mini-surveys during interviews and mini-workshops);
- Format of mini-workshops with supporting institutions to identify support services of local institutions, assess their quality and identify gaps in the service provision to particularly poor people;
- Assessment of pre-selected pro-poor LED activities against the criteria of feasibility, poverty reduction potential and quick-win potentials.

The table below gives an overview of the steps and formats in a typical PACA exercise compared with the pro-poor appraisal tool.

Typical PACA Exercise	**Pro-poor PACA**
Preparation and organisation of all mini-workshops and most interviews in advance	Preparation and organisation of the mini-workshop only with supporting institutions in advance
(Extended) Hypothesis Workshop with training inputs on LED, market concepts and facilitation/interviewing skills	(Extended) Hypothesis Workshop with training inputs on LED, market concepts, *poverty concepts* and facilitation/interviewing skills
Kick-off Workshop *(using Porter's Diamond)*	Kick-off Workshop *(using pro-poor Sub-sector/product selection process)*
Interviews *(using PACA interview guide)*	Interviews *(using modified pro-poor oriented interview guide)*
-	Mini-Surveys *(traders' CSF assessment of producer/farmer performance)*
Mini-Workshops with Supporting Institutions *(using Interaction Matrix)*	Mini-Workshops with Supporting Institutions *(brainstorming on specific services for the poor)*
Mini-Workshops with enterprises/farmers *(using 5-Forces Model)*	Mini-Workshops with enterprises/farmers *(using modified 5-Forces Model)*
Results-Workshop *(using 3-PACA-criteria assessment of proposals)*	Results-Workshop *(using 4-criteria assessment of proposals)*
Presentation Event	Presentation Event
Way-forward Workshops	Way-forward Workshops

In the pilot application in Thanh Hoa province in June 2008, we have recognized that the approach has been generally accepted by local farmers, producers and traders as well as the district authorities because of the following reasons:

(1) The pro-poor approach is relevant to the farmers'/traders' ambition to actively doing business in order to overcome poverty instead of waiting for cash transfer from the authorities. The local farmers/traders have learned to recognize opportunities for themselves and become more aware that in order to escape from poverty they do not need to rely on the government's support only, but can take action on their own.

(2) The staff of the district and its communes have recognized sub-sectors and elements in the selected value chains that are suitable for farmers to generate additional income. Due to this, they have received more orientation for sustainable poverty reduction in the district.

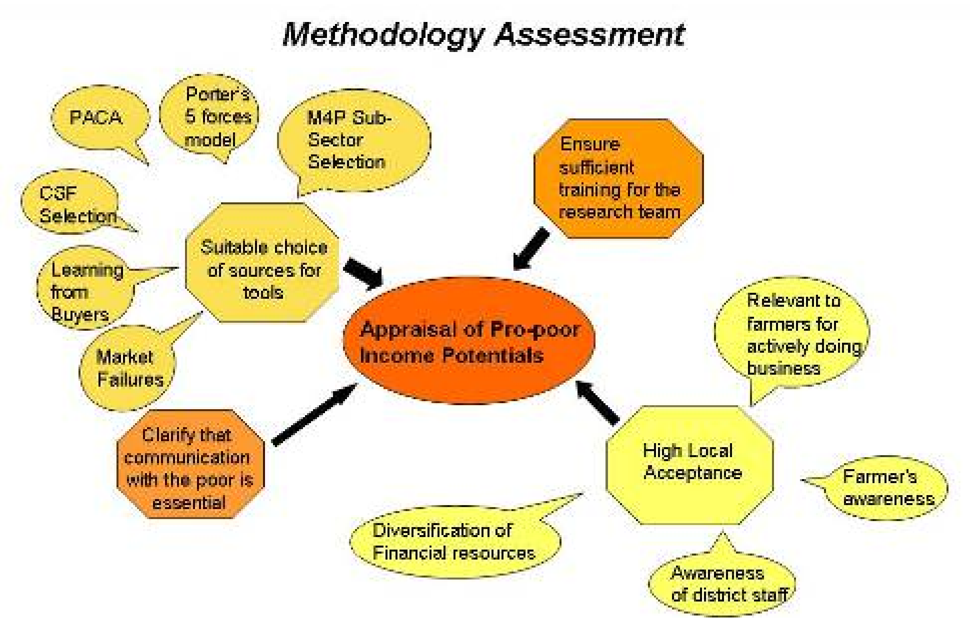


Figure 1: The context and assessment of the methodology

1.2 Underlying Principles of the Methodology

Fundamental insights underlying pro-poor PACA

1. A shift in the development paradigm	Development policy is moving • from long-term planning to short-term action; even in fields like spatial planning, good practice involves process management, not preparing complex blueprints • from top-down to bottom-up – increasingly, development policy is not only delivered but also designed at local and regional levels • from government-driven to public-private partnership – development becomes a shared task of various actors
2. Development work is process management	• There is no linear sequence. Development is rather an iterative process • The most relevant element of learning is learning-by-doing • A key challenge for development work is setting the stage for learning-by-doing.
3. A shift in the approach to (pro-poor) LED	• LED must be driven by opportunities, and the enterprise sector has to play a key role in formulation, implementation and evaluation of LED activities • Pro-poor LED initiatives are not necessarily addressing the main sector, but rather the sectors that show pro-poor income potential and are motivated to cooperate • (Pro-poor) LED is understood as a shared vision, not necessarily as written plan • LED is not only an iterative process, but also an open process (with a changing constellation of actors and measures) and an open-ended process (with defined interim objectives, but not a final goal that is described ex-ante in any detail) • LED involves action learning • The main role of LED actors is facilitation, i.e. connecting role players and stimulating self-help potentials
4. Facilitation	Efficient facilitation of pro-poor LED means to • create and mobilise local knowledge • connect and contrast local and external knowledge • contrast perceptions and facts
5. Participation	Principles of participatory rural appraisal (PRA) work apply: • reversals – learning from, with and by local people • optimal ignorance, and appropriate imprecision • triangulation
6. Focus and target groups	The pro-poor PACA methodology focuses on: • poor and non-poor individuals, farmers and enterprises • entrepreneurial income and (agricultural) waged labour income • growth-oriented entrepreneurs and (poor) survival entrepreneurs • poor people just above / below poverty line (not very vulnerable poor or destitutes)
7. Pro-poor growth	"Pro-Poor growth" means: • Growth is pro-poor, when the income of the poorest increases more than the average income • "Pro-poor growth" stresses the need to make the poor participate directly in the economic growth, and does not rely on „trickle down" processes or social transfers • "Pro-poor growth" = greater employment and income of poor people

1.3 Terminology

In order to avoid terminological confusion when reading this manual and when executing a pro-poor PACA, this following table defines the terms commonly used. The terminology is similar to the PACA terminology.

Exercise	Diagnosis of a local economy	Results Workshop	Workshop of Appraisal Team to identify findings and proposals
Project	Sequence of diagnosis, implementation of LED projects and interim appraisals, based on the underlying Principles	Presentation Event	Event to present findings and proposals to local community
Principles	Pro-poor LED is a learning process Look at strengths and potentials instead of weaknesses and problems Start with simple projects for quick, visible results	Appraisal Team	Group of facilitators and local team members who conduct the Exercise
Fieldwork	Interviews, mini-workshops and mini-surveys to gather information	Lead Facilitator	Specialist in LED and the method, not from the locality, leader of the Team
Interview	Structured, qualitative interview with local stakeholders ("conversation")	Local Team Member	Local person who is conducting the Fieldwork and available for follow-up activities
Mini-Workshop	Structured 3-hour-exercise with homogeneous group of local stakeholders	Host	Local organization which initiates and sustains the Project
Mini-Survey	Buyers' CSF assessment of producer/farmer performance	Project Champion	Individual or organisation responsible for implementation of an identified activity
Hypotheses & Training Workshop	Workshop of the Appraisal Team before the Kick-off	Four criteria for proposal prioritization	(1) Is a proposal feasible with local resources? (2) Is a proposal suitable to generate more income for the poor? (3) Can the implementation start next week? (4) Can there be visible results within three months?
Kick-off Workshop	Workshop with local stakeholders at the beginning of the Exercise to select sub-sectors with pro-poor income potential	Way Forward Workshop	Workshop to plan the implementation of a given proposal

1.4 Methodology at a Glance

Pro-poor PACA	
Objectives	▪ Identify sub-sectors/value chains that offer economic potentials and income opportunities for the poor ▪ Assess economic potentials and critical bottlenecks of poor areas ▪ Identify how to better include poor people into economic activities/markets ▪ Prioritize concrete proposals for activities that realize potentials/opportunities ▪ Produce quick, visible results, rather than starting with a huge strategy ▪ Better connect local agencies, businesses and the poor ▪ Equip local officials with participatory tools for local economic development (LED) and needs-oriented resource planning
Main elements	Participatory appraisal of pro-poor income potentials in districts follows a participatory, bottom-up, pragmatic and market-oriented approach to local economic development. It is based on a set of tools that permit a rapid appraisal of competitive advantages and disadvantages of local communities with a specific poverty-oriented focus. Learning and transfer of LED skills are key elements of the approach, as the appraisal team mostly consists of local actors.
Key steps	▪ Hypothesis workshop with training elements on LED, market concepts, poverty concepts and facilitation/ interviewing skills ▪ Kick-off workshop with the local stakeholders and supporting institutions to select pro-poor sub-sectors/products ▪ Series of interviews with local firms, business associations, supporting institutions, local government, and poor individuals ▪ Mini-survey with buyers/traders & producers to assess/self-assess the performance of (poor) producers/farmers on 5-point scale ▪ Mini-workshops with supporting institutions to identify gaps in the service provision to particularly poor people ▪ Mini-workshop with enterprises/farmers (modified 5-Forces-model) ▪ Results-workshop (elaborating a diagnosis and assessing proposals against feasibility, poverty reduction and time aspects) ▪ Presentation event to present the diagnosis and the proposals for practical interventions ▪ Way-forward workshops to plan the implementation of proposals
Who?	A team of a few external specialists and mostly local actors from different organizations conducts the exercise, involving a variety of local stakeholders through participatory processes
Duration	▪ 10-14 days for the fieldwork, depending on size/diversity of locality ▪ 6–12 months for implementation and follow-up activities
Skills & training required	▪ Facilitation and presentation skills ▪ LED concepts and tools ▪ Concepts of value chains and markets ▪ Poverty concepts
Benefits	▪ Practical proposals to stimulate the local economy and provide more income opportunities for the poor ▪ Strengthened local networks and enhanced cooperation

2 Preparation and Build-up

Main insights:

- It is crucial to identify a local Host. Successful “pro-poor PACAs” cannot be driven by external actors alone.
- Don’t go to places where local players don’t throw in own resources!
- Don’t go to places where local decision makers are not interested in economic development and poverty reduction!
- Effective and efficient organisation of the build-up phase substantially improves the chances of success
- In the build-up phase, good management of expectations is essential
- Recruiting the appraisal team: not too junior, with sufficient availability, and meeting the basic requirements on facilitators.
- Leading of the team by an experienced expert (who has conducted at least two exercises before).

2.1 Preparatory Checklist

The preparation of the Exercise is much easier when preparing a customized preparatory checklist that clearly indicates what preparation activity is done when, by whom and how. The checklist below is based on the assumption that the Exercise is initiated and arranged by a local organisation and it is specifically tailored to the Vietnamese context.

When?	What?	Who?	How?
X - 8 weeks	(Self-) Identification of local host for field work for pro-poor appraisal Exercise	Local Host	criteria for Host identification: • good local standing • good connection to both poor people and economic players • ability and commitment to sustain the implementation process of actions identified
X – 7 weeks	Raise interest for pro-poor appraisal among other decision-makers in locality and – possibly – donors/investors	Local Host	• presentation conducted by organization's staff • presentation by representative from location with positive pro-poor appraisal experience • presentation by Consultant
X – 6 weeks	Contracting / ensuring availability of national consultant(s)	Local Host	Ensure the availability of external 1-2 team members, who are experienced in applying the method and 100% available
X – 5 weeks	Prepare a tentative schedule for the Exercise	Local Host	Tentative schedule includes the dates and times for all key activities along the Exercise
X – 4 weeks	Selection process for appraisal team (<u>6-8 local members</u> from district and province level) plus the representatives of the Host Plus assigning <u>1 person for only taking care of organisation</u> throughout the Exercise	Local Host	criteria for identifying possible candidates: • available for 100% of time during appraisal • certain prestige and standing in the local community, not too junior • good understanding of local poverty situation and economic sectors • from public sector, business sector, NGOs, training institutions
X – 3 weeks	Book accommodation for external team members	Local Host	Verify the final number of external team members

X - 3 weeks	Book venue for Kick-off Workshop	Local Host	Room of sufficient size (ca. 50 participants)
X - 2 weeks	Draft list of invitees for kick-off workshop	Local Host	Participants (50-60) should be: • Representatives of Supporting Institutions • Representatives of relevant sectors (small, medium, large enterprises, farmers)
X - 2 weeks	Decide on training and operations room for team	Local Host	Operation room of appraisal team for hypotheses workshop, internal discussions and assessments, results workshop / room must be 100% available for whole period
X - 2 weeks	Decide on room for mini-workshops	Local Host	Venue for mini-workshops with 10-15 actors. If large enough, it can be the same like the operations room (see above)
X - 2 weeks	Arrange transport for interviews	Local Host	As you will split the participants into several interview teams, you will need several cars (and/or motorbikes).
X - 2 weeks	Collecting advance information on poverty and economic situation the location and send to local and external team members	Local Host	Studies, Reports, Statistics
X - 2 weeks	Draft preliminary list of candidates for first interviews and mini-workshop with supporting institutions	Local Host	- First interview candidate list with very knowledgeable local individuals - See types of supporting institutions below
X – 10 days	Prepare invitation letter for kick-off workshop and mini-workshops	Local Host	
X – 7 days	Send invitation letters to participants of kick-off workshop and mini-workshop with supporting institutions	Local Host	- See types of supporting institutions below
X – 7 days	Make appointments with local media to advertise analysis to community	Local Host	Print media, radio, local TV
X – 5 days	Start to make appointments for first interviews	Local Host	Appointments only to be made with the first 5-10 fixed very knowledgeable interviewees; lat-

			er interviews arranged spontaneously after the team has a clear picture about local stakeholders and selected sectors
X – 3 days	Reserve venue for Final Presentation Event	Local Host	Date and venue for the presentation event, after the fieldwork, should be announced during interviews and mini-workshops. Room of sufficient size (ca. 50 – 100 participants)
X	Start Extended Hypotheses workshop / training of team members	Consultant/ Trainer & Appraisal team	Conducted by the external lead facilitator / trainer (incl. finalizing handouts for the Exercise)
X + 1 day	Reiterate invitation for kick-off workshop	Local Host	

2.2 Selection of a Location

The method pro-poor PACA has been designed for the application at the level of poor districts in Vietnam. For the selection of a specific district the following set of criteria ought to be applied:

- Meeting the poverty criteria of the provincial and the national government
- Interest and commitment of public and private local actors for poverty reduction via economic development (and not only via social development efforts)
- Freedom of action for local actors, i.e. little interference by higher-level government bodies (e.g. province)
- A certain level of organizational competence and delivery structures at the local level
- Availability of a local host with good connections and high reputation in the respective community
- Experience of local actors in the cooperation with donor programs

2.3 Identification of a local Host

A first and crucial step in preparing the Exercise is that somebody has to decide to do it. If there is no suitable host for the Exercise in the location, it cannot take place. Important is that the Host needs to be a local organisation, and not an external donor agency that operates program activities in the locality. Suitable Hosts could be a local government department, a local business chamber, a business promotion organisation, a local development agency, a local stakeholder forum or a NGO. In the end, the Host is an individual, but this individual should be linked to an organisation which is able to organise the Exercise and to take a lead role in the implementation of practical follow-up activities after the diagnosis took place.

The Host needs to meet the following basic criteria:

- good local standing
- good connection to poor people, economic players and various relevant government departments
- interest and commitment to directly interact with poor people
- ability and commitment to sustain the implementation process of actions identified

If the local government, e.g. a district department, or another local player decide to conduct the Exercise, they are the Host. If the Exercise is initiated by a donor agency, it must make sure that local organisations become convinced about the approach and the upcoming Exercise and that one of these local organisations is finally eager to take the lead in organising and following up on the Exercise. In the latter case, the donor needs to liaise closely with the local Host, needs to provide ongoing, face-to-face coaching and needs to motivate and stimulate the local initiative.

2.4 Deciding on a time to conduct an Exercise

When deciding on the time to conduct the pro-poor Exercise, it is worthwhile to consider the following aspects:

- It is not advisable to conduct the Exercise immediately before a long break period. Examples are the time from early December to mid January in predominantly Christian countries or the time from mid January to mid/end February in countries that celebrate the Lunar New Year, such as Vietnam or China, or the time of Ramadan in Muslim countries. Also conducting an Exercise some weeks before these periods is not a good idea, as then there an immediate follow-up would not take place.

- If important sectors of the local economy that have a high chance to be selected for the pro-poor appraisal have clear high and low seasons, it is advisable go for the low season. Typical examples are the tourism subsector with peak travel times or agricultural sub-sectors with fixed planting and harvesting times.

- The times shortly before, during and shortly after local elections should be avoided as well.

- A pro-poor appraisal should be conducted earlier in the year so that the budget to implement proposals can be arranged in time and integrated into yearly activity plans of hosts and other public sector partners. In Vietnam, the approval procedures for poverty reduction projects take a long time to complete, roughly a year. Therefore, the Exercise should be conducted early in the previous year, so that it can be included in the budget plan of the following year.

2.5 Assembling the team

The success of participatory action research crucially depends on the quality and knowledge of the members on the research team. The basic requirements on the team members are

- available for 100% of time during the diagnostic
- certain prestige and standing in the local community, not too junior
- good understanding of local poverty situation and economic sectors
- from public sector, business sector, NGOs, training institutions

Typically, the target should be to have 6-8 local facilitators and 1-2 external facilitators on the team. An ideal team includes all local perspectives relevant for the Exercise and different backgrounds, is able to give valuable input on various issues related to poverty reduction and economic promotion in the location and, on top of everything, should be eager to learn and be highly motivated. Local team members are not only participating in the Exercise, but also have to play an important role in the implementation and accompanying of practical activities, and therefore they ought to be persons who are taken serious within the local community.

Special attempts have to be made to include some female representatives into the PACA team. This may contribute to ensure better participation of women entrepreneurs / stakeholders in the forthcoming PACA process.

One local team member should be only or mainly in charge of all organisational issues. Thus, the rest of the team can concentrate on the fieldwork and the diagnostic.

The external facilitator(s) / trainer(s) should be experienced in the method-

The Team in Ba Thuoc, Thanh Hoa, Vietnam

- Province DOLISA
- District DOLISA (organizer)
- District Women Union
- District Department of Agriculture
- District Agricultural Extension Service
- District Department of Industry and Trade
- District Dep. of Education & Training
- Social Policy Bank at district

Composition of local team members in Ba Thuoc ology and knowledgeable in LED and poverty concepts and tools. They contribute and transferring their specific know-how and they must question the views and perceptions of local persons.

The external facilitators have a fresh view at the local reality. The external facilitator(s) / trainer(s) should have participated at least in two Exercises including the initial training before.

2.6 Management of expectations in the build-up phase

The basic idea of the pro-poor PACA approach is to help local actors helping themselves, mostly based on locally available resources. Thus in the case of applying this methodology, management of expectations is difficult, but crucially important. If the whole exercise is driven and financed by a local organisation, management of expectations is still important, but easier. The local community knows that the locally available funds are limited.

However, if an external provincial or even national government agency or a donor is involved, it usually finances the whole appraisal exercise, but does not come with a big bag of money to finance all follow-up activities and solve local problems. An external agency needs to point out from the beginning that it would not be in the position to support the implementation of all pro-poor proposals coming out of the appraisal. The main challenge is thus to avoid the perception that this is an externally driven project, where external actors take the lead. This message must be communicated loud, clear and consistently from the very first moment.

Consequently, the external agency needs to avoid raising any financial expectations among the local actors, such as making available some kind of investment or financial aid after the appraisal (as we have observed in the pilot application in Ba Thuoc district). Rather, the local team members should be encouraged to come up with proposals that are directly linked with their organisations' mandate so that they would rely on their own financial resources.

On the other hand, some outside support (if available), even if it is only the financing of some small training activities or providing some seed money for proposals relating to business promotion would demonstrate to local actors that pro-poor LED could work and make a difference by better including poor people into markets. This would help to increase their willingness to take ownership and commitment for implementing further activities on their own.

2.7 Collecting Advance Information

Before the Exercise it is important to gather advance information and available data, i.e. prepare the diagnostic in terms of content. This is often not easy, also because the final sector selection will only be done during the Exercise. Nevertheless it is important to get an early picture on relevant economic sub-sectors in the location, the employment situation in the formal and informal sector and the poverty situation in the locality. Information can often be detected in regional or local statistics, studies of local institutions and consultant's reports previously prepared and financed by donors or national agencies.

The following checklist should be sent to the local counterparts some time before starting the Exercise in order to get crucial advance information about the locality. The relevant information should be gathered by the Host and should be made available to the external team members at least two weeks before the start of the Exercise.

General Information on the Location

- Number of inhabitants
- Ethnic composition of population
- Poverty rates, also by ethnic groups
- Approximate number of enterprises (by size and employees)
- Most important sub-sectors and value-chains
- Existing large or nationally/regionally important enterprises
- Existing meso-institutions in the fields of education/vocational training, technology and extension (industry and agriculture), financing, associations, chambers of commerce and industry, trade unions etc.
- Political actors and conflicts
- Specific advantages and disadvantages of the region as such (natural resources etc.)
- Unusual inputs, products, processes and demand in the location
- Availability and quality of infrastructure
- Economic situation, historical strengths, dynamic sectors
- Existing studies on location

In analysing these data, the team should try to answer some main questions

- What is the economic structure of the locality? What are the main sources of employment and income?
- What are the main tendencies? In which sub-sectors employment is increasing or decreasing? How are important sub-sectors doing, and how is their financial viability?

- What is the poverty situation in the location and how did the poverty rate develop in recent years? What are the dominant economic activities of poor people?
- What is the situation of entrepreneurship? Are micro-enterprises rather survivalists or are they growth-oriented?

Moreover, it is important to identify female entrepreneurs and entrepreneurial groups in the location from the beginning of the process and keep them involved at relevant steps. Gathering more information about the gender-related profile of the community particularly around “who does what” in the economic sectors as part of profiling of how women and men are involved in economic-related activities.

Based on this, the team should formulate a first set of hypotheses which describes the reality and possible strong and weak points of the locality, as well as consider possible proposals, based on available national and international experience.

2.8 Preparation of Exercise Schedule

In short, the main steps in a pro-poor PACA Exercise look like this (see also figure 2 below):

- Hypotheses Workshop, brief training of the team and final preparation (days 1-3)
- Kick-off workshop (morning), final preparation of field work (afternoon) (day 4)
- Fieldwork: mini-workshop, interviews, mini-surveys, interim assessments (days 5-10)
- Results workshop (day 10 and 11)
- Presentation event and 1st way-forward workshop (afternoon) (day 12)

Figure 2: Sequence of activities in pro-poor PACA

A more detailed tentative schedule should be prepared early by the experienced consultant and with the local host who organises the work, preferably face-to-face. The availability of a detailed schedule (as shown in the table below) will also facilitate the necessary preparatory discussions with the host about the concept, contents, and logistics of the Exercise.

Ideally, the exercise starts on a Monday and runs until the Friday of the following week. It is advisable to give the team at least 1 or 1.5 days off during the weekend in the middle of the Exercise.

Overall Exercise Schedule		
Day	Time	Activities
Monday	Morning	Meeting of the team with the local host
	Afternoon	Extended Hypothesis Workshop (introduction, mapping exercises, start organizing the analysis)
Tuesday	Morning & Afternoon	Extended Hypothesis Workshop including training sessions for analysis team (only for analysis team)
Wednesday	Morning	Extended Hypothesis Workshop including training sessions for analysis team (only for analysis team)
	Afternoon	Preparation of Kick-off Workshop
Thursday	Morning	Kick-off workshop (selection of products/sectors with pro-poor potential)
	Afternoon	Internal meeting of appraisal team (Evaluation kick-off workshop, preparation of next steps)
Friday	Morning	Workshop with local supporting institutions

	Afternoon	Interviews with local collectors & traders
	Afternoon	Interviews with local collectors & traders
Saturday	Morning	Interim Assessment (with appraisal team)
Sunday		FREE!
Monday	Morning	Mini-Workshop (with producers or farmers of selected sub-sectors) / parallel Interviews
	Afternoon	Mini-Workshop (with producers or farmers of selected sub-sectors) / parallel Interviews
	Afternoon	Interviews
Tuesday	Morning	Mini-Workshop (with producers or farmers of selected sub-sectors) / parallel Interviews
	Afternoon	Mini-Workshop (with producers or farmers of selected sub-sectors) / parallel Interviews
	Afternoon	Interim Assessment (with appraisal team)
Wednesday	Morning	Interviews
	Afternoon	Results Workshop with appraisal team (finalizing and reading minutes of interviews and mini-workshops)
Thursday	Morning & Afternoon	Results Workshop with analysis team (including preparation for final presentation)
Friday	Morning	Presentation Event (large event)
	Afternoon	1st exemplary Way-forward Workshop (with selected stakeholders)

In a pro-poor PACA Exercise the selection of the specific sub-sectors / products with pro-poor potential becomes part of the process and takes place during the initial phase of the exercise. The facilitators utilize the collective knowledge of the participants from all relevant public and private sectors at the Kick-off Workshop to determine the sub-sectors to look at in detail during the process that follows. Only after that, the team exactly knows who to invite for the mini-workshops and with whom to appoint interviews. The first mini-workshop with supporting institutions is an exception. This also means that most activities (mini-workshops, interviews) have been organised during the process and on a very short notice. However, at least in the Vietnamese context, this is perfectly possible.

It should be discussed with the host relatively early about who should be invited to the kick-off workshop, and which organisations to invite for the Mini-workshop with supporting institutions and what persons to need to be interviewed in any case.

The following actors should be invited to the **Kick-off workshop**:

- representatives of different sub-sectors

- representatives of local government,
- representatives of training institutions, universities, technical institutions, extension agencies, and other such institutions,
- representatives of SME promotion and other business support organisations,
- representatives of business and important professional associations (e.g. associations of micro and small firms, farmers association, sector associations),
- representatives of trade unions, community organisations, and other non-governmental organisations which may have an interest in economic and poverty issues,
- representatives of local banks and important firms,
- representatives of the local and regional media. Information on the whole project should be disseminated among the media in advance. It is useful for the course of the fieldwork if the Exercise has been advertised by the local media.

Participating institutions, organizations, agencies, companies etc should be encouraged to send both male and female representatives for the workshop.

The suggested time schedule above plans the Kick-off workshop for Thursday morning. This worked well in previous exercises. In any case, Monday morning is the worst time for a Kick-off Workshop, as here neither government leaders nor firm representatives are available.

It is crucial to organise the **Mini-workshop** with supporting institutions in advance, as in poor rural areas the number of supporting institutions is limited anyway and the invitees are usually independent from the sub-sectors later selected. Invitees to this mini-workshop should be a group of about twelve to fifteen representatives of a variety of agencies. The types of supporting institutions to be invited are:

- Head of District Government
- Local Department of Industry
- Local Department of Trade
- Local Department of Labour and Social Issues
- Commune governments
- Important business associations (e.g. farmer associations, tourism association etc.)
- Agricultural extension centres
- Industrial extension centres
- Research institutions

- Training institutions
- NGOs
- Banks
- Local support funds
- Relevant mass organisations

In terms of selecting the venue, it should not be too difficult for the participants to get there (e.g. in terms of distance) and it should be spatial enough to accommodate a group of 25 people (participants and the team).

