Annual Reflection
2017
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Mesopartner is a knowledge firm that specialises in economic development, competitiveness and innovation. Our strategic intent is to be globally acknowledged as an innovator in economic development practice. Combining theory, practice and reflection, we enable clients to explore options and support decision-making processes. We collaborate with strategic partners to create knowledge on contextually sound economic development.

We operate as adviser and service provider to development organisations (development agencies, ODA (Official Development Assistance) donors, development banks, NGOs, cluster networks and others), to decision makers in private and public sector and to consultants and consulting firms. Since 2003, the knowledge that we have shared and the tools that we have developed have helped development organisations and stakeholders in many developing and transformation countries to conduct territorial and sectoral development in a more effective and efficient way.

Mesopartner offers the knowledge that local actors need to address the challenge of innovation and change in a systemic and complexity-sensitive way. We develop innovative tools based on local and regional economic development, cluster and value chain promotion, market systems development, strengthening of local innovation systems and related topics. We coach and equip development practitioners to design interventions in socio-economic systems, and conduct leading edge learning events for practitioners. We facilitate development processes and give policy advice.
We are often asked: “What does ‘meso’ in your company name stand for?” ‘Meso’ has a profound meaning for us for several reasons. First, as one of four levels in the concept of *Systemic Competitiveness*, meso is a key dimension of the systemic interpretation of economic and societal change processes. Second, it is an essential theme throughout our work. Mesopartner predominantly targets the meso level and works through meso institutions, such as associations, local economic development (LED) agencies and universities in support of the process of economic change and development.

In this year’s Annual Reflection, we deliberate on the significance and relevance of the meso level and meso policy options as a vehicle and lever for stimulating economic activities and strengthening enterprises at the micro level. We particularly focus our considerations on the role and importance of meso organisations from both a theoretical and a practical, work-related perspective.

In order to approach and structure the topic of meso organisations, we posed a number of questions that we decided to answer in this year’s Annual Reflection, ideally in the form of an article in response to each question. As the topic is wide-ranging and complex, the selection of questions is certainly not exhaustive, but the questions are
sufficiently diverse to throw some light on the topic from different angles. The questions include:

- What is meso? What is its relation to sectors and territories?
- What are meso organisations and why do they exist?
- How are meso organisations identified and assessed?
- How do meso organisations evolve and what challenges do they face?
- Why do meso organisations struggle to change?
- How are the resilience and adaptability of meso organisations and their networks strengthened?
- How do persistent market failures justify meso organisations?
- Are there any good examples of meso organisations or an entire meso space evolving?
We start off by briefly introducing the concept of systemic competitiveness, the significance of the meso level (and meta level), meso policy and meso space, and their relation to territories. We explain the importance of the meso level to achieve competitive regions and sound economic development. In Article 2 ‘What and why meso organisations?’ we delve deeper into the concept of meso space and provide examples of typical meso level organisations that populate this meso space, their roles and typical activities in basic, advanced and specialised functions. The article ends by outlining challenges that meso organisations often have to face.

Next, we address the perspective of enterprises and the typical customer of meso organisations, and ask whether it is possible to find meso organisations close to or even remote from the markets where enterprises operate. We propose some guidelines on how to identify meso organisations, and conclude Article 3 by presenting a list of questions that can be used to identify different kinds of meso organisation.

Article 4 ‘Assessment of meso organisations’ argues that there are four dimensions to improving meso organisations’ performance, along which each meso organisation can and should be assessed. The more strongly these dimensions are developed by a given organisation, the better it would be able to improve the competitiveness of the overall economic system. We are currently running experiments to turn these four dimensions into a practical, hands-on assessment tool for institutions at the meso level.

Article 5 ‘The role of the meso level in enabling economic evolution’ summarises a 2016 research effort of Mesopartner into what systemic change actually is and
how it can be achieved in an economy, with the emphasis on the role of the meso level in enabling economic evolution. Apart from other schools of thought, we draw here specifically on new institutional economics, as it focuses on markets and how the markets emerge and work in a society shaped by formal and informal institutions.

Article 6 ‘Meso organisations need to be innovative and anticipate future trends’ states that meso organisations need to be innovative and anticipate future trends. There are at least three kinds of shifts that meso organisations must constantly reflect on and respond to. These are continuous shifts in national and global policies, shifts at the meso level itself and shifts at the micro level, where enterprises operate, are created and cease to exist.

Article 7 ‘Why do meso organisations struggle to change?’ discusses why meso organisations usually struggle to change. Answers are found in, among others, their social context, their incentive structures, and also in a lack of space for experimentation.

The Annual Reflection discusses two cases studies. The first presents the development of a meso space in Myanmar, a country that started an economic, social and also an institutional transformation process as late as 2012 after decades of isolation. The second case study is from Bosnia and Herzegovina, where an international donor project redesigned its strategy by changing and working through a local meso organisation, using a facilitative approach – with considerable success.

Our series of articles started with systemic competitiveness as a key concept, and also concludes with this concept. Our guest writer from Mexico, Enrique Dussel Peters, briefly discusses the methodological foundation provided by the global value chain, the systemic competitiveness and the territorial endogeneity approaches and their relevance to economic policy.

We hope that this Annual Reflection will make interesting reading and that it will trigger interesting discussions on the importance of the meso level and the institutions populating it. This year’s theme helped us to consolidate our own learning, and we can now focus on our future development and collaboration with others who have similar interests.

Christian Schoen (cs@mesopartner.com)
Meso level, meso space and the relation to territories

Even at the beginning of the 1990s, many scholars realised that competition between isolated firms, unconditional free trade, and the state as an institution of regulation and supervision did in most cases not lead to economically successful and competitive countries or regions. Indeed, the most successful countries were found to be those that actively shaped locational and competitive advantages in a collaborative effort between the public and private sectors and the wider society (Esser et al., 1996). Recent thinking in economic theory also confirms the importance of going beyond
To reflect this insight and to understand the dynamics (or lack thereof) in economic change, two analytical layers are needed in addition to the macro and the micro levels of neo-classical economic orthodoxy.

- Firstly, economies are deeply embedded in the societies in their respective locations and prevailing culture. The society needs to agree on the basic principles of orientation of economic development. The relevant actors (policymakers, businesses, civil society and also individuals) need to be able to organise and focus their strengths on the common goal of improving competitiveness as a means for economic development. This is captured in the “meta level”, which in a way sets the general tone for all development efforts.

- Secondly, an additional layer is needed that is conceptually positioned between the micro economy of interacting enterprises and the macro economic framework conditions. We call this the “meso level”, which shapes the specific environment in which firms operate. The meso level is where both public and private actors at the national, regional and local level become involved in promoting business and where targeted policies, support initiatives and concrete projects are implemented jointly to promote locational advantages and increase relative competitiveness.
Systemic competitiveness and the significance of the meso level

Esser and colleagues (including the late founding partner of Mesopartner, Jörg Meyer-Stamer) developed the Systemic Competitiveness framework, which is built around four system levels (micro, meso, macro and meta – see Figure 1). Systemic competitiveness is thereby understood as the ability of a territory to continuously improve wellbeing.

The main message of the framework is that purposeful economic development measures need to address each of the four levels. The meso level is especially important for strengthening the competitiveness of a territory and/or a specific sub-sector that has often been underestimated or ignored by economic development initiatives. In many developing economies, the meso level is very thin or even non-existent.

Neither the market alone nor a centrally led development state can structure the local economic environment and effectively strengthen locational factors. Meso organisations such as local development agencies, extension centres, development banks, or knowledge facilities play an important role in the process of promoting local economic development. They engage in information provision, coordination and knowledge creation. If they are working well, it means that they understand business sector needs as well as strategic policy requirements. This gives them the ability, one the one hand, to feed information and support requirements back from the business world
to the designers of targeted policies. On the other hand, they deliver targeted support programmes to overcome market underperformance in line with the wider policy environment. Thus the dynamics, diversity and adaptability of these organisations are critical in improving the competitiveness of a territory. This is particularly true in a time when globalisation has increased the mobility of goods, people and ideas, and tacit knowledge and local learning are becoming more and more important in creating a dynamic locational advantage.

In donor-funded economic development, the development programme is generally given the role of the driver of change. Mesopartner has been advocating that territorial meso organisations need to take the role of central driving actors that promote and enable economic change. Development programmes need to support, strengthen and work through them rather than play their role.

**Meso policy and meso space**

For a better understanding of the meso level, it is important to differentiate between meso policy and meso space.

