

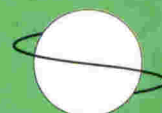


South Pacific Regional Environment Programme
United Nations Development Programme
Global Environment Facility



South Pacific Biodiversity Conservation Programme

Manual on Natural Resource-Based Income Generating Activities



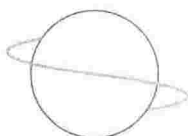


South Pacific Biodiversity Conservation Programme

Manual on Natural Resource-Based Income Generating Activities

The South Pacific Biodiversity Conservation Programme (SPBCP), is a project of the Governments of the South Pacific Islands Region, executed by the South Pacific Regional Environment Programme (SPREP) with financial assistance from the Global Environment Facility (GEF) through the United Nations Development Program (UNDP).

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This document is a report produced under a consultant agreement at the request of the various local stakeholders and SPBCP. The opinion and recommendations expressed in this report are those of the author(s) and do not necessarily reflect the views of SPREP, UNDP, AusAID or the Global Environment Facility.

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SOUTH PACIFIC REGIONAL
ENVIRONMENT PROJECT

SPBCP

Manual on Natural Resource-Based Income

Generating Activities

SOUTH PACIFIC BIODIVERSITY
CONSERVATION PROGRAM

Income Generating Manual

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About This Manual

It is designed for busy people who need quick answers to immediate needs without the time to read the whole book

Purpose

This manual provides the tools, information and skills needed to build the local capacity to strengthen natural resource-based income generating activities in support of conservation areas.

Target Group

The primary target (user) group for this manual are conservation area support officers and community leaders in conservation areas throughout the Pacific. Other groups may be interested in the manual and its contents, including:

- People directly or indirectly using resources within the conservation area
- Other members of the community
- Local government staff, and
- Staff of non-government organisations

Using this Manual

The manual has been designed for “busy” people, who do not otherwise have the time to read from cover to cover. It is written in a logical sequence, with each section covering a particular phase of income generation, from identifying ideas through to managing the business enterprise. Each section is further divided up into topics, which can be read as “stand-alone” reference sheets, so that the reader can go straight to a particular subject and find out the information

The manual also draws on the experiences of the SPBCP and other donor projects in the field, and uses actual case studies to emphasize the point

Legend

We have used a number of icons throughout the manual to focus the reader's attention towards particular areas, and these are detailed overleaf:



Step by Step directions that quickly walk the reader through the tasks explained in the chapter



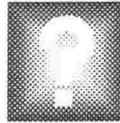
Lessons learned are based on practical case studies that reinforce the principals emphasized



Expert Advice boxes that suggest timesaving tips and good habits



Cautions warn of possible time-consuming omissions or mistakes that can be made



Definitions explain important terms that the reader might not reasonably know the meaning of



Resources give details of who to contact for additional help or information

Also, we've used **HYPERLINKS** to make it easy for those of you who are using this as an on-line manual to go quickly to the exact page referred to in the text. Whenever you see something like "In **APPENDIX 1: LIST OF INTERNATIONAL DONORS FOR TRUST FUNDS**" then click on the words in capital letters with your mouse button and watch what happens!

WHATS IN
THIS
CHAPTER

- National Strategies for Financing Conservation
 - Community Strategies for Financing Conservation
-



Financing Conservation

Potential options for increasing the fund available for protected areas in developing countries.

National Strategies for Financing Conservation

Internationally, the average budgets for protected areas in developing countries is estimated to be around 30 percent of what is considered to be the minimum amount required for conserving those areas.

Internationally, donor assistance for biodiversity conservation has also declined, and many officially recognized parks are only “paper parks”, lacking sufficient funds to pay for staff salaries, fuel costs, surveys etc; This chapter examines some ways in which funding for conservation areas in developing countries can be increased, both at the national (government) level, and through community initiatives.

Annual Allocations from Government

Government can be persuaded to increase their budget allocations for protected areas by demonstrating to them that the area provides national benefits, such as employment, job creation and earning money from foreign visitors. Unfortunately though, not all governments can take a long-term view because many developing countries are too poor to spend much money on conservation or parks, and need to spend their limited money just on meeting the daily needs of their people. Conservation officer salaries and other costs are sometimes paid for by the national government as a means of supporting conservation. In the Koroyanitu Park conservation area in Fiji, the Native Lands Trust Board

have expressed their continuing support for the Conservation Area, and have indicated that they, or the Government will absorb the cost of the CASO.

User Fees and Taxes

Many countries charge user fees and taxes that are linked to conservation areas. Examples include park entrance fees, fishing and hunting fees, "bio-prospecting" fees, and concession fees and taxes on hotel and accommodation providers and tour companies. Often though, the taxes and fees are allocated for normal government spending, and only a small percentage of the fee is actually used to support protected areas. Some examples of user fees include:

a. Park Entry Fees

International tourists often are willing to pay high entry fees to visit parks or protected areas that are unique. In 1989, Botswana raised park entry fees by 900 percent to US\$30 per person per day, and the number of foreign visitors actually increased by 49 percent. The increase placed a focus on the high-priced end of the tourism market, benefiting the country, the park and the communities living within the conservation areas. The increased revenue effectively eliminated the subsidy being provided by the central government.

Foreign visitors to the National Parks in the Galapagos Islands, Ecuador pay a daily entrance fee of US\$100, which not only supports conservation projects within the Park itself, but now, two of the tour boat operators provide donations to WWF of at least \$100,000 each year



Tourists may not be willing to pay high park entrance fees if it is not unique enough or, if the entrance fees are not directly being used to support the protected areas. Unless fees are used to conserve the protected areas, visitor numbers will decline

b. Airport Fees

Fees collected at airports from foreign tourists can be set aside for maintaining conservation areas. How the fees are used must be clearly agreed to from the beginning.

In 1996 the country of Belize required all foreign tourists to pay a US\$3.75 "Conservation Fee" in addition to the normal airport departure tax. This was receipted separately with the money going to a new Protected Areas Conservation Trust (PACT) which is independent of Government. The PACT is legally required to spend all of its funds on conservation projects in or adjacent to the country's protected areas.

The Cook Islands impose an airport departure tax of which 20% is required by law to be deposited into a special account known as the Environment Protection Fund. When the Ministry of Finance tried to use the funds for unrelated purposes, the Environment Council, as Trustees of the fund successfully sued the Ministry.

c. Diving Fees

Other regions, such as one of the World Heritage sites in the Philippines charged divers a \$50 "Reef Conservation Fee" after

research showed that divers would be prepared to pay if they were sure that the money would only go towards protecting the reef.

The Republic of Palau, in the Pacific, charges a \$15 per person diving fee to the 60 – 80,000 divers who go there each year, generating about \$1,000,000 which is used for maintaining Palau's protected areas

In the eastern Caribbean, hotel room taxes were increased from 8% to 9%, and the 1% increase is used to finance a protected area conservation trust fund.

Additional charges on hotel room taxes have been used in various places around the world as a way of raising funds for conservation. Some taxes are mandatory (you have to pay), while others are voluntary, such as a "nature conservation surcharge", with an explanation on the hotel bill that the payment of this surcharge is voluntary, and the hotel will delete the charge from the bill if the guest requests it.

International Donor Contributions

A RELIABLE AND
STEADY SOURCE
OF FUNDING
HELPS LONG TERM
PLANNING,
TRAINING AND
RECRUITMENT OF
STAFF, ALL OF
WHICH HELPS
WITH EFFECTIVE
BIODIVERSITY
CONSERVATION.

Another form of funding for protected areas that can be arranged at the national and international level after government budget allocations and user taxes and fees is grants and donations from donors, foundations, NGO's and others. Individuals and big companies (corporations) generally do not give much funding for parks and conservation areas. Foundations such as the MacArthur Foundation, Gilman Foundation etc; give many millions of dollars annually to support conservation and parks in developing countries. NGO's including SPREP, the WWF, the Nature Conservancy and Conservation International also contribute millions of dollars each year to support protected areas.

International Donor agencies are the major source of grant funding for conservation. Each donor has it's own policies and programs (including which countries they work in) and these often change, so it is best to contact each donor for up to date information. A list of the main donor agencies active in conservation funding can be found later in this report.

However, many donor programs provide funding for a specific period of time – usually three to five years, so unless funding can be secured for the longer term, the impact of funding is likely to be transitory, rather than long term.

Trust Funds

During the past ten years or so, Conservation trust funds have been set up in over 40 developing countries as a way of providing long-term funding for parks and conservation.

Conservation funds, which can provide sustained, long-term funding for protected area, can be used as a way of dividing up large international donor grants into many small local grants. They can suffer from low or unpredictable investment returns if there is no sound investment strategy.

A trust fund is basically money or other property that (a) can only be used for a stated purpose; (b) must be kept separate from all other sources of money; and (c) is managed by an independent board of directors.