When selecting firms, organisations, and persons for the first 5-10 **Interviews** (before knowing about the selected sub-sectors), the following should be considered:

- Leading firms (in terms of size and competitiveness)
- "Typical" traders of different products.
- Firms which have a specific perception of the local business situation, such as banks or suppliers of key inputs.
- Supporting institutions, like the local chamber of commerce and industry, important business associations and trade unions, professional associations, SME support organisations and donor agencies operating in the location.
- Local government representatives, preferably the head of the location, the officer in charge of economic development and the one in charge of poverty reduction, and representatives of other branches of local government which are relevant for firms and poor people.
- Key informants, for instance journalists or retired persons who were in important political, administrative, or private sector positions in the past.

It is important to point out that in most cases you need to visit these people. You conduct most of the interviews on their premises, be it a business, a training centre or whatever else. One of the purposes of the interview is to get a first-hand idea of what producers, farmers and organisations actually look like – how large or small they are, what kind of premises they have, what kind of technologies they employ, how poor they are etc.

What should be the ratio between interviews and Mini-workshops? A rule of thumb would be to conduct four to five times as many interviews as mini-workshops.

When making appointments for interviews or inviting people to Mini-workshops, you will often need to convince people to join by explaining them how they can benefit. You would tell them:

- The Exercise will contribute to an improvement of the local business environment, which will benefit the person's economic activities
- The Exercise often helps locals to recognize business opportunities
- The Exercise, and in particular the different workshops, are great opportunities to share concerns and raise one's own voice.

2.9 Checklist for Equipment and Material

For conducting the Exercise, the following basic material and equipment are needed:

Equipment	**#**
Pin-boards	2-4
Flipchart	1-2
Personal Computer / Notebook	3-5
Printer	1
LCD beamer (for PowerPoint Presentations)	1
Digital Photo Cameras	1-2
Copy Machine	1
Materials	**#**
Brown or White Kraft Paper (118 x 140 cm)	60 Sheets
Flipchart paper (72 x 99 cm.)	50 Sheets
Rectangular cards in 3-5 colours (9.5 x 20.5 cm.)	8.000
Black Markers (with 2-6 mm. pen stroke)	100
Markers in different other colours (blue, green)	20
Pins (∅ 6 cm.)	600
Masking Tape (2.5 mm stroke)	10 rolls
Glue sticks	15
A4 paper in white (80 g/ m2)	1.000 Sheets
Pencils	50
Scissors	2

2.10 Gender equity in Pro-poor PACA

Women take part in economic activities as small producers, workers, service providers or consumers. However, they often face additional challenges that men do not face: balance between work and family life, discrimination in income and career opportunities, sexual harassment by male colleagues and superiors, lack of recognition due to cultural barriers, inability to buy and own property such as land, bearing and raising of children and the subsequent absence from work, etc.

These challenges affect the way economic systems work and compete. Fair and equal treatment of men and women alike (gender equity) is essential for exploiting the potential of human resources; it is essential for creating a productive and innovative working environment. LED research and analysis can help to understand the position of women in the local economies, as well as the underlying systemic constraints that prevent them from entering the mainstream economy or finding access to the same job and income opportunities as men. In this manual The following text is quoted from the World Vision Australia's discussion paper Engendering Local Economic Development (Ratnayake et al. 2009). It provides an idea in how far PACA can contribute to gender equity.

Successful local economic development must be based on the active involvement of those stakeholders who are relevant for economic development i.e. have relevant resources at their disposal (know-how, money, time, delivery capacity etc.). PACA is an example for such an involvement. Due to the following features PACA has the potential to empower women, as it

- applies in locations where comparatively many economically cornered groups live
- banks on the strong participation of local stakeholders
- gather economic / business information directly from the relevant stakeholders in the field
- organizes field programs / discussions as per the exclusive demand of the local stakeholders
- espouse a combination of top-down and bottom up approaches which is conducive to engaging women more
- can provide an opportunity for women to have access to market information and services
- will recognize women's contribution to the economy by giving women's participation in the PACA exercise a serious consideration
- can pull groups into the formal economy and create opportunities
- involves a couple of shrewd tools that favour the inclusion of less privileged or marginalized groups. Maximizing half of the population to be more economically active will mean more to the community and the country.

In various chapters of this manual the reader finds advice on how to consider gender issues in a pro-poor PACA process. In addition, here are some general recommendations:

- General gender sensitization for local stakeholders
- Make sure that women are on the PACA team
- Consider gender issues for sub-sector selection by focusing on sectors where women are disproportionally present
- Increase female participation intentionally, e.g. through timing of meetings, invitation targeting, monitoring
- Tailor PACA activities to suit both men and women
- Enumerate participants by gender in the various PACA events
- Meaningful participation of women (not only presence, but also opinions of women are articulated and heard)
- Create opportunities for women to participate separate from men
- In the analysis process identify gender-specific barriers and issues
- PACA activities could include the advocacy of changing policies to become more inclusive, promote business among women entrepreneurs and other gender-sensitive activities
- Ensure gender equity in leadership positions and development committees

Most Frequent Errors

Frequent Errors	How to avoid?
Local institutions put very junior staff on the team	The external experienced facilitator persuades the Host that junior staff will not be capable to meet the challenges of a full time team member, e.g. by showing the exercise video from Dak Nong to underline his argumentation about the requirements of team members
Team members are only partially available	The external experienced facilitator needs to point out clearly that all team members need to be available full time for 2 weeks. The full availability of all team members needs to be rechecked at the beginning of the Hypotheses & Training workshop and noted down in the 'Code of Conduct'
Invites for the Kick-off workshop are only or mostly from public sector only	The external facilitator discusses the list of invitees for the Kick-off workshop with the Host and ensures that public and private actors are involved, such as owners of bigger enterprises, of important SMEs, representatives of associations etc.
The 1st mini-workshop with supporting institutions has not been organised in advance	The external facilitator supports the Host in preparing this first mini-workshop with support institutions early on (which can be organised even before knowing the economic sub-sectors to analyse). The organisation of the mini-workshop with supporting institutions needs to be rechecked at the beginning of the Hypotheses & Training workshop.
The first few interviews with knowledgeable local individuals are not organised in advance	The external facilitator supports the Host in preparing the first few interviews (that can be organised even before knowing the economic sub-sectors to analyse). The organisation of the interviews with very knowledgeable individuals needs to be rechecked at the beginning of the Hypotheses & Training workshop.

3 The Hypotheses & Training Workshop

Main insights:

- The Hypotheses Workshop is an excellent opportunity for the team to align their understanding of the methodology and discuss expectations of the upcoming Exercise
- Allocate enough time to the Hypotheses Workshop, as it equips the team with necessary facilitation skills as well as economic and poverty-related concepts
- The Hypotheses Workshop supports the team building process and can contribute a lot to a positive dynamic of the team

3.1 Why Hypotheses & Training Workshop?

The Hypotheses Workshop is often the time and place where the entire team – the external consultant/trainer and the local team members – meet for the first time. The main purpose of the workshop is (1) to equip the team with all necessary skills and concepts they need to successfully conduct the Exercise and (2) to formulate hypotheses. Moreover, it is an occasion to align the understanding of the methodology and the expectations regarding the upcoming Exercise. It is also the appropriate time and place to assure that the team has a good start in terms of team spirit and cohesion, and a constructive way of dealing with group dynamics.

In detail, it is the purpose of the Hypotheses & Training Workshop to:

- discuss the status of preparation
- give input on LED and poverty concepts
- provide clear and detailed guidance on the pro-poor appraisal approach
- get a shared understanding (hypotheses) of the expectations in the team of the analysis process, of the economic and social situation in the location (including the key actors involved) and on possible proposals that might come out
- work on the team building and define a code of conduct within the team
- create a base of reference for the next steps of work

Besides, the Hypotheses Workshop is a good environment for local team members to acquire some facilitation and visualisation skills. It is important to make sure that in the course of the workshop each team member is actually and repeatedly facilitating.

At the end of the Hypotheses Workshop, the team members should be aware of the concepts, methodology and skills required, and need to have become qualified to participate in the fieldwork. The results of the discussions during the Hypotheses Workshop are formulated into hypotheses that guide the team through the exercise (see section 3.3 below).

The initial training input should cover all sub-sequent steps to give the team a proper guidance and understanding of the process beforehand. This includes the provision of all handouts of workshop formats and guidelines to be used during the exercise already during the training phase.

Experience shows that the external lead facilitator needs to give some further training inputs in parallel to the ongoing appraisal exercise. Type and content of this ongoing training input need to be decided by the lead facilitator and depend on issues and weaknesses observed in the team. This could include topical issues (e.g. understanding market failures, business opportunities, poverty concepts, value chain comcepts etc.) or facilitation skills (workshop moderation, interviewing skills etc.).

3.2 Structure of Hypotheses Workshop

Duration and structure of the Hypotheses Workshop depends on the composition of the team. If a majority of the team members know the approach and the basic concepts and skills required, the necessity of training input is significantly smaller, and the workshop can really focus on formulating hypotheses. In this first scenario, the workshop can be reduced to 1-2 days. If the team is widely inexperienced in this kind of appraisal exercise, the workshop should be extended to at least for 3 days.

The following table shows the typical structure of a 3-day Hypotheses Workshop, including facilitation training, conceptual training and formulating hypotheses.

Minutes	*What?*	*Who facilitates?*	*How?*
Day 1			
60’	Meeting with Host	Host, Donor, external consultants	Verbal discussion
30'	Set-up of Training Room, Welcome Team	Trainer	
45’	Self-Presentation of participants: Name, organisation, position, experience with LED, experience with poverty reduction	Team	Mesocards
15’	Introduction to Mesocard technique	Trainer	Mesocards
30’	Explanation of overall exercise agenda	Trainer	Mesocards / Flipchart
30’	Discussion of status of preparation, including invitees for kick-off workshop and interview appointments	Trainer	Verbal discussion
90’	Lunch		
45’	Hypotheses: What are your personal expectations regarding this exercise?	Trainer & 2 volunteers	Mesocards
45’	Input on distinction between social, economic and intrastructure activities at the local level	Trainer	Mesocards / Flipchart
45’	Mapping of stakeholders by economic activities	Local team members	Mapping on the floor
30’	Presentation of stakeholder maps	Local team members	Verbal

Day 2			
45’	Hypotheses: What is the competitive advantage of your location?	Team (volunteers)	Mesocards (Group by natural resources, generic advantages and unique advantages)
45’	Hypotheses: Why is the location considered ‘poor’ in the national context?	Team (volunteers)	Mesocards
60’	Input on basic poverty concepts	Trainer	Mesocards / Flipchart
45’	Discussion of production patterns and poverty situation by sub-area in the district	Local team members	Using geographical district map
45’	Hypotheses: what are recent or ongoing social and economic support activities in the district?	Trainer & 2 volunteers	Mesocard
15’	Input on the difference of consultant, facilitator, trainer	Trainer	Verbal
90’	Lunch		
45’	Hypotheses: What do we expect to be the main results of the Exercise?	Team (volunteers)	Mesocards
45’	Hypotheses: What do we expect to be the main proposals for activities at the end of this Exercise?	Team (volunteers)	Mesocards
45’	Input on Porter’s 5 Forces and modified Porter’s 5 Forces	Trainer	Mesocard
90’	Simulated Mini-workshop (tool: modified Porter’s 5 Forces)	Trainer, Team	Mesocards
30’	Input on Mini-Workshop Facilitation and Interviewing	Trainer	Verbal
Day 3			
30’	What are the main insights from the mini-workshop simulation yesterday?	Team (volunteers)	Mesocards
30’	Brief introduction to the mini-workshop format with supporting institutions	Trainer	Verbal
30’	What is a market?	Trainer	Verbal
30’	What is a value chain?	Trainer	Verbal
45’	Input on basic concepts of markets and value chains (and their difference)	Trainer	

45’	Introduction to interview guidelines and interviewing techniques	Trainer	
60’	Role play: simulated interview and discussion on observations	Team members (volunteers): 1 interviewee, 2 interviewers	Using Interview Guide, Remaining team observes
15’	Defining a ‘Code of Conduct’ within the team	Trainer	Participatory definition of code of conduct on flip chart. All team members sign the ready ‘Code of Conduct’
90’	Lunch		
15’	Introduction to Kick-off Workshop Format	Trainer	Verbal
45’	What are the main products / services in the location?	Team (volunteers)	Mesocard / Indicate for each product/service whether traded on sport markets or in value chains
60’	Discussion on relevant products available in the location and on selection criteria	Trainer, Team members	Verbal (based on draft questionnaire for kick-off workshop)
30’	Revision of workshop agenda and questionnaire	Selected team members	On Computer
15’	Task allocation for kick-off workshop	Trainer	Verbal
30’	Checking venue for kick-off workshop	Team	Visit venue
30’	Preparation of presentation for kick-off workshop	Trainer	On Computer
30’	Preparation of excel assessment sheet for kick-off workshop	Selected team members	On Computer

The 3-day agenda of the hypotheses workshop needs to include:

- General introduction to the approach and the overall sequence of steps
- Various Mesocard exercises to let all team members practice facilitation and at the same time work on hypotheses

- Introduction to stakeholder mapping and preparation of stakeholder maps by the team
- Input on the concept of “Competitive Advantage”, concept of markets versus value chains and poverty concepts
- Sensitize the PACA team on gender and highlight the importance of addressing both male and female in PACA activities for better identification / motivation of right stakeholders to start off competitive economic activities.
- All training inputs should be combined with practical exercises revealing the situation in the specific location (hypotheses) with regard to comparative/competitive advantages[1], local products sold on markets or along value chains and the local poverty situation (reasons, extent, depth, geographical dimension)
- Input on Porter’s (modified) 5-Forces tool combined with a simulated 5-Forces mini-workshop facilitated by team members
- Formulating hypotheses on personal expectations, expected main findings and expected areas of proposals
- Explaining and technically preparing the kick-off workshop
- Agreement on a Code of Conduct within the team

Details on the economic and poverty-related conceptual training input are described in the Annexes 17 and 18.

3.3 Why formulating hypotheses?

From a topical perspective, the relevance of building hypotheses relates to the general observation that any researcher, anywhere never arrives with a clear plate. Whenever you see a place for the first time, you will start to form an opinion immediately, typically by comparing it with other, similar places you have seen elsewhere. For this reason, it is important that the external team members formulate their hypotheses.

For the local team members, the main purpose of building hypotheses is to make their perceptions of their local reality explicit, and to compare it with the perception of the other local team members.

Contrasting the initial perception of the external team members and the entrenched perception of the local team members is an effective means of initiating a very constructive discussion process within the team.

1 To put it in layperson’s terms: A competitive advantage is something you are really good at. A comparative advantage is something you are least clumsy at.

The Hypotheses Workshop is only the start of what must be an essential element of the team interaction during the Exercise. What all the team members will do during the exercise is one thing: trying to make sense of the various - and often contradicting - pieces of information, perceptions and opinions they get. It is essential to discuss this in the team – for instance during the interim assessments.

3.4 Mapping Exercise

Mapping is a useful technique to understand the structure of actors involved in a local economy, a cluster or a value chain. A very powerful technique is the Mapping on the Floor. It involves the following steps:

1. Local team members name relevant actors and their main activities and write them onto cards. The cards are put onto the floor in no particular order.

2. Some team members organise the cards on the floor, e.g. according to economic sectors and affiliation to the public and private sector.

3. Some team members lay down additional cards to indicate connections between actors, be they cooperation, be they conflicts. Cooperation and conflict may be indicated in different colours.

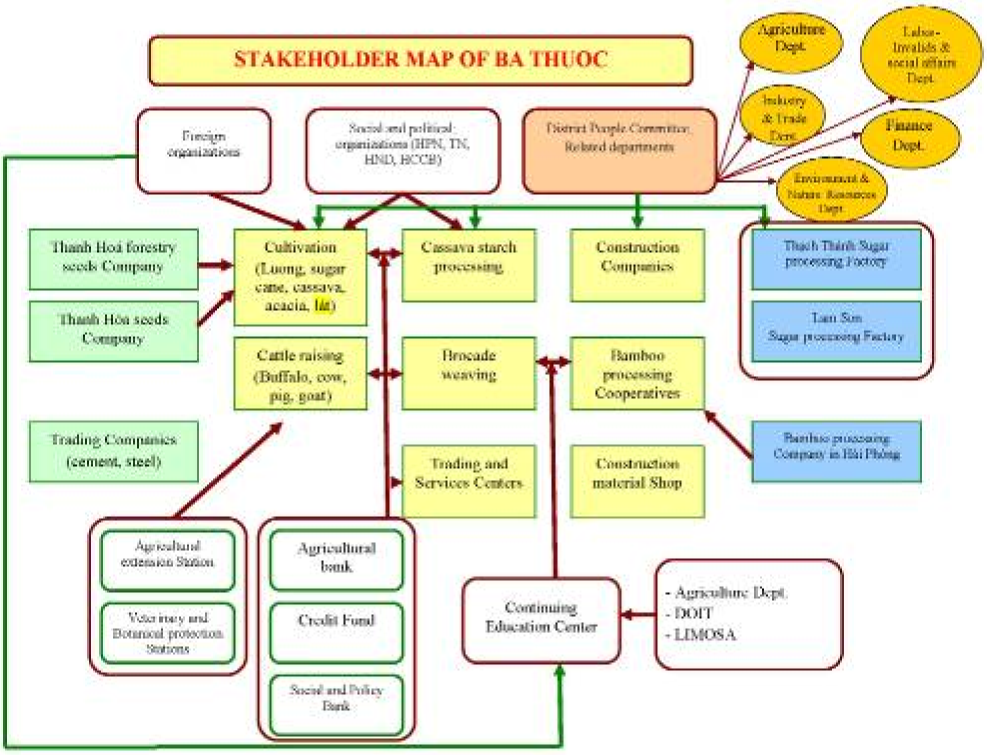
4. Some participants note on the connecting cards what type of relationship exists.

5. While some participants are on the floor, the others sit around them and make suggestions. Usually, we find that all participants are following this exercise with keen attention.

6. The result is the economic and stakeholder map of the location displaying key economic actors and their relationship among each other.

Mapping on the floor exercises in Thanh Hoa (left) and in Dak Nong (right)

Example: Economic Map of Ba Thuco District, Thanh Hoa Province, Vietnam (below)



3.5 Allocating tasks and roles within the team

What we would tend to emphasise – after some painful learning – is the importance of making the expectations of team members towards each other and towards the exercise explicit. We find that collaboration within the team is not always smooth, especially if the roles of each member are not clearly defined and the expectations and objectives are not aligned.

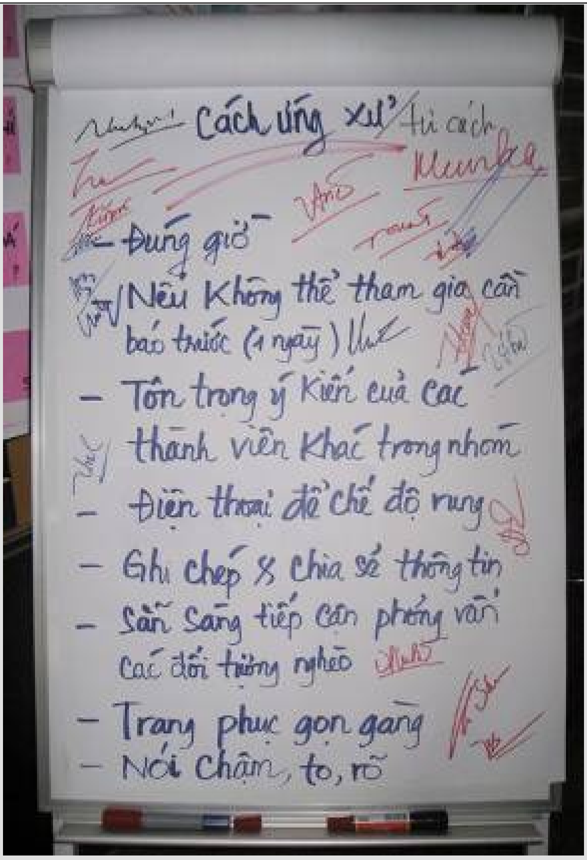
In this respect, it is generally recommendable to define rules of group interaction. This would refer to

- defining in advance regular meetings, where all the team members must be present, e.g. interim assessments of the results or technical meetings on fixed schedules.

- explicitly defining roles, for instance overall lead facilitator for the exercise, lead facilitator / assistant facilitator for mini-workshop, lead interviewer / assistant interviewer in interviews; this should be defined anew for each mini-workshop / interview, since each member should take the lead role from time to time,

- forming small sub-teams (2-3 team members) to go out for interviews and facilitate mini-workshops together. The sub-teams stay together for the whole field-work duration. Ideally, sub-teams are heterogeneous in terms of sex, level of experience in interviewing and facilitating and seniority. External team members should always be combined with local team members in one sub-team.

- defining a ‘code of conduct’ within the team that includes aspects like punctuality, early notice in the case of absence of a team member, sharing information, respecting other team member’s opinion etc.. The ‘code of conduct’ should be newly created by the team in a participatory way and then signed by all team members (see box below).



Code of Conduct:

- Being punctual
- Notifying about absence one days in advance (and only in emergency cases)
- Documenting & and sharing all information collected
- Turn off mobile phone tones
- Respecting the opinion of other team members
- Being ready to go to the field and (also) talk to poor people
- Decent dress
- Speak slowly, loud and clearly

Code of Conduct in Dak Nong Province, February 2009

3.6 Decision on Criteria for Sub-sector selection

Still during the final stage of the Hypotheses Workshop the team is made familiar with the format of the Kick-off Workshop. It is particularly important that the team brainstorms and agrees on economic and poverty reduction criteria to be used for the sub-sector selection during the Kick-off workshop. Previously used sets of criteria[2]: should be presented as examples and then discussed within the team, what criteria are most suitable for this specific Exercise. A typical set of criteria looks like this:

Economic Selection Criteria:

1. Providing the largest economic value at present

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[2] See Making Markets Work Better for the Poor (M4P) (2007), Schoen (2007), Schoen (2008) and unpublished draft paper on a pro-poor value chain selection workshop format of the GTZ-IFAD project *Poverty Reduction in Rural Areas* (PARA) implemented in Tra Vinh and Ha Tinh.

2. Highest growth potential (growth trends in recent years, unmet market demand)
3. Ease of market access
4. Showing greatest unique advantage over other locations
5. Offering value addition through processing or product improvement

Poverty Reduction Criteria:

6. Providing greatest income for the poor at present
7. Potential for labour-intensive production
8. Low barriers to entry for poor people (capital, skills, land)
9. Low risk of failure and quick returns
10. Offering income opportunities for women

In addition, it could also be an option to introduce a third set of criteria that covers environmental issue, a topic that is getting increasingly important in the context of sustainability.

The relevant products of the location together with the selected sets of selection criteria are then used to prepare the selection questionnaire for the Kick-off Workshop (see next section).

The team also needs to make a decision whether to weight the criteria due to importance or not. In the first two pilot applications in Than Hoa and Dak Nong we have used non-weighted criteria, assuming that all criteria are being equally important. However, there is the option to put a stronger weight on all poverty reduction criteria and/or on the gender criterion. A weighting can alter the final results significantly. If the team decides to weight the criteria, this must be made transparent to the local community.

Most Frequent Errors

Frequent Errors	How to avoid?
Not enough time is made available for the Hypotheses & Training Workshop	Depending on the experience of the individual team members, the Hypotheses and Training Workshop should last between 1 and 3 days (with ongoing training thereafter). In most cases we expect an internal 3-day workshop. This needs to be clearly communicated to the local Host.
The Host invites not only the team, but various other key stakeholders to the Hypotheses workshop (as it is the start of the exercise).	It needs to be clarified that the Hypotheses workshop is for the team only. If still more participants show up, the lead facilitator needs to improvise, e.g. by allowing some opening ceremony at the beginning, then shortly introducing the approach to all participants and running an exercise on the 'Competitive Advantages' of the location with all participants. After lunch of this first day, however, the workshop should continue with team members only.
Team members have problems to understand questions around 'expected results' or 'expected proposals'	In some cultural settings the concept of 'hypotheses' and 'expectations on future findings' is rather unknown. Here the lead facilitator needs to try formulating different Mesocard questions until the team comes up with the expected type of answers.

4 The Kick-off Workshop

Main insights:

- The Kick-off Workshop marks the beginning of the fieldwork. Its aim is
  - to inform local leaders and role-players about the upcoming Exercise,
  - to select sub-sectors with pro-poor income potential
  - to gather information and perceptions about the framework conditions of the local economy
- The format for the Kick-off Workshop is based on well-tested and robust sector selection procedures

4.1 Why Kick-off Workshop?

In order to start the pro-poor appraisal project, a Kick-off Workshop is organised with local actors. The workshop has three main objectives:

- to inform local stakeholders about the pro-poor appraisal process and to motivate them to support the process.
- to select one or more sub-sectors/products with pro-poor potential relevant for the location that will subsequently be analysed by the team
- and – to gather information from the participants about the availability and quality of framework conditions relevant for economic activities and poverty reduction in the location.

The workshop is organised by the local Host and facilitated by the full team. It may involve some ceremony, if local culture requires this. Long speeches at the Kick-off Workshop should be avoided. The Host is supposed to welcome the participants and signal the support to the process.

It is useful to have one team member as "Master of Ceremonies". S/he must have a clear understanding of the steps involved in the workshop and must make sure that there are no breaks between steps, for instance because the handover from one team-member to the next does not work.

4.2 Sequence of activities in the Kick-off Workshop

A typical kick-off workshop agenda looks like this.

Minutes	Activity	Who?	How?
30'	Reception		
05'	Welcome of participants of Exercise	Master of Ceremonies (MC)	
10'	Opening speech	Host	Brief Speech
10'	Explanation of Methodology and Exercise Process	Team leader	Flipchart or PowerPoint
10'	Explanation of Questionnaire for Product Selection and Task	Team member	Distribute Questionnaire and pens / Show Questionnaire on screen while explaining it
20'	Filling in of questionnaires by participants	Participants	

30'	Break		During break: 4-5 team members enter the questionnaire data into prepared excel sheets; one team member is combining all excel files and graphics with main results.
30'	Mesocard: What local framework conditions are particularly hampering the inclusion of poor people into markets and employment?	2-3 Team members	Explain the question while showing the relevant framework conditions on the screen throughout the exercise.
30'	Presentation of Results and Discussion	Team member	Using graphics to explain results; one team member takes notes during subsequent discussion.
15'	Explanation of next step	Team leader	
10'	Closing	Host	

The detailed structure of the Kick-off Workshop is as follows:

1. After a few introductory remarks, by the Host, the team leader explains briefly what pro-poor PACA is about – why poverty reduction through economic development efforts at the local level makes sense, what are the main features and instruments of the approach, and what kind of work will be done during the workshop and during the following days. This step should take no more than 10 minutes.

2. One team member explains the questionnaire for sub-sector selection (selected products/services, selection criteria) and the task of the participants how to fill it in. During the explanation each participant should have received a questionnaire and, in addition, the questionnaire is projected by the LCD beamer onto a screen visible for the participants. For each question, the participants are asked to select the three products / sub-sectors they believe to have the highest economic or pro-poor potential. Participants are requested to list them in order of priority, the one with the highest potential first. (Example: Total of sub-sectors for selection are labelled A to Y. Actual selection for one specific criterion: E, K, A, – where E is the one with the absolutely highest potential).