Meso policy designs and implements targeted interventions to address persistent underperformance of the economy, to strengthen the supporting environment for businesses and to shape structural change. Interventions can be conceived and executed by both public and private actors. The defining criterion for a meso policy is its selectivity. Fiscal policy, monetary policy,
exchange rate policy and trade policy are generic policies. They affect all economic actors in the same way, and they are thus elements of the macro level. Meso policies, by contrast, are selective and should be based on a thorough understanding of market and business requirements. They specifically target limited groups of economic actors. Typical examples are technology policy (aiming selectively at innovative companies or sectors) and regional policy (selectively promoting lagging regions and the economic actors that happen to be based there).

Box 1 lists typical meso policies.
The meso space is defined as the collection of public and private organisations that are tasked with strengthening the competitiveness of a locality. The meso space is mainly the result of the implementation of meso policy rather than the result of spontaneous, uncoordinated market processes. Nevertheless, self-organised structures resulting from collaborations between public and private actors on the micro level are also important actors in the meso space. You can find out more on the meso space in Article 2 ‘What and why meso organisations?’

It is important to note that the four levels of Systemic Competitiveness do not correspond to administrative levels. Macro does not mean that things are only happening at the national level. Equally, there are meso policies and meso organisations at all administrative levels: supranational (e.g. European Union), national, regional and local. But even if a meso policy is designed at a supranational or national level, such as the agricultural policy of the European Union, these policies are mostly implemented on a subnational level close to the final beneficiaries, such as European farmers.

So whether meso policy was set supranationally, nationally or regionally, it is generally expressed in local delivery structures in the form of dedicated or mandated meso organisations that are active at the territorial level and constitute an important part of the meso space.
Linking meso and territory
Meso policy and meso space are not coherent, let alone consistent, sets of policies and actors. Both are context specific and need to emerge out of the reality and history of each territory. There are thus no one-size-fits-all solutions. Development promoters need to understand who’s who in a territory, what specific meso policies are currently being promoted and to what extent the meso organisation’s current activities and the design of the meso policies are contributing to (or undermining) development. This context dependency inherently links Systemic Competitiveness with a territorial approach. This link becomes even clearer when regarding the meta level of Systemic Competitiveness. The meta level reflects the capacity of public and private actors in an economy to organise and collaborate in a way that allows one to tap into the potential of a diverse set of actors to contribute to the development process. This capacity can be vastly different in different locations, depending on the type of location (urban, semi-urban, rural, remote, etc.), its history (peaceful, conflict, etc.), demographics and external influences such as immigration or dominant external policies.

Resources


Marcus Jenal (mj@mesopartner.com)
Frank Wältring (fw@mesopartner.com)
What and why meso organisations?

The previous Article 1 explained the importance of the meso level to achieve competitive regions and sound economic development. It also differentiated between meso policy and meso space. This article looks at the meso space, which is the group of public and private organisations that are tasked with strengthening the competitiveness of a locality. The meso space is an expression of the current and past meso policy, combined with self-organised structures resulting from collaborations between public and private actors on the micro level.
Table 1 lists typical organisations in the meso space. It is, however, often difficult to allocate organisations to the meso space. For example, an ordinary commercial bank is part of the micro level since it is basically just another company, which operates in a competitive market, and central banks are elements of the macro level. However, government-sponsored microfinance organisations or government-guaranteed local banks are part of the micro level as they are commercial operations, but they are also an instrument of meso policy, and are therefore part of the meso space.

The meso space is a dynamic entity. Some meso level organisations are permanent inhabitants of the meso space because they will never be organised as business operations. This applies to organisations that supply public goods such as education or public infrastructure, or provide services with very strong external effects. Many meso level organisations are only temporarily part of the meso space, such as testing and quality assurance service providers. These services can be taken over by private service providers. Another example is start-up promotion and incubation services, which are often semi-public or highly subsidised in the early stages of economic development and only later – and under certain conditions – become self-sustainable enterprises.

<table>
<thead>
<tr>
<th>Public</th>
<th>Hybrid / either-or</th>
<th>Private</th>
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<tbody>
<tr>
<td>Centres for research and development</td>
<td>Metrology laboratory</td>
<td>Chambers</td>
</tr>
<tr>
<td>Public education and training institutes</td>
<td>Certification agencies</td>
<td>Industry associations</td>
</tr>
<tr>
<td>SME promotion agencies</td>
<td>Incubators</td>
<td>Foundations</td>
</tr>
<tr>
<td>Development banks</td>
<td>An industrial park with specialised infrastructure, e.g. cold storage</td>
<td>NGOs</td>
</tr>
<tr>
<td>Metrology institutes</td>
<td>Local development agency</td>
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Meso policy not only addresses the meso space but also could, for instance, aim to promote the concept of the fourth industrial revolution, which is all about connectivity, data exchange, digitisation, etc. This requires changes in how a society thinks about such aspects (the meta level). At the same time, on the micro level, it requires firms to start thinking differently about how they connect their enterprises and processes to Internet, and how they integrate various suppliers into their internal systems to allow data exchange (the micro level). This clearly shows that the different levels of the Systemic Competitiveness framework (see Article 1 ‘Meso level, meso space and the relation to territories’) are dynamically interconnected.

A meso organisation can be a completely separate legal entity, or it can take the form of a programme implemented by a hosting organisation. For instance, standards bodies are often legal entities, with the government as the main shareholder. A technology transfer centre at a university could be a separate legal entity, or it could be configured as a programme.

The creation of a competent meso space is a means to strengthen the competitiveness of a region. Not all meso policies automatically lead to the establishment of a meso organisation or to adding a task to an existing organisation. For instance, a meso policy that aims to prioritise the development of local enterprises through public procurement does not necessarily need a new organisation; it could simply shape the criteria of the respective public procurement processes.
The role of meso organisations

Meso policy alone does not change incentive structures and performance on the micro level. For certain services to be delivered, it is necessary to create a dedicated organisation or add a mandate to an existing one. Such services are often not provided naturally by the market, either because their function is to provide public goods or because trust in an institution needs to be established first. For all these reasons, individual businesses are disincentivised to invest in these services. Table 2 lists typical activities of meso organisations.

While these examples of typical activities are directed towards actors at the micro level, meso organisations also play an important role in advocating for policy change and shaping public sector strategies (at both meso and macro levels), based on their insight into the incentives and behaviours of enterprises. Very often these organisations must balance the requirements of the micro-level actors with the priorities of policy makers or funders.

Table 2 Typical activities of meso organisations

<table>
<thead>
<tr>
<th>Basic functions</th>
<th>Technology</th>
<th>Education and training</th>
<th>Finance</th>
<th>Infrastructure</th>
<th>Foreign trade</th>
<th>Entrepreneurship</th>
<th>Business membership associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic functions</td>
<td>Measurement, standards, norms, quality assurance</td>
<td>Secondary and higher education in basic disciplines</td>
<td>Credit, investment capital</td>
<td>Basic infrastructure: roads, water, electricity, telephony</td>
<td>Basic foreign trade transactions</td>
<td>Awareness raising on potential of entrepreneurship</td>
<td>Elementary services Ad hoc lobby</td>
</tr>
<tr>
<td>Advanced functions</td>
<td>Technology transfer</td>
<td>Vocational training in specialised disciplines</td>
<td>Development banking Microfinance Collateral banking</td>
<td>Reliable, efficient, high-quality infrastructure</td>
<td>Export financing Export credit insurance</td>
<td>Entrepreneurship training, business skills training BDS market facilitation</td>
<td>Specialised services Business networking</td>
</tr>
<tr>
<td>Specialised functions</td>
<td>Specialised R&amp;D</td>
<td>Highly specialised, high-quality training courses</td>
<td>Specialised, innovative financing Venture capital</td>
<td>Specialised, innovative infrastructure</td>
<td>Advice and support for market research, design, packaging, etc.</td>
<td>Business incubation, business acceleration</td>
<td>Comprehensive services Active role in locational policy</td>
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Meso organisations are typically part of various networks of organisations. To find opportunities for improvement, or to address binding constraints, these organisations must typically work with other stakeholders, conduct all kinds of diagnostic processes, and formulate improvement processes over the short, medium and longer term. An example is a standards body that assists enterprises to meet international and national standards.

**Challenges for meso organisations**

Meso organisations often struggle to learn and adapt in order to respond to the continuously changing economic environment, industry structure, framework and market conditions. Reasons for this can be micro-management by their funders or policy makers, under-resourcing, applying too narrow indicators for performance management and evaluation, or because they are trying to do too much (or too little).

