Pacific Islands Development Program

Indigenous Business Development in the Pacific

Final Report of Regional Workshop

Canadian International Development Agency
Pacific Islands Development Program
East-West Center
INDIGENOUS BUSINESS DEVELOPMENT

IN THE PACIFIC

FINAL REPORT OF THE REGIONAL WORKSHOP
ON INDIGENOUS BUSINESS DEVELOPMENT IN
THE PACIFIC, HELD IN APIA, WESTERN
SAMOA BETWEEN MAY 18-24, 1986

Edited by John M. Hailey

Pacific Islands Development Program
East-West Center
1777 East-West Road
Honolulu, Hawaii

October 1986
The Regional Workshop on Indigenous Business Development in the Pacific held in Western Samoa, May 18-24, 1986 and the publication of this Final Report was made possible with funds granted by the Management for Change Program of the Canadian International Development Agency.

John Hailey is project leader of the Indigenous Business Development Project of the Pacific Islands Development Program. He was educated in England at the University of Exeter, has an M.B.A. from the City University Business School, London, and recently held a research scholarship at the University of Queensland in Australia. Before joining the University of the South Pacific as a lecturer in Administrative Studies in 1981, he held positions in Britain as a lecturer in Business Studies and as a consultant in private enterprise.
## CONTENTS

**PART ONE: WORKSHOP REVIEW**

1. Introduction .................................................. 1  
2. Opening Speech .................................................. 2  
3. Overview of Indigenous Business Development in the Pacific .................................................. 4  
4. Workshop Recommendations ..................................... 12

**PART TWO: WORKSHOP PAPERS**

5. Pacific Women in Business ...................................... 18  
   . An Overview of Pacific Women in Business ................. 20  
   . Fijian Women in Business .................................... 24  
   . Women in Business in Papua New Guinea .................. 34  
   . Women in Business in the Pacific ........................... 40  
6. Pacific Entrepreneurs and Management Styles ................. 46  
7. Selected Readings by Country ................................... 55  
   American Samoa .................................................. 56  
   Australia .......................................................... 60  
   Cook Islands .................................................... 66  
   Federated States of Micronesia ................................. 74  
   Fiji ............................................................... 77  
   French Polynesia ................................................ 86  
   Hawaii ............................................................ 89  
   Kiribati .......................................................... 95  
   Nauru ............................................................ 100  
   New Zealand ..................................................... 104  
   Niue ............................................................... 111  
   Northern Mariana Islands ...................................... 114  
   Palau ............................................................. 118  
   Papua New Guinea ............................................... 120  
   Tuvalu ........................................................... 145  
   Western Samoa .................................................. 151

**APPENDIXES** .................................................... 155  
1. List of Workshop Participants ................................. 156  
2. Entrepreneurs' Profiles ........................................ 160
3. Workshop Agenda .................................................. 164

4. Papers Presented by Regional Organizations ................. 167

   Small Business Training at the Institute of Rural Development ........ 168
   South Pacific Bureau for Economic Co-operative ............ 170
   South Pacific Commission ......................................... 178
   International Labour Organisation and its Program of Small Enterprise Development .................. 180

SELECTED BIBLIOGRAPHY ............................................. 189
1. INTRODUCTION

The Government of Western Samoa hosted the Regional Workshop on Indigenous Business Development in the Pacific, which was held in Apia during May 18-24, 1986. This meeting was the first of its nature to be convened within the Pacific, and it was solely concerned with the development of indigenous business enterprise and the needs of indigenous entrepreneurs in running small businesses in the Pacific.

The funding for this regional workshop was provided by the Canadian International Development Agency's Management for Change Programs. The workshop organizers acknowledge CIDA's generous support, the workshop could not have taken place without their assistance and encouragement. The Pacific Islands Development Program of the East-West Center in Hawaii served as the workshop's coordinating agency.

The workshop attracted over 50 participants from 20 nations within the Pacific region. The participants included a number of leading indigenous entrepreneurs who are recognized both as being leaders in their own fields of business and as running well-established and profitable operations. Apart from these successful entrepreneurs, the workshop was also attended by regional participants who are responsible for offering management advice and developing business training courses, as well as by business planning officers and representatives from development banks.

The workshop provided a forum where vital issues could be discussed concerning the promotion and support for indigenous business in the Pacific. Discussions revolved around the various socioeconomic problems faced by Pacific entrepreneurs; in addition, measures capable of overcoming these problems were identified. Particularly critical were measures to strengthen business training, policies to improve institutional support, and initiatives to extend the availability of development credit facilities.

The overall objective of the workshop was to boost indigenous participation in the commercial life of the Pacific islands. The indigenous sector is seen as an area for Pacific growth and potential in which new economic opportunities could be created, new employment could be generated, and wealth and enterprise could be disseminated throughout the community. The promotion of indigenous business is one of the major challenges facing the island nations of the Pacific in the last decades of the 20th century.
2. OPENING SPEECH

Le Tagaloa Pita
Minister of Economic Affairs
Western Samoa

It gives me great pleasure to open the Regional Workshop on Indigenous Business Development in the Pacific.

I congratulate Pacific Islands Development Program (PIDP) for the initiative to conduct this workshop and acknowledge with thanks this choice of venue. I recognize with appreciation the important role of the East-West Center. It has a uniquely important involvement in Pacific islands development as it is able to undertake high-level research and technical training, which we cannot carry out for ourselves.

Finally, I am sure you will all wish to join me in thanking the Canadian International Development Agency (CIDA) for making this workshop possible.

The basic objectives of this workshop is for you to come together and share your managerial skills and technical expertise so that you can be more effective in the promotion of the indigenous business sector in your respective island countries.

I am very supportive of the objective of this workshop. If your experience is anything like ours, then you also would have recorded a high rate of failure in the sector of indigenous enterprises. I hope very much that your sharing of those management and technical skills that are generally lacking in our island situations will be therapeutic and beneficial.

The second reason why I am so pleased with your workshop objective is the vexing problem of holding and keeping our trained people from leaving the islands for the highly industrialized countries.

The "brain-drain" in the Pacific Islands should be reversed... should be stopped or changed to merely "brawn-drain."

I believe that if we are to halt the "brain-drain" and substitute this with "brain-remain" in our peaceful Pacific island countries, then we must offer suitable opportunities, and give appropriate incentives and encouragement to our people, who have the educational and technical skills, to remain in Samoa, in Tuvalu, in Kiribati, wherever in the Pacific...and so be an integral part of the development of our individual countries.

I personally believe that we can achieve "brain-remain" when the disciplined and educated mind is preoccupied with an idea, or has the perception of a solution to a real problem. This can be achieved only when an indigenous trained person is involved in the preparation and execution of a project that he relates to, that he believes in, and that he
understands: a project that he has thought through and has become fully aware of all its possible implications...and yet still finds challenging and not overwhelming.

For those many reasons I find the emphasis of this workshop on "indigenous business," an excellent idea...a fitting vehicle for a response from the indigenous communities of the Pacific to the challenge of economic underdevelopment.

I hope that your workshop will enable a real sharing of your expertise and knowledge. I hope that you will generate light in your deliberations and that you will return to your daily responsibilities much more determined to press on and stay with the island needs and problems.

Finally, I wish you courage...for frequently, staying with our responsibilities in the Pacific is an act of courage...in itself.

Soifua
3. OVERVIEW OF INDIGENOUS BUSINESS DEVELOPMENT IN THE PACIFIC

John M. Hailey

The development of indigenous businesses indisputably occupies a key role in the development strategies of Pacific island nations. The indigenous business sector which is composed of relatively small enterprises that operate in communities where larger firms could not survive, makes a significant contribution to national development. The adaptable nature of small enterprises is considered well suited for balanced development, as they are capable of supplying appropriate goods and services to meet local needs and competing successfully with entrenched business interests. This widening of consumer choice could possibly lead to a reduction of dependence on inappropriate products imported from overseas.

The expansion of the indigenous business sector encourages the redistribution of wealth and therefore power throughout the community. This balance can lead to a more stable social system and a degree of national cohesiveness. Such stability is further enhanced by the creation of new employment opportunities as small enterprises collectively appear to employ a higher proportion of indigenes. As a product of these opportunities a skilled work force is created, which in turn can transfer its expertise to others. At the same time these skills and experiences can be tapped by new enterprises, so that invention and innovation may develop using local resources and may provide goods and services designed to respond to local conditions and consumers. Evidence also suggests that such adaptable ventures can act as buffer against the rapid shifts of the employment market and the vagaries of the international market forces.

These perceptions as to the value and role of small indigenous business are further enhanced by racial and political considerations. The term "indigenous business" has specific connotations in the Pacific. For the purposes of this workshop it refers to those business ventures where the majority ownership and control are by indigenous Pacific islanders, those whose forbearers were indigenous inhabitants of any island in Melanesia, Micronesia, or Polynesia. In other words, indigenous business does not refer to businesses owned by other ethnic groups, such as the Indians in Fiji, the Chinese in Solomon Islands, the Vietnamese or French in Vanuatu, and those expatriate-controlled companies that are registered locally.

The promotion of indigenous business is of particular importance because the gap between indigenous and nonindigenous enterprises appears to be growing steadily with indigenous enterprise falling far behind. Many areas of business in the Pacific continue to be dominated by well-established, nonindigenous businesses with their depth of business experience, network of business contacts, access to capital and lines of credit, market domination, and control of prime business locations. In
contrast, indigenous businesses are predominantly found in the less sophisticated and less profitable business sectors, often on the periphery of the business mainstream.

The next generation of indigenous entrepreneurs is expected to face even greater competition from nonindigenous business operations that will be aiming to consolidate their markets and diversify their operations. Increasing international competition will be further stimulated by the introduction of policies designed to encourage free trade, deregulate financial markets, and remove currency controls. Indigenous entrepreneurs, however, will continue to be hampered by their limited exposure to business practice and their restricted access to finance, information, and management training, as well as by certain socioeconomic constraints—unless increased efforts are made to encourage and support indigenous enterprise.

As a result Pacific island leaders have emphasized the role that small indigenous business should play in the balanced development of their small island nations. To learn more about the performance and problems faced by indigenous entrepreneurs, the Pacific Islands Development Program (PIDP), was requested by the Pacific Islands Conference—a regional forum of island leaders—to coordinate a research project to assess the various factors that contribute to the success or failure of small indigenous businesses in the Pacific.

This project, initiated in 1984, has completed detailed country studies of seven Pacific island nations—the Cook Islands, Fiji, the Marshall Islands, Papua New Guinea, Solomon Islands, Tonga, and Western Samoa. These studies were designed to assess the nature of indigenous entrepreneurship, and to identify the problems and opportunities of individual businesses, to specify the characteristics of success, as well as to clarify the attitude of individual entrepreneurs toward policies designed to encourage indigenous business. These studies involved representative sampling surveys based on interviews with up to 200 entrepreneurs in each island nation.

Any attempt to use these collective findings to make generalizations for the region as a whole must obviously take into account the peculiarities of culture, resources, and environment of the different island communities. But despite this proviso, certain common patterns do appear, and an overall picture emerges as to the performance of small indigenous businesses in the Pacific.

Pacific Entrepreneurship

Indigenous enterprise and entrepreneurs have flourished in the Pacific before the arrival of Europeans, with trade and commerce forming an integral part of traditional life. Early European chronicles noted the well-established marketplaces and the degree of economic specialization in the different island communities. Interisland trade flourished, and local produce was traded regularly at recognized marketplaces. Such trade was geared toward distributing necessary consumables or surplus produce and reinforcing social links. Profit was measured as much in terms of prestige
or social benefits as in commercial gain. The medium of exchange was through barter, or currency equivalence such as shells, teeth, feathers, stones, or merely the establishment of intangible reciprocal debts that could be called on at some future date.

The arrival of Europeans in 19th century and the expansion of the cash market economy introduced European mercantile concepts of business and entrepreneurship to the Pacific islands. Business practice became so closely synonymous with Europeans that to most Pacific islanders the role and practice of the entrepreneur became institutionalized as belonging to these interlopers. Islanders who emulated European commercial practices were often regarded as social outcasts, or even deviants.

The European concept of business and entrepreneurship that these few Pacific islanders sought to emulate was truly the proverbial Heffalump, and as such it is virtually impossible to define. Entrepreneurship as an area of study has suffered at the whim of shifting fortune, beset by a confusing range of conflicting opinions and theories. If to those inculcated in European nuances and values this debate is inconclusive, then for those imbued with a totally different set of values, it must be unfathomable. This is surely true of Pacific islanders who place a great store in communalism and reciprocity rather than individuality and acquisitiveness. To many islanders the idea of making a profit from transactions with their own people is contrary to the lessons of their upbringing.

With the establishment of colonial rule, two or three generations of Pacific islanders withdrew from active participation in the economy in the face of these mercenary practices. In this departure they were encouraged by social pressures, vested interests, and even restrictive colonial legislation. Local European business interests were thus able to dominate the local business sector. Later their dominant market position was shared with migrants from Asia: Indians, Vietnamese, Chinese, all of whom had been imported as indentured labor to work the plantations and who, having rejected repatriation, remained in the islands. These new immigrants prospered in several commercial areas including retail, transportation, market gardening, and sugarcane growing and now constitute an integral part of the business fabric in the islands.

Where Pacific entrepreneurship did manage to thrive, it was often within the framework of existing social relations. Successful Pacific entrepreneurs appear to respect social dictates and meet community obligations and family commitments. Although these conventions are an obvious drain on time and resources, any failure to respect them can jeopardize commercial survival. For, by rejecting such intangible but essential ingredients of entrepreneurial success, islanders may forego their reputation, self-esteem, and reciprocal calls on the loyalty and labor of their fellow human beings.

All these factors reinforces the view that the performance of Pacific entrepreneurs must be seen in the context of the local community with all the potential distractions and demands on business resources, thereby suggesting that certain Eurocentric perceptions of entrepreneurship and business must be foresaken when researching or advising Pacific
entrepreneurs. But above all this situation highlights a dilemma facing Pacific islanders. Do they run their business as an individualistic, risk-taking, profit-maximizing business; or do they accept and work within existing social values and communal obligations? If they reject these traditional values, not only is a viable way of life threatened, but also they risk alienation and social ostracism. In the process, important customer relations are jeopardized, potential employees alienated, and damaging personal tensions are exacerbated. Obviously, rather than face this dilemma it is easier to duck the issue altogether by having nothing to do with business at all—many islanders have obviously done.

Pacific Entrepreneurs

The following picture of the contemporary Pacific entrepreneur is a brief characterization based on a review of the PIDP's country studies. The Pacific entrepreneur can be defined as "a Pacific islander who shows practical creativity in combining resources and opportunities in new ways to profit the individual, the family, and the community."

The contemporary Pacific entrepreneur is typically a man over 35 years old who operates as a sole trader and has run his business for less than five years. Most small businesses operate in the retail, transportation, or small-scale agriculture sector—ventures that are relatively easy to establish with little capital and minimal skills and yet are capable of generating a quick return. The individual business person as often as not has migrated away from the home community to begin business in an urban or peri-urban area, attracted by their greater market potential and economic opportunities, as well as by freedom from the demands of the extended family and customary obligations. A high proportion of small businesses in the Pacific are run by entrepreneurs who have a multi-ethnic background, with one of their recent forebears being a recent migrant into the Pacific, normally either Europeans or Chinese. Such entrepreneurs maintain strong religious convictions, with a disproportionately high number being members of one of the more recent religions such as the Seventhday Adventist church, which emphasizes thrift and hard work.

The Pacific entrepreneur is better educated than the population in general, having completed some secondary school education. Most have had considerable previous work experience and received some technical training; a surprising number have even been overseas for training, to work, or on extended leave. Yet few have applied this work experience or training to their businesses, and often apply their own version of business innovation to achieve their personal goals. Certainly for many who were employed in government or who come from predominately rural subsistence backgrounds, entrepreneurship would be their first exposure to business practice. Yet arguably the most effective group of entrepreneurs in the Pacific—the Fiji-Indians—has had in the past relatively little formal education or training, but instead has benefited by being brought up in a business environment and being expected to work in the family business at an early age.

As a general rule, entrepreneurs have raised money to establish their businesses from their own or family resources, rather than face the hassles of applying for finance through commercial banks or the
government-sponsored development banks. This accounts for the relatively limited investment funds used to establish Pacific businesses. Such undercapitalization is reflected in the continuing problems arising from poor liquidity, inadequate stock, and lack of contingency funds.

Sales turnover is correspondingly low, with only a small return generated on the time and money invested. The small size of most indigenous businesses means that they cannot enjoy the benefits of economies of scale and even though they carry a limited stock of often overpriced goods. It was estimated that average prices charged by Fijian retailers was 20 percent higher than those of comparable Fiji-Indian entrepreneurs. The resulting low profit margin provided little incentive to reinvest in the business, pay off outstanding business expenses, or encourage future expansion. In fact, many Pacific businesses seem barely able to break even, or else they are run at a loss they nevertheless continue to operate for social reasons or status in the community. They survive either by relying on another source of funds, for instance, a cash crop grown on family land, or by being subsidized by the wages of a spouse or family member.

Small indigenous businesses in the Pacific are therefore marked by the limited business experience of the owners, their lack of resources, undercapitalization, and low returns on their time and investments. Yet they still continue to survive and multiply, for business is still an attractive proposition for many Pacific islanders, a challenge too tempting to forgo.

Success and Failure in Pacific Business

Any assessment of the performance and personality of a successful entrepreneur is bound to be subjective and value laden. The country studies show that successful entrepreneurs appeared to be personally ambitious within the framework of their business goals. Entrepreneurs emphasized their honesty and integrity, as well as personal charisma in fostering business contacts, maintaining customer relations, and utilizing local resources. They recognized the value of overseas travel or further training not necessarily in developing their expertise, but rather in giving them greater confidence. Some entrepreneurs also admitted to fostering their government contacts merely to facilitate access to finance or to gain lucrative contracts.

Most entrepreneurs attempted to keep close ties with their extended families because they viewed such relations as a cost-effective source of advice, labor, and even capital. Problems arose when family commitments began to drain time and resources. It was important to maintain family ties as much as to reinforce useful and profitable contacts as to avoid alienation and social ostracism.

Most individual entrepreneurs interviewed considered that their success depended on their management expertise, their marketing ability, or their entrepreneurial personality. The necessary management expertise included personal maturity and responsibility that was reflected in a reputation for reliability and professionalism, clear personal goals and concise business objectives, a well-developed business plan, effective
coordination and control of all business resources, and a working knowledge
of the role and value of techniques to control these resources and assess
opportunities. In addition, successful entrepreneurs maintained their
market share by fostering customer loyalty and offering a competitive
quality service from suitable locations. In particular, they developed a
competitive pricing policy, maintained business contacts, and invested in
the promotion and presentation of goods and services.

Many indigenous small businesses have opportunities due to their
position in island life. First, such opportunities exist in the developing
island economies through the market potential of their rapidly growing
population, as well as in opportunities generated through the expansion of
the tourism industry, which has been promoted around the islands' unique
environment, culture, and lifestyle. Second, these opportunities avail
themselves in national policies and government agencies designed to support
small indigenous businesses. Governments offer a package that includes
financial support, training, and advice, as well as a range of incentives
and concessions. Third, the opportunities inherent in traditional communal
Pacific societies allow these individuals to develop talents within the
context of their community and to capitalize on this support as source of
labor, finance, and potential customers. Fourth, the opportunities are
generated by ambitions of the Pacific entrepreneurs to succeed in business
in their own way and to close the gap with nonindigenous businesses.

Despite all these opportunities Pacific entrepreneurs still face the
very real threat of business failure. Although failure rates do not appear
to be any worse than those elsewhere in the world, a pervasive assumption
exists that businesses owned and operated by indigenous Pacific islanders
will fail and collapse in bankruptcy. This assumption has bedeviled
efforts to encourage small businesses, and it has been hypothesized that
these expectations of business failure have become so engraved in island
thinking as to become a self-fulfilling prophesy, so with businesses
starting up with the latent expectation of failure.

PIDP's country studies reveal that the causes of business failure were
similar to the problems faced by small enterprises in most developing
countries. These problems included a lack of management experience and
business skills; undercapitalization, caused by an inability to raise the
necessary funds; restrictive government policies; inadequate
infrastructure; lack of appropriate training and advice; and lack of
information on markets, incentives, subsidies, and so forth. In addition,
the cumulative effect of excessive competition is pervasive in small
markets, which often results in a "copy cat" mentality, whereby a potential
entrepreneur merely attempts to ape the business success of an existing
venture. Thus any given village can have a number of similar shops or
public carriers that all compete for the same limited market.

Small businesses in the Pacific also face a particular problem arising
from the communal commitments of their owners. These commitments and
obligations are an integral part of the cultures and lifestyles of Pacific
communities. The effect of these communal commitments, or ceremonial and
social obligations, on indigenous enterprise cannot be overemphasized, for
if they are rejected the entrepreneur risks alienation from his family and
ostracism in the community. These obligations often take the form of
intangible, reciprocal relationships, as exemplified in the customary borrowing that carries an obligation to reciprocate sometime in the future when the need arises. Specific examples are kerekere in Fiji, fa te in Rotuma, bubati in Kiribati, or "facamolimoli" in Tuvalu.

Many small businesses suffer if the owners have not devised a method of controlling these communal demands on their business resources, time, and finance. In contrast, the successful Pacific entrepreneurs have been able to fulfill their commitments by showing control and discretion and thereby avoiding the damaging effects of customary obligations.

Other factors possibly can constrain the success of individual entrepreneurs. First, the hierarchical character of many Pacific societies demands conformity and thus stifles individual initiative. Second, in the lush naturally productive environment of some Pacific islands, individuals can still enjoy an idyllic subsistence life without the pressures of commerce. Third, many Polynesians work in New Zealand or the United States and regularly send remittance payments back to their relatives in the islands—with this regular inflow of unearned income there is less pressure to work. Fourth, there is no developed tradition of saving; public generosity is still the norm in most Pacific societies, and available money is spent on church contributions, travel, and gifts.

Conclusion

The discussion in the workshop reflected the deep concerns over the impact of these problems and constraints. A more detailed analysis of the problems and performance of indigenous enterprise in the Pacific islands and of policies established to support indigenous entrepreneurs can be found in the section, "Country Papers."

One aspect of particular importance is the potential role of businesswomen in the Pacific. Women have always been an important part of the local economy, earning cash by selling produce in markets, fishing, sewing, cooking, and making handicrafts. Traditionally women worked collectively in group activities whose benefits and success were amended in both financial terms and social value. The profits from these informal women-run businesses are used to pay school fees, buy clothes, establish water supply systems, and support church activities. These collective income-generating projects demonstrate the entrepreneurial talents of the women of Fiji.

The four papers in contained in the section, "Women in Business," however, show that business in the Pacific is a man's world. These four papers and the experience of the businesswomen who attended the workshop (see the appendix for their biodata) provide a valuable insight into the role and performance of businesswomen in the Pacific, as well as the discrimination and ridicule that they have to face.

As a result of these and many other problems and constraints, the workshop participants identified major initiatives to stimulate support and sustain indigenous entrepreneurs. Participants considered that these initiatives, as contained in the section on recommendations, had particular
importance for the indigenous business sector and were essential for the future political stability of their countries.

The participants identified these major areas of concern: First, the indigenous peoples are exerting growing pressure to take more control over their commercial destiny. Second, indigenous Pacific islanders should have an equitable share of the business sector and no longer be commercially outgunned or be economically subjugated to nonindigenous business interests. Third, given the estimates that over one-half of the population of most Pacific islands is under 20 years of age, an urgent need exists to generate economic and employment opportunities for the rapidly growing youth segment of their populations.

Recommendations emanating the workshop to narrow this gap and encourage indigenous enterprise can be found in the following section.

REFERENCES


N.B. Further information on indigenous business in the Pacific can be found in the following journals and magazines. Islands Business, Suva, Fiji; SSED Review, USP, Suva; The Journal of Pacific Studies, USP, Suva; Pacific Perspectives, IPS, Suva; Pacific Island Monthly, Sydney, Australia; and Pacific Magazine, Honolulu, Hawaii.
4. WORKSHOP RECOMMENDATIONS

The following recommendations are the result of the deliberations and discussions of workshop participants working in three committee sessions: government support, training, and finance. The main focus of these deliberations was how to encourage the promotion of Indigenous enterprise and, in particular, how to narrow the widening gap between Indigenous and non-Indigenous business.

Participants saw this as one of the major challenges facing the peoples of the Pacific a buoyant Indigenous business sector was recognized as being a major component in balanced development of national economies. Thus, the following recommendations were endorsed by the workshop participants in the hope that measures will be introduced to encourage Indigenous enterprise in the balanced development of the Island nations of the Pacific.

Recommendations on Government Policy and Organisational Support

Summary

The Workshop Committee on Government Policy recognized the importance of the government's role in stimulating entrepreneurship and thereby in supporting and sustaining entrepreneurs in the Pacific. At the same time, the Indigenous business community has a valuable role in the preparation and implementation of national plans and policies. The committee made the following recommendations:

Recommendations

1. That there be increased participation by Indigenous entrepreneurs in the formulation and evaluation of national development plans and policies.

2. That there be closer coordination among existing agencies and services involved in the development of Indigenous business to improve their effectiveness and make the best use of national resources.

3. That there be an evaluation of existing government procedures and management services involved in the administration of policies relating to Indigenous business development.