3. Thereafter, participants fill in the questionnaire (see example from the Ba Thuoc exercise below).

4. During the following tea break (30 minutes) and during the Mesocard question on framework conditions (30 minutes) 4-5 team members enter

the questionnaire data into prepared excel sheets and one team member is combining all excel files and preparing graphics with the main results: (1) results of average assessment of economic criteria, (2) results of average assessment of poverty reduction criteria and (3) results of average assessment of economic and poverty reduction criteria (showing always the 10 sub-sectors / products with highest rating).

5. Typically, the presentation of the results is stimulating a lively discussion among the participants. One team member is in charge to note down the main points of this discussion.

6. Finally, it is explained to the participants that the top-prioritised sub-sectors will be further investigated by the team during the following days through a series of interviews and mini-workshops. Moreover, an appropriate time for the final presentation is defined and/or announced.

Typical impressions from Kick-off Workshops
(upper photos: Thanh Hoa Province, Lower photos: Dak Nong Province, both Vietnam)

The following resources are necessary for the Kick-off Workshop:

- room with enough sitting space, where the seats are easily accessible so that distributing and collecting the mesocards is no problem
- wallspace to put up the written cards, which is visible from each place and not too distant; moveable pinboards are another option
- 30 mesocards per participant
- 1 black or blue marker for each participant
- 1 pen for each participant
- 1 questionnaire for each participant
- Kraft paper and adhesive tape to put up the cards (when using boards pins are required)
- 3-4 Notebooks
- Flip-chart

Questionnaire for Selecting Pro-Poor Economic Activities

Task: For each question, please select the 3 products / economic activities you believe to have the highest economic and pro-poor potential. Please list them in order of priority, the one with the highest potential first (Example: Total of products / economic activities for selection, labelled A to Y. Actual selection: E, K, A, – where E is the one with the absolutely highest potential).

Products / economic activities in Ba Thuoc District:

A	Rice	N	Cattle raising
B	Maize	0	Poultry raising
C	Cassava	P	Luong
D	Sugarcane	Q	Keo
E	Soybean	R	Lát
F	Sweet potato	S	Xoan
G	Peanut	T	Handicraft weaving
H	Herbal medicine	U	Rattan, bamboo handicraft
I	Long term fruit trees	V	Rock exploration
J	Short term fruit trees	W	Sand exploration
K	Vegetable	X	Pebble exploration
L	Sesame	Y	Brick production
M	Fish raising		

The **Questions** are divided into two sections: Economic Criteria and Poverty Reduction Criteria

Please fill in the top 3 products / economic activities that meet the criteria in the most suitable way. Please list them in order of priority:

Economic Criteria

1. Which products presently have the largest economic volume (VND) in Ba Thuoc district?
2. Which products have the highest growth potential (growth trends in recent years, unmet market demand)?
3. Which products show the easiest access to markets?
4. Which products show the greatest unique advantage over other locations?
5. Which products are offering value addition through processing or product improvement?

Poverty Reduction Criteria

6. Which products presently provide the greatest income for the poor?
7. Which products have the most labour-intensive production?
8. Which products show the lowest barriers for entry for poor people (low start-up costs, few assets, little capital, simple skills / qualification, small scale production)?
9. Which products have the lowest risk of failure, and provide the quickest returns?
10. Which products are offering most opportunities for woman?

Thank you for your participation!

Example of Kick-off Workshop questionnaire (Ba Thuoc 06/2008)

4.3 Excel Sheet for the Sub-Sector Selection Procedure (Example from Thanh Hoa, June 2008)

	Please fill in the total number of scores per Product	**Product**																								
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
	Economic Criteria – Which products...																									
1	..presently have the largest economic volume (VND) in the location?																									
2	..have the highest growth potential (growth trends in recent years, unmet market demand)?																									
3	..show the easiest access to markets?																									
4	..show the greatest unique advantage over other locations?																									
5	..are offering value addition through processing or product improvement?																									
Sum	= Sum Economic Criteria																									
Average	= Sum Economic Criteria / 5																									
	Poverty Reduction Criteria – Which products...																									
1	... presently provide the greatest income for the poor?																									
2	... have the most labour-intensive production?																									
3	... have the lowest barriers for entry of poor people (low start-up costs, few assets, little capital, simple skills / qualification, small scale production)?																									
4	... have the lowest risk of failure, and provide the quickest returns?																									
5	... provide the best opportunities for women?																									
Sum	= Sum Poverty Reduction Criteria																									
Average	= Sum Poverty Reduction Criteria / 5																									
	= Average Economic Criteria + Average Poverty Reduction Criteria																									

Box 2: Example of Results of Sub-Sector Selection

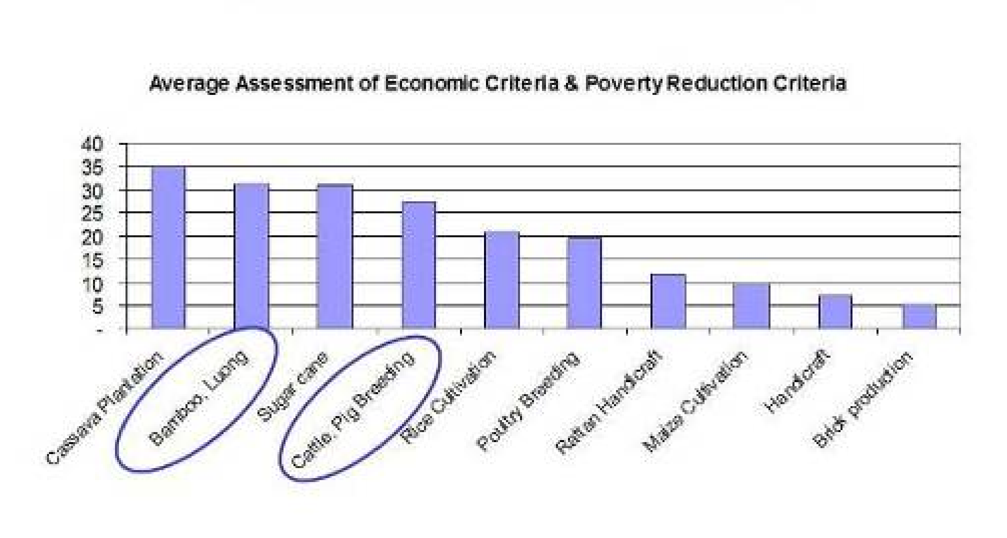


Figure 3: Average Assessment of Economic & Poverty Reduction Criteria at Kick-off Workshop in Ba Thuoc (June 2008) – 10 products with highest rating

The figure above shows the results of the product selection exercise in Ba Thuoc district. As the rating of the four products with the highest scores is very close and as it was not possible to analyse four sub-sectors within the given time frame of this rapid appraisal, the team convened after the Kick-off Workshop to select two out of four products by using the Pareto prioritization technique. We agreed to analyse the sub-sectors Luong plantation (a variety of Bamboo) and cattle breeding in detail. Cassava plantation that received the highest scores during the Kick-off workshop was discarded mainly due to its negative impact on the quality of the soil and thus lack of sustainability.

Most Frequent Errors

Frequent Errors	How to avoid?
The time of entering and processing the questionnaire data takes too long	The excel file for entering and processing the data should have been prepared in advance, the file is saved on various notebooks and all team members entering data have been briefed about this task. One team member with particular computer and MS Excel skills is in charge of doing the final processing.
Participants getting impatient while waiting for the presentation of the results	Usually, the tea break and the time while running the Mesocard question on framework conditions (in total about 1 hour) is sufficient to enter and process the data and prepare the presentation graphics. It the time still doesn't suffice, explain the next steps to be conducted after the Kick-off workshop and/or conduct an energizer with the audience and/or a brain teaser.
The answers to the Mesocard question on relevant framework conditions hampering pro-poor growth are too general	Reformulate the question, present a range of examples for possible answers and run the Mesocard exercise again.

5 Conducting Fieldwork

Main insights:

- The fieldwork is a short and intense experience
- Organise both, interviews and Mini-workshops and do that concurrently and alternately
- Use both interviews and mini-workshops to conduct the mini-surveys
- Reserve time for reflections and interims assessments during the fieldwork phase

5.1 Why and how to conduct fieldwork?

The fieldwork has five purposes:

- to understand the structure and performance of the local economy, including the position and role of poor people within the local setting,
- to understand the perception of the performance of local producers from their own perspective and from the traders'/buyers' perspective
- to identify possible activities to stimulate the local economy and to include poor people into economic activities and markets
- to identify organisations/enterprises and individuals who can take responsibility for the implementation of such activities
- to start stimulating networking between local actors, mainly by conducting mini-workshops.

The fieldwork typically lasts for 5-7 days and consists of a series of structured interviews, mini-workshops and mini-surveys. In section 2.8 above, we have mentioned a number of points regarding preparation, in particular selection of producers, traders, institutions and others to be interviewed. It is useful to leave some slots open for the last one or two days so that it is possible to fit in interviews with farmers, enterprises and organisations which are suggested in the interim assessments or come up during the last days of fieldwork.

Usually, the Host's representative on the team would call individuals, firms and institutions to make an appointment and would call again shortly before the interview to re-confirm the appointment. The preparation of mini-workshops proceeds in the same way.

During fieldwork, the sub-teams of two to three team members conduct interviews and facilitate mini-workshops. Each sub-team is documenting the interview and mini-workshop results by preparing minutes of meetings and workshop documentation respectively. Later, each sub-team is photocopying its documentations and distributing them among the whole team. In addition, the team leader is in charge of arranging the documentation of the results of mini-surveys on critical success factors in the selected sub-sectors and of the interim assessment discussion within the team. A proper documentation of all events and results during fieldwork helps the team in the Results Workshop as well as in the reporting phase to recapture the information collected.

In addition to the above aspects, there are some more rules around fieldwork that need to be considered:

- Check the expectations and the availability of each team member
- Allocate reflection time for members of the team: organised reflection on initial hypotheses and formulation of new hypotheses. This should be a facilitated exercises during fieldwork, e.g. during interim assessments.
- Open communication within the team (importance of facilitation, consistent use of Mesocards). Reserve time for at least 2 interims assessments during the phase of field research to interchange information and redefine hypotheses
- Respond flexibly to new interview and Mini-workshop opportunities. Maintain flexibility to include unexpected contacts for interviews and mini-workshops.
- Effort to spot possible champions for specific proposals. During fieldwork constantly assess the suitability of actors to drive the implementation of proposals and to become champions. Prepare a preliminary list of potential champions per sector (and later invitees to the way-forward workshops).
- Respect power structures and try to involve all relevant and powerful actors (e.g. prevent that they could damage specific activities, if not being involved in the process).
- Prepare the Mini-workshops including the materials in advance, and be there on time to receive the participants.
- Facilitation, not lecturing in mini-workshop; consistent application of mini-workshop formats.
- Follow (roughly) the interview guidelines and lead the interviews like conversations.
- Be critical during interviews, i.e. question indistinct and vague statements; don't be satisfied with superficial answers
- Advertise time and venue of Presentation Event in each interview and Mini-workshop.

5.2 Organising schedule and time table of the fieldwork

The duration of field-research depends on the size and complexity of the location. When selecting 1-2 subsectors and the travel distances are not too far, four fieldwork days should suffice. The graphic below presents a typical example, which shows the schedule of the Exercise in Ba Thuoc in June 2008 (the days for hypotheses workshop and kick-off workshop are not shown in this graphic). If you agree on more than 2 sectors, you also need to extend the number of fieldwork days.

	20-Jun	ST	21-Jun	22-Jun	23-Jun	ST	23-Jun	ST	24-Jun	ST	24-Jun	ST	25-Jun	ST	26-Jun	ST	27-Jun
08:00 10:00	Mini-WS Supp. Institutions	Tung & Ly	Interim Assessment	FREE	Mini-WS Luong Farmers	1 ALL			Mini-WS Cattle Farmers	2 4	Farmer (X) Trader (L) Veterinary Station Farmer (L)	1 3 1 3	Farmer (L) Agr. Bank Market Man. Agr. Dep. Farmer (L) Farmer (X) Farmer (X) V.Collect. (X)	1 2 3 4 1 2 3 4	Results Workshop	ALL	Present-ation Event
12:00																	
14:00 15:00 16:00	Thanh (L) Phuong (L) Cong (L) Bien (X) Su (X) Nguyen (L) Quan (L) Mau (X) Han (X)	1 2 3 4 2 1 2 3 4	FREE		Mini-WS Luong Traders	1 4	Social Bank Plant Protection World Vision Agr. Ext. Cent. Farmers Association Team Meeting	3 2 3 2 2	Mini-WS Cattle Traders Interim Assess.	2 4	Farmer (X) Farmer (X)	1 3	Results Workshop	ALL			1st Way-Forward Workshop
17:00																	
18:00																	

ST = Subteam L = Luong X = Cattle Raising

We have found that an adequate number of mini-workshops are four to five. If you analyse more than two sub-sectors, you can consider also conducting more mini-workshops. Note that interviews and Mini-workshops alternate. Each of them renders specific types of information, and they complement each other. There is no point in conducting first interviews and then Mini-workshops, or the other way around. Also note that you can conduct mini-workshops and interviews in parallel, to the extent that the team has a sufficient number of members and you divide the team in sub-teams as described above.

In the course of the fieldwork, it is useful to have frequent team meetings to exchange information and assess progress. This is particularly important if a large team conducts interviews and mini-workshops concurrently. This is perfectly possible, and very efficient. But it obviously creates a necessity to have frequent meetings to share information.

After every day of fieldwork it is recommendable to do the following in a team meeting:

- Interchange information about interviews and Mini-workshops (who, where, what sectors)
- Upgrade the overall fieldwork table
- Review fieldwork schedule (additional persons to interview?)
- Ask: What can we do better on the next day?
- Clarify logistics (including transport) and team coherence.

5.3 Interim Assessments during fieldwork

In addition to daily, short technical meetings, the team should organise at least two Interim Assessments. First, Interim Assessments can be used to give additional training inputs, e.g. on how to conduct structured interviews. Second, they offer a good format to revisit and reformulate hypotheses. And third, you can produce value chain or sub-sector maps on the sub-sectors selected in the kick-off workshop, to get a clearer picture on the actors involved and how they interact. Then, structured along the elements of the maps you can brainstorm on relevant information collected during the first few interviews conducted by the team. Based on both, the maps and the first interview results the team identifies the actors they still need to interact with in order to fill information gaps. The following table shows the possible structure of two ½ day interim assessments during the Exercise process. One interim assessment should be conducted directly after the kick-off workshop, the other one after the first one or two fieldwork days.

Interim Assessment 1 (1/2 day)			
60’	Assessment of Kick-off Workshop and agreement on sector selection	Trainer	If the team struggles to find a consensus, use Pareto on the top 5 sectors
15’	Input on the mini-survey and Critical Success Factors (CSF)	Trainer	Use CSF questionnaires from previous exercises as examples
45’	Identifying CSF from traders’ perspective for all selected sub-sectors: ‘*What are traders looking at when selecting their suppliers for a specific product/service?*’	Team members	Working groups
15’	Presentation of CSF & discussion	Representative of each working group	
15’	Forming sub-teams	Trainer	Each sub-team consists of 2-3 team members. Sub-teams should be heterogeneous in terms of gender, degree of experience, seniority and local/external
45’	Discussion on organising working schedule & tasks for the fieldwork	Full team	
Interim Assessment 2 (1/2 day)			
30’	Brief assessment of first interviews, mini-surveys and mini-workshop conducted	Lead facilitator	
30’	Input on Value Chain mapping techniques	Lead facilitator	Use GTZ’s Value Links Technique: mapping functions, operators and supporters.
45’	Mapping of the value chains / sub-sectors that have been selected during kick-off workshop	Full team	Working groups
20’	Presentation of maps by groups	Representative of	

		each working group	
45’	Mesocard: What relevant information did you learn about the selected sub-sectors yesterday?		Mesocard / Use different col-ours of cards for different sub-sectors
20’	Who do we need to interview next week additionally for each sub-sector?	Lead facilitator	Verbal
20’	What is the status of organising sub-sector specific mini-workshops for next week	Lead facilitator	Verbal
15’	Revisiting and adjusting the overall field work schedule	Lead facilitator	

Annex 13 describes in detail how value chain mapping works. Based on this section the lead facilitator can give his input on value chain mapping.

Interview Role Play in Dak Nong

Result of Brainstorming on CSF of wood traders in Dak Nong

Most Frequent Errors

Frequent Errors	How to avoid?
Team members rather choose the perspective of producers - instead of traders - when brainstorming on critical success factors (CSF) for each sub-sector	Emphasize before the brainstorming session that only the traders' view is relevant. Reconfirm that with the team when the CSF are presented after the group work. If it is still the producers' view that has been chosen, repeat the brainstorming on CSF in working groups.
Mini-workshops and interviews are not organised concurrently, but subsequently	Make sure that the experienced facilitator is involved in the planning of the overall time schedule of the exercise and that he/she highlights the importance of having interviews concurrently and alternately.
Mini-workshops are not properly organised	Make sure that the sub-team members responsible for organising and facilitating a specific mini-workshop exactly knows who and how to invite, that they reconfirm the invitation and have all material available at the beginning of the mini-workshop.

6 Fieldwork: Interviews & Mini-Surveys

Main insights:

- The main purpose of the interview is to learn about the local economy and the selected sub-sectors, the position of poor farmers and enterprises within the sub-sectors and the perceptions of economic players of each other.
- The interviews are more like conversations
- You use an interview guideline, not a questionnaire, for the main part of the interview
- Use the opportunity of interviews for conducting the mini-survey on the (self-)assessment of local producers in the selected sectors
- Properly document the results of interviews and make the minutes available to the whole team

6.1 Why Interviews?

Interviews are an essential part of the fieldwork and help to get in-depth information about the situation and the perceptions of players in the selected sub-sectors. The main purposes of interviews are:

- To understand the internal structure of enterprises and institutions
- To understand the specific socio-economic situation of poor farmers, producers and traders
- To understand how the various players fit into the sub-sectors / value chains
- To gather their perceptions of the local economy
- To assess their willingness to participate in (pro-poor) LED initiatives
- To motivate them to participate in (pro-poor) LED initiatives

Interviews help to deepen and verify information that has been collected in the kick-off workshop and previous mini-workshops.

It needs to be strongly emphasised from the beginning of an Exercise that talking to and interviewing poor and even very poor people is essential for the success of a pro-poor appraisal Exercise. Ultimately, the Poor are the main target group of the whole analysis. Thus, learning about their economic activities, their embeddedness in sub-sectors and links to value chains and their preparedness to take risks and grasp opportunities are all crucial pieces of information that need to be collected. The selection of the poor economic players to talk to, should start with a systematic identification of the poor when mapping the local economy and the selected sub-sectors or value chains.

In the pilot Exercise in Ba Thuoc district in June 2008, the team was highly motivated, eager to learn and well connected in the local community. However, most team members showed some reluctance to actually go into the field and talk to poor or even very poor people. We learned about this reservation only during the fieldwork. Finally, we could meet only a very small number of really poor people. One reason for this reluctance was that really poor families are usually located in remote and hilly areas of the district and thus more difficult to access. Another reason was that the local team members wanted to avoid being re-confronted with the typical complains and requests for help they have heard so many times before. Nonetheless, it is not sensible conducting a pro-poor appraisal and hardly talking to poor people.

6.2 How to prepare interviews

Interviews are conducted with several poor and non-poor enterprises, farmers and organisations as outlined above. Preferably, in larger enterprises you would try to interview the owner or manager and in a supporting institution the director. In preparing for the interview, there are two things you should consider:

- Topical preparation: Try to get advance information about the subsector, larger enterprise and institution you are going to visit. Local team members could provide valuable information, as they have usually interacted with the interviewees in the past. Also the various studies, statistics and consultants reports you have collected in advance might provide useful information. The more information you get in advance, the fewer questions you have to ask about basic features and the more time you have to discuss the really interesting things.

- Practical organisation: Before you go out to conduct the interview, make sure that you know exactly whom you want to talk to, and where to find him or her. Decide within the interviewer team who will take the lead and who will make the notes. Also make sure that you have your notebook and a spare pencil with you.

- When men and women groups form one economic sector are to be interviewed, do it separately. It provides better opportunities for weak groups to bring their ideas.

6.3 How to conduct interviews

There are two types of interviews: the conversation-interview and the structured interview. In general, both types are not based on a closed questionnaire. However, the interviews with farmers/producers and traders involve in addition the use of scoring techniques in order to receive the assessment of traders on the farmers/producers' performance and the farmers/producers' self-assessment. These mini-surveys are described in more detail below.

The interview guidelines used in the 'pro-poor PACA are based on the PACA interview guide, but substantially adjusted by simplifying the questions and by asking for activities to better include poor people into economic activities (for both guidelines see Interview Guide in Annex 15 and 16).

Let us first have a look at the two types of interviews: the conversation-interview and the structured interview.

6.3.1 Conversation-interview

In this interview format, the idea is to stimulate the interviewee to outline the structure and performance of his economic activities (farmers, enterprises) or support services (institutions), including its relationship with other organisations, and to give his/her view of the local political and economic situation. Instead of a questionnaire, the interview is based on a guideline to make sure that all important issues are touched upon. This type of interview is appropriate for team members who are experienced and confident in an interview situation.

What is the sequence or the dramaturgy of the interview? First, you explain why you asked for the interview and what the purpose of the interview is, namely to gather information which will feed into a diagnostic of the local economy and, based on that, into real activities to enhance the competitiveness of the location and generate more income for the poor. Second, there will be a warm-up phase. The purpose is to create an atmosphere which makes the interviewee feel comfortable to share information with the interviewers. There are different ways of doing this, such as having a bit of small talk or to ask the straightforward question “Could you tell us a bit about the history of your farm/enterprise/institution?”

We can distinguish four phases in the main part of the interview:

1. The first phase of the interview is around basic information about the farm/enterprise/institution: history, ownership structure, key numbers (such as number of employees, turnover), its main products or services, technology used, investments, certification according to international standards etc.

2. The second phase of the interview is specifically about the competitive position of the farm/enterprise/institution in a sub-sector or value chain. A useful tool in analysing this is a variation of Michael Porter’s Five Forces Analysis. The interview guide for farmers/enterprises includes this model, which you can show to the interviewee during the conversation. Make sure that you always take a copy of the printout of the interview guidelines along to the interviews.

3. The third phase of the interview addresses the embeddedness of the farm/enterprise in its local setting, in particular with respect to relations to supporting institutions (training, technology, extension services, promotion, finance etc.). This is also the moment to ask for ideas and proposals that would help the interviewee, farm or enterprise to generate more income.

4. Finally, you would show the prepared assessment table to the interviewee and ask him to use the five-point scale to rate his own performance

Porter's Five Forces Analysis

The Five Forces Analysis is an analytical concept developed by Michael Porter. It is a useful concept in analyzing the competitive position and strategic challenges of a company or a cluster. The five forces are:

1. *Rivalry among existing firms*. The main question is: Who are your competitors, and what are your competitive advantages and disadvantages?
2. *Bargaining power of suppliers*. The main questions are: Who are your suppliers, how many of them are there, how easy is it to find suppliers, and what is the bargaining power of you vis-à-vis your suppliers?
3. *Bargaining power of buyers*. The main questions are: Who are your customers, how many are there, is it easy to find customers, and what is your bargaining power vis-à-vis your customers?

What is meant by "bargaining power"? Take this example: In many industries, there are suppliers which have a quasi-monopoly. They charge the prices they want, and they deliver the amount and quality of products as it suits them, and at a time that suits them instead of their customer. So the customer has little bargaining power as he cannot threaten to switch to another supplier.

4. *Threat of new entrants*. The main questions are: How likely is it that new competitors selling the same product enter your business, who might they be, and what kind of advantage might they have?
5. *Threat of substitute products or services*. The main questions are: Is there a threat of substitute products which may be due to radical technical innovation or a radical change in consumers' behavior? (Examples: Synthetic fabric instead of silk, PC instead of type-writer, USB stick instead of floppy disk etc.)

Variation of Porter's Five Forces Analysis

For a pro-poor appraisal we use a variation of the Five Forces Model. In this modification, the forces 1 to 4 basically remain the same. But we substitute the question for substituting products with a different question on *barriers to entry*. We ask: If you tried to move into neighbouring business areas, what kind of obstacles would you face? By neighbouring business areas, we mean two things. First, how about starting a branch of your business in a neighbouring district? Second, how about broadening the scope of your business, say from producing cassava to also drying it? The answers to these questions would give us valuable information on barriers to entry, i.e. factors that stand in the way of realizing business opportunities.

(in case the interviewee is a farmers/producers) or alternatively to rate the performance of local farmers/producers (in case the interviewee is a trader/collector).

If the interviewee is very eloquent and willing to provide information, it is an option not to stick rigidly to the sequence but rather to stimulate the interviewee to unfold his particular argument, in the sequence s/he prefers and then to ask specific questions in order to touch upon issues s/he has not mentioned before. A typical observation is that in the first part of the interview, the interviewee will elaborate quite extensively on the issues which s/he finds most important. It is then the task of the interviewers to check which points in the guideline have already been addressed by the interviewee. Based on that, in the second part of the interview the interviewers will ask specifically about those points not mentioned spontaneously by the interviewee. Overall, it is a good estimate that the interviewer will talk no more than one third of the total time of the interview, and probably much less.

It is useful to keep some points in mind with respect to interviews / conversations:

- It may be that the interviewee has never been in this situation before, and therefore feels profoundly insecure as to how to behave and what to say. This is often particularly the case with poor farmers or processors. It depends largely on the sensitiveness of the interviewers to deal adequately with such a situation.

- Do not interrupt the interviewee too often. In fact, try not to interrupt at all, except if the s/he repeats himself or if s/he talks at length about issues which are irrelevant for your diagnosis.

- Do not ask suggestive questions, such as “How are your relationships with customers – highly conflictive?”. If you ask like this the interviewee may answer affirmatively, but out of politeness, not because s/he thinks that this is the correct response. Rather ask questions such as “How are your relationships with customers – do you have a trust-based relationship, or is it a conflictive relationship?”, i.e. questions where you give several options, so that you explain what the question is about without directing the response into one direction.

- It is useful for the interviewers to combine signals to be able to communicate non-verbally during the interview, for instance in a situation where one of the interviewers starts to dominate the discussion, e.g. unfolds his arguments rather than listening to the interviewee.

- It is crucial to take notes during the interviews, and it is preferable that at least two interviewers take notes to be able to verify varying perception about what the interviewee actually meant.

Interviews in Thanh Hoa and...

in Dak Nong Province, Vietnam

The typical duration of an interview is about one hour on average. When conducting it, it is important to remember one of the principles of PRA: direct contact to the field. In particular, this means that the interviewer should not just talk to a farmer or director of an institution but also ask to have a look at the farm or the facilities of the institution. This is important to check some of the information obtained in the conversation.

6.3.2 Structured interview

The structured interview is a format which is appropriate for less experienced interviewers. It does not have the conversation-like atmosphere of the format introduced above but is rather a question-and-answer exercise. It still is a qualitative interview. However, it is based on a clear sequence of issues, which is outlined in the table below and also reflected in the interview guidelines in Annexes 15 and 16).