Another challenge for a meso organisation is that it might lose its purpose and has to struggle for survival, since a particular underperformance in the market, which it was initially established to address, was only of a temporary nature. A private firm at the micro level can now offer the organisation’s service or it is no longer demanded by enterprises. If external funding for such a meso organisation is secured, there is typically a tendency towards inward orientation and to continue operation as usual, without benefiting the enterprise sector any longer.
Inward orientation is a general issue of meso organisations that receive external funding and are thus able to offer their services to firms at highly reduced prices or even free. The market then cannot properly assess the quality of services, service design does not consider the real needs of enterprises and marketing efforts are neglected.

Meso organisations and the support system they are part of need to rise to these challenges and carefully assess what change and adaptation are needed to continue creating value for the enterprise sector at a high level of efficiency and effectiveness. Meso organisations therefore need to be innovative and adaptive in order to respond to continuously changing demands (see Article 6 ‘Meso organisations need to be innovative and anticipate future trends’).

Marcus Jenal (mj@mesopartner.com)
Christian Schoen (cs@mesopartner.com)
How to identify meso organisations?

Although it is quite easy to find enterprises in most locations and industries, it is sometimes harder to find meso organisations that provide key technological, educational and other supporting services. Also, a meso organisation is not always a separate entity – it could be hosted by another organisation, such as a technology incubator that is hosted by a university.
In this article, we propose some guidelines on how to identify meso organisations. We use a case example from Myanmar to illustrate how this process unfolds in practice. The “Growing Rubber Opportunities in Myanmar” (GRO Myanmar) project implemented by CARE Myanmar is funded by the Swiss Agency for Development and Cooperation. GRO is working to improve the rubber sector with a focus on Mon State in the Southeast of Myanmar with the aim of improving the situation of smallholder rubber farmers and tappers.

**Meso organisations close to the markets**

As Article 2 ‘What and why meso organisations?’ shows, meso organisations play a variety of roles that are immediately relevant to markets. The service they provide can be used to identify meso organisations. They shape the way markets work either by providing finance and establishing crucial infrastructure, or by directly providing market-relevant services such as research and quality control. Most importantly, their intention is predominantly developmental and not commercial. This is one of the key differences between meso organisations and regular businesses at the micro level.

Many meso organisations take on a mix of these roles. For instance, a tourism association may play an important role in decreasing coordination costs and improving the attractiveness and branding of an area, and at the same time play a role in improving standards and quality of services in a location. A farmers’ association could play a role in assisting farmers to gain access to better inputs or to negotiate better prices or open markets to individual farmers who may have difficult accessing them. A local development agency may attract investors and assist in streamlining the planning and coordination of new infrastructure developments. A research laboratory or technology centre may reduce the costs for local entrepreneurs to gain access to graduates, scarce equipment or new knowledge.

Meso organisations can have relationships with specific value chains or clusters, or can promote the competitiveness of enterprises in general. Entrepreneurs can immediately identify many of these organisations, as they provide them with valuable support such as technical or management advice, and access to scarce technology or expertise on market access. Some meso organisations may not even consider themselves to be development actors. For instance, a farmers’ association may offer its members a shared machinery ring as a means of controlling costs and making the best use of specialised equipment and expertise. This helps to overcome the market failure indivisibility of capital investment faced by many small farmers. That part of their work would be “meso”, whereas selling seeds to their members is a micro level market transaction.
In the Myanmar project, the GRO project team was easily able to identify the enterprises operating at the micro level. They were then able to identify some meso organisations as well as the macro level decision makers and broad policy directives. This allowed the team to recognise persistent patterns of underperformance in the marketplace. This was all captured on a Systemic Competitiveness map with the identified underperformances depicted on red cards (see Photo below).
Meso organisations remote from the markets

While meso organisations that directly support enterprises are fairly easy to find, the challenge is to identify those organisations that do not appear to offer direct support. They provide public goods such as skills development services, enable contract enforcement, develop and maintain critical infrastructure, perform research, ensure standards or improve management capacity. They may not be visible in a specific location or near enterprises on a value chain map, but behind the scenes they play an important role in regulating the behaviour of the actors. They can reduce the costs of gaining access to knowledge, skills and information, they promote competitiveness and innovation, they provide advice to policy makers on how to improve framework conditions, or they invest in and develop critical economic infrastructure that reduces transport, transaction and search costs. These organisations are often publicly funded by national departments and grant funds or through specific development programmes.

After identifying key performance issues, the GRO team in Myanmar tried to determine which existing meso organisations could possibly respond to the issues on the red cards. The team also tried to identify sources of knowledge, information and advice that could assist enterprises to upgrade and improve efficiency or market access and in so doing overcome the market inefficiencies captured on the red cards. Because they could not find appropriate organisations in Mon State, they conducted a search for nationally funded programmes operating in other states. This resulted in identifying a university in another state as a key player in the rubber sector that was providing advice, services and education at national level. It was not obvious from the interviews and engagements with entrepreneurs and farmers that this university was a key provider of knowledge and advice, thus there were limited knowledge and information flows in the rubber system. The GRO team could immediately focus on how they could connect local actors with the university and its networks to address some of the issues recorded on red cards on the map.

Meso organisations sometimes do not even identify themselves with markets, entrepreneurs or development, such as a chemical testing laboratory at a university that occasionally conducts tests to recover costs, or the university in the case of Myanmar, which did not see itself
as supporting the rubber sector, but merely as an agricultural university providing education.

Sometimes meso programmes are implemented by firms or organisations simply because their operations are affected by the poor performance of the enterprises around them. For instance, a company may have a training centre or provide extension services to potential suppliers.

**Where to find meso level organisations**

In the systemic competitiveness framework, the meso level is situated between the macro policy level, where generic policies are formulated, and the micro level, where entrepreneurs transact with each other through markets, networks and hierarchies (see Article 1 'Meso level, meso space and the relation to territories'). This does not however correspond to a geographic location. Indeed, meso level organisations can be located anywhere from quite remote rural areas (e.g. an agricultural research institute) to the capital (e.g. the quality infrastructure accreditation body). A meso organisation funded by a national department could be located at the national level or directly in a territory, for example a technology incubator in a city funded by a national government department.

Meso organisations are not bound to specific territories, and increasingly international and supranational organisations are becoming important players. They could take the form of regional standards bodies, regional investment funds and even regional infrastructure development such as a transport corridor between two countries. GRO in Myanmar, an international research programme, was identified as an organisation that could provide services to the local rubber market. The CARE GRO team invited researchers and experts from the international organisation to Myanmar, and joint research and knowledge exchange activities between a Myanmar research organisation and the international organisation was brokered.

There are also meso organisations in countries that become excellent in what they are doing and attract the attention of entrepreneurs from
abroad. These include research institutions, industry or technology-focused institutions, universities and standards organisations. For example, a Thai-owned rubber factory in Myanmar accesses meso organisations in Thailand and further afield, giving them a distinct advantage over locally owned enterprises that are not aware of these meso organisations outside Myanmar.

**Questions to ask to find meso organisations**

Below are some questions that can be used to identify the different kinds of meso organisations.

**Questions to ask entrepreneurs**

- When you get stuck or run into problems you cannot solve, whom do you turn to?
- The lack of which organisations, i.e. if they were no longer available to your company, would hamper your on-going efforts to improve your competitiveness, innovation and market access?

- Where do you find resources, equipment, technical services and knowledge that you do not have inside your organisations or that do not exist in your region?

**Questions to ask meso organisations**

- Which other organisations provide services, technical advice, infrastructure, and access to technology or skills to enterprises that enable them to absorb or benefit from your offerings or services?
- Which parts of the value chain, or which industries or enterprises do you provide services to?
- What are the trends that are shaping the world of enterprises, and how are you able to adapt to that?

Dr Shawn Cunningham (sc@mesopartner.com)
Marcus Jenal (mj@mesopartner.com)
Christian Schoen (cs@mesopartner.com)
Meso organisations are established to promote economic development and improve competitiveness of a region by responding to a variety of permanent and temporary market and performance failures at the micro level. While they are the result of targeted meso policies, their success also depends on other policy measures to be effective. While meso organisations can perhaps make it easier for firms to identify ways to upgrade their technology or knowledge,
there is a whole range of other interconnected features of the overall economic system that determine the investment climate and thus the framework conditions for upgrade efforts at the level of firms.

Four dimensions to improve meso organisations’ performance

Our experience of supporting leadership of meso organisations shows that there are four dimensions that must be assessed to identify opportunities for adapting or improving the influence of meso organisations on the systemic competitiveness of the overall economic system.

