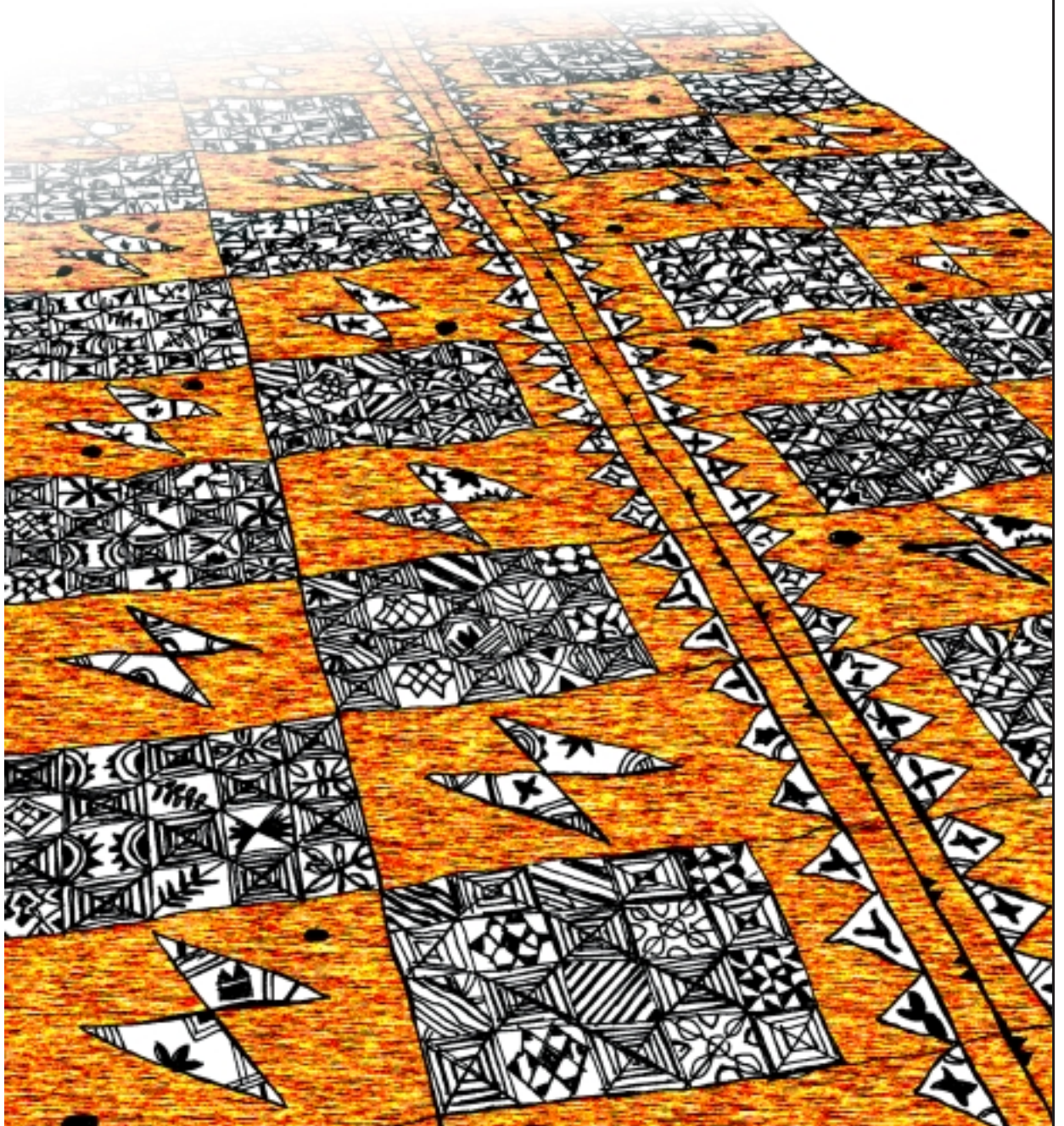


# SOUTH PACIFIC REGIONAL ENVIRONMENT PROGRAM

MANUAL ON NATURAL RESOURCE-BASED  
INCOME GENERATING ACTIVITIES





**SOUTH PACIFIC REGIONAL ENVIRONMENT PROGRAM**

SPBCP

MANUAL ON NATURAL RESOURCE-BASED INCOME GENERATING ACTIVITIES  
SOUTH PACIFIC BIODIVERSITY CONSERVATION PROGRAM

Income Generating Manual

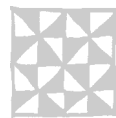
Author: William (Bill) Parr

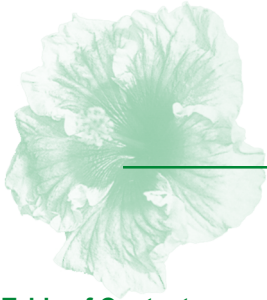
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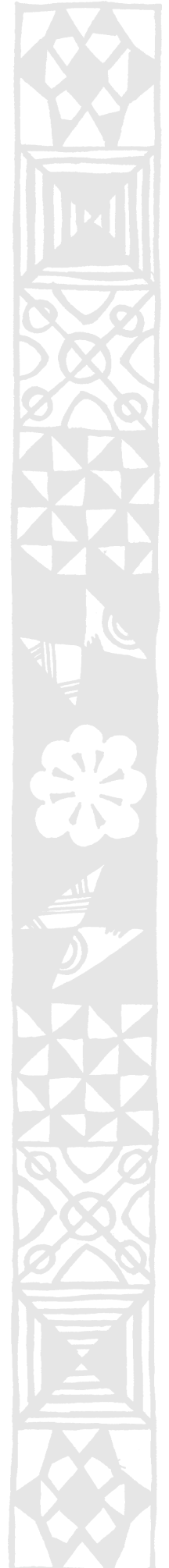




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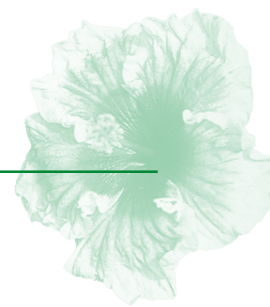
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# About This Manual

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## Who Made This Manual?

Funding for this manual has been kindly donated by the New Zealand Overseas Development Assistance (NZODA) Pacific Initiatives for the Environment (PIE) fund. The manual is the initiative of the South Pacific Biodiversity Conservation Program - a GEF/UNDP-funded program of the South Pacific Regional Environmental Program. It draws together the field experiences of a number of programs throughout the Pacific region that have been involved in Enterprise Development as a conservation incentive.

The SPBCP, which was a five-year program operating in 17 conservation areas around the Pacific, drew to a close towards the end of 2001. The SPBCP provided technical and financial assistance to 14 Pacific island countries to establish and manage a series of community-based conservation areas that demonstrate biodiversity conservation through the sustainable use of natural resources by local people. Establishing income-generating activities in support of the conservation areas was one of the elements of the program, and the lessons learned (both good and bad!) have been recorded in this manual, together with lessons from other programs, to serve both as a legacy, and as a toolkit to assist future community-based enterprises.

## What is the Manual About?

This manual is about enterprise development and sustainable income generating activities that meets the cash needs of local communities living in, adjacent to, or deriving an income from the resources within a conservation area. It provides guidelines on how to develop income generating activities as part of conservation area development, and shows how local communities can derive a benefit from these activities while managing their natural resources sustainably.

Linking enterprise development with conservation is now well recognised in the Pacific as a strong motivator for the protection and conservation of the ecosystem. The potential for local communities to receive cash and non-cash benefits from income generating activities that is reliant on the preservation and sustainable management of the biological diversity often results in stricter protection of the resource.

Environmentally friendly enterprises that promote the protection and conservation of natural resources need the involvement and support of the local community because they own the resources and depend on it for their daily needs.

## What is the Purpose of this Manual?

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

## Who is the Manual For?

The primary target (user) group for this manual are conservation area practitioners 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

## Who Contributed to the Manual?

A consultant contracted to the SPBCP coordinated the writing of the manual. The need for a manual to provide some form of continued support for income generating activities was identified over a period of time by the SPBCP together with Conservation Area Support Officers (CASO s) throughout the Pacific. A participatory approach was used throughout the development of the manual, drawing on the knowledge of those in the field to contribute ideas and examples based on their experiences in establishing income generating activities within their respective conservation areas.

Because of the limited number of income generating activities that had been established within the SPBCP program, similar projects throughout the Pacific were also invited to contribute and share their experiences.

Graphic designers were used to create an interesting, topical manual, while the text was externally reviewed by a teacher originally from the Cook Islands.

## How do I Use the 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 projects and programs in the field, and uses actual case studies to emphasize the point.

## Why is the Manual Spiral - Bound?

The manual is spiral-bound so that it can easily be updated as new lessons are earned without incurring the cost of a full reprint.

## What are these Legends in the Manual?

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 the experiences of the SPBCP and other programs in the field



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



**Examples from the Field** are based on practical case studies that reinforce the principals emphasized

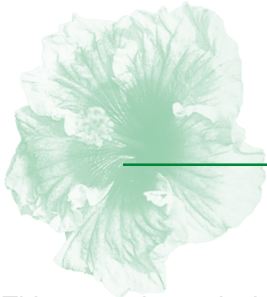


**Resources** give details of who to contact for additional help or information



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

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 **APPENDIX 6: LIST OF INTERNATIONAL DONORS FOR TRUST FUNDS** then click on the words in capital letters with your mouse button and watch what happens!



## **Acknowledgements**

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This manual was designed and the research conducted over a reasonably short period of time. As a result, the co-operation and assistance of many people was needed and was very much appreciated.

First, thanks to Joe Reti and Francois Martel of the South Pacific Biodiversity Conservation Program for securing the funding for this manual, and also for providing positive feedback and constructive comments throughout the drafting. To Joanna Axford, Ruta Tupua - Couper and other staff of the SPBCP who organised and collated background reports, a big fa afetai tele lava.

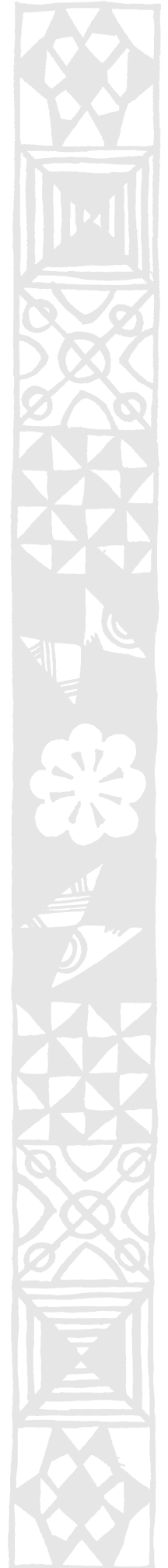
Thanks also to Rob MacAlister of Terra Firma Associates in Cairns for his inputs during the initial outline stages. His involvement has ensured that the companion manual on Ecotourism that Terra Firma were contracted to write, is compatible with the contents of this manual.

A special thanks to Cedric Schuster of WWF Pacific for providing background papers on financing protected areas. (A Guide to Financing Protected Areas - Barry Spergel November 2000).

The Conservation Area Support Officers throughout the Pacific have been very supportive of the manual, and provided useful feedback following a meeting in Samoa during which the first draft was presented for comment. Specific thanks to Logo Seumanu of Niue and Madison Nena of Kosrae for their invaluable written contributions to the survey.

Thanks to Jeff Siave for providing an external review of the draft from a Pacific islander perspective, and to Buller Print for their final layout work, graphics and printing.