Farmer / enterprise	Supporting Institution	Business Association, Chamber
1. Warm-up 2. General information: History, ownership, products, turnover, investment, no. of employees 3. Modified 5 Forces 4. Interaction with supporting institutions 5. Measures that would help the farm / enterprise 6. Assessment / self-assessment of farmers / producers on 5-point scale 6. Invitation to Presentation Event	1. Warm-up 2. History, no. of staff, profile of activities, main services & products, main customers & beneficiaries 3. Interaction matrix: Benefits and cost/risk of interaction between your institution and farmers/enterprises 4. What is your contribution to LED and to poverty reduction? 5. What measures would help to include poor people into markets and employment? 6. And how can your institution contribute to these measures? 7. Invitation to Presentation Event	1. Warm-up 2. History, profile of activities, membership data, main services 3. Discuss the virtuous circle of a business association with the interviewee 4. What is your contribution to LED and to poverty reduction? 5. What measures would help to include poor people into markets and employment? 6. And how can your organisation contribute to these measures? 7. Invitation to Presentation Event

Some of the issues mentioned in the table require clarification.

Farmer / enterprise interview: interaction with supporting institutions

The idea here is to address the interaction with different types of supporting institutions (training, finance, technology, SME promotion, business information; this includes associations, chambers and government) one by one, asking for both benefits and costs/risks of interaction. The benefit is what the enterprise/farmer/trader gets out of the interaction, such as training, technological upgrading or capital. The cost is what it has to pay, but also the opportunity cost. Typical risks include delays or getting exposed to informal charges.

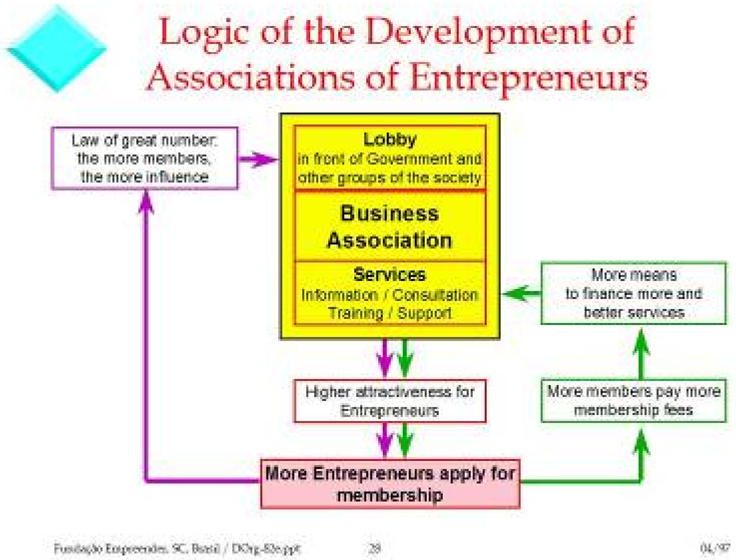
Supporting institution interview: Interaction Matrix

This is a tool which is explained in Annex 12.

Business Association / Chamber interview: Virtuous circle

The virtuous circle of the evolution of a business association is described in Figure 4. Any business association fulfils two roles: It represents the interests of its member firms (lobby), and it offers services to member firms (service).

Figure 4



The lobby-role is not exclusive, i.e. usually also non-members benefit from successful lobbying, so that there is an incentive for companies to free-ride. The service-role is exclusive, i.e. only members benefit. Therefore, the service-role is the key in creating an incentive to become a member.

Farmer / enterprise: Assessment / Self-assessment of producers' performance

This kind of mini-survey helps to introduce the market view into the analysis. The assessment/self-assessment of the performance of (poor) producers/farmers on a 5-point scale tries to identify the gaps in the self-perception of the farmers and those of outside actors and helps to come up with proposals to improve the farmers/producers' performance. It is important to note that it is always the performance of the farmer/producers, which is evaluated, even if different players are asked for the assessment (buyers/traders, farmer/producers). The mini-surveys are described in more detail in section 6.5 below.

6.3.3 Interviewing, learning and hypothesising

It is important for the interviewers to realise that a series of interviews involves a rapid learning process on their side. This gives rise to both opportunities and risks. For instance, one of the opportunities is the possibility to form hypotheses in the course of the interviews, and to discuss them with interviewees in subsequent interviews. Probably the most important risk is to confuse facts and perceptions. Interviewees usually share both, facts and perceptions, mental models, constructed reality, and the like. It is essential for the interviewer to figure out what information is based on personal experience, and what information is based on hearsay, common wisdom, and the like. By no means, should the interviewer assume uncritically the perceptions of the interviewees. In this respect, it is important to note that there is no reason for not contradicting interviewees, even though this may appear impolite in the view of the local culture. In fact, questioning views, perceptions, and mental models of interviewees can lead to important insights – actually on both sides. Interviews are also a learning opportunity for the interviewee, and may even occasionally lead the interviewee to question his mental models.

Taking these considerations into account, it becomes obvious why it is essential that local actors are not only involved as interviewees but also as interviewers (and, of course, in the elaboration of results). Finally, the team consists to a larger extent of local team members. Their active participation involves a particularly rapid learning experience, creates the conditions for them to present the main findings later on, and motivates them to take an active role in the implementation.

6.4 Documentation of Interviews

In order to capture and share the information and perceptions gathered in interviews by sub-teams, it is essential to prepare minutes of interviews. The sub-team should meet after the interview or in the evening after a series of interviews to jointly prepare the minutes. This can also evoke interesting discussions among the members of the sub-team about what the interviewee actually said and meant, and it leads to new hypotheses that can be tested in later interviews.

The interview minutes can be prepared in a hand-written form or electronically on a computer, depending on the skills and equipment of the team members. And all interview minutes should be structured in the same way to facilitate a quick reading by the whole team shortly before the results workshop.

The structure of the template for interview minutes should be made available by the team leader as MS Word file and as sufficient number of printouts. The template should be structured along the sequence of questions in the interview guideline and could look as follows:

1. General information on farmer / trader / company / institution / sector

2. Position of the farmer / company / institution in relation to its suppliers and customers (including types of relationship, bargaining power, volumes & prices)

3. Barriers to entry in same business (new market entrants) and barriers to entry in new business / neighbouring market (diversification)

4. Interaction with (other) supporting institutions, Government

5. Contribution to the development of the local economy and contribution to poverty reduction?

6. Proposals for support activities to improve the performance of farmers / traders / processors and reduce poverty

7. Reasons for the rating / producers assessment (Why is he/she rating the way he/she does)?

8. Further relevant topics discussed

9. Impressions from site visit

The team leader is in charge of collecting and numbering the interview minutes, ideally in the morning of the day after the interview took place. One day before the results workshop all interview minutes should have been printed and a sufficient number of copies prepared (one set of copies per team member).

6.5 Mini-surveys

6.5.1 Why Mini-surveys?

The mini-survey is based on the 'Learning from Global Buyers' approach from IDS in Sussex (Schmitz, Knorringa 1999) and helps to introduce the market view into the analysis. Typically, the fieldwork of a pro-poor income appraisal exercise is strongly limited to the boundaries of the location where it takes place. Usually there are neither funds nor time available for the team to travel to external buyers of the goods produced in the location. However, the view of the buyers (and thus of the market) for local products is essential to assess the local farmers/producers performance and to identify in how far they meet the market demand. But typically there are local traders and intermediaries operating in the location, who are collecting the products and sell them on to outside buyers. Local traders know very well about the demand of their external buyers and translate it into requirements on local products in the region. Thus, local traders are a very suitable source of information for assessing local producers' capacities and performance.

A mini-survey is an instrument to generate this assessment in a systematic way. It is important to not only ask the traders and intermediaries for their assessment, but also the farmers/producers themselves. In most cases, we can observe differences and gaps in the assessment of the traders and the producers. These gaps provide important information on the areas that need improvement in order to keep producers competitive or link them to new markets or market segments.

6.5.2 Preparing and Conducting Mini-Surveys

As each sub-sector is different, including the expectation on capacity and performance of producers, the team needs to formulate a set of critical success factors for each (in the Kick-off workshop) selected sub-sector.

In line with good practice of value chain research on the assessment of producers' competitiveness, an initial set of critical success factors (CSF) is identified based on information from desk research and on previous experience with similar studies. Subsequently, the critical success factors are tested and modified in pilot interviews with a few traders/collectors. The CSF address the question: *what are buyers/traders looking at when selecting their suppliers?*

Critical Success Factors (CSF) Sub-sector: *Cattle Breeding* Ba Thuoc District, June 2008	Critical Success Factors (CSF) Sub-sector: *Luong Plantation* Ba Thuoc District, June 2008
▪ Quality ▪ Price ▪ Trustworthiness ▪ Breed ▪ Hygiene and Food Safety	▪ Age ▪ Length ▪ Thickness ▪ Evenness ▪ Price ▪ Road Access
Critical Success Factors (CSF) Sub-sector: *Coffee Production* Dak Song District, February 2009	Critical Success Factors (CSF) Sub-sector: *Sweet Potato* Tuy Duc District, February 2009
▪ Humidity ▪ Ripeness of Beans ▪ Size and evenness of beans ▪ Other substances ▪ Credibility / Trust ▪ Price ▪ Product Quality ▪ Processing / Storing Techniques	▪ Seedlings ▪ Product Quality ▪ Price ▪ Food Hygiene and Safety ▪ Credibility / Trust

Those critical success factors are then used for the survey of a wider circle of traders in each sector on the current performance of the sector producers, who are their suppliers. At the same time, local producers/farmers are also requested to self-assess their performance based on the same set of critical success factors. A five-point scale for each of the critical success factors is used for the assessment. The same approach is used for all selected sub-sectors. Examples of critical success factors for the selected sub-sectors in Ba Thuoc district as well as an example of the survey instrument (questionnaire) are presented below.

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Please ask the traders whether these critical success factors are those they take into consideration when selecting their suppliers. Add sector-specific CSF, if mentioned by the buyers / traders.

Assessment of Critical Success Factors (CSF)

Sub-Sector: Cattle Breeding

Ba Thuoc CSF	**Weakness**		↔		**Strength**
	1	**2**	**3**	**4**	**5**
Quality					
Price					
Trustworthiness					
Breed					
Hygiene and Food Safety					

1 = very weak • 2 = weak • 3 = medium • 4 = good • 5 = excellent

Box 3: Survey instrument for cattle breeding sub-sector in Ba Thuoc, 2008

6.5.3 Processing of Survey Results

The survey results can be depicted in radar diagrams (which is standard graphic function in Microsoft Excel) showing the gaps between the assessment of traders and the self- assessment of producers. This gap analysis gives valuable information in which area local producers need to improve their performance and for which areas the team should come up with suitable and necessary proposals for activities. The radar diagram should be depicted in the final presentation.

The radar screen below shows the example of the assessment of the survey among cattle traders and their suppliers (cattle breeders) in Ba Thuoc district, Thanh Hoa province and the resulting gaps between traders' assessment and the breeders' self-assessment.

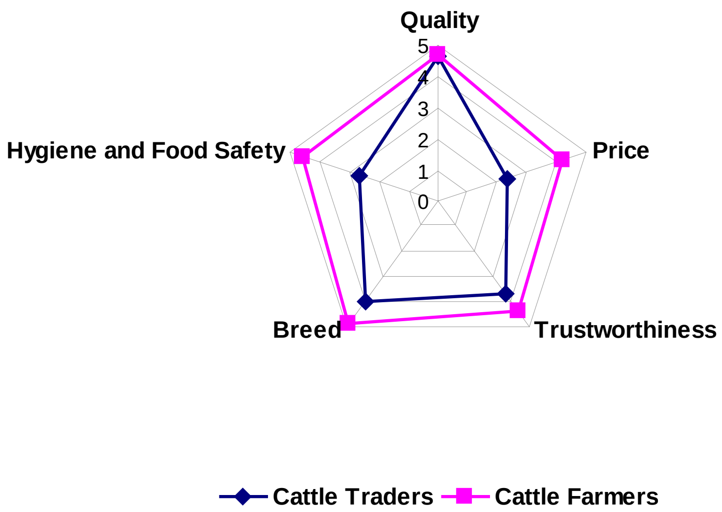


Figure 5: Radar Screen Assessment and gap analysis: Performance of Cattle Farmers from Traders' and Farmers' Perspective in Ba Thuoc, June 2008

The results of the trader/buyer survey and of the gap analysis need to be used systematically in the results workshop, especially when brainstorming on proposals for improving the performance of poor producers.

Most Frequent Errors

Frequent Errors	How to avoid?
Interviewers are satisfied with vague and superficial answers and do not dig deep enough	Conduct a role play in the Hypotheses & Training workshop and highlight during the assessment where the interviewers should have dug deeper.
Interview appointments are scheduled too tight, resulting in too short time available for each interview and hardly time for travelling between interview locations	The lead facilitator needs to review the interviewing schedule of each sub-team and supports the sub-team in assessing the feasibility of its schedule.
Interviewers are inviting interviewees instead of visiting them at their premises	In the Training workshop the lead facilitator needs to point out repeatedly the importance of visiting interviewees. When reviewing the interview schedule this needs to be rechecked again.
Interviews are not properly documented	Provide the team with a template document for documenting interview minutes. Check every morning whether the interviews of the previous day have been documented already. Set deadlines for submission of interview minutes.
The CSF for the producers assessment are not sufficiently cross-checked with traders in the respective sectors	Make sure that at least 2 traders of a specific product reviewed the CSF that have been drafted by the team before you go out for interviews.
The respondents in the mini-surveys do not indicate on the questionnaire whether they are traders or producers	Include tick boxes for producers/farmers and for traders on the CSF questionnaire and always check whether a box has been ticked by the respondent when collecting the questionnaire.

7 Fieldwork: Mini-workshops

Main insights:

- Mini-workshops are highly efficient means of information collection, because the facilitators extract information from a number of people at the same time.
- There are different Mini-workshop formats for different types of target groups
- The participants of a Mini-workshop should come from a homogeneous group of actors
- Mini-workshops also serve as a basis to do further 'research' into topics surfacing at the workshops (e.g. in Interviews).
- It is important that the participants to these workshops are carefully selected, to ensure that the righty groups attend. Obviously, it is even more important to ensure that the invitees actually turn up.
- As a positive side-effect, mini-workshops help connecting actors with similar characteristics
- Use the opportunity of mini-workshops with actors from sub-sectors for conducting the mini-survey on the (self-)assessment of local producers in the selected sectors

7.1 Why Mini-workshops?

The purpose of a Mini-workshop is to gather information about specific segments (sub-sectors, clusters, value chains, actor groups) of the local economy. It is more efficient than conducting interviews. At the same time, we must acknowledge that with this format we will miss some information that we would gather in an interview. This is why we conduct both interviews and mini-workshops.

Mini-workshops are particularly useful in cases where you have sub-sectors of the local economy with a large number of actors. For instance, if there are 100 coffee farmers, it is unlikely that you have the time to visit, say, 20 of them. Also, after the first few interviews the additional information you get out of each further interview would most likely be very limited. In this case, it is useful to have three or four interviews, to see what such an operation looks like and to get information which people would not mention in a mini-workshop, and then to organise a Mini-workshop with perhaps 10 to 15 people from this sub-sector.

Likewise, it is often useful to have a Mini-workshop with supporting institutions, for instance in skills development, agricultural extension or micro-finance.

The participants of a Mini-workshop (10- 15 participants) should come from a homogeneous group, e.g.

- one production sub-sector or service sub-sector
- a group of businesspeople who are homogeneous for other reasons, e.g. only farmers, processors or traders in a sub-sector,
- a group of representatives from a given type of supporting institutions, e.g. supporting institutions mainly dealing with poor farmers and enterprises

When organizing mini workshops, find the best time for both male and female entrepreneurs / stakeholders to participate. Due to day-time occupation of both male and female entrepreneurs, some interested participants may not join in the discussions. However, there is a need to go beyond the numbers-game and to ensure that male and female actors can participate substantially and meaningfully.

A Mini-workshop is meant to give an in-depth insight into specific segments of the local economy. This has implications for the structuring tools which can be used in a Mini-workshop. In the following, we will look at the two most important mini-workshop formats used in pro-poor appraisal exercises. Other workshop formats are described in Annex 12.

7.2 A Mini-workshop format using a variation of Porter's Five Forces Model

One format for a Mini-workshop involves a modified version of Porter's Five Forces model. This format is useful if you are working with a group of low income farmers and micro-enterprises.

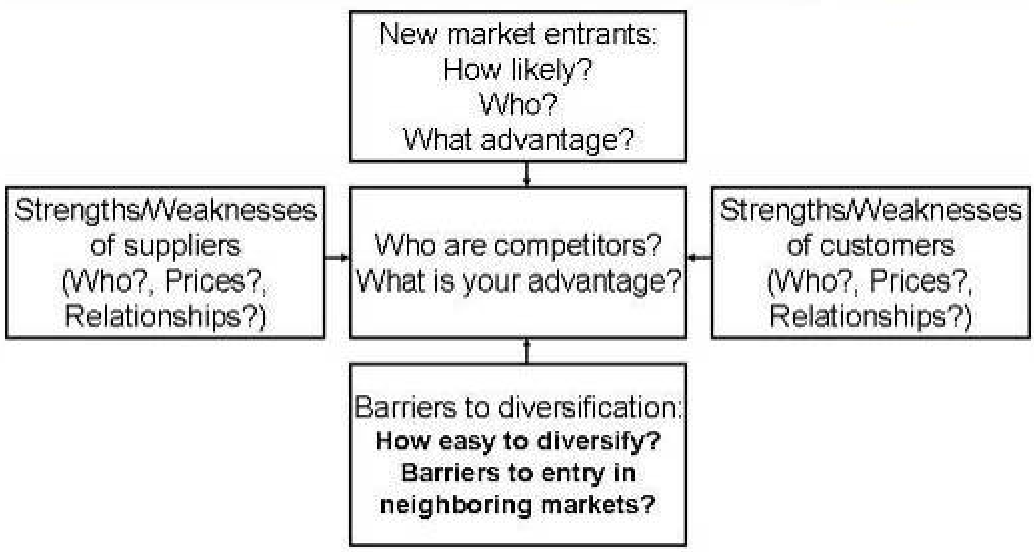


Figure 6: Modified Porter's Five Forces Model

Compared to Porter's original 5-Forces model, we modify the model to better suit our purposes (see Figure 6 above). To increase the understanding of the questions, the term 'bargaining power' is avoided in the supplier and customer forces and been replaced by 'strengths/weaknesses'. To get a more systematic assessment of barriers to market entry (for the poor), we add one more dimension to the 5 Forces by replacing the question for substitutive products by a different question (Meyer-Stamer, 2008). We ask: If you tried to move into neighbouring business areas, what kind of obstacles would you face? By neighbouring business areas, we mean two things. First, how about starting a branch of your business in a neighbouring district? Second, how about broadening the scope of your business, say from plantation to further processing? The answers to these questions can give us important information on barriers to entry for the poor, i.e. factors that stand in the way of including poor in economic activities and markets.

When explaining the modified 5-forces model at the beginning of the mini-workshop it is important to point out that the participants should take a collective sub-sector perspective and not an individual farmer/producer perspective, when answering the questions.

The Mesocard method is usually the most efficient tool to conduct this Mini-workshop. However, it sometimes happens that it is inadequate, especially if your group is much larger than 15 persons. In that case, an alternative option is to divide the group into smaller groups with four to eight participants and have each group note its observations on a sheet of flipchart paper or Kraft paper. You explain the 5 Forces concept to the group, divide it into smaller groups which discuss each of the five forces and write down their observations, and then have the groups report back. This format is particular useful with participants who do not speak a common language.

The structure of a Mesocard-based 5-Forces Mini-workshop is shown in the table below.

No of Activity	Time	Activity
1	10’	Welcome, presentation of participants
2	5’	Explanation of purpose of workshop
3	5’	Explanation of the modified 5-Forces Model
3	25’	Questions: Who are your competitors? What are your strengths and weaknesses compared to your competitors?
3	25’	Questions: Who are your suppliers? What are your strengths and weaknesses towards your suppliers?
3	25’	Questions: Who are your costumers? What are your strengths and weaknesses towards your customers?
4	20’	Questions: Who are possible new market entrants? What competitive advantages could they have?
5	20’	Questions: What are your limitations (barriers to entry) when trying to enter into neighbouring markets (neighbouring district, next production stage)?
6	20’	Question: What are support activities to generate more income for poor farmers/entrepreneurs?
7	15’	Show the value chain map (if you have prepared one) and discuss with the participants whether it is correct and reflects reality. Make sensible changes suggested by the participants.
8	10’	Distribute the CSF Assessment Table (mini-survey) and ask the participants to rate

9	5’	Closing and invitation to presentation event

Participatory Value Chain Mapping at a Mini-workshop in Dak Nong

In case you analyse a value chain in your exercise, the team would have mapped a draft value chain. In step 7 of the mini-workshop with traders/farmers or enterprises operating in the chain, you would show this draft map of the value chain on a board or on the screen and discuss with the participants whether it reflects their reality: are all actors and supporters involved shown in the map or are actors missing, are they correctly allocated to the functions in the chain? Who has the power in the chain? Where are the final markets and how does the final product look like? This participatory value chain (re-) mapping helps you to verify your understanding of the value chain and points put who else you need to involve in your exercise and – at the same time – is often insightful for the participants, who might have never seen the bigger picture in which their economic activities are embedded in.

Also, the mini-workshop with farmers/enterprises/traders should be used to receive more CSF assessment questionnaires filled in by the participants in step 8 of the workshop sequence. If you have both producers and traders attending the workshop, ask them to clearly indicate on the questionnaire whether they are a producer (farmer/enterprise) or a trader.

7.3 A Mini-workshop format for Supporting Institutions

For the mini-workshop with supporting institutions we have developed a format that pursues the following logic:

- Brainstorming on every-day problems in the selected sub-sectors
- Identification of those every-day problems that are particularly relevant for the poor
- Identification of support services offered by the support institutions
- Matching current support services (and their efficiency) with the every day problems relevant for the poor and identifying gaps
- Brainstorming on additional and more efficient support services that would help particularly the poor

The format of the mini-workshop with supporting institutions designed for this pro-poor appraisal is a combination of an adaptation of a mesopartner workshop format used to identify and remedy market failures and some elements taken from the sequence of steps in conducting the Compass of Local Competitiveness (Meyer-Stamer, 2007). The format proved to work well to identify support services of local institutions, assess their efficiency and identify gaps in the service provision to particularly poor people.

For this Mini-workshop you can invite a variety of supporting institutions (10-15 participants), such as local government departments, important business associations (e.g. farmer associations, tourism association etc.), agricultural extension centre, training institutions, NGOs, banks, local support funds, relevant mass organisations etc.

The detailed structure of this mini-workshop format is explained in the following table.

No. of Activity	Time	Activity	Remark
1	10’	Welcome, presentation of participants	
2	10’	Explanation of purpose of workshop	Explain that the purpose of the workshop is to find out about how support institutions are addressing the problems in the selected sectors and how these services can be improved, particularly for poor people.
3	30’	Question: What are typical everyday problems in the selected sectors?	Open brainstorming by using Mesocard, use different card colours for different kind of sub-sectors. Don’t forget to first explain the 3 basic rules of Mesocard technique.
4	20’	Organise responses according to the relevance for poor people	Discuss all problems mentioned by the participants and highlight those that are particularly problematic for poor people. Order the cards according to their relevance for the poor. Alternatively, use Pareto to identify the

			problems very relevant for the poor.
5	30’	Question: What are the support services offered by the support institutions in the selected sectors?	Use different card colours for different kind of sub-sectors. Order the cards randomly on an empty pin board..
6	20’	Allocate the cards to the problems identified before.	Per sub-sector: One column of cards consists of problems, one column of services allocated to the problems they try to solve and one column is empty in order to receive cards on suggestions for problem solutions.
7	30’	Facilitated working groups on the selected sub-sectors: • Discuss what current services are particularly effective • What problems are not or insufficiently addressed by support services? • What additional support services could be proposed that address the problems?	Match the problems with the current support services and identify new services. Start with those problems that are particularly relevant for the poor. Add the additional services to the board with problems and current services.
8	20’	Report back	
9	5’	Wrap up, explain next steps and invite participants for the presentation event.	

In the end of the workshop you would come up with a matrix, showing one column of cards consisting of daily business problems (sorted by relevance for the poor), one column of current ongoing services allocated to the problems which they try to solve and one column with suggestion for new services and support measures that help to solve more of the current problems. The matrix would look like below:

Daily Business Problems (for the Poor)	Current Services of Support Institutions	Proposals for Additional Services
Problem 1		
Problem 2		
Problem 3		
Problem ….		

Problem 1 is the one with the highest relevance for the Poor.


Mini-workshops in Ba Thuoc district, Thanh Hoa province


Mini-workshops in Dak Nong province

7.4 General observations on Mini-workshops

The facilitators in the Mini-workshop must not forget a few key points:

- At the beginning of the workshop, you have to explain what the Exercise is all about, what the purpose of this Mini-workshop is, how it fits into the bigger picture and why you invited the people you invited. When you explain the methodology, try your best to match the level of abstraction and the terminology the participants are comfortable with. Also, don't forget to present yourself.

- Do not lecture, but facilitate! It is important to explain the concept applied in a given Mini-workshop to the participants, but this should take no more than 10 minutes. After that, the facilitator may have to explain one or another aspect, but s/he should avoid talking more than 1-2 minutes at a time. The objective of a Mini-workshop is to get information from the participants, not the other way around.

- At the beginning of each step, distribute four to six Mesocards to each participant. If some participants need more cards, don't hesitate to distribute them.

- Read the cards aloud before pinning or taping them to the wall.

- Never criticise a card, neither for content nor for misspelling. If the meaning of a card is unclear, ask for clarification. If the author does not come forward to defend the card, drop the cards and continue in your work. One of the principles of Mesocard is anonymity, and it is essential to preserve this.

- If you note that a given card relates to another element of the Five Forces, mention this, fix it at a separate part of the wall and take it into account as you reach the respective step.

- Do not spend too much time during the workshop with oral discussion. If a discussion erupts about one point, try to convert it into a Mesocard-based discussion, where the participants are noting their contribution to the discussion on cards.

- In case much less participants show up than invited, let's say less than 5, you should consider replacing the workshop by conducting interviews with each participant individually.

- The sub-team facilitating a specific Mini-workshop should also be in charge of documenting the results. This can either be done by shooting a digital photo of the panel boards with all results or - even better – to write down or type the summarised results according to the sequence of questions asked. Later the Mini-workshop documentations will be printed, copied and distributed among the team members before the results workshop.

During a Mini-Workshop it is useful to split the participants into smaller working groups

- if the number of participants is large (> 15 participants);
- if there are language problems (i.e. some participants do not understand the "official" language). The working-groups operate in the local language but prepare the results of their work (e.g. the observations on the 5 Forces) in the official language.

Other options instruments in structuring a Mini-workshop include Interaction Matrix, Porter's Diamond, the SWOT model or mapping exercises (see Annex).

After each Mini-workshop, sit down in the team and identify possible project champions. Sometimes individuals in a Mini-workshop appear particularly keen and motivated to get involved, and wait only to be addressed. Don't hesitate to do that.

Most Frequent Errors

Frequent Errors	How to avoid?
The mini-workshops participants arriving for a sub-sector workshop are very heterogeneous	If there is a sufficient number of participants divide them into two rather homogenous groups and run two parallel mini-workshops. Alternatively, keep all participants in one group and change the workshop format (e.g. interaction matrix or supp. Institution format instead of Porter's 5 Forces)
The participants in a sub-sector mini-workshop are struggling to understand the 5-forces model	Have two different team members explaining the model and use very simple language.
Some participants do not understand the "official" language and the facilitators do not know how to cope with this situation	Divide the participants into two groups: one understanding the language and another group only speaking their indigenous language. Ask one or two team members who speak the indigenous language facilitating the second group.