The first dimension is about the service offering of the organisation and its focus. This offering is often dominated by “supply push”, because underperforming markets hardly demand the kind of services that enable enterprises to upgrade. For instance, small suppliers would generally not demand that a meso organisation should work together with critical buyers to develop a standard for goods, but if implemented successfully, such a standard can lead to the upgrading of a whole value chain. Key aspects to be considered from this perspective include:

- The technological depth of the meso organisation in relation to the industry it is serving
- The scope of its target market focus (one link in a value chain or all enterprises that need a certain technology)
- How clearly the benefits, costs and applications of all the organisations’ services are described.

Lastly, even though these services are “pushed” to the market to enable upgrading, it is still important to check whether the meso organisation is assessing the impact of its offering at the level of enterprises, and whether it can adjust its offering based on this feedback.

The second dimension is the responsiveness of the meso organisation to the “demand pull” from the micro level or, in other words, how well the meso organisation responds to shifts and changes in the demands of enterprises. This includes whether the organisation has access to the right mixture of experts,
technologies and networks to advise clients. For a meso organisation to be responsive to the needs of clients, this often means being able to close the gap between the technological or innovation cutting edge and the level of the clients. It means that the meso organisations must be able to adapt their offerings to fit into the context of the clients. This can be measured by whether the clients feel that they are getting value for money. This dimension must also consider whether there is evidence that the micro level is upgrading its decision-making competencies, competitiveness and ability to innovate, thus becoming better at overcoming market failures, or whether enterprises are remaining dependent on the meso level for on-going support. The gap between the meso organisation’s offering and what clients demand or need is often revealed when a diagnosis of a territory, innovation system or value chain is conducted. Well-managed meso organisations regularly adapt their offerings based on feedback and observation of the firms they are targeting.

A third dimension looks at the **adaptiveness of the management team** of the meso organisation and how it manages the resources at its disposal. We firstly need to understand the skills mixture in the leadership structure and whether there is a sufficient balance between technical expertise and broader management skills. The
broader the skill set in the management structure, the more meso organisations are able to change and adapt. It may be important to assess whether the management team can manage a diverse group of experts who do not always agree.

The ability to raise funds to meet current and future operational requirements is important as it not only concerns operations, salaries and short-term commitments, but also the ability to think over a longer term and to make investments into future capabilities and resources. A predominant short-term focus of meso organisations can undermine their ability to detect and respond to unforeseen technological or market shifts. In that case the organisation becomes just as unable to respond to change as the enterprises they are supposed to be serving.

Adaptive meso organisations scan the horizon, other technological domains and other market systems for signals of change that may possibly affect their context. They look around their local economy to identify and team up with pioneers who are trying novel approaches to overcome binding constraints in the system, or who are exploiting emerging opportunities. The more broadly they scan and the more options they can try, the better
able they are to support enterprises in change processes. In addition, it is important to assess how change in the meso organisation itself occurs. Is it typically initiated by the management and is it project-based, or can teams initiate their own improvement interventions based on their insight and understanding of the context? Is the organisation managed by hierarchy, or is it a learning organisation where change is natural?

The fourth dimension is about the institutional configuration and governance of the meso organisation, how transparently it is managed, and whether the industries it serves can make contributions to its strategy, investment decisions and performance. At the same time, the organisation must still be governed independently by external stakeholders. Funders, key industry partners or advisors should not be able to manipulate the strategic direction of the organisation to meet their own objectives. Often, meso organisations are hosted by parent organisations (such as a university) or are dependent on government grants for funding. They might have even been initially created with a different intent or role in mind, and must now change to remain relevant or to influence the economic system in a particular way. This might lead to tension between what is required from the organisation to remain relevant for the region and the satisfaction of the funders with the organisation’s current orientation and impact.

The two final criteria within this dimension relate to coordination, vertically with decision makers and horizontally with other meso organisations. We need to understand how well the meso organisation partners with
other organisations to unlock synergies and how able it is to turn its insights into policy recommendations that help other actors in the economic system to improve their own decision-making.

In our experience, it is possible to help the leadership team of a meso organisation embark on a journey of discovery of how to improve its offering by focusing on both the system around the organisation and the structure and performance within the organisation. This can, for instance, be done by helping the organisation to assess their target market, and reach out to the innovators, champions and most sophisticated buyers in the system. An internal focus is usually about helping the leadership team to improve the learning culture within the meso organisation and identify improvement opportunities. Instruments such as scenario planning are useful as they help the organisation to balance shorter and longer-term objectives, as well as competing demands for investment, recruitment and resource allocation.

In the end, changing and adapting meso organisations is only possible if their leadership and broader stakeholder network have a real interest in and intent to improve the role of the organisation within a broader network.

Dr Shawn Cunningham (sc@mesopartner.com)
Marcus Jenal (mj@mesopartner.com)
Christian Schoen (cs@mesopartner.com)
In 2016 Mesopartner was commissioned by the BEAM Exchange to conduct research into what systemic change is and how it can be achieved in an economy. This assignment gave us an opportunity to delve deeper into three bodies of literature that we have been continuously exploring and drawing on in recent years:

**The role of the meso level in enabling economic evolution**
• Evolutionary economics as it reflects the current understanding of how economies evolve and change

• New institutional economics because it specifically focuses on markets and how they emerge and work in a society shaped by formal and informal institutions

• Complexity theory and social change to reflect the general understanding of how social systems behave and change, and how we can describe and intervene in them.

What evolutionary and new institutional economics have in common is that they emphasise dynamics, uncertainty and bounded rationality – something that is not well captured by traditional neoclassical economic theory.

**Economic change as evolutionary process**

The economy is an evolutionary system. Its behaviour and change over time can be explained by the three co-evolving spaces of physical technologies, social technologies and business plans:

• **Physical technologies** are methods and processes for transforming matter, energy and information from one state into another in pursuit of a goal or goals; they enable people to create products and services that are worth trading.

• **Social technologies** are methods, designs and arrangements for organising people in pursuit of a goal or goals; they smooth the way for cooperation and trading of products and services. For example, the ability to organise people into hierarchies, such as companies or other organisations, is a social technology.

• **Business plans** or business strategies are developed by enterprises and other organisations that are competing for resources, acceptance and buy-in in the economy. Business plans play the critical role of melding physical and social technologies together under a strategy and then operationally expressing the resulting design in the real world.

Evolution is a general-purpose and extremely powerful recipe for finding innovative solutions to complex problems. Evolution is fuelled by a variety of options, from which it selects designs that are fit for purpose and then amplifies them so they become dominant in their local environment, with this environment constantly changing. In market economies, markets and organisations provide important selection mechanisms. Evolution is a pervasive learning algorithm that adapts to changing environments and accumulates knowledge over time.

**Institutions shape the evolutionary path**

Various kinds of formal and informal institution play a critical role in the evolution of the economy. They support the creation of variety, partly create the selection pressure, and allow resources to be shifted away from unfit to fit designs to amplify them. Institutions are “the rules of the game” both on the level of personal interactions and on the level of interactions among organisations, firms and
government. As is the case with meso policy, not every institution takes the form of an organisation. Also, formal and informal rules, norms and conventions are part of the institutional landscape (essentially the meta level in the Systemic Competitiveness framework).

The ability of these institutions themselves to be sensitive to their evolutionary context, and to introduce or respond to variety in the system, particularly through meso policy and meso services, is critical for the economy. This sensitivity will lead to an increased number of development paths available to a society. The more options and the higher the incentives are for companies and organisations to experiment and engage in creative competition, the more competitive and resilient an economy becomes overall.

In many development contexts, institutions need to become more conducive to this evolutionary process and how they structure and enable it. Changing these institutions, however, is a difficult and long-term process. It is driven by changing dominant beliefs in a society.

**Institutional change and complexity**

Theories of how individuals and societies change, such as behavioural economics, cognitive science, social change theory, anthropology, etc., offer insights into how belief systems and with them informal and formal institutions change. They provide ideas of how change agents can support leaders and policy makers to shape a process of change leading to changes in beliefs and institutions. Understanding social change as a complex adaptive system allows us to draw from complexity sciences to
better understand change dynamics. They provide a powerful way of describing evolutionary dynamics and the dynamics of emergent institutional structures, as well as changes in the beliefs, attitudes and perceptions of economic actors that shape these institutions. The science and practice of complexity also provide important clues on how change agents can describe, engage in and shape the dynamics of complex systems.

Principles for change agents

From our research we defined the following set of principles for economic change. These principles are valid both for international development organisations and programmes, but also for meso organisations themselves to enable them to improve the evolutionary potential of their regional economy. They are:

1. **Shift from changing allocation to enabling evolution.** Refrain from designing solutions – shift to enabling self-discovery of what is possible from where the system is now.