4. That appropriate incentive schemes be complemented and encouraged specifically for Indigenous business enterprise.

5. That governments further consider the comparable advantages of the privatization of certain government ventures.

6. That a regional exchange scheme be created between Enterprise Support Organizations (ESOs) at both government and non-government levels.
7. That greater efforts be made to disseminate information to indigenous peoples on:
   - entrepreneurial opportunities available.
   - support/incentives schemes offered nationally.
   - suitable forms of incorporation.
   - taxation regimes and exemptions where applicable.
   - what organizations and agencies can provide advice and assistance.

8. That such Enterprise Support Organizations be established to assist indigenous entrepreneurs with:
   - incorporation and secretarial formalities.
   - preparation of business plans and feasibility studies.
   - negotiation for bank or other forms of loan finance.
   - the search of joint-venture partners.
   - preparation of tax returns, statutory forms, etc.
   - establishment of appropriate recordkeeping and information systems.
   - general business and management advice.

9. That efforts be made to coordinate private sector organizations and education authorities to devise programs that call for:
   - basic business skills education.
   - decision making and the role of managers or directors.
   - the special needs of certain types of business operations, for example, rural trade stores, local transport operations, workshop maintenance, animal husbandry, handicraft marketing.

10. That research be undertaken and disseminated as to the effectiveness of the different schemes in operation throughout the region. Such research should:
    - highlight the effectiveness of these schemes in encouraging priority areas.
    - assess the evaluation and monitoring procedures associated with these schemes.
Identify business awareness of these schemes and their use by Enterprise Support Organizations.

11. That low-cost workshop, office, or warehouse space in urban areas be provided to indigenous entrepreneurs; that roads and shipping services be improved to facilitate transportation of goods and produce to and from urban centers.

12. That organizational support be offered to aid the distribution and marketing of local goods and produce, in particular, to facilitate the development of export markets overseas for the goods and produce offered by indigenous business ventures.

Recommendations on Training

Summary

The Workshop Committee on Training recognized that the provision of relevant and sensitively designed training programs was a key factor in reducing the number of business failures and making more effective use of business resources. The committee noted the following issues:

- Lack of a skilled workforce in the area of business management and the lack of entrepreneurial skills among the indigenous business people.
- The variability in the level of education and expertise of the business community.
- The diversity in the types of indigenous business.
- The need to clearly define and stratify the target group to which training will be directed.
- The need for both formal and nonformal training in the areas of business management and technical skills.
- The lack of coordination at both the regional and the national levels of available training.
- The general lack of government commitment in the area of business promotion and training and lack of advisory services for indigenous enterprise.

Recommendations

1. That agencies be established at a national level focused on "small business" to coordinate resources, curricula, and advisory services in the area of business management training and the development of appropriate nonformal business training programs to supplement the work of the national agencies. The urgency of this matter requires prompt action.
2. That, wherever possible, training programs and training materials be translated into the local vernacular.

3. That formal training programs in business management geared to all levels of expertise be sponsored by governments and offered in both rural and urban centers.

4. That recognized programs of nonformal practical business training be established to incorporate technical and vocational business skills. These programs, which can be run by NGOs and community-based organizations, should be encouraged by the continued and sustained support of government.

5. That a regional workshop be convened to formulate modules and curricula to support these business training programs. Apart from advising on the core business management curriculum, this workshop should address areas such as development of the entrepreneurial skills, business leadership, the need for thrift and frugality, and the interaction between business and local cultural obligations.

6. That a complete register of training institutions and agencies in the region be assembled and disseminated. This register would give details of business training programs, training resources, and materials, as well as training fellowships, grants, and exchange programs available in the region.

7. That more use be made of successful entrepreneurs and the private sector in developing and monitoring business training programs. A register should be established of indigenous entrepreneurs who are prepared to offer their services and skills in the development of business training schemes or practical training opportunities.

Recommendations on Finance

Summary

The Workshop Committee on Finance recognized that the financial structure of most business organizations is made up of either Equity/Share Capital or Loan Finance. Equity/share capital is the risk capital contributed by the owners of the enterprise toward the total funds required by the project. Loan finance is the amount borrowed by the enterprise for a specific length of time from one or more lending institutions. The committee noted the following issues with respect to Equity/share capital and loan finance:

- A successful enterprise is one with adequate contribution, whereas many businesses fail because of inadequate equity contributions; as the higher the borrowings become higher, the long-term debt servicing commitment becomes greater, which in time overstretches scarce financial resources. Therefore, a desirable debt/equity ratio is crucial for long-term survival.
In the Pacific the principal source of cash equity comes from personal savings. But unfortunately, the indigenous peoples have limited savings resources and therefore limited access to investment funds that could be used as equity or share capital. Measures to encourage either compulsory or voluntary savings need to be introduced if indigenous entrepreneurs are to maintain adequate equity contributions.

Both development banks and commercial banks perform a leading role in supplying loan finance for indigenous entrepreneurs who rarely have sufficient funds to start and sustain viable business projects. These banks need to establish special concessionary loan schemes designed to help indigenous entrepreneurs.

When applying for loan finance through a bank, indigenous entrepreneurs commonly face difficulties in completing loan application forms or feasibility studies and rarely have sufficient securities to support their applications.

Many indigenous entrepreneurs are unable to meet stringent loan terms and conditions imposed during the loan repayment period and thus often fall in arrears. Though better screening and relevant training can reduce the problem of loan arrears, the banks themselves should separate the loan appraisal function from the loan monitoring and supervisory function.

Recommendations on Equity/Share Capital

1. That detailed studies be carried out to examine the extent of savings by the indigenous peoples of the Pacific and to recommend measures to increase domestic savings by encouraging the savings habit.

2. That governments be requested to consider the introduction of appropriate incentives to encourage voluntary savings among the indigenous population, and that the option of introducing compulsory savings schemes be examined in detail.

3. That studies be carried out to determine the extent of ownership by indigenous peoples of the total corporate or business sector and to recommend measures to bridge the gap with non-indigenous businesses on a suitable time scale.

4. That the option now taken by Fiji of establishing a holding investment company at a national level, utilizing Fiji communal strengths is worthy of study and adoption by other countries in the region.

5. That development banks should be used, where necessary, to acquire controlling interests in profitable non-indigenous companies and to hold these in trust for transfer ultimately to the indigenous population.
6. That Pacific island governments consider the feasibility of introducing a national institution, similar to a stock exchange, to facilitate the raising of private capital issues for commercial projects.

Loan Finance

1. That development banks or similar national institutions should provide services to indigenous entrepreneurs in the areas of project identification, project planning, feasibility studies, and loan finance proposals. Alternatively, a separate independent institution should be established for these purposes. Such services should be funded by government where necessary.

2. That development banks or similar development financing institutions should establish special loan schemes specifically for indigenous entrepreneurs. Such schemes should have concessionary features such as longer and flexible repayment terms, lower interest rates, and government guarantees. Such concessions would require government commitment and financial support.

3. That development financing institutions should improve their loan appraisal procedures by undertaking market surveys and improved screening of clients to prevent or minimize the risk of failure.

4. The studies be carried out to determine the extent of involvement (or lack of it) by commercial banks in promoting and assisting indigenous entrepreneurs.

5. That commercial banks should be required to provide special assistance to indigenous entrepreneurs. This could be done via the central banks using their regulatory powers to issue specific policy directives in this regard.

6. That efforts be made to encourage the use of alternative sources of finances such as private venture capital, trustee holdings, and unit trusts.
5. PACIFIC WOMEN IN BUSINESS

Editor's Introduction

These papers, which are written by four versatile, obviously successful women, emphasize the powerful role that women can play in the development of the Pacific islands. In particular, they highlight the crucial role of women in the indigenous business community in the Pacific. Yet women entrepreneurs still face discrimination and even ridicule. Women clearly need to be given equal status and support in areas such as business opportunities, educational parity, employment, and career development, as well as in social recognition.

Pacific business is a man's world. Most women are shackled by the perception that their status is secondary to men and that their role is to manage the home and be a wife, mother, and lover. Yet the high caliber of women entrepreneurs in the Pacific is reflected in those leading businesswomen who attended the workshop. Interestingly, the criterion of selection was merely to invite the leading indigenous entrepreneurs operating in the region. There was no particular gender bias, yet nearly one-half of the entrepreneurs who attended this workshop were women.* A brief biography of these entrepreneurs can be found in Appendixes. All these factors underscore the remarkable versatility and ability of women running businesses in the Pacific today.

All of the women participants emphasized the importance of the support given by their families and husbands. In addition, they recognized that the time they found to face the challenge of business was due to their domestic help. Interestingly, the majority of the businesswomen had been the eldest child in a large family of sisters, which suggests that through sororal support and parental expectations, they were encouraged at an early age to play a more outgoing role. Their early self-reliance and ambition obviously made significant contribution to their business confidence. Another example in that of one woman* to ensure that only her daughter will inherit her extensive business interests, registered them in her own and her daughter's names, rather than in her son's or husband's names.

In the early years of their business careers, most of these women at the workshop faced discrimination and ridicule—deterrents that they overcame only through determination, confidence, and hardwork. Obviously, all potential businesswomen face major obstacles in starting their own businesses. All potential entrepreneurs experience constraints such as

* While in Apia the workshop participants stayed at Aggie Grey's Hotel, a hostelry of international reknown founded by one of the legendary business women of the Pacific—Aggie Grey herself.

* From a traditionally matrilineal society.
limited business skills, lack of access to capital, poor business training, a paucity of information, and the expense of meeting traditional communal obligations. But women, in particular, have to face the ridicule and disbelief of those (including many other women) who feel that women cannot compete successfully in business and are too emotionally sensitive for the business world.

These attitudes are exemplified in the prejudices of male-dominated banks or wholesalers who are hesitant to offer lines of credit or financial support in the belief that women are incompetent and inexperienced in the vagaries of business and who additionally likely to be side-tracked by children. Two businesswomen at the workshop told of the situation where their banks demanded their husbands' signatures on the loan guarantee documents before the loans were granted. Mere Samisoni, the most successful entrepreneur in the Pacific today, cites her own experience where the Fiji Development Bank had refused outright a loan for her now successful Hot Bread Kitchen project.

This lack of faith not only reflects very real discrimination, but also can engender a very real crisis of confidence. This feeling of insecurity is not the best state of mind in which to enter into business and consequently acts as a deterrent to many potentially productive businesswomen in the Pacific.

Given such attitudes of ridicule and discrimination, participants called on bank officials and government policymakers to ensure that Pacific businesswomen are treated equitably and receive their fair share of available finance, training, and support. Then Pacific women, who are obviously highly productive and enterprising, can play their legitimate role in the development of the Pacific islands.
AN OVERVIEW OF PACIFIC WOMEN IN BUSINESS

Janice Pearson

Introduction

Women have always been a powerful force in the Pacific, both in the family and at the community level. They not only take primary responsibility for raising the children and managing the household, but also provide support for men in their political and professional endeavors. Although they now enjoy equal political and civil rights, they have not always exercised these rights fully. While women vote in general elections in most Pacific countries, only a few have ever run as candidates for political office. Women account for nearly half of the Pacific population hence the full participation of women in the development process is essential if the total human resources of the Pacific islands are to be fully utilized.

The status of Pacific women is still evolving. The United Nations Commission on the Status of Women noted that:

When we speak of the status of women, then, we are speaking of the conjunction of positions a woman occupies at any one point in time, as a worker, student, wife, mother, church member, political worker, or whatever, and the rights and duties she is expected to exercise in her active role as occupant of these positions. It is more generally accepted that women are discriminated against and that men have more prestige, power, and privileges in almost all societies. But the direct measurement of status is a difficult and complex problem which hinders investigation of the causes and consequences of this particular form of stratification.

Women have been serving their communities for many years as health and education officers, mediators of social change, and communicators of traditional knowledge, skills, and culture. These are acceptable roles that women in the Pacific can perform and vital functions that they can fulfill. The contributions of women to national development have been increasingly recognized by men in the community, government, and international agencies. And women are being encouraged to do more. However, women still lag behind in private business, employment, higher education, and politics. The reasons for the lack of women in top leadership positions and business are complex and require an analysis of the status and role of women in traditional society, as well as a review of how these and other limitations have affected their entering the business sector.

Tradition Status and Rights of Women

The common traditional status of Pacific women was secondary to that of men. Until recently in some islands women were not, able to hold rank titles and therefore had little or no rights to land. The traditional role of women was, and still is, to remain in the home, get married, bear
children, be responsible for the day-to-day running of the household, and caring for spouse and children. A woman’s education was generally limited, usually fewer than 10 years of schooling.

Women are therefore looked upon as providers of support labor rather than as managers, and although the situation is changing in developed countries, the process is still slow in the Pacific region. Women are still looked upon largely as housewives when it comes to business considerations, which include bank policies on lending and securities, labor and employment laws, and educational opportunities—all of which still tend to favor males rather than females.

Women in the Business Environment

The traditional role of women as housekeepers, wives, and mothers is slowly changing in the Pacific as a result of economic necessity, improved educational opportunities, and growing personal aspirations. The majority of Pacific women in business are wives and mothers. The phenomenon of the unmarried, childless Pacific woman in business is still rare. Women enter business for various reasons, including boredom and the needs to be more challenged, to earn additional funds, to succeed in other fields. Whatever the reason, these women are usually well educated even to the extent of being trained in some profession, though these skills may have no direct relevance to the field they eventually enter. They often have the support of their husbands and families without which their task would be even more difficult. Pacific businesswomen have characteristic inner strength and resourcefulness to enable them to overcome the barriers, frustrations, and skepticism of the male-dominated business world, as well as the inhibitions and criticisms of a society that still remains traditional.

After a woman first recognizes that she wants to enter business and has an idea of her objectives, she then faces the problem of limited resources and lack of start-up finance. There are many avenues for earning additional income such as savings on the housekeeping money or starting a home-based cottage industry such as making handicrafts, growing surplus crops for sale locally, and initiating other small-scale ventures, which require little initial capital. Some women, especially in rural areas, are content to remain at their current level of income generation rather than enter formal business. Others, however, see business as the only means of attaining the initial finance to start and expand a business and achieve their business goals.

The process of saving sufficient revenue to initiate a formal commercial business is lengthy, and once the venture becomes operational many problems are encountered that could contribute to failure. These include:

1. **Limited access to capital.** Many women entrepreneurs, in trying to establish a new business, encounter discrimination in that they are not given the same recognition as men in the evaluation of their proposals by the male-dominated loan staff of most banks. Another factor is the lack of adequate security. In Tonga, for
example, women have no rights to own land, and the banks require a woman's husband to sign as guarantor and provide the necessary collateral.

2. Lack of business experience. Many new women entrepreneurs with high motivation and economic support are often intimidated on entering the harshly competitive urban business world. This lack of confidence, born of limited business experience, hinders their ability to properly market themselves, their goods, and their services. Hence market awareness and aggressive personal characteristics seem to be crucial to business survival.

3. Lack of training opportunities. Little encouragement or support is given to young Pacific women to train in areas of future business growth, particularly in the service sector. School curricula are restrictive and often irrelevant to practical employment skills, whereas training opportunities emphasize traditional female occupations: for example, teaching, secretarial work, and nursing. Career guidance is often nonexistent, and the emphasis on education and training is still limited by traditional attitudes toward women.

Often, previous work experience was the most important factor in deciding what business activity the women entrepreneurs entered.

Yet the need for essential business skills such as planning, marketing, management, and accounting for women entrepreneurs is still vital to ensure their continued development and eventual profitability.

Other problems relate to the attitudes of social and business contacts. Businesswomen often encounter severe criticism from other women as well as men in the society by not conforming to their traditional role. Moreover, the male-dominated business world often regards businesswomen with suspicion, and even contempt, while bankers and business contacts treat her with reserve and skepticism.

Conclusion

If greater efforts are made to remove the impediments that discourage women's participation in formal business, using appropriate training programs and widely accepting their capabilities, then the Pacific islands can look forward to a period of growth and development in coming decades.

Although women have been culturally conditioned in the past to believe that they should not aspire to owning their own businesses, different attitudes and economic opportunity are emerging through education and exposure.

Some of these attitudes are in direct conflict with traditional values, and one of the most important tasks of women had been, and will continue to be, dealing with these intrinsic conflicts. This ability has already emerged: Women have become mediators of social change, managing to maintain their important traditional roles while adapting to
new ones. They have become bicultural or even multicultural, successfully adapting to 20th century challenges.

However, more efforts are needed to encourage women to exercise their rights and to avail themselves of existing opportunities. By so doing, the human resources available to the entire community will be significantly expanded.
FIJIAN WOMEN IN BUSINESS

Mere Samisoni

Introduction

During the past five years I have been vigorously involved as an entrepreneur in the private enterprise field. Being an indigenous Fijian I soon realized that my own ethnic community and people owned or operated next to nothing insofar as business enterprise and the existing commercial market, or the potential of Fiji's economic structure, are concerned. One of my social objectives was thus to learn and understand as much as possible about the impact and social relevance of business and commercial entrepreneurship on the culture and traditions of my people and vice versa. I strongly believe that something must be done to identify and correct the problems and barriers that discourage or disallow Fijians from being meaningfully engaged in commercial business activities. This conference and workshop seemed to be an appropriate forum for the analytical assessment and possible resolution of these problems.

As an indigenous Fijian woman who is successfully involved in the private entrepreneurial field, I felt that I could contribute to the overall goal of encouraging and supporting the indigenous people in the Pacific islands and, in particular, the women to enter the business arena.

Opportunity, Support, and Problems of Indigenous Fijians in Business

In this paper I have referred extensively to the report by John Hailey on "Indigenous Business in Fiji." Anyone who knows the subject will tell you that this publication is the "bible" and standard reference text on this topic at this time. It is the most recent publication as well as the most comprehensive study of the subject so far. Opportunities, support, and problems of indigenous Fijians in business are clearly presented in this report.

Because the Hailey study deals only briefly with indigenous Fijian women in business and because I am an indigenous Fijian woman, I will confine my comments to the topic of indigenous Fijian women in business. I would like, however, to endorse at this stage my full support for the recommendations of the Hailey report. These recommendations deserve serious appraisal and follow-up action, and I am hopeful that this forum may switch on the activating mechanism for such actions.

My view is that the opportunities, support, and problems of Fijians in business all exist within the social and commercial sectors of the indigenous population. Opportunities are plentiful, particularly in the rural areas where most Fijians live. The buoyant private business sector in Fiji also means that even in urban settings, opportunities for the individual Fijian entrepreneur are present. The prime areas of private enterprise, however, such as manufacturing, heavy processing, and service industries (including the tourist industry) would appear to be beyond the reach of Fijian entrepreneurs, given the magnitude of such operations, the
levels of financial investment, and technical expertise required to launch and operate such businesses. These areas have been virtually sewn-up either by the other racial groups of Fiji's own society or by subsidiaries of multinational companies.

Regarding support for indigenous Fijian businesses, I fully concur with the Halley report that what is available now is neither adequate nor operatively effective. The political rhetoric and the administrative policies seem incongruent with what is offered, or indeed what the existing situation demands. Consequently, the endeavor to encourage or maintain support for indigenous Fijian businesses is beset with numerous problems and appears to be worsening rather than diminishing. I would therefore like to re-emphasize the first of Hailey's recommendations that the Fiji government should create a cohesive integrated policy to coordinate all aspects of support for the small enterprise sector among Fijian entrepreneurs. Surely what is offered now can be made more effective in terms of real benefits to indigenous Fijian entrepreneurs.

Indigenous Fijian Women in Urban-Based Businesses

To earn more about Fijian women in business, I made some inquiries among some women who run their own businesses in Suva, with the specific objective of identifying how other women could be encouraged into business and what types of support are needed to maintain viable enterprises. Nine women whose ages ranged from 34 to 57 years, most in their mid-forties, were interviewed. Their businesses have been in operation from 3 months to 18 years with an average span of about 9 years. All are married although one is now divorced. The number of children ranged from two-seven with five as average. Three women went as far as secondary school education and the others left school at class 8 (grade 8) except one who left at class 6 (grade 6). Some women are market vendors, selling either vegetables or cooked food and requiring investment capital of less than FJ$200.00 to set up businesses. Although they have a small turnover, they enjoy higher profit margins than the other women who owned hair-dressing salons, cosmetics and souvenir retail shops, taxi business, restaurants or snack-bar/restaurants, and tourist camps. The capital investment in these businesses ranged from $6,000 to $30,000 and had a turnover of between FJ$700.00 and FJ$1,500 per week.

Reasons for Going into Business

Economic necessity was the most common reason given for their participation in business. Other reasons given were being their own boss, having the opportunity to make "easy money," developing complimentary businesses, and using personal attributes such as being a "good cook," building a secure future, and providing a financial legacy for children. One woman who has been running a cooked food market stall for over 18 years and who paid for her children's educational needs right through to university is an uncommon example in the Fijian community, even for those with secure and well-paid jobs.
Hours of Work, Support from Family, Friends, Community, Profitability

Work ranged between 48 and 72 hours with an average of about 60 per week which is significantly fewer than in the Hailey report. Net earnings range from FJ$50 to $700 per week, with market vendors at the lower end of that range. Most women say that family support has been good. Friends were supportive as good customers although two women alleged that Fijians are biased against them, possibly due to jealousy. In contrast, they claim that Indians tend to support their own kind.

Business Involvements and Future Plans

All the women were totally new to private entrepreneurship and the commercial field prior to establishing their own businesses. Only one woman had attended a short workshop on business management given by the Economic Development Board. Everyone claimed that to be successful, hard work is essential to ensure customer satisfaction. Also vitally important to success is proper management of finances. Only three women mentioned the specific need to develop and cater to the requirements of the market and the needs of clients. Plans to improve or enlarge the businesses were mentioned by all, except one of the women. One woman intends to enlarge and expand on the range of goods and services offered and another plans to enter the wholesale market as well. In contrast, one entrepreneur intends to consolidate and operate at a reduced output because she was experiencing personal difficulties.

Government Support and Indigenous Fijians

A major hurdle to the success of indigenous businesses is accommodating the cultural expectations of relatives and the community regarding the Fijian tradition of giving or lending money or material wealth with little chance of being repaid. Two women mentioned lack of financial support or "maintenance finance" as one of the major difficulties they faced. Other problems included tough competition from Indians and interference in the decision-making process by husbands, as well as being stereotyped as undependable and untrustworthy in business because they were Fijian.

Only one woman was totally unaware of any means of obtaining support for indigenous Fijians who wanted to set up business. BOMAS and the Fiji Development Bank (FDB) were mentioned by two women while the rest mentioned the FDB together with a variety of other agencies, for example, National Council of Women, Fiji National Training Council, and the Suva City Council (Food Handling and Training Programme). The women identified two areas in which the government should provide support for indigenous entrepreneurs. These are as follows:

1. Management and operational support. Indigenous Fijians who want to set up business urgently need to be exposed to some form of training and learning activity in business management. A specific need was for the establishment of a training school for indigenous Fijians wanting to enter business. An analytical appraisal of the performances of Fijans who are in business should be carried out and used as the basis for advice and counseling of others who want
to start up their own businesses. There should be an ongoing program of supportive counseling for those already in business.

2. Financial support. The lack of what the women called "maintenance finance" was the major complaint in the area of financial support. In addition, they asserted that government interest in their businesses seemed to disappear once the business was established, and that counseling support and management advice were no longer readily available.

In my view, the pertinent points highlighted by those interviewed were the clash between culture and business principles and the need for training and management know-how in the field of business, as well as the unavailability of financial support, both for establishing the business and for maintaining the operation.

Culture and Traditions

The incompatibility between sound business practice and traditional customs with regard to offering gifts, presentations, or donations, as well as sharing wealth and material possessions, is a serious problem for Fijian entrepreneurs who service the indigenous Fijian market. Totally ignoring or rejecting such customs and practices can lead to social ostracism, which may be harmful to business in the long term. Therefore, the art and the skill of accommodating the two opposing demands of culture and private enterprise concepts seem to be a prerequisite for a successful indigenous business.

Training and the Need for Management Expertise

Training and management expertise were mentioned by most of the women; one even advocated the establishment of a specific training center for indigenous Fijians. This view probably reflected the difficulties experienced by the women in properly managing their businesses. The suggestion that government also establish an ongoing counseling and advisory service for management and operational procedures indicates the seriousness of this problem.

Financial Support

The lack of continuing financial support was a concern voiced by the women who had obtained substantial loan approvals to start up their businesses. As mentioned earlier, the market vendors had businesses that needed very little investment capital and had neither asked for nor received any loans from the Fiji Development Bank; moreover, they did not complain about the lack of financial support to run their businesses.

Among the others who received financial assistance to set up their businesses, virtually everyone complained about the difficulty of obtaining maintenance or extra operational finance after the initial loan approval. They were therefore compelled to seek overdraft finance from commercial banks to operate their businesses, thus complicating their loan repayment requirements and adding to their management problems. It is difficult to understand the logic behind a lending policy that will provide finance to
establish a business but will reject applications for working capital or overdraft finance. I hope in the future that the Commercial to Fijians Scheme (CLFS) section of the Fiji Development Bank (FDB) will consider such operational loans.