8 Results Workshop

Main insights

- The purpose of the results workshop is to elaborate, in a short time, the main findings and proposals.
- Proposals are prioritised using four criteria:
  - feasible with local resources
  - potential to include poor people into markets and employment
  - quickly implementable
  - visible impact within three months.
- Schedule enough time for the Results Workshop (1-2 days).
- Discuss within the team: how could an adequate proposal be turned into a business opportunity? Avoid market distortion!

8.1 Why results workshop?

The preparation of the results starts long before the end of the field research. In fact, the interim assessments serve as formal team meetings to work on hypotheses and identify interim results in the course of the fieldwork. In other words, the preparation of results does not start from scratch after the end of the field research but is rather based on extended hypothesising during field research.

The results workshop is an internal exercise of the team. You start the preparation of results using the Mesocard technique, asking yourselves for main surprises during the field work. This is an adequate opening question which is then followed by questions on observations regarding each of the analysed sub-sectors. The result is a collection of cards with observations regarding the strengths and weaknesses of each sub-sector. It is also useful to raise some cross-cutting issues, like entrepreneurial spirit, the quality and responsiveness of supporting institutions, including local government. The next step is to discuss these cards. Moreover, if there are eight or more positive or negative observations on each sub-sector, it is useful to employ the Pareto method (putting points or ticks onto cards, with each participant having a number of points equivalent to 20 % of the total number of cards) to define priorities. The result of this is then transformed into a Powerpoint presentation. It is useful to include digital photos that you have taken during the fieldwork into this presentation.

The preparation of proposals follows the same sequence: Preparing Mesocards with proposals, discussing the proposals, defining priorities, and putting them into the same Powerpoint presentation. The first criterion for proposals, quite obviously, is that they make sense and are feasible. The second criterion is that it contributes to poverty reduction, i.e. it helps poor people generate additional income or become employable. There are, however, further important criteria. The majority of proposals should be implementable within a short period of time. The basic idea of the whole project is to create a virtuous circle: Implement certain proposals, have a positive impact within a short period of time (up to three months), thus reinforce the credi-

Leading questions for the diagnosis:

- Which pro-poor LED activities are already going on?
- What are the strong and weak points in selected sub-sectors / value chains?
- What elements in sub-sectors / value chains show income potential for the poor?
- Where are the gaps in providing services for (poor) farmers and enterprises?
- Are there obvious business opportunities which are not taken up, and why not?

bility of the whole venture and the motivation of key actors to define further, more ambitious activities. Therefore the main task is not to formulate as many proposals as possible, and also not to formulate proposals which are as fancy and state-of-the-art as possible, but to elaborate a list of not-too-ambitious proposals which is compatible with the number, capacity, and motivation of key actors. Furthermore, it is important to consider how proposals fit into the mindset of local actors. This is not to say that one should avoid proposals which break with established orientations and behavioural patterns. Rather, the point is to take the mindset of actors into account, and to present proposals in such a way that the actors do not feel criticised or alienated.

From the information gathered in the fieldwork, include a gender-dimension in the diagnosis. Particularly, check whether there is a possibility to come up with gender-oriented proposals (e.g. enhance negotiation skills of women entrepreneurs). Pay special attention to identify motivational factors and information for vulnerable groups in the location. Such information may help to convince vulnerable groups about PACA proposals.

8.2 Detailed structure of results workshop

A results workshop lasts typically between 1 and 2 days. Ideal is a 1.5-days Results Workshop, in which the team brainstorms internally on the strengths and weaknesses of each sub-sector, based on the information collected in interviews, mini-workshops and mini-surveys. Subsequently, the team prioritizes the most relevant strengths and weaknesses in each sub-sector (using the Pareto prioritization technique). If available, it is useful to use value chain maps as discussion and structuring basis.

Thereafter, the proposals are prepared in three steps:

Step 1: The team prepares Mesocards on the proposals they have learned about during interviews and mini-workshops as well as on those proposals they could derive from the strengths and weaknesses in each sub-sector. Then, the proposals are clustered to groups of similar or interconnected proposals

Step 2: The team assesses and prioritizes (using the Pareto technique) those proposals that have the quality to better include poor people and strengthen the competitiveness of the sub-sectors under discussion.

Step 3: All proposals that have received at least one score are arranged to the results workshop format (see photos below). Next, the team discusses each prioritized proposal individually and assesses them according to four criteria:

- Suitable to be implemented with available resources [motivation (who?), skills, time, funds)
- Suitable to include the Poor into markets and employment (pro-poor potential)
- Suitable to be implemented quickly
- Suitable to show visible and tangible effects (within 3 months)

For each of the four criteria the team finds an agreement whether the criterion is certainly met (score 3), whether it is maybe met (score 2) or whether is not met at all (score 1). The four scoring results for each proposal are then added up to arrive at the final score of the proposal.

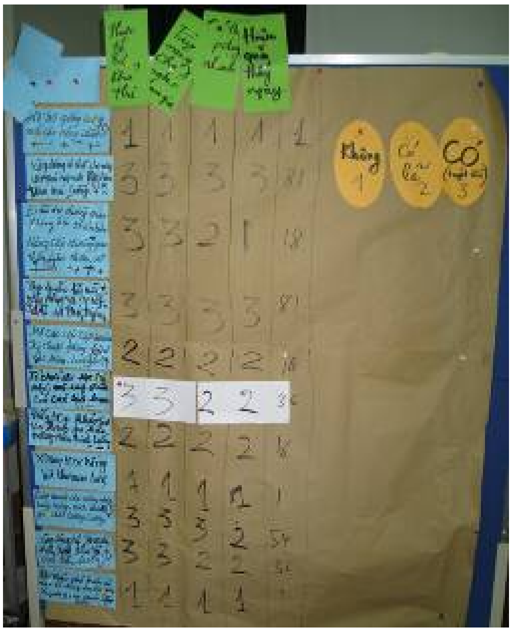
Finally, the appraisal team chooses all proposals having a sufficient number of scores (short- to long-term proposals) to be put into the PowerPoint presentation and presented at the next day's Presentation Event. A more detailed structure of this process looks like this:

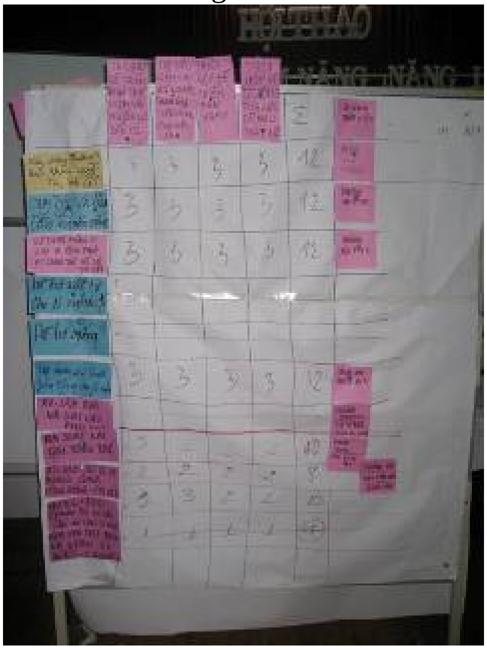
No. of Activity	Time	Activity	Remark
1	240'	Final documentation and reading	Finalizing all interview minutes and studying the minutes and the documentation of the mini-workshops
2	30'	Diagnosis I: Mesocard Exercise: "What are the main surprises?	Cluster cards & Pareto
3	60' (for each sub-sector)	Diagnosis II: Mesocard Exercise: What are the strengths and weaknesses of sub-sector .#.?	Team discusses and allocates Mesocards to the respective elements of the value chain on the board If certain elements are not addressed by Mesocards, team writes additional cards Pareto (due to relevance for competitiveness and impact on the poor) on each sub-sector with more than 8 suggestions on strengths and weaknesses
4	60'	Diagnosis III: Mesocard Exer-	Team discusses and clusters Mesocards

		cise: What are the strengths and weaknesses of the supporting institutions?	Pareto (due to relevance for competitiveness and impact on the poor)
5	45' (for each sub-sector)	Proposals I: Which proposals came up during the fieldwork or crossed our minds for each sector?	Put Mesocards on board Team discusses and clusters Mesocards according to sub-sectors and topics Pareto on proposals (due to quality to better include poor and strengthen the competitiveness of the sub-sector)
6	120'	Proposals II: Arrange and assess proposals according to results workshop format	Assessment criteria: ▪ realistic and viable ▪ including the poor ▪ suitable for quick implementation ▪ appropriate to generate visible effects
7	90'	Preparation of Presentation	▪ Preparation of introductory slides of presentation ▪ Preparation of diagnosis slides of presentation ▪ Preparation of proposal slides of presentation Slides are prepared in parallel by different team members
8	60'	Discussion of presentation event	Outline the structure of the Presentation Event and definition of role of each team member for final presentation

The short-term proposals are expected to show visible effects within 3 months and the medium term proposals within 6 months provided that the implementation will start soon. For the short- and medium-term proposals, the proposed institutions (project champions or project supporters) need to be indicated in the presentation as well. The average number of slides in the presentations tends to be between 35 and 50.

If time is not sufficient, the discussion on strengths and weaknesses as well as proposals for each sub-sector/value chain could be done concurrently in working groups. Each working group would focus on one specific sub-sector or value chain. The final 4-criteria assessment of all sector proposals, however, should then be done jointly by the whole team again.





4-criteria assessment of proposals. Examples from Results Workshops

in Thanh Hoa and.. ...in Dak Nong Province

Under certain circumstances it may be an option to conduct a **Rapid Results Workshop:**

- overall brainstorming on findings (e.g. first "What were the most surprising observations during the fieldwork?", second "What are the main messages we want to tell the community?"), not sector by sector
- clustering, elimination of duplicates, Pareto
- brainstorming on proposals
- application of Four Criteria

The last format is acceptable if applied by very experienced facilitators in a not very complex local economy.

Regarding proposals, two further points should be mentioned. First, it is highly advisable to make proposals which have been mentioned by local actors in the course of the interviews and workshops. The closer your proposals relate to the ideas and motivation of local players, the better.

Second, it can be useful to propose the continuation, amplification and possibly adjustment of existing activities, especially in those cases where the team perceives that they make a lot of sense but are facing opposition from certain local actors.

8.3 Rationale behind prioritising proposals

In order to prioritise proposals, we use four criteria:

1. Is this a proposal that we can implement with locally available resources (who?, motivation, time, skills, finance – often in exactly this order)?

> **Preparing proposals: What you must avoid**
> - Any proposal that starts with something like "Identify the needs of ..." (needs are not relevant – everybody has lots of them. Want counts is manifest demand)
> - Any proposal that sounds like "Wouldn't it be nice if ..."
> - Any proposal that confuses means with ends (training activities for poor farmers are a means, not an end – you must find a convincing reason for training, i.e. an occasion where training is necessary to solve a problem)
> - Don't think like a politician who can give orders to underlings. Always ask yourself: Is there actually anybody who will or might champion this proposal? Is there enough resources (time, motivation, skills, money) available to pursue it?
> - Don't create unrealistic expectations. Don't promise anything.

2. Does this proposal have the quality and potential to positively effect the income situation of the poor and contribute to poverty alleviation, i.e. to generate more income to the poor through linking poor farmers/producers to existing value chains, upgrade the products and processes of poor entrepreneurs or to increase employability and provide employment for poor individuals?

3. Is this a proposal that can be implemented quickly, like starting next week? "Starting next week" does not mean that implementation as such would start next week. It is sufficient if you can get the necessary role-players assembled for a meeting next week. What would not qualify? For instance, a proposal where you need role-players who are not available, or where you need a huge amount of funds so that you would need an extensive fund-raising effort, probably involving months of delays before you get any message back from funding bodies.

4. Is this a proposal that can have a visible / tangible /audible effect within three months? This doesn't need to be a huge training centre or a cold storage facility. Some kind of event that creates excitement, or a meeting where role players agree on how to quickly fix a simple problem, is perfectly in line with this criterion, as is an initiative which can reach an important milestone within three months.

The logic behind these criteria is simple: We want to move to proposals that are likely to be implemented, as opposed to suffering death by strategising. We deliberately do not conduct an analysis of key bottlenecks. We don't mind if our proposals don't address the key bottlenecks. The key bottlenecks are most likely key bottlenecks because it is very difficult to get them out of the way, so we better direct our energies at activities that can achieve practical, tangible results within a reasonable time.

In the application of the four criteria, it is sometimes difficult to keep the team from getting too excited, assuming a too optimistic perspective. In particular, this tends to be the case with the first criterion. Here, the team should ask: *Given our motivation and resources, and the motivation and resources of those players we identified and involved during the fieldwork, can we implement this activity?*

After having assessed a proposal along all 4 criteria and decided who could champion this proposal, the team should also discuss whether and how an adequate proposal could be turned into a business opportunity, i.e. the implementation of the proposal is market-based and thus creates jobs and income for somebody else? Any market-based solution should of course avoid market distortion! Proposals that are business opportunities need to be clearly marked in the final presentation and advertised openly.

What is a business opportunity?

- There are three modes of transaction: hierarchy, network and market
- When an enterprise or farmer encounters a business problem, they look for solutions
- In a market economy, the market is the standard mode of transaction, and the enterprise would look for problems solutions at markets
- This means that the problems many enterprises are facing are new business opportunities for other entrepreneurs who offer to solve the problem against payment
- If these business opportunities are not taken up spontaneously by dynamic entrepreneurs, we are facing a market failure (see also section 18 in the Annex)

Impressions from Results Workshops
in Thanh Hoa and ... ..in Dak Nong Province

Most Frequent Errors

Frequent Errors	How to avoid?
Proposals suggested by the team are already implemented or currently in the state of implementation	Modifications or extensions of current activities are perfectly acceptable, but avoid mentioning activities that have been implemented already or are currently implemented. Ask during the 4-criteria assessment: *does this activity already exist?*
The team ignores the question about 'who' could implement a specific proposal	Ask during the 4-criteria assessment: *who could be in charge of implementation (in terms of interest, motivation, capabilities)?*
The team is too optimistic and less critical when assessing proposals against the criterion of feasibility	Remind the team repeatedly that this is a serious exercise and that the audience at the next day's Presentation Event will critically look at the proposals suggested and their feasibility.
Time management at the results workshop is not done properly	Plan the results workshop in detail beforehand. If you run behind the schedule during the workshop, consider working more time efficient, e.g. by having concurrent working groups on specific sectors / value chains discussions.

9 The Presentation Event

Main insights:

- Everybody involved in the Kick-off Workshop and the Fieldwork gets invited to the Presentation Event.
- The purpose of the Presentation Event is not only to present findings and proposals, but also to get feedback and the buy-in of Project Champions.
- The Presentation Event format is designed in a way that avoids endless oral discussions.
- Guarantee the presence of local decision makers to assure continuation of the process

9.1 Why Presentation event?

The Presentation event is the second large-scale event in the Exercise (beside the Kick-off Workshop). Its purpose is to share the diagnostic and proposals with the local community, look for feedback and motivate the local actors to actively contribute to the implementation of proposals.

For the ½-day Presentation event, the same persons and institutions which were invited for the Kick-off workshop should again be invited. Moreover, all those persons who were interviewed or took part in mini-workshops should be invited. Typically, we see about 50 or more participants at the Presentation Event representing the selected sub-sectors, local Government and various supporting institutions.

Our experience so far indicates that the typical duration of holding the PowerPoint presentation is about one hour. It is advisable to have at least 3 team members taking turns during the presentation, e.g. one team member presents the approach, another team member the diagnostic and yet another team member the proposals. It may be preferable that external members present the second part – the diagnostic, as our experience so far indicates that local actors accept the observations of external observers (and especially their criticism) more easily than those of local persons. However, the proposals should be presented by local team members– to avoid the perception that the external people will solve the local problems. The roles of the team members should be clearly defined at the day before, so that the presenters can prepare themselves for their part of the presentation. The presenters should also be actively involved in preparing their part of the presentation.

After the presentation, instead of having the typical session on questions and answers, we distribute Mesocards and markers among the audience and ask them to write down questions, remarks, observations, criticism and further proposals. During the subsequent tea break, the team attaches the cards to the front wall of the meeting room or at pin boards and clusters them by topic. After the tea break, the facilitators then summarize each cluster of cards loudly and after reading each cluster opens the floor for a brief discussion. The advantage of this procedure is that more persons can participate and more points be raised compared to a conventional discussion. Moreover, the discussion proceeds in a much more structured way and is already properly documented. Usually, participants add valuable information they would have wished to see in the presentation or come up with additional proposals.

At the end of the event, inform the participants that PACA team is interested in meeting interested male and female entrepreneurs or entrepreneurial groups to conduct way forward discussions.

9.2 Detailed structure of presentation event

To sum up, the Presentation Event has the following structure

- PowerPoint presentation on the objectives of the appraisal, the results of the initial sub-sector selection process, the process of the Exercise and activities conducted, the radar screen on producers' assessment for each sub-sector/value chain, value chain maps, strengths and weaknesses of the selected sub-sectors and of supporting institutions plus short-, medium and longer-term proposals. For each proposal, it is important to shortly describe the proposal, name organisations/individuals who could lead the implementation and point out how it could benefit the Poor.
- Mesocard exercise with participants on observations, questions, criticism and proposals regarding the appraisal results

The more detailed structure is shown in the agenda below.

Minutes	Activity
20'	Welcoming of participants, Opening speeches
10'	PowerPoint Presentation, Part 1: Explanation of Pro-Poor Appraisal Method, Scope of Analysis, Activities Conducted, results of initial sub-sector selection
25'	PowerPoint Presentation, Part 2: Diagnosis of selected sub-sectors and supporting institutions, including radar screens and value chain maps
25'	PowerPoint Presentation, Part 3: Proposals by sub-sector and supporting institutions
05'	Distribute Mesocards, explain purpose and rules of Mesocards
30'	Participants write Mesocards with feedback, comments, proposals, critique on presentation
20'	Tea Break Facilitators organize and stick up the Mesocards
30'	Facilitators read and comment on cards, discussion with participants
20'	Explanation of follow-up Closing

What do you do after presentation and Mesocard-based discussion? There are different options:

- If you already have a pretty good idea who to invite to the first few Way-forward Workshops, you just explain the way-forward and announce the schedules of way-forward workshops that are already fixed.

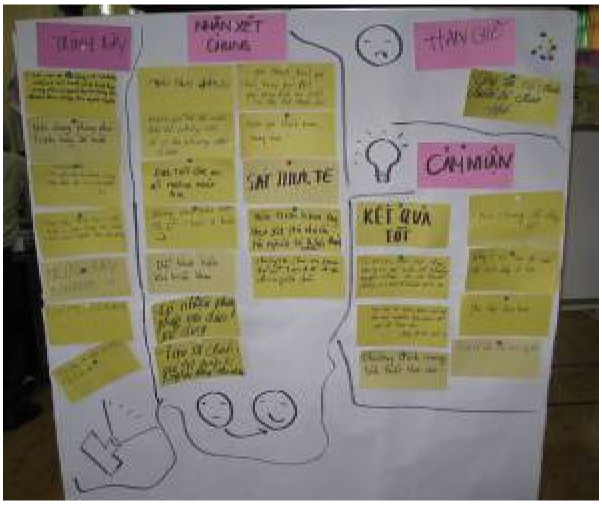
- Another option is to invite the participants to another activity during the Presentation event that paves the way towards the Way-forward. You write your proposals on Mesocards or print them on A4 paper in advance. You put them up at the exit doors of the Presentation Event venue. Participants attach their name to those proposals they want to get involved in.

  – In the case of proposals that end up with one or two names: invite the respective participants for an immediate brief brainstorming session with team.

  – For those proposals that receive more than two names: Invite the respective persons for a Way-forward Workshop, preferably in the afternoon of the same day (if possible) or on the following day.

Presentation Event in Ba Thuoc, Thanh Hoa, Vietnam (Above)

Presentation Event in Dak Nong, Vietnam (Below)



Most Frequent Errors

Frequent Errors	How to avoid?
The venue for the presentation event is too small when more participants arrive than expected	Make sure that the presentation venue is big enough and that spare chairs are available to even accommodate 20-30 more participants than you have expected to come.
Decision makers are not showing up at the presentation event	Make sure that decision makers are personally invited and that they have been briefed about the importance of their attendance. If decision makers are still unavailable for the Presentation Event, convene them for a separate meeting some days later and repeat the essential parts of the presentation. Use this meeting to identify those proposals a specific decision maker is keen on supporting.
The proposal section of the presentation does not indicate clearly who could be in charge of implementation and who needs to cooperate.	Make sure that for each proposal it is mentioned in the presentation who could be in charge of implementation and who could support the implementation.

10 Way Forward Workshops

Main insights:

- The purpose of Way-forward Workshops is to brainstorm around the technical details of implementing a given proposal and to define priorities, activities and responsibilities for implementation.
- Way-forward Workshops mark the start of the implementation
- Way-forward Workshops should happen immediately after the Presentation Event
- Practical activities should be run by motivated champions
- Follow-up support is needed to energise the process
- External actors: Allocate resources to monitor and technically support the implementation of proposals.

10.1 Why way-forward workshops?

Immediately after the Presentation event, the team should have a meeting with the Host in charge of the project and other local stakeholders willing to get involved in practical activities. The purpose of the meeting is to discuss the proposals in a more detailed way, i.e. to explain the background of each proposal, and to discuss possible ways of implementing it. It is desirable that each proposal is adopted by clearly defined stakeholders who then become the "champions" of practical activities based on the proposal. This will be followed by a Way Forward Workshop for each proposal and group of stakeholders. The purpose of the Way-forward Workshop is to brainstorm around the technical details of implementing the proposal and to define priorities, activities and responsibilities for implementation.

For the Way-forward Workshop a small group of local actors is invited who are all somehow related to the proposed activity, either they are the ones who proposed it in the first place or they are necessary to make it happen or they have shown strong interest to get involved in this specific activity.

Encourage entrepreneurs and farmers plus their spouses (if they have one) to join in the way forward discussions, when family related economic activities are being discussed. It will provide more chances to arrive at better decisions. It is shown that female partners have strengthened financial credibility of home based businesses.

The implementation of activities actually starts with the Way-forward Workshops. It is advisable that the external trainer/lead facilitator is still facilitating the 1st Way-forward workshop exemplarily before his departure. Further Way-forward Workshops need to be conducted by local team members in the near future, i.e. within the next 1 – 2 weeks.

10.2 Steps of activities

The structure of the Way-forward workshop is relatively straightforward and simple, as it needs to find answers to six concrete questions (Pfeiffer's 6 questions):

- How can we implement the proposed activity?
- Who will be responsible?
- Who needs to collaborate?
- What resources do we need?
- When do we start?
- How do we know that we have started?

In the Way-forward workshop, the facilitators start by describing the objectives, the rationale behind the proposal and the expected outcome of the proposal. Participants are then asked to generally brainstorm on ideas for main activities to implement this proposal. Supported by the participants, the facilitators then construct a logical sequence of steps taking up the main activities proposed by participants.

When it comes to selecting the organisation or enterprise mainly responsible, it is vital that a representative of this ‘project champion is present and that the team captures his/her contact details (ideally the mobile number) and puts it onto the board. The same applies for the next question, on organisations/individuals that need to collaborate. It is also important to agree that the implementation starts soon, ideally in the week after the way-forward workshop, e,g, by typically having another meeting of the participants of this way-forward workshop to clarify technical details. Local team members could join this meeting and offer facilitation services, at least at the beginning.

Minutes	*Activity*	*Remarks*
10'	Welcoming of participants	
20’	Explain the meaning, context and background of the proposal to be discussed	Team members repeat the respective part of the presentation
30'	Mesocard: How can we implement the proposal?	Open brainstorming, Facilitators may also write cards
20’	Organise the Mesocards	Options: • simple clustering • organise a mindmap, i.e. try to depict the logical connections and functional interdependencies between different aspects and ideas
30’	Optional - Mesocard: What are the obstacles and risks in the implementation of the proposal?	Open brainstorming, clustering, Pareto If particular obstacles or risks stand out, consider to run an additional Mesocard exercise, asking: How can we manage this obstacle / risk?

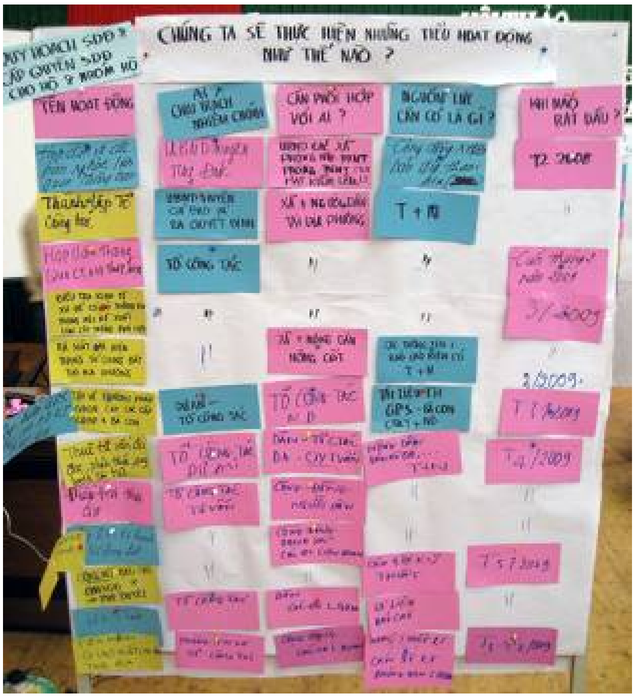
30'	Planning exercise: How will we implement the proposal? – Address six questions: • How exactly will we implement each sub-activity? • Who is responsible? • Who has to collaborate? • What are the necessary resources? • When do we start? • How do we know that we started?	The result of this exercise is • that a given activity gets unpacked into sub-activities • that responsibilities are clearly defined • that the necessary resources are indicated – this must be linked to a reality check: Are those resources actually available, or can the persons involved in a sub-activity realistically raise the relevant resources?
10'	Explanation of follow-up Closing	Agree on a date for a next workshop that will gauge the progress of activities, approximately four to six weeks after this workshop

Way-forward Workshop in Thanh Hoa

...and in Dak Nong

The typical result of the Way forward workshop is a planning matrix showing the steps of implementation in the left column and the six questions to be answered in the head row. The facilitators would then try to find answers to each of the six questions for each sub-activity, write them onto cards and stick the cards into the respective fields in the matrix. The matrix would look like shown in the table below:

How to implement?	Who is in charge?	Who needs to cooperate?	What re-sources are need-ed?	When to start?	How do we know that it started?
Step 1					
Step 2					
Step 3					
Step #					



Planning Matrix prepared in Way-forward Workshop in Dak Nong province

10.3 Follow-up activities

The Exercise has been completed, a number of Project Champions are – hopefully - busily implementing projects, some other projects are not really moving forward. What happens next?

- In the short term, we recommend that the Host organises informal get-togethers of Project Champions, to avoid them getting lonely and to create an opportunity for people to exchange experiences in problem-solving. One way of doing this is the “Champions’ Dinner”, which should be organised every six to eight weeks.

- We also recommend that one of the external consultants who guided the initial diagnosis returns after four to six months to discuss the progress of the project with local actors. It is useful to organise this in the form of mini-workshops with duration of two to three hours. First, local representatives present what has been done so far, and they explain the obstacles which emerged. After that, a joint brainstorming is conducted, using Mesocard, to come up with ideas on how to continue the work. It is useful to have two to three days available, depending on the number of initiatives going on.