2. **Shift from market failure to market fitness.** Markets are enablers of a decentralised search and discovery process to find ideas and solutions that work in a society.

3. **Strengthen variety by embracing diversity.** Variety strengthens the evolutionary process by providing ideas to choose from. The ability to create variety strengthens resilience.

4. **Create and maintain situational awareness.** Create and maintain a cognitive map that allows for joint sense making, and adapt strategy and operations based on insights.

5. **Manage the complicated and explore the complex.** Complicated can be managed, planned and sequenced; complex must be explored through learning and adjustment.

6. **Strengthen organisations that encourage and support self-discovery.** Local institutions must be enabled to better adapt to the specific context and capabilities. Development facilitators can support processes and enable learning and adaptation.

7. **Continuously link top-down and bottom-up development.** Working meso organisations combine expressed bottom-up demand with top-down strategies. Development facilitators can help to better connect and integrate top-down control and bottom-up demand.

Systemic change occurs when the range of economic opportunities of market actors is enhanced while the institutional landscape remains adaptable to respond to future challenges. A lot of changes to achieve this need to occur on the meso and meta levels. From a meta perspective, systemic change is best achieved when influential actors or networks of actors become aware of the evolutionary change process and their role in it. On the meso level, these actors need to be capable of engaging in, and collectively discovering and shaping the evolutionary potential of the economy. This process is most effective when it is done in a transparent and participatory way; ideally all levels of society should have access to this process.

Our research resulted in two publications: a more detailed technical paper and a shorter discussion paper. Both reports can be found at www.beamexchange.org. More details can be found in the publications section of this Annual Reflection.

Dr Shawn Cunningham (sc@mesopartner.com)
Marcus Jenal (mj@mesopartner.com)
Meso organisations need to be innovative and anticipate future trends

The future is already here – it’s just not evenly distributed. - William Grant

Meso organisations need to be innovative because their management style and creative use of resources infuses the system with dynamism, optimism and new ideas. But meso organisations not only need to be creative and innovative
dynamic global market place.

Meso organisations are in a unique position to anticipate future trends and adapt to them early on. From their vantage point, where they can move between different market actors, they are able to detect small shifts in the way things are done, identify pioneers who overcome boundaries in innovative ways, or detect new capabilities in the system. In addition, they need to continuously screen what happens beyond the region and how the national and international trends could influence their region – and what this means for their offering.

When meso organisations become better able to detect change in others and adapt to these changes, the dynamic of the whole system improves. Meso organisations are important for disseminating knowledge about new opportunities, changes in conditions or innovations, while at the same time they need to be able to adapt their offerings to changing demands. In this way, they lower the barriers to upgrading and increase the pressure on enterprises to use new capabilities and resources to become more competitive.

It is not enough, however, for meso organisations to detect small changes after they have happened. These organisations also need to anticipate future pathways and scenarios, and to guide and support enterprises in their process of discovery of what is possible within their context. This means that the offerings of meso organisations cannot only be shaped by what incumbent firms are willing to try or demand, but must constantly assess what the new entry requirements are and what capabilities, resources and sources of knowledge may be needed to enable enterprises to adjust or for new business to be established in a dynamic, competitive environment.
Various future search methods that can help meso organisations prepare for the future include scenario development and technology road mapping. At the same time, meso organisations that stay in touch or closely follow mavericks and innovators will also be exposed to what is possible despite the conditions or obstacles in a marketplace. To prepare for an unpredictable future means that the meso organisations must purposefully create a variety of options based on what they anticipate even when demand for these new ideas is currently low or non-existent. This involves identifying the pioneers who are willing to try, and to experiment with or invest in new possibilities.

Meso organisations do not do this in isolation. They need to network with other organisations and enterprises that are also striving to increase their competitiveness or the competitiveness of the region. It may be necessary for the meso organisation to assist other management teams in their network so that they themselves become more sensitive to change.

We see at least three kinds of shifts that meso organisations must constantly reflect on and respond to:

- Continuous shifts in national and global policies that may have a direct or indirect effect on the economic system. Are enterprises aware of these shifts, and are they prepared? Do they make certain kinds of markets, technologies or strategies more or less attractive? Are new skills, capabilities or services going to be needed? Related to this shift is the ability of
the meso organisation to communicate expected or detected trends back to the relevant policy makers and funders, while at the same time communicating these political shifts to enterprises.

- Shifts at the micro level where enterprises are created, formed and compete. This requires that meso organisations detect changes in how their services are used, and that they are sensitive to changes in performance at the level of enterprises.

- Shifts in the meso level itself. Over time, the number and diversity of meso organisations tend to increase. This provides more opportunities for specialisation and the development of depth, but it could also mean that enterprises could more easily be confused or overwhelmed by the options they face. The changes in the meso level could also offer opportunities for collaboration between different organisations to address related issues or to harness synergies.

To assist meso organisations to become more adaptable requires leadership within these organisations to frequently reflect jointly with others on the small and large shifts they detect in their context and beyond. To become more sensitive and responsive to such shifts might require changes in governance structures of meso organisations, but it might also imply a more diversified base of expertise, as people from different disciplines tend to interpret situations differently.

Dr Shawn Cunningham (sc@mesopartner.com)
Marcus Jenal (mj@mesopartner.com)
Markets and demands are changing constantly. Continuous structural change processes in industries, services and regions demonstrate the reality of economic life cycles. Firms feel these changes directly and are challenged by adapting to them. Due to market and coordination failures, they require support from meso institutions to gain access to information, technology and knowledge. However, economic change not only requires continuous change by businesses but also
continuous institutional change of the meso organisations supporting them. If the latter do not anticipate changing market requirements and adjust their services and promotion approaches to these requirements, they risk losing their initial purpose.

Diverse entry points and challenges in changing meso organisations

We regard the work by meso organisations as good entry points to promote systemic change. These organisations can play a decisive bridging and supporting role for businesses (see also the four dimensions for assessing meso institutions in the article: Assessment of meso organisations for opportunities for improvement). Most competitive regions demonstrate a strong knowledge flow between organisations and enterprises. To increase their responsiveness, we have supported meso organisations in different ways through:

• Cooperation with certain industries, locations or value chains aiming at promoting innovation, competitiveness or network-driven knowledge flows between businesses and supporting institutions

• Support of governmental organisations to develop more targeted and bottom-up-driven meso policies (see Article 2 ‘What and why meso organisations?’) and funding schemes for meso organisations

• Direct organisationalal development consultancy for certain organisations such as universities, technology centres, associations, etc.

• The promotion of linkages between different meso organisations and businesses based on the identification of support demand from the business side.

Meso organisations are embedded in their social context

Instead of approaching meso institutions with an organisational development handbook, our approach to institutional change is rather based on complexity and system thinking. We see meso organisations as cultural artefacts as they mirror the societal context from which they emerge. Their belief systems are shaped by and emerge in their respective environments; their development is path dependent. Schein (2004) expresses this as follows: “If we understand the dynamics of culture, we will be less likely to be puzzled, irritated, and anxious when we encounter the unfamiliar and seemingly irrational behaviour of people in organizations, and we will have a deeper understanding not only of why various groups of people or organizations can be so different, but also why it is so hard to change them.”

Understanding and supporting change in and with these organisations require clear insight into their driving forces, their own role definition and self-understanding, and an understanding of their organisational culture of cooperation and learning. How are they embedded
in their environment? How is knowledge exchanged, and how are learning and cooperation with other organisations and the business sector structured?

The various challenges for institutional change typically experienced are the following:

- Meso organisations might see themselves as key providers of knowledge and less as learning organisations. They sometimes lack real insight into, and communication with, the business sector and other supporting organisations. This is especially evident in societies with a hierarchical, top-down policy structure in which bottom-up strategies and learning are rather weak.

- In regions where many meso organisations are publicly supported, they often become project and funding scheme management units instead of learning organisations. They adjust their approaches and support mechanisms based on available funds and not on joint learning. Teams in these meso organisations see themselves as managers or technocrats rather than as network facilitators or knowledge brokers. The dependence on project funds and prospects for future fund raising make changes in self-conception very difficult.

- Meso organisations are path dependent. In some societies we find hierarchical structures where “command and control” is the dominant
organisational culture and obedience of employees is a key expectation. Learning exchange in such an environment is somewhat restricted.

**Meso organisations are driven by incentives**

In many cases, meso organisations require external support because they provide non-commercial services and public goods to address market and coordination failures. Therefore incentives influence the orientation and priority setting of meso organisations.