William (Bill) Parr  
September 2001



## Chapter 1

# 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.



**EXAMPLES FROM THE FIELD:** 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. In Tuvalu, 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.



## 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:

### 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.

**EXAMPLES FROM THE FIELD:** Tourism access and permit system fees for access to the Rock Islands Conservation Area on Palau generates large financial returns for the Koror State, which then funds conservation and law enforcement in the Rock Islands by Koror State Rangers.



### How to:

- ¥ Obtain agreement from those having a stake in the conservation area on charging park entry fees. You should discuss this with the community, existing park users, the local Tourism Department, Dept. of Environment, the Conservation Area Coordinating Committee, local leaders, local government and others.
- ¥ Establish a special Trust account for the money to be deposited into. There should be a proper Trust Deed and Constitution drawn up that details what the purpose and objectives are, how the money is to be used, how the management and decision making within the Trust will occur etc; You will need to get legal assistance to have the Trust set up properly.
- ¥ Agree on the entry price that will be charged, and also who, if anyone, is exempt from paying the entry fee. Start by asking the visitors to the Park what they would consider to be a fair price to access the park and be able to use the facilities. Check what other parks are charging around the region.
- ¥ Have Park Entry tickets printed together with a basic brochure that outlines the charges and what the funds will be used for. Ensure that tickets are pre-numbered so it is easy to see how many have been sold.
- ¥ Get assistance from the local Tourism office to promote the park entry system, and make sure that visitors to the park can purchase the tickets at the Visitor Information Bureau, their local hotel / motel accommodation, as well as the Park itself.
- ¥ At each major point of entry to the park, make sure that you advertise on sign boards that park entry fees must be paid before entering the park.
- ¥ Make sure that the facilities within the Park are always well maintained.
- ¥ Ensure that all fees collected are sent to the Trust for depositing in the Trust account. Do regular checks to ensure that the amount of money paid into the Trust agrees with the number of pre-numbered tickets that have been sold.





**Caution:** Tourists may not be willing to pay fees if it is not unique enough or, if the entrance fees are not directly being used to support the protected areas, and maintain facilities. The Koroyanitu National Park in Fiji opened in 1993, following the completion of Nase Lodge and associated walks. There was an immediate response from domestic and international visitors with the project even winning a tourism award. However, by 1995, despite successes on the conservation side, serious maintenance problems were developing with the facilities and local confidence diminished. Tourism income to the villages reportedly dropped from F\$14,000 to F\$4,000 by 1996/97.



**Lessons Learned:**

¥ Unless fees are used to conserve the protected areas, and maintain facilities, the 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.



**EXAMPLES FROM THE FIELD:** 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.



**EXAMPLES FROM THE FIELD:** 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.

**d. Hotel Taxes**

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.



**EXAMPLES FROM THE FIELD:** 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.

**e. Research Fees**

Researchers wanting to conduct studies within a Conservation Area could be encouraged to pay a research fee if it was recognised that the fee would be used specifically in support of the conservation area.

**EXAMPLES FROM THE FIELD:** In Uafato, Samoa, the Conservation Area Support Officer and the villagers agreed to charge a \$300 tala Research fee as a way to start earning income for their newly established Trust Fund.



## International Donor Contributions

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, NGOs 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. NGOs including 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 its 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.

## National Donors and Corporate Sponsorship

In a number of the countries around the Pacific, overseas governments have diplomatic representation through their Embassies, High Commissions or Consulates. Some overseas governments have small grant funds, such as a Head of Mission fund or Small Projects fund. Many of these funds have specific criteria attached to them in terms of who can apply for them, and what they can be used for. You can either enquire directly to their representatives, or make enquiries through your Ministry of Foreign Aid, who should be able to tell you what funds are available in your country. Grants are normally one off.

Larger businesses (particularly airlines and others in the tourism sector) can sometimes be encouraged to sponsor an aspect of the park or conservation endeavours. When making an approach to businesses for sponsorship though, you must be able to answer the WIIFT test.

Whats In It For Them ?

Acknowledgement of their sponsorship in your park brochures and other literature is a common way of giving something back to them.

**EXAMPLES FROM THE FIELD:** The Takitumu Conservation Area has recently started a mainly corporate campaign to "Adopt a kakerori nest" at \$500 per year. In the first two days they had collected \$1,000 and now have pledges for almost \$10,000.



## 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.

**PRINCIPLE:**  
*A reliable and steady source of funding helps long term planning, training and recruitment of staff, all of which helps with effective biodiversity conservation.*



**DEFINITION:**

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.



**DEFINITION:**

An endowment fund is one in which the capital is intended to last forever. A sinking fund spends both the income from the investment and part of the capital each year.

**A Trust usually is made up of:**

- ¥ One or more trustees who make sure that the trust is operated in accordance with the Trust deed
- ¥ A Board who determine the strategy for investing the funds and for disbursing the income received from investments
- ¥ One or more Advisory Committees (not always so)
- ¥ A Custodian who actually hold the title to the trust investments. This would normally be a bank
- ¥ A Fund Manager who invests the funds on behalf of the trust, and
- ¥ A Director and staff who are responsible for carrying out the decisions made by the Board

The most common form of trust fund is the endowment fund. 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 eventually sink 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 6: 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.



**EXAMPLES FROM THE FIELD:** In the Cook Islands, the Takitumu 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.

**Community Based Biodiversity Conservation Trust Funds**

In order to ensure that there is a way in which the communities (and their enterprises) can support local conservation initiatives, it is important to set up a proper bank account into which funds that are specifically for conservation can be channelled. The best way to do this is by establishing a Trust . A Trust is a legally recognised structure set up for a specific purpose, or objective, into which money can be deposited in the knowledge that the funds can be used only for the purposes set out in the Trust Deed. A Trust Deed is a document that details the constitution, or rules relating to the operation of the Trust, as well as outlining the objectives, how the Trust will be managed, where the income will come from and for what overall purpose, and how decisions are to be made regarding the operation of the Trust.

**EXAMPLES FROM THE FIELD:** The Verata Tikina Council established the Verata Tikina Trust Fund as an independent and autonomous Trust, with the purpose of the Trust being "to finance activities and initiatives raised through the Verata Tikina Council to promote the sustainable development of Verata Tikina and its people. Funds were derived from the University of the South Pacific Bio-prospecting Agreement and other sources.



**Lessons Learned:**

- ¥ Too little emphasis was placed on establishing a Conservation Trust Fund by the SPBCP program until late in the program. As a consequence, few conservation areas had any mechanism for generating income.
- ¥ Most of the enterprises assisted by the SPBCP are not yet able to cover all of their 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 subsidy or donor assistance.
- ¥ Conservation trust funds can be used as a way of dividing up large international donor grants into many small local grants



**Caution:** A lack of openness or proper legal structure to a community based Trust Fund can lead to jealousy and suspicion amongst the community.





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

## Chapter 2

# Culture, Commerce & Conservation

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

- 1 Catalogue who the owners and users of natural resources are, and traditional forms of resource management - document for future reference
- 2 Identify how culture will impact on the business - get agreement on how to integrate culture with commerce
- 3 Encourage full participation by all stakeholders. Identify cash and non-cash benefits that can result from the enterprise.
- 4 Ensure that a link exists between the enterprise and the natural resource so that there is added incentive to protect the resource



### OWNERSHIP, USE AND 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 deci-

sions, 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.<sup>1</sup>

**EXAMPLES FROM THE FIELD:** 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 employ 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.



**PRINCIPLE:**

*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.*

**CULTURE AND COMMERCE**

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's 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
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

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



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.

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."*

*"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 businesses are family owned while others enter / explore business partnership with little success due to conflict in money matters as well as cultural expectations."*

*"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 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."*

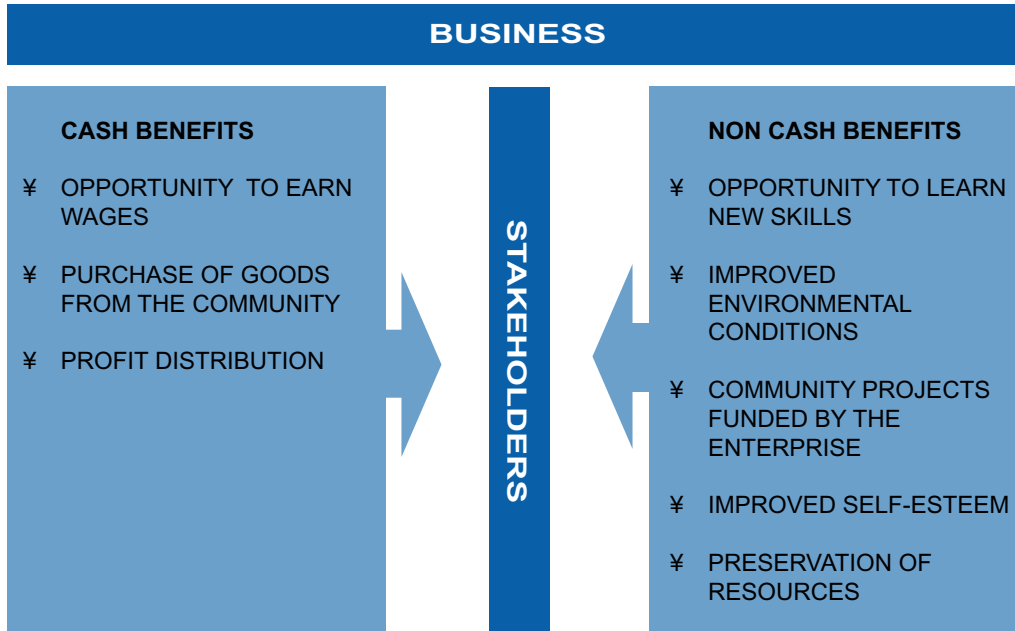
**Lessons Learned:**

- ¥ The more successful business ventures in the Pacific are those that integrate culture and commerce.
- ¥ Expect a high mortality or failure rate among start-up businesses.

## THE COMMUNITY AS STAKEHOLDERS

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

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



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.

**EXAMPLES FROM THE FIELD:** In the Huvalu Forest Conservation Area in Niue, the Conservation Area undertook a feasibility study involving the manufacture of coconut oil using the Direct Micro Expelling (DME) technique. During the trial the Coconut Oil Enterprises tried to provide a benefit for as many people as possible. 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. 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.

### EXAMPLES FROM THE FIELD: Pohnpei C.A.

The project had initially focussed on ecotourism development and despite a strong effort in developing the activity, it actually lacked enormously in community consultations and building their involvement in the process

SPREP Draft Transition Report

#### DEFINITION

A stakeholder is someone who has a stake in what is happening.

#### PRINCIPLE:

Do not under estimate the importance of the non-cash benefits associated with the business venture.

#### PRINCIPLE:

Do not under estimate the importance of the "non-cash" benefits associated with the business venture.