Most Frequent Errors

Frequent Errors	How to avoid?
Not all actors necessary to implement a proposal are present at the Way-forward workshop and/or the attendants do not have decision making power	If essential actors are missing at the Way-forward workshop do a generic planning with the attendants and organize a second more detailed way-forward workshop some days later
Attendants have a very different understanding about the proposal and what it can achieve, but do not make it explicit	Make sure that you align the understanding of the proposal among the attendants. An easy and quick way to do that is by running a Mesocard exercise on the question: "*What is the objective of the proposal?*"
The participants decide that organisations/individuals should be responsible for the implementation of a proposal who are absent at the workshop	Make sure that this doesn't happen. You can not volunteer somebody who is not present.

11 Monitoring & Evaluation

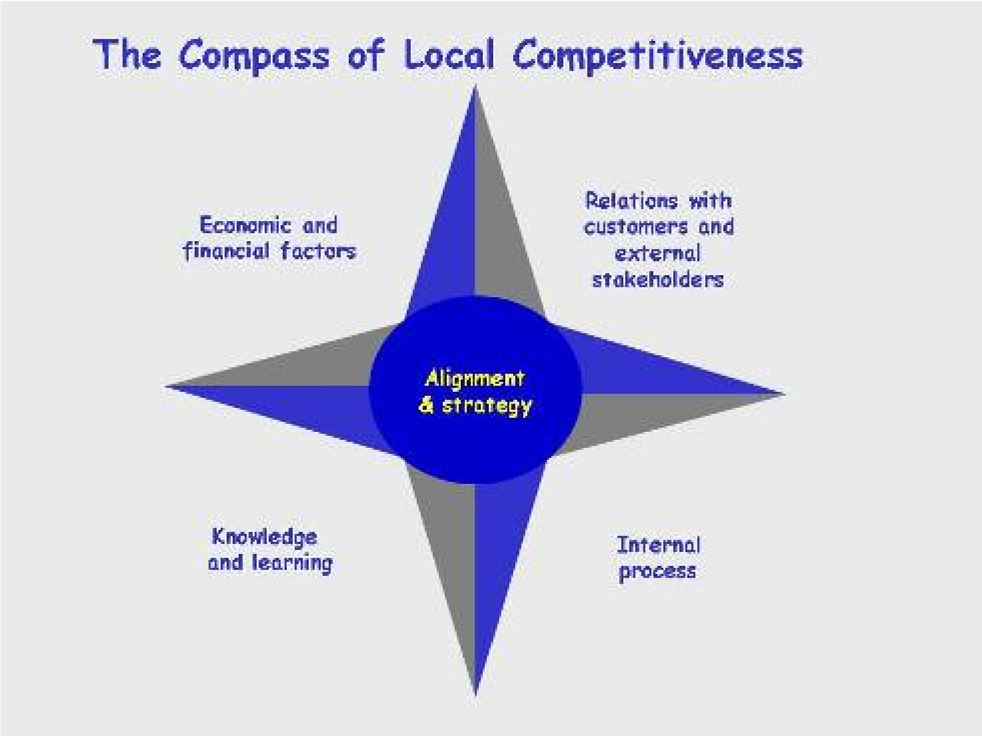
The “Compass of Local Competitiveness” is a tool for performance management in pro-poor Local and Regional Economic Development (LED / LRED) initiatives. It is based on the Balanced Scorecard (BSC) method. Whereas BSC has been designed for the use in companies and other organisations, the Compass is specifically designed to cater for the needs of LED initiatives.

The Compass of Local Competitiveness is a tool that gives you

- a clarified perception of the vision and objectives of territorial development,
- a process of strategic alignment among the stakeholders involved in an initiative,
- the identification of the critical success factors of a territorial development programme and of specific initiatives within this programme,
- the definition of key performance indicators and specific targets you want to match,
- the definition of specific activities to achieve these targets.

The Compass can be used at any stage of pro-poor LED, including the very outset. It is ideally suited for use in a constellation where pro-poor LED activities have been going on for some time, say six months or a year. It can also be used at a later stage, and it is suitable to being repeated once per year, year after year.

Experience has shown that a Compass can best be elaborated in a participatory workshop with local stakeholders under the guidance of experienced facilitators. Elaborating a Compass of Local Competitiveness can be the outcome of a single workshop. However, if a comprehensive M&E system is needed there is the option to have a sequence of three workshops. The total duration of a single workshop is less than a day. The sequence of workshops can still be concluded within a week.



In fact, the Compass is more than an M&E tool. It is also effective in catalysing a process of alignment among stakeholders about the overarching goal and the strategy. The Compass manages to achieve five different goals:

1. Assess the results of completed and ongoing activities
2. Create alignment about vision and strategy
3. Identify critical success factors
4. Formulate indicators to track progress
5. Define new activities

Elaborating a Compass of Local Competitiveness involves a reasonably representative group of stakeholders around the pro-poor LED programme or initiative and a skilled facilitator with experience in applying the Compass. It presupposes the buy-in of these stakeholders so that they make the necessary time available. Getting relevant stakeholders to participate in a workshop is sometimes a challenge, and this is one of the reasons why the Compass works particularly well in a robust pro-poor LED process that enjoys the genuine support of stakeholders.

When translating the BSC concept from a corporate setting into the territorial development scenery, we introduce it as the “Compass of Local Competitiveness” with four core factors that are similar to the corporate BSC but better adapted to the reality of territorial development:

Economic and financial achievements (growth, business growth, start-ups, employment, poverty reduction ...) What is the impact we need to deliver to keep our voters / our citizens satisfied?	Relationships with external players How do we need to interact with other stakeholders (local stakeholders outside pro-poor LED; external investors; customers/tourists; funding agencies, ...) to make pro-poor LED a success?
The learning perspective (alignment of understanding of pro-poor LED, alignment of expectations, role definitions, ...) How can we make sure that we constantly upgrade our understanding of our economic reality and of territorial development?	The local process perspective (interaction between core players, governance pattern, ...) How do we have to organise our pro-poor LED process and effort internally to assure its effectiveness?

The elaboration of a Compass of Local Competitiveness essentially involves the following steps:

1. Participants present themselves
2. Explain the objective of the workshop
3. Explain the structure of the workshop
4. Explain the Compass
5. Framing: What exactly are we talking about?
6. Look back: What have we achieved so far?
7. Objective: What are the overall objectives of the object of the Compass?
8. Revisit framing
9. Brainstorming on critical success factors
10. Organisation of CSFs into quadrants
11. Prioritisation of CSFs
12. Brainstorming on key performance indicators
13. Definition of targets and accountability
14. Matching

15. Identifying gaps
16. Brainstorming on activities
17. Action planning

In principle, all these steps can be conducted in a single workshop, though that is not necessarily a good idea. Practical experience has shown that the definition of KPIs, i.e. steps No. 12 and 13, is an activity that often does not work well in a workshop, especially when participants have little or no experience with the concept and practice of indicators.

The following table looks in more detail at the sequence of steps in a Compass workshop. Step 1 to 11 are a standard sequence in any Compass workshop. After Step 11, there are two different options on how to proceed further. One includes the formulation of indicators, the other does not.

	Step	*Objective*	*Activity*
1.	Presentation of participants	Participants know each other	Simple Mesocard exercise: Name, organisation, involvement in territorial development
2.	Explain the objective of the exercise	Make sure that each participant understands three main objectives: 1. track progress 2. identify CSFs 3. define activities	Local champion or facilitator explains objectives: Who and what exactly is it about? Objectives are written on a flipchart which remains visible for the rest of the workshop
3.	Explain the structure of the workshop	Participants know the sequence of activities in the workshop	Quickly go through the steps, don't get lost in details
4.	Explain the Compass	Participants understand the method used in the workshop	Brief oral explanation, complemented with visual representation of Compass
5.	Framing: Clarify the object of the exercise. What precisely are we talking about in this workshop?	Define two points: 1. What exactly is X? Clarify the borders of X (system / environment) 2. Who is involved in X? Clarify the actor structure (we / them)	Put information on the object onto flipchart. Keep flipchart visible through the entire workshop. Note actors on mesocards, organise them as insiders / outsiders

6.	Look at activities and achievements since the pro-poor Exercise or start of activity	1. What have we done so far? 2. What have we achieved so far (= outcome and impact of activities)? (If possible, try to capture data)	Option 1: Participants call out, facilitators note on flipchart (may be quicker) Option 2: Participants write on cards
7.	Clarify the ultimate objective (but don't call it "vision")	Clarify the overall objectives of the object of the Compass	Mesocard brainstorming: What is the impact / outcome / benefit we aspire with X?
8.	Revisit the framing	Verify framing	Check that the object of the exercise was defined properly. If necessary, adjust.
9.	Critical success factors	Identify the factors that make or brake X	Mesocard brainstorming: What are the critical success factors that determine whether X achieves its mission? What are the factors that shape the success of X?
10.	Organise the cards into four quadrants	Assure that there is balance between the identified CSFs	• Economic and financial factors • Relationships with customers and external players • Internal process, internal relationships • Knowledge and learning
11.	Prioritise the CSFs	Pareto	

The following steps can be conducted and sequenced in different ways:

12.	Brainstorming on key performance indicators (KPIs)	Measure the progress in terms of addressing each CSF	Mesocard brainstorming, CSF by CSF (option: split into working groups) (note: doing this in a workshop is only advisable if the participants are familiar and comfortable with the definition of indicators – otherwise, you may want to delegate this step to a core group, i.e. a small working group of experienced practitioners who meet sepa-

			rately to define KPIs, while in the workshop you move directly to the brainstorming on activities)
13.	Definition of targets and accountability	Put numbers to the indicators, define responsiblity for monitoring	Option 1: Working groups in the workshop Option 2: Delegated to core group, done in separate workshop
14.	Matching	Match CSFs or KPIs and ongoing or planned territorial development activities	Identify "orphan KPIs", i.e. indicators without a corresponding territorial development activity, or CSFs that are not adequately addressed
15.	Identifying gaps	Identify which CSFs need to be addressed beyond current or already planned activities	Discussion
16.	Brainstorming on activities	Define activities related to each CSF	Option 1: Mesocard brainstorming Option 2: Match ongoing activities with CSFs, identify gaps / mismatch Option 3: Paper computer
17.	Action planning	Pfeiffer's six questions on each activity	Continuation of Option 1 of step before

This chapter only provides a brief overview of the Compass, which doesn't suffice to conduct a Compass Workshop on your own without prior training and experience. For more details see the Compass Manual Version at http://www.mesopartner.com/fileadmin/user_files/manuals_english/Compass%20Manual%20v09.pdf. The Compass of Local Competitiveness needs to be facilitated by trained and experienced Compass facilitators in order to be efficient and successful. Compass trainings can be provided by mesopartner or mesopartner associates (see www.mesopartner.com).

Annex

12 About Mesocard Facilitation

12.1 What is Mesocard?

Mesocard is also known as Moderation Method (and frequently, but erroneously, called ZOPP).[3] It is a method to communicate by writing cards and stick them to the wall instead of just talking. This is very productive in conducting brainstorming and planning processes in a group. The basic format consists in a card with a question being taped or pinned to a place which is visible to all participants, and all participants responding by writing the answer / comment / proposal onto cards, all of which are then read aloud and pinned or taped to the wall.

Advantages: Every member of the group can participate. More people can communicate at the same time. The communication is visible, it is traceable, and it is goal-oriented. The process is participatory. It also offers some degree of anonymity.

Disadvantages: Some people are not comfortable with the method, for instance because they are afraid that it might become embarrassing, or just because it is participatory. It is sometimes tricky to be applied in settings where the local culture gives a very strong emphasis on hierarchy, and where communication between persons from different hierarchical levels is not common.

Limitations: Mesocard is usually more efficient than oral communication. But it still needs some time, and there is a minimum time of usually one hour to run a useful Mesocard exercise.

Equipment: The basic equipment consists of cardboard cards, sized between 8 x 16 and 10 x 20 cm, markers, adhesive tape, and kraft paper sized about 90 x 120 cm. In the de luxe version, the cards are pinned to moveable panels rather than taped onto the kraft paper.

Rules: There are three basic rules:
1) write legibly,
2) aim at 7 - 10 words per card / 3 - 4 lines,
3) only 1 idea / observation / suggestion per card.

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3 Mesocard is also known as Metaplan®, which is a trademark owned by the company of the same name.

Mesocard Exercise Principles	
1. Facilitate. Don't preach, don't teach.	Don't give lectures when you are facilitating. When you feel that it might help the process to give an input, hand over the facilitation task to your co-facilitator.
2. Facilitate. Don't speculate.	Never explain unclear cards yourself. Ask the participants to clarify. Always ask for clarification: Water - is no clear statement Unpredictable water supply - is a clear statement Make sure that cards are clear – instruct participants to qualify statements, to clarify the subject (the "who" in the statement – use active voice)
3. Facilitate. Don't offend.	Never comment on cards. Never ask "Who wrote this?", and certainly not "Who wrote this silly statement?"
4. Accept different learning and thinking speeds of participants.	Some participants write few things and quickly. They look bored while others are slowly formulating their ideas, or are writing many statements. Be patient, and ask the quick participants to be patient.
5. Assist illiterate participants	If one or more participants turn out to be illiterate, offer your help. Usually, one facilitator is taking care of the group of illiterate participants, writing down their ideas which they express verbally on cards.
6. Always ask a complete question.	The question should be a complete phrase. It should end with a question mark.
7. Always ask open questions.	Don't ask questions that can be answered with Yes or No.
8. Be careful when you give examples.	Sometimes participants find it difficult to come up with answers. But if you specific examples of they might respond, you are influencing, and probably limiting, their thinking.
9. Don't be too neat when putting up the cards.	Leave space between the cards. Don't put them up in columns but rather in a randomly scattered way.
10. Don't order the cards when putting them up.	Put up the cards. Then, as a second step, cluster them. Involve the participants in the clustering. All this takes a lot of pressure from you.
11. Never give the impression that you are hiding cards or let them disappear.	When cards come up that you can hardly read you may be tempted to put them to the back of the stack. Don't do that. It creates the impression that you are manipulating the exercise.
12. Be visible.	Never sit on a chair when you are facilitating. Always stand up. The group appreciates your visibility and your acting as a focal point.
13. Be a good example.	If the facilitator does not write legibly, why should the participants? If the facilitator makes fun of some contributions, why should participants respect each other? If the facilitator talks more than necessary, why should participants limit their communication to writing only?

More specific rules include the following:

1) read each card before sticking it to the wall, and show the card to the participants when you read it,

2) clarify unclear cards and re-write unfocused / too general cards,

3) always respect anonymity, i.e. never ask "Who wrote this?"; a way to enhance anonymity is to mix the cards before presenting them.

If oral discussions come up, nobody should talk for more than 30 seconds at a time, and everybody should try to write her/his arguments on cards so that they are not forgotten. Cards which do not fit into the current question may be put, visibly, in a different section for possible later use. If observations are contested, the counter-argument should be written on a card, and argument and counter-argument should be marked with a flash.

You can conduct Mesocard exercises in almost any setting. The fancy variety is with cards in different colours, moveable panels and pins. But it works just as well with A6 cards that you stick with masking tape to brown paper. The only limiting factor is wall-space; if you find yourself in a room with neither panels nor wall-space, you are in trouble.

One of the interesting observations is that participants tend to sit down as far away from the panels / wall as possible. Don’t encourage this by putting the chairs too far away from the panel or wall. A distance of 2 meters is sufficient.

12.2 A standard sequence in a Mesocard exercise

The use of Mesocard as presented above is just one of several options. Mesocard generally is a method which can be used for all sorts of brainstorming and planning exercises, for instance to formulate hypotheses, to plan the research process, or to come up with and organise the results.

A typical format in Mesocard-exercises is brainstorming → clustering → prioritizing → next brainstorming. An example would be the following:

First **Question**: What are the main reasons for lack of interaction between companies and supporting institutions?

N responses. The responses are **clustered** into four groups: 1) company-related reasons, 2) reasons related to supporting institutions, 3) problems in the management of interaction, 4) framework conditions. (One of the purposes of this is clarifying what exactly is written on the several cards, and to eliminate duplicates.)

The responses are then **prioritised**. Each participant may mark those cards which s/he finds most relevant. The number of marks each participant may set is equal to 20 % of the total number of cards (*Pareto*-rule). Those cards which receive most marks are the point of departure for the subsequent work.

Let us assume that three cards get most marks: 1) supporting institutions are not business-oriented, 2) training institutions are too academically oriented, 3) there are not effective intermediaries between S&T institutions and firms. For the next step, there are two options for turning the first card into a question.

The second question may be: Why are supporting institutions not business-oriented?

The **second question** may also be: How can supporting institutions may be turned more business-oriented?

Let us assume that the second option is pursued. The participants then give a number of responses on cards, which are then **clustered**. Let us assume that three clusters emerge: 1) Career and incentives for employees, 2) financing structure of institutions, 3) voice of potential clients.

The total responses are then **prioritised**. Let us assume that two cards get most marks: 1) tie the salary of employees to the income they generate for the institution, 2) reduce the core financing for the institutions. For the next step, there are again two options for turning the first card into a question.

The third question may be: How can the salary of employees be tied to the income they generate for the institutions?

The third question may also be: What are the obstacles for tying the salary of employees to the income they generate for the institution?

The exercise can go on in this fashion until the facilitator and the participants feel that they have explored a given track. This may mean that they have reached a conclusion, for instance a good set of hypotheses. It may also mean that they have come to reasonably specific and concrete proposals. In this case, it can be useful to operationalise the proposals in the following way:

Proposal	*How exactly will we implement it?*	*Who is responsible?*	*Who has to collaborate?*	*Which resources do we need?*	*When do we start?*	*How do we know that the activity has started?*
Proposal 1	...	...	...	...	...	...
Proposal 2	...	...	...	...	...	...
etc.						

At this point there are again two options. One option is to conclude the exercise. The other option is to go back to the results of the first question and go for the second proposal, i.e. search for ways to make training institutions less academically oriented.

It is obvious that the formulation of the questions is one of the keys to a successful Mesocard exercise. Good questions are neither too narrow nor too wide, i.e. give the participants a certain freedom to let their thinking roam without generating random responses. It is often useful to discuss the exact wording of a question with the group.

12.3 A Mini-workshop format using the Interaction Matrix

The Interaction Matrix is a useful tools to get a more profound understanding of the benefits/opportunities and costs/risks of co-operation between two types of organisations. Its most adequate application involves co-operation between businesses and business support organisations (in training or technology or advice). The basic structure of the matrix is like this:

Interaction between firms and supporting institutions in XY		
	Benefits Opportunities	Costs Risks
... for firms	(1)	(2)
... for supporting institutions	(3)	(4)

The participants are again asked to respond by writing observations on Mesocards. Ask the participants to fill out cards for field (1) first, then field (2) etc. It can be useful to ask the participants for a prioritization. This is done using the Pareto method, i.e. each participant gets a number of points which is equal to 20% of the total number of cards, so that he can then mark those cards which he finds most relevant. For this exercise to be effective, it is essential that duplicate cards are eliminated beforehand. It is useful to involve participants directly in the process of consolidating the cards at the wall.

The interaction matrix may look at all firms or sub-groups (e.g. a given sector or firms of similar size), and it may address all supporting institutions, only one group (training, SME promotion, finance etc.) or just one specific supporting institution.

The interaction matrix workshop is useful for a first tentative appraisal of possible collaboration. But it is particularly powerful if very specific suggestions for collaboration between two parties have come up, and you want to get a balanced view of the benefits, costs and risks involved in this interaction.

What do you do if suggestions for collaboration come up that involve three or more parties? There are different options. One option, with three parties, is to elaborate three bilateral matrixes. Another option is to simply add a third row. A further option, especially with multiple players, is to shift to a different format altogether, such as the Expectation Matrix.

12.4 More structuring tools for Mesocard exercises

Another useful application of a Four-Field-Matrix, similar to the Interaction Matrix, is in situations where a group has to decide between two options. The matrix then looks like this:

	Arguments in favor of Option 1	Arguments against Option 1
Arguments in favor of Option 2	(1)	(2)
Arguments against Option 2	(3)	(4)

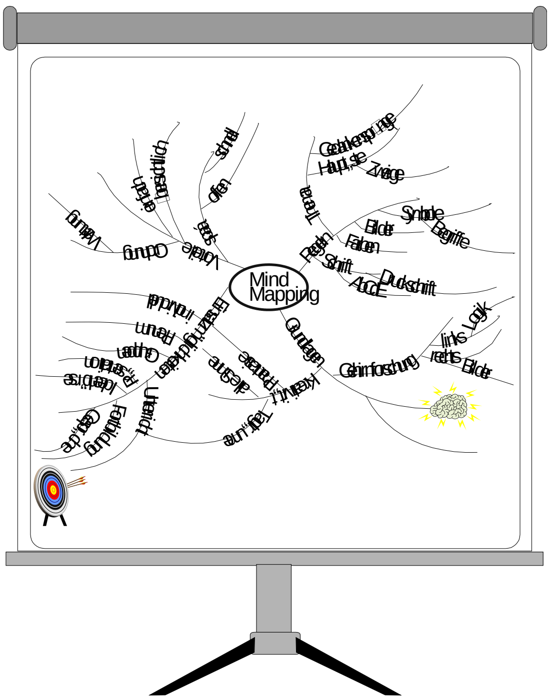
Such an exercise often helps to understand that many arguments for one option actually are not arguments against the other option, and vice versa. The discussion can thus be boiled down to a limited number of decisive arguments.

Another structuring tool is the SWOT matrix, which can take either of the two following shapes:

Strength (factors internal to the organisation)	Opportunity (activities to strengthen the organisation further)
Weaknesses (factors internal to the organisation)	Threats (factors which can further weaken the organisation)

Strength (current factors)	Opportunities (future factors)
Weaknesses (current factors)	Threats (future factors)

Another structuring tool is the mindmap, where interrelationships between different factors are explored. It looks like this:



12.5 The Pareto Principle or the 80/20 Rule

12.5.1 Historical Background

The Pareto principle, which is today also known as the 80-20 rule or the law of the vital few, states that often about 80% of the effects can be traced back to 20% of causal factors. Vilfredo Pareto (1848 - 1923), an Italian sociologist and economist and professor at the university Lausanne, is famous for his observation that in Italy a mere 20% of the entire population owned 80% of the property. Pareto carried out surveys on various other countries and found that a similar distribution of wealth and income applied also there. Society was divided between “the few with much” and “the many with little”. This principle is only very remotely related to the concept of Pareto efficiency, which was developed by the same author.

In 1937, Joseph Juran (*1904), a business thinker and expert on industrial quality studies, coined the term Pareto Principle and applied the 80/20 Rule to business related issues (e.g. "80% of sales come from 20% of the clients."). Juran used the terms the “vital few” and the “trivial many”.

Later, Juran emphasized that the “trivial many” also have some relevance in explaining a problem and must not be totally ignored (he employed the terms “the vital few and the useful many” to signal that the remaining 80% of the causes are not to be totally ignored).

One might add that the 80/20 Rule is not a natural law. In the real world, the proportions tend to vary. For instance, the Boston Consulting Group points out the importance of the Pareto Principle for mergers and acquisitions. To benefit from all advantages of a merger, it will be essential to implement a large number of projects after finalizing the fusion. The consulting company analyzed that 65% of all advantages materialized through 35% of all projects – a 65/35 rule. On the other hand, it would be possible to provide empirical evidence for the assumption that the majority of results in any given situation are determined by a limited number of causes. Although the formula 80+20=100 might have some elegance to it, it does not automatically include its own internal logic – and it is equally possible that some 10% or 25% might explain 80% of the results. As Robert Townsend argues in his book "Further Up the Organization", a 20% seller group always constitutes 90% of all sales – which leads to a 90/20 Rule.

The Pareto Principle is a rule-of-thumb application in many disciplines, such as quality management, time management, logistics or computer science. Microsoft notes that by fixing the top 20% of the most reported viruses, 80% percent of the errors and crashes would be eliminated. Tim Ferriss suggests in his 2007 bestseller "The 4-Hour Workweek" to concentrate one's efforts to those 20% that contribute to 80% of the income.

Generally, the Pareto principle facilitates decision making in complex situations. [4]

12.5.2 The Pareto Rule as Prioritization Instrument

The Pareto Principle contributes to the efficiency of a rapid appraisal exercise process. We use the 80/20 formula particularly in Interim Assessments and the Results Workshop to distinguish the 'vital few' ideas and observations from the 'trivial many'. The sequence of activities in such an exercise usually involves the following steps:

1. Based on one motivating question, the team members are writing their responses on mesocards
2. The facilitator pins the cards to the panel and, if possible, groups them in clusters of similar significance. The facilitator does this by asking the participants whether the respective card shows any affinity with others already pinned to the panel.
3. According to the concept of 'idea prioritization' and in contrast to traditional facilitation procedures, duplicates are eliminated. If the team members detect cards with similar ideas, they decide which one of the cards best expresses the desired content. In the case of disagreement within the group, both/all cards are left on the panel. To make the basic

[4] See also http://en.wikipedia.org/wiki/Pareto_principle

idea more understandable, there is also a possibility of rephrasing the idea on a new card.

4. Once all multiple cards are eliminated, the facilitator counts the remaining cards and divides the total amount by 5 (=20%). If the result is not a round figure, it can be rounded up or down, to arrive at a round number. The result represents the number of scores each team member has.
5. Subsequently, all team members cast their votes according to their personal assessment of relevance and significance. Votes can be given using round adhesive stickers, or simply by tagging the cards with text markers.
   Each participant is permitted to accumulate a maximum of two votes per card, so that the overall outcome will not be influenced by the votes of a few individuals.
   (It is also possible to number the cards, which the participants then assess by casting votes on a sheet of paper. This prevents group members being influenced by the votes of others).
6. The facilitator counts the votes and outlines the total number on each card. If there is a large number of cards, it is advisable to take off those less voted and leave only the cards with the most votes.
7. Finally, the facilitator presents the result to the team and encourages the participants to give their comments.

Applying the Pareto Prioritization Technique in Thanh Hoa

The application of the 80/20 rule in visualization with Mesocards must be handled with the utmost caution. In some ways, the elimination of cards implies a contradiction of the principle "each idea matters" and might make the card’s author feel offended. Therefore, it is advisable to apply the concept exclusively to experienced groups with high collaboration capacities, as can be expected from an Exercise Team in a Results-Workshop.

13 Value Chain Mapping

To use a value chain mapping technique that is quickly teachable we usually apply GIZ's Value Links mapping approach (GTZ 2007). Value Links is a modular approach that builds on a set of principles and criteria plus orientation on the choice of available instruments, but it is not an overly rigid framework. The value chain mapping introduces a clear structure of the sector to look at and helps clarifying the interrelations of the actors involved.

The value chain map is a visual representation of the micro, meso and macro levels of the value chain. Maps identify business operations (functions), chain operators and their linkages, as well as the chain supporters within the value chain. The enterprises performing the basic functions of a value chain are VC operators. Typical operators include farmers, small and medium enterprises, industrial companies, exporters, wholesalers and retailers. Value chain supporters provide value chain support services and represent the common interests of the value chain actors. They belong to the meso level of the value chain. In a wider sense, certain government agencies at the macro level can also be seen as value chain supporters if they perform crucial functions in the business environment of a given value chain.

Value chain enablers consist of public institutions, such as line ministries and departments and local government busy with economic development. Their role is to create favourable conditions for economic development in the interest of income generation, tax revenue generation and job creation.