Certain incentive structures contribute towards a change-resistant culture in meso organisations:

- **A linear understanding of meso policy and programme implementation:** Funding of many meso organisations is based on quantitative delivery indicators. This approach prevents them from learning jointly with businesses and knowledge providers.

- **Survival status:** In many developing countries and regions we find a lack of meso policies and support programmes. In such a situation, meso organisations have to survive mainly by selling their services, without the flexibility to change.

- **Supply vs. market focus:** Meso organisations often tend to interpret their role in the supply of services without considering the real enterprise demand. In this case they lack a deeper understanding of temporary or permanent market and coordination failures that businesses face and how to address them. This situation differs from a deliberate supply-
push approach that aims at anticipating innovation requirements (see Article 4 ‘Assessment of meso organisations for opportunities for improvement’).

- **Lack of competitive pressure for knowledge exchange:** In order to successfully achieve competitive advantages of enterprises or locations, it is necessary to promote knowledge exchange. We often find that knowledge sharing of meso organisations and government bodies is weak due to a lack of trust, insufficient funding or isolated meso policy interventions. This undermines any efforts in those organisations to open up and change.

- **Basic research vs. an applied and demand-driven perspective:** Organisations such as universities are often rather basic research oriented. Taking a more applied research approach in cooperation with the business sector requires a total shift in orientation and mind-set. Applied research can also involve a proactive supply-push approach that is based on foresight of potential future markets.
Change requires a deeper understanding and space for experimentation

In conclusion we can say that there are prominent self-interests in play in meso organisations. What we have to have a better understanding of in the design of development practice and support programmes is that not all meso organisations are interested in change or in participating in change processes. Donors, organisational development experts and other consultants need to be able to put themselves in the place of their partner organisations in an effort to understand how they are shaped by and positioned within the system. It also requires experimentation. Openness to change emerges in processes and by trying different options (see Article 4 ‘Assessment of meso organisations for opportunities for improvement’).

Reference

Frank Wältring (fw@mesopartner.com)
As is typical for a country such as Myanmar, which only started a transformation process in 2012 after decades of isolation, business opportunities are abundant. At the same time, entrepreneurial skills, business management experience, entrepreneurial spirit and support structures at the meso level are severely lacking. One can, however, observe that a meso level is emerging, stemming both from local initiatives and driven by the support of international development organisations. This makes Myanmar a good case for studying the emergence of the meso level.
**A difficult environment for businesses**

The current situation of the business environment in Myanmar is reflected in international indices and surveys. In the Global Competitiveness Index of the World Economic Forum, Myanmar ranked 134th out of 144 countries in 2014 (World Economic Forum, 2014), only slightly improving its rank to 131 in 2015 (World Economic Forum, 2015). The World Bank’s *Doing Business* survey confirms that in Myanmar, among all countries covered by the survey, it is still very difficult to start a business (ranked 177th out of 189 in 2015).

Until recently, the meso space in Myanmar has been largely absent or at least significantly underdeveloped in all typical activity areas of meso organisations (see Article 2 ‘What and why meso organisations?’): technology, education, finance, infrastructure, trade facilitation, start-up promotion and business membership.

The financial sector has improved in recent years, but is still not fully developed and hence not able to properly fulfil its role as intermediary. In particular, the very rigid definition of collateral is hampering access to formal finance sources. The training and education sector does not meet regional or international standards. There is a serious mismatch between vocational training offers and the actual skills demand of the enterprise sector.

For many enterprises it is difficult to find the right level and types of skill of the work force, which, together with underinvestment in capital goods, has led to one of the lowest labour productivity levels in Asia. The regulatory and administrative business environment is highly uncertain and not conducive for enterprises, which is one of the reasons why capital investment is lacking.

Moreover, enterprises are battling with basic and economic infrastructure problems (power supply, water supply, wastewater drainage, transport) as well as poor ICT services. In general, the infrastructure is still in a poor condition, and only slow progress has been made so far. According to the Logistics Performance Index published by the World Bank, Myanmar was ranked 113th out of 160 in 2016 (up from a ranking of 145 in 2014). Land price inflation and legal access to land prevent enterprises from operating in their preferred locations.

Important meso institutions are not present or are in a nascent stage, such as private or public business support systems (BSS) providers. Professional business support systems are not available either, particularly outside the main urban centres, or enterprises are not
aware of them or of their quality. There are only a few professional business associations that could potentially offer services and lobbying power to their members. Most associations are top-down driven, steered more by the interests of government than its enterprise members. The SME Centre under the Ministry of Industry and its newly established branches at regional level are so far under-capacitated and lack the experience to act as public business support services providers (BSSPs) or to coordinate the service provision of private BSSPs to enterprises. Start-up promotion, i.e. facilitating the initial step of an enterprise from a business idea to start-up operation, hardly exists and is so far only supported by private companies with the funds of international donors.
Figure 2 shows some of the issues that we picked up in our recent fieldwork in Myanmar. Two initiatives to improve the meso level are explained in more detail under the next two headings. The Myanmar case is also further expanded in Article 4 ‘Assessment of meso organisations’ from an organisation development perspective.

**Growing meso 1: building up quality infrastructure**

The quality infrastructure (QI) in Myanmar provides a typical example of a layer of meso institutions under development. QI refers to all aspects of metrology, standardisation, testing and quality management (MSTQ), including certification and accreditation. This includes both public and private meso institutions and the regulatory macro framework within which they operate. QI is vital for ensuring the quality of products and product processes and hence strongly influences the competitiveness of enterprises in markets. QI is an important prerequisite for health and environmental protection in domestic markets and a precondition for successful participation in global trade. After decades of isolation, Myanmar’s QI hardly existed, but it has started to take shape in the last few years with the support of international development organisations such as PTB, GIZ, USAID and UNIDO.

Building up a QI system involves all levels of systemic competitiveness. On the micro level, the demand for QI services needs to be stimulated and their value recognised by enterprises. On the meso level, the various organisations in the area of MSTQ, including certification and accreditation, need to be developed, including organisational and capacity development. In Myanmar the Department of Research and Innovation (DRI) under the Ministry of Education is in charge of this. On the macro level, the whole set of legislation is missing or out-dated. Most importantly, this includes the law of metrology, the law of standardisation and accreditation and all their respective regulations. These legal documents – currently under revision – determine how QI meso policies, organisations and services are structured, what their task portfolio will be and which QI services could be outsourced to the private sector, i.e. the micro level. Apart from the lack of expertise in the field of QI, another major concern is uncertain and seriously constrained budget allocation by the government, which might hamper the activities and investments that QI institutions can actually carry out each year. Setting up and expanding QI meso institutions, most notably the National Institute of Metrology Myanmar (NIMM) according to the Strategic Metrology Plan, would require recruiting a significant
number of qualified staff to perform all planned activities. However, government agencies have difficulty in finding new, capable staff. The salaries of officials are considerably lower than the salaries offered in the private sector or in development organisations.

During the process of building up a QI system, which will last a few years, the QI service needs of enterprises and meso institutions themselves still need to be covered somehow. The services of QI institutions of neighbouring countries can temporarily fill the gap. For instance, the DRI has its laboratory equipment calibrated by the National Institute of Metrology in Thailand. Accreditation services for national laboratories are provided by the Singapore Accreditation Council or through the concept of National Accreditation Focal Points, a collaborative approach to develop national accreditation services in an early stage of QI system development.

**Growing meso 2: supporting the rubber sector**
The Government of Myanmar has set rubber as one of five priority export products under its National Export Strategy (NES). Natural rubber is an important export product of Myanmar. The production of natural rubber has more than tripled over the past decade according to the rubber sector strategy under the NES. But the strategy paper also identifies a number of key supply-side constraints such as low productivity or low quality as well as key business environment constraints, such as lack of regulations or lack of international accreditation for rubber testing laboratories in Myanmar. It is partly the role of the meso level to work towards resolving these constraints.

The rubber sector suffers from the general constraints in the meso level described at the beginning of this article, and it also lacks some specific, targeted support. For example, due to the lack of a rubber law, there is no dedicated rubber board in Myanmar to represent the interests of the rubber sector at government level. There is also no rubber research institute that could support rubber farmers, processors and producers to adopt appropriate cultivation techniques or introduce innovations in processing and production. The government-led Perennial Crops Research and Development Centre under the Ministry of Agriculture suffers
significant resource constraints and is not able to deliver the required services.

At the same time, there are a number of meso level services and organisations emerging around the rubber sector. Most notably, the Myanmar Rubber Planters and Producers Association has worked hard to establish a quality control laboratory for so-called Technically Specified Rubber, which, once internationally accredited, would allow Myanmar rubber producers and processors to sell rubber on a recognised quality level and charge respective prices. Currently Myanmar rubber suffers from a need to discount their prices relative to other countries because quality cannot be guaranteed.