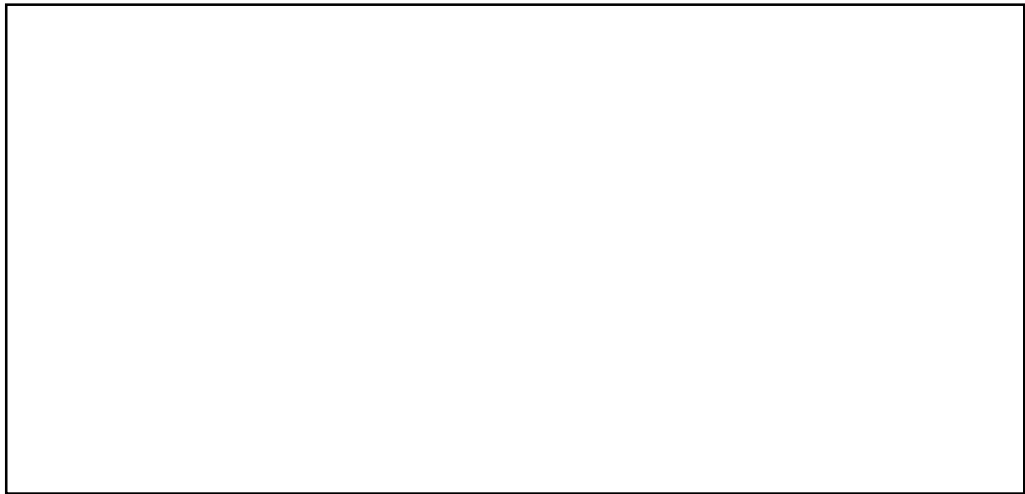


**Lessons Learned:**

- ¥ Community development is as important as enterprise development. The two need to go hand in hand.
- ¥ Always start with awareness training to help the community develop critical thinking and problem solving ability, and planning skills, which allows them to better contribute towards the whole process.
- ¥ Full local participation of all stakeholders is quite different to stakeholder consultation. The participatory process should only be committed to if sufficient time can be allocated to the process.

**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.



**DEFINITION:**

A "Linked enterprise" is a business that is dependent on the "in-situ" natural resources of the region. If the resource is significantly degraded then the enterprise will fail.

**PRINCIPLE:**

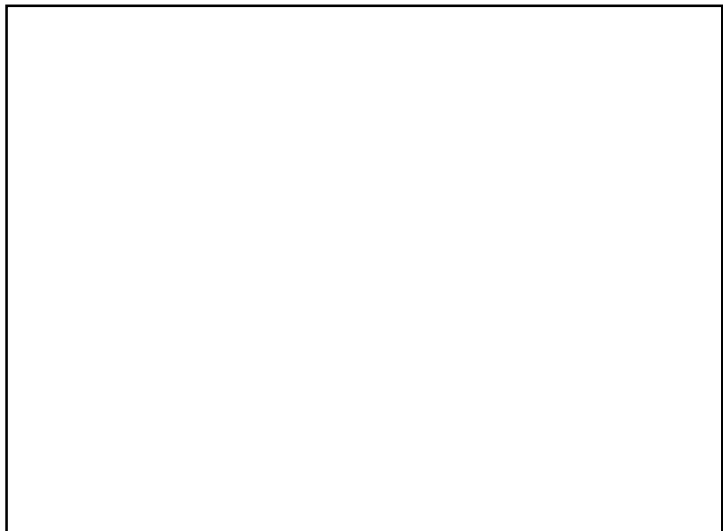
*What appears to be more important than the true level of "linkage" between the biodiversity and enterprise, is the perceived degree of linkage by the community. If the community thinks that an enterprise is "linked" to biodiversity, then they will take action to protect it. If they don't see the linkage,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



**EXAMPLES FROM THE FIELD: Butterfly Farming Irian Jaya**

The Arfak Mountains Nature Reserve in Irian Jaya support rare and endemic species such as tree kangaroos, bandicoots, Bird of Paradise, Vogelkop Bowerbird, and numerous birdwing butterflies. 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.





### EXAMPLES FROM THE FIELD: Lowland Sakau, Pohnpei

A grow low program of planting sakau (kava) on the lowland areas of the Pohnpei watershed conservation area was promoted as a means of protecting and conserving the ecological functions and processes of the Upland forest and the mangrove forests, but it adds only marginal returns to communities and generally, by protecting the upland forest and the watershed, the most supportive communities are not really better off financially.

SPREP Transition Strategy



¥ Linked enterprises must provide an acceptable benefit for the stakeholders as well as protect the biodiversity if they are to be sustainable.



## 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

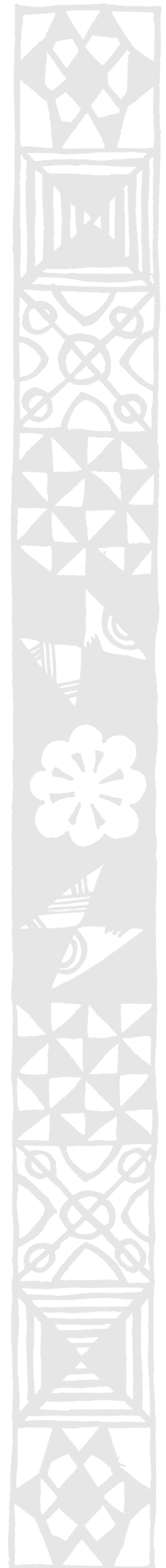
They established two sets of principles, or codes that were subsequently presented to members of each community for acceptance. These were then used to help in assessing whether certain income generating activities were appropriate or not. The codes were:

### 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 education of our younger people

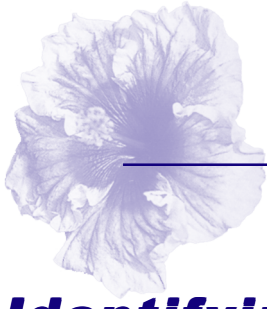




## DRAFT CODE OF ENVIRONMENTAL RESPONSIBILITY

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, 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.



## Chapter 3

### WHATS IN THIS CHAPTER

- ¥ Getting ideas
- ¥ Fine tuning the opportunities
- ¥ Skills, opportunities and values

## Identifying the Opportunities

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

- 1 Brainstorm for ideas
- 2 Analyse the ideas to eliminate those that you know won't work, assess the environmental impact and come up with a prioritised list
- 3 Draw up a list of the skills that exist within the community, and those things that are important to them
- 4 Match the ideas to the skills and the values



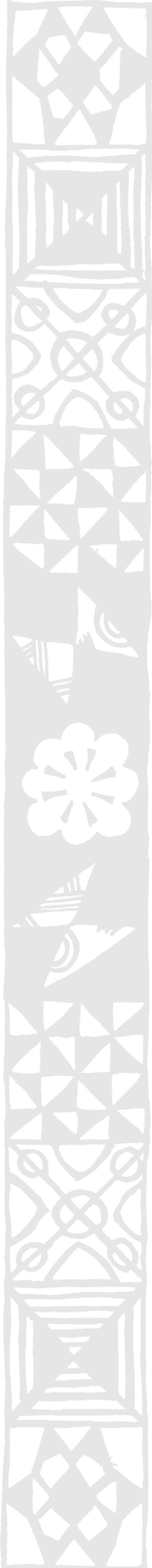
### GETTING IDEAS

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 interrupt, no matter how silly the idea might seem. The important thing is to encourage a free-flow of ideas.

**EXAMPLES FROM THE FIELD:** 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
- ▶ **PRIORITISE** 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.

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 Passionfruit PawPaw Fragrance producers Ginger Yams Bananas Mushrooms Arrowroot Cassava & starch Wild life	Anapala Cave Togo Caves Vaopala Cave Vaikona Chasm Maselulu Vehokaho Puh Halavai Cave Pool Tautu Tahikula Vaouhi Vinivini Bush Track Hikurangi Suicide Site Ancient Umu Cooking pits	Women s H/craft Group Uga hunting Umu making FiaFia night Bush walking Show Days Pig hunting Traditional Fishing Bird Watching Starch Preparation

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	ECO TOURISM 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	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

**Resource:** Use the Yellow Pages of an international phone book, or a copy of the Pacific Islands Handbook of Small Business Ideas published by NZODA as a source of ideas.



**Lessons Learned:**

- ¥ The more isolated the community is, the greater the difficulty in coming up with new ideas.
- ¥ There should be a clearly perceived link between the enterprise and the conservation of the resources to achieve the dual objective of deriving an economic benefit for the community and conserving the resource.



**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.



Using 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 in 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.



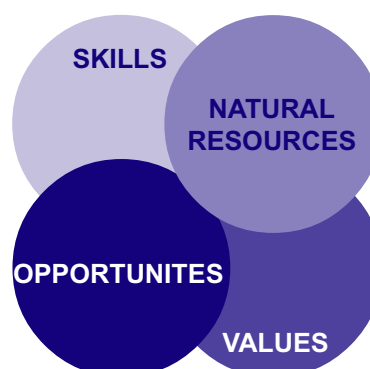


Examples of responses for skills and motivation might be as follows:

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

On the final flip-chart, draw up a list of all the natural resources in the conservation area.

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



### EXISTING INCOME GENERATING ACTIVITIES IN CONSERVATION AREAS IN THE PACIFIC

Listed below is an annotated list of income generating activities in the Pacific that have been set up in recent years. The list is not all inclusive, and there may be other activities that have not been included here.

COUNTRY	CONSERVATION AREA	ACTIVITY
Solomon Islands	Arnarvon Marine C.A.	Community based fishing enterprise Localised rice farming and rosewood milling Family owned clam farming (reseedling)
	Marika Island	Ngali nut oil enterprise Marika Bush Village ecotourism Arohani and Togori village bee-keeping enterprise
	Malaita C.A.	Balai paper making project
Tuvalu	Funafuti Marine C.A.	Four hour guided tours
Niue	Huvalu C.A.	DME coconut oil soap processing Pandanus leaf handicraft Guided forest and reef walks Cultural night Eco trekking and eco lodge

COUNTRY	CONSERVATION AREA	ACTIVITY
Fiji	Koroyanitu C.A.	Sale of tee-shirts, postcards etc Nalotawa Ecotourism cooperative
		Bioprospecting
Palau	Ngareme Duu C.A. Rock Islands C.A.	Guided kayak tours Marine tourism, particularly diving
Kiribati	Na aTarawa	Small scale tourism development Lowland sakau
Pohnpei	Watershed C.A.	Sponge farming Ecotourism
Samoa	Sa anapu C.A.	Mangrove canoe tours Ecotourism beach fale
	Uafato C.A.	Wood carving using ifelele timber Bee keeping / honey production Research fee for those conducting research within the C.A.
Kosrae	Utwa-Walung C.A.	Mangrove canoe tours
Vanuatu	Vatthe C.A.	Vatthe lodge ecotourism
	Vanuatu - wide	Island Palm Products to sell the seed of the Carpoxyton palm world wide
Cook Islands	Takitumu C.A.	Eco-tourism, bird watching Tee-shirts, memorabilia Adopt a Kakerori nest corporate sponsorship
Papua New Guinea	Bainings Region, East New Britain	Small scale sustainable forestry logging Galip nut project
	West New Britain	Galip nut processing
Irian Jaya	Arfak Mountains Nature Reserve	Butterfly farming
Kingdom of Tonga	Ha apai Conservation Area	Village plant nurseries Giant clam farming
	Vava u	Whale watching



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

## Assessing the Opportunities

*Focussing on where to best direct your efforts.*

- 1 Check your list of ideas to see how each of them compares to the elements of a good business idea
- 2 Develop a pre-feasibility framework and use this to assist the community to complete a provisional scoring of each business idea
- 3 Seek agreement within the community on the top four or five business ideas that are to be further assessed



### 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)	✓	

INGREDIENTS OF A GOOD BUSINESS IDEA	YES	NO
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)	✓	
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)	✓	
Is the technology used consistent with the local skills and infrastructure? (the more successful income generating activities build on traditional skills and knowledge)	✓	
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)	✓	
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)	✓	

#### EXAMPLES FROM THE FIELD: 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 usage issues.



#### PRINCIPLE:

*It is better to develop enterprises in markets that are established, but not too competitive.*

### PRE-FEASIBILITY ASSESSMENT

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 is for 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 risk has been based on how sensitive the project is to changes to the sales revenue, number of sales made, or changes to the cost of production. If one or more of the above need only to change slightly to reduce the profit to nil, then the project is said to be highly sensitive, and accordingly is given a low score.