The most common form of trust fund is the *endowment fund* where the capital of the fund is intended to last forever, and only the interest should be spent. The fund is normally spread over a combination of investments, such as bank bonds, government Treasury bonds, and corporate stocks and bonds so that a good, steady income can be achieved, while minimizing the risk. An endowment fund requires significant amount of investment if it is to provide an adequate level of income.

Sinking Funds spends not only the income from investment but part of the capital each year, so that the fund eventually “sinks” to zero over the medium term (10 – 20 years), after which the fund either ceases to exist or is replenished from other sources.

In APPENDIX 1: LIST OF INTERNATIONAL DONORS FOR TRUST FUNDS you can find a list of contact details for Donors and Foundations who have been involved in funding conservation Trust Funds.

Community Strategies for Financing Conservation

Communities can provide some financial contributions towards conservation, although it is most unrealistic to expect an income generating activity to be able to provide any substantial form of contribution. The probability of businesses being able to meet their own operating costs, retain some profit for the future needs of the business, and provide an incentive to landowners as well as fund conservation efforts is unrealistic. It can be done, but it requires an extraordinary business to do so.

Conservation Areas can start their own business, in which case, contributing to the CA becomes easier. In the Cook Islands, the Takatimu Conservation Area focuses on eco-tourism activities through the provision of nature forest walks, bird watching and the sale of project T-shirts and other memorabilia. The nature walks and bird watching tours engage all the project staff. Income from the tours are split 35% for the three land-owning families and 65% to the Conservation Area fund.

In Tuvalu, at the outset of the project, the people of Funafuti determined that the Funafuti Town Council should be the lead agency for the project, as council is comprised of natives from Funafuti and landowners and it was felt that the people would be best represented by the Council rather than National Government. Their strategy

The Funafuti Town Council contributes financial support to the project by paying the salary of the CASO and grants towards the building of the interpretative centre and other initiatives.

resulted in a strong commitment by the Council to the conservation project.

The Vaathe Lodge is located in Santo, Vanuatu and is an eco-tourism venture. Part of the revenue they earn from the Lodge's activities goes into a Trust Fund for supporting the Conservation Area.

Irbis Enterprises is a non-profit community handicraft enterprise, established in Mongolia in 1998 with the purpose being to conserve the snow leopard. Irbis Enterprises offer herders living in snow leopard habitat an incentive to play a positive role in snow leopard conservation. They do this by giving herders an opportunity to increase their household income and add enormously to the value of their livestock products. The income source is hand-crafted items produced by the herders using wool from their livestock (sheep, camels and cashmere goats) The finished goods are marketed to tourists in the capital, Ulaanbaatar, and abroad through zoos, trade fairs and other special interest outlets by Irbis Enterprises. The majority of the sales price is returned to the producers, but 10% is placed into a conservation fund. The proceeds from the fund can be used for such needs as improving water sources in the buffer zone, an effort that can benefit both herders and wildlife

Lessons Learned: Most of the enterprises assisted by SPBCP are not yet able to cover all of their fixed and variable costs, and it will take a number of years before they can do so. In the meantime, they will continue to require some form of subsidies or donor assistance. For example, monitoring and technical assistance for the Huvalu Coconut Oil Enterprise including the design of labels still requires assistance from donors. However, this should not be seen as a "failure". Niue regards their enterprise as being a "linked" enterprise, and therefore there is an emphasis on conservation and protecting the resources. If the enterprise results in generating more than one dollar's worth of conservation for every dollar invested in the business, then it is worthwhile. The trick is to place a value on the conservation effort that occurs.

- Ownership, Use and Management of Resources
 - Culture and Commerce
 - The Community as stakeholders
 - Linked enterprises
 - Environmental and Social Codes of Responsibility
-

Culture, Commerce & Conservation

The more successful enterprises often build on traditional skills and knowledge:

Ownership, Use & Management of Resources

Wherever indigenous peoples retain their connections with their homeland, their ecosystems tend to remain well preserved. Local people have connections to their land that includes ancestral and spiritual ties – something that is rarely understood or appreciated by those who seek to control tropical land for profit.

Communities throughout the Pacific often have their own traditional forms of resource management. The chiefs in one village declare certain lagoons as “tapu” or off-limits for a year or during certain periods. The villagers respect the local hierarchy’s decisions, and the lagoon stocks are allowed to replenish.

When dealing with conservation, it is essential to recognise that cultural traditions and biological diversity are two sides of the same coin. The indigenous people of our world control around 15 percent of all land on our earth, creating a strong link between culture and biodiversity. However, many indigenous groups are fighting to hold on to their land in the face of economic incentives, population pressure and the increased demand for natural resources and land.

Indigenous and other traditional peoples have long associations with nature and a deep understanding of it. Often they have made significant contributions to the maintenance of many of the earth's most fragile ecosystems, through traditional sustainable resource use practices and culture-based respect for nature. Therefore, there should

be no conflict between the objectives of protected areas and the existence, within and around their borders, of indigenous and other traditional peoples. Moreover, indigenous people should be recognised as rightful, equal partners in the development and implementation of conservation strategies that affect their lands, territories, waters, coastal seas, and other resources, and in particular in the establishment and management of protected areas.¹

Indigenous peoples need to participate in the co-management of their traditional land and territories and have equal opportunities to members of other groups, as well as other stakeholders interested in the conservation of that area. All decisions passed by co-management organizations should ensure that the maintenance of the ecological integrity of protected areas remains the highest priority.

In Vanuatu each village, through its chief or its constituent clans or families, have for centuries claimed the exclusive right to harvest marine resources from the adjacent shallow waters. Such ownership is often referred to as customary marine tenure (CMT). All reef flats are thus owned and Vanuatu's Constitution upholds these traditional rights. Most villages employed some form of explicitly conservation-based taboos on their fishing grounds. All villages asserted their right to exclude others from their fishing grounds. This last measure, although it is not always employed with conservation in mind, reduces harvesting pressure and thus serves the purpose of conservation in waters where resources are limited relative to demand.

Culture and Commerce

The more successful business ventures in the Pacific are those that integrate culture and commerce. As an example, one businessman attends as many weddings and funerals as possible, gives small, manageable donations and sees this as a way of marketing his business.

More often than not, the needs of business and culture are at odds with each other. In small communities and villages, it often seems culturally necessary to do things like giving credit to people you know will never pay you back. Business in the Pacific is a relatively new concept, and we need to consider how we can reconcile culture and commerce.

So, what are some of the challenges that we can expect to face?

BUSINESS (Western Perspective)	Culture (Developing Nation's perspective)
The business money is separate from personal money	There is no clear separation between business and personal assets
You are seen to be successful if you are still in business after five years	You are seen to be successful immediately you start a business
The business profits are for the business and individual owner	The community and church also expects to benefit from your business. You are expected to make larger donations and contributions, and to help out more

¹ WCC Resolution 1.53 on Indigenous Peoples and Protected Areas, adopted at the World Conservation Congress in Montreal, October, 1996

BUSINESS (Western Perspective)	Culture (Developing Nation's perspective)
No specific change in social status	Your social status in the community hierarchy increases on opening a business
The legal entity of a business is well defined	The entity is often not well defined
The wider community understands the needs of a business	The community doesn't understand the needs of a business
The business has mainly financial concerns	The business has financial, social and conservation concerns
The business is only accountable to its shareholders	The wider community have a sense that the business should be accountable to them
The business operates in a well understood and familiar cash economy	The cash economy is new to many, having come from a subsistence economy
Strong private sector	The cash economy is dominated by a large public sector

Many businesses fail in the Pacific as a result of the clash between cultural and business needs. So, how can we reconcile culture and commerce?



Talk with members of your extended family, community and the village leaders before going in to business. Agree from the outset what the limits will be in terms of donations, gifts, credit and other expectations.

Seek assistance from your local Development Bank or training organisation to give some basic business awareness training to you, your family and the wider community.

Keep careful records where you give credit or donations and regularly check them out to see that you are not exceeding the limits you previously set.

Plan with your culture in mind. Look at ways in which your business can benefit from cultural practices, rather than be hurt by them.

Find alternatives to giving credit. Use barter – instead of giving credit, exchange your products for other goods that you can then sell.

Consult with successful business people in your community to find out how they overcome cultural barriers.

Train members of your family, community and leaders about the differences between what you own, and what the business owns. Try to see them as two different entities.

PRINCIPLE: Try to find ways in which culture and commerce can be “married” together rather than pulling in opposite directions.

Idea: Consider your extended family as a marketing network for your business!

Here's what some CASO's said regarding culture during a workshop in Fiji held in May 1999:

"In many cases, a person in Samoa would start up a business without enough back up working capital. These businesses on many occasions would accumulate customer debts, thus leaving very little money for stock replenishment. In addition, cultural obligations would soon lead this business to failure."

"Some obstacles confronting businesses in Pohnpei may include poor infrastructures, cultural obligations and others. Small community business do a lot of copying soon as a small retail store establish in the community, two or more also establish with in the immediate surrounding. One or two years later, most if not all, the established stores closed down due to lack of revenue. Credit sale is a major problem for retail stores. Credit sale is also a problem due to family relationships and also many people take too much more than what their income is thus resulting in their disability to fully pay off debts."