With the help of international development organisations, the rubber sector is also importing meso level support from other countries. For example, the French centre Agricultural Research for Development is supplying research and development support to rubber planters and tappers to improve the productivity of existing plantations and giving advice on the selection of varieties and cultivation techniques for new or re-established plantations.

Myanmar still has a long way to go to develop a strong and diverse meso level. But as the examples above show, initial efforts are under way. These will significantly contribute to Myanmar’s growing competitiveness in various sectors.

Christian Schoen (cs@mesopartner.com)
Marcus Jenal (mj@mesopartner.com)
Facilitation and Change of Meso Organisations

This article reflects on selected experiences gained from the project Competitive Regional Economic Development (CREDO) in Krajina, funded by the Swedish Development Agency (SIDA) and implemented by Eda1. The CREDO project operated from March 2013 to August 2016. Krajina is a geographic region in the Northwest of Bosnia and Herzegovina with an unusual combination of administrative structures inside the region and without any harmonised SME policy. The

region consists of two entities, one of which includes eleven municipalities organised in two cantons, and the other of which consists of twenty-five municipalities. Eda is a rather atypical local NGO that has been operating for twenty years and has gradually been evolving into a combination of think tank and development facilitator. The typical way that change has been introduced in the transitional economy of Bosnia and Herzegovina includes an international project led by a foreign consultancy that provides “best” or “good” international practices, which supports selected meso organisations and applies these practices with the minimum involvement of the private sector. If the private sector is involved, then it is usually only represented by a chamber of commerce or similar organisation. This usually works to some extent during the life of the project, but not thereafter.

The CREDO project focused on competitiveness and job creation of industrial SMEs in the region. Most of the project activities were oriented towards the micro level in order to facilitate SME interaction, investment and innovation in four selected sectors: metal, wood processing, food and footwear. Two impressive results were achieved by the end of the project: 490 new jobs were created (2.5 times more than planned) and around 3.1 million euros were invested by supported SMEs (3.6 times more than planned).

Although meso level organisations were not initially targeted by the project, they came into play after several value-chain analyses and discussions with owners and managers of leading SMEs. One of the key findings was that institutional support and targeted policies to support companies’ efforts to shape and sustain competitive advantages were almost completely missing. Digging deeper, we realised that some existing meso organisations had already lost their connection with and orientation towards SMEs and that their working hypotheses were paralysing any support initiatives. Those hypotheses included assumptions such as: SMEs’ competitiveness cannot be influenced or SMEs are not sufficiently interested in participating actively in SME development projects.

The project team accepted this challenge and decided to change the perspective and related practices by initiating direct communication with companies and by facilitating their interaction to identify “market failures”. One of the most important market failures was related to positive externalities through skills development. There was an obvious lack of engineers, technicians and other skilled labour force, but the SMEs were not willing to invest in skills development because of bad experiences in the past of employees leaving the companies after having been trained and - in some cases - having received professional certification. Another market failure was the lack of public goods around quality assurance, including laboratories for measurement and testing and their accreditation. SME
managers agreed that the Mechanical Engineering Faculty of the University of Banja Luka was a meso organisation that could lead change in those areas. Some of the managers were former students of this faculty, but had lost the overview of its current capacities, policy and practices.

The first step was to organise and moderate a meeting between SME owners/managers, the Faculty management and leading professors. The meeting included short presentations by Faculty department heads on their work and capacities, a guided tour of several recently equipped laboratories and a final discussion. The SMEs were impressed by the knowledge and equipment, but were also disappointed that it was not being used to resolve the market failures. The Faculty was not aware of the enterprise problems, and the enterprises were not aware of the Faculty’s capacities. It was like a wake-up call for both sides, and also for Eda, which was acting as a facilitator between both sides. It was obvious that without appropriate facilitation nothing would happen.

The project made an offer to the Faculty that it would experiment with a small sum of financial support to prepare and organise demand-oriented training with the requirement of ensuring at least 50% co-financing by participating SMEs. This turned out to be a successful experiment with learning opportunities for the Faculty, SMEs and the facilitator Eda. Both the Faculty and the SMEs requested more support, but no further project funds were available at this stage. Based on this good experience, the Faculty decided to design and implement
a larger project with vocational technical schools that had failed to meet labour market demand in the region. The Faculty successfully identified another funding source for the training of instructors in these schools to introduce new technologies and methods required by the SMEs. This successful initiative again led to a larger project which is currently in place and is focusing on the training of instructors in further schools, and equipping those schools with a minimum set of tools for practical training.

In the meantime, the Faculty has evolved into a project-oriented institution. The challenge of the Faculty is now to become an innovative meso organisation constantly interacting with SMEs and policy makers. Currently Eda is helping the Faculty to prepare and submit a project proposal for the accreditation of a laboratory for welding and metal testing and to establish a centre for SME support targeting training and technology assistance.

The lessons from the experience described above are:

(1) Market failures in a transitional economy cannot be resolved by international projects without the involvement and evolution of local institutions; but

(2) Projects could and should support crucial meso organisations to initiate and lead the required change;

(3) Change begins with direct contact and interaction between meso institutions and SMEs;

(4) These interactions often need facilitation and support for small experiments provided by third parties with the necessary facilitation capacity.

Zdravko Miovcic - Founder and Director of Eda
(zm@mesopartner.com)
In this article I briefly discuss the powerful methodological foundation provided by the global value chain, systemic competitiveness and territorial endogeneity approaches. The intention is to clarify a number of differences between the respective approaches and in particular their strengths when it comes to creating territorial development.
strategies, policies and instruments. After more than a decade of predominance of macro economic analysis of “structural change” and other concepts held by the International Monetary Fund and the World Bank from the 1970s onwards, the discussion on GVC launched by Gary Gereffi and Miguel Korzeniewicz in the 1990s led to significant multidisciplinary and methodological enrichment. Social scientists, lawyers and engineers, among many others, have since participated in a growing group that has analysed GVCs, which has made it possible to throw off the straitjacket imposed in certain macro economic circles. Comparative GVC analyses in and between localities, regions, countries, groups of countries and at the global level substantially enriched the pool of knowledge of the operation of the companies themselves and the territories that made up the respective GVCs. Although initially GVCs dominated according to their relevance in international trade, since then the GVC methodological approach has encompassed dozens of countries, chains and legal and labour-related aspects, as well as those linked to migration, climate change and the environment. The GVC concept is part of the discourse of these and many other global and regional institutions and has influenced international institutions such as the OECD, the World Bank, ECLAC, UNCTAD and the ILO.

From this perspective, GVCs are the result of industrial segments and organisations with different characteristics. In specific chains the research and development segments can acquire added value that is far superior to that of the segment specialising in the assembly of parts and components. This issue is critically important for policy analysis and proposals related to their integration into the outside world: the 10-digit US Harmonized Tariff Schedule includes about 17 000 products that are registered as foreign trade – from pineapples and semiconductors to socks and beverages, for example – and whose characteristics differ substantially in terms of the companies themselves, their size, the technology used, financing, jobs and their quality, training
requirements, learning and promotion opportunities, commercial conditions, etc. In contrast to macro economic determinism, for example the real exchange rate as the main variable for understanding export performance, the GVC approach is used to study companies and groups of companies – intra and inter-firm relations, and the social, economic and political conditions in their respective territories (global, national, regional, etc.).

Almost in parallel, in the early 1990s authors such as Esser, Hillebrand, Meyer-Stamer and Messner began work on another methodological approach based on the concept of “systemic competitiveness”. Openly critical of both Michael Porter and the view of competitiveness proposed by the OECD, these authors have highlighted the importance of integrating the micro economic, meso economic, macro economic and meta economic levels of competitiveness. In other words, unlike a perspective that prioritises the macro as well as the micro economic aspects, this school of thought stresses that competitiveness must methodologically include the four levels of analysis.

