

## **Participatory Appraisal of Pro-poor Income Potentials (Pro-Poor PACA)**

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The PACA methodology is participatory, pragmatic and market-oriented, but it is not poverty-oriented per se. Nowadays, however, any kind of development cooperation is measured against the attempt to work towards the Millennium Development Goals. Hence, we frequently face the request: “Can you advise us on LED, but more pro-poor please?” Apparently, pro-poor Private Sector Development (PSD) and Making markets work for the poor (M4P) still have huge growth potential. The number and scope of instruments in LED and PSD with a specific poverty reduction focus is still limited, though.

As one response to this situation, mesopartner was commissioned by the “Support for Poverty Reduction Program” of GTZ Vietnam to design a methodology that poor districts can use to assess their economic potentials and implement interventions that have the potential to kick-start LED initiatives, helping to reduce poverty. The ‘Participatory Appraisal of Pro-poor Income Potentials’ methodology, or ‘pro-poor PACA’ for short, was developed and pilot-tested three times in Vietnam between December 2006 and February 2009. In the meantime, a comprehensive user manual and a movie became available. Subsequently, in 2009 the first applications of the method outside Vietnam took place in Northern India in the course of a World Vision assignment and again in Andean Peru within a German Development Service project conducted by one of our associated consultants.

This pro-poor appraisal tool is significantly informed by the PACA approach. The quite robust structure of PACA helped to sequence the various traditional and new tools and formats along the process of a rapid appraisal exercise, and allowed for various modifications and adjustments to the specific purpose and target groups of a poverty-oriented exercise. The newly integrated tools and formats had previously been tested in other contexts, but were modified and freshly recombined for this specific pro-poor economic development instrument. This, for instance, includes a modification of Porter’s 5 Forces model, a pro-poor and gender-sensitive value chain selection process at the Kick-off workshop, a systematic mini-survey with traders and intermediaries to better integrate the market view into the analysis or the deployment of a fourth, pro-poor criterion at the final assessment round of proposal for LED actions.

Pro-poor PACA is based on the same set of principles as the traditional PACA method: bottom-up, opportunity-driven, market-oriented, considering development work being process management and facilitation. But in addition, it tries to be inclusive by integrating poverty concepts and structuring the target groups more carefully into those who are above and those who are below the poverty line in a given location. The latter group of people is divided again into different levels, according to the depth of poverty.. Activities generated from a pro-poor PACA exercise try to reach as far as possible below the poverty line by incorporating poor individuals, survivalist enterprises and farmers into markets and employment.

There are a couple of important insights generated by pro-poor LED that need to be understood by the those organisations running economic development programmes in poor areas, which are now showing interest in applying the pro-poor PACA methodology in their programme context.

One such insight is the importance of the distinction between the target groups and the ultimate beneficiaries. Even if people who are poor are supposed to benefit predominantly from an intervention, the non-poor will necessarily also gain from it in a sustainable LED project. To only work with and target people who have very limited resources and assets will not be a very promising approach to lifting those people out of poverty in a sustainable way.

Another important insight is the distinction between growth-oriented entrepreneurs, survivalist entrepreneurs and the huge field of employment located between the two groups. Targeting survivalist entrepreneurs requires a different set of instruments than addressing growth-oriented entrepreneurs. It is 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 micro-enterprise development organisations. On the other hand, most necessity entrepreneurs would grasp the next best opportunity to abandon their business to enter into stable, waged employment.



Poor vegetable farmer, Uttar Pradesh, India, 2009