"Tongans are considered as not good managers of both money and business. Business owners are being recognised with social status in the community. Certain expectations from relatives, family, church and government are directed towards business owners, ie. To donate and contribute all the time. Some business are family owned while others enters / explore business partnership with little success due to conflict in money matters as well as cultural expectations."

The Community As Stakeholders

Whether the community owns part of the business or not, they are still stakeholders – this is, they have a stake in what happens. To be successful, enterprises need to generate benefits for the stakeholders – not just the shareholders (owners).

Identifying who the stakeholders are is an important first-step. We would normally have *primary* and *secondary* stakeholders that we have to consider, as well as *relevant organisations*. As an example, lets say that we are considering activities associated with a protected mangrove area. Our *Primary stakeholders* might therefore be those who are directly dependent on the mangrove for a living (fishermen and crab harvesters) or who directly use the mangrove resources (dive companies). Our *secondary stakeholders* would be those who do not directly use the mangrove or its resources, but they might make use of its products or services (for example fish and crab traders), or those whose actions may affect the mangrove (farmers upstream from the mangrove area). *Relevant Organisations* might include

Benefits can be cash and non-cash benefits. Some examples of benefits to stakeholders can include:

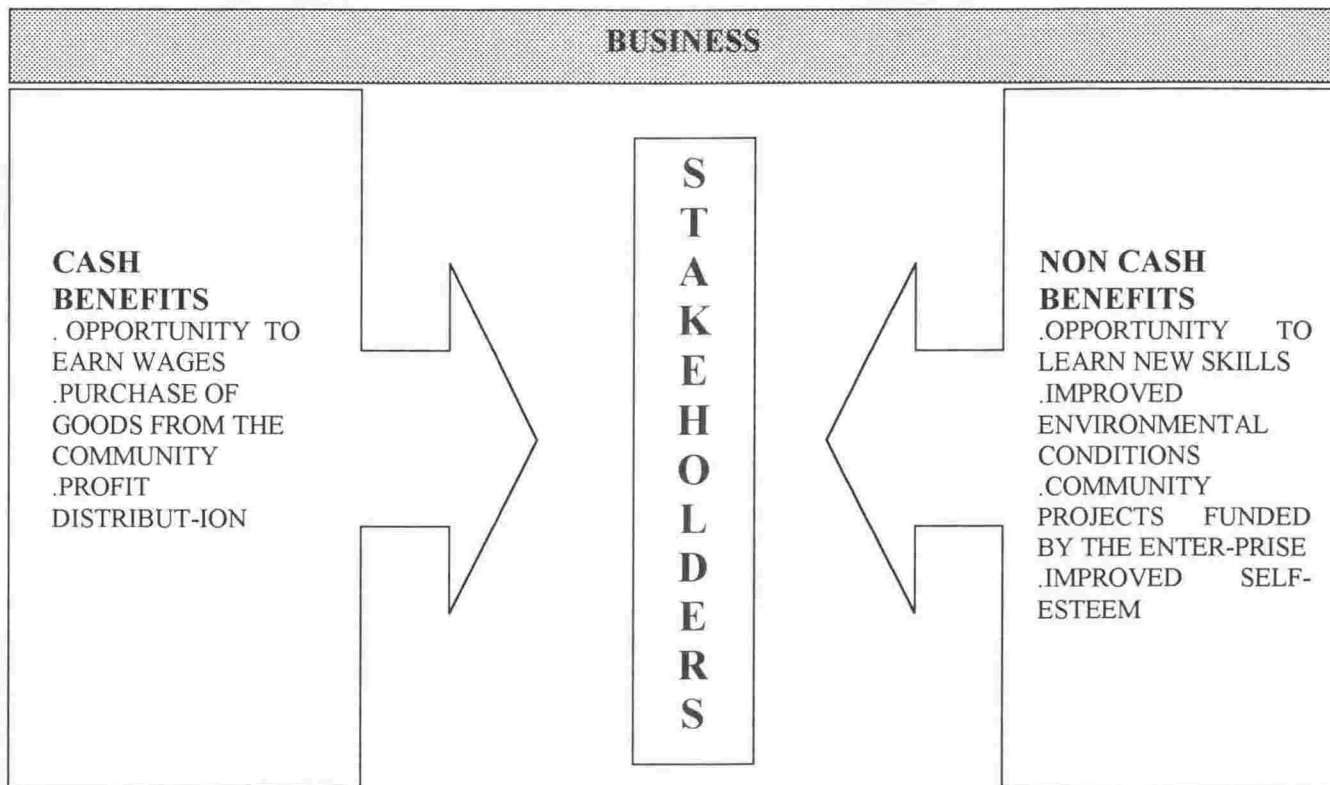


Figure 1 Niue Coconut Oil Enterprises

Remember that many businesses in the Pacific struggle to cover their costs, so making rash promises about all members of the community being able to obtain a cash benefit from the enterprise might be an unrealistic expectation.

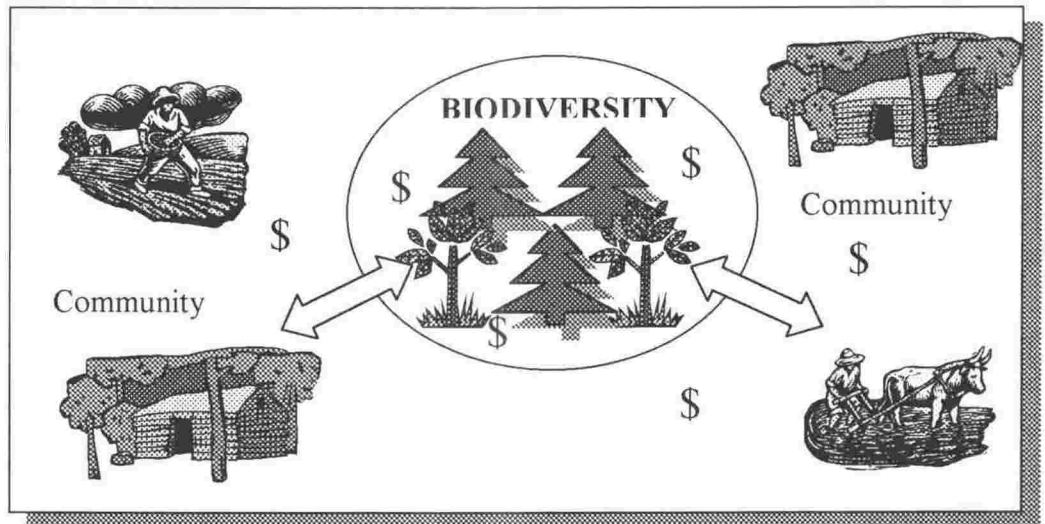
Distributing the cash benefits directly to those people participating in the business has the advantage that it provides an incentive for those working in the business to do the work that the business requires of them. Trying to spread the benefits equally to everyone provides some members of the community with a “free ride” – getting something for nothing, which can lead to jealousy and friction.

In the Huvalu Forest Conservation Area in Niue, the Conservation Area undertook a pre-feasibility trial involving the manufacture of coconut oil using the Direct Micro Expelling (DME) technique. During the trial, which was funded through SPREP, the Coconut Oil Enterprises tried to provide a benefit for as many people as possible. During the trial, they shared around the opportunity for young people to be employed for a period of time by the enterprise, thus giving the teenagers their first “work experience opportunity. They also placed an emphasis on providing work opportunity for older members of the community, particularly widows who had no other form of income. Most members of the village developed a “sense of pride” at seeing a project start in THEIR village. The enterprise also became a feature on the tourist map, resulting in more visitors to the village, which then led to increased sale opportunities for handcraft workers.

PRINCIPLE: Do not underestimate the importance of the “non-cash” benefits associated with the business venture.

Linked Enterprises

A common-held concept is that if local people get a direct benefit from a business that depends on the biodiversity of a particular area, then they would have an incentive to act to protect it against internal and external threats to its deterioration or destruction.



The Arfak Mountains Nature Reserve in Irian Jaya support rare and endemic species as tree kangaroos, bandicoots, Bird of Paradise, Vogelkop Bowerbird, and numerous birdwing butterflies. Human activities, however, threaten the biodiversity of the reserve. Agriculture, the collection of wood for fuel and construction, and poaching of protected species by those living in and around the reserve, pose the greatest threats.

WWF-IP and YBLBC have developed an enterprise based upon the sale of butterflies raised in the reserves' bufferzone. The earnings from butterfly sales represent a potential alternative to some of the environmentally destructive practices undertaken by the Hatam. Environmental education and participatory biological and socioeconomic monitoring complement enterprise development. The development of a viable, community-based butterfly farming enterprise has shown that this activity is ecologically sustainable.