Exclusive emphasis on one of these analytical levels leads to an understanding and policy proposals that are insufficient and simplistic in the sense that they do not recognise the complexity of socio-economic processes in time and space. Several of these authors, particularly Meyer-Stamer, have stressed the importance of the meso economic or institutional and inter-firm level. Mesopartner’s work for more than a decade has sought to explicitly integrate the meso economic analytical level into territorial capacity building, also under the concepts of “local and regional development” and “territorial economic development”. Finally, taking into consideration the different schools of development of endogenous growth with the emphasis on territorial perspective, authors such as Dussel Peters stress that, although the GVC and systemic competitiveness approaches are significant in the context of exclusively micro economic or macro economic approaches to competitiveness, they suffer from an explicit perspective. The starting point for the space or territory is territorial endogeneity, that is to say, it is related to the specific way in which the territories are integrated into global commodity chains.
and into the specific form of systemic competitiveness they achieve. It is not the companies but rather the territories that are the socio-economic starting point for "glocal" analysis. From this perspective, it is important to explicitly incorporate both the systemic aspects of competitiveness, which must reach far beyond a primitive perspective of microeconomics and macroeconomics, and “territorial endogeneity”. One must start from the respective territories and their potential collective efficiency in territorial terms when analysing specific processes and products in global value chain segments.

These methodological approaches are significant from several perspectives. On the one hand, they reflect the impracticability of one of the analytical levels proposed by the authors of systemic competitiveness. On the other hand, they demonstrate the need for detailed knowledge of time-and-space-specific processes and products with GVCs and territorial endogeneity, which also enable concrete dialogue with other social actors and classes, including public officials, entrepreneurs, business organisations, etc., based on the specific knowledge created. Third, these methodological approaches also require effective multi-disciplinarity founded on concrete knowledge of time-and-space-specific processes and products. The apparent greater capacity for insight on the part of economists or others into these processes and products is part of a discussion with other social scientists that helps to enrich the analysis and specific proposals. There is no justification for over-determinism and mono causalities in these interactions.

Lastly and most importantly, these methodological schemas also enable extensive and in-depth dialogue with business and public sector counterparts in specific territories. The methodological framework establishes a meta, macro, meso, micro and territorial analysis of processes and products from value chain segments in the short, medium and long term. Strategies, policies and instruments thus require enormous spatial and temporal specificity: products and processes require detailed knowledge and close collaboration with the meso level institutions established in the respective territories. From this perspective, cookie-cutter macro economic formulas are insufficient and, in most cases, irrelevant. Moreover, the “glocal” perspective of these processes and products in GVC segments also prevents us from going to the other extreme of only considering local conditions, although they are the space in which specific policies are implemented.

Enrique Dussel Peters
(dussel@unam.mx)

2 Full Professor of the Postgraduate Studies in Economics at the National Autonomous University of Mexico (UNAM), Coordinator of the Centre for China-Mexico Studies at the Faculty of Economics of the UNAM and Coordinator of the Academic Network of Latin America and the Caribbean on China (Red ALC-China). Many of the above arguments can be found in several documents at: http://www.dusselpeters.com
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Department of Science and Technology, South Africa
Department of Trade and Industry, South Africa
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GIZ Sustainable Regional Economic Growth and Investment Programme (SREGIP), Indonesia
GIZ Vocational training for climate and environment related occupations (S4GJ), South Africa
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International Labour Organization (ILO), Country Office Brazil
International Labour Organization (ILO), Regional Office for Asia and the Pacific, Bangkok
International Labour Organization (ILO), the LAB Project, Geneva
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PTB, Physikalisch-Technische Bundesanstalt, National Metrology Institute, International Technical Cooperation, Germany
Swiss Agency for Development and Cooperation, Swiss Cooperation Office Dhaka, Bangladesh
Swiss Agency for Development and Cooperation, employment and income network, Bern, Switzerland
Swisscontact, Katalyst Project, Bangladesh
Swisscontact, Making Markets Work for the Chars project, Bangladesh
Technology Station in Electronics, Tshwane University of Technology, South Africa
Tshwane University of Technology, Faculty of Engineering and the Built environment, South Africa
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Uzbekistan
Vietnam
THE PARTNERS

Shawn Cunningham
Ulrich Harmes-Liedtke
Marcus Jenal
Christian Schoen
Frank Wältring
SHAWN CUNNINGHAM

sc@mesopartner.com


Based in Pretoria, South Africa.

Main fields of expertise:
Multidisciplinary and transdisciplinary research, innovation and collaboration
Advisory and coaching support to leaders in government, business and academia to make decisions despite complexity and uncertainty
Enabling search, discovery, experimentation and innovation process facilitation
Technological capability and modernisation through Science, Technology and Innovation systems promotion

Working experience:
Since 2008: Partner in Mesopartner
2015 - current: Part time Faculty Member (Innovation, Strategy & Technology Management), Stellenbosch Business School, Executive Education
2010 – current: Research Associate (Innovation Systems & Policy) at the Institute for Economic Research on Innovation, Tshwane University of Technology, South Africa
2003 – 2007: Senior expert in the GTZ South Africa Local Economic Development and Business Development Services Programme
1996 – 2001: Own business in the IT sector
ULRICH HARMES-LIEDTKE
uhl@mesopartner.com


Based in Chascomus, Argentina.

Main fields of expertise:
Territorial economic development
Cluster and value chain promotion
Standards and quality infrastructure
Industrial Policy
Green Economy
Coaching and methodology development

Working experience:
Founding partner of Mesopartner (2003)
1997 – 2002: ISA Consult GmbH, Bochum (Germany), senior consultant
1996 –1997: Foundation CIREM, Barcelona (Spain), junior consultant
Born 1980. Diploma (MSc) in Environmental Sciences from the Swiss Federal Institute of Technology (ETH) in Zürich, 2007.

Based in Gateshead, United Kingdom

**Main fields of expertise:**
Coaching on decision-making under conditions of uncertainty
Monitoring and evaluation of adaptive and evolving organisations, projects and systemic change initiatives
Narrative research and participatory sensemaking
Market Systems Development
Knowledge network and community of practice facilitation

**Working experience:**
Since 2015: Partner of Mesopartner
2014-2017: Lead, monitoring, impact evaluation and evidence, the BEAM Exchange
2011-present: Member of the backstopping team for the employment and income network of the Swiss Agency for Development and Cooperation (SDC).
2011-2015: Independent consultant in market systems development and systemic approaches
2009-2011: Programme officer at Intercooperation (now HELVETAS Swiss Intercooperation), Bangladesh
CHRISTIAN SCHOEN

cs@mesopartner.com


Based in Hanoi, Vietnam

Main fields of expertise:
Local and regional economic development
Value chain and cluster development
Business/investment climate surveys and competitiveness rankings
Pro-poor approaches to economic development
Green economic development
Program and project evaluations

Working experience:
Founding partner of Mesopartner (2003)
2002 – 2003: Freelancing consultant
2001 – 2002: Fraunhofer Gesellschaft e.V., Jakarta (Indonesia), PERISKOP project coordinator and senior consultant
1999 – 2000: Fraunhofer Management GmbH, Munich (Germany), senior consultant
1992 – 1999: Dorsch Consult Ingenieurgesellschaft mbH, Munich (Germany), consultant.
Born 1968. MA in social sciences with specialisation in economics (Duisburg, 1999).

Based in Bremen and Elte, Germany

**Main fields of expertise:**
Promotion of innovation and living spaces in rural and urban areas
Local and regional economic development
Local innovation system promotion
Cluster and Value chain promotion
Co-working and Innovation Lab Design

**Working experience:**
Since 2004: partner in Mesopartner
2016 & 2017: Lecturer at Jacobs-University Bremen on Development Economics and Innovation Economics
2007 – present: Lecturer at the SEPT Master Course from the University of Leipzig in Leipzig, Hanoi and Ho-Chi-Minh-City on the topic of Regional Competitiveness
2003 – 2004: Private sector development specialist at GTZ headquarters, special focus south-east Europe
2001 – 2003: Junior professional in GTZ private sector development programme in Honduras
ANNELIEN CUNNINGHAM
ac@mesopartner.com

Born 1974. Master’s degree in Business Administration, North-West University, South Africa

Based in Pretoria, South Africa

Annelien provides administrative, management and content support to Mesopartner. Her main tasks involve organising events such as the Summer Academy in Berlin, maintaining the website, managing the client database and customer communication. She manages Mesopartner Africa and provides project implementation support to several projects. Her background in business enables her to provide content and fieldwork-related support to Mesopartner.
ADRIE EL MOHAMADI
aem@mesopartner.com

DOUGLAS HINDSON
dh@mesopartner.com

ZINI GODDEN
zg@mesopartner.com

VALÉRIE HINDSON
vh@mesopartner.com
VARAZDAT KARAPETYAN
vk@mesopartner.com

ZDRAVKO MIOVCIC
zm@mesopartner.com

ANKE KAULARD
ak@mesopartner.com
Born 1975. University Degree in Latin-American Regional Sciences with specialisation in economics and political sciences (University of Cologne, Germany, 2003). Based in Peru and Germany.

COLIN MITCHELL
cm@mesopartner.com