Value chain maps are the core of any value chain analysis and therefore indispensable. It serves both an analytical purpose and a communication purpose, as chain maps reduce the complexity of economic reality. Any value chain map should be comprehensible to the enterprises and other actors involved. The essential aspect is to achieve the right degree of detail that delivers sufficient information to be useful, but still remains simple enough to be easily understood.

There are a few rules to take into consideration: The most important aspect is to keep the maps focused on the purpose and easily understandable. Any chain map should fit on one page. And a consistent set of symbols should be used. Figure 7 below shows the default chain mapping symbols as suggested by the GIZ Value Links Manual for (participatory) value chain mapping in workshops.

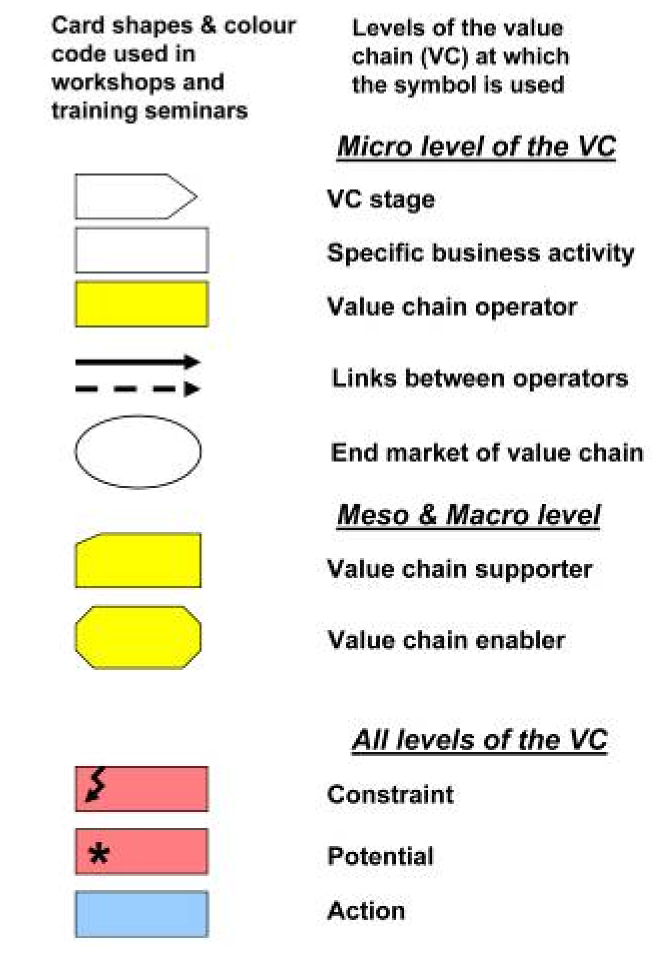


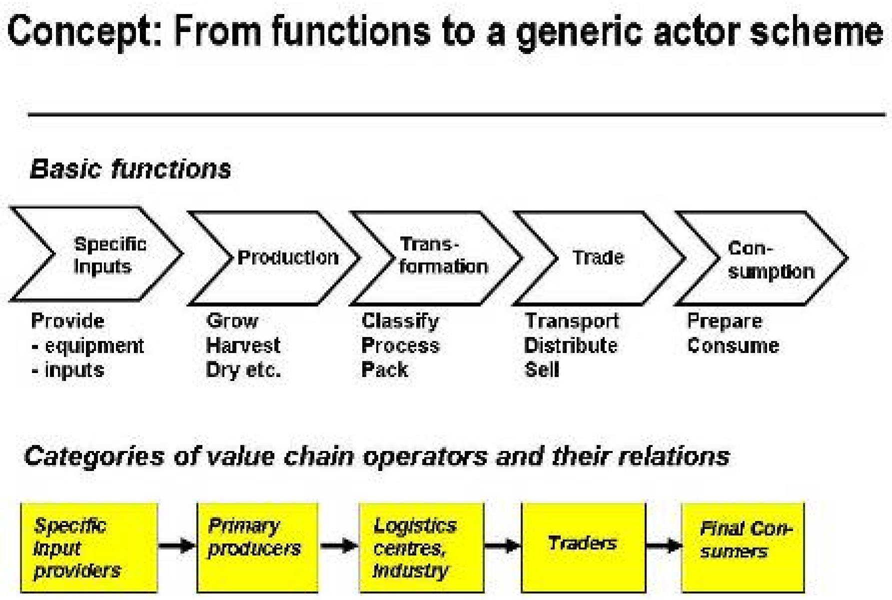
Figure 7: ValueLinks Chain Mapping Symbols

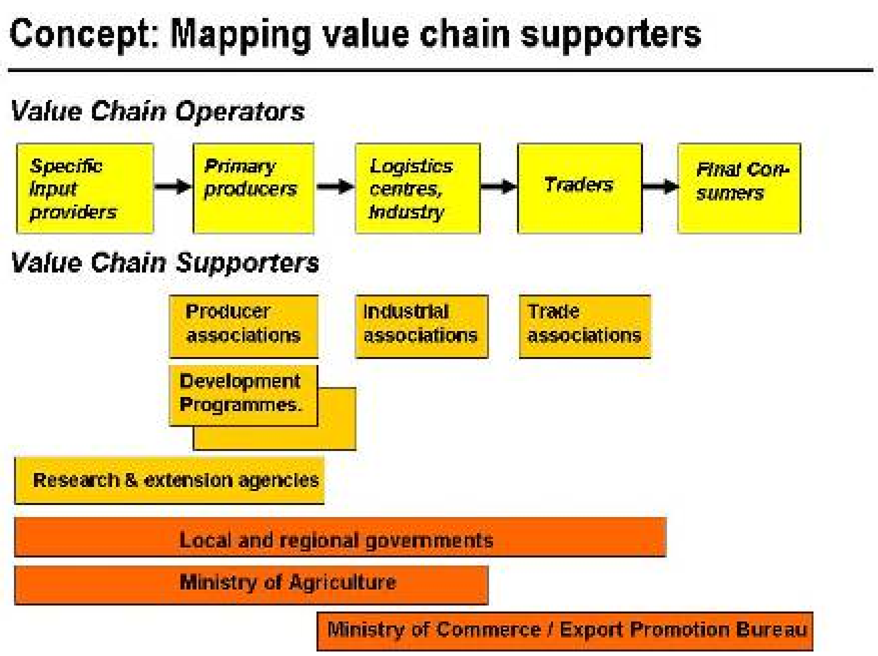
Source: GIZ 2007

Participatory value chain mapping can perfectly be done by mapping on the floor or on pin boards using coloured cards. Mapping should always start by drawing a basic map providing an overview of the entire value chain. The overview map should present the major functions / segments of the value chain. It should show the sequence of production and distribution functions performed (white arrows), the value chain operators performing these functions (in yellow boxes) and vertical business links between the operators (arrows). These three elements represent the micro level of the chain, at which the value-added is actually generated. The service providers and meso level supporters can be included in the chain map as well.

However, even before the mapping starts the first step is the determination of the product or service market served: *what is the final product, on what market is it sold and who is the final customer?*

The two graphics below show generic examples of chain maps highlighting all three levels that need to be mapped: functions, operators, supporters.





Source: Springer-Heinze 2006

The maps shown above can be applied to any concrete case using the symbol language in such a way that it fits the case concerned. For each value chain, the appropriate sequence of segments and the right categories of operators have to be identified. Below are some explanations of the procedures of creating a basic chain map (GTZ 2007) that should be taken into account when mapping value chains.

Steps in drawing an overview map of a value chain

(a) The first step always is the definition of the final product. Which product or category of product does the value chain produce?
(b) The end market / group of costumers is indicated by an oval box.
(c) The activities / functions currently performed to generate the final product are listed. It makes sense to start from the final sales point (outlet on the domestic market, or exporter) and go backwards listing the production and marketing activities necessary to sell the product on the market.
(d) The list of activities / functions needs to be aggregated establishing a sequence of 4 to no more than 7 or 8 chain links - from providing specific technical inputs up to the final sale.
(e) As a matter of principle, mapping input delivery and services at the upper end of the chain (before primary production) is restricted to highly specific inputs, making sure to clearly distinguish between the *specific* technology inputs - needed *only* for this product - and other inputs and services of a generic type. The latter are not included in the basic map but added later.
(f) After establishing the functional sequence, the main chain/channel is drawn by indicating the types of operators performing the functions. This delivers a linear progression from stage to stage (i.e. no arrows bending left and right). Secondary channels are drawn later, branching off from the main one. The procedure is different in the case of production networks in manufacturing sectors (see below)
(g) It is important to note that the value chain map only includes those operators who become owners of the product. If they source out or subcontract functions to other firms, these are regarded as "operational service providers". They may or may not be mapped.
(h) If operators take more than one function, the box representing them is enlarged to cover the two or more functional stages they are in.
(i) In the case of export products, the border line is indicated between the domestic and foreign operators.

Source: GTZ 2007

14 Methodological issues regarding participation

A key aspect of the methodology pro-poor PACA is the participatory approach. It is by no means self-evident that local economic promotion and poverty reduction, and especially the formulation of a local development strategy, is a participatory exercise. Quite often it is delegated to external actors, especially consultancy firms specialised in this field: External consultants parachute in, conduct a series of interviews, collect a lot of data, and present their results to an audience of surprised and impressed local agents. What happens afterwards, and in fact whether anything happens, is unpredictable.

In order to initiate a process which can be sustained by local actors it is crucial to involve them from the start. It is essential to find an adequate balance between inputs from outside and local activity. External inputs are important, in terms of bringing in both methodologies and concepts of development, especially in places where local actors have little to no experience with economic promotion. However, it must complement and stimulate local activities rather than substitute them. In practical terms, this means that it is desirable that at least one important local person, e.g. the executive secretary of the ACI, takes part in the whole field research and elaboration of the diagnostic.

The basic idea of the concept outlined in this manual is this: It is possible to undertake a rapid appraisal of strengths, weaknesses, potentials and threats in a given locality and to come up with practical proposals for poverty reduction through economic promotion. Rapid means: within a few weeks, typically 2 weeks, at maximum three weeks for fact-finding and elaboration, presentation, and discussion of results, and in less complex localities even within days. A key aspect of such an appraisal is that it is conducted jointly by external specialists and by local actors. The appraisal should build on some principles which have been formulated in the participatory rural appraisal work:[5]

- offsetting biases (spatial, project, person - gender, elite etc, seasonal, professional, courtesy...)

5 Quoted from *The PRA Pages*, http://www.ids.ac.uk/pra/intro/origins.html.

- rapid progressive learning – flexible, exploratory, interactive, inventive
- reversals – learning from, with and by local people, eliciting and using their criteria and categories, and finding, understanding and appreciating their knowledge
- optimal ignorance, and appropriate imprecision – not finding out more than is needed, not measuring more accurately than needed, and not trying to measure what does not need to be measured. We are trained to make absolute measurements, but often trends, scores or ranking are all that are required
- triangulation – using different methods, sources and disciplines, and a range of informants in a range of places, and cross-checking to get closer to the truth through successive approximations
- principal investigators' direct contact, face to face, in the field
- seeking diversity and differences

Experience shows that such a perspective renders a very valuable diagnosis of rural environments and urban economic structures, specifically if it is combined with analytical concepts to understand the key determinants of successful development and poverty alleviation.

At the same time, it is important to acknowledge the pitfalls and limits of PRA/PLA approaches. First, there are the risks of inadequate application of the methodology:[6]

- failing to put behaviour and attitudes before methods
- rushing and dominating
- pretending to be experienced trainers when not
- rigid, routinized applications
- taking local people's time without recompense, raising expectations
- demanding instant PRA on a large scale
- cosmetic labelling without substance

Second, there are some difficulties with participatory methodologies as such. Summarizing the literature on participatory monitoring and evalua-

6 ibid.

tion, which is a closely related approach, Estrella and Gaventa (1998) point at three issues: power, conflict, and methodological rigor. PRA sometimes is being presented as an instrument that overcomes issues of power and conflict. This is an idealistic view. The likelihood that a PRA exercise is biased by existing power structures, or that local actors try to move it around an existing conflict, is always there. It is specifically the insistence on participation which is creating risks in this respect – how would a PRA practitioner who is truly dedicated to participation justify that he is tackling the consistent evasiveness of local people when it comes to addressing certain touchy, conflict-prone issues? Likewise, methodological rigor can suffer if local actors feel consistently awkward in applying certain techniques, so that a trade-off between participativeness and rigor emerges.

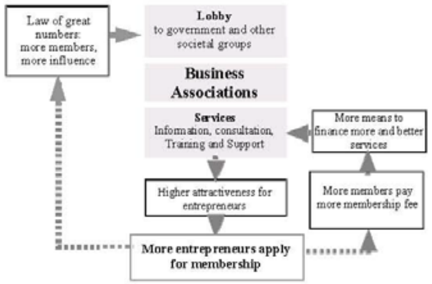
15 Interview Guides (PACA)

PACA® Interview with Business Association / Chamber

Step 1 Warm-up

Step 2 History, profile of activities, membership data, main services

Step 3 Discuss the virtuous circle of a business association with the interviewee (hand out the figure to interviewee)



Step 4 What is your contribution to LED?

Step 5 What will or might be your contribution to LED in the future?

Step 6 What support activities would help the local economy?

Step 7 Invitation to Presentation Event

PACA® www.paca-online.org

Interview Guide

PACA® Participatory Appraisal of Competitive Advantage

Interview with Enterprise / Farmer

Remember: The purpose of the interview is to obtain answers to these questions:
What is the relevance of the company for the local economy? And what is the relevance of the local economy for the company?
What are the main bottlenecks for the company's competitiveness? And which of those can be remedied more easily than others?

Step 1 Warm-up

Step 2 General information: History, ownership structure, products, turnover, investment, no. of employees

Step 3 5-Forces-Model. Hand out the figure to interviewee.

Step 4 Interaction with supporting institutions:

	Benefits	Costs + Risks
Training		
Finance		
Technology		
SME Promotion		
Business Association		
Chamber		
Local Government		
etc.		

Step 5 What support activities would be helpful for you?

Step 6 Invitation to Presentation Event

PACA www.paca-online.org

Interview with Supporting Institution

Step 1 Warm-up

Step 2 History, profile of activities, main products and customers.

Step 3 Interaction matrix: Benefits and cost/risk of interaction between your institution and companies (hand out the matrix to interviewee).

	Benefits	Costs + Risks
For your institution		
For companies		

Step 4 What is your contribution to LED?

Step 5 What will or might be your contribution to LED in the future?

Step 6 What support activities would help the local economy?

Step 7 Invitation to Presentation Event

PACA www.paca-online.org

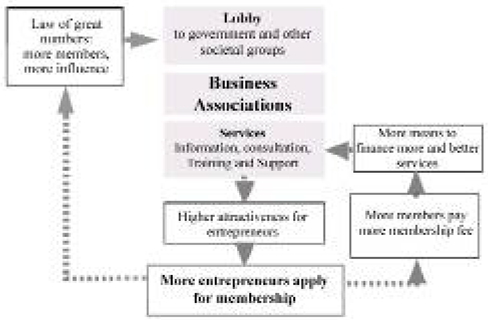
16 Interview Guides (pro-poor PACA)

Interview with Business Association / Chamber

Step 1 Warm-up

Step 2 History, profile of activities, membership data, main services

Step 3 Discuss the virtuous circle of a business association with the interviewee (hand out the figure to interviewee)



Step 4 What is your contribution to the development of the local economy? And what is your contribution to poverty reduction?

Step 5 What measures would help to better include poor people into market activities and employment?

Step 6 And how can your organisation contribute to these measures?

Step 7 Invitation to Presentation Event

Interview Guide

Pro-Poor Income Appraisal

www.mesopartner.com

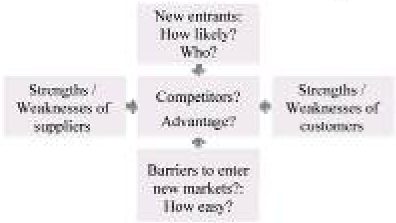
Interview with Farmer / Enterprise

Remember: The purpose of the interview is to obtain answers to these questions:
What is the relevance of the farmer / enterprise for the local economy? And what is the relevance of the local economy for the farmer / enterprise?
What are the main barriers to enter neighbouring markets and expand economic activities for the poor? And which of those can be remedied more easily than others?

Step 1 Warm-up

Step 2 General information: History, ownership, products, turnover, investment, no. of employees

Step 3 Modified 5-Forces-Model. Also ask about prices / types of relationships



Step 4 Interaction with supporting institutions:

	Benefits	Costs + Risks
Training		
Finance		
Technology		
Extension Services		
Promotion		
Association / Chamber		
Local Government		
etc.		

Step 5 What measures would help you / your farm / enterprise?

Step 6 How would you rate the performance of producers/farmers in your sector? Show prepared assessment table to the interviewee and use five-point scale.

Step 7 Invitation to Presentation Event

Interview with Supporting Institution

Step 1 Warm-up

Step 2 History, no. of staff, profile of activities, main services & products, main customers & beneficiaries

Step 3 Interaction matrix: Benefits and cost/risk of interaction between your institution and farmers / companies

	Benefits	Costs + Risks
For your institution		
For farmers / firms		

Step 4 What is your contribution to the development of the local economy? And what is your contribution to poverty reduction?

Step 5 What measures would help to better include poor people into market activities and employment?

Step 6 And how can your institution contribute to these measures?

Step 7 Invitation to Presentation Event

17 Relevant Poverty Concepts

17.1 Basic Poverty Concepts

Basic Poverty Terms and Concepts

Poverty	General poverty definition • One cannot afford certain pre-determined consumption needs Income-based poverty approach • Defining poverty only by income dimensions Multi-dimensional poverty approach • Defining poverty by income dimensions and non-income dimensions of poverty, such as malnutrition, access to education and child mortality Temporal dimension: • Chronic poverty (low productivity) • Transitory poverty (vulnerability)
Destitution	• Extreme poverty • Inability to meet subsistence needs • Lack of material and social assets • Dependence on transfers.
Poverty Line	• Income line below which someone is considered to be poor • International example: $1 a day line • Vietnamese example (2006-2010): Average income/person/month in HHs is VND 200,000 in rural area and VND 260,000 in urban area.
Absolute vs. relative poverty	**Absolute** poverty • the poverty line has fixed purchasing power; • the poverty line assures predetermined nutritional requirements **Relative** poverty • the poverty line tends to have higher real value in less poor sub-groups. • the poverty line might be set as a constant proportion of mean income.
Absolute vs. Relative Pro-poor growth	**Absolute** pro-poor growth • ‘Pro-poor’ growth is judged by how fast on average the incomes of the poor are rising • Fast absolute pro-poor growth reduces the extent of poverty and the depth of poverty **Relative** pro-poor growth • Growth is ‘pro-poor’ if the incomes of poor people grow faster than those of the population as a whole. • Inequality falls
Millennium Development Goals	• Halving absolute income poverty by 2015 • Using the absolute definition of pro-poor growth

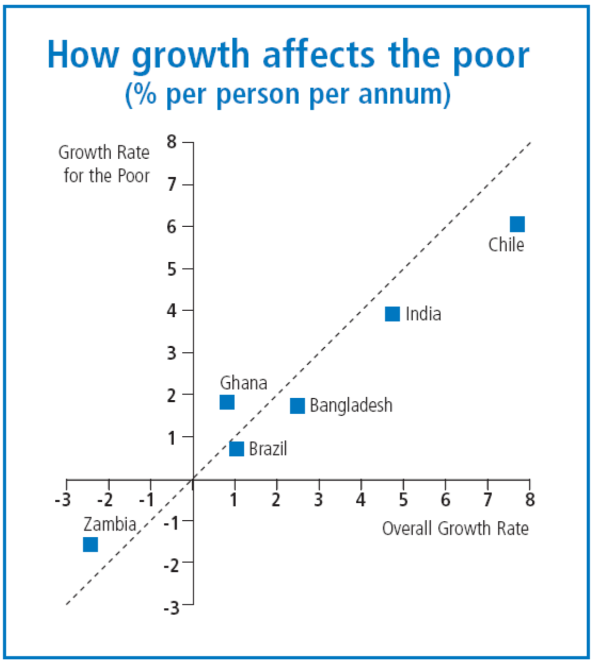
	▪ Chile and India with highest positive pro-poor growth (absolute definition), but negative pro-poor growth (relative definition) ▪ Ghana shows pro-poor growth (relative definition), i.e. falling inequality ▪ Zambia's negative growth was also 'pro-poor' (relative definition), i.e. falling inequality

Figure 8: Overall growth rates vs. growth rates for the poor (early 1980's – late 1990's)

Sources: DFID 2004

17.2 The context of poverty and micro-enterprise development

When talking about reaching the poor, development practitioners in most cases have poor micro-entrepreneurs in mind as the beneficiaries of services and support. Based on evidence obtained from the field of microfinance by way of micro-enterprise development in general, one cannot reach the very poor, only those just above and just below the poverty line (SEEP 2004).

Typically, there is a variety of shades of poverty that can be depicted in the an economic pyramid of households which offers different poverty definitions (Eiligmann 2005): specialised poor, diversified poor, very poor and extremely poor (see Figure above). Characteristics of types of poverty are the situation of housing, education, belonging to ethnic minorities or accident and sickness incidences.

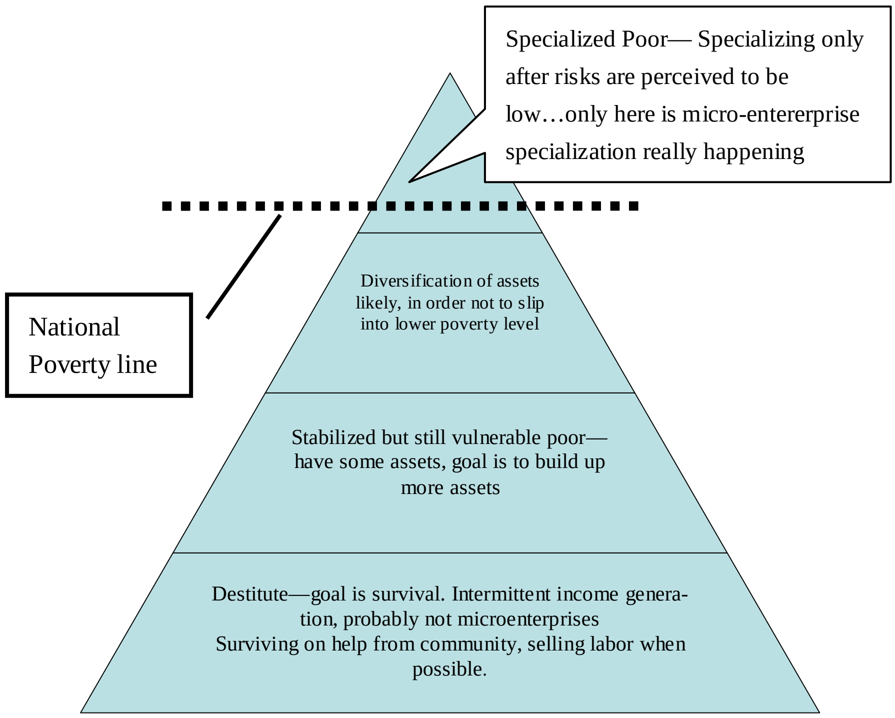


Figure 9: Economic pyramid of households and household strategy

Source: SEEP Network (2004)

17.3 Survival entrepreneurs vs. growth-oriented entrepreneurs

Since the identification of the "informal sector" by the International Labour Office (ILO) in 1972 the existence of a entrepreneurial subcategory facing particular barriers to growth has been recognized and coined "sub-subsistence production", "necessity-driven entrepreneurs" (versus "opportunity-driven entrepreneurs") or "survival enterprises" (versus "growth-oriented entrepreneurs"). Survival entrepreneurs do not start their business by choice but because they cannot find wage employment, they try to increase security and facilitate consumption rather than maximizing profit. Therefore, they diversify their activities instead of specializing. "The poor are too smart or too risk-averse to put all their eggs in one basket and invest exclusively in one activity or enterprise" (Berner et al. 2008). Even the relatively successful survival entrepreneurs find it difficult to accumulate capital under the imperative of sharing, which is typical in the moral economy of the poor.

In a poor neighborhood, businesses seem to defy the basic logic of entrepreneurship, i.e. to invest available capital in machines and materials, apply specialized skills and knowledge, and make a profit while accepting risks. In slums entrepreneurial activities are predominantly focusing on trade. Manufacturing is almost absent apart from small-scale handicraftsmen. Demand for services is limited because there is an over-supply of under-utilized labor and an under-supply of money to pay for basic consumer services. The rationale behind that is that a retail store is mostly a way of increasing security through diversification, and profits are only part of the household income. The store's stock is some kind of saving that can be consumed in case of emergency, or sold to a competing store. The stores are mostly run by family members with zero opportunity costs, i.e. individuals without chance to earn money in another way mothers, such as waged employment. These are typically children or elderly persons. Much of the sales are on credit, in portion-packed items (e.g. shampoo) or in in singles or pairs (e.g. cigarettes).

Although buying single-portion packs increase the unit price, it makes economic sense as users can avoid the prevalent obligation to share. This observation is also summarized in the term 'moral economy of the poor'. On the one hand, sharing and reciprocity is an essential mechanism to cope with volatility and vulnerability. On the other hand, it also creates a situation that prevents small businesses from accumulation and growth. Successful entrepreneurs in a poor neighborhood are culturally expected to support family members and neighbors in all respects, such as covering necessary payments, offering jobs and providing loans. Ultimately, the survival entrepreneur is remaining in poverty. As a consequence, they minimize any risk that would endanger their household's survival, diversify their economic activities and avoid capital accumulation to circumvent reciprocal obligations. This all results in significant barriers to growth and graduation out of poverty. Survival enterprises fulfill all criteria of entrepreneurs (risking own assets, independently allocating factors of production), except that they are not growth-oriented.

Moreover, survival entrepreneurs operate in an environment of "destructive uncertainty", which is characterized by overcrowded market "niches", unreliable institutions, ignorant or even predatory government officials, and multiple but volatile sources of household income. In such an environment, avoiding unnecessary risks is absolutely necessary and maintaining personalized relations of reciprocity that offer some security is crucial.

Based on the above considerations Berner et al. (2008) propose a typology of entrepreneurship as depicted in the table below.

Survival(ist) Entrepreneur (Street businesses, Community of the poor, [Micro-enterprise,] Necessity-driven, Informal own-account proletariat, Sub-subsistence)	**Growth-oriented Entrepreneur** (Small-scale family enterprise, Intermediate sector, [Micro-enterprise,] Opportunity-driven, Petty bourgeoisie, Micro-accumulation)
Ease of entry, low capital requirements, skills and technology	Barriers to entry
Involuntary entrepreneurs	Entrepreneurs by choice, often with background in regular employment
Female majority	Male majority
Maximizing security, smoothing consumption	Willingness to take risks
Part of diversification strategy, often run by idle labour, with interruptions, and/or part-time	Specialization
Embeddedness in social relations, obligation to share	Disembeddedness, ability to accumulate

Characteristics of survival and growth-oriented entrepreneurs

Source: Berner et al. (2008)

When it comes to interventions, growth-oriented entrepreneurs and survival entrepreneurs are different target groups, requiring different interventions based on a different frame of thinking. Poverty reduction programmes often consist of two components, the promotion approaches (which aim to increase incomes, productivity or employment prospects of poor people) and protection approaches (which aim to reduce the vulnerability of the poor).

Berner et al. (2008) argue that effective survival entrepreneur policies need to straddle the divide between the two components. However, the current promotional intervention practice typically uses an implicit growth-oriented perspective to construct interventions aimed to support micro-entrepreneurs.