Of those who received loans from the FDB the amounts approved ranged from FJ$6,000 to $30,000. In only one case was the applicant asked to provide one-third of the required amount. The rest were able to borrow 100 percent of needed finance by offering 100 percent security coverage for the amounts loaned and by using their homes or residences for security on a first mortgage basis. While I applaud the FDB and the government for allowing such a level of equity lending, I do not think that it is sufficient encouragement to get Fijians into business. The only tangible asset owned by most Fijians is land—which at present is under the traditional control of the mataqali or clan and not the individual. Those who own their own house normally already have a mortgage. Therefore, not many Fijians can provide another mortgage security for loans from the FDB on this 100 percent security coverage. I, for instance, have been unsuccessful in efforts to obtain financial backing from the FDB to arrange a franchise deal that involves my two brothers and one sister as franchisee and my own company as the franchisor. I know that the business proposition is a sound investment; otherwise I would not be recommending it to my own kin. Nevertheless, neither I nor they can persuade the FDB to consider the proposition commercially because the FDB’s policies disallow lending for the purchase of franchise operations. The franchise scheme we offer is in my view one of the best ways to help Fijians learn about management control or business operations because our system is so structured that they can not possibly mismanage the operation without their knowing about it.

My Own Personal Experiences

I am very fortunate to have had the kind of upbringing by a mother who virtually by herself constantly struggled to house, feed, clothe, and properly educate six children. She was a genuine small business entrepreneur in every sense of the word and would have been a great business success had things been different in those days. Without loan facilities or related support she managed to put us all through high school and also sent the four girls to nursing schools in New Zealand. As the youngest, I spent a lot of time with her and was perhaps much closer to her than were the older children. I can only guess that some of her industriousness and business acumen must have rubbed off on me and generated a dormant desire to enter the business world as an entrepreneur. Thus, despite having built up an interesting and promising career in nursing and public health, I switched over to the commercial enterprise sector as soon as the first available opportunity presented itself.

This event happened when my husband and I were still in Australia. In observing Brisbane’s first “Hot Bread Kitchen” operation, we were convinced that a similar business in Fiji would be a real winner, and I approached the owner, who was also a friend of ours, to form a partnership in Fiji. Unfortunately, our Brisbane friend and partner pulled out in the end and we were forced to start all over again. Eventually we found other partners with the expertise and experiences we lacked and launched the Hot Bread Kitchen. As an interesting sideline to this story we did offer a 50
percent partnership to friends who had been in business for many years and who were apparently pretty good at it; not only did they turn us down, but also they tried to talk us out of the idea because they could not see any future in it.

They were not the only people who thought that our Hot Bread Kitchen concept was not commercially viable. The FDB reacted similarly when we approached them for a loan, and they eventually rejected our application. They also tried very hard to discourage the venture, actually advising us to forget the idea because Suva was already well supplied with good bread and bakery services and the local community would not patronize our business when they could get a better or similar product from the conveniently located corner shop. Incidentally, the commercial bank that loaned the money also provided two-thirds of needed finance on the security arrangement of personal guarantees alone. At that stage I was working for the Peace Corps as their Health Services Programmer, the first local appointee to that position, but gave up this interesting and challenging role to take up full-time management of the business, which had turned out better than even our most optimistic projections.

In any event, not much difference existed between the management approach to the business and my experiences in nursing and public health management. The same principles affecting productivity and efficiency apply equally in both areas, and any neglect of such principles is equally as disastrous, resulting in death of the patient or bankruptcy of the business.

Our operational policies were based on the following aims and objectives:

- Maintaining consistently a high quality and variety of products;
- Promising efficient service and guaranteeing customer satisfaction;
- Maintaining high standards of hygiene and cleanliness of the operation;
- Catering to the public good and job satisfaction of employees; and
- Providing good maintenance of equipment issued.

Within a year of launching the first Hot Bread Kitchen outlet, we opened two other branches. Shortly thereafter, we were confronted by competitors who had virtually copied our operational format, even the color scheme and uniforms worn by employees. We had trouble convincing our customers that the operation was not part of our own set-up. Unfortunately, we could not convince the courts that the imitation was in breach of copyright laws. Our Gujaratis imitators were thus allowed to conduct a business resembling ours in every way but substituting the name Hot Bread Shop for Hot Bread Kitchen.

Our competitors also expanded very rapidly, undoubtedly because of the readily available finance and their extensive experience in business. By then we were geared up for the franchise market through the consultancy
expertise of a franchise company and had opened three franchised outlets in Fiji, followed by another in Solomon Islands. Our latest addition is a partnership operation in Hawaii which brings up our total outlets to six company-managed shops, four franchises, and a partnership with a rural franchise operation in Vanua Balavu being commissioned in mid-1986. I am also responsible for the overall training of staff, including those employed in the franchised shops. In fact, I also set up the operation from the beginning right up to full working order and satisfactory operational performance before I hand it over to the franchisees.

Returning briefly to our imitators and competitors, our only concern was our inability to convince the courts that the public had been misled by our imitators. We were not, however, worried about the overall performance because their operation did not pose any real problems for us competitively. Their products were, in our view, inferior to ours, and the standards of hygiene and cleanliness of their shops were poor. Consumers were also becoming more discriminatory in their demand for better service and higher quality products. Sure enough, by mid-1985 they were in financial trouble, and their operation was placed on public auction under a bankruptcy order after we had turned down their offer to buy them out. Those hot bread shops are now operating under different ownership and management. Nevertheless, their product qualities and overall standards of hygiene and cleanliness do not appear to have significantly improved, and the continuing upward trend in our share of the market gives us no cause for concern about our new competitors.

As general manager and the person directly responsible for the day-to-day running of our business and its high level of performance and thus competitiveness, the failure of our competitor and immitator was a significant achievement for me personally. As an indigenous Fijian woman taking on the business giants, I suspect that even some of my close friends would have written me off when we first started.

Not only to have survived but also to have brought about the commercial collapse of our competition should be an example to all the Fijians that all is not lost and that they can thrive in the field of business enterprise.

Selecting and training shop managers have been among the more interesting aspects of my role as general manager. My policy has been to promote from within the ranks of those already in our employment. Given the present situation of high unemployment, we are able to recruit many employees with relatively high educational levels. When I tell you that only two of our shop managers were men and that one of them was sacked within six months, I hope you will not jump to the obvious conclusion of my being biased against men. I have found that women are more suited to the shop managers' role than the men I had under my employment. For a start, our salesgirls have much higher levels of education than do our bakers (who are all men). Being a woman myself may also have affected cultural relationships and the male-female interaction, although I have consciously tried to overcome this particular barrier, in respect of my position as general manager.

30
From my own personal experiences I believe that given the same level of education and work experience, Fijian women make better shop managers than their male counterparts. Because of their domestic role as mothers and wives, they are constantly challenged to manage a meager household budget to feed, clothe, and house their families. The day-to-day running of the home, meeting household needs and requirements, and raising a family must instill some insight into the general concepts and principles of management. I have also found that young unmarried girls can be trained satisfactorily to carry out the role of shop managers based on their own personal experiences in the socialization process. What was inexplicable was the fact that in three instances, these unmarried managers became totally unsatisfactory and were subsequently retired on leave without pay as soon as they were married or took up de facto relationships with their boyfriends. Unfortunately, they were not able to talk about their personal problems that had impacts on their performances at work. Two of those women have since returned to work but to positions of lower status and responsibilities. My company and I are now involved in a project that I hope will promote business activities for indigenous Fijian women in rural communities. The rural bakery project will expose the Fijian women in rural communities to commercial enterprise and the concept of profit motive. One of the underlying objectives of this program is to break down the cultural and traditional constraints that keep women in a subservient and secondary role to men. My purpose, therefore, is to demonstrate that women in the villages and rural areas are quite capable of successfully running a business enterprise. With the concurrence of my fellow directors I am going to run a pilot project on this subject within my own village, which is scheduled for mid-1986.

Those women who are going to be involved, and who are incidentally members of my own clan, have had previous business experience and have proved themselves to be capable and reliable workers. Their husbands are supportive and keen to get this project launched. The head of the clan also strongly support the idea, and as he is a high chief in this community his support is important. The village itself is one of the largest in Fiji and is connected by road to almost every other village on the island. It is the administrative center of the district and has a rural hospital, post office, and a cooperative store. It is also supplied with electricity through the government's rural electrification scheme. Therefore, the decision to start the project in my village is a commercially based one and does not emanate from parochial or biased considerations.

Business Opportunity and Management Advisory Service (BOMAS) agrees with my assessments about its chances for success and gave the project its full support. The rural development section of the government provided financial assistance to construct the required building. Obtaining the additional finance from the FDB, however, was a very frustrating experience. I am sure had it not been for sheer persistence and refusal to admit defeat we would have been denied the loan; to this day I still do not know what caused the pendulum to swing in our favor. The women and I personally are relieved that the project will be opened for business by the end of May 1986. This pioneering effort has attracted a great deal of interest in the rural community, and I am planning to expand it into other rural areas.
This project is further proof of what the Hailey report has highlighted regarding the need for a cohesive and effective overall government policy to encourage, promote, and support indigenous Fijians in business. I hope that the problems in this area can soon be rectified. If indigenous Fijians are to be encouraged and supported effectively in private enterprise, then those arms of government that are supposed to provide such support and encouragement should pull together in the same direction and not in apparent conflict with each other.

As a member of the yavusa or clan wanting the business and as an established and successful entrepreneur associated with the other party in the arrangement, I had no doubts that the proposition was a commercially viable one. BOMAS was similarly impressed with the proposition. So also was the rural development sector of government. The FDB, on the other hand, was apparently unconvinced and held out almost to the bitter end before finally giving in.

Many projects and commercial propositions have been detained by the FDB and consequently have totally frustrated not only the indigenous entrepreneur but also BOMAS, which had evaluated and supported their proposals. In the case of my efforts to set up my brothers and sister in one of our franchises, we have reached the same impasse where, despite my own personal recommendations about the viability of the project and the similar recommendations of BOMAS, the FDB simply refuses to consider any funding loans because it is not their policy to finance franchised businesses. I would have thought that a franchise management situation is an ideal way of introducing people into business because of the tightly controlled management systems inherent in the franchise concept.

Housekeeping defects in the management and control of business resources are common causes of the failure of Fijian-owned businesses. I personally believe that the lack of total commitment and the absence of the determination to succeed are basically the major reason for failure. I suspect that a large proportion of Fijian failures would be civil servants or ex-civil servants who had access to capital and who set up businesses after retiring from government or as a sideline activity usually operated and managed by an employee on whom they placed all their hopes and expectations for success. I would also guess that those who really want to set up business as a full-time occupation, and put everything they have into the business, generally succeed and that the only failures in this group would be due to circumstances beyond their control.

In my opinion, the indigenous Fijian entrepreneurs who are likely to succeed in business are those with the appropriate entrepreneurial attributes, a total commitment, a genuine desire to be in business, and a determination to succeed in business. If we can identify such people and provide them with proper support, I am sure that most will succeed. The challenge for us therefore is to identify these entrepreneurs and provide them with the necessary support.

Our objectives therefore would be to evaluate indigenous entrepreneurs in terms of their personal attributes and their likelihood to succeed from the viewpoint of their commitment and determination. If BOMAS was able to do this effectively, then many of our problems would be eliminated. The
only other area that we need to provide would be financial, technological, or expertise support through an ongoing management and counseling advisory service. BOMAS and the FDB should be able to work together to provide some form of consultancy service for this purpose. In spite of the political and bureaucratic propaganda and the claims that support is available to encourage Fijians in business, the realities are in stark contrast with the promises. Stringent mortgaged security requirements place financial assistance beyond the reach of the vast majority of Fijians. Inflexible policy constraints make it difficult or impossible to acquire maintenance or working capital, and limits on finance for franchise operations are counterproductive to the cause of encouraging and supporting Fijians in business.

Finally, and most certainly, the worst offender in this regard is the unfavorable working relationship between BOMAS and the FDB, the two most important support mechanisms for indigenous business entrepreneurs. BOMAS is supposed to provide the expertise and advisory service and make recommendations to the FDB that particular propositions have merit and therefore should be given financial support. I have experienced, and been advised, that the real situation is nothing like that. The Hailey report identifies the unbelievable discrepancies between BOMAS's recommendations and the FDB's loan approval figures. I also understand that in some cases, direct approaches to the FDB by entrepreneurs have resulted in loan approvals that BOMAS refused to recommend; such businesses invariably have failed.

The glaring injustice of this system, however, is the fact that at present BOMAS has very little redress against the FDB's decisions. I would therefore like to see a third party in this system through which BOMAS can appeal and thereby control the totally dictatorial attitude of the FDB as to whether or not it agrees with BOMAS's assessment of a business proposition. In other words, we should have a referee or arbitrator who has the final decision in the matter.

This final example highlights the need for the Government of Fiji to coordinate the efforts of agencies specifically established to promote Fijians in business. For if the government is to make any progress in its avowed intent of encouraging Fijian entrepreneurs, a more cohesive and effective overall approach is needed to support and sustain Fijian enterprise.
The subject of "Women in Business in Papua New Guinea," may appear quite simple. However, for a woman whose traditional role has been looked upon as one of childbearing and care, as cook, and as household servant, the topic is quite complex. Women have always been looked upon as providers of support labor and not as managers.

Although this situation has changed a great deal in some western countries, it definitely has not in my country and, presumably, in the South Pacific region. Even those countries where the top positions in government have been occupied by women, women are generally looked upon as housewives when it comes to business considerations.

For example, bank policies on lending and the provision of securities tend to favor males more than females. Labor and employment laws and educational opportunities also tend to favor males over females.

This general observation was confirmed in Copenhagen, July 1980, when the United Nations' mid-decade conference on women was told that:

- Women are half the world's population,
- Women receive one-tenth of the world's income,
- Women account for two-thirds of the world's working hours, and
- Women own one-hundredth of the world's property.

Women in Decision-Making

I suggest the situation has not changed much since then. Women in Papua New Guinea are probably worse off than are their counterparts in other developing countries because of the continued inconsistencies in both national and provincial government policies toward the advancement of women. These inconsistencies have arisen because the political, social, and economic decision-making process is always dominated by males.

When local government councils were introduced to Papua New Guinea, women were never considered to need special representation. A pattern of all male councils largely exists today. In 1978 only seven (7) counselors out of 4,313 were females. Yet local government councils are closest to village life and therefore have the most immediate effect on women's life. A greater representation of rural women on local government councils would greatly enhance the government's response to the needs of women.

At the provincial government level, however, women's representation is at its highest. This has been made possible through provincial constitutional provisions. Although no woman has yet been elected to
provincial governments, most have shown and are aware of the need for women's representation and have nominated women to elected provincial governments.

The status and importance of women in the political and economic decision-making process are the lowest at the national level. In the 1979 elections, the number of women elected increased from one to three. However, in 1982 election, the number of women who are members of Parliament had dropped back to one.

Temporary Change

In 1979 the Government of Papua New Guinea, in response to the United Nations declaration of the International Women's Year in 1975, passed an Act of Parliament legitimizing a National Council of Women. The act allows the women to question and criticize the government on matters that discriminate against them. In 1980 the National Public Expenditure Plan (NPEP) provided machinery to increase the participation of women in political bodies and the economy. It recognized the fact that most development efforts had not benefited women fairly and that they were severely underrepresented in the various levels of the decision-making process. The first NPEP with provision for women outside health and family planning was that for 1979; the allocation for that year and the following three years and the share in total are shown in the following table:

National Public Expenditure Plan Allocations for Women, 1979-82

<table>
<thead>
<tr>
<th>Year</th>
<th>Total NPEP</th>
<th>NPEP Expenditure on welfare objectives</th>
<th>Expenditure on women's projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Km</td>
<td>% of total NPEP</td>
<td>Km % of total NPEP % of welfare expenditure</td>
</tr>
<tr>
<td>1979</td>
<td>58.8</td>
<td>7.0</td>
<td>.863 1.5 21.0</td>
</tr>
<tr>
<td>1980</td>
<td>117.8</td>
<td>9.5</td>
<td>.709 0.6 6.3</td>
</tr>
<tr>
<td>1981</td>
<td>147.1</td>
<td>10.0</td>
<td>.454 0.3 3.1</td>
</tr>
<tr>
<td>1982</td>
<td>174.5</td>
<td>7.8</td>
<td>.350 0.2 2.6</td>
</tr>
</tbody>
</table>

Source: National Planning Office, National Public Expenditure Plan

As can be seen, a decline has occurred in both the amounts appropriated for women's projects and the share of such amounts in the total NPEP each year since 1979. A number of projects may have been transferred to the recurrent budget during the later years; however, the picture is still discouraging. Only 59 percent of the amount set aside for women's projects since 1978 has been utilized.
Furthermore, "women's projects" are welfare based and do not aim to promote women's participation in the political and economic affairs of the country.

Training and Employment

Women cannot be expected to be on equal footing with their male counterparts if they do not have the necessary education and training. Furthermore, government policies on employment and training must also change. For example, in Papua New Guinea secretarial training is regarded as a female institution, and therefore facilities such as accommodation, toilets, and the staffing requirements are always in favor of females. On the other hand, technical training schools are always biased toward male students.

Given this situation, it is only fair to assume that the general attitude is that women will always provide the secretarial duties and the males will proceed to management and policy decision-making levels because of the training they have received.

Women and Agriculture

Women in Papua New Guinea are mainly responsible for growing food and harvesting cash crops and food gardens. To date, nothing has been done to improve subsistence food crops or methods of subsistence farming—an area that is the domain of rural women and of the bulk of the people in Papua New Guinea and other developing countries.

Agricultural research and extension have instead concentrated on cash crops, cattle raising, and other commercial activities, areas dominated by men. Only 2 percent of agricultural extension workers is female in Papua New Guinea.

There are, of course, some exceptions whereby women are actually absorbed in subsistence agriculture but not for cash. Also some women are involved in harvesting and processing cash crops. These are ways by which women can be encouraged to participate in the cash economy.

For Papua New Guinea and the Pacific, subsistence food production will remain the main source of food for the bulk of the people now and for many years hence. It will also be the main link to the cash economy for the rural population.

Therefore, it is only fair to say that women and their role deserve greater and more stable policies and official recognition than has been the case in the past, as well as better support in training, research, and extension services.

Women and Social Services

Four percent of the workforce earning wages in agriculture are women. In education girls and women are still at a disadvantage compared with boys and men at secondary and tertiary levels. Girls enrolled at primary school level reached 42 percent in 1983 and has stabilized at secondary school
level at about one-third over the past ten years. The few women at the university level take undergraduate courses in social subjects.

Despite this gloomy picture, women themselves are becoming more aware of their subordinate roles and are beginning to join forces together for a greater share of the benefits from their work. To what extent they will succeed in their endeavor depends very much on the government's willingness to instigate and implement policies for women.

I have dedicated considerable time to the Papua New Guinea situation not only because I am more familiar with the situation there but also because of its variety of cultures and linguistic grouping. In addition, it is the largest country in the South Pacific group of nations. Furthermore, it is useless (I believe) to talk about Pacific women in business if we are not aware of the factors that could or may have contributed to the limited number of women participating in business both here in the Pacific and abroad. When we talk about business, certain words automatically come to mind. These include profit, sales, expenditure, management, banking, borrowing, and many more. We need to be aware of their meanings in the context of business. However, to do this we must have the necessary education and training. Certain traditional practices and modern government policies also tend to have negative effects on certain business initiatives. All these factors must be taken into consideration when deciding on a particular type of business.

My Experience as a Businesswoman

I started my business in the village as a farmer and cocoa processor. I then went into pig fattening for the local market. Having saved enough money and relying on urban opportunities, I decided to try my luck in Rabaul where a souvenier shop was established.

In the same year I started a small car rental business two small pick-up trucks. Soon after, the car rental business was registered as Browns Hire Car Services, and a new fleet of four sedan cars was added to my stocks. Two years later I shifted from the old shop to a better and bigger location where I have established a general grocery store and drapery shop. The two shops and the rental car business are run jointly by the same manager.

The business employs a total of five shop assistants, one of whom also acts as a driver for the rental cars. I have experienced many frustrations during the years of running the business.

The first and foremost is related to the fact that I am a woman, and the expectation for me is to perform maternal responsibilities, that is to feed, clothe, nurture my children, and prepare meals for my husband.

The second problem relates to attitude of male wholesalers who tend to look at me with suspicion. The wholesale trade and salesmanship are male dominated.

The third frustration concerns the attitude of my bankers, again, male dominated. When I require financial help and funds have been approved,
they always insist on my obtaining my husband's guarantee, in the form of a personnel guarantee. On the other hand, they never ask me to guarantee any loans he obtains.

**Government Initiatives**

As some of us are aware, the Government of Papua New Guinea has built into its development program some schemes that are expected to boost the cash base for locally owned businesses and to promote their participation in the economy of Papua New Guinea. These are the Village Economic Development Fund, the National Investors Scheme (NIS), and the Credit Guarantee Scheme.

While it is appropriate to praise the government for providing such schemes, we should also question whether they are being used by genuine indigenous businessmen/women or groups, or whether they are being used mainly by already established people, most of whom are either politicians or people who are familiar with these programs.

There appears to be no common approach by either the government or its own financial authorities, namely, the Papua New Guinea Banking Corporation and the PNG Agricultural Bank (formerly PNG Development Bank) in executing these initiatives. We should go on to ask how these banking institutions interpret the government's direction and also whether consultations are held before these policies are introduced. As a female I see that the initiatives do not differentiate between male- and female-run businesses, and therefore women are expected to compete equally with men for financial assistance. Given the position of women as I have described, one can only assume that the women will never directly benefit from government initiatives.

**Management Training**

The Papua New Guinea effort in management training leaves much to be desired as no clear policy is evident to implement it. What few management training programs that are available have been created purely for trainees and also for civil servants. For business management the government has relied heavily on private enterprise to do their training, and so increasingly, management training has been undertaken by specialist private training organizations. This arrangement means that only those people who can afford these courses can benefit and that the majority of individual businessmen and women miss out completely.

**Concluding Remarks**

The pace of socioeconomic development in Papua New Guinea and also in the Pacific will depend on effective measures to improve the status and productivity of women because the women constitute almost one-half of the country's population. In the 1980 National Census women made up nearly 48 percent of Papua New Guinea's total population of 2,978,057.

Better educated and healthier women will make more efficient cultivators and therefore raise the standard of living in rural areas. These factors, however, have been known for years; yet attempts to put the
plans into practice have been very slow. Perhaps this is to be expected, especially when those who have been assigned to conduct such corrective programs are always male. This pattern is to be regretted because some of the measures that would enhance the role of women have wider implications, and therefore any improvement in the status of women will have a multiplier effect on the country's socioeconomic progress.

Given these conditions, a clear set of policy guidelines for women should be formulated. The document should first attempt to highlight the importance of women's participation in development. Then it should try to convince all Pacific island governments to remove current discriminatory policies against women in education, training, employment, and decision-making.

Finally, to accelerate the process of the recognition of women as equal partners in all development issues, Pacific governments must commit themselves financially toward women's advancement. Such commitment should be long term and must also include manpower support.

Until these steps are taken, women's participation in business, commerce, and other major arms of development run the risk of being short term and uncoordinated forever.
A workshop, such as this one, to discuss the problems facing indigenous Pacific women in business, 15 years ago when I started business would have been a godsend. For in those days I knew nothing about business, let alone women and business, and business women in the Pacific.

First, however, I need to say that the topic given to me is a handicap. I do not know what "Pacific women," an abstraction, means. I will speak about women in business in the Pacific. And about some vital problems targeted for discussion.

The societies from which we come are (1) traditional or semi-traditional; (2) small and limited in resources; (3) isolated in geographic locations not only from world markets but also from ourselves, thus indicating transportation and communication are special problems; and (4) totally foreign to business ways, which today are mainly western in methods, techniques, and objectives. This being the case, the situation for women, in particular, is fragile. Much depends on understanding the context not merely of the societies themselves, where they have been, ideologically speaking, and where they mean to go, business wise, using both contemporary economic principles and viable island and atoll practices.

By Pacific, I mean Pacific Basin countries. By women, I mean in traditional terms, females classed by sex who have passed into menstruation, who are of a certain conventional age, who are married or single, and who are with or without children. By business, I mean trade, and by trade, an exchange system by which individuals act as individuals, at least hypothetically, for the objective of making a profit. An indigenous Pacific woman is a native woman by blood, by culture (such as language and belief system), and by geographic limits (such as island and atoll dwellers). This definition includes societies traditional in social patterns within different political-economic structures such as Tonga, Samoa, the Maoris of Aotearoa and the Cook Islands, the Melanesians of Fiji and Papua New Guinea, and the peoples of the nation states of Micronesia. The range is enormous. My remarks, therefore, will be taken from an individual case history and from the generalizations based upon it.

All women have as a common background the conventional expectation that they were all designed to spend their lives in the home. In contemporary times, our education starts at five or six years old and ends between 12 or 15 years old. Most of us were expected to marry. Most of us have married. Most of us were expected to remain at home. Most of us remain there. Most of us were expected to bear children. Most of us have done so.

Two tracks distinguish our business entry positions: (1) we remain at home as homemakers, doing business along with it, or (2) we leave home. Increasingly, more women keep a home and keep an office as well, or at least a separate place of occupation. When a woman works outside the home,
she may do so in one of several occupations, one of which, especially in
port cities, is prostitution. Sometimes it becomes a business, called
proverbially "the oldest profession in the world." Or else we enter into a
totally non-traditional way of earning a living: a modern business
woman's. However, most Pacific businesses operated by women are "cottage
industries," in which mats, for example, are woven at home and sold in
marketplaces by their makers. Some women sell through cooperatives
operated by governmental, church, or quasi-governmental organizations. How
did we become mat makers and sellers of mats? How did we enter business?
By accident, from need.