Some types of enterprises tend to be more “linked” than others. *Service* industries such as eco-tourism generally are more linked than *product* based industries. For example, the Rock Islands in Palau and the Takatimu CA in the Cook Islands have a high degree of “linkage”, whereas the coconut oil manufacturing in the Huvalu Forest on Nuie has only limited “linkages”.

Linked Enterprises shouldn't be confused with **environmental** or **"green"** business. A **green business** isn't necessarily a linked enterprise.



Principle: What appears to be more important than the true level of "linkage" between the biodiversity and enterprise, is the perceived degree of linkage by the community. If the community thinks that an enterprise is "linked" to biodiversity, then they will take action to protect it. If they don't see the linkage, then they won't take action.

Environmental and Social Codes of Responsibility

During the CASO workshop held in Fiji, workshop participants decided that, to guide future income generating activities within the communities, it would be important to have a set of codes that protected:

- the environment and resources
- local taboos, customs and the culture
- equal opportunity for community participation, and
- others from unfair exploitation

They established two sets of principles, or "codes" that were subsequently presented to members of each community for acceptance. These were then used to help in assessing whether certain income generating activities were appropriate or not. The codes were:

DRAFT CODE OF SOCIAL RESPONSIBILITY

As a business operating within the <<name>> CA, we are committed to working in harmony with the communities in which we operate. We will only undertake activities that have been approved by the community as being culturally & environmentally acceptable, and that respect the traditions of our people.

We are committed to the following social objectives:

- To give equal opportunity to all members of the community to benefit from this business, whether by way of employment, income, distribution of benefits or sponsorship opportunities.
- To operate responsibly and ethically in all aspects of our business, and to not unfairly exploit the community or our clients for profit or personal gain.
- To operate on the principals of Natural Investing, and
- To safeguard the culture and traditions through supporting the

DRAFT CODE OF ENVIRONMENTAL RESPONSIBILITY

We believe a successful business is dependent upon a healthy environment. We are actively working to show our environmental responsibility to our community by committing to the following objectives:

- To be an environmentally responsible business within our community by being low impact (EIA), pollution free with good waste management and recycling practices.
- To comply with national and international environment legislation and treaties, but also respect local taboos and village/community rules for sustainable use of resources
- To ensure that resource utilization meets the equitable needs of present and future generations in balance with existing land-use and crops.
- To practice sound resource management in all aspects of our business to ensure sustainability of resources but also to include replenishment of resources, and
- To consider environmental threats in our actions, promote the protection of endangered species and encourage environmental awareness in general.

Expert Advise: Different studies around the world have shown that consumers are prepared to pay extra for products or services from companies who are socially and environmentally responsible. Try and get income generating activities in your area to agree to a standard Code of Social and Environmental Responsibility and then for them to jointly advertise their support for the code on their packaging or brochures. That way, conservation efforts are promoted, and the businesses are seen to be different to other businesses, giving them a stronger position in the market place.

- Getting Ideas
- Fine tuning the opportunities

Identifying the Opportunities

Many opportunities pass us by because we focus too much on what has been done before

Getting Ideas

The first stage in getting ideas is to run a **brainstorming** session with members of the community. There are **two** steps involved. The first step can be termed the *production step*, in which the group generates ideas, while the second step is the *analysis step* in which the group's ideas are sorted into groups and further improved on.

During the *production step*, the target is to get the group to call out as many ideas as possible. During this stage, it should be explained that no one is allowed to criticize any ideas, or to call out, no matter how silly the idea might seem. The important thing is to encourage a free-flow of ideas.

At a workshop in Fiji, members of the workshop were split into several groups of four – five people in each group. One person from each group was nominated as a “recorder”. Each group in turn was given one minute to call out as many income-generating ideas as possible, and the team recorder wrote the ideas on a flip chart. After one minute, the ideas were totalled up, and the game moved on to the next team. Within four rounds, the workshop had come up with over 90 original ideas for income generating. Members of the workshop enjoyed the exercise, and there was a lot of laughter

The second step is the *analysis step* in which the group analyses the ideas. The steps to analysing the ideas are:



Eliminate any ideas that are illegal or don't make sense

Delete any ideas that are duplicated on the list

Categorize the ideas into *services* and *products* (services are income generating activities that provide a service such as gardening, baby sitting, tour guiding etc; and products are income generating activities that manufacture something for sale, such as cake baking, handicraft production)

Assess the environmental impact of the business on the surrounding area, and eliminate those that have a detrimental impact

Discard those ideas that are in conflict with the government's plans and priorities

Segment the ideas further by estimating whether the start-up costs are low, medium or high, and

Prioritize the ideas in terms of preferred choices

Please note that at this stage, we have not completed any analysis that would give an indication as to whether the idea is viable (workable) or not.

Expert Advise: Some communities might have more difficulty in coming up with lots of ideas because of their relative isolation, and lack of exposure to the "outside world". If you are working in one of these communities, then you might like to either hand around a list of possible ideas, and get them to prioritise what appeals to them, or show them a few case studies of what has been done in other parts of the world. There are other resources that you can use to help with ideas – for example get hold of a copy of the telephone "Yellow Pages" for another country (hint: try the local post office or telephone exchange).

Another way of getting ideas together in the brainstorming session is to firstly take stock of what you have in the area using the local knowledge of the community. In the Huvalu Forest Conservation Area on Niue, the workshop participants agreed to take stock in three broad categories, which were:

Naturally occurring resources which could serve as raw materials

Sites to which people could be taken

Existing activities in which people could participate

This method provides a stronger and more direct link between income generating, the conservation area, and the social and historical aspects of the communities. Those in the conservation area came up with the following list:

RESOURCES	SITES	ACTIVITIES
Pandanus Luku Uga Taro Herbal & Medicinal Plants Coconut Products Timber Products Natural Dyes Lime Leaves Foliage Nonu Vanilla Lime	Anapala Cave Togo Caves Vaopala Cave Vaikona Chasm Maselulu Vehokaho Puhi Halavai Cave Pool Tautu Tahikula Vaouhi Vinivini Bush Track Hikulangi	Women's H/craft Group Uga hunting Umu making FiaFia night Bush walking Show Days Pig hunting Traditional Fishing Bird Watching Starch Preparation Huntin
Passionfruit PawPaw Fragrance producers Ginger Yams Bananas Mushrooms Arrowroot Cassava & starch Wild life	Suicide Site Ancient Umu Cooking pits	

From this list, they were then able to identify potential income generating opportunities that utilized the resources, sites and activities in an acceptable manner. The community members identified the following opportunities:

eco-tourism based	product/producer based
Bird watching Uga farm (guaranteed sighting...) Night time butterfly hunts Handicraft lessons Hair cutting/ear piercing ceremonies Canopy walkway Revival of JJ's bush and coastal track walk Night time bush walks using trad. Coconut torches Taro ecology tours Participation in scientific surveys	Traditional medicines Luku cultivating Coconut oil, cream and soap production Spiders (making fishing lures) Vanilla farming Honey bees for honey production Nursery shrubs for local market Dried and fresh chillies Books, tee-shirts and videos based around the Huvalu CA Hydroponics flower and vegetable gardening Products based around "loofa" plant

(pulu)
Nonu growing
Handicraft production
Fruit jams

Fine Tuning the Opportunities

In completing an exercise such as this, you will often start with a large list of possible opportunities, and it is important to reduce this list as much as possible so that you can focus on those opportunities that are most likely to be successful.

This next stage involves comparing the skills the community has, with the things that they feel strongly about or like (motivation, values), and the opportunities, so that you can identify those opportunities that match their skills and satisfies their likes and values. Remember that you are aiming for **participation**.



Figure 2 Brainstorming Session - Kosrae



Using three flip charts, on one of them, list all the opportunities that you have identified, and on the second one, write down all the skills that exist in the community by having the group split into groups of two, and each person share with the other what their skills are, and what they are good at. You might be able to help them think through their skills by asking the following questions:

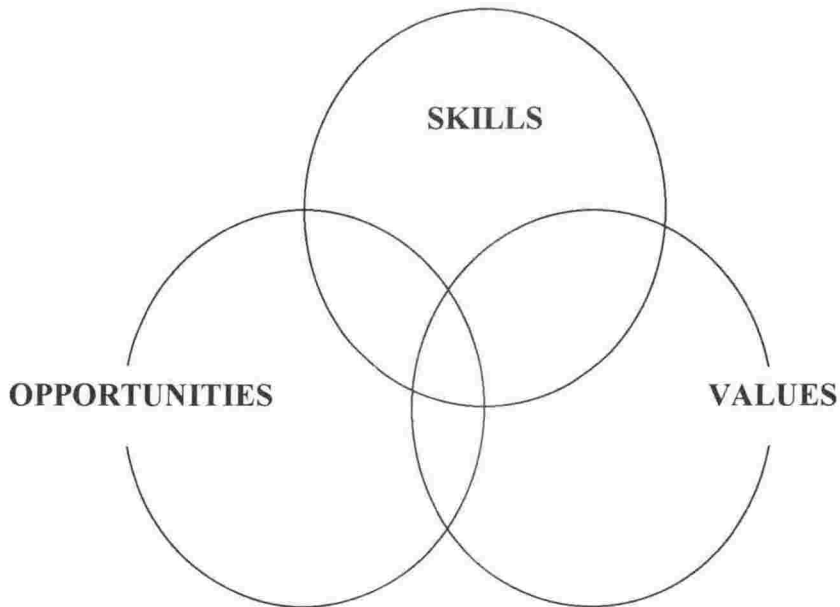
- What were you good at at school?
- What special skills were learned from your family?
- What work experience do you have?
- What kinds of skills do you use on committees that you are involved with?