(Micro-)Enterprise development policies are implemented at three levels of analysis: the macro-level (promoting an enabling environment), the meso-level (connecting smaller and weaker [growth-oriented] businesses to "engines of growth" in value chains or clusters) and the micro-level (through financial / micro-credit services and business development services). On all levels, however, the existing enterprise and entrepreneurship development policies offer hardly any lever for supporting the bulk of survival entrepreneurs.

Bernet at al. (2008) suggest three types of policies that could specifically focus on survival entrepreneurs:

- Enhancing the relevance of generic policies for survival entrepreneurs. This includes two levels:
    - General policies on the composition of economic growth and (re-) distribution: Economic growth ideally trickles down in the form of effective demand, at the lowest level allowing workers to purchase goods and services from survival entrepreneurs. And it reduces competition by giving at least educated and skilled people an alternative to self-employment.
    - Tailored policies on education, health, infrastructure, and property rights to enhance capabilities and reduce some forms of vulnerability: Considering the "destructive uncertainty" including making local government less disabling (reducing bureaucratic bottlenecks, harassment and corruption) and improvements in basic services and infrastructure (from which poor people benefit disproportionally more).
- Employment policies which offer survival entrepreneurs an escape from entrepreneurship: Training programs need to focus on employability, with enhanced business opportunities as welcome side effect and – on the demand side – to provide incentives for [growth-oriented] entrepreneurs to give preference to the poor in recruitment, to invest in additional training, and/or accept compromises on (initial) productivity.
- Specific policies to assist survival entrepreneurs to cope better with their business(es): for instance, non-cost covering and more continuous provision of financial and BDS for survival entrepreneurs.

17.4 Pro-poor Tourism

Tourism is included in the poverty reduction strategies of more than 80% of low income countries. The reasoning behind tourism's role in poverty reduction goes like follows:

- Size matters: Tourism is one of the most significant export sectors in many developing countries, particularly the least developed countries. However, size reveals nothing about actual, or potential, distributional impact.
- Employment creation: Tourism creates large numbers of jobs and it is labour-intensive (compared to the non-agricultural economy often by a fac-

tor of around 1.2 to 1.7). These include jobs for women (around 50% of the workforce) and unskilled and informal sector workers.

- Local livelihood gains: Empirical evidence in some studies demonstrates income flows and other net benefits to participants at enterprise level, particularly where 'pro poor tourism' initiatives are implemented to help small entrepreneurs gain market access.

However, none of these arguments addresses the crucial key question: What share of the economic benefits of tourism benefits poor people? Recent empirical studies conducted by the Overseas Development Institute (ODI) (Mitchell et al. 2007) suggest that between one-tenth one-third of total tourist turnover in the destination is captured by the 'poor' from direct earnings and supply chains (see figure below).

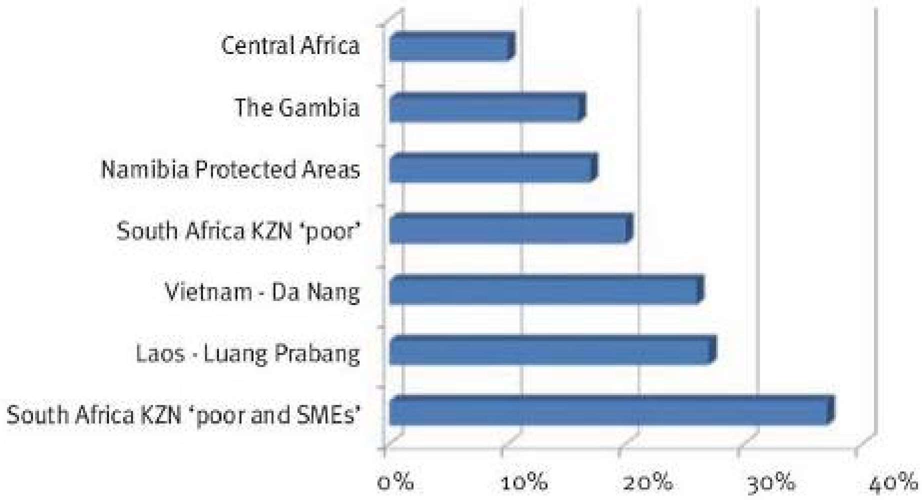


Figure 10: Total income earned by the poor as percentage of total tourism expenditure in the destination

Source: Mitchell et al. 2007

Tourism can affect poor people in several ways. ODI categorises three pathways by which tourism affects different poor people:

- **Direct effects from tourism to the poor:** labour income from tourism jobs (non-management staff earnings) or small enterprise (often with low entry barriers), other forms of tourism income (donations, community-private tourism joint ventures), and non-financial livelihood changes (negative as well as positive, mostly at the local level). The poor affected are likely to live in, or commute to, the destination.
- **Secondary effects from tourism to the poor:** indirect earnings from non-tourism sectors that supply tourism. Tourism requires a range of supply chains that reach deep into the local and regional economy, such as agriculture, food processing and handicraft. Supply chains are important to poverty reduction in terms of the financial flows and the number of people involved. ODI studies show that indirect impacts boost the economic im-

pact of tourism by about 50% to 90%. The poor affected may live far from the destination. Added to these are induced effects, from tourism workers re-spending their earnings in the local economy.

- **Dynamic effects on the economy:** impacts on infrastructure (also benefitting the non-tourism sectors), entrepreneurship (exposure to international clients and their specific needs), factor markets (prices, wages, exchange rates), other export sectors, or the natural environment are all included here. They may be experienced in the macro economy, or limited to the local destination economy. The poor may be affected more, or less, than the non-poor by changes in, for example, wages and land prices, positively and negatively. Thus, it should not be automatically assumed that any tourism growth is good for the poor

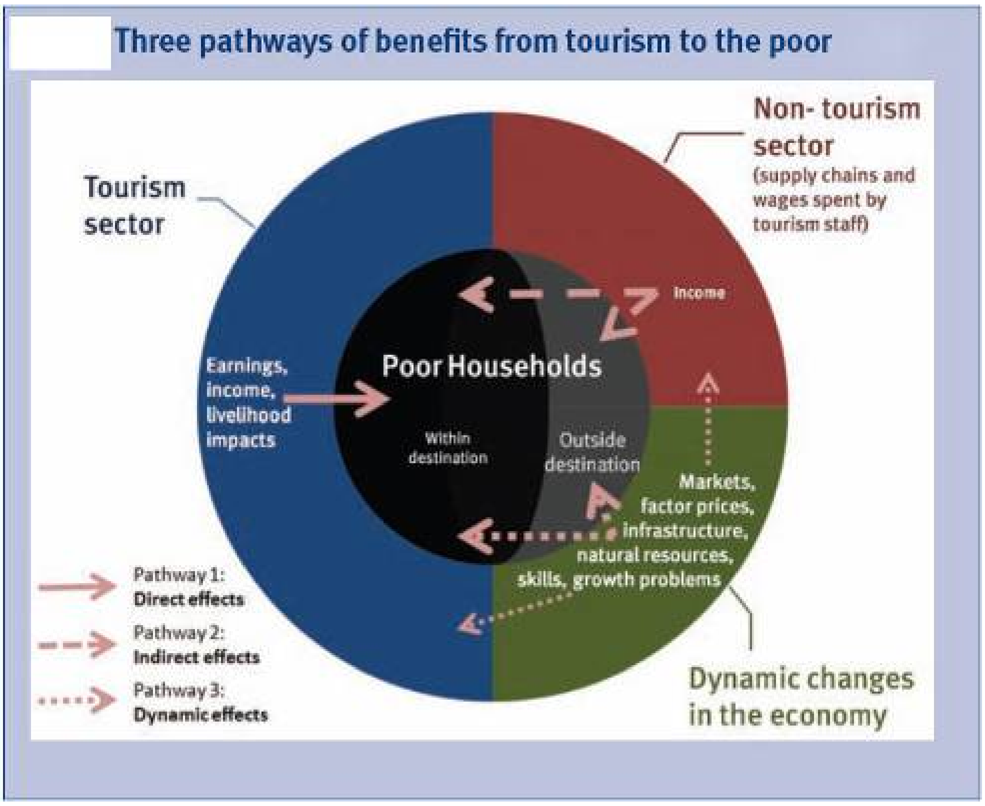


Figure 11: Pathways of benefits from tourism for the poor

Source: Mitchell et al. 2007

Pro-poor tourism needs to focus clearly on the potential to reduce poverty at scale. Mainstream tourist destinations are where most tourism happens and where most poverty-reducing potential is typically also located. Where linkages are already high, rapid growth will be the best pro-poor option, while in others with little spill-over so far growth will bring little gain without changing the structure of economic opportunities.

All three pathways of impact on poor people – as described above - can be significant and none should be neglected. This means looking beyond formal jobs to encompass informal sector activities, stronger market linkages in domestic supply chains, enhanced dynamic effects, and action to mitigate or avoid negative impacts.

18 Relevant Economic Concepts

18.1 Comparative & Competitive Advantages[7]

In the Hypotheses Workshop it is useful to use a simple tool to question local stakeholders' definition of the local competitive advantage. When you run a Mesocard-based brainstorming on the local competitive advantage, you will usually get a substantial number of responses that do not really address a competitive advantage but rather natural conditions. Typical examples would be "climate", "soil conditions", "clean air", "beautiful scenery" or "beaches".

Why is this a concern? It is for a simple reason: In most of the cases, these advantages are not unique, so that a location that relies primarily on them may find itself left in the dust by other locations who build a specific advantage on top of the natural advantage. Local stakeholders are often somehow aware of this issue, yet it often is not an issue that drives them to action.

What do we do in a workshop to address this issue? We put up the question: ”What is the competitive advantage of your location?” We organise the cards that are coming up under three headers: "natural resources", "generic advantages" and "unique advantages". A typical result would be to have 60% of the cards under "natural resources", 35% under "generic advantages" and 5% under "unique advantages". This tends to have an eye-opening effect on local stakeholders.

What exactly do we mean by each of the three categories? **Natural resources** are factors that are given by nature. Apart from the examples given above, this would also include the available of specific raw materials (e.g. good quality clay, or limestone, or wood), but also factors like geographic location (e.g. close to relevant markets or an important transport corridor). If you have a local wood processing cluster that is based on nothing more than cutting trees that grow anyway and cutting them into boards in a rather inefficient way, then you have only natural resources but no competitive advantage.

Generic advantages are man-made competitive advantages that you find in many locations. Typical examples are "experienced workers", "long history

[7] See PACA Flash #20: What is Local Competitive Advantage? - 09/06/2005

of the sector" or "good quality products". In a sector like tourism, "restaurants", "hotels" and "beach activities" are usually generic advantages. To take the example of the wood processing cluster again: If the companies have skilled workers and reasonable level of quality control, so that the size of boards is consistent and the amount of loss (sawdust and chips) has dropped from 30% to 10%, this still establishes no more than a generic competitive advantage.

Unique advantages are man-made competitive advantages that are specific to the location and that are really difficult to find elsewhere. Examples, again taken from tourism, would be "Guided hiking tours to ancient cave paintings", "Gold panning competition" or "PGA golf course". Or looking at the wood processing cluster: If your forests are certified by the Forestry Stewardship Council (FSC), and if the wood processing involves not only cutting but also treatment of the wood, so that it does not shrink or rot, you may have a unique competitive advantage.

The objective of territorial development initiatives is to facilitate and support the creation of unique competitive advantages. Some of these advantages will be built individually by companies. Others will depend on collective action, for instance the creation of very specific, demand-driven skills development. In order to move in this direction, it is essential to raise the awareness of local businesspeople and other stakeholders regarding the difference between natural resources, generic advantages and unique advantages, which takes us back to the exercise format mentioned above.

18.2 Markets & Value chains[8]

In a market economy, the market is the most important place for producers and customers to coordinate their actions. The market is the most efficient way of making allocation decisions. In markets, allocation decisions are taken in a decentralised way by producers and customers. The price is the main means of communication. Rising prices signal producers to produce more, dropping prices tell them to scale back production. However, there is frequent and widespread frustration with markets. Markets often don’t work properly. When left to their own devices, markets tend to generate monopolies. Moreover, markets are concerned with allocation, not with distribution, so that often functioning markets and increasing levels of inequality go hand in hand. Also, markets are not concerned with the scale of depletion of non-renewable resources. Markets create signals about relative scarcity of products at a given point in time, without concern for the limited availability of natural resources in the long run.

[8] See Meyer-Stamer (2008)

The tendency of markets to get rid of themselves, through the emergence of a monopoly, and the inability of markets to address issues of distribution and scale are the main reasons why sceptical perceptions and fundamental criticisms of markets have emerged over the past 200 years. Marxist economics are probably the most visible case of a highly sceptical perception of market forces; in the view of Marxist economists, modern capitalist societies are organised around monopolies, not markets.

However, efforts to substitute markets with other modes of coordination have failed.

Why is it that markets sometimes do not work? First, there is market failure. There are system-immanent as well as idiosyncratic reasons why markets don't work. Second, there is government interference. Government interventions often create distortions that inhibit markets from working properly.

What is the difference between markets and value chains? The current state of research on value chains distinguishes different types of value chains :

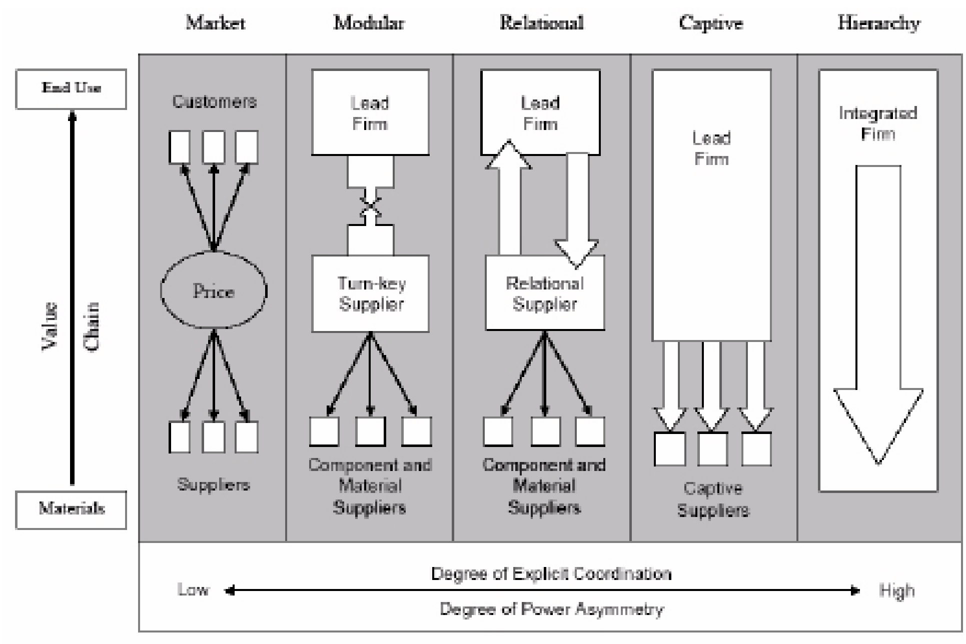


Figure 12: Five types of global value chain and their governance types
Gereffi, Humphrey & Sturgeon (2005)

As shown in Figure 12, it is actually regrettable that the authors have decided to include “market” and “hierarchy”, since this suggests that every form of organization of product transformation is a value chain. A company can also be a value chain, a market can also be a value chain, and vice versa. A value chain can be tightly coupled or very loosely coupled, and it can involve players who can give orders to other players or be a constellation where the players do not even know each other. Such a loose definition of what is a value chain is not helpful. It wastes a lot of the clarity that the value chain concept could in principle offer, and it confuses practitioners who are involved in value chain development.

How to define a value chain, then? The transformation of a series of raw materials into a product that is useful to a consumer or a company involves a series of economic transactions. This series of economic transactions can be conducted predominantly through markets, or in a value chain, or in a hierarchy. Note the use of the term “predominantly”. It is highly unlikely that there will ever be a pure form, where the entire series of transactions is conducted exclusively through markets, in a value chain or in a hierarchy. However, looking at how industries operate in the real world, it is perfectly possible, even in one and the same sector, to find patterns of transaction that are predominantly market, value chain or hierarchy.

18.3 What is market failure?[9]

In the economics literature five reasons for system-immanent market failure are mentioned. We define system-immanent market failure as a condition under which even in a vibrant economy with a strong anti-trust body markets will fail.

1. Natural monopoly. There are products and services where markets cannot work, mostly due to technical reasons. A typical example is water distribution. A functioning market in water distribution would have to be based on parallel networks of tubes, something that would be prohibitively expensive. A similar logic applies to electricity distribution. In recent years, some natural monopolies have ceased to be natural because of technical change, for instance in the case of telecommunication.

2. External effects. Companies pursue a business opportunity because they can earn money by addressing it. If there is an opportunity where a company will not be able to reap the benefits of its investment, the company will probably not pursue it. A typical example is investment in skills development. Business owners often accept that in principle it would make sense to invest in skills upgrading for their employees. However, some of them would move to a different employer subsequently, so that the company that paid for the training course would reap only part of the return on its investment. Another part of the return is reaped by other companies. That is the “external effect”, which would in this case a positive external effect. There

[9] See Meyer-Stamer (2008)

are also negative external effects, for instance environmental damage or negative health effects of an industrial plant on its neighbours. Another type of external effects are coordination externalities; we will look at them below.

3. Indivisibility. In most economic subsectors, there are economies of scale, but there are also minimum efficient scales. Producing 10 kg of steel per day is never going to be efficient. To some extent, production technologies can be downscaled. But there are limits to this, and that is what “indivisibilities” are about.

4. Asymmetric information. The classical example is the sale of a used car. The seller knows exactly what is wrong with the car. The buyer can identify some flaws, but will definitely miss some others. This may lead to a situation where the buyer refrains from entering into a transaction altogether, i.e. a market does not evolve.

5. Public goods. There are goods and in particular services where it would be difficult or impossible to charge beneficiaries for the use, where free riding is very easy, or where the consumption of the service by one consumers does not deplete the service. A textbook example is the illumination of roads. Another example would be the provision of agricultural extension services in poor areas, or the provision of specialised calibration services to product certification laboratories. The following table gives an overview of examples of market failure and their consequences, looking at the case of rural development.

Type of market failure	Example	Consequence
Natural monopoly	Telecommunications in rural, thinly populated areas	Customers in rural areas pay much higher price for telecom services than urban customers, perhaps have no service at all, and suffer from delays in access to innovative telecom services
Public goods	Availability of agricultural extension service for poor producers	Producers can't improve quality and productivity and thus remain uncompetitive
External effects	Investment in skills development	Companies invest less in the skills development of their staff that would be desirable from a macro perspective
Indivisibility	Size of a container (minimum 39 cubic meters) that needs to be filled by supplier	Small producers cannot connect to customers because the don't produce enough to fill a container
Asymmetric information	Information about residual toxics and other contaminants in fruit and vegetables in the absence of sophisticated and costly testing equipment	Customers don't buy fruit or vegetables if they suspect that producers have used more agrochemicals than they admit
	Information about the quality of planting material (seeds)	Producers only buy seed varieties they know, and they buy from sellers they know

Types of market failure and their consequences
Source: Meyer-Stamer (2008)

System-immanent market failure is identified through research on markets, not through market research. Research on markets is based on concepts developed in microeconomics. Market research is a practical activity that is informed by concepts developed in management studies.

18.4 Market failures & Exclusion[10]

The purpose of Local Economic Development (LED) is to raise the wealth of local communities by creating business and employment opportunities. Just like other economic development approaches, it aims at remedying market failure. It involves an effort to actively integrate those groups that are marginalised or excluded by markets, be it as producers, as employees or as consumers. But it must not be limited exclusively to activities that directly address the poor. Poverty, as measured by income, is mostly a symptom of an underlying problem, namely exclusion. A significant number of individuals and groups are excluded from life opportunities. Exclusion can man-

[10] See Meyer-Stamer 2008

ifest itself as social exclusion, spatial exclusion, and/or economic exclusion. Social exclusion is linked to rigid societal stratification and segmentation. Spatial exclusion is linked to the availability and cost of infrastructure. Economic exclusion is linked to market failure and/or the unavailability of scarce resources to a local community. Scarce resources can be, for instance, natural resources. In today's globalised economy, the most relevant scarce resource, though, are skills and knowledge.

In which way and to what extent can LED address and remedy exclusion?

Regarding **social exclusion**, LED can make a critical contribution by bridging the gap between different social groups at the local level. It is essential that LED does not reinforce social segmentation by running small projects within existing communities. Instead, LED needs to address opportunities that create value-added by connecting different groups at the local level.

Regarding **spatial exclusion**, LED per se is addressing this issue. In particular donor supported LED approaches tend to focus primarily at regions that do not benefit from the overall economic dynamism in a given country. Moreover, LED can to some extent contribute to the provision of infrastructure. It is critical that LED does not limit its effort in this respect to mobilising local resources but rather concentrates on leveraging the resources available at provincial and national levels to the benefit of local communities.

Regarding **economic exclusion**, LED will normally pursue three targeted approaches:

(1) Poor are excluded from functioning markets in their role as producers. A key element of LED is an effort to make markets work, both in terms of product inputs and producer services and regarding connection to downstream markets. Approaches like "Making Markets Work for the Poor" (M4P), promotion of business development services and value chain initiatives address this.

(2) Poor are also marginalised in their role as consumers. Poor typically pay significantly more for products and services than people who are better off; this is one of the key tenets of the “bottom of the pyramid” concept. Currently, LED tends not address this issue adequately. For instance, it sometimes promotes inefficient retail formats that put an additional financial burden on consumers that already have very little purchasing power. LED must rather take an effort to facilitate the delivery of the most efficient retail formats and other services to poor consumers, even if this may appear to harm inefficient local traders. Experience has shown that the advent of efficient retailers creates new opportunities for local traders.

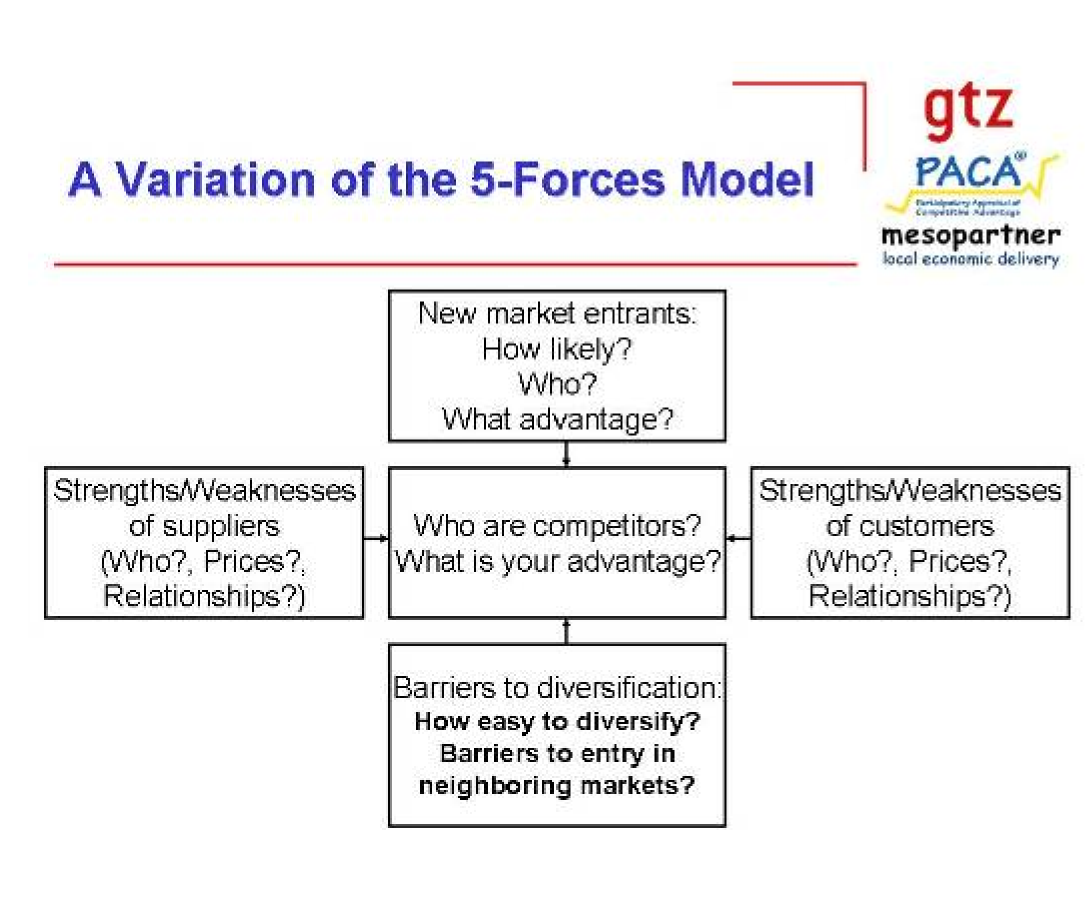
(3) Poor are also marginalised in the labour market. The latitude of LED to address this issue is limited. The most important contribution to reducing

barriers to entry into the labour market is a consistent quality effort in education, and this is a field that can usually not be addressed by LED. LED rather tries to address symptoms linked to low-quality education, e g by running training courses that offer very basic skills. This may create occasional opportunities for individuals who are not employable, but it cannot create the type of high-skilled worker who despite global competition can demand attractive wages. (It is also important to note that individuals who due to lack of skills are not employable are unlikely to turn into successful entrepreneurs, even with the best intended efforts by small business promotion organisations.) It is important to remind ourselves that the latitude of LED to fight poverty is determined by the overall framework conditions. The quality of economic institutions, the functioning of markets, the quality of government's effort to remedy market failure, the enabling environment for business and the quality of education are mostly defined at national level. LED can make a big difference under conditions where the fundamentals are right, e.g. a consistent effort to provide quality education for everybody exists and the framework conditions assure effective markets. LED will have only a limited impact under conditions where the fundamentals create a variety of obstacles to dynamic economic development. It is crucial that LED addresses causes of exclusion, not just symptoms. LED that is implemented through small poverty alleviation projects is no more than a drip in the ocean. LED that addresses fundamental obstacles that stand in the way of inclusion of poor can make a significant difference.

18.5 Modified 5-Forces Model

How can we look out for market failure during LED fieldwork? And how do we recognise it when we see it? It is actually quite simple. Market failure is when a business opportunity is not taken up by a company or an entrepreneur. In an ideal world, any business opportunity would immediately be taken up by companies, and competition between them would select the most efficient and attractive way of exploiting that business opportunity. In the real world, things tend to be different. We consistently observe business opportunities that are not exploited at all. We then must ask ourselves why they are not exploited, and what can be done to change that. How and when do we observe business opportunities that are not exploited? We do that both in Miniworkshops and in interviews.

The 5 Forces model is a highly effective way of spotting business opportunities. Whenever existing producers or business people complain about the lack of certain suppliers or services, or about the lack of customers, or about monopolies on the supply or the demand side, we are very likely looking at a market failure and possibly a business opportunity. To get a more systematic assessment of market failure, we can add one more dimension to the 5 Forces, or in fact substitute the question for substituting products with a different question. We can ask: If you tried to move into neighbouring business areas, what kind of obstacles would you face? By neighbouring business areas, we mean two things. First, how about starting a branch of your business in a neighbouring town? Second, how about broadening the scope of your business, say from weaving textiles to also dyeing them? The answers to these questions would give us valuable information on barriers to entry, i.e. factors that stand in the way of realising business opportunities.



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