The saying, "Necessity is the mother of invention," is very apt, here.
There is usually, very simply, a lack of resources in the home that a woman
senses she may fill. She also needs to meet the expenses of food, rent,
repairs or maintenance, clothing, school fees, etc. Not that women are
traditionally responsible for these alone, as for instance the head of the
household, but because very simply the need exists or is seen to exist.
And the opportunity for filling the need is also seen. The perception of
this need also arises from boredom. In both instances of need, the
question is: How may one gain remuneration or reward, monetary or through
barter for the products of self-employment—or by creating what did not
exist before?

What happens first in such a case is that one identifies an idea,
stemming from the need. My own personal idea was that of a bus. Trained
to be a nurse, I was forced into premature retirement because my husband, a
doctor, was appointed director of health. My position as a supervisor of
nurses at an outpatient department was seen as a conflict of interest. So
I moved out to pasture. But it bored me. Like many women in the Pacific,
my household consists of two relatives of different generations and my
mother—all of us sharing in the care of children, etc. One day, while
sitting outside my house, under a tree, next to an old, abandoned bus that
the family did not want and had no use for, I noticed MiniMoke taxis
carrying people off, in two directions. My bus immediately seemed an
answer. A bus company, of course, was a need. But the bus needed fixing.
To fix it, I needed money. Where does a woman get money, when in need, and
without resources? The household money. I began to save, cutting here,
there, wherever possible. And I gardened furiously, for surplus bananas
and kava to sell.

Many Pacific women turn themselves into intensive horticulturalists
not agriculturists (that takes machines), but rather horticulturalists,
just one step above the food-gathering level, or a nomadic existence. But
most women in Pacific businesses weave mats, prepare tapa, and in certain
atolls string beads and shells for ceremonial and visual ornaments. For
gardening means transportation to markets, immediately, and markets mean
having a certain volume of buyers to make the work of selling worthwhile.
Women on outlying islands are at a distinct disadvantage. For distance
means the greater cost of getting the handicrafts and crops to markets, and
the expenses of marketing them through others. Business activities are
therefore additional activities to those of the home; to the degree that
they are not faced with time constraints, they are also simultaneously at
the mercy of unknown lengths of time waiting for their profits.
If earlier I had had a conference such as this to go to, I would have saved a lot of money, time, energy, and anguish. I made some very poor decisions, simply from not knowing much about anything. I made some good decisions, but at the wrong time, also from ignorance. I made good decisions at the right time with the wrong people, from ignorance. That is, things happened to me. I was not exactly creating what did not exist before. No one told me that it takes organization and planning to succeed, a conference like this, at that time, would have at least shown me the way forward.

Nevertheless, I discovered that I had to set a goal. My goal was to earn T$1 a day, so that in six days, I would have T$6 a week. I aimed low, at T$1 a day, because I did not want to be disappointed. If I was to be disappointed, I did not want to fall too far. Even so, with modest expectations, my T$1 a day did not come until after three months of work.

Once I had enough money saved to fix the bus, I discovered that buses need repairing! It takes more money just to keep going. No one had warned me. But I chanced to have had a very stern father who, when I pestered him to let me do something, would refuse, until, in exasperation, would say, "Go and do it! But don't let me see you as a failure!" I learned very early to be determined, to overcome the fear of failure and succeed instead. My bus had to have a route. How does one decide on a route? I had a little car then and went out trying different possible routes, watching the amount of petrol consumed, the distance traveled, the time involved, the numbers of people, and the times of greatest traffic at certain points where a need for a bus was probable. I put that information together along with the fact that a hospital is an emergency destination, with a population that requires seeing, every day and every night, in Tongan custom, by members of the family who take food to the patients. People would surely like to get to the hospital cheaply. So involved had I become, setting up a route, that when my bus was scheduled to begin, I had it routed past the maternity ward of the hospital. Well, my bus company started on schedule, on the day appointed. I had identified an idea, forged a plan to get money, settled the need for a route, decided upon one, evaluated its cost, and was determined to carry things out.

Such determination is not completely of one's own efforts in deciding. It is the experience of many Pacific island women that a broken marriage leads logically to a successful business. A husband must be very confident of his own worth and skills not to demean his wife's efforts and ridicule any of her results. And husbands are not the only source of dissension and humiliation, ridicule, and anguish. Other women are as well. In the name of conserving cultural values, many women think a successful woman reflects not women's abilities in general but those of that particular woman, that she considers no needs but her own, whereas other needs are those socially approved by the local custom. Women in isolated villages, with perhaps the greatest needs for change, may be the cruelest; but town women, despite their supposed urbanity, are just as prone to criticize success and failure, with almost equal zeal. A woman in business has to rise above these responses, which are often based on ignorance and try to help inform her critics, by ensuring new ideas are an acceptable and desirable possession, and a tool with which to resolve problems.
There is much to be said, politically or governmentally, about customs and laws that stipulate that a woman who may have a share in some land holdings can have no right to her share of that land (as a divorced or widowed sister of the brother who owns that land, for example)—in order to use the land as collateral for beginning a business. Some land tenure systems insure that the land goes to the first son; others, to sons equally—and through such sons, by possession even to foreign wives who have children by them; but never to native women who are "only" sisters. It would seem that the uninformed supporters of tradition and the government's assessment of a women's status encourage women to immolate themselves upon tradition, for the sake of the social well-being, when, in fact, frustrated and dissatisfied women are in a position to keep all future generations of children from feeling united and existing as a collective, healthily functioning social body. In this context both tradition and governments are threatened when businesswomen press ahead for what they see is justly theirs.

What then might women who lack such access to land use as collateral or security for a loan? They may be screened for reliability, on the basis of character. And possibly be given credit to begin businesses, let's say, as an experimental project with potential for profit. Studies to evaluate successful applicants and their progress could be made periodically as a basis for a better understanding of the factors that lead to success.

In summary, businesswomen in the Pacific come out of their homes from need and by accident. There is precious little help for them to learn how to begin, maintain, develop, and expand a business or to find out which businesses are viable, why, and why not, under what conditions, with what kinds of options for borrowing capital, whether they entail fair terms of low interest rates and long repayment agreements, and if they should fail, how to get up and start again by reviving the old or by establishing new businesses. Most of us, when we start our businesses, are ignorant. We lack public libraries to find out the facts. We are not always sure why one claim is a fact and another not, and what we should do when two experts disagree on an issue, experts who appear to have equally fine credentials for knowing better than anyone else what is what. A regional center or centers are needed to prepare well-translated materials and disseminate information using the radio, video tapes, tape cassettes, and even the satellite. Some Americans play chess by satellite. Surely women can discuss business issues the same way.

This brings me to the three critical areas that I identify as deserving special attention here.

1. Management Training

   For some, although probably very few, management training does exist, but often the government selects the persons to attend such courses and so civil servants take most of the places in these courses.

   Documentary films of relevant case studies sent to business centers in the Pacific for in-country meetings would be greatly appreciated. This would be a valuable learning tool and
cost-effective method of showing managers how to deal with
problems.

An exchange training service would also facilitate the learning
process: a Tongan hotelier might go to Micronesia, or a
Micronesian to Fiji, to see how hotels operate in the different
island settings.

Finally, management retraining is often as important as the
initial training for many managers, and training programs
should be developed in service management.

2. Government Support

No doubt the government should be represented by persons better
trained than they now are. Higher standards of competency
among civil servants might insure fairer practices to
businesses, especially regarding women's businesses.

Governments need to understand private sector interests—and
vice versa—and for both parties to see the others' point of
view, let alone to foster support for women in business.

Governments would do the private sector a favor by not
establishing government-owned business, though what may be
worse would be to ignore the private sector altogether. The
government's role is to advise us of how we stand, what our
status is in relation to its own policies and constraints, and
what expectations would be reasonable to hope for insofar as
the concern the country's progress as a whole, and our share in
it.

Governments might hold seminars to discuss how and in what ways
women in business violate tradition and custom so as to assess
ways such customs may be best modified or adopted to
contemporary business practice.

This could be done by re-evaluating cultural beliefs, mores, and
values. For among the values that need to be considered critically are
possible weaknesses in the structure of the existing social value system
and how this needs to adapt to the cash market economy. New expectations
have created a "compromise culture," and women have a major role to perform
in this culture as long as time and energy are not lost in a flow of
verbiage; for such rhetoric often leads to the downfall of many ambitious
plans.

3. The Development of Enterprise Support Organizations

Women in the Pacific learned business the hard way: their
cottage products and handicrafts maybe touted by tourists and
government culture specialists but in the final analysis are
objects that took time and effort to make, for example, a mat
that took three weeks to make will bring in only T$15. It is
in this sort of discrepancy that support agencies might play a role in helping women in the Pacific islands to resolve. Products that require extensive work and time and bring small rewards, but are given only lip service, are essentially *rubbished products*. Pacific women are known for their mats and tapa and shell work. We need advertising and marketing skills. And high oratory that values beautiful mats and assesses their worth in real dollars per woman hour of labor.

Credit agencies should reserve funds for women. We all know of the "Favored Nation Status." It is a policy that is used to indicate that an emergency exists. One might try, innovatively, an idea like "Favored Woman's Status"—try it temporarily. We might even drop "Mother's Day" in favor of this initiative, for mothers ought to be appreciated every day, and often are, but they should also be business women seen as women who can offer particular benefits to the community in general. Much education highlights what already exists, but this is not considered a problem until the lights are on, and the shadows are seen for what they are—just the absence of light. The appointment of a woman business adviser would starkly highlight their all too obvious absence so far.

Why cannot Pacific island businesses operated by women be given 40-, 30-, and 20-year loans, to be repaid once the businesses are profitable rather than concurrently? Why cannot women be given favorable terms to compensate for their presently unfavored status and rank, in both business and the community? One would like to know about indigenous women in Aotearoa, Canada, and America. Are there special credit systems for them? Their experiences today may well be the blueprint for us tomorrow. We are concerned about them and would love to have more dialogue with them on topics such as how we might "reinforce" existing credit facilities. Also to find out if companies would be willing to let us enter into partnerships to establish finance companies ourselves.

I am grateful for the opportunity to put the issues of women in business in the Pacific at the forefront of international concern. It is my hope that we can meet again, having now begun a rather historical movement to close ranks against ignorance by stretching out hands across the Pacific toward all, those who wish to help us and those whom we can help in return.
Editor's Introduction

This innovative paper on Pacific management represents one of the first attempts by a Pacific islander to explore those cultural characteristics of Pacific people that could be potentially incorporated into contemporary management practices. A growing number of Pacific islanders are working for organizations, either in business or government, that are run with a management style appropriate to industrially developed nations.

In practice, these organizations therefore rely on partially understood and often culturally inappropriate management techniques. Consequently, an effective management style—one that is appropriate to the peoples and cultures of the Pacific—should be developed and applied. Example, include drawing on cultural traits to effectively settle disputes, make decisions, motivate staff, increase productivity, and maintain quality. At the same time, Tawake identifies certain aspects of Pacific life that could cause management problems, such as the structural constraints on individual initiative, the misuse of seniority, and the vested interest in maintaining the status quo.

This paper raises two broad issues and to highlights some of the favorable cultural characteristics that have potential application in management practice in Pacific island nations. The beginning discusses nine structural characteristics of indigenous businesses. The second part of the paper focuses on "Management, Pacific Style" in which workshop participants can critically review their own cultural traits and isolate appropriate ones that could be best utilized by indigenous entrepreneurs. What follows are basically this author's observations and opinions of the functions and operations of indigenous entrepreneurs in the South Pacific region.

Structural Characteristics of Indigenous Business Organization

Social organizations of South Pacific people today are based on values that evolved within the integrated subsistence economic system. These social values have persisted over time even though the integral subsistence system has gradually disappeared, and indigenous businesspeople have adapted to values with which they were familiar. This is observable in the way in which business enterprises are operated in South Pacific island nations. Indigenous entrepreneurship have the following important characteristics:

Small-scale village-based enterprises

When they first go into business, island entrepreneurs usually engage in moderate small-scale commercial undertakings mainly intended to service
the immediate needs of rural people, for example, tradestores, garages, or workshops attached to their houses. These provide a necessary service to customers by providing food supplies or appropriate goods and services that are important for the local community because they are cheap and convenient. These businesses often avoid the financial constraints that arise out of renting, buying, or building a workshop or store, as well as benefit from access to land and relatively cheap buildings.

Consequently, some of the first businesspeople in Papua New Guinea moved into fields that were based in their home village where they could mobilize capital and labor from their own family members or wontoks. These businesspeople relied on local support, and in return the community benefited from the provision of new services, the supply of tradestore goods, or the availability of transportation, as well as from employment for kinsmen and fellow villagers. (Andrew 1975, p. 111).

**Medium-size, urban-based enterprises**

On the other hand, urban-based entrepreneurs often engage in medium-size business ventures that require more sophisticated business techniques and skills to succeed. These businesses include beauty salons, hairdressers, motels, handicraft outlets, shipping services, professional services, tourist services, construction firms, and associated services such as plumbing and electricians and various manufacturing operations. The growth of these urban ventures is said to have been influenced by the easy availability of advice and other services given free of charge by management and advisory consulting services provided by government agencies, as well as by the easy access to financial assistance through lending agencies such as the development bank or commercial banks. In general, however, the buoyancy of the urban market is the major factor in their success. Urban entrepreneurs, both men and women normally have had some secondary education and appear to have benefited from their previous employment experience before entering business on their own. Such experience is valuable as it often gives them practical exposure in areas such as marketing, business procedures, and contracts. It also provides them familiarity with "tricks of the trade," and develops their personal and professional contacts. The most important opportunities are those offered by the urban environment to accumulate capital, to gain access to capital funds, and to exploit a growing market.

In Suva, however, over 75 percent of local businesses are poorly located; this has resulted in mediocre business performance, which can contribute to business failures, partially because of the high cost of renting and owning land in urban areas.

**Marginal involvement**

Marginal participation in business activities is said to characterize the rural entrepreneurs who are both part-time subsistence farmers and part-time businesspeople. They primarily produce for their own local use, and the surplus is sold on a commercial basis. As Epeli Hau'ofa suggests in a paper on the competitiveness of "rural social systems and modern business," these types of entrepreneurs operate small businesses such as tradestores for economic reasons but cannot manage them as commercial.
propositions because of their unwillingness to forgo their traditional security and commitments. In other words, the benefits gained from modernization are not sufficiently real and attractive alternatives (Lamont 1983, p. 138).

Most South Pacific countries are rapidly developing, but they still remain predominantly agricultural economies. The local entrepreneur, therefore, still has a "farmer mentality" because his skill is very much rooted to the soil. He is not geographically mobile; thus growth to him means moving into other businesses within his own locality. Even if he diversifies he will prefer not to move to another province or to another region. The habits of subsistence farming such as the lack of strict working schedules have become an integral part of his business operation which can pose as a problem. On the other hand, marginal business participation encourages a family closeness to the land that provides an added security and a deep sense of national identity; it gives the entrepreneur a sense of closeness to the business and his family that can be an important support when the business encounters difficulties because family members often volunteer their assistance.

Age Group

A typical small entrepreneur in the South Pacific region falls into one of two categories: (1) those between 30 and 45 years of age, and (2) those between 46 and 60 years old. In most instances, entrepreneurs will have had some sort of experience working in a tradestore or as a hired hand in a factory before starting their own businesses. The older businesspeople are usually those who have retired either from government service or from private companies and who have decided to reinvest their retirement pension in small businesses using their relevant experience as a tool.

Male and female entrepreneurs

Rural business activities in Pacific countries are dominated by male entrepreneurs even though some women play an active role in business activities such as trade stores, handicrafts, and catering services. Male domination is attributed largely to local cultural values and norms because the women are usually restricted to the home and thus lack exposure to business practice or access to training opportunities.

Today, women are becoming seriously involved in business to supplement their home income or are being encouraged and supported by their husbands because of their own initiative and innovation. These women in general are well educated and have a strong determination to succeed and to be recognized on the "same footing" as men. They have boldly ventured out into what used to be an area dominated by men. They have been assisted in this venture by the availability of cheap domestic help to fill their traditional role in the house. Women often deal in areas of business with which they are already familiar: garments, gift items, catering services, handicrafts, food, beauty salons, hairdressers, professional services, and, for the less fortunate ones, prostitution. Women are perhaps more quality conscious than their male counterparts, and consequently their operations are more often than not geared to quality goods and services.
Types of businesses that require less technical "know-how"

Retailing, transportation, catering, fishing, piggery, cattle farming, agriculture, and shipping were some of the first types of business activities in which indigenous entrepreneurs participated. They are quick to seize on these small-scale business undertakings as they do not require special technical skills to operate and are relatively easy to start, requiring relatively simple business skills and limited financial support. Unfortunately, this also means that the retail, transportation, and service sectors are saturated with small businesses competing directly against each other. A strong tendency is emerging to imitate existing businesses; this "copy cat" mentality not only creates problems for existing businesses in limited markets but also reflects a lack of confidence to innovate or grasp new market opportunities (Hailey 1985, p. 65). Ultimately the successful entrepreneur is the one who had sufficient working capital and who possesses enough charisma to win customers.

Single proprietorship

Small indigenous enterprises in the South Pacific region predominantly take the form of a single proprietorship, which is easy and cheap to start, provides flexibility and control in decision-making, ensures business secrecy, facilitates personal relationships with customers, and permits fast and quick responses to changing conditions. For success, this type of management style requires that the entrepreneurs be capable of handling all aspects of the business operations such as production, marketing, finance, and personnel.

On the other hand, many sole trader businesses fail because all management decisions are made by the entrepreneur. Here, the proprietor becomes the "jack-of-all-trades," working long hours as the buyer, stockkeeper, salesman, and delivery boy, as well as being liable for all the business debts and financial commitments.

Legal status of the enterprises

Local entrepreneurs must be legally registered before they can begin business operations. In a recent survey 85 percent of the entrepreneurs interviewed were registered as sole traders and 15 percent in partnership. Partnerships are common in urban areas where the partnership is either with their own race or with other ethnic groups. In Suva, 10 percent of women entrepreneurs are in partnership in beauty salons, food services, hairdressers, or handicrafts. This small number of partnerships suggests that local sole traders lack an understanding of the benefits to be gained from a private limited company or partnership.

The benefits of registering a limited company include limited liability, where is the individual liable only to the extent of the capital contributed. Other benefits include ease of access to capital so as to permit expansion of the business and the ability to reinvest profits for company expansion or diversification. In addition, sole responsibility of control frequently no longer rests with one individual; this not only reduces the pressure often experienced by sole traders and but also encourages "good management practices." Thus young and energetic business
partners can team up with older partners who can contribute experience and capital; together they can become a productive and profitable team.

Poor management practices and limited capital commonly contribute to the failure of Pacific rural entrepreneurs. Therefore, such joint enterprises are a viable alternative, which allows the vigor and innovation of the younger partner to be refined and guided by the wider experience of the older partner.

**Limited capital resources**

The money to start rural business operations is usually raised via family contributions from cash crop earnings or from personal savings. Later, when operations appear to be successful, owners often obtain financial assistance from commercial banks or from development banks by using the existing business either as security or as an indication of their entrepreneurial ability. Survey figures indicate that in Fiji, many local entrepreneurs start businesses with less than US$500.00. In contrast, most urban-based businesses first obtain capital funds from lending agencies.

Rural-based businesses are usually managed individually or on a family basis, which ensures that decision making and control belong to the owners themselves. Therefore, decisions can be either rational or quite often irrational. Irrational because spur-of-the-moment decisions are based on family pressure, and particularly because the level of education and the necessary business skills possessed by the owners remain low. Thus often they are unable to fully foresee the impact of their decisions.

In an attempt to identify what factors underlie business success, owners were asked to list these factors in order of priority. The availability of capital was given the highest priority, followed by management, personal skills, and family help. The lack of access to capital makes it almost impossible to expand and diversify production, or even to design a rational expansion program. While entrepreneurs expressed their desire to increase capital through bank credits, they indicated the difficulties encountered by the bank's requirements for loan security and well-prepared business plans.

The above nine points do not mean that improvement is not needed among indigenous entrepreneurs. The fact that most local Pacific entrepreneurs are still simple and perhaps primitive in their business operations does not necessarily reflect their attitude toward change. In many cases the potential for greater modernization is increased if they are given the right assistance under the right conditions. Local indigenous businessperson can improve their own management skills in areas such as planning techniques, time management, quality control, market studies, record keeping, raw materials management, personal management, and the legal aspects of business transactions and contracts.

**Management, Pacific style**

Polynesians are said to be very family oriented, while Melanesians are said to be very clannish in nature. These cultural traits tend to be reflected in the manner in which local entrepreneurs run their business.
operations. For example, if the entrepreneur is very paternalistic and makes major decisions within the family circle, then obviously the entrepreneur will be very paternalistic in his business relationships with customers, employees, and suppliers, and his approach to decision making will be autocratic and centralized. On the other hand, if decisions are made after discussion (with trusted assistants or with members of the family group), then the business decision-making process is seen to be consultative or participative. However, in most cases, decisions are made by the owner or manager rather than by consultation or consensus.

Rural-based entrepreneurs are usually wary of change because of their conservativeness; they resist new ideas unless their effectiveness and success are proven by adequate demonstration. For this reason local entrepreneurs should exploit their own appropriate traditional traits and apply them alongside modern management techniques, rather than attempt to abruptly change their way of thinking.

Because Pacific island entrepreneurs still have a village mentality, they should be introduced slowly to business techniques that are often alien to them. The values, skills, and the basic steps of modern management practice, can be taught through seminars, training courses, site visits, and followup workshops. Of course, this process will take time, patience, and finance, but if properly applied it can be a positive force in the Pacific economy.

At the same time, however, Pacific entrepreneurs are adaptable and ready to take on new ventures if they are given the right conditions. The number of entrepreneurs who have set up new businesses in which they had no prior experience, thereby demonstrating their willingness to take risks and to adopt and adapt to the changing local environment.

Large and medium urban-based businesses in Pacific countries have the tendency to adopt a highly westernized or foreign cultural orientation in their business operations. Senior executive management positions are usually held by either foreigners or locals who have been exposed to western educational systems.

On the other hand, small and locally owned entrepreneurs if located away from urban centers tend to reflect local values and attitudes.

Reference is now made to "Pacific style" of management, which has been in existence since Pacific people settled in these islands. Although subject to western influence, it differs from the western practice as found in Europe, the United States of America, and Japan.

One example—due to the common blood ties between Pacific islanders—is the traditional method of settling disputes to avoid extreme solutions. The tendency of the Pacific people to avoid direct confrontation, that can create ill feelings is a practice that can be applied in the management of any small business. The tendency to avoid confrontation encourages people to talk things over in an informal way before issues are finally settled. Informal discussion is a way of life for Pacific people; for instance in Fiji it is usually conducted around a bowl of yaqona. Similar gatherings are common throughout Polynesia. Such informal associations when properly

51
used can promote closer relations between suppliers and producers, and owners and employees, as well as between owners and customers.

In many instances, this procedure has succeeded in many small business organizations. Moreover, settlement of labor disputes and provision of financial assistances have been made possible in some cases without any formal agreement but rather based on trust alone.

The main emphasis therefore, should be on the combination of the appropriate Pacific social know-how with the imported technical know-how to form an effective integrated management process.

Listed below are some of the cultural characteristics of Pacific people that can be potentially used in the management process:

Balebale, Lala - Aufaigaluega, Toungaue. Many rural people work in groups, such as when planting, building houses, and cleaning village. Most group-based activities have traditional ties through tribes, clans, or villages. Such group work should be utilized in business, as it appears to be more productive. This approach can foster closer participation within the organization where the group and the management play vital roles in making decisions formulating group policies, identifying areas of responsibilities, defining the chain of command, delegating responsibilities, consulting, or negotiating.

For example, delegation in the Pacific context usually follows seniority where the most senior person gives direction via suggestion but leaves the group members free to follow their own course of action. Thus, in most cases, the subordinates or young members of the tribe or clan are permitted to make their own decisions, that is, to do things in the best way they think it should be done. When a problem does exist, usually it is pointed out but left entirely in the hands of the young members to solve. This cultural trait is common to contemporary approaches in business management where delegation and trust are supposed to be the norm.

In the Pacific group participation is a norm, from which all members of the group can benefit. Senior members are supposed to be participative leaders and the younger workers are given a certain amount of freedom to analyze problems and reach consensual decisions. Thus decisions are made by the group and not by the senior members alone; decisions that affect the group in lala - balebale, aufaigaluega and taungaue are often made in joint decision-making conferences where the senior ranking members and the young workers gather together.

A point of interest involving group labor in lala or balebale is the playful spirit of veiwali associated with the work in progress. Group work is done in an informal manner mixing work with play. This procedure creates a positive work attitude and makes work less boring, whereas a formal working atmosphere creates inflexibility and rigidity in the organization and limits interpersonal relationships among workers.

Veikauwaitaki, aqla-lelei,anga-fakakaume a, akiol. It is natural for Pacific people to be kind and show gratitude, consideration, and support for their own kind or to strangers--"the Pacific hospitality." This
kindness and consideration help to prevent labor strife and foster productivity in the organization, when people are congratulated for meeting their goals or completing their work, or especially when elaborate, expensive feasts are prepared. Such practices are common after a house is built or for a funeral is held.

Veivakacerecrei, faaviivii, fakalangilangi, fakavikiviki, kamaai. Fondness of praise and elaborate expression of gratitude are common cultural traits especially in Polynesian cultures, where in ceremonial gatherings people often repeat praises one after another. Similar oratory is common at the presentation of yaqona or tabua, (a whale's tooth), when the clans meet or when visitors arrive at their shores. Therefore, managerial appreciation of productive work will be remembered for a long period and reflected in the renewed efforts of the workers.