On the third flip-chart, write down what sort of things motivate people, and what things are important to them.

Examples of responses for skills and motivation might be as follows:

SKILLS	THINGS YOU FEEL STRONGLY ABOUT
As a community, we are all good at fishing We speak English and kosraean well Emanuel is a good mechanic The women's group are all good at handicraft John has strong leadership skills	Not doing anything that will damage the environment Employees should be paid and treated well

From this list, we can then identify the opportunities that best match our skills and values (things we feel strongly about) by using the "Three Circles" below, and seeing where they overlap.



- The elements of a good business idea
- Pre-feasibility Assessments
- Ranking the Opportunities



Assessing the Opportunities

Focussing on where to best direct your efforts

The Elements of a Good Business Idea

So, now that we've got a list of opportunities together, how do we know which ones appear to be "good ideas"?

From a study of income generating activities supported by SPBCP and other donors, we are now able to see some of the ingredients that lead to a good business idea. They include:

INGREDIENTS OF A GOOD BUSINESS IDEA	YES	NO
Is the business idea unique to the area? (businesses that are "copy cat" more often than not don't have a strong position in the market)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Can the business be started without it being too "capital intensive"? (high levels of investment require either large borrowings or donor funding. Also, when project support ends, enterprises with high investment tend to be more vulnerable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will the business idea provide benefits (such as wages or income) to the owners within a relatively short period of time? (The timing of benefits is an important consideration. If members have to wait for several months before any benefit is received, then interest in the enterprise will weaken)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the technology used consistent with the local skills and infrastructure? (the more successful income generating activities build on traditional skills and knowledge)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there sufficient evidence of commitment by the community or proposed owners of the business? (real commitment involves the community in taking a "risk" for the business – putting money into the business, or acting as a loan guarantor on behalf of the business)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there an unsatisfied demand for what you will supply? (a lack of market is often cited as a major reason for business failure in the Pacific. Often, those focussing on a local market will stand a greater chance of success)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

CASE STUDY: Uafato Village Honey Bee Project, Samoa

During workshops held with the Uafato village community during 1999, the community identified honey / beekeeping as being a potential income generating activity. Technical assessments carried out in September of that year confirmed that there was sufficient nectar flow to support the establishment of hives in the area. A market assessment identified that a local market existed for the honey. Because the community had no previous experience in managing hives, training was provided by a local apiary consultant, who also became the contracted managing agent, responsible for managing the hives, harvesting and marketing the honey. By appointing the managing agent, they effectively used someone who was already selling into the local market, resolving some of the competition issues. The project is co-ordinated by the Kimiti – a – tina (Uafato Women's committee), and they supervise the whole project and facilitate land useage issues. The owner operators comprised of nineteen interested family units (matafale), who contributed \$10 towards the cost of each hive. Boxing material for the beehive construction was available locally. The balance of the cost of the hives, equipment and the provision of training, was funded through grants. The managing agent purchased the honey from the hive owners on an agreed price ex farm gate. A positive spin off from the project is the potential for the village to increase the availability and range of locally produced fruit and vegetables because of the bee's pollinating the plants leading to increased production yields.

Pre-Feasibility Assessments

Having brainstormed and completed an initial analysis of ideas, matched those opportunities to our skills and values, and then checked the ideas against some of the elements of a good business idea, we have hopefully now got a smaller list of opportunities that we will do a pre-feasibility assessment on.

A pre-feasibility assessment can be completed either by yourselves, or with the help of someone with some business skills – for example, a member of your local Chamber of Commerce, Small Business Enterprise Centre or a Development Bank loans officer.

We're going to apply a "score" to each of our remaining business ideas so that we can assess which ones we should start seriously focussing on.

During a workshop at the Utwa-Walung Marine Park Conservation Area, community members were assisted to develop a framework which allocated a score to each of a number of components relating to the business idea. Together, the scores considered financial, social and environmental aspects of the business opportunity, and this enabled the community to prioritise their ideas.

They considered the following:

Level of Investment

The level of investment required has a direct bearing on the likelihood of obtaining commercial or donor funding in support of the proposed activity. A lower start-up cost will attract a higher score because of the increased potential for the community, commercial fund providers and/or donors to support the proposal.

Environmental Impact

The ranking system is designed to reward projects that have a high positive environmental impact, and disadvantage those with a negative impact.

Employment Creation

The score in this category has been left open ended, because of the limited job opportunities that exist on Kosrae. Proposals with a high benefit spread are rewarded accordingly, both for direct and indirect employment creation.

Technical Skill Levels

The scores are organised in such a way that, providing technical skill transfer can be easily achieved despite skills not currently existing within the community, the score will contribute to the overall ranking of the project.

Project Sensitivity (Risk)

The project risk assessment has been based on the degree of sensitivity the project has to the major input/output variables (revenue and operating costs). The project sensitivity assessment thus becomes an objective ranking, taking into account the profitability of the project prior to sensitivity.

Community Support

Based on previous experiences on Niue, it is recognized that a high degree of community support and commitment will be required in addition to any commercial and environmental considerations if the proposed activity is to be successful. Accordingly, the scoring system places an emphasis on strong community support. Support was gauged on the basis of a show of hands from those representing the views of the community at the workshop.

Simplicity

If the country has limited support facilities on-island, proposals that utilize low technology are more likely to continue operating long-term than those relying on costly off-island support.

Market Assessment

The matrix used to provide a crude assessment of market potential is based on a simple supply/demand matrix that analyses existing market opportunities, while taking into account any competition (supply) considerations. A high demand/low supply situation will receive the highest score, while conversely, a low demand/high supply will obtain the lowest score possible.

Infrastructure Sustainability

The ability of the local community to self-manage proposed income-generating activities is seen as a critical element for consideration. Proposals requiring sophisticated management skills and a heavy continued reliance on external assistance (whether from other organisations operating on-island, or off-island support) to operate the venture would obtain a low score.

Opportunity Return on Labour Input

Kosraean's were traditionally used to artificially high wages, which have been based on public sector wage rates that are heavily. Although employment opportunities are now limited, resulting in some anecdotal evidence that the local communities are more realistic in their wage expectation, they are generally unwilling to work at a level below what is generally considered unofficially as the minimum wage rate of \$1.50/hour. Thus, the scoring system has been developed in such a way that any proposed activity that generates less than a \$1.50/hour return on labour for those generating an income from that activity will receive a score of 0.

The resulting template that can be used for a pre-feasibility assessment looks like this:

			POINTS
A.	Level of Investment	Less than \$5,000	3
		\$5,000 - \$10,000	2
		More than \$10,000	1
B.	Environmental Impact	Positive Impact	3
		Neutral Impact	1.5
		Negative Impact	-3
C.	Employment Generation	Each Direct Full-time Position	1
		Each Direct Part-time Position	0.5
		Each Indirect Full-time Position Equiv.	0.25
D.	Technical Skill Levels Req'd	Skills Exist – no training req'd	3
		Skills Exist but need updating	2
		Skills Don't Exist but can be easily trained	1
		Skills Don't Exist and can't easily be trained	0
E.	Project Sensitivity (Risk)	Break Even Reached when Variables change by < 30%	3
		Break Even Reached when Variables change by 15% - 30%	1.5
		Break Even Reached when Variables change by less than 15%	0
F.	Community Support	High Support (<70% of community)	3
		Medium Support (<40% of community)	1.5
		Low Support (>40% of community)	0
G.	Simplicity	Technology can be fully supported locally	3
		Requires local & some off-island support	1.5
		Technology needs to be fully supported off-island	0
H.	Market Assessment	Demand/Supply Score (from matrix above)	

			POINTS
I.	Infrastructure Sustainability	Easily Managed by Local Community	3
		Can be Managed by Local Community with Some External Input	2
		Requires High Level of Continued External Support	1
J.	Opportunity Return on Labour	More than \$4.50 per hour	3
		\$3.00 - \$4.50 per hour	2
		\$1.50 - \$3.00 per hour	1
		Less than \$1.50 per hour	0
K.	Resource Sustainability	No harvesting of a natural resource	3
		Harvesting or potentially harvesting at or less than the Replenishment Rate	1.5
		Harvesting or potential to harvest at unsustainable rates	-3
SCORE			

(Note: You might need to adapt this template for your own situation.)