### **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 subsidized. 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
<b>A. Level of Investment</b>	Less than \$5,000	3
	\$5,000 - \$10,000	
	More than \$10,000	
<b>B. Environmental Impact</b>	Positive Impact	3
	Neutral Impact	1.5
	Negative Impact	-3
<b>C. Employment Generation</b>	Each Direct Full-time Position	1
	Each Direct Part-time Position	0.5
	Each Indirect Full-time Position Equiv.	0.25
<b>D. Technical Skill Levels Required</b>	Skills Exist - no training required	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
<b>E. Project Sensitivity (Risk)</b>	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
<b>F. Community Support</b>	High Support (<70% of community)	3
	Medium Support (<40% of community)	1.5
	Low Support (>40% of community)	0
<b>G. Simplicity</b>	Technology can be fully supported locally	3
	Requires local & some off-island support	1.5
	Technology needs to be fully supported off-island	0
<b>H. Market Assessment</b>	Demand/Supply Score (from matrix above)	
<b>I. Infrastructure Sustainability</b>	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
<b>J. Opportunity Return on Labour</b>	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
<b>K. Resource Sustainability</b>	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
<b>SCORE</b>		

(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 2: 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
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.

**PRINCIPLE:**

*Focus on simple enterprises that use skills that local people already have instead of complex enterprises that require new skills.*



**EXAMPLES FROM THE FIELD:** Ecotourism Enterprise, Marika Village, Solomon Islands  
The inland village of the Marika Conservation Area has always been disadvantaged because of their isolation. The village has used their isolation as a positive means of building a small ecotour enterprise. The ecotour involves trained tour guides from the local villages meeting the tourist at the coast and guiding them along the forest trails to their villages in the hills. The whole community is involved, providing entertainment, food and accommodation. Because the enterprise has been developed in the villages, the menfolk do not have to live away from their families to seek paid employment. The villagers now come into contact with the people from the outside world who share their commitment to conservation.



**Lessons Learned:** When dealing with different factions of the community (such as a number of different villages), one should try to identify and develop one enterprise for each faction if possible.



## Chapter 5

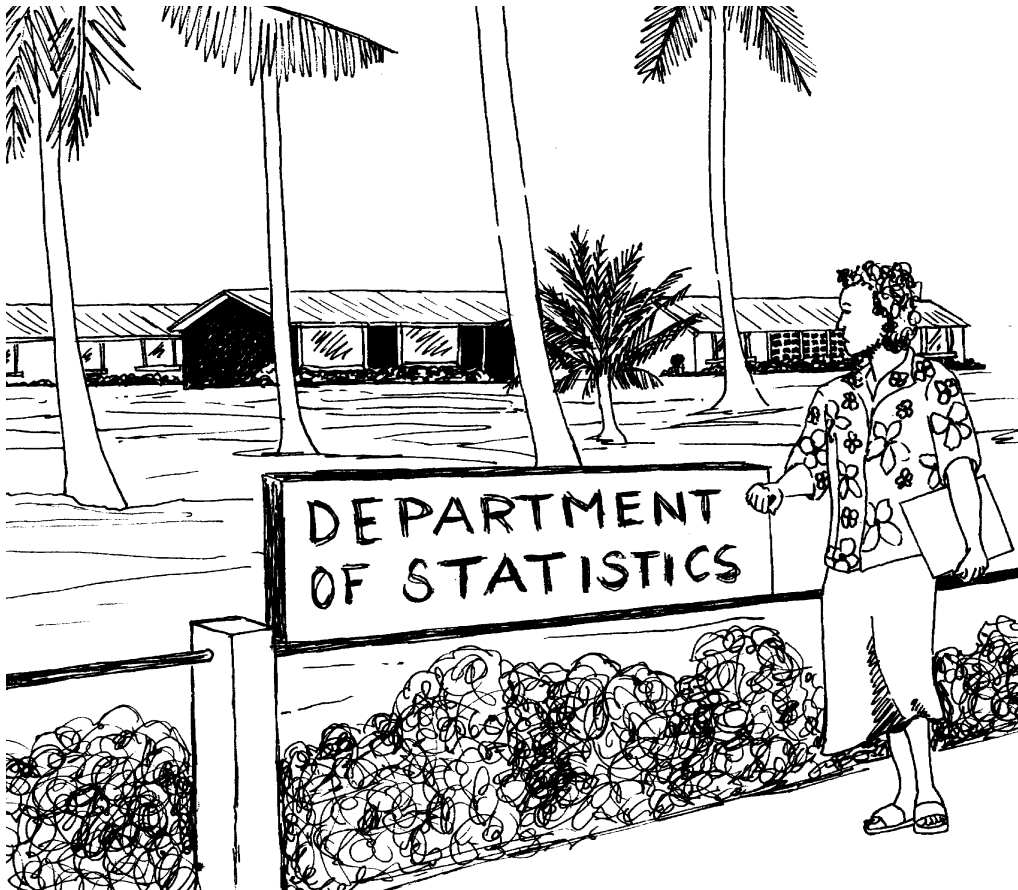
### WHATS IN THIS CHAPTER

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

## Verifying the Opportunities

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

- 1 Develop a profile of the business environment in your country, paying particular attention to issues and constraints that make it difficult for businesses to succeed
- 2 Do a reality check on your proposed business ideas against the business environment profile to make sure they make sense
- 3 Use the form in the appendices to prepare a project profile, detailing the cost of the project, operational, management and legal requirements of the proposed idea
- 4 Do a preliminary technical assessment - is there sufficient raw material, cargo space etc?
- 5 Is there a market for your product or service, and if so, how big?
- 6 Prepare financial forecasts (sales forecast, production forecast and profit and loss) and verify that you have sufficient production capacity to meet the forecast



### 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.

**EXAMPLES FROM THE FIELD:** 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 is 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 3: 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, but the market size is limited
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, although there is a small tourist market
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 soap 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 APPENDIX 2: LOCAL CULTURAL NIGHT SCORE SHEET - KOSRAE)

### 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.

### 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 EXAMPLES FROM THE FIELD on Niue.

**EXAMPLES FROM THE FIELD:** Niue is a small island nation known as the Rock of Polynesia. It lies approximately 2 1/2 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. 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.



### LEGAL CONSIDERATIONS

(Please note that laws are different for each island nation, so it is important to get proper advice 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

**PRINCIPLE:**  
*There is no one type of business that will automatically be profitable. You need to hand pick the business most appropriate to the conditions that you face.*



(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.



**Caution:** There are very specific requirements to be met if you are producing something that is to be eaten or used for cooking. Make sure you check with the local Health Department regarding the minimum standards for the processing facility. Unless someone has formal food hygiene / preparation training, it is possible to produce something that people can become very ill from when they consume it.



**Resources:** In APPENDIX 4: 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 next 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:

### EXAMPLES FROM THE FIELD: 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. 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 5: 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.

**PRINCIPLE:**  
Promote local stakeholder involvement in the ownership and management of the enterprise, and resolve ownership, management and profit distribution issues from the outset.



## MANAGEMENT AND OWNERSHIP ISSUES

Getting the answers to the questions:

- who will own the business? (take the rewards and the risks associated with the business), and
- who will manage the business? (make decisions about what the business will do)

are important considerations at the outset. If they aren't resolved at an early stage, then it can lead to complications later. Owning a business has legal responsibilities attached to it. Throughout the Pacific there are four main ownership structures that are legally recognised:

- the sole trader (also known as the sole proprietor)
- the partnership
- the company, and
- the co-operative or incorporated society

Each legal structure has different tax implications attached to it, and you will need to get expert advice from your local accountant, business advisor or Chamber of Commerce before making any final decision.

Lets look at some of the advantages and disadvantages associated with each type of structure:

## ADVANTAGES

## DISADVANTAGES

Simplest and cheapest form of business to set up  
 The owner makes all the decisions  
 The owner enjoys all the profits from the business  
 The influence of law is minimal  
 The business can easily be discontinued without too much cost or hassle

Because all the decisions are made by one person, that person needs good management experience  
 When the owner dies, so does the business  
 Every debt that the business has becomes your personal debt

## SOLE TRADER

**DEFINITION**  
 A Sole Trader is one person by themselves owning and managing a business

Formation is relatively simple and inexpensive  
 A partnership brings together the combined skills of a number of people  
 Management tasks can be shared  
 The activities of the business can be kept private (a company requires public reports to be prepared)  
 The business benefits from the investment of a number of people rather than just one

What one partner does will affect the rest  
 If one of the partners dies, the partnership may have to be disbanded  
 It might not be easy to divide work equally between the partners  
 Every debt that the business has becomes each partners personal debt  
 It might not always be easy to find partners who can work together

## PARTNERSHIP

**DEFINITION**  
 A Partnership is two or more people in association using their combined resources to own and manage a business

Even if there are changes in ownership, the company can continue  
 Shareholders in the company often have limited liability (each country has different rules on this)  
 There may be tax advantages as a company  
 Control of the company can be organised easily, with different directors having specific duties and authorities

The company structure can be complex and may require legal advice  
 Forming a company can be expensive  
 The operations of a company may be regulated by commercial law  
 Good records need to be kept that can be submitted to government on a regular basis

## COMPANY

**DEFINITION**  
 The company is a legal person, separate from the individual people who invest in it

Co-operatives generally limit the amount of liability of the members to the amount they have invested  
 Generally inexpensive to set up (check with your local government co-operatives department)  
 Cooperatives don't normally pay taxes on profits distributed to members

Members often have little experience to manage the cooperative successfully  
 Because of the democratic right of all members, the decisions might follow the advice of the most influential member rather than the one with the most experience  
 Less incentive to invest in a co-op than in a company because of a low return on investment  
 Members of a co-op often see little benefits for themselves, and therefore don't spend much time running the business

## COOPERATIVE

**DEFINITION**  
 A Cooperative is a kind of self-help business owned by the people who use its services

Another form of ownership that is not listed above is the family owned business, where ownership of the business, and the decisions relating to the management of the business rests within one family.

When considering the issue of ownership, the cultural norms of your country need to be taken into consideration. While co-operatives are well accepted in Fiji, Kiribati, Solomon Islands and Vanuatu, in other Pacific island nations they were never very successful because of the different social and cultural practices of the people there.

Because of the relatively small size of most income generating projects, it is generally accepted that the cost of establishing a limited liability company could not be justified.

**PRINCIPLE:**

*It is better to use an enterprise strategy with each group of stakeholders. If it is logical and feasible, you should set up separate enterprises for separate factions within a community.*



**EXAMPLES FROM THE FIELD: Niue Coconut Oil Enterprises.**

A six month feasibility production trial for producing coconut oil using the DME process was undertaken, with funding for the trial coming from SPREP and NZODA, and the community of Hakupu contributing in kind through the provision of coconuts and factory space (a disused house) free of charge for processing. During the six month trial, all of the equipment purchased remained under the ownership of SPREP on loan to the informal enterprise. By the end of the trial, it was found that the community support for the venture was limited to 12 members, who were clearly committed to the trial for reasons other than just financial. One extended family continued to support the project by making their coconuts available free of cost and assumed responsibility for managing the operational aspects of the trial. At the conclusion of the six months, it was obvious that the most appropriate management/ ownership structure would have been a family unit, although most of the members didn't agree with this because of the thought of one family group benefiting from the trial. Eventually it was agreed that the remaining members of the enterprise would form an incorporated society, and that the funds accumulated from the trial would be transferred to this society, but that the expensive assets associated with the trial that was purchased with donor funds would be owned by the Huvalu Forest Conservation Trust, and rented out to the society. Rental revenue would support the conservation efforts of the Trust, while profits from the society could be distributed amongst its members.