Vakavinavinaka, fakahounga, katara-baem. Showing gratitude to a person who may have done a special favor is a common cultural trait throughout the Pacific region where sharing and giving is a norm. Supervisors in organizations should appreciate the value of sharing and giving ideas and even of giving items to subordinates at intervals as a sign of appreciation for work well done. Supervisors can expect total loyalty and greater productivity in return.

Veivakarokorokotaki, fa'aaloalo-i-e-matutua, fakaapaapa. Respect for elders is common in Pacific cultures where seniority is always given preference, and the younger members of society are required to show respect at all times. But seniority alone may be insufficient as a criterion for selection to a position of leadership in a business organization because qualifications and experience play a vital role in the selection process. Therefore, continuous training of qualified senior members should be encouraged to prepare them for promotion which should foster job security and unity in the organization.

Matagali, aiga potopoto, faanninga, famili. Extended family systems form an important part of Pacific cultures, and the recognition of family ties should be reflected in management practice, thus promoting unity and cohesiveness in the organization. Total loyalty to the organization is quite evident where members of the same family work together. Their efforts are often reflected in a viable and efficient business organization.

Studies by A. Rakoto (1974) suggest that those people living in villages or cane-growing areas who those who still support the traditional system are economically better off. According to Rakoto's, "the most successful growers were staunch supporters of traditional ceremonies while many unsuccessful ones blame the latter for their performance." (p. 32).

Some common cultural characteristics in the Pacific can adversely affect productivity and management practice. These include (1) lack of discipline because village life is mainly agricultural and time has little value, and (2) the lack of team work as the emphasis is on individualism and accumulation for personal gain. Concepts opposed to sharing and group conformity include (1) plans that rely on an inappropriate management style that fails to account for the group's consensus; (2) avoidance of
discussion because people feel they are not involved in group labor or do not have the right to make comments; (3) misuse of seniority because senior people are authoritarian and autocratic in their leadership role, often while trying to protect their own vested interests; (4) a fondness for extravagant conspicuous consumption by those in authority, which often ends in wastage, misappropriation of funds, and misuse of trust.

Pacific managers should make appropriate use of favorable traits and should eliminate the unfavorable ones to form a "Pacific management style." This style has the potential to create better harmony, better communication, and more effective planning and control techniques through group participation and by consensus. If this management style is to succeed, organizational goals and values should be consistent with the personal goals and values of individual members of the organization.

With the growing problem of unemployment in the South Pacific island nations, small business ventures must be encouraged in a conducive economic climate through financial and technical support. Such encouragement will make a substantial contribution to the revival and promotion of the Pacific economy and the growth of the indigenous business sector in the Pacific.

REFERENCES


ENTERPRISE DEVELOPMENT IN AMERICAN SAMOA

Alexander P. Zodiacal

Introduction

American Samoa is an unincorporated territory of the United States and consists of seven islands, the largest being Tutuila. The estimated population of the territory in 1985 was 35,600.

This discussion of business in American Samoa first briefly examines the economy in general and then focuses on a major recent development in the territory's business community—the Fagatogo Redevelopment Project. This particular project reflects a growing realization that public-private partnerships are an important ingredient in successful local business development strategies. The partnership approach promotes a balanced development process by incorporating economic, political, social, and environmental considerations.

Overview of Economy

Economic development in American Samoa has been directed toward expanding current private business activities and increasing outside investment with local participation. To support this development, capital improvements, partially funded by U.S. government grants, have been a primary thrust during the past few decades. Examples of this activity include completion of three major road projects, expansion of water and sewage systems, conversion of the territory's telephone system to modern digital equipment, establishment of the American Samoa Power Authority, the installation of two new 3.2 MW units to expand American Samoa's oil storage facility, construction of a new fisheries dock, expansion of the main port facilities to increase storage and berthing space, expansion of the marine railway (presently being leased to a private firm), and expansion of Tafuna Airport's $2.4 million terminal.

The private sector economy in American Samoa is composed of three broad categories: fish processing, transshipment activities between American Samoa and neighboring island nations, and local commerce. The estimated value of industrial output in 1984 was US$210 million. American Samoa's industrial sector is dominated by the presence of two major U.S. tuna canneries—Star-Kist Samoa, a division of H.J. Heinz, Inc., and Van Camp, a division of Ralston Purina. Together the canneries exported $207 million of canned tuna and related products to the United States in 1984. They presently employ about 2,500 workers who generate $16.0 million in wages and make purchases from the local economy of about $10.0 million.

American Samoa's central location in the South Pacific, coupled with its excellent deepwater port facilities at Pago Pago, will continue to make the territory a significant regional trade and transshipment center. The estimated value of goods imported into the Pacific region and transshipped through American Samoa in 1984 was US$40.0 million. About $16.0 million in local revenue was generated from stevedoring, freight handling, and other port-related activities.
The secondary level of economic activity in American Samoa consists mainly of retail establishments and service enterprises that support the primary economic contributors as well as the general population. The most prevalent type of business activities are commercial transportation (buses and taxis), general import/export, retail stores/beer vendors, wholesalers, and construction. There are approximately 1,000 private businesses in American Samoa, with an estimated gross income of US$160 million. Retail and wholesale trade accounted for about one-half of commerce income, with fuel sales and construction services being the second and third largest components, respectively. Sales of goods and services to the tuna fishing fleet represent the fastest growing sector of local commerce. Overall the commerce sector employs about 3,500 people or one-third of the territorial work force.

The American Samoa government is committed to promoting a stable and diversified economy. The investment and trade incentives offered by the territory have become increasingly enticing to prospective businesses. These incentives include import duty concessions, export incentives and the Generalized System of Preferences, business financing assistance through various federal loan programs, facility siting in a recently expanded 35-acre industrial park, tax exemptions for a period of up to 10 years for qualifying businesses, and investment tax credit options.

Past economic development efforts focused primarily on attracting to American Samoa new foreign investment for targeted economic activities. Under the present territorial administration greater attention is being devoted to the needs and potential of existing locally owned enterprises. The enhancement of local firms is expected to encourage the development of basic industries such as tourism, as well as ensure that the benefits of these industries accrue to local residents.

Fagatogo Redevelopment Project

Fagatogo village is historically the territory's primary commercial center. During the past decade, however, commercial development has shifted away from the Fagatogo-Pago Pago Bay area toward the Tafuna Plains and West Tutuila areas. Reasons for this trend include the following:

1. Population growth in the bay area has been marginal due to limited space for housing. Residential development is at or very near the holding capacity of land in the area zoned for dwellings.

2. There is insufficient coordination among government agencies in regulating the use of public lands in the bay area.

3. The lack of adequate traffic control devices, road improvements, and parking spaces has created congested traffic conditions in parts of the bay area.

4. The deterioration of certain older structures, limited landscaping of open spaces, and mixed land uses have contributed to a decline in the general appearance of the area. There is inadequate understanding of building ordinances and zoning codes by private
builders, as well as insufficient enforcement by the government building inspection branch.

5. Land lease costs in the bay area are the highest in the territory.

6. Government offices occupy a significant portion of the downtown Fagatogo land area.

Despite these barriers, local business representatives indicate that the role of commercial development in the bay area has a generally positive image.

The Fagatogo Redevelopment Commission was established by Governor Lutali in February 1985 to provide recommendations for the redevelopment and revitalization of downtown Fagatogo. The commission was composed of both public and private sector representatives. The findings of the commission were compiled in a "Report to the Governor" indicating desired land use arrangements and specific site improvements. A standing committee was established in November 1985 to oversee implementation of the development activities outlined in the report.

A business is attracted to a location when the owner feels that the firm's operations can achieve a reasonable rate of return at that location. The objective of the Fagatogo Redevelopment Project is to revitalize the downtown area by creating a physical and economic environment that will encourage the retention and expansion of existing businesses in the area and the formation of new businesses.

The project is being undertaken jointly by the public and private sectors. The government will relocate its office buildings that currently occupy public land in the Fagatogo area. The land will then be filled and graded and a suitable drainage system installed. The government will widen the existing two-lane road, construct access streets, and develop parking facilities in the immediate vicinity of the proposed commercial area of expansion.

The public land made available by the above activities will be leased to private developers. The risks involved with land development will be reduced by simplifying and clarifying the regulations for public land leases.

A financial assistance program based on a revolving loan fund will be implemented by the government to help support business development in the downtown area. The revolving loan fund will be used to leverage the financing from private lending institutions. The financial assistance program will address the needs of existing businesses, as well as new firms. In addition to the direct assistance of the revolving loan fund, the rehabilitation of the area is expected to have a positive influence on private lenders' decisions to issue loans to downtown businesses for expansion and renovation.

Benefits from the Fagatogo Redevelopment Project will accrue to both the private and public sectors. Rehabilitation of the area will attract additional shoppers and increase sales volumes. Increased employment will
provide additional wages that will allow residents to purchase more public and private goods and services. Increased earnings also can generate more citizen support for tax increases to cover public services and facilities. The use of publicly owned land for commercial development will provide the government with income from land leases. Businesses will not be required to have up-front cash to purchase land, and the leasing fees will provide a potential tax deduction.

The intention of the project is neither to benefit one group of people at the expense of another nor to redistribute economic activity from one geographic area to another. Rather, emphasis will be placed on leasing sites to businesses that are complementary to, rather than competitive with, existing firms. Businesses will be encouraged to enter into previously untapped markets for consumer goods and services. This will have the effect of diversifying the goods and services available to local residents, as well as capturing sales that might otherwise go to off-island businesses.

An effort will be made to match the skill levels of new jobs created with the abilities of previously unemployed persons to avoid the transfer of employees from existing businesses. Competition for employees with specialized skills will be minimized so as not to drive up the wages that businesses must offer.

Although priority will be given to meeting the demands of local consumers, businesses will also be encouraged to expand sales to tourists. Tourist-oriented trade increases local income and employment by bringing outside dollars into the territory.

The project will give full attention to cultural and environmental considerations as well as economic issues. Buildings and land areas of historical value will be protected and preserved. All proposed development activity will be required to comply with existing environmental protection and natural disaster prevention regulations.

In brief, the revitalization of the Fagatogo area will require both public and private resources. The economic development will be essentially a private sector activity with the government providing policy guidance, basic infrastructure, land leases, and financial assistance. The principal objective of the program is to promote an overall increase in income, employment, and goods and services, thereby benefiting the entire territory.

Conclusion

In American Samoa major barriers exist to local business development, such as a scarcity of development financing, insufficient financial management and marketing expertise, a restrictive land tenure system, and bureaucratic red tape. However, interest is growing in resolving these and other issues and in creating a healthy and favorable business climate. This interest is evidenced by the joint public-private effort to redevelop the downtown area. It is hoped that this effort can be duplicated in additional areas of the territory's economy.
ABORIGINAL BUSINESS DEVELOPMENT IN AUSTRALIA

Rhonda Calma-Holt

Introduction

The paper focuses on the problems, opportunities, and support for Aboriginal businesses in my country.

It should be noted that whenever I use the word Aboriginal it refers to the indigenous people of Australia, its islands, and the Torres Strait Groups.

Indigenous Aborigines now make up only one percent of the Australian population of 15 million. In that sense a part of Australia that can be termed "developing" within a nation that is generally regarded as "developed." So despite the fact that Australia is considered a "developed" nation, an important part of it has all the disadvantages of a developing nation.

This situation has had a major impact on Aboriginal life and conditions in general and on Aboriginal business and economic development in particular. Competition within developed countries is greater, and so Aboriginal entrepreneurs have to maintain high standards standards to be able to compete and even survive. For instance, an Aborigine applying for a loan does not enjoy the access to finance that a non-Aborigine, with all his/her contacts, does. In the very narrowest sense, this is the purpose of the Aboriginal Development Commission: to provide the access to finance and, where the project was expected to be viable, to provide the funds and expertise to establish a business/economic base until the business was established. As such, loans were provided at a lower interest rate than those of most other lending authorities.

The Aboriginal Development Commission (ADC) was brought into being by an Act of Federal Parliament in 1980 to

... further the economic and social development of people of the Aboriginal race of Australia and people who are descendents of indigenous inhabitants of the Torres Strait Islands and, in particular (as a recognition of the past dispossession and dispersal of such people), to establish a Capital Account with the object of promoting their development, self-management and self-sufficiency.

The controlling body consists of 10 commissioners who are all Aboriginal or Torres Strait Islanders. The ADC is involved in many aspects of Aboriginal development; for example, the ADC has a substantial involvement in providing housing and housing-related assistance. Housing loans are made to Aborigines and their spouses while grants are made to Aboriginal communities.
Aboriginal communities are located all over Australia. The traditions, culture, needs, aspirations, and stages of development of our people differ greatly from place to place, for example, there is no common Aboriginal language within Australia. Some of the outlying communities consist solely of members of one traditional tribal group. These communities are usually characterized by a strong adherence to tribal discipline and are thus well integrated and usually quite dynamic. These groups will generally take up projects and see them through. Others, however, are fragmented, consisting of a number of people from different tribes, as well as people who in previous generations have been dispossessed of their own land and have drifted into the country of existing tribes. The resulting fragmentation generally leads to frictions and a corresponding unwillingness to take responsibility for projects.

The expansion of the non-Aboriginal settlement and the rapid development of the Australian economy over the years have led to the disintegration of Aboriginal culture, traditional law, pride, and self-esteem in some of the Aboriginal communities in Australia. We have a legacy of late middle-aged men and women who know the traditional way, but who are largely ignored by youngsters who do not have the same knowledge and apparently prefer the "freedom" of western ways. So it is difficult for the leaders to maintain discipline and cohesiveness or even to encourage education.

In Australia, Aboriginal people, like all Australians, have free state-funded education through to matriculation and on to tertiary levels, if they wish. Many Aborigines living in urban areas have taken advantage of this opportunity, despite relatively poor job prospects, especially as unemployment rates for this age group currently run as high as 25 percent in some urban areas. In outlying isolated areas, where between 80 and 90 percent of Aborigines exist on social welfare payments, job prospects are practically nil.

In some areas a generation of barely literate young people now are caught between two "ways" and feel that they have very little tangible hope for the future.

However, Aboriginal people who do get work, as a self-employed person, or as a public servant, or in business, are placed in a difficult situation. For whatever else has broken down in Aboriginal society, kinship ties have not. For example, in Aboriginal society, people who have a certain relationship to each other, can demand to receive something that the other person has or has access to. If a shop assistant's uncle has a need for goods or money, the assistant becomes torn between her obligation to fulfill her uncle's rights, or to uphold the interests of the store. Relationships between kin extend very widely and can become very taxing, sometimes to the extent that people have to resign because they cannot cope with the pressure. One community store sponsored by the commission, which is profitable and well run, has never held a shop assistant for longer than two weeks. The cost of training a new girl once a fortnight is, of course, quite considerable and is passed on to the local consumer.
ADC and Aboriginal Business

The ADC has attempted to build on the diversity and the dynamics of the Aboriginal people. The ADC receives applications for financial assistance from Aborigines who want to develop businesses and makes funds available through grants and loans. The grants are provided to community-based programs that are unlikely to generate large profits but will help to sustain the community. Loans are made to individuals or groups of individuals, usually set up as a company, who wish to establish a business and thereby can repay loans. This procedure encourages self-sufficiency and serves as an impetus for others in the community to do likewise.

Agriculture is Australia's largest, most diverse industry. Australia has become one of the world's leading producers and exporters of food, natural fibers, and livestock. In 1984-85 the value of Australia's agricultural production totaled more than A$15,000 million and generated some $10,200 million in export revenue. Australia has approximately 174,000 rural properties, and although no firm data exist, Aborigines are thought to own only about 0.7 of 1 percent. It is therefore only appropriate that opportunities be made available for our people to actively participate and take a greater share of this industry.

The ADC and its predecessor, the Aboriginal Land Fund Commission, have, through funds provided by the Australian Government, purchased on behalf of Aboriginal groups some 60 agricultural holdings throughout Australia. These purchases range from large cattle stations in northern Australia with areas in excess of 5,000 sq km to small orchards and market gardens of less than 20 ha. As well as acquiring land, the ADC also provides the technical and financial support needed to develop the land to its full economic potential.

The information we received prior to this workshop mentions the apparently high failure rates experienced by indigenous entrepreneurs in the Pacific and the need to strengthen management training. We also have these problems in Australia, but high business failure rates and poor management expertise are symptomatic of both non-Aboriginal and Aboriginal enterprise alike—there is nothing special about this for Aborigines. For example, in Australia some 90 percent of all small businesses commenced today can expect to fail or go out of business within five years, and some 70 percent of these failures can be attributed to lack of management expertise. The pattern tends to be repeated in Aboriginal enterprises.

Whereas the non-Aboriginal entrepreneur often has to "go it alone," Aboriginal enterprise has the benefit of guidance and help from the commissioner's advisors. This advice, of course, depends heavily on the work load of its 200 people in the field, spread over six regions, and the back-up 100 people at the head office in Canberra.

In addition to their role in enterprise development, these ADC staff and resources must also devote considerable time to the other ADC responsibilities. This financial year the business development function, for example, will absorb only some 20 percent of the ADC's total annual budget of A$90,000,000, which still amounts to nearly $20,000,000.
The difficulty in servicing clients is compounded by their inaccessibility due to the enormous distances. For example, during the wet (monsoon) season, the geographical area that I service, North East Arnhemland, is virtually inaccessible except by aircraft. Similarly, one of the branch offices in Western Australia is located 2,300 km away from its regional office. The cost of travel is exorbitant; for instance, the flight across the continent costs about 50 percent more than flying from Brisbane to Fiji. This aspect of Australian life has rightly been called "the tyranny of distance."

Another aspect of distance that constrains economic potential and well-being is freight costs. One ADC project, a community store in the tropical "top end" of Queensland, has to pay above-normal transport costs of A$500,000 per year, which is equivalent to $500 for every one of the 1,000 men, women, and children living in the settlement. These costs have to be passed on, and the community is immediately placed at a disadvantage when compared with its urban counterparts.

The climate of Australia can range from deep snow in the southern part of the country, to 40 degrees Celsius in the north of the continent. The topography of the country is also diverse with a large expanse of central Australia being desert. As such, what may be a feasible business opportunity in one area may not be appropriate in another.

Besides the Aboriginal Development Commission, we also have in Australia a variety of other federal and state agencies who have, or are capable of having, an impact on Aboriginal affairs and businesses. In Australia we have separate national, state, and local governments. The ADC is part of the federal government government's portfolio of Aboriginal Affairs, but has a particular responsibility for development. The States have their own departments concerned with Aboriginal affairs and have primary control over the exploitation of resources in each state. The federal government, in order to avoid conflicts between the states, exercised its right under the federal constitution to give the ADC overall responsibility for the development of Aboriginal projects throughout Australia.

A number of state and federal agencies have different functional responsibilities for Aboriginal programs. The impact of their efforts on the Aboriginal people is questionable, as is their ability to coordinate their development efforts. In one case, representatives from 15 separate agencies are known to have visited a single community on one day.

Our government, however, is concerned about the need to coordinate the resources of all these agencies and is currently considering proposals for their rationalization, particularly in regard to business development. A recent report from the Senate Committee of Enquiry into the Review of Aboriginal Employment and Training Programs has identified the need for a greater coordinated Commonwealth emphasis to be placed on the following:

- Enterprise/economic development to create more employment opportunities;
. Training of Aborigines to facilitate their active participation in, and management of, these projects; and

. Improved support structures available for Aborigines to gain access to technical and management advice for their businesses.

Further recommendations include methods to facilitate coordination and joint funding between the (1) Commonwealth Department of Employment & Industrial Relations (DEIR), which has the primary responsibility for the training of Aborigines; (2) the Commonwealth Department of Education; (3) the Department of Aboriginal Affairs (DAA), which has the overall responsibility for overseeing and coordinating Aboriginal programs; and (4) the ADC. It is possible that the proposed new initiatives will be formalized and implemented in the next financial year.

As with the average Australian small businessperson, Aboriginal people are generally deficient in the necessary management, financial, and entrepreneurial skills. For the foreseeable future the ADC and Aboriginal people will continue to tackle this problem by recruiting non-Aboriginal managers/advisers/consultants, who not only understand the situation and can work with Aboriginal directors and train their successors, but also who can do so in the knowledge that they are working themselves out of a job. Although a number of people are interested in working with the Aboriginal people, it is hard to find the right person with appropriate expertise, and thus the enterprise must bear the expense of their "attractive" salary packages.

The ultimate aim of course is to have enterprises that are not only fully controlled by Aboriginal directors, but also managed effectively by Aborigines. The profits from some of the viable enterprises are already channeled back into the communities in the form of buildings, training programs, and other community development projects.

In practical field terms, we are developing techniques designed to assist applicants to assist themselves. In one region, we are piloting a checklist of items that can be explored by the applicant prior to compilation of a grant or loan submission to the ADC. The idea is for the applicants themselves to visit a business similar to the one they wish to enter, and thoroughly acquaint themselves with all its operating and financing problems. They then call on local authorities to determine their fiscal requirements and then call in their own accountant. At this time they decide whether to apply or not to apply for a loan.

This recent initiative has been designed to provide a more realistic understanding of the commitment that potential entrepreneurs have to make, including:

. financial equity
. market availability
. management skills required
. who can supply those skills

. equipment required

Above all, the clients even before making their applications, must be aware of the demands that the business will make on their lifestyles and personal resources. Hopefully, the reasons for undertaking the venture will be better understood, and a very real sense of responsibility for the project will develop. Then, and only then, will the client be assisted in preparing cash flow estimates and feasibility studies with a field officer. Applications will then be forwarded to the commissioners for consideration and a final decision.

Small businesses need a great deal of experienced care and guidance, particularly in their early years. This sort of assistance is difficult enough to find for non-Aboriginal enterprises; it is even more so for Aboriginal enterprises, and the task of recruiting business advisers is harder when the potential recruit is required to work in isolated locations. We are attempting to partially meet this need by developing detailed operational manuals for field officers, which will be introduced with training sessions conducted by experienced businesspeople.

We tend to use a company structure for each project, which in our country provides some legal standing in the business community and strictly governs the operation of a company. As a result, obtaining finance is somewhat easier particularly because we have recently decided that only those commercial enterprises that are viable will be proposed to the commissioners.

Conclusion

We are making gradual but steady progress in a country rich in resources and talent, though short on available management expertise to guide projects. The Aborigines have mastered their environment all over Australia and have held their societies together for well over 100,000 years. It is only now that non-Aborigines are turning to them to learn how to live with the Australian environment and work in harmony with it. For example, scientists recently consulted Aborigines on how they achieve such good feeding results for animals by seasonal burning of pastures.

We, as field officers, are learning more and more about ways to enhance self-respect in the individual and in Aboriginal communities through a program aimed at self-sufficiency. One day we may even show the non-Aborigine how to do this as well. In a recent magazine article, a non-Aboriginal Park Ranger is quoted, "I am here to learn from the Aboriginal people. This is their land and they have a far greater collective store of knowledge about its proper management than any non-Aborigine could ever have."
The topic of this workshop has come at a very appropriate time, with much interest being focused on development in the South Pacific islands.

In the Cook Islands, tourism has recently emerged as the strongest sector of the economy, currently producing approximately, NZ$20 million in 1985, and surpassing agricultural production by an estimated NZ$5 million.

Tourism provides the added advantage of creating spin-offs into almost all sectors of the community. Apart from the basic requirement of accommodation, ancillary services play an increasing role in catering to the tourist trade and include public transportation, restaurants, bars, entertainment operators, retail outlets dealing in foodstuffs, island crafts, souvenirs, and island-style clothing.

Incentives for local investment are therefore available in all these spheres, but competition can exist and budding local entrepreneurs should be aware that high standards must be set and maintained if they hope to stay in business.

The opportunities for starting any business in the islands are generally simple. There is seldom large commercial competition. Little more than enthusiasm is needed; gathering information from the local library and statistics office is a good way to start.

No one is faced with the intense competition that exists in a large city, which is a distinct advantage when business is started up in the islands. Many successful island business people never would have attempted the same venture in a city with its established competitive businesses.

Even planters, pig and poultry farmers, and fishermen can take advantage of the tourist industry to provide restaurants, hotels, and motels with their products.

Frequently, as opportunities for moving into the tourist development areas arise, agriculture production seems to decrease, yet the need may exist for fast foods for school lunches that meet balanced dietary needs. At the moment most children go to school with money to buy lunches that consist of little more than imported oversalted food and oversweetened drinks. Taro, breadfruit, bananas, cassava, and pawpaws, when in season, could be turned into patties and chips.

Accommodation is the fastest growing sector of the tourist industry. The Cook Islands dollar is about one-half the value of the United States dollar, making land cheaper to foreign investors. This has made investment attractive to businesspeople with foreign currency, but has placed indigenous people at a distinct disadvantage.
Selling land is a traumatic experience to most indigenous people, yet it is often their only way of raising a large sum of money for a business venture. The pattern seems to be that large properties are on the drawing board and are oriented to favor the foreign investor who individually or by syndication has more ready access to capital than a local investor.

While small properties are owned and operated by indigenous people, anything less than a two-unit motel is not likely to be viable in terms of a return on capital invested. With good management and resultant high occupancy rates, a two-unit complex can provide a living for a family partnership but is limited in terms of business venture profitability unless the owners have an extra source of income from a steady outside job or business interest.