Ranking the Opportunities

The workshop undertook a pre-feasibility assessment on a total of 13 opportunities using the template above. An example of one of their completed assessments can be found in APPENDIX 1: LOCAL CULTURAL NIGHT SCORE SHEET - KOSRAE

Having completed the pre-feasibility assessment for each of the proposed projects, the workshop were able to rank the top ten as follows:

PROPOSED ACTIVITY		SCORE
1	Cultural FiaFia Night	33.25
2	Coconut Soap Production	25.75
3	Fruit Processing for Snack Food	25.00
4	Arts, crafts & handicraft	25.00
5	Nature Watching	24.00
6	Land Based Tours	24.00
7	Marine Tours (non-swimming, glass boat etc;)	20.25

PROPOSED ACTIVITY	SCORE
8 Mangrove Channel tours including canoe hire	17.75
9 Dress making	17.00
10 Diving Operations	16.26

The above rankings were later presented back to representatives from Utwa and Tafunsak Municipalities at a subsequent meeting, and agreement on the top four projects was obtained.

To see all of the rankings in detail, contact [HTTP://WWW.SPREP.ORG.WS](http://www.sprep.org.ws) and ask for a copy of the Pre-Feasibility Study for the Utwa-Walung Marine Park Conservation Area.

- The Business Environment
 - Matching the Business Environment to Opportunities
 - Project Profiles
 - Operational Requirements
 - Legal Considerations
 - Technical Assessment
-

Verifying the Opportunities

Look before you leap! Getting real about the opportunities identified.

The Business Environment

Businesses don't operate in an empty space, or a vacuum – they are affected by internal and external factors. If you propose to operate an eco-tourism venture but the country receives only a handful of visitors each year because of a lack of seats on flights (for example Niue and Kosrae), then the business will experience difficulties. Likewise, if you are planning to export fresh coconut crabs, but there is no surplus cargo space on an aircraft, then your export business is going to struggle.

Understanding the environment in which your business will operate is important.

As part of a pre-feasibility study with the Utwa-Walung Marine Park Conservation Area, the CASO – Madison Nena, was assisted by a consultant to look at the business environment in which income generating activities would operate. Here's a summary of what they found:

- Kosrae is heavily dependant on imports, of which food amounts to over \$3 million per year
- There is a small resident population of around 7,800 persons
- The total number of tourist and visitor arrivals was around 2,100 a year, most of whom are American. True "tourists" amount to around 7-800 per year. Tourism centres around diving activities and there are few other organised activities for tourists
- There are 5 resorts and hotels on the island with a total of 56 tourist rooms. Occupancy rates are generally low
- In June 2000, there was a total of 240 privately owned businesses operating on

- Kosrae – of which over 30 percent were retail stores
- Some areas around Kosrae do not have road access
- Freight capacity on the three flights a week from Kosrae is very limited and expensive, and
- The public service sector has dominated the economy. High wage rates paid by the public sector make it difficult for the private sector businesses to compete

Information like this can be easily obtained through your local Department of Trade and Industry, the Chamber of Commerce, your local Visitors Bureau (or Department of Tourism), and the Department of Statistics.

A framework was developed during the SPBCP sponsored CASO workshop that was held in Fiji will help you get together information relating to the business environment. An example of the framework that was filled in by the CASO for the Solomon Islands can be found in APPENDIX 1: SOLOMON ISLANDS COUNTRY PROFILE.

Matching the Business Environment to Opportunities

Once the business environment is understood, you can then make some conclusions about what types of businesses to get in to. Here is how the opportunities were matched to the business environment in Kosrae:

ISSUE	WHAT IT MEANS FOR US
Kosrae is heavily dependant on imports	There could be an opportunity to replace some of the imported product with our own "locally manufactured" product as the market is already proven to exist
There is a small resident population	We can easily establish the size of the local market
Approximately 2,100 visitors and tourists each year, and there are few activities for tourists other than diving	An opportunity exists to design other tourist activities that would complement the diving
Low occupancy rates in existing tourist resorts	Probably not a good idea to invest in another resort right now!
240 businesses operating on Kosrae of which 30 percent are retail	The retail and wholesale market is flooded and it wouldn't be a good idea to open up a village shop
Some areas around Kosrae do not have road access	In these areas which are reliant on canoe transport at high tide, it would not be a good idea to start an enterprise based on fresh or perishable products
Limited and expensive airfreight capacity	It would be difficult to start a reliable export business for perishable or fresh goods because of the difficulties of getting them to the markets
Public sector dominates the work force, and has inflated wage rates	There could be an expectation by employees that they should be paid public sector wages. The public sector, with their extra spending power, could be considered as a potential market

With that in mind, and having completed their pre-feasibility study, the Kosrae community decided to focus on four income-generating activities that appeared to have the highest potential, which were:

- cultural night (alternative village-based activity for tourists and visitors)
- Arts and Crafts program (sale to tourists and potential export markets)
- Coconut soap production (the market already exists and is being supplied exclusively through imported products), and
- Dried fruit snack food (again, the market already exists, and because the fruit is dried, there is no problem with perishability)

(See how they arrived at this selection by also looking at RANKING THE OPPORTUNITIES)

Preparing a Project Profile

It is a good idea for this next step to prepare a profile of the income generating activity that you have in mind. During the SPBCP sponsored CASO workshop held in Fiji during 1999, a project profile outline was prepared by the CASO as part of the workshop. A copy of it is outlined in APPENDIX 1: INITIAL PROJECT PROFILE.

By preparing the project profile, it will help you determine what the cost of starting the income generating activity is, and will also assist you in further clarifying some of the issues and considerations.

Caution! Be very careful when estimating the cost of the project. Make sure you have included ALL the costs, and don't forget about duty or taxes that you might have to pay on some items. If you get the cost wrong, then that mistake will affect the project for a long time to come.

Operational Requirements

We now need to work out what we need to operate the business. We'll divide our requirements into three areas initially:

- physical resources (equipment and other things needed)
- human resources (people and their skills) , and
- technical assistance

Getting our operational requirements right is important because if we don't, then it can impact on the operation of the business later on, as can be seen by the case study on Niue.

Case Study: Niue Coconut Oil Enterprises

Niue is a small island nation known as the "Rock of Polynesia". It lies approximately 2 ½ hours flight time north of New Zealand. Because the population is small (1,700), there are few shops, and only the most basic of items are stocked – the rest having to be ordered from New Zealand or elsewhere. Following a pre-feasibility study, the community decided to request assistance to undertake a six months trial production of coconut oil using the direct micro expelling (DME) process. Funds were requested and obtained to purchase the major items of equipment and building materials required to construct the drier and make necessary repairs to the house in which the DME trial was to be set up. Technical training and support was also funded through SPREP. When it came time for the drier to be built, the community had failed to get all the appropriate materials together, and the design of the drier had to be changed, which had a continuing impact on production throughout the six months trial, because the drier was heating up un-evenly (it eventually had to be partly dismantled and rebuilt). Training was provided over a ten day period to show the community members how to operate the DME equipment and drier, although attendance at the training was not that regular, and very few people received full training in all stages of the process. During the early stages of the DME trial, production was frustrated through a lack of adequate storage containers and bottles for selling the product in, which had an impact on both throughput and sales. There was no local supplier of the bottles on Niue. The Co-ordinator of the trial was able to overcome this obstacle in the short term through recycling a variety of bottles, including PCP plastic coca-cola bottles, although the oil was unable to achieve a satisfactory selling price because of its poor presentation. Eventually, the enterprise was able to source bottles from a New Zealand supplier and they sought assistance from a U.S. Peace Corp volunteer to develop some labels that could be printed on a colour printer.

Lesson Learned: Make sure that you identify, and have in place, ALL the physical items required to operate successfully, and that members make a full commitment to attend any technical training.

Legal Considerations

(Please note that laws are different for each island nation, so it is important to get proper advise from a lawyer, accountant or business association in your own country. This section is a guide only).

Operating any business involves legal issues. In any country in the Pacific region, there are three recognised branches of law – (i) customary law, (ii) criminal law, and (iii) civil law. Business is mostly affected by civil law.

Almost every day, we enter into legally binding contracts without even knowing it! We go to the movies, pay an admission fee, and get a ticket in return – which is a legally enforceable contract. When we hire staff we are also entering into a contract even if we never write one.

In APPENDIX 1: LEGAL CONSIDERATIONS CHECKLIST, there is a checklist of common legal issues we need to consider when thinking about starting a business. Use it to assist you in making sure that your income generating activity meets its legal obligations.

Technical Assessment

We need to check up to see whether what we are proposing is technically feasible or not. Questions such as how can we get the product to the market, is there sufficient raw materials available, can we find the right location to operate the income generating activity etc; are all questions that need answers to. An example is the case study below:

Case Study: Processing of Noni Juice.