**Lessons Learned:**

- ¥ Be careful not to create too high an expectation amongst the community in terms of what the enterprise will achieve.
- ¥ Resolve ownership and management issues at the beginning of the project, not part way through.
- ¥ Ensure that the project is able to pass back benefits to the community within a reasonable time frame.
- ¥ Having good financial and production records is crucial to being able to determine the viability of an enterprise.



**SOCIO-CULTURAL AND LAND ACCESS ISSUES**

Part of verifying the opportunity will involve considering what socio-cultural and land access issues there are that could impact on the proposed business venture. Socio-cultural issues can include:

- ¥ Level of literacy (can restrict enterprise growth)
- ¥ Wage expectation (if people expect to be paid inflated rates of pay, this could impact on the business)
- ¥ Size, age and employment status of population (too small a population means limited market size, and a lack of adult workers available to the project)

Most business activities will involve the use of land in some form or other. It is important at the beginning to identify what land will be used, who owns it, what permission needs to be obtained to access / use the land, what compensation (if any) will be paid to the land owner, and how long the land will be used for.

**EXAMPLES FROM THE FIELD: Honey Bee Project - Samoa.**

SPREP has been working closely with the village of Uafato on the island of Upolo in Samoa since 1994 with the ultimate goal being to conserve the biodiversity of the Uafato Conservation Area. A feasibility study was commissioned on behalf of the Uafato community who identified the production of honey through beekeeping as a possible income generating activity. The feasibility study concluded that the idea was viable, and recommended that the project be coordinated by the local women's committee (komiti-a-tina) in association with the Conservation Area Coordinating Committee, with ownership of the individual hive units resting within 19 family units. A Contract Managing Agent was to be appointed who would be responsible for managing the hives, harvesting and marketing the honey. At the commencement of the project, a technical assessment identified three strategic locations, which were to be used for the project. A workshop identified the owners of the proposed sites, and the komiti-a-tina with the help of the CACC negotiated with the landowners on access to, and payment for the use of the land.



**Caution:** Don't pay for any improvements or repairs to a building until a formal lease has been signed, otherwise you could find yourself in a situation where you lose the investment.

#### Lessons Learned:

- ¥ Resolve all land access issues through a formal written agreement prior to commencement.



### MARKET ASSESSMENT

Developing a successful enterprise or income generating activity requires the existence of a market that demands, or wants to buy the product or service that you will be producing. If there is no market, then there is no potential natural resource (or conservation) based income generating enterprise, but only a conservation project to be funded through donor grants.

The purpose of a market assessment is to:

- ¥ determine what the customer wants
- ¥ clarify whether the market already exists or needs to be created
- ¥ identify how large the market is and how often they require the product or service
- ¥ establish at what price the customer will buy your product or service
- ¥ determine how and where the customer will buy your products or services from, which is called distribution (will the market come to you, or do you need to go to the market?), and
- ¥ identify who your competitors are

#### EXAMPLES FROM THE FIELD: Ngali Nuts - Marika, Solomon Islands

During the early stages of the Ngali Oil nut enterprise, the business paid community members a high price for each kilogram of raw nuts collected. After the managers realised that they were pricing themselves out of the market, they had to reduce the price they offered for the nuts. This caused suspicion among community members who felt that they were being cheated. (BCN 1999, p. 204)



More often than not, the market aspects of income generating enterprises have taken a lower priority than getting a project on the ground. The assumption is made that, if we make it, then the customer will buy it, often with disastrous results.

#### Lessons Learned:

- ¥ If we get the pricing wrong, then it will not only affect how much we sell, but also it can have an impact in other areas too



### Determining What The Customer Wants

We can identify what the customer wants by:

- ¥ Look at what they currently buy (presumably, they are buying some thing to fill a need)
- ¥ Listen to what they are saying (on Niue, tourists often complain of there not being enough to do )
- ¥ Test the idea by trialing the product or service, then
- ¥ Modify the product or service based on feedback

### Existing or New Market?

Based on an analysis undertaken by the Biodiversity Conservation Network of 29 enterprises, it can be concluded that it is better to firstly develop enterprises in markets that are already established but not too competitive, rather than into new markets.

#### EXAMPLES FROM THE FIELD: Island Palm Products - Vanuatu

The Friends of the South Pacific (FSP) established Island Palm Products (IPP) in Vanuatu as a trading arm of the FSP to sell seeds from the Carpoxyon palm to collectors world wide. Initial market research identified a potential model on Lord Howe Island (Australia) where the marketing of seedlings of the Kentia Palm has been developed into a multi-million dollar export business. Market research also revealed that there was enough interest from overseas palm collectors to make this the base market. Trial shipments of seeds to retailers in Queensland, Hawaii and California provided useful feedback in guiding the project on improving the services such as the selection and husking of seeds, packaging and methods of shipment. IPP invested considerable time and expense in marketing material such as glossy brochures, newsletters and a website to promote their services.



#### PRINCIPLE:

Enterprises should only target international markets if they have world-class resources in demand that are available in few other areas.

## Market Size

Establishing how big the market is, is an important step as it helps us to determine how much we are likely to sell. To know the market size, we need to firstly ask ourselves some questions, such as are we selling to the local residents, visitors or exporting overseas?

The most important question to ask is, does sufficient market demand exist for the product or service that we will provide.

### PRINCIPLE:

Do not start a business unless you are certain that there will be sufficient demand for your product or services.



**EXAMPLES FROM THE FIELD:** The Lakemau Basin Conservation Area in Papua New Guinea established a research tourism business. They invested significant amounts of money building research facilities only to have no one show up.

In Niue, a market assessment that was completed as part of the feasibility study identified that the coconut oil should be sold into the existing market, to try and replace the expensive baby oil and body oils that were being imported from overseas. How we arrived at that decision can be found in APPENDIX 7 - MARKET ASSESSMENT FOR COCONUT OIL - NIUE.

## Market Prices

Finding out what price is acceptable mostly involves research. Look at what others are charging, and ask people (particularly other business persons) what they would expect the product or service to sell for. Generally, the higher the price, the fewer people there are who can afford it.

## Distribution

Looking at the issues relating to distribution involves finding out answers to questions such as:

- ¥ should we sell direct to the end user or through others, and
- ¥ how do we get the products to the market?

Direct selling has its advantages. It puts you close to your market, and it generally gives you the best price, but it can seriously limit your sales.

### PRINCIPLE:

Businesses are more likely to succeed when they link up with retailers and other outlets for selling their goods and services.



**EXAMPLES FROM THE FIELD:** An assessment of the Takitumu Conservation Area s guided eco-tours by SPREP identified that sales were being limited because the enterprise did not have any direct relationship with the tourist industry, particularly hotels, inbound tour operators and travel agents. By changing the way they advertise and sell the tours, sales increased significantly.

If you are selling products, then more likely your distribution will be through retail shops. In the case of Niue, we identified the following distribution channels for their soap and coconut oil:

SEGMENT	PRODUCT	Village	Hotel	Retail Shops	Other
Health & Beauty	Baby oil 200ml	X	X	√√	X
Health & Beauty	Scented Virgin coconut oil 200 ml for locals	√	X	√√	X
Souvenir & Gift Market	Scented Virgin coconut oil 200ml	√	√√	X	√
Health & Beauty	Perfumed Soap 115 gram	X	√	√√	X



Retail outlets will require a mark-up on the price you sell your products to them for. They will NOT stock your products if you sell them direct at a lower price than what the retailer can sell them for. The amount that a retailer will add-on to your selling price to them varies from country to country, and it will also vary depending on the product. Frozen or fresh products normally have a higher mark-up on them.

**EXAMPLES FROM THE FIELD:** The honey bee enterprise at Uafato village in Samoa, decided from the outset to contract a Management Services Agent who would, among other things, take responsibility for selling the honey. It was identified that the ideal agent would be one who already is involved in the marketing of honey in Samoa. This structure meant that the community would be able to focus on what they were best skilled to do - day to day management of the hives.



### Competitor Analysis

This step involves finding out who your competitors are, and what it is that they are good at doing, and what they re not so good at doing. We need to be clear as to how we are going to compete against existing products or services and why customers will buy from us, rather than from others.

Start by talking to those who buy from your competitors, particularly retailers. Ask what it is they most like and dislike about dealing with your competitors.

### FINANCIAL ASSESSMENT

#### Sales Forecasting

Being able to forecast sales with a degree of accuracy requires you to have completed all of the previous steps. It s no use forecasting sales that are higher than the size of the market! Getting the sales forecast right is important, because eventually you are going to want to know whether the enterprise will make a profit or not.

Sales forecasting requires you to estimate the number of times an item will be sold over a given period of time, and at what price. Sometimes you need to make a series of assumptions against which the sales forecast can be developed. The assumptions used for the Niue coconut oil enterprise and the subsequent sales forecast (shown for year one only) were as follows:

The DME operation will become self-sustaining on 1 September 2000.

The sales emphasis for the period September through December 2000 will focus on developing the scented massage oil for the local and tourist market, with 30 percent of sales being made direct to end users at the higher price, and the remaining 70 percent sold through wholesale channels at the lower prices as indicated in the market analysis.

During the second year, the local market for the massage oils will become fully developed with volume sales equalling the estimated market size for the massage oils. At the same time the business will aim to capture at least 50 percent of the baby oil market, with total sales going through the wholesale channels. These markets will continue from year three onwards. At the same time, the business will develop a soap product and will capture 5 percent of the soap market during the second half of year two.

INCOME			Year 1	
Product	Market	Price	Volume	Value
Massage oil - retail	Local	\$6.00	187	\$1,122
Massage oil - w/sale	Local	\$4.20	327	\$1,373
Massage oil - retail	Tourist	\$8.00	55	\$440
Massage oil - w/sale	Tourist	\$3.60	128	\$461
Massage oil	Export	\$7.00		
Baby oil	W/sale	\$4.05		
Soap	W/sale	\$0.96		
				<b>\$3,396</b>

#### PRINCIPLE:

*Sales forecasting should be based on good information and sound assumptions, not guesstimates .*



Exports of massage oil to the Niuean community will commence during the second half of year three, and will be additional to the local market sales of massage oils. From year three onwards, the business will also have captured 10 percent of the local soap market and will maintain its share from that point onwards. It can be concluded from the above sales forecast summary that the growth within the business would be limited during years one and two, which will allow management skills to be developed progressively ahead of any major expansion beyond the domestic market into export markets. Detailed marketing strategies in support of this sales forecast are found in the Business Plan available from [HTTP://WWW.SPREP.ORG.WS](http://www.sprep.org.ws).



**Lessons Learned:**

- ¥ In many cases, an accurate market assessment and forecasting is beyond the skills that exist at the community level

**Production Forecasting**

Having determined what you think the sales can reasonably be, it is then necessary to see whether (assuming you are making something) you have the production capacity and sufficient raw materials to make sufficient products for sale.

Because Niue had previously undertaken a production trial as part of their pre-feasibility study, they knew with reasonable confidence how much oil could be produced in a day.