One of the problems faced by indigenous people in motel projects is that buying a six- to ten-unit complex requires a large financial investment. Most local lending institutions will consider financing only 50 percent. The Cook Islands Development Bank, however, will consider a 20 percent downpayment that need not be in cash. The same opportunity applies to foreign investors who generally have access to far more risk capital. Government funds available for financing can be easily absorbed by large foreign investors.

Also of significance is that the smaller a motel complex is the less attractive it may be to potential buyers if and when the proprietors wish to dispose of the property as a capital asset.

Indigenous people are often not aware of opportunities (for example, squash courts, scuba diving, and sport fishing) that may need promotion to tourist.

What can visitors do on a wet day? Unlimited opportunities must exist. One possibility may be videotapes on Polynesian material culture—eight to ten minutes per subject, available for viewing at either the museum or hotels.

The demand for local entertainers continues to climb. Do we need help from outside the country in voice training?

The input by world-famous dancers Beth Dean and Victor Carroll was valuable to local choreographers and performers in our country nearly 20 years ago.

Opportunities for entertainment are carried to extreme limits in Disneyland and Las Vegas. Casinos in the islands continue to be a highly debatable topic and have to be acceptable in any South Pacific country.

The need for cut flowers, locally and for export, climbs steadily with the increase in the tourist trade. Buses, taxis, and other modes of transportation seem to be appealing to indigenous business people. Also, locally grown animal and poultry feeds are required in the islands. Presently imported, these feeds are expensive and must have a local substitute.
Another area for improvement is construction. In the Cook Islands local stone is available, yet only one person has used this material in building two houses. Stone is permanent and maintenance free. Hawaii has used it in many ways. Some practical advice would be valuable to local builders.

Indigenous persons starting a business must expect competition, yet their culture discourages competition. In a subsistence economy there is a constant sequence of weddings, 21st birthdays, haircutting ceremonies, funerals, and church obligations, which are necessary social gatherings. Although these ceremonies are an essential part of island life, their cost today to the indigenous business person is heavy.

With the influx of large foreign investors comes the demand for electricity, water, roads, and garbage disposal systems. This demand sometimes creates situations that inconvenience foreign as well as indigenous business persons.

A generation of indigenous people who are now returning to the islands after receiving their education overseas will bring with them capital, experience, and new ideas. Can they be too late?

The new world of finance offers both exciting opportunities and dangerous pitfalls. If the islands could make tourism attractive to North Americans, they would find the area an inexpensive vacation site. Toward this end, the islands need specialization in hotel management and servicing. Foodstuffs may need a different presentation to appeal to American tourists.

Tourism, of course, is a double-edged sword. It can lead to over-commercialization, resulting in a detrimental change in traditional attitudes, a threat to the indigenous culture, and a subsequent loss of appeal to potential tourists. In this respect, a delicate balance needs to be maintained and the annual visitor influx regulated so as not to upset the social fabric and values of the indigenous people.

INDIGENOUS BUSINESS DEVELOPMENT IN THE COOK ISLANDS
Terai McFadzen

Preamble

Prior to the arrival of the Europeans, the people of the Cook Islands were isolated and insular, and their culture was based on subsistence agriculture. Trade and commerce were alien to their way of life. As the population became more exposed to European culture, the basic "wants" of the people changed, and as they became more educated in the ways of the modern world, local aspirations and participation in commerce have developed to encompass trends in modern Cook Islands living. In less than
100 years the indigenous population has progressed from an agricultural involvement (an area with which they were already familiar) to a general commercial involvement in the modern business environment. As can be expected with such rapid development (as compared with other cultures), the development of indigenous business in the Cook Islands has been fraught with many frustrations and setbacks.

**Infrastructure**

Government’s role in the development of business in general has been concentrated on infrastructure as follows:

**Transportation**

The Cook Islands (in common with many other Pacific nations) consists of isolated islands surrounded by thousands of square miles of Pacific Ocean. Accessibility to both exports and imports is vital, and advances in the development of transportation have had corresponding benefits for commerce. At this stage, the Cook Islands has regular interisland shipping and air service (by locally owned companies) linking the outer islands with Rarotonga (the main local market). Regular New Zealand/Rarotonga shipping service caters only to freight. The opening of an international airport in the early 1970s provided a fast service link with New Zealand, Tahiti, Samoa, and the rest of the world. This has opened up a market for local entrepreneurs to supply the New Zealand winter market with fresh vegetables, while at the same time has served to introduce the latest commodity to visitors to the Cook Islands.

**Finance**

The only commercial bank (National Bank of New Zealand) was opened in the early 1970s; the bank has facilities for lending money to the commercial sector by way of term loans and overdrafts and has letters of credit and other international commercial facilities. The Cook Islands Development Bank (CIDB) opened in the late 1970s and replaced a smaller, more limited national development corporation. Although it is not a government department, CIDB is owned by the government. CIDB is legally required within the available resources to assist in the economic development of the Cook Islands and to conform with the policies of national development goals made by government in agriculture, livestock, forestry, fishing, manufacturing, processing, engineering, construction, transportation, tourism, commercial activities, and housing. CIDB activities include:

1. Financial assistance in the form of loans, equity investments, and guarantees;
2. Advisory and referral services; and
3. The identification and promotion of investment opportunities.
Communications

The installation of modern communication facilities has introduced a more sophisticated level of business opportunity with the advantages of modern international telecommunications systems provided by cable and wireless, which include international telephone, telex, and facsimile services providing instant and efficient communication with the rest of the world.

Manpower

Emigration trends in the last two decades have resulted in a labor shortage in all of the islands, especially in the skilled and semiskilled sectors. Government is attempting to attract people back to the islands, to slow emigration by adopting policies to improve overall housing (through CIDB), and to provide incentives to facilitate business ventures and create jobs and opportunities for the local population.

Research and Technology

Various aid-funded expertise is continually being brought into the country to conduct in-depth research into various projects. The Department of Marine Resources has installed fish aggregation buoys at various points, which have greatly increased catch numbers for local fisherman. There is an ongoing program to introduce and seed local lagoons with new species of fish and shellfish. Refrigeration facilities have been installed in the outer islands and Rarotonga to store fish that are later transported to the Rarotonga market. Refrigerated shops have been installed in downtown Avarua, where locally caught fish are sold. The Agriculture Department has an ongoing program to provide technical data for growers. Services extend to quality control, fumigation of export produce, and experimentation and introduction of new crop varieties.

Level of Participation of Indigenous Population in Cook Islands Business Environment

Cook Islanders are traditionally fishermen and planters, and even today the involvement of indigenous entrepreneurs in the business environment is mainly in fishing and agriculture. Both operations are predominantly solely or family operated, with limited equipment and holdings. Both operations are of a seasonal nature, and the income derived is therefore irregular; hence involvement is predominantly on a part-time basis.

The advent of tourism has opened up a wide range of opportunities for local entrepreneurs and includes hotels and motels and guest houses, restaurants, tour bus operations, vehicle rentals, lagoon cruises and big game fishing charters, and curios and crafts.

Where large amounts of capital are required to set up a business (e.g., motels and restaurants), indigenous entrepreneur participation is limited, and in most cases locals are the lesser shareholders in the venture.
Indigenous entrepreneurs are involved mainly with tour bus operations, lagoon cruisers, vehicle rentals, smaller take-out shops, craft and curio manufacturing, and local clothing stores that produce pareus, T-shirts, dresses, etc., for sale mainly to tourists. The tourist industry also has expanded the local market for primary producers.

Problems

Reasons for indigenous business failure are varied. There is not only the historical lack of exposure to trade and commerce, but also the inherent generous nature of the Polynesian people that makes them more likely to give away goods and services than to sell them.

While much progress has been made, the development of indigenous businesses has been fraught with many frustrations and setbacks due to the lack of basic skills in three main areas—marketing, accounting, and management. Most local entrepreneurs undertake a business venture not because they have identified a need for a particular product or service but rather because they see it being done by someone else. Unfortunately, most of them set up blindly with few skills and without research, and despite all of the available incentives and proper equipment use, the businesses often fail because of the lack of the following skills:

Marketing

No analysis is made of supply and demand, and the market is flooded, which results in lowered returns for everyone. In addition, there is a lack of promotion or a bad location and thus limited access by end consumers.

Technical know-how

Often machinery and equipment are inexpertly operated and maintained, resulting in inexpertly produced goods, poor finish, machinery breakdown, and loss of sales and production.

Accounting

Budgeting skills are often absent, resulting in inexpert management of cash. Money, as it comes in, is often spent on personal items without budgeting for asset and stock replacement. Recording of receipts and expenditure is often poorly done (if at all), and proprietors often have no idea of whether or not they are actually making a profit. As a result of lack of accounting and budgeting skills, a common problem is the gradual running down of business with no money available to replace stocks and assets, to pay sundry creditors, or to use for working capital.

Management

Often there is no future planning or overall coordination of the above-mentioned skills. Generally, there is bad management of overall resources—work force, available stocks, and capital.
Despite an abundance of ideas, the lack of one or more of the above skills often results in the failure of the venture. Entrepreneurs who succeed normally have had formal training in related areas or have been exposed to successful methods through long-term overseas experience.

**Training and Organizational Support**

The training and organizational support that are available include the following:

1. Government has recently opened a trade training center for the purpose of training school-leavers in various trades. The Department of Trade, Labor, and Transport is responsible for organizing training programs for local entrepreneurs. Programs available locally include workshops for small business financial management and agricultural small business management. These programs use expertise from overseas as well as local tutors.

2. CIDB has recently added a business advisory section to its operations to help entrepreneurs already in business as well as those intending to go into business. Services provided include project costing and technical appraisal, marketing surveying and analysis, financial projection, general accounting, agriculture advice and planning, and general business advice.

3. The Department of Development Planning offers a similar service that includes market research, technical appraisal, and financial projections.

4. One area that could benefit greatly from more input by government is marketing, which at present is largely left to the private sector. Some organizational support is available for the tourist industry through the government tourist authority, which undertakes marketing programs in various countries, but other enterprises are left largely to their own devices. Exporters rely heavily on the New Zealand market, and local entrepreneurs are trying with limited success to break into the Tahiti, Pago Pago, and, lately, the Australian markets.

The Cook Islands economy is still heavily dependent on aid, and the funds available locally for investment are limited. Recognizing the need for the introduction of foreign skills and capital for development, the government introduced legislation in 1977 in the form of the Development Investment Act. The act has two stated aims: (1) to encourage foreign investment, particularly in ventures in which locals do not have expertise or capital in desired investment areas, and (2) to encourage locals to participate in such ventures.

In 1981 the guideline criteria for administration were set out in an investment code, which specified desired foreign investment areas and also those areas reserved primarily for local participation. These criteria alter in practice (efforts by government to "fine tune" development) from time to time in accordance with the government's stated policy in the early 1980s to double tourist numbers within five years. The most significant
development area has been tourism, where visitor numbers have increased from an estimated 17,000 in 1978 to a projected 40,000 in 1986.

The Development Investment Act provides a number of tax and other incentives to encourage foreign investment, and a general rule of thumb is that foreign investors must obtain local equity participation of one-third, except in developments in which, due to the size and cost of a project, local investors cannot be found. Unfortunately, this tends to confine local participation to small projects, but a recent trend (especially related to motels) is for land-owning locals to lease their land to the project and take shares on a percentage of gross turnover instead of cash payments.

Other acts (e.g., tax legislation) provide lower taxes on profits earned from exporting manufactured or agricultural products, which applies to foreigners as well as locals. The customs and excise legislation provides for certain goods that are seen as desirable for development (for example, fishing boats and agricultural equipment) to be imported free of duty by locals or foreigners.

Conclusion

The basic infrastructure required for development in the Cook Islands has existed for years in the form of tax incentives, availability of development finance, transportation, and communication. However, indigenous Cook Islanders, due to a general lack of capital and business skills, are still confined largely to the smaller types of businesses mentioned earlier, using traditional rather than commercial skills. Commercial development has been undertaken predominantly by foreign capital and expertise. Until such time as indigenous Cook Islanders have the capital to invest in commercial development and the expertise required for ongoing management, the role of the indigenous Cook Islander in business will not change. Given the existing infrastructure perhaps only time and more exposure to successful methods of business conduct can reverse this position.
INDIGENOUS ENTERPRISE IN THE FEDERATED STATES OF MICRONESIA

Nanny Mori

The Federated States of Micronesia (FSM) is a small island nation made up of four groups of islands: Yap, Truk, Pohnpei, and Kosrae, with a population of over 90,000. The FSM is located north of Papua New Guinea and southeast of the Philippines.

Among the developing nations, the economic problems of small islands and island nations are not only more numerous but also perhaps more complex and tenuous as compared with those of other countries with large populations and large land areas. The FSM, being small in both aspects, has its share of the island nations' economic problems.

Like other island nations in the Pacific, the FSM also has been under foreign domination for about 200 years, the FSM—which is still legally part of the Trust Territory of the Pacific Islands, together with the Northern Marianas, Palau and the Marshall Islands—was entrusted in 1947 to the United States, under the United Nations Trusteeship Agreement, to develop the islands politically, economically, and socially so that one day, the people of the islands will be able to choose their own political destiny. Accordingly, in 1979, the four island groups of Yap, Truk, Pohnpei, and Kosrae, approved a constitution that established the Government of the Federated States of Micronesia. This year, after 14 years of negotiations between the United States and the FSM, a new political relationship between the United States and the FSM has been defined and formally approved by both the United States and the FSM. Before this current year ends, the new political relationship, which is known as the "Compact of Free Association," is expected to take effect.

One of the provisions of the Compact of Free Association requires the FSM states and national governments to formulate their development plans outlining the socioeconomic goals and objectives and the strategies by which they are to be achieved. The FSM Governments have accomplished this task, which has been consolidated into what is known as the First National Development Plan 1985-89 for the FSM.

From a banker's point of view, I would say there is a great potential for business success in the FSM, provided the leaders and the people themselves are willing to make the necessary changes and adjustments, some of which require individual and collective sacrifices. There are also some obvious problems and constraints (aside from those connected with the long political history), which are impeding economic development. These include the lack of capital, infrastructure such as water and electricity, accessible roads to villages for the distribution of basic consumer goods and services, transportation within the FSM, and a reliable communication system. The FSM also lacks adequate financing facilities. Although two commercial banks have been operating in the FSM for over 20 years, the bankers find the political and economic environments not suitable for active lending. The banks therefore confined their lending activities largely to service-oriented projects and the retail sector where profit is
quick and inventories are used for collateral. The interest rate, which has recently been increased from 12 percent to 15 percent, is another impeding factor. The FSM Development Bank (FSMDB), a government-owned bank, which came into operation in 1982, has been able to cope with some of the financial needs of the people, especially their financial needs for industrial projects that are considered "too risky" by the commercial banks. Such projects include boats for interisland transportation, agricultural and fishing projects, livestocks, and handicraft projects.

The socioeconomic policies of the governments which include education which is another key concern, perhaps the most important one because it deals with the younger generation. Our educational system is patterned after the U.S. system, and consequently students frequently pursue studies that are too easy, too liberal, and have little chance of being utilized in the FSM. Upon their return to the FSM, they cannot find suitable jobs, and the expatriates are continually imported to fill posts in important areas such as accounting, engineering, business consultancy, and law for which few or no FSM citizens are qualified.

The Trust Territories Government, prior to 1979, maintained a "hands-off" policy toward private business, and instead substantial efforts and resources were allocated into the development and improvement of social programs. Although the FSM Government has tried to reverse this attitude, it still lacks strong pro-business policies and incentives. One example is the project funding, where social projects still receive funding priority over economic development projects although politicians publicly support development of the business sector.

In spite of these natural and man-made problems, a great potential still exists for businesses to succeed in the FSM. First, the FSM is centrally located between the Asian, American, and South Pacific markets, which makes it an ideal center for transshipment and raw material processing. It has some natural resources, most of which have not been exploited such as fish, mineral deposits in the deep sea, exotic beaches with tropical climate, and the export potential for exotic fruits.

Although the labor force may not have the necessary skills, they are quite healthy and are willing to work for reasonable wages. The tax rate and licensing fees are still very low, and the government is still subsidizing the cost of utilities. Except for the retail industry, most of the industrial sectors still have ample room for new business entries and for business expansion.

The FSM Governments, states and national, being new, have yet to establish the legal framework and investment promotion agencies to support the nation's economic endeavor as outlined in the Five-Year Development Plan. The existing government support agencies include the Department of Resources and Development, the Department of Revenue and Taxation, the Department of Planning and Statistics, the Micronesian Maritime Authority, and, of course, the FSM Development Bank. Other support agencies include the commercial banks, the insurance agencies, the shipping and airline agencies, the communication corporation, and the credit unions.
Foreign investment is encouraged in the FSM, especially if such investment will increase create jobs for FSM citizens and goods for import substitution. Very few companies are wholly owned by non-FSM citizens, such as the commercial banks and the petroleum distribution company; otherwise the majority interests have to be the FSM. In most cases, the FSM partners do not possess the necessary capital equity; however, land for business sites is the common equity participation. As foreigners cannot own land in the FSM, the foreign investment arrangement seems to be the best answer and also requires majority ownership by the FSM citizens.

These are some of the problems, opportunities, and support related to the business sector in the FSM. I am most certain that my country, especially the business sector, will benefit from the business topics that are discussed at this meeting. As island nations, we appreciate and understand our own problems better and are sensitive enough to work quickly toward possible solutions.
When the pre-conditions necessary for the creation of entrepreneurs are examined, indigenous Fijians clearly have the economic opportunity to develop successful businesses. But frequently they are constrained by social or personal influences coupled with inadequate skills in financial management and planning.

Opportunities

The opportunities in agriculture and aquaculture-based products are almost unlimited. Diversification of agricultural exports is encouraged. A range of export opportunities exists for agricultural and aquacultural products and is supported by Fiji's National Marketing Authority. Potential also exists for small industries to process these products for both local and overseas markets. Canning fruit and fruit juice, making jam, bottling tomato sauce, and freezing fruit pulp and root crops are all opportunities ready to be exploited by small-to-medium-scale industries. Such ventures will create employment in the community, increase the demand for agricultural products, and improve levels of productivity.

Indigenous Fijians are fortunate insofar as they have access to the land. It is important to capitalize on this asset and encourage Fijians to move from subsistence-based and unplanned cash crop production, which often results in seasonal gluts in fruit and vegetables, to a planned profit-oriented economic activity with markets secured prior to production.

For example, the opportunity is almost unlimited for commercial seaweed farming in many coastal areas, especially now that a New Zealand company is proposing to establish a plant in Fiji that extracts carogeen from seaweed.

Similarly, many opportunities exist to supply the Japanese markets with dried bech de mer, pawpaws, soursop, orchids, and specialty flowers, and these markets have only just begun to be tapped by Fijian producers. High quality handicrafts are in constant demand by both tourists and local people, yet they are frequently in scarce supply. Other opportunities exist for the production and supply of household items such as charcoal and charcoal stoves, which could help to reduce kerosene consumption in urban areas and thereby reduce Fiji's fuel imports as well as the time spent gathering fuel in rural areas. Another recent investment with potential is Fiji's first tannery, which began processing good quality hides in 1984 and now makes leather available for local production into consumer leather goods.

To gain a foothold in the industrial or commercial sector is difficult for Fijians, yet an individual can succeed with the true entrepreneurial spirit, determination, and the will not to give up easily. Many Fijian women have grasped the opportunities offered, and they own and operate restaurants, beauty salons, a bicycle manufacturing company, a catering
business, a galvanized bucket manufacturing company, and a toy manufacturing company, to name but a few.

Problems

Of the multiplicity of problems facing the Fijian entrepreneur, the ones most commonly quoted are the traditional obligations, na oga (the social obligations for traditional celebrations and money raising activities) and kerekere (to ask for). In the experience of the writer, the Fijians who are the most successful in business are, in fact, highly supportive of na oga and contribute when required. Even though they respect the reciprocity of kerekere, they have managed to keep it within reasonable levels. The difference between these individuals and those who have failed is that they understand the financial requirements of their business. They understand how money should be distributed, as well as how much money they can afford to give and thus act accordingly.

BOMAS

Many and varied problems confront the Business Opportunity Management and Advisory Service (BOMAS) in relation to their role of assisting Fijians in business.

BOMAS, which is attached to the Ministry of Fijian Affairs, provides training and business advice for Fijians and Rotumans. Individuals coming for advice can be broadly classified into three groups:

. Those already in business seeking financial assistance or business advice because they plan to expand the business or they are experiencing financial difficulties,

. Those planning to commence a business or buy a going concern who request advice prior to going into business, and

. Those who want to go into business but have no idea what type of business to start and want suggestions from BOMAS.

There is a belief or expectation by many Fijians seeking assistance that "BOMAS has money to give." This has partly arisen from the days when BOMAS administered the now defunct Rural Area Appropriate Technology Unit (RA-ATU), which gave loans for Fijian enterprise in rural areas, and partly from clients who received loan application assistance from BOMAS's role as one and subsequently described BOMAS as "getting money for their business."

It is a sad fact that clients often spend days on end in consultation with BOMAS staff when they are seeking loan money. BOMAS staff will normally prepare a cash-flow plan in consultation with the client but clients, are impatient to depart when it comes to discussing business plans, record keeping, etc. Sometimes no conscious connection or understanding seems to exist between their business plan and subsequent business behavior because they are often impatient to "get the money and get started." There is an obvious need for tighter controls and more supervision, yet neither BOMAS nor the Fiji Development Bank is empowered to enforce a client to maintain adequate business records.
Several clients seeking assistance from BOMAS have been advised against a particular business venture by BOMAS personnel on the basis of contradictions in their feasibility study. These clients often turn to other lending agencies only to find that their business soon encounters problems, when they then return to BOMAS for a solution. BOMAS personnel are frequently approached to prepare Fijians' income-tax returns, assist in solving problems relating to Fiji National Provident Fund savings, and assist in the case of court summons for personal matters that have arisen in conjunction with the mismanagement of their business operations. The bureaucratic system does not make it easy for Fijians to solve such problems. And BOMAS has difficulty in sending these individuals away without attempting to render assistance. The mismatch between the expectations of some clients and the objectives of BOMAS will be dispelled only when BOMAS that ultimately sets an example by giving sound business training and advice that are of value to successful clients.

Other problems arise from the "copy-cat phenomena," or the desire to do something in which someone else appears to be successful, for example, a carrier service or another village store. Banks tend to be conservative in their lending policies and follow fashions in offering acceptable loan finance. This procedure can be difficult for someone with innovative new business ideas and little equity to obtain financing.

All too often a project is started with lack of proper planning, no market research, and no feasibility analysis--all of which can result in undercapitalization. Furthermore, the inadequate knowledge of costing and pricing, budgeting, and record keeping, among other things, allow for mismanagement of money and resources. Lack of accountability in group projects is recurrent big problem, and thus regular monitoring of the business records is essential.

For Fijians who have managed to break into the commercial sector, there are never ending problems related to the supply of materials, which are due to the influence of other indigenous groups in Fiji, to the priorities given to other businesspeople, or to the prohibitive prices that are charged on imports, (e.g., poultry feed) by monopolistic overseas companies operating in Fiji.

For women with small yet economically significant business projects, problems arise from the confusion caused by the action of non-government organizations that supply direct assistance (in the form of money or materials) rather than work through existing recognized structures. Many women are highly motivated but struggle because of their lack of knowledge, lack of appropriate business training, lack of assistance, and lack of available information and financing.

In the past, financial aid in the form of grants and loans, which have not been repaid, has contributed to the lax attitudes toward financial management. The common statement among groups with floundering business enterprises is, "when the money runs out we will just have to look for more aid." With this attitude it is very difficult to persuade those concerned that proper financial management would have prevented their problems, or even that the business is not viable at all.
Support for Fijian Enterprise

A number of support organizations give diverse assistance to entrepreneurs though little coordination between exists among their programs.

For instance, the Fijian Affairs Board (FAB) of the Ministry of Fijian Affairs established in 1985 an implementation team whose role is to advise and help rural Fijians to adopt the recommendations suggested in the Review of the Fiji Provincial Administration (Cole et al. 1985).

This implementation team is extremely sensitive about finding the correct balance between the time that villager contribute for community development and the time that they have available to carry out their own entrepreneurial activities, if desired. Those within the village make their own planning program, and the Turaga ni Koro (village headman) is taught what is required of him to achieve this. Villagers with successful business operations seem to be the ones who support the chiefly system. They have the finances and are willing to do so.

Provision for individual enterprise must be made for those who want it. Provision also must be made in the implementation scheme operate and manage Tikina funds so as to include opportunities for funding of projects if the people themselves so agree.

BOMAS, which is also attached to the Ministry of Fijian Affairs, provides business training for men and women in both rural and urban areas though a considerable part of the business training for women in Fiji has been carried out in conjunction with the Women's Interest Assistants in the Ministry of Rural Development and with the female multicraft teachers at the Non-Formal Section of the Ministry of Education & Youth.

The multicraft training in business and vocational skills offered to female multicraft students is one of the few training programs geared to encouraging entrepreneurial development in young Fijians. A real need exists for core training of this kind for Fijian youth, yet there appears to be reluctance to recognize this approach as an effective training program that might prepare youth for self-employment, particularly in rural areas.

The Women's Section in BOMAS has also been involved with business skills training for social workers, which is coordinated by the Public Service Commission's Government Training Center, the YWCA day students, and the students at the Community Education Training Center at the South Pacific Commission. Close liaison has also been maintained with the Government Handicraft Shop. The Fiji Development Bank (FDB) operates a Commercial Loans to Fijians Scheme (CLFS) and a Management Advisory Unit (MAU), and personnel from MAU have worked in close cooperation with the women's training officer in BOMAS.