A Conservation Area submitted a request to SPREP for assistance to develop and fund a small noni juice project in one of the villages within the conservation area. The CASO was particularly keen to get a project going in this village, as they were feeling left out compared to the other village, which already had a couple of income generating activities occurring. It was decided that before commissioning a full feasibility study, a short technical assessment should be done, and the CASO was given the task of collecting the information together. Part of the information required included being able to answer the question "was there sufficient noni growing to support a processing activity?". The CASO was asked to go out and collect 20kg of noni fruit, and to then report back how far he had to travel, and how long it took him to gather 20kg. The information that was collected can be found in APPENDIX 1: TECHNICAL ASSESSMENT – NONI PROCESSING. By completing this simple exercise, it became quickly obvious that noni processing would only be a very seasonal income generating activity unless there was a commitment by the communities to undertake a significant replanting program. In the absence of any such commitment, it was decided that it was not technically feasible and the community were then able to look for alternative opportunities for income generating

Appendix 1 - Forms

APPENDIX 1: INITIAL PROJECT PROFILE

Name of Project:

Description of Project:

Who will be involved?

Where will the project operate from?

Who owns the land on which it operates?

What arrangements have you made with the landowner to have access to/use of their land?

Who will own the project and what ownership structure will exist?

How many will the project provide income earning opportunity for?

What is the main product/service?

Where will you get the raw materials from?

Who will buy your product or service?

How often will each customer buy your product or service?

How much will they buy each time?

Why will they buy from you?

Who else provides a similar product or service to yours?

What makes your product different/better than your competitor?

How will the project conserve or enhance the environment?

What negative effects could the project have on the environment?

How much will it cost to start the project?

Equipment

Other Assets

Land

Initial Stock

Advertising Material

Other costs

Initial cash for running the business

TOTAL A _____

What ways do you propose to finance this project?

Community contribution

Other Individual contributions

Borrowings (where from?)

Other (detail)

(total B should equal total A)

TOTAL B _____

How much do you expect to sell your product/service for?

What steps have you taken to investigate the market?

What size is the market?

How will you sell your product or service? (i.e. through shops, direct to customer, through tour operators etc;)

How much will the outlets charge you for selling your product or service? Will they charge commission or will they buy and then mark-up your product?

How will you advertise your product or service?

What skills will be needed to successfully run this project?

What skills do you currently NOT have that are needed?

How do you proposed to get those skills?

APPENDIX 1: LOCAL CULTURAL NIGHT SCORE SHEET - KOSRAE

			POINTS
A.	Level of Investment	Limited investment is required for this project. Major items of investment include brochures, serving tables and chairs, some cooking items etc: Total investment cost is estimated around \$3,000	3
B.	Environmental Impact	The project is environmentally neutral	1.5
C.	Employment Generation	The proposal is for the island night to operate alternate weeks in Utwa and Tafunsak, and run by the women of the village. It is estimated that approx: 10 part time positions will be created in each village, plus one indirect employment opportunity for a transport operator	10.25
D.	Technical Skill Levels Req'd	Technical skills (cooking, dancing etc;) already exist, although some limited tour guide and customer service training might be required as supplemental training.	1
E.	Project Sensitivity (Risk)	The project principally involves variable costs only. Based on a price of \$30 per tourist (min; 10), 10% commission to booking agents, \$8 per person food costs, and \$10 per person transport costs, gross profit before labour costs is estimated at 30%, resulting in a low/medium project sensitivity score.	3
F.	Community Support	The high level of benefit spread should result in 100% community support for this project	3
G.	Simplicity	No technology is used that cannot be repaired on island	3

			POINTS
H.	Market Assessment	The product will be a new one for Kosrae. Discussions with representatives from the tourist sector indicate a potentially high demand, while supply (competition) is low.	3
I.	Infrastructure Sustainability	The project is simple and sufficient management and organisational skills exist	3
J.	Opportunity Return on Labour	Based on an assumed 4 hours for the whole program (including preparation time), the opportunity cost of labour is calculated at \$2.25/hour	1
K.	Resource Sustainability	The project would mostly make use of resources that are grown by the local community themselves. Some limited harvesting of natural resources, such as mangrove crab could occur, but it is not expected to put additional pressure on that resource, or reach levels beyond the replenishment rate.	1.5
SCORE			33.25

APPENDIX 1: SOLOMON ISLANDS COUNTRY PROFILE

Small Business Development in the Pacific

COUNTRY REPRESENTED: SOLOMON ISLANDS (ILES SALOMON)

MONEY: *Enterprises require money to commence operation, and also to continue running. This section helps you analyse the common issues of doing business in the countries in which you represent.*

What is the most common ways in which Pacific islanders in your region obtain money for starting out in business? From where do they mostly source their money? How many people generally have savings of their own which they can use to start a business?

Loans and Savings

Development Bank, Family's subsistence income (sale of resources, fundraising).

Rural areas - most people

Urban areas - some people only.

What are some of the cultural issues relative to money? What is the general attitude to borrowing and repaying of debt?

Money raises person's social status; extended family expectations from other family members in the form of money; money now plays big role in cultural activities eg.. compensation, bride price and gifts. etc...

Giving credit is very lenient, but repaying of debt is generally very slack.

What are some of the reasons businesses "run out of money"?

Personal expenses,

Bad debts

Lack of management skills

Community/family commitments.

MARKETING: *Enterprises need products or services that they can sell to markets, and markets that want or need what the enterprise make. Marketing is one of the most critical yet most neglected aspects of doing business, and a lack of an identified market is one reason for the collapse of businesses in the Pacific. Here we explore some common issues throughout the Pacific.*

<p>How do people come up with NEW business ideas, and how easy is it to find new ideas? Does innovation come easy for people from your country or do they normally copy existing ideas?</p>	<p><i>New business ideas are rare</i> <i>Mostly copycats (trade stores)</i></p>
<p>How would you describe the size of markets in general in your islands? How competitive is it for doing business in your country?</p>	<p><i>Fairly large market (400,000 popn)</i> <i>Monopoly on a lot of product buyers eg. copra, cocoa, fish, communication etc...</i></p>
<p>What are some of the limitations in terms of the price that can be charged for goods or services in your country?</p>	<p><i>Geographic scatteredness, transport/freight.</i> <i>Lack of rural products/services in rural areas, monopoly in rural areas.</i></p>
<p>Are the majority of people in your country wage earners, informally employed or subsistence farmers/fisher people? What impact does this have on business?</p> <p>Wages earners 65% Casual 15% Farmers 20%</p>	<p><i>Overwhelming majority are subsistence farmers/fishers.</i> <i>Subsistence economy.</i> <i>Rural businesses lack local market because people provide own products/services eg.. food, medicine, fuel, wood eetc...</i></p>

MANAGEMENT: *Management relates not just to systems and skills, but also how we handle the conflict between business and culture.*

<p>What sort of qualifications or skills do most people in the Pacific have when they first start up in business?</p>	<p><i>Poor - fairly good business management skills.</i></p>
<p>What sort of skills do you believe people need in order to successfully operate an enterprise in the Pacific? How do these skills compare with what most people have?</p>	<p><i>Managerial skills, book keeping skills, marketing skills, general business management skills.</i> <i>Most people do not have above skills.</i></p>

Although all good books teach the theory of separating culture and business, in reality it is very difficult to do so. What are some of the cultural expectations that are placed on people who go into business?

Family expectations / commitment

Community expectations / commitment.

What are the most common types of structures for businesses (ie. Sole trader, family owned etc;)? What are some issues that each type of structure has to face in terms of management?

Family owned is most common.

Sole Traders - workload increases on trader as business grows. Incapable to supply the required quantity to consumers.

Family owned - internal conflicts, workload on family increases with business growth, wider extended family expectations commitment.

COUNTRY SUMMARY

Most indigenous businesses in Solomon Islands are family owned or sole traders. These are generally small to medium sized store operators based in rural areas. Their starting capital usually comes from the family's savings from the sale of timber, copra, fish and cocoa etc... 80% of the 400,000 population live in rural areas, thus the economy is largely subsistence. Because of the rural nature of the economy, and the geographical scatteredness of the many island transport and high cost of freight of goods is an issue. While the market is large, the subsistence economy in rural areas make it hard for people to find money to buy goods and services.

Many to most of these traders have poor to minimal business management skills. Coupled with the cultural expectations from and commitment for the extended family and community, these businesses usually have a short lifetime or survive continuous rough times. Generally the business people cannot say no to give credit to wantoks in need, but they rarely return to repay their debts.

Because of the small size of the market in the country, there is monopoly on a lot of goods and services. The impact of this is compounded by high cost of transport, thus leading to high cost of goods and services paid by customers. There is also very poor innovation and entrepreneurship among indigenous people.

Most people just copy what the guy next door is doing (me too!). There is a conflict between "Commercial Business" and "Wantok Business".