They knew that:

- ¥ during the trial period, despite technical problems relating to the dryer, they were still able to produce at least 12 litres of oil per day, and
- ¥ 100 nuts would yield at least 11 litres of oil

So, by translating their sales forecast into litres to be sold, and using the information above, they were able to come up with the following production plan:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Litres of Oil	139	521	1,445	2,115
Days Production	10	37	105	149

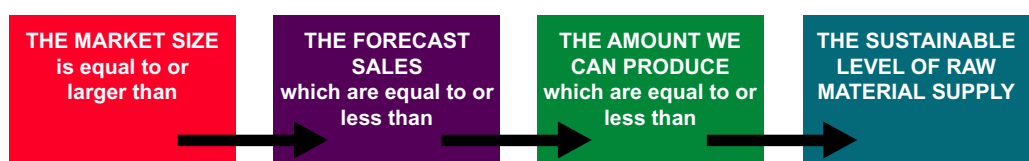
And, based on their experience, they could also calculate how many coconuts they would need:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Number of nuts	1,270	4,800	13,100	19,200

Finally, they obtained details from the Department of Agriculture to make absolutely certain that there sufficient coconut trees on Niue, and they were able to estimate that Niue s annual nut production is around 1.04 million nuts, of which a significant proportion remained unharvested. They were therefore able to conclude that:

- ¥ The sales forecast was realistic
- ¥ They had sufficient production capacity to meet sales, and
- ¥ They could obtain sufficient raw material to support production

Illustrating it another way:



## Estimating the Cost of Production

The costs of running an enterprise can be broken down between:

- ¥ fixed costs, and
- ¥ variable costs

We work out our production costs by taking into account our fixed and variable costs. A business is generally described as viable when it can cover all of its fixed and variable costs.

Because each business is so different, it is not possible to detail here how to work out the estimated cost of production.

**Resources:** Get hold of a copy of Book 3 of the Pacific Start Your Business series put out by the International Labour Organisation ([HTTP://WWW.ILO.ORG](http://www.ilo.org)). Also, get help from your local Chamber of Commerce, Trade and Industry Department or other people in the community who are involved in business development.



## Estimating the Potential Profit.

During the trial production, Niue was able to produce a total of 345 litres of coconut oil. Although SPREP funded the production trial, and paid the wages of those involved, it was still possible to work out from records how much the enterprise had made during its trial, as shown below:

Revenue		\$2,681
Less Cost of Goods Sold		
Opening stocks	-	
Plus Production	\$4,120	
Less Closing Stock (133 ltrs)	(\$1,561)	
Cost of Goods Sold		\$2,559
Gross Profit		\$122
Less Expenses		\$887
Net Loss		-\$765

Source: *Compilation Based on Financial Records of the Trial plus Data from SPREP.*

Stock has been valued on the basis of the total cost of labour of \$4,120 to produce the oil.

**EXAMPLES FROM THE FIELD:** Although the Niue trial resulted in a small loss because of poor throughput and a low selling price for oil initially, production trials conducted during the feasibility assessment confirmed that the DME operation is able to get throughputs of 150 nuts per day, yielding 18 litres of oil. Additionally, sales towards the end of the production trial were being achieved at a level of \$25 per litre on a regular basis. On that basis, from a profit & loss viewpoint, it was determined that the operation has the potential to operate profitably providing more management emphasis is placed on (i) maintaining production efficiencies and (ii) properly developing the market opportunities that have been identified.



The revised profit forecast, based on the results of the trial, shows that the enterprise can make a modest profit for its members, and provide meaningful employment.

	Year 1	Year 2
Sales	\$3,396	\$11,371
Less Expenses	\$2,722	\$9,759
Net Profit	\$675	\$1,612

**Caution:** If a business cannot even cover its variable costs, then that business should be closed down.



### DEFINITION

Fixed Costs are costs that remain the same, no matter how much or how little we sell. Variable Costs change depending on the amount we sell / produce.

### PRINCIPLE:

Subsidies in the early stages of a project are often necessary, particularly for management costs, but over time, a project should increasingly be able to support the fixed and variable costs. A partial subsidy equals a partial return. Keeping proper records during production trials gives greater guidance for future projections.

## WHATS IN THIS CHAPTER

- ¥ Options for Funding the Enterprise
- ¥ Sources of Finance
- ¥ Applying for Finance
- ¥ Designing an Implementation Plan
- ¥ Local Assistance

# Chapter 6

## Realising the Opportunities

*Making it all happen.*

- 1 Identify all costs associated with the proposed business
- 2 Work out the options for financing the business, and select the most appropriate combination
- 3 Prepare business plans and implementation timetable etc; for commercial lenders and / or donors, and
- 4 Implement the project



### OPTIONS FOR FUNDING THE ENTERPRISE

By PREPARING A PROJECT PROFILE in Chapter 5, we have been able to identify what our project is likely to cost. Our costs can be divided into three groups:

- Capital costs
- Other start-up costs, and
- Working capital

We now need to work out how we are going to get the money together to start the business.



#### DEFINITION

Capital Costs are the cost of purchasing equipment, vehicles etc; Other Start Up Costs are things such as opening stock, repairs to a house, initial sign-writing etc; while Working Capital is the amount of money we need to be able to pay the day to day expenses of the business while the business builds up.

## Sources of Finance

There are more sources of finance available than you might imagine at first. There are at least six sources of funds that could be considered, and these are detailed below:

**Your Own Savings:** If you (or your community) already have some money or equipment put aside, then this could be used to start the business.

**Fund Raising Events:** In Niue, one conservation officer (Masani) organised a number of fund raising events, such as the sale of raffle tickets, and growing and selling vegetables to help get additional funds for their coconut oil venture. This type of approach is useful as it is a self-help approach, and at the same time it is another form of small business.

**Suppliers:** It could be that some of the people who will be supplying your income generating activity with supplies might be prepared to give you credit, meaning that they supply the goods but not expect payment immediately.

**Free Labour:** The business could start off very small, and yet grow over a period of time by those involved in the business agreeing among themselves not to take any payments for their labour for a while.

**Lenders:** Commercial banks, Development Banks, Credit Unions and even friends might be prepared to loan money to get the business started. A list of financial institutions and the services they provide can be found in APPENDIX 8 - FINANCIAL AND NON-FINANCIAL SERVICE PROVIDERS BY COUNTRY.

**Donor Funds:** Some international donors have funds available that your proposed activity might qualify for. Normally, donors are more likely to provide funding for the purchase of capital items (equipment etc;) than for working capital, and funding is generally targeted more towards community owned enterprises and initiatives rather than private individuals. Check with local representatives of the donors in your country, the High Commission (or Embassies), and also have a look at the APPENDIX 6: LIST OF INTERNATIONAL DONORS FOR TRUST FUNDS

### EXAMPLES FROM THE FIELD: Island Palm Products - Vanuatu

The Island Palm Products enterprise was established in 1995 following a grant of around US\$50,000 from USAID. The business employed a business manager from overseas, and commenced full business activities around August 1996. A subsequent report on the project by the Foundation for the Friends of the South Pacific concluded that because the enterprise was established with grant capital rather than a loan, there was a tendency to forego strict requirements for a business feasibility study up front. A better feasibility study would have given greater guidance in terms of expectations and projections for the business

It is likely that funding for the proposed activity will come from a combination of sources, rather than one. Donors in particular, will be concerned with sustainability - can the income generating activity eventually become self-sufficient rather than always reliant on grants.

## APPLYING FOR FINANCE

If you need to apply for finance (whether commercial or through a grant scheme), you will need to prepare information in support of your application. The information required varies depending on who you are applying for finance from, as requirements vary from organisation to organisation.

If you are applying for bank finance you will need to complete an application form and most probably provide a feasibility study and / or a business plan. Although each bank has its own lending requirements, they are generally concerned with risk - the biggest risk being that they loan you money that you are not able to pay back. Because of this, they will want to see cashflow forecasts and profit and loss projections, and will need to feel comfortable that they have been well researched and are realistic. Banks will normally not lend the total cost of the project, and will expect you to be investing some

### PRINCIPLE:

*Grant funding should be considered in strict business terms as if it were an investment of your own assets and the profit is available for re-investment in other ventures.*



money yourselves in the business. They would normally expect you to contribute around 40 percent of the total cost, which means that if all the costs of a business , including the working capital , or money needed to operate the business, is \$10,000 then they would expect you to contribute around \$4,000. Remember that the more money you have to borrow, the higher the cost of repaying that loan is on the business.

The actual amount able to be borrowed will also depend on the security offered. Banks will use equipment, land, buildings and vehicles owned by the business as a form of guarantee so that if you cannot repay the loan, the banks will then sell those items to recover their money. Even if you buy equipment that has a value of \$6,000, the bank might decide that it is only worth \$3,000 to them if they need to sell it quickly to recover money that is owed to them. Commercial banks will therefore require additional security to ensure that they are adequately covered. Development Banks are generally prepared to take a higher risk than commercial banks, so their lending rules might not be as strict.

Whether it is a commercial bank or a development bank that you are seeking a loan from, they always take into consideration other aspects too, which include:

Credit history of those who are seeking to borrow the money. They are less likely to loan money to those who previously have had a bad history of repayments.

**Character** of those who are borrowing. Do they have the necessary skills to operate the enterprise?

**Commercial** viability of the proposed enterprise

**Capacity** of the enterprise to repay the loan, and

**Cover** provided by the security and personal guarantees

If you are applying for donor funds to assist in the start up phase, you will need to make certain that the donor you are approaching has a program that supports what you are trying to do. Some donors receive direct applications from community groups while others require the requests to be channelled through the Ministry of Foreign Affairs in your own country. Some donor assistance programs that could be of interest include:

<p>Canada Fund Coordinator c/o Canadian High Commission PO Box 12-049 Wellington, New Zealand Telephone: (64 4) 473 9577 Facsimile: (64 4) 471 2082</p> <p><b>Type of Assistance:</b> Small Grants Fund for community initiatives up to CDN\$50,000</p>	<p>The Secretary General Pacific Islands Forum Secretariat Private Mail Bag Suva, Fiji Email <a href="mailto:INFO@FORUMSEC.ORG.FJ">INFO@FORUMSEC.ORG.FJ</a> Requests channelled through the local Ministry of External Relations</p> <p><b>Type of Assistance:</b> Generally technical assistance</p>
<p>New Zealand High Commissions in each country (NZODA)</p> <p>Small Projects Fund</p> <p><b>Type of Assistance:</b> Small Grants for community based low cost initiatives</p>	<p>NZODA Pacific Initiatives for the Environment Fund Private Mail Bag, Wellington, New Zealand Telephone: (64 4) 494 8500</p> <p><b>Type of Assistance:</b> Grants in support of environmental initiatives</p>

Donors will want to be assured that the proposed project is sustainable and will not be continually reliant on donor funding. They are also concerned about the development impact of what is being proposed, and applications for funding will normally need to provide some analysis of what the impact will be on the local community, the environment, and particularly women, youth and disadvantaged groups in the community.

### IMPLEMENTING THE ENTERPRISE

By now, you should have a clear idea as to how the business is going to be funded. The next step is planning the implementation. This involves working out:

- ¥ **What** needs to be done before the business can start
- ¥ **When** (or in what order) things need to be done for the business to start
- ¥ **How** long each task will take to complete
- ¥ **Who** is responsible for completing each task, and
- ¥ **Who** will monitor the progress

You can start by listing down ALL of the things that you think need to be done, to happen, or to be purchased before the business can start. Don't forget things like training, getting business licences etc: Refer back to your OPERATIONAL REQUIREMENTS and LEGAL CONSIDERATIONS in chapter 4 for help.

An example of a simple implementation timetable shown below relates to a proposed Arts & Handcraft project for Kosrae, FSM. A full copy of the proposed project design, including a budget and funding proposal can be found in APPENDIX 9 - EXAMPLE OF AN ARTS & HANDCRAFT PROJECT DESIGN - KOSRAE, FSM.