Other organizations that offer programs include the Fiji Co-operatives, which provide a thorough training program and service for its members; the National Marketing Authority, which provides contacts and marketing outlets for selected agricultural products; the Fisheries
Department, which runs training courses for those involved in fishing activities; and the Economic Development Board, which runs project viability, information, and training courses.

When one considers the function and role of all the Enterprise Support Organizations available to help Fijians, the training function is among the most important. Training must be provided for young Fijians to instill ideas that encourage business development. The use of training as a remedy when the business is already in difficulty is not a satisfactory solution to the problem.

When planning for the future, it is important to consider the Employment and Development Mission's recommendation that BOMAS take its services out to small businesses rather than wait for their requests to come to BOMAS (Benefield 1984). Those in BOMAS endeavor to the best of their ability to serve the needs of the Fijian entrepreneur, but a small staff means that advisors are spread thinly among the clients seeking assistance, and it is difficult to discriminate between cases genuinely worthy of assistance and the "no-hopers" looking for easy money and quick status. If BOMAS staff could only differentiate between these cases, a considerable amount of time and money would be saved, and BOMAS staff could concentrate on assisting those Fijians who really wish to achieve in the tough world of business.

REFERENCES


OPPORTUNITIES, SUPPORT, AND THE PROBLEMS OF INDIGENOUS BUSINESS IN FIJI

Mere T. Samisoni

Introduction

The basic concepts of commercial enterprise and business activity are fundamentally incompatible with the social norms and cultural values of the communal way of life of indigenous Pacific islanders. For many people the cultural and traditional ways of life have changed very little. In the case of indigenous Fijians, however, the accelerated and sustained rates of economic development and social change at the national level have produced a culture shock reaction in which they appear to be unable or unwilling to
cope with the rapidly changing commercial environment that is being imposed upon them by the economic dominance of the non-Fijian sector of the population, especially the Indians.

Numerically outnumbered and commercially outgunned, indigenous Fijians are not only economically subjugated, but also face the probability of social and political subservience in the future, unless meaningful changes are made to upgrade their economic standing and commercial capabilities. To do so, however, would require significant attitudinal changes on the part of government and non-Fijian members of society so that realistic and more effective measures of support and encouragement—which will give Fijians a more equitable share of the commercial market and economic cake—are put into action.

Racial harmony and cultural tolerance within Fiji's multiethnic society have been the mainstay of the nation's political and social stability since its independence. That stable and peaceful climate, however, is increasingly being threatened by the ever-widening economic gap between Fijians and other races, particularly the Indians, whose commercial power and economic dominance continue to spiral upward while Fijians lag farther behind. Such inequality of economic power and the uneven distribution of wealth can only be redressed through the creation of an indigenous Fijian business community.

Opportunities

There are ample opportunities for small business operators and entrepreneurs, especially within the rural setting. Ownership of land, a larger proportion of Fijians residing in the rural areas, and the relatively fewer number of Indians are factors in favor of the Fijian entrepreneur. Rural-based commercial enterprises such as farming, fisheries, cultural artifacts, and arts and crafts production are businesses that Fijians can and have exploited commercially. Opportunities also exist for the retailer and middle-man type of activities in villages and rural areas.

The private business sector in Fiji has been surprisingly buoyant despite the oil crisis and worldwide recession, and opportunities for the small business entrepreneur are therefore plentiful. By contrast, the prime sectors of commerce such as industrial, manufacturing, major servicing, retailing, and catering for industry and tourism are virtually inaccessible to Fijian entrepreneurs by virtue of the magnitude of such undertakings and the paucity or absence of needed resources such as finance, experience, and expertise. Not to mention the fact that these resources have been more or less totally appropriated by foreign capital or the commercial giants of other racial groups.

Joint ventures are perhaps one avenue for Fijians to penetrate the big league business market, and special financial arrangements are available for such schemes. With few exceptions, however, indigenous Fijian participation in such schemes does little to develop Fijian experience and expertise in commerce, or even the right entrepreneurial attitude, because Fijians play a passive or subservient role.
Support

The formation of the Business Opportunity and Management Advisory Service (BOMAS) as a semi-autonomous and auxiliary arm of the Fijian Affairs Board was the first tangible evidence that government wanted to encourage Fijians to enter into business. The Fiji Development Bank (FDB) subsequently launched its Commercial Loans to Fijians Scheme (CLFS) to support the role of BOMAS and followed up with the Management Advisory Unit (MAU) to advise its clients on management matters.

Development Plan 8 (DP-8) made a somewhat vague reference to governmental support for indigenous Fijians to be encouraged to go into business, and the Economic Development Board (EDB) and BOMAS were identified as the means by which government support can provide, where necessary and appropriate, initial equity participation in relevant commercial ventures. There is, however, no reference to Fijians in business nor is there mention of either BOMAS or CLFS in the follow-up Five-Year Developmental Plan 9 (DP-9).

The Hailey report (1985) states that Despite the political interest and rhetoric in support of Fijian entrepreneurs, no clear guidelines have yet been established to support their businesses. Efforts to encourage the development of indigenous Fijian entrepreneurs can be successful only if they are integrated into a cohesive overall policy. Current indications are that government can and should do a lot more than what is available now or envisaged for the future.*

Problems

Most studies of indigenous Fijian business have focused on personal problems as the cause of failures in this area. The lack of management experience and business skills, limited family exposure to business, inappropriate training, inadequate planning, ineffective control of resources, and a host of other related deficiencies have all been blamed. The alleged lack of motivation and unwillingness to do the necessary hard work also have been blamed. They have therefore stereotyped the Fijians as an ethnic group that is unsuitable for and unlikely to succeed in business.

In my opinion, these weaknesses and faults simply prove that the Fijians as a group have not been adequately prepared for the harsh realities of the commercial enterprise sector. Their culture and traditional way of life are incompatible with private enterprise philosophies. And the rapid changes in their socioeconomic and political environments have denied them the time to evolve and acquire the necessary personal attributes to cope with the commercial competition of free enterprise. Those who expect Fijians to compete effectively in business against the Indians and other races such as the Chinese, Europeans, and

part—Europeans have either ignored or failed to understand such problems. Such expectations can only be compared to a situation in which a Fijian who cannot swim is expected to compete with an Indian or European who not only can swim, but also can swim very fast.

This problem can be solved only by teaching Fijians the basics of the business enterprise sector, and the only way to do this effectively at this stage is to encourage them to become involved in business and provide them with the maximum support that they require. Their performances must also be assessed on the basis of the enormous handicap under which they will have to struggle. Appropriate compensatory mechanisms must be instituted to cater to their handicaps and weaknesses.

Although BOMAS and the CLFS window policy of the FDB look good on paper, there is concern as to their total effectiveness as an interactive and linked scheme. Of the 2,183 loans recommended by BOMAS to the FDB under the CLFS between 1975 and 1983, only 52.3 percent were approved. This implies that vastly different criteria of assessment are being used by both organizations. For the past five years only 44 percent of BOMAS-recommended loans were approved by CLFS, and in 1982 the approval rate was 32 percent. Under the circumstances, one can only wonder about the respective management advice that Fijian entrepreneurs receive from BOMAS, on the one hand, and the Management Advisory Unit of the Fiji Development Bank, on the other.

As a would-be entrepreneur, and later a successfully established businessperson, I have found it difficult or impossible to obtain a loan through the CLFS section. Many Fijians have been unable to acquire any financial support through this scheme because of the lack of security. I for one would certainly want to know whether Fijians are getting the support and encouragement needed to get into business because my guess is that they are not.

Indigenous Fijian Women in Business

Even in Western society, women are subjected to certain degrees of discrimination, purely on sexist and chauvanistic grounds. In business activities of an entrepreneurial nature, therefore, women are disadvantaged to some extent, particularly at the executive and higher management levels. For the Fijian woman entrepreneur, the disadvantages are much greater, given the cultural mores of a strong male-oriented and dominated society. The Fijian woman entrepreneur must therefore be able to cope with commercial challenges and problems as well as the domestic and social barriers of culture and tradition.

Despite these difficulties, however, Fijian women are involved in various types of small business enterprises, and many of them have been able to overcome these difficulties and operate successful businesses. The specific assignment of a special coordinator in BOMAS to look after the needs and problems of Fijian women entrepreneurs is a welcome move indeed.
Fijian women have the common entrepreneurial attributes to be developed—based on home management, personality, perception, and values—to expand their social roles and horizons into the commercial arena and contribute meaningfully to national progress.
DOMESTIC ENTERPRISES IN FRENCH POLYNESIA

Louis Savoie

As of last census in 1983, French Polynesia had a population of 167,000 inhabitants, of which at least 50 percent were under 20 years of age. This population is growing at a rate of about 3.5 percent per year, mainly as a result of migration and a high birth rate.

At present the unemployment rate is considered low (5 percent), but the arrival of the young generation on the job market requires that to the number of job opportunities available be increased.

Another goal of French Polynesia is to reduce its economic dependence on the outside markets.

To achieve these goals, French Polynesia favors, on one hand, the encouragement of foreign and French investments and, on the other, the development of domestic indigenous enterprise. The development of indigenous enterprise may encounter some difficulty, but as a territory French Polynesia has the advantage of financial aid, benefits, and grants.

The Disadvantages

Of the active population 80 percent are in regular employment, of which half are working in the public sector. The primary sector (agriculture) employs about 14 percent of the work force, the secondary sector (industry) employs 19 percent of the work force (11 percent of whom work exclusively in the building and construction sector), and the tertiary sector (business and commerce) employs about 67 percent of the work force.

The lack of raw materials and the limited domestic market constrain the development of processing industries; those that do exist are geared to import substitution. Moreover, the need to import raw materials and the size of the small local market render the final product uncompetitive in comparison with similar imported products. Also, the high wage levels—practically the same as the European industrial wage levels—constitute another disadvantage.

The scarcity of land and business premises confront investors with yet another major problem, which greatly distorts purchasing or leasing prices. And, finally, the new opportunities are limited as few specialist technicians or skilled experienced workers are relatively few in number.

The difficulties encountered by small-scale enterprises are the standard ones internationally, for instance, where the technicians turns themselves into managers but are then handicapped by their lack of administrative and management experience or undercapitalization. Generally speaking, local businesspeople are not export orientated, do not know the rules of the game, and prefer to concentrate on the domestic market, an area of little growth and market stagnation. Under such conditions, the Polynesian economy is mainly geared to the tertiary service sector, with particular emphasis in the overcrowded retail sector.
The Advantages

A number of assets particular to French Polynesia are integral to the development of the domestic economy.

The Environment. French Polynesia is a "modern" territory. Its public services are of an excellent standard; air and sea services, both international and domestic, are frequent and well established; and the local communication network (post office, telephone, telex, telexcopy, etc.) connects with 140 countries.

The Population. The educational levels are high with 33 percent of the active population having either college certificates or university degrees. This percentage is constantly rising among the young generation, which means that business concerns will have available a youthful and educated work force.

Banking Services. Numerous commercial banks and financial institutions established locally can cover all local financial requirements. Discount rates, as low as 9 percent, are offered to small-scale entrepreneurs, investing in the primary and secondary sectors.

Taxation. Income tax does not exist in French Polynesia. Business taxation varies from 25 to 45 percent, depending on the importance of their investments.

Custom Duties. Local enterprises wishing to export their products have the possibility of using the specific "free zone system," which has been recently developed in the territory.

Financial Incentive Measures

The Government of French Polynesia offers substantial aid through investment programs projected in selected territorial activities for economic development, such as the tourism industry, agriculture, stock farming, ocean and related activities (aquaculture and pearl farming), renewable energies, interisland transportation, industrial and small-scale production/processing activities, and the export and servicing of new technologies.

Such aid includes grants, exemption of custom duties on imported equipment, temporary exemption of business taxation (between three and five years), job-creating bonuses, partial refund of an employers' social charges, and no interest loans.

The overall aid allocated investment programs may thus amount to 30 percent of total costs. Also, to promote domestic production the territory can apply protective measures such as an increase of custom duties or a temporary prohibition on the importation of similar products.

The Future Development Layout

The economic development of French Polynesia must be considered in terms of both local and foreign investment, with particular emphasis on
foreign investors because of their know-how and financial resources. The local government recognizes this situation by easing the load of business taxation and offering accessible land and business premises.

On another hand, complementary measures are required to encourage and support the development of domestic enterprises, such as:

. The assignment of land and premises at competitive rates;

. The adaption of training programs for small-scale entrepreneurs and managers (including technical training);

. The improvement of existing professional training schools to meet specific requirements;

. The establishment of a financial institution pooling system to help the small-scale enterprises that lack capital;

. Government loans in favor of high risk industries; and

. Incentive measures geared toward export, including technical assistance and counseling, marketing, export insurance, and other fiscal measures, including the refund of custom duties on the raw materials used in export products.

The development of domestic indigenous enterprise does not necessarily imply the creation of new enterprises as it is easier to develop an existing business than to create one. However, aside from the technical and financial aspects, the main obstacle still remains, "How do we change the Polynesian commercial mentality?" Given that the majority of local managers, old and recent, content themselves with competing in the restricted local market, few are tempted by the vagaries of export markets.
This paper is an interpretative commentary about the role of Alu Like and its contribution to the native Hawaiian community. In 1975 a number of Hawaiians committed to having the Hawaiian people become duly recognized as Hawaii's native or indigenous population founded Alu Like, Inc. These Hawaiians, some having skills, prominence, and proficiency within the political process, determined that the Hawaiian people should earn, attain, and accept the responsibility of coequal status with regard to the leadership of the State of Hawaii—in all phases of Hawaii's social, economic, political, and cultural life. Moreover, they set forth the mission of Alu Like as the successful pursuit and attainment of self-sufficiency for the native Hawaiian. Thus, utilizing their expertise and access to both Hawaiian and non-Hawaiian support, they started Alu Like, Inc.—a community-based, private sector, nonprofit organization with 501.c.3 government (IRS) status. This affirms that Alu Like is eligible to receive public, government funds to produce and operate programs that serve a public purpose that otherwise could be or would be provided by government.

This capable group of Hawaiians with considerable non-Hawaiian assistance was able to convince the Congress of the United States to pass legislation; as a result in 1975 the President of the United States signed into law a proviso recognizing the native Hawaiian as a native American. Moreover, with the enactment of this legislation, federal dollars were made available and became accessible to the native Hawaiian community, mainly in Hawaii Nei.

Although these federal funds were relatively small within the context of the U.S. Native American situation, it was a considerable amount on money to focus on the long-term difficulties of the Hawaiian people in areas such as health, housing, education, native entitlements, and employment. Since 1975 Alu Like has served as the principal organizational instrument in the revitalization of the native Hawaiian. Furthermore, within a score of years the single most dominant ethnic group in Hawaii, in terms of population size, is likely to be the native Hawaiians. This is because in 1986 approximately 30 percent of the youth between 6 years and 18 years of age are native Hawaiians; that is, they can trace their lineage past 1778 to the indigenous Hawaiian population. Also, Hawaiian's medium age (total population) at present is 29 years whereas the native Hawaiian medium age is 25 or 26 years—another indication why the founding of Alu Like and certain other events in Hawaii are pertinent to the future of Hawaii Nei, especially in terms of who may furnish the leadership in Hawaii into the 21st century.

Alu Like's beginnings are really rather simple to describe. Unfortunately, no writing can clearly communicate the energy and the hurt that went into producing an organization like Alu Like, as well as its impact on the Hawaiian community. However, certain salient, historical moments can be pointed out: first, with the availability of federal
dollars, Alu Like, using volunteers from the Hawaiian community, conducted a combined census and needs survey. Result? The census showed at least 175,000 native Hawaiians were living in Hawaii or almost 18 percent of the total state's population. The survey revealed that the Hawaiian community prioritized its needs as follows: education, employment, housing, health, and native rights (1976-78 survey).

In 1980 another community survey was conducted that indicated these priorities: education, employment and economic development, health, housing, and native rights.

Clearly, the mandate in terms of need was stated and validated. It behooved Alu Like to organize itself to be more responsive to the Hawaiian people and to set forth a strategy of self-sufficiency. Thus, with input and dollars from the Administration for Native American Programs and the U.S. Department of Health and Human Services, Alu Like organized itself and proceeded with the long-term yeomen work that, with diligence, has yielded results.

The strategy had three basic tenets, consistent with the overriding mission of Hawaiian self-sufficiency:

1. Alu Like operations would be established on the islands with major Hawaiian populations, namely, the islands of Hawaii, Kauai, Maui, Molokai, and Oahu. Maui and Molokai would serve Lanai. Kauai would serve the island of Niihau—home of where most "pure blooded, 100 percent Hawaiians live. Further, for each Alu Like island operation, the Hawaiian community would elect representatives to provide direction for Alu Like services on each island. Then at a statewide level a board of directors was to be elected by the Hawaiian people from throughout the state.

2. Based on the needs prioritized, Alu Like would institute programs and initiatives designed to persuade existing institutions to become fully responsible and accountable to the needs of the Hawaiian community. Thus, when the existing government agency or public institution indicated its lack of capacity to serve appropriately, Alu Like would utilize its resources to demonstrate what measures could be taken, as well as their benefits to the larger Hawaii community. Alu Like has done this with considerable success. For example, Alu Like introduced a program in Grades K-3 in a Haleiwa Elementary School, where Hawaiian culture and language were taught to all students and Hawaiian elders (kupuna) were the instructors. As a result of the success of this program, the State Department of Education now has an "Hawaiian" program operative in most elementary (primary) schools and taught by kupuna even though they are not professional or certificated school teachers. Instead they are chosen for their knowledge of the Hawaiian culture and their aloha for the children.

3. The third tenet was simply that once Alu Like demonstrated a program's worth, we expected the responsible institution or agency was expected to take it over. Our general policy has been to serve
as a facilitator, a catalyst, until our organizational support is no longer needed and we (Alu Like) move on to develop new programs.

What then have the aforementioned objectives produced?

1. Alu Like, Inc. has 15,000 members and employs almost 100 employees—most of whom are Hawaiian, working with five island centers and the central administration. It manages in 1986 five federal (U.S.) funded programs: JTPA (Job Training Partnership Act), Vocational Education, Library and Construction Services, and Administration for Native American Programs) totaling almost US$7 million. It receives $100,000 from the state of Hawaii plus smaller grants allocated to individual island centers.

2. Alu Like Inc. has for every US dollar received from the State of Hawaii brought US$30-US$40 of new money into the state.

3. Alu Like Inc. employment and training program (JTPA) has successfully placed 9,000 Hawaiians in regular employment with long-term prospects of their remaining employed.

4. Since 1980 Alu Like has concentrated on community economic development so that we now feel that Alu Like is "at the cutting edge" of economic initiatives for Hawaiians. We have successfully advocated a strategy for the economic revitalization of Molokai island wherein agriculture, aquaculture, and fishing are the anchor industries to be developed as well as established a cooling plant for farm produce and flake-ice for fishermen and applied technology to revitalize and commercialize ancient Hawaiian fishponds. The cost of this package is US$800,000.

5. Alu Like presently has a memorandum of understanding with an Alberta, Canada firm to joint-venture a housing, manufacturing, and assembly plant in Hawaii, provided the prototype proposal is deemed affordable. With almost 10,000 native Hawaiians seeking housing on Hawaiian homeland lands, Alu Like has an opportunity to guarantee jobs, develop skills, and enable native Hawaiians to return to their land, as well as be of benefit to the overall economy. Alu Like will seek to export this technology and knowledge of housing construction into the Pacific to wherever and whomever is interested.

6. Alu Like has organized a health consortium whose findings were recently presented to the U.S. Congress. It is anticipated that two federal laws will be enacted entitled, Native Hawaiian Health Act and Native Hawaiian Education Act.

7. Alu Like has supported the establishment of an Office of Hawaiian Affairs and looks forward to collaborating extensively in the advocating the needs of native Hawaiians. The Office of Hawaiian Affairs is currently in its initial developmental stage.

8. Alu Like, for its own self-sufficiency and survival, has organized a profit-orientated arm called Alu Like Enterprises—a wholly
owned, subsidiary of the Alu Like Inc. holding company. It has given birth to a firm called Pacific Technology—a story in itself that describes how and why success as well as failure in business may be only a matter of nuance.

Alu Like has reached out to the Hawaiian and non-Hawaiian population and has attracted the support of business-minded yet pro-Hawaiian individuals and organizations. This can be ascribed in part to our organizational track record, our accomplishments, how we have handled failures, and what we want to achieve. These experiences simply underscore the fact that our work to date has been merely a prologue to the time when vigorous, capable, and dedicated Hawaiians assume their place in the responsible leadership of Hawaii.

In conclusion, Alu Like offers the following observations about its experiences:

First, we intentionally strive to service the individual Hawaiian and the Hawaiian community so that dependence on Alu Like is short-lived and socioeconomic self-sufficiency is manifest.

Second, we seek to provide the technical assistance and to access available public/private funds that can be used to develop the skills, competence, and leadership of the Hawaiian community and the individual to (1) analyze needs, (2) ascertain resources, (3) determine strategy, and (4) organize, and implement policies in pursuit of our goals and objectives. Throughout, however, self-sufficiency is stressed above all else.

Third, we have designed our organization structure, operations, and expertise to respond to the priority community needs of the Hawaiian people. We have committed ourselves to produce constructive results and to encourage existing institutions to serve the Hawaiian community. Of course, we are ready to help the responsible agency find become responsive and accountable.

Fourth, we have recently recognized that Alu Like has been and is the pioneer, the cutting edge, the advocate for the native Hawaiian. We are an advocate for community economic development as the vehicle through which Hawaiian community needs are addressed, leadership is developed, and indigenous entrepreneurs and enterprise are enabled, perhaps even empowered. Therefore the larger Hawaiian community must be sensitized and encouraged to be more supportive of the Hawaiian's pursuit of self-sufficiency.

Finally, such a strategy does challenge the sense of self-confidence and security of those who are in power. After all, a key ingredient of the Alu Like strategy has been to imbue the Hawaiian community with skills, etc., related to governance. If the majority are insecure about their sense of sovereignty, they may react negatively against the strategy. If, on the other hand, they are secure and confident, they will retain/sustain the strategy to be implemented.

Although I believe that the "in-power" groups' response to this strategy is pertinent only to the extent of their resistance. Once in
motion, the socioeconomic self-sufficiency strategy is difficult to defeat. For Hawaii, this strategy, if implemented consistently, may very well enable the timely emergence of native Hawaiian leaders to serve the Commonwealth with competence. Without the Alu Like strategy, the prospects for this are negligible.

Key facts about Alu Like Inc. are as follows:

- 15,000 members;
- Statewide organization
  - elected state body of 11 members
  - island centers each with a board with at least seven members, whose chairpersons sit on the state board;
- Five island centers through which the program’s services flow;
- One central administration, which manages the overall development of organization and strategy;
- Activities: leadership development, community economic development, issue advocacy, entrepreneur assistance—specific program responses in education, health, housing, native rights, employment and economic development, and vocational education;
- Programmatic funding: US$7 million;
- 100 employees, mostly Hawaiians.

Na'Oiwi O O'ahu
THE HAWAIIAN BUSINESS DEVELOPMENT PROGRAM
Linda Colburn

Na'Oiwi O O'ahu is a private nonprofit organization, which provides business assistance services free of charge to the Hawaiian community on the island of O'ahu. In August of 1985 the Administration for Native Americans, Department of Health and Human Services, awarded Na'Oiwi O O'ahu, Inc., a grant to fund the establishment of a pilot project entitled, "The Hawaiian Business Development Program."

Although Hawaiians constitute approximately 22 percent of the total population of the state of Hawaii, they account for only 6.6 percent of the minority business ownership in the state. The Hawaiian Business Development Program has been established to help Hawaiians start new business ventures as part of an effort to increase their representation in the entrepreneurial arena.
Program assistance is available in three basic forms: One-on-one counseling and consulting, development and presentation of business workshops and seminars, and capitalization alternatives.

Over 100 clients have already met individually with the two full-time business development staff consultants since October 1985. These one-on-one consultations support various stages of planning or operational implementation.

Skill building in specific disciplines is supported by workshop and seminar presentations in areas related to: business plan development, record keeping systems, tax implications of small business operation, financial planning and forecasting, and small business capitalization options. Additional workshops and seminars in marketing, pricing, distribution, and personnel management will be offered later in the program year. Ongoing client surveys are used to determine the clients' specific and most critical training needs.

The third means of supporting client business development is to capitalization alternatives. When conventional financing methods fail to accommodate client circumstances, alternative capital sources are explored.

We are also committed to investigating profit-generating activities to support the Hawaiian Business Development Program to reduce our reliance on federal grant funding. To the extent that we may ultimately engage in our own for-profit activities (on an organizational level), we share our clients' interest in identifying new models of operation that will nurture planned economic growth in ways that are not compatible with culturally related considerations.
INDIGENOUS BUSINESS DEVELOPMENT IN KIRIBATI

Anote Tong

The economic setting of the Republic of Kiribati is largely affected by its geographical features. Its relative isolation from major industrialized centers, the highly fragmented and dispersed nature of its small atoll islands, and its relative lack of known resources all combine to create difficult economic disadvantages in today's highly interdependent international economic community. Since the cessation of phosphate mining there has been a consistent balance of trade deficit that shows no indication of being reversed in the foreseeable future. Foreign aid contributes substantially to capital development and the cash economy.