APPENDIX 1: LEGAL CONSIDERATIONS CHECKLIST

What sort of business licence is required in your locality for the type of business you are proposing?	
What will be the legal structure of the business, have you got the proper written agreements in place, and have you registered the (company / cooperative)?	<p>limited liability company</p> <p>partnership</p> <p>sole trader</p> <p>cooperative</p> <p>other</p>
What are the local authority or national regulations (for example the Food Hygiene Act?) that you need to observe?	
What are the requirements for you to register with the Tax Department or other government agencies?	
What insurances will you require?	
If your business includes an activity where someone could get hurt or injured, what sort of disclaimer do you need?	
What are the zoning regulations for your area, and do they permit the type of business that you want to do?	
What bank accounts need to be set up, who can sign the cheques, and how many signatures will be required on each cheque?	
If you are employing others, what sorts of employment contract are you required having? What are the requirements regarding paid holidays etc:?	
If you are renting or leasing a building, have you got a proper agreement in writing?	
What other legal requirements do you have to follow?	

APPENDIX 1: TECHNICAL ASSESSMENT – NONI PROCESSING



South Pacific Regional Environment Programme (SPREP)

1. Background

Country:	
What is it that you propose to do?	Processing and selling of noni juice locally and later on overseas
Where did the idea come from?	From the CASO workshops held previously in the region, and following discussions within the community.
What do you already know about the processing of this product?	Minimal and only on homemade or traditional methods
Apart from yourself, please name others who would be involved in this project?	The Liku village members
If the project goes ahead, but requires a loan, who, among your group would be prepared to act as guarantor for that loan?	Chairman of the Village council

2. Raw Material Availability

For each of the two locations (within/outside the CA), tick the box which best describes the planting density		Dense plantings in large areas	Dense plantings in scattered areas	Sparse plantings in large areas	Sparse plantings in scattered areas							
	Within the CA		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>							
	Outside the CA				<input checked="" type="checkbox"/>							
Please provide details on the total plantings (you can find this information from either the SPBCP vegetation survey or Dept; Forestry or Agriculture in your country)	Areas, especially planted outside the CA are less than 1 hectare. In SPBCP vegetation survey Relative dominance: Coastal 2%, secondary 1%											
Tick each month in which noni fruit is harvested	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Is anyone else harvesting noni for processing?	One person that I know of now, outside the CA											

3. Cost of Raw Material Supply

Is the unprocessed noni fruit already being sold, and if so, for how much per kg?	No, I haven't heard of anyone selling noni locally (unprocessed)
What would people in the village expect to be paid per kilogram for harvesting the noni fruit?	Between \$1 - \$2.00
As a practical example, please go out and collect 20 kg of noni fruit. How long did it take you from the time you left home to the time you returned? - How far did you have to travel? - Did you use transport?	Due to the time of the survey/study the trees are having low fruit and it takes time. Transport is involved depending on the location of the site. Within 1km distance from the village. I took leave to actually go out and try to collect the noni fruits and to complete this part of the exercise. This is to inform you that I couldn't do it. Am unable

	to collect 20 kg of fruit as it is in low season now and I think it would take a whole day to gather the right type of matured fruit.
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4. Market Details

Do people in your country already buy processed noni?	<div style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block;">YES</div> NO			
If yes - what form is it sold in (size of package etc;) - what is the retail price it sells for, and - where does the product come from? <small>(you can get this information by talking to some of the main importers)</small>	Sold in 600ml for \$8 - \$10 and up to \$30 1.5 ltrs \$20 and up to \$50-\$60 Locally processed using simple methods as used traditionally.			
Where do you plan to sell your product?	Locally and overseas			
Who else is already processing noni in your country, and where do they sell their product to? <small>(you will need to talk with the people involved)</small>	As mentioned above			
What is the freight cost (per cubic metre) for seafreight from your country to each of the following destinations? <small>(you can contact a local shipping agent for this information)</small>	Sydney	Melbourne	Auckland	Wellington
			\$193 per cubic metre	
What is the cost for sending 25 kg shipments by air from your country to each of the following destinations? <small>(you can contact the local air cargo office for this information)</small>	Sydney	Melbourne	Auckland	Wellington

5. Packaging Cost and Supply

Are new, plastic food-grade 500ml and 1 litre bottles available in your country, how much do they cost to buy, and who supplies them? (talk with the main importers in your country about this)	No, not available locally, but can order from New Zealand
Are new, plastic, food-grade 200 litre sealable drums available in your country, how much do they cost to buy and who supplies them? (talk with the main importers in your country about this)	As for the above
What is the import duty payable on plastic bottles and drums? (Customs will tell you this)	10 percent of the total cost of the product

6. Production Costs

What is the average daily wage rate for this type of work?	\$3 - \$5 per hour				
If the project goes ahead, where do you propose it be sited? Who owns it? What will the rental cost be per month?	Vacated house in the village. Relative of mine. Initially \$20 to begin with				
Please tick each of the following boxes regarding the proposed site 	Power on site	Water on site	In Good Repair	Can the building be locked up	Toilet Facilities
	YES / NO	YES / NO	YES / NO	YES / NO	YES / NO
If you answered "NO" to any of the questions above, what is the approximate cost of putting it right?	Power	Water	Repairs	Locked up	Sanitation
	\$200	\$28	\$200	\$150	\$1,350

7. Assistance Required

<p>What technical assistance do you require for this project to go ahead?</p>	<p>Advise and assistance in acquiring information on processing, training etc;</p>
<p>What types of assistance or programs are already available in your own country that could assist in this project? (talk with your local Department of Agriculture, the Development Bank, Trade and Industry Department and the Chamber of Commerce)</p>	<p>Quarantine section - Agriculture. Advise on business - Development Bank Membership Support - Chamber of Commerce Extension Work - Agriculture (planting etc;)</p>
<p>What types of assistance do you hope to receive from SPREP?</p>	<p>Advisory and funding support to start the project</p>

APPENDIX 1: LIST OF INTERNATIONAL DONORS FOR TRUST FUNDS

Global Environment Facility
304 East 45th Street
10th Floor
New York, NY 10017
WWW.UNDP.ORG/GEF/

The World Bank
1818 H Street, N.W.
Washington, DC 20433 U.S.A.
tel: (202) 477-1234
fax: (202) 477-6391
WWW.WORLDBANK.ORG

United Nations Development
Program (UNDP)
One United Nations Plaza
New York, NY 10017
Fax ☎(212) 906-5898
WWW.UNDP.ORG

US Agency for International
Development (USAID)
The World Bank
1818 H Street, N.W.
Washington, DC 20433 U.S.A.
tel: (202) 477-1234
fax: (202) 477-6391
WWW.USAID.GOV/



European Union

German Technical
Cooperation Agency (GTZ)
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn-Germany
Telephon +49 (0) 6196 79-0
Telefax +49 (0) 6196 79-1115
WWW.GTZ.DE/HOME

Dutch International Cooperation
Agency (DGIS)
Ministry of Foreign Affairs
PO Box 200612500 EB Den
Haag
Phone: (+31-70) 348 64 86
Fax: (+31-70) 348 48 48
WWW.DGIS.SE

Swiss Aid Agencies

DANIDA
Royal Danish Ministry of
Foreign Affairs
Asiatisk Plads 2
DK – 1448 Copenhagen K
Ph: + 45 / 33 92 00 00
Fax: + 45 / 32 54 05 33
WWW.UM.DK/ENGLISH

NORAD

FINNIDA
Katajanokanlaituri 3
PO Box 127

The Nature Conservancy
4245 North Fairfax Drive, Suite
100

Fin – 00160 Helsinki
FINLAND
+ 358 (0) 134 161
WWW.IFAD.ORG

Arlington, VA 22203-1606
CANADA
COMMENT@TNC.ORG
1-800-628-6860
[HTTP://NATURE.ORG/](http://NATURE.ORG/)

WWF

French GEF (Fonds Francois
pour L'environnement Mondial)
GEF Secretariat
1818 H Street, NW
Washington, DC 20433
USA
Telephone: (202) 473-0508
Fax: (202) 522-3240/3245
E-mail: GEF@GEFWEB.ORG
WWW.GEFWEB.ORG/

UK Department for International
Development (DFID)
Headquarters
94 Victoria Street
London
SW1E 5JI
UK
Ph: +44 (0) 20 7917 700
Fax: +44 (0) 20 7917 0019
WWW.DFID.GOV.UK/

Canadian International
Development Agency
200 Promenade du Portage
Hull, Quebec
Canada
K1A 0G4

[FACSIMILE: \(819\) 953-5469](tel:(819)953-5469)
[GENERAL ENQUIRIES: \(819\)
997-5456](tel:(819)997-5456)
WWW.ACIDI-CIDA.GC.CA

MacArthur Foundation
Rockefeller Brothers Fund
437 Madison Avenue, 37th
Floor
New York, New York 10022-
7001
phone: 212.812.4200 • fax:
212.812.4299
WWW.RBF.ORG

Ford Foundation
C.S.Mott Foundation

Conservation International
1919 M Street, NW Suite 600
Washington, DC 20036 USA
Telephone: (202) 912-1000
WWW.CONSERVATION.ORG

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