ACTIVITY	MONTH				
	1	2	3	4	5
Confirm Funding					
Obtain Community Commitment					
Obtain necessary licences and legal requirements					
Training Programmes					
Documenting of Trade. Designs					
Order Display Cabinet					
Design of Swing Tags (SPREP)					
Printing & Distribution					
External Consultancy					
Trial Run/operational					

Tasks can be divided into two types:- independent and conditional. You need to identify all the tasks accordingly, and make sure that everything is available at the time required, because if you get them out of order, then things can go horribly wrong!

#### EXAMPLES FROM THE FIELD: Niue Coconut Oil Enterprises

Following the six months trial production phase, a full feasibility study was undertaken. One of the findings of the study was that the design of the dryer was compromised during the construction phase because of some materials not being available on time, and this has had a significant, and continuing impact on the viability of the operation, in terms of throughput. The low throughput achieved during the trial has had a direct impact on the cost of production. This eventually had to be rectified through a technical advisory mission by Dr. Dan Etherington who stripped the drier down back to the walls and rebuilt it. Without this, the project would never have a chance of becoming commercially viable.



#### DEFINITION

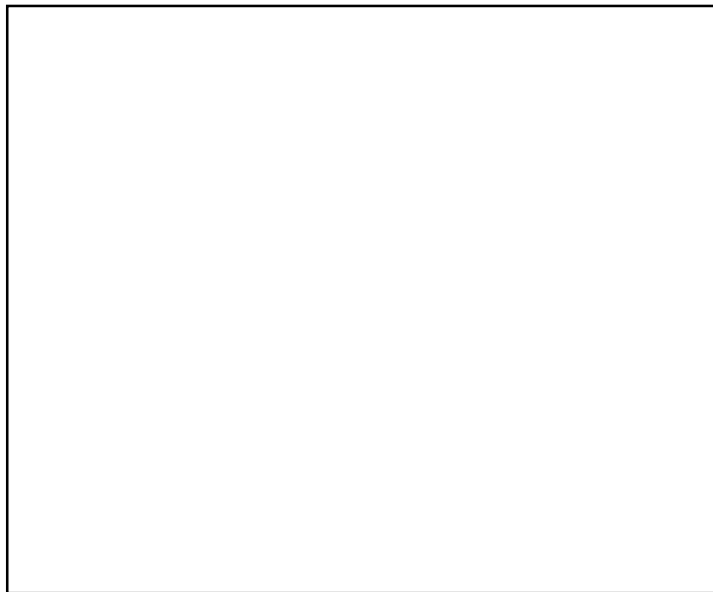
Independent tasks are those tasks that can occur without something else having to happen. Conditional tasks can only occur once something else has happened.



## LOCAL ASSISTANCE

Enlisting the help of local assistance to get the project going can be invaluable, especially if those involved in the business venture have not started up or operated a business previously. Help can be obtained from:

- ¥ Local business organisations such as the Chamber of Commerce or small enterprise centres
- ¥ Local industry sector representation groups, such as the Visitors Bureau
- ¥ Accountants, lawyers, other local business people
- ¥ Development Banks
- ¥ Your local Trade & Industry department
- ¥ Local Department of Cooperatives





# Chapter 7

## Managing the Opportunity

Avoiding the Pitfalls of Being in Business.

- 1 Establish a financial system that is transparent and accountable
- 2 Agree on roles and responsibilities of those involved
- 3 Keep good financial records and review them regularly as a group
- 4 Use the information to monitor what is happening in the enterprise, and
- 5 Make certain that those in key roles have the necessary skills and training to do the job



### TRANSPARENCY AND ACCOUNTABILITY

If the enterprise is owned and operated by one person, then you don't need to read the next few lines, BUT if there are two or more persons involved, or it is a community-owned business, then you need to read on.

It is important that all aspects of the business, particularly those involving finance are:

- ¥ Transparent., and
- ¥ Accountable.

To be transparent and accountable, ideally the business should have:

- ¥ a separate bank account where all money coming into, and going out of the business goes through

#### WHATS IN THIS CHAPTER

- ¥ Transparency & Accountability
- ¥ Keeping Financial Records
- ¥ Monitoring the Opportunity
- ¥ Training & Skill Building
- ¥ Promoting & Selling
- ¥ When Things Go Wrong



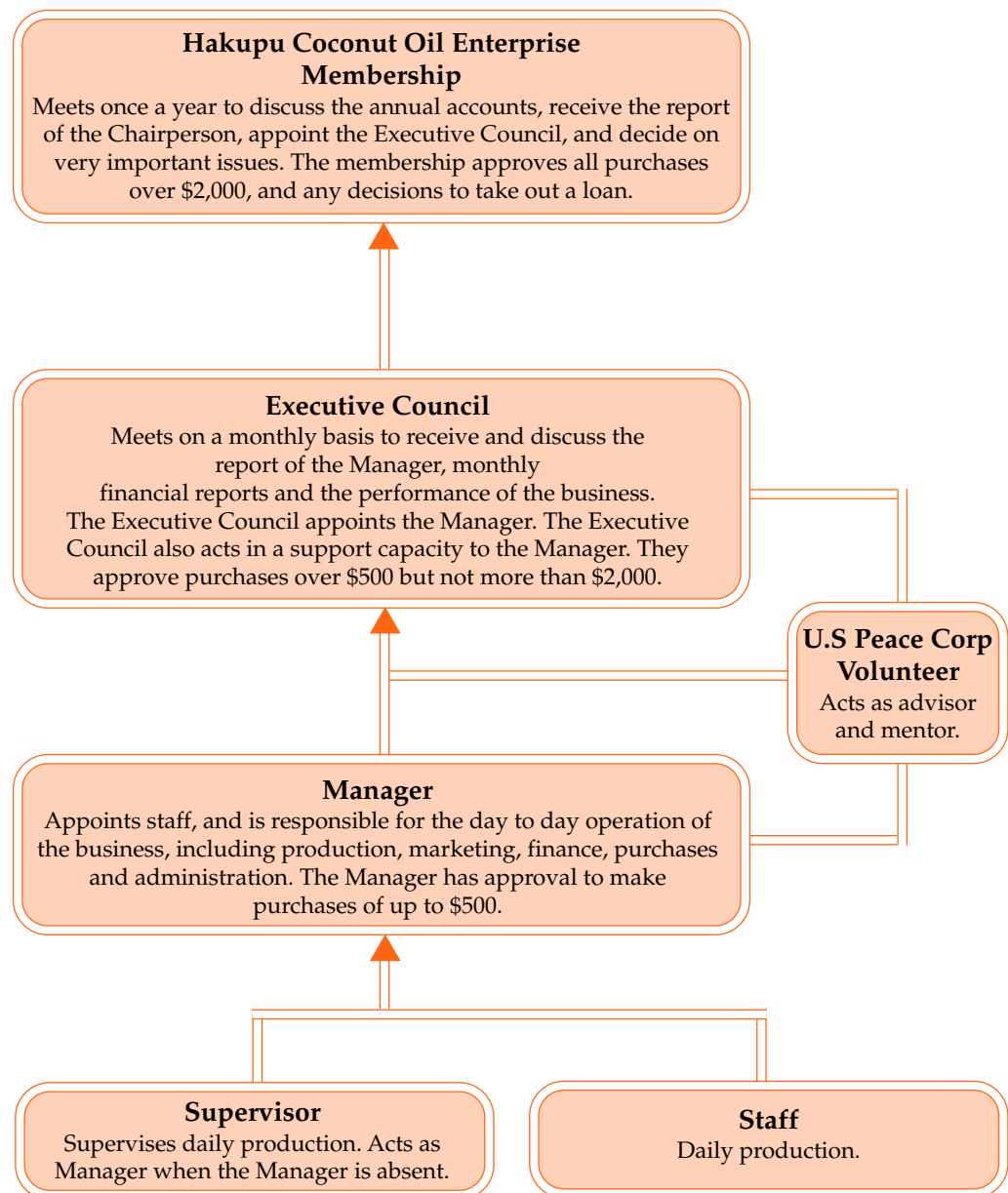
#### DEFINITION

**Transparent** means others who need to can look at the financial transactions of the business and feel comfortable that they can see and understand all the transactions.

**Accountable** means the enterprise needs to be answerable to its owners and investors for what it has done with the money.

- ¥ a cheque account that requires a minimum of two signatures
- ¥ a good book keeping system that accurately records all the transactions
- ¥ basic policies that states what the purpose of each bank account is for, as well as policies that states how much the manager or other individuals can approve purchases and pay bills for without having to get approval from a committee, and
- ¥ regular meetings for all members where the financial records are presented and can be discussed.

To achieve this in Niue, the committee agreed to establish the following structure, with clear lines of accountability:



**EXAMPLES FROM THE FIELD: Vatthe Lodge, Vanuatu**

Vatthe Lodge is a six bungalow eco-lodge, established with SPBCP support. The communities of Matantas and Sara are gaining direct financial benefits from the lodge. Island Safaris, a tourism operator based in Port Vila takes bookings and money and gives visitors coupons for Vatthe Lodge. Lodge managers Purity and Solomon also receive money. The money is deposited into an Operating Account. From here money is transferred to a Trust Fund account or Conservation Fund account.

SPBCP Field Report



### Lessons Learned:

- ¥ A lack of transparency will lead to jealousy, suspicion and accusations within the community
- ¥ Ensure that management is supported in the initial stages by others with the necessary business and organisational skills, and
- ¥ Expect to spend a lot of time on management capacity building



## KEEPING FINANCIAL RECORDS

Any income generating activity needs to keep financial records because:

there needs to be transparency and the business needs to be able to account for (explain) the money earned and spent

financial records can provide us with the answers to three basic questions every enterprise must be able to answer:

- ¥ **how much** is the business worth (known as equity )
- ¥ **how much** has the business earned (known as profit or loss ), and
- ¥ **what** did the business do with the money (known as cashflow )

records help us keep track of how much we owe and how much we are owed the information can assist us in **monitoring** the business and **planning** for the business's future needs, and

in most countries there is a legal requirement to keep financial records of businesses

### PRINCIPLE:

*Before starting a community enterprise, a project team must have bookkeeping skills.*

The minimum records that you should keep are:

bank statements

daily cash records

wage books

daily production records (if producing something)

copies of receipts and bills, and if you are involved in selling or buying on credit and / or you hold stock:

customer account records

supplier account records, and

stock cards

### Resources:

You can get ideas about setting these systems up by talking with your local Development Bank, or by obtaining a copy of Book 9 of the Pacific SYB (Start Your Business) series published by the International Labour Organisation ([HTTP://WWW.ILO.ORG](http://www.ilo.org))



### EXAMPLES FROM THE FIELD: Uafato Honey Bee Keeping Enterprise - Samoa

To support the communities in their enterprises, the SPBCP contracted the Small Business Enterprise Centre to provide basic business awareness training, and to set up a simple accounting and bookkeeping system for the enterprise and the Trust Fund. Follow up business advice and financial systems maintenance was also provided.



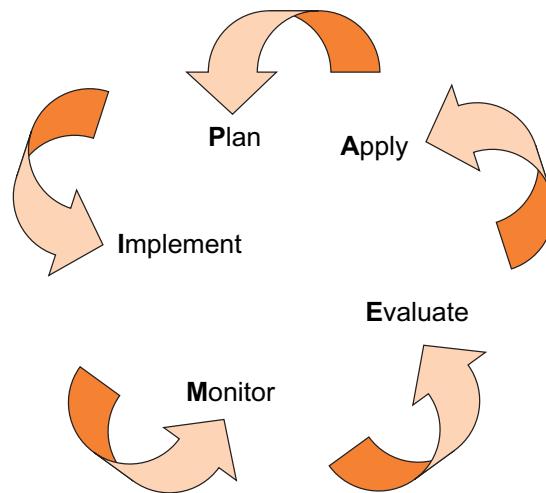
## MONITORING THE OPPORTUNITY

Monitoring involves working out what progress the business has made towards achieving certain goals. The goals can include financial and non-financial goals. The only way you can monitor a business is to have a plan. The most common form of plan is known as a Business Plan. It shows us:

- ▶ where the business is now
- ▶ where we want the business to be in the future
- ▶ how the business will get there
- ▶ what will be needed (resources) to get us there

An example of a Business Plan can be found in APPENDIX 10 - EXAMPLE OF A BUSINESS PLAN.

By monitoring the business, we learn through experience. We recommend you put together a planning process that will allow this to happen as a constant learning and improvement process, as shown below.



### PRINCIPLE:

Irrespective of whether the project is funded by donors or commercial borrowings, the planning process is often more important than the plan itself. Although the plan can become outdated, the process itself is on-going.



### Resources:

Assistance with developing business plans may be obtained through your local business associations, Development Bank, Chamber of Commerce, accountants and business advisors.

## TRAINING AND SKILL BUILDING

Operating even a very small business requires a wide range of skills. You need to have basic financial skills, people management skills, marketing skills, business management skills, technical skills and the list goes on....and on....and on.

Before the venture starts, make sure that basic training is provided - both for technical and basic business training.

Here's what some CASO's said at a workshop in Fiji on business and technical skills:

**Tuvalu: Management, marketing skills are often lacking when businesses are started. However, some business people are supported by training from the development bank, and family businesses often have one partly trained son or daughter. There is a need for increased skills in marketing and management especially supply and demand management and also in trade skills which are currently offering a sub-optimal level of service (eg. mechanics, electrician).**

**Palau:** Another issue relates to many entrepreneurs who go into business ventures without adequate understanding of what is required to make this venture successful. In other words, they don't really know what they're getting themselves into.

**Tonga:** Some business people get ideas to set up business from attending training workshop, or have been overseas for a period of time. Mostly, people copy what others have already done. Most people started up their business with very little skills. Some do learn it as they run their business and often learned late before the business collapsed.

#### EXAMPLES FROM THE FIELD: Niue Coconut Oil Enterprises

A one week training program on how to process nuts into coconut oil and basic business training was run by a team from a Samoa NGO. Apart from the official opening and closing ceremonies, community attendance at training was sporadic. Follow up technical support was provided six months later at which time it was found that (i) the operation of the Press bore no relation to the instructions in the Manual, (ii) the operating Manual had not been consulted at all as the Hakupu copy of the Manual was locked in a Community Affairs desk drawer and the key was not available, and (iii) the unavailability of key personnel at critical times meant that there was no opportunity to have a complete training session with the full team of workers who operate the unit



#### PRINCIPLE:

Income generating activities should, where possible, focus on relatively simple activities with few stages in the process, and an emphasis on being an extension of traditional skills that already exist. Start small, grow slow.

For many in the Pacific Islands, business concepts are very new. They are still operating in a subsistence economy, where the growing of crops and catching of fish represents a big part of their family income. And yet, good business skills are very necessary if the income generating activities are to survive.

**Caution:** The major risk to enterprises is the lack of basic business awareness among those involved in the business.



#### Lessons Learned:

¥ Support will be required to assist management, and businesses should grow at a relatively slow pace for the first two years of commercial operation.



## SALES AND MARKETING

There is a commonly held belief that:

- if we build it, then people will come, and
- if we make it, then people will buy it

Major problems are often encountered by new micro or small enterprises in the Pacific relating to sales and marketing, although these can more often than not be anticipated by having a clear understanding of the environment in which the business will operate. By completing THE BUSINESS ENVIRONMENT analysis in Chapter 5, you will already have a feel for what sort of problems you are likely to experience.

Most of the problems relating to the market can be summarized as follows:

- Physical Size of Market (population base)
- Geographic Location (are we close to or remote from the market?)



- ✦ Competition ( Me too.... )
- ✦ Economic Situation of Customers
- ✦ Price Controls
- ✦ Quality Issues

Island nations like Pohnpei have strong internal market potential because they have a good local population base, and a strong tourism sector, whereas islands like Kosrae have access difficulties, a low resident population and a small tourist sector. Assuming that you have a good product or service to offer, we re going to suggest that there are three basic strategies that you should consider for getting good sales. Let s look at each one in turn.

### **Strategy 1 .... Channeling**

(or getting the potential customers to you)

- ◆ Identify your gateways (airport, harbours, hotel rooms, airline magazines) and advertise the CA.
- ◆ Identify the Key Influencers (tour operators etc;) and work with them by providing brochures, maps etc;
- ◆ Always channel customers into the village through the use of signage throughout the CA
- ◆ Use customer referral techniques on your labels and brochures to channel them to other products and services

#### **How To:**

Establish a strong partnership with your local visitors bureau, hotel / tour operators, Dept. of Tourism, Dept. of Trade and the Environment Unit. Visit them regularly and keep them supplied with brochures about the park.

- ◆ Try to obtain sponsorship from a larger, conservation - minded business to pay for an advertising board and posters in the main international airport arrival lounge.
- ◆ Invite tour operators, visitor bureau, hotel / accommodation providers to visit the village enterprise and to take part in a tour. Get them to provide feedback on how you can further improve what you have to offer.
- ◆ Have a sign-writer paint a large, colourful map of the village, showing where each of the enterprises are located, and who to contact. Place the map in a prominent place in the village so that visitors can easily see it.
- ◆ Make sure that each of the enterprises (or tour departure points) has good quality signage with sufficient details such as opening (or departure) times, contact details etc;
- ◆ Have a policy of referring customers to other enterprises in the area.

### **Strategy 2 .... Distributing**

(or getting the product or service in front of the customers)

- ◆ Create a central focal point in the village such as an information board or kiosk.
- ◆ Jointly develop a combined brochure or map detailing all the product and service providers throughout the CA.
- ◆ Display products & brochures in key areas outside the CA.

How To:

- ◆ Seek funds from your local government departments to print brochures and visitor maps.
- ◆ Try to subsidize the cost of printing maps by selling advertising space in the brochure to other businesses.
- ◆ Develop networks with local retailers, tour operators and other outlets to sell your product or service, either on commission or for profit. Don't expect them to do it for nothing!
- ◆ Keep your product or service in front of your network by visiting them regularly to refill their shelves with brochures, maps, products etc;
- ◆ Send regular newsletters to your network and partners to keep them interested in, and aware of what is being achieved in the Conservation Area.

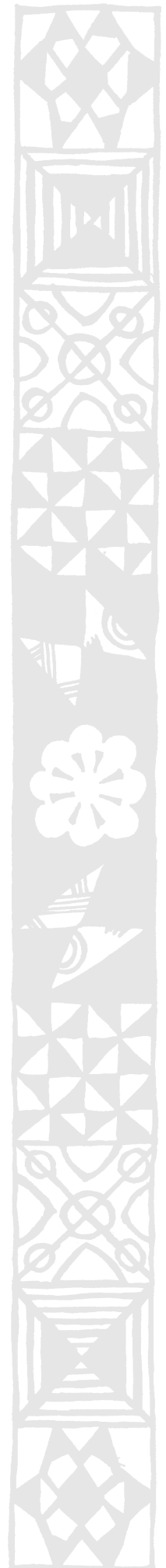
### **Strategy 3 .... Branding**

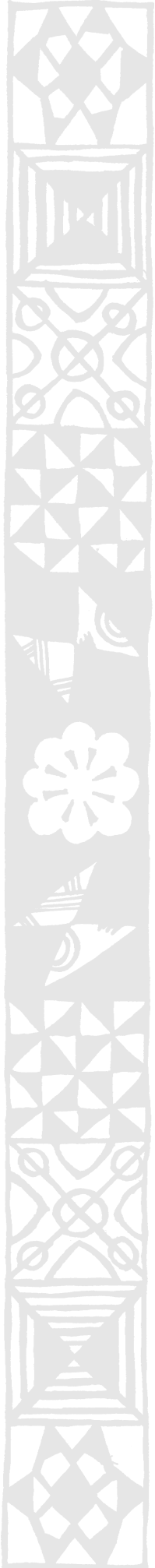
(or building a quality awareness among customers)

- ◆ Create a standard code of environmental and social responsibility that all CA enterprises must comply with
- ◆ Educate consumers on the social and environmental code of practice for enterprises in the CA
- ◆ Establish quality standards for products and services
- ◆ Use a meaningful brand label or logo that is consistent across all CA enterprises

**How to:**

- ◆ Decide on what the main feature(s) of your conservation area are, and work with a graphics artist to design an appropriate logo. (you could try to get funding for this from the South Pacific Trade Commission or Forum Secretariat)
- ◆ Use the logo to add value to what individual enterprises do. For example, the logo could signify that the business using this logo on their own brochures, labels etc; provide financial support towards the conservation area. That way, visitors will be able to distinguish between enterprises operating purely for economic gain and those operating as linked enterprises who are contributing to the conservation of the area.
- ◆ Make sure that there is an explanation inside your brochure regarding the Conservation Area. An example might include: This coconut oil is hand-manufactured by members of the Hakupu village community, who contribute \$1.00 towards the Huvalu Conservation Area Trust Fund from every bottle sold .
- ◆ Develop standards in terms of quality for your product or service. For products, agree on what the minimum quality standard is (discuss this with those who buy your product) and then stick to it! If you are a service, then agree on other issues, including safety, presentation skills etc;
- ◆ Sometimes it is easier to produce under an existing brand label, than trying to do it yourself. Develop partnerships with those already in the business of marketing products or services such as yours. As an example, the Body Shop or Trade Aid in New Zealand often take products from village - based producers, and then market them under their own brand label.



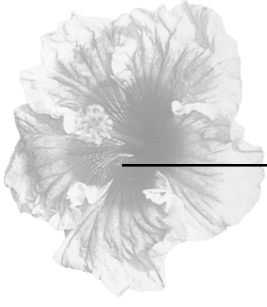


#### **EXAMPLES FROM THE FIELD:**

The Ngali Nut Oil enterprise in the Solomon Islands linked up with the Maruia Society in New Zealand ([HTTP://WWW.MARUIA.ORG.NZ](http://www.maruia.org.nz)) to develop a range of natural ngali oil based products for sale through the Maruia Society catalogue, recognizing that marketing was their weak link. A strong brand and distribution channel was achieved.

Participating households in the Fisheries Enterprise in Arnavon Islands fish into one of two fisheries centers, which supports the fishing boat activities by marketing the catch, mainly to Honiara, the capital of Solomon Islands. Having marketing intermediaries allows those involved in the income generating activity to concentrate on what they are good at doing

A pre-feasibility study into income generating options for the Utwa-Walung conservation area on Kosrae identified that the village of Walung had additional constraints in terms of income generation because of its relative isolation (the only access is by canoe along the mangroves at high tide, and there is no phone services in the village). It was agreed with the community that the best way to resolve this was to link Walung to the Utwa-Walung information center by radio-telephone, with the center acting as coordinators to book and arrange overnight visitors to Walung, using the radio telephone to overcome the issue of isolation. This strategy provides an effective way of channeling the visitors through to the village.



# ***Appendices***

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