The economy can be broadly divided into the cash and rural sectors, with approximately one-third and two-thirds of the population being the share between the respective sectors. Needless to say, the cash sector is concentrated entirely in the urban center of South Tarawa around the center of government activity. As in most former colonial territories, the greater proportion of economic activity in the cash sector is concentrated in government in the form of the public service, government-owned statutory corporations, and private companies. Only a small proportion of the cash sector is attributable to private sector activity; the more significant companies are nonindigenous businesses. To date there has not been any significant flow of foreign private investment into the country.

Commerce and Industry

The former colonial status of Kiribati serves as more of a constraint to private sector development today than is often realized. The major preoccupation in the past was in building up a viable administrative infrastructure to the detriment then and since of private sector development. As is often the case in small economies, the state tends to be the only organization with the means to engage in servicing commercial activities. In Kiribati today, government is involved in the hotel industry, shipping, wholesaling, retailing, and several other services that are in the domain of the private sector in more developed economies. Such involvement by government may quite often be in direct competition with existing or potential private enterprise, as is the case with shipping. Because of the limited domestic market these activities can have an adverse impact on private sector development.

Private sector activity, which is almost entirely concentrated on South Tarawa, is therefore confined to the retailing of imported commodities, transportation services, construction, livestock development, entertainment, fish marketing, and very limited processing. Most of these businesses are geared to satisfying the local market demand without real export potential, and the greater proportion (around 80 percent) of such private businesses are engaged in retailing, where the failure rate for small businesses is highest.
The majority of indigenous businesses seems to be quite small, with an average initial capitalization of less than A$5,000. Nonindigenous businesses tend to require capital investments of $10,000 or more. Most of this capital is obtained from personal savings, primarily by seamen employed on overseas ships and civil servants, through the National Loans Board and the sole commercial trading bank. By contrast, nonindigenous businesses tend to start on a much larger scale, using either their own resources or borrowed capital. Generally they tend to have better access to funds locally than do indigenous businesses.

In spite of positive government policy there has been limited success in the development of industry and manufacturing. To some extent this may be due to limited opportunities for such ventures, but there are other constraints, such as high energy costs and the generally perceived high risk associated with a long-term investment and earnings that are not readily realizable.

Investment Finance

Lack of available capital generally has been believed to be the major constraint to business development. To overcome this obstacle the government established a development financial institution, the National Loans Board, which was initially to be a source of development capital for agricultural and industrial development projects. Emphasis has since shifted to commercially viable projects, to the services area, and then to the present general policy of providing support for import substitution and rural-based projects. Other sources of capital include the commercial trading bank's, holdings of personal savings of seamen employed by overseas shipping companies and of retired civil servants.

With the benefit of several years of experience both the National Loans Board (shortly to be converted into a development bank) and the Bank of Kiribati can now fulfill more confidently their roles as sources of capital for business development. It should, however, be appreciated that the flow of capital, or lack of it, is largely determined by the private sector's willingness and ability to negotiate the required capital. The conservative attitude of the older generation had tended to regard borrowing as undignified. Over recent years, however, the confidence of the private sector has grown as a combined result of the demonstration effects of the more entrepreneurial few and the perceived responsive attitude of financial institutions. Consequently, private sector development has benefited particularly by the participation of indigenous people who have come to regard financial institutions as facilities for their use.

In general, access to capital cannot now be regarded as the major constraint to private sector growth in Kiribati. With expected additional flows of development capital from overseas development financial institutions associated with the development bank and with the potential of the Bank of Kiribati to increase its involvement in the financing of local businesses, capital availability is not seen as a problem in the foreseeable future.
Private Sector Development: Constraints

Despite of the combined efforts of government and international organizations to promote commerce and industry, the private sector remains small in relation to government. In recent years, however, it has grown significantly to the extent that it has become indispensable in the provision of certain services. But it is fair to say that certain constraints remain that inhibit the growth of some businesses or result in the failure of others. Some of these factors, which undoubtedly are not unique to Kiribati and could even exhibit common characteristics of small island economies with respect to this problem, are categorized as follows:

Economic factors

The economic condition of Kiribati is largely a product of its geography, which similarly affects private sector development but to a greater degree. Any entrepreneur in Kiribati with aspirations of tapping the export market is immediately confronted by major competitive disadvantages. The money that can be saved through low labor costs is soon absorbed by high transportation costs. Furthermore, high energy costs pose a major difficulty for manufacturing and processing industries with significant energy requirements. Together, these costs minimize any possibility that goods produced in Kiribati can successfully compete with similar products from other countries. Moreover, the opportunities for producing alternative export goods are severely constrained by the limited resources.

Therefore, with such limited opportunities for export the option lies in satisfying the local market demand. Again, with small populations the total demand will be correspondingly small. However, with the high and increasing dependence on imports, particularly of consumer goods, the potential exists for industries geared toward import substitution.

Management expertise

In mid-1984 the Ministry of Trade, Industry, and Labor, together with the Atoll Research Development Unit, Kiribati Center of the University of the South Pacific, held a four-week workshop on small business management. The workshop attracted participants from the rural sector, South Tarawa, and Tuvalu. One interesting discovery of the workshop was that all of these apparently well-established businesspeople in attendance were not as knowledgeable about operating a business as had been presumed. While they all had a general notion of how to make a profit, none had the systematic approach necessary for making the optimum decisions required to operate a successful business. Few were willing to admit that they were not very knowledgeable about business management.

One problem often encountered in the post-diagnosis of ailing businesses is an overextension of resources caused by ill-advised expansion into unprofitable sidelines or, simply, inadequate starting capital. Clearly, a more thorough preinvestment appraisal could have avoided some of these problems. And, of course, the inability of many small businesses to keep simple records of their operations makes it impossible for them to monitor their progress. Several examples, such as those stated above,
clearly point to a lack of management expertise. Management probably is rated as the most critical problem in business development in Kiribati at this time.

Social and political factors

Kiribati society may be described as basically egalitarian in principle, with inherent social and cultural forces aimed at achieving that homogeneous state. To cite an example from the workshop, at least three of the islands that were invited to send a private sector entrepreneur to the workshop instead sent a local council administrator "to avoid undue advantage (through knowledge) being given to one entrepreneur among his colleagues." This philosophy permeates even the decision-making process of government and such critical institutions as the National Loans Board.

In addition, social obligations grow in direct proportion to the perceived wealth of the businesspersons and become a drain on potentially successful businesses. Obviously, such traditional social obligations affect indigenous persons to a greater degree than others. Capitalistic aspirations can be achieved, quite often at the risk of cutting extended family ties.

As is often the case in small countries, government activity is invariably the most dominant, with little incentive to devolve any such control to private individuals. Quite often this is based on sound reasoning, particularly where monopolies are likely to emerge out of a free market situation, and some or all of the population is likely to be disadvantaged as a result. For example, without the government-supported shipping operation the more remote outer islands that could not be serviced viably stand the danger of being isolated or inadequately serviced if shipping was left entirely to the profit-motivated private sector.

While it is true that small markets do not always allow room for healthy competition, it cannot be said that government participation in commercial activities is necessarily confined to those areas where private sector involvement would be inappropriate. By necessity the government has to take the initiative in certain ventures, but the logical subsequent process of privatization does not always follow. Meanwhile, the government continues to carry in its budget the usually inefficient civil service-type operations. In small economies where opportunities are few, it is often politically unattractive for governments to withdraw from such activities and face the consequent labor problems. Moreover, the erosion of control is not always an acceptable option, particularly where such changes could have political cost implications.

There is, of course, the underlying concern over the possibility of a private enterprise, particularly with foreign backing, becoming sufficiently large as to be economically and (potentially) politically more powerful than the government. Hence, their overcautious attitude to unknown prospective foreign investors and to aspiring local entrepreneurs.
Future Outlook

In spite of the apparently unimpressive future economic outlook and the constraints specified above, there must be some optimism about future developments of the private sector. Unless major negative changes occur in the present economic climate, the private sector is expected to continue to grow, either along with general economic growth or in spite of its increasing its share of economic activity.

Several indicators suggest that capital availability will continue to grow through increased loan financing and increased confidence in the private sector. The upgrading of management skills is being emphasized through the introduction of a structured program of continuing education. Business advisory services also have been improved within the Ministry of Trade, Industry and Labor. In addition, the decline of employment opportunities in government and the effect of retirement policies instituted some years earlier have resulted in a greater number of educated and experienced people having to seek employment outside the government and to create opportunities for themselves. This will become one of the driving forces behind the development of the private sector.

The inability and the unwillingness of government now to increase its annual expenditure should also provide further incentives for a more positive implementation of declared policies regarding private sector development.

The effect of social factors on business development is less easily remedied and requires a more gradual process. That the private sector and development in general have consequences on traditional culture and social structure is indisputable. An attempt therefore necessary to define a business model that minimizes the disruptive effects of the profit motive on the positive aspects of culture, but at the same time optimizes the possibilities of success. No ready-made solution exists, but the awareness of this dilemma is a beginning.
INDIGENOUS BUSINESS IN NAURU

Elaine Bailey

Introduction

The people of the South Pacific have always been self-sufficient in their daily needs for food and shelter. With the development of communication links and as a consequence, greater socioeconomic involvement with the countries of the Pacific Rim such as Australia, New Zealand, and the nations of South East Asia, the pattern of life in the region has undergone dramatic changes over the past few decades. The peoples of the independent island nations of the Pacific now aspire to a standard of living similar to that found in the industrialized countries of the Pacific Rim. Yet the realization is also growing that none of the countries in the region given their existing resources can maintain such a standard of living and still be self-sufficient.

A business entrepreneur is someone who under free market conditions can meet the demands of customers by providing appropriate goods and services at fair prices, in adequate quantity, at the right time. Any entrepreneur who fulfills these roles will enjoy steady growth and profitability; if not, expansion is jeopardized and business stability is endangered. Besides, a business is a venture that is supposed to have life-span beyond any one individual's life. It is with this in mind that I would like to discuss the role of indigenous business in the region.

Customer demands are unlimited and vary in nature. For example, one customer would like one brand of soap, the next another brand, and so cumulatively the variety of brands that a storekeeper must stock may run into dozens. This is a particular problem in the islands of the region, which do not produce many of the commodities that customers demand daily and thus have to depend upon neighboring industrialized countries for their supplies. As a consequence, Pacific entrepreneurs have difficulty in estimating the amount of stock they should hold to meet the goal of "right supplies."

It is also difficult for the entrepreneur to offer goods at a "fair price." Often supplies can have several sources and the prices of even the same brand of product, say, Lux soap, can vary when they are procured from different countries, say, Australia, New Zealand, or Hong Kong. Not only do costs vary, but also the fluctuating rates of exchange pose problem in pricing goods and materials. The goal of achieving "adequate quantity" proves equally difficult. In developed countries like Australia and New Zealand, retail dealers need not keep huge stocks of each commodity because they can obtain fresh supplies from the manufacturer or supplier on a daily basis. But this is not possible in any of the island nations in the Pacific. For if adequate supplies are to be maintained at a suitable level, then businesspeople have to ensure that the stock of goods and supplies is adequate to meet demand until the next shipment arrives from overseas.
Unfortunately, shipping schedules often can be very irregular; most islands do not have adequate arrangements for regular transportation. Most do not even own their own shipping line and are dependent on overseas shipping and transportation companies. These carriers will move from place to place only when they have economically viable cargo to make a call worthwhile at a particular island.

For all these reasons the business environment in the South Pacific makes it difficult for companies to survive and grow. Entrepreneurs operating in the South Pacific are confronted with more challenges and a more complex problems than are those who operate in developed countries, which may partially explain the apparently high failure rate experienced by the indigenous entrepreneurs throughout the region.

Nauruan Business

In many ways Nauru stands in contrast with other countries in the region. It is comparatively one of the smallest islands, measuring only eight square miles with a population of eight thousand people of which nearly 40 percent are expatriates. Because of its size, Nauru has no industrial base into which the private sector could expand, as modern industry needs a market wider than Nauru's to achieve economies of scale for its survival. Yet Nauru is fortunate to have an excellent communication and transportation system with an efficient telecommunications department that can link with any corner of the world. It has its own airline connecting with Australia, New Zealand, and most of the countries in the South Pacific. Similarly, it has its own shipping line commuting between Australia and Nauru and several other islands in the region.

Traditionally general business on Nauru has been in the hands of the Chinese community. Their shops are well stocked with all types of goods, and from an economic point of view, the quantity of stock is disproportionately high compared with retail sales. This accumulation of stock has been built up over several decades and gives Chinese retailers a fundamental strength with which to maintain their monopoly over the retail market. On the other hand, some 50 years ago the indigenous population of Nauruans started a cooperative society, which has now developed into a major operation called the Nauru Corporation. This corporation as a public enterprise has the advantage of ready access to finance, shipping facilities, a bulk store, and a modern building, which boasts two large showrooms.

During the past decade, Nauru has seen increased enthusiasm among the local people to venture into business enterprises. The indigenous enterprise has a history of making a promising start but in most cases having a sad end. Many private sector businesses either have failed or are in serious financial trouble, while the Nauru Corporation and the Chinese business remain unaffected. Surely some of the features of these business groups could be identified and applied in indigenous businesses in Nauru. To assist in this endeavor, the following schema identifies the key features of these successful ventures.
SPECIAL FEATURES OF DIFFERENT BUSINESS GROUPS

Nauru Corporation

- Is a public sector organization.
- Has government support.
- Has its own premises with two department stores, general and variety.
- Has easy availability of financing.
- Allows credit freely to customers.
- Has Nauru Pacific Line as its sister concern and thus is given priority in transportation of supplies.
- Possesses a bulk store for inward stock receipts.
- Has chief buyer's organization based in Melbourne.
- Has prices are not affected in periods of scarcity.
- Evidently experiences no danger to existence or threat of bankruptcy.

Chinese Shops

- Have huge stocks built up over a long period.
- Deal in all sorts of goods.
- Have connections in Hong Kong and Taiwan for cheap supplies, as well as acquire material from the Nauru Corporation and add a margin of their own.
- Take advantage of periods of scarcity when consumers suffer.
- Has cash terms only.
- Has low failure rate helped by strong family support.

Private Indigenous Entrepreneurs

- Huge investment on shop premises, including furniture and furnishings and stock of goods.
- Have available credit from bank, but interest rate is high.
- Have restricted sources of supplies, which are sometime costly.
. Use transportation by N.P.L ships at uneven intervals of time.

. Experience social compulsions to extend credit to local customer (bubati).

. Do not resort to malpractice or overcharging in periods of scarcity.
Demographic and Social Situation

Maori people comprise 20 major tribal groups in New Zealand, representing 12 percent of the country's population. In the last five years, the proportion of children born in New Zealand with at least one Maori parent has been a little more than 23 percent and is slowly rising. By the end of this century, the Maori Economic Development Commission, which has since disbanded, predicts that the proportion of school-leavers who are of Maori descent will have increased from 15 percent to 25 percent and will total almost one-half of the people in the region north of Taupo. The median age for Maoris in the 1981 census was 17 years compared with 29 years for non-Maoris.

The main occupational groups of Maoris differ markedly from the rest of the labor force. Maori people are more predominant among the unemployed and semi- and unskilled occupations than among the professional and skilled occupations. The 1981 census reveals that the principal occupational groups for Maori males were laborers, food and beverage processors, and transportation operators. Farmers, machinery fitters/assemblers, and managers were the principal occupational groups for males in the total labor force.

The occupational groups for Maori females in the full-time labor force were tailors, dressmakers and sewing machine operators, clerical workers,
and agricultural and animal husbandry workers. This compares with female clerical workers, salespersons, shop assistants, stenographers, typists, and keypunch operators in the total New Zealand labor force.

Training for Indigenous Business

It is desirable for the Maori population to have its share of entrepreneurs and decision-makers, and for this reason the Department of Maori Affairs has encouraged a Maori business development program that offers business training and loan financing. This program includes the provision of university scholarships by the Department of Maori Affairs for selected Maori undergraduates studying for commercial and business degrees. In 1986, 62 undergraduates are being sponsored. Other government departments are sponsoring Maori undergraduates in selected areas such as tourism.

Finance for Indigenous Business

The Department of Maori Affairs has given priority to business lending for several years. The launching of the Tu Tangata Business Wananga in 1980 saw the demand for business loans grow beyond the available funds. The 1980 Maori Purposes Act introduced Section 460A of the Maori Affairs Act of 1953, and an estimated NZ$500,000 was provided in 1981-82 for Section 460A lending. This amount was increased to $806,000 in 1982-83 and $807,000 thereafter. As of March 1985, some $2.88 million in Section 460A loans and approximately $3 million from the Maori Trustees were outstanding.

A review of loans made since April 1980 shows that of some 400 formal applications, 239 business loans have been granted. Lending criteria have aimed at starting new Maori businesses. For that reason, refinancing and working capital generally have not been made available, although some 10 percent of the loans have been used to refinance existing businesses. Once a business is successfully established, the rationale has been that it should be able to compete for financing from conventional sources. Those businesses already established have been encouraged to seek financing elsewhere. Loans have been made for a wide variety of enterprises, and the main classes of businesses have been as follows:

- Dairy and grocery: 21
- Carrier owners/drivers, couriers, and rural delivery: 20
- Agricultural contractors: 16
- Fishermen: 15
- Purchase and subdivision of land and erection of commercial buildings: 15
- Fast food/takeaway: 14
- Garages, engineers, panelbeating, and auto mechanics: 12
- Builders, plumbers, painters, and electricians: 10
- Tour operators, resort development, hotels, and travel: 9
- Retail including butchers, fruit vendors, florists, and bakers: 9
- Taxis: 8
- Manufacturers: 8
- Restaurants, caterers, and cabarets: 7

105
Loans have also been made for race horse training, entertainment, undertaking, beauty clinics, a health food shop, dry cleaning, book publishing, and numerous other ventures.

A major difficulty in assessing the extent of funding for Maori businesspersons is that financial organizations generally do not keep records on client ethnicity. As a consequence, it is difficult to quantify the disparity between the funding of Maori and non-Maori commercial enterprises. During the preparation of a report by the Maori Economic Development Commission on the need for a Maori Development Bank, a questionnaire was devised that sought to establish whether Maori applicants had special needs that could be fulfilled by other organizations. Approximately 500 questionnaires were sent to Maori authorities (trust boards, trusts, and corporations) and Maori businesses (partnerships, sole traders, and limited liability companies). Exactly 111 replies were received.

In summary the request were for:

- Low-cost financing for further development or business expansion. If this is the role of a Maori Development Bank, the sustained delivery of such financing would have to be assured.

- Management/marketing advice (most businesses sought advice from accountants or other professionals). Although the commission received advice from the government statistician, it became clear that a more professional survey would have exacted a great deal of time and money.

- Although too small to be entirely helpful, the survey indicated that, Maori organizations generally have been successful in obtaining their financing although they wanted access to additional funds, preferably low cost.

The success of Maori commercial enterprises has been reasonable, considering the need for assistance in new businesses. Some assistance is received from the Small Business Agency of the Development Finance Corporation, the Service Corps of Retired Executives (SCORE) and some Maori business associations. The success of any of these agencies depends heavily on the skill of the people involved in counseling or advisory work and their ability to gain a satisfactory rapport with the businesspeople. In the lower half of the north island of New Zealand and in the Bay of Plenty, excellent assistance is provided by SCORE, but the coverage needs to be improved and the post-loan advisory work to be increased.
The success rate in February 1985 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>No.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans already repaid</td>
<td>35</td>
<td>15.0</td>
</tr>
<tr>
<td>Satisfactory loans</td>
<td>115</td>
<td>48.0</td>
</tr>
<tr>
<td>Loans that have fallen into arrears in the past but are now operating satisfactorily</td>
<td>45</td>
<td>18.0</td>
</tr>
<tr>
<td>Loans seriously in arrears and needing firm management</td>
<td>24</td>
<td>10.0</td>
</tr>
<tr>
<td>Loans which have failed</td>
<td>18</td>
<td>7.5</td>
</tr>
<tr>
<td>Businesses being sold</td>
<td>3</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>239</td>
<td>100.0</td>
</tr>
</tbody>
</table>

It should be noted that:

- From the above table, 20 percent of the businesses have experienced near or total failure.
- Project and management assistance is needed at a more intensive level than is currently being afforded by community development organizations and from within the department.
- Because financial organizations do not keep records of client ethnicity, the amount of assistance cannot be determined that is provided to Maori business people by the Small Business Agency of the Development Finance Corporation or by other institutions.

Most small businesses undergo changes in ownership fairly frequently. "Most small businesses, up to 60-70 per cent in New Zealand, do not survive more than four years," according to the SBA/DFC Research Report, September 1984.

**Government Policy and Organizational Support for Indigenous Businesses**

The Maori unemployment rate, compared with the non-Maori unemployment rate, has been disproportionately high for over 30 years. To help equalize the employment disadvantages of Maori people, the government has introduced a new business development program called the Maori Employment Development Scheme. The initial funding was NZ$1 million but has been increased to $12.5 million in 1986-87. This new scheme will place responsibility for the allocation and use of resources in the hands of the Maori community.

Disbursement agencies for the scheme will operate under broad criteria set by the government to ensure that they are (1) demonstrably
representative of the Maori community, (2) competent to handle the disbursement of funds and to monitor and evaluate schemes, (3) oriented toward attaining the employment policy objective of equalizing employment opportunities through the development of viable unsubsidized employment, and (4) accountable to the government both for disbursing the funds and for attaining the policy objectives.

Funds for the Maori Enterprise Development Scheme are being disbursed through the Department of Maori Affairs and will be distributed at the local level by committees that in most areas will be tribally based.

The underdevelopment of Maori people and their resources implies that funding agencies have not responded to Maori needs, perhaps because of complexities in the management of multiply owned lands, the management expertise of Maori management people, or the lack of up-front cash by the sponsors of Maori projects. Funding agencies need to continue to address the needs of Maori business projects and their complexities. For their part, Maori businesspeople need to be aware of market realities.

BUSINESS DEVELOPMENT IN NEW ZEALAND: THE MAORI CASE

John R. Dyall

The purposes of this paper are (1) to identify the major influences on New Zealand's development since the 1970s, (2) to assess the direction and pace of change since the current Government has been in power, (3) to evaluate the response of financial institutions toward Maori indigenous business, and (4) to identify the future role of Maori indigenous business within a Pacific context.

New Zealand Development Since the 1970s

The main changes that have affected New Zealand since the 1970s were British entry into the European Economic Community (EEC) and resulting increased protection for agricultural commodities not only in Britain, but also in Western Europe generally. Additional factors are the oil shocks in 1974 and 1979 and the continuing adverse movement in New Zealand's balance of trade.

New Zealand's fundamental problem was that it did not accept the changes as permanent and did not face the realities of a changing world. Rather, the New Zealand response has been to adjust gradually, but the cost is reflected in terms of no growth, persistent balance of payments deficit, high unemployment, and high fiscal deficits.

Pace and Direction of Change

Since its election in 1984, the current government has moved to expose New Zealand more and more to international competition. New Zealand was in danger of "dying on its knees" mainly because of its failure to adjust to
international market realities, as well as the build-up of a social welfare system that the country could not pay for. Since the current government has been in power it has (1) encouraged international competition through expanding import license applications and phasing out import controls, (2) moved to abolish export tax incentives, (3) removed wage control regulations, (4) changed the tax burden by moving from direct to indirect tax, (5) floated the New Zealand dollar, and (6) changed the role of monetary policy by allowing market forces to decide interest rates, and by funding the fiscal deficit through the sale of government securities.

The Response of Financial Institutions Towards Maori Indigenous Business

The two major changes that affected financial institutions were the deregulation of the financial market and the floating of the dollar. The Development Finance Corporation of the New Zealand Development Bank, has introduced a package of new programs in response to this policy change. They include (1) establish a venture capital facility to take advantage of profits from equity participation, (2) forming a subsidiary, Zealcorp Financial Ltd., that offers a range of investment banking services to manage the corporation's foreign exchange future trading services, (3) obtaining a merchant banking license in Australia to capitalize on market opportunities arising from CER (Closer Economic Regulations), and (4) setting up and expanding trade finance services.

The response of financial organizations in this new business environment has been to generate opportunities in the marketplace. Similarly, indigenous Maori businesses also need to find their niche if they are to obtain their debt financing and other needs from financial organizations.

The inability of indigenous Maori businesses to capitalize on the opportunities available in the new business environment, perhaps due to their weak economic base, has prompted the government to establish a facility for developing indigenous Maori business. The facility is called the Maori Enterprises Development Scheme, and through it about US$7 million will be allocated to indigenous Maori businesses in 1986. This money will be disbursed through tribal groups and is likely to be made available to Maori businesses on favorable terms.

Like their Pacific cousins, Maori people experience many of the problems associated with underdevelopment. Indigenous Maori businesses suffer from weak management and lack the information base to diversify their assets and to increase rates of return, as well as experience continued involvement in a declining sunset rather than in profitable growth-orientated sunrise activities. Indigenous Maori business are mainly land based and rarely achieve a 5 percent return on capital before interest payments. On the other hand, in comparison the average rate of return on listed and unlisted public companies in New Zealand was 13.8 percent in 1984, the latest figure available. Thus a disparity of 8.8 percent exists between the performance of indigenous Maori business and the performance of listed and unlisted public companies.
The Future of Indigenous Maori Businesses within a Pacific Context

In short, the climate for indigenous Maori businesses is intense. This situation will intensify as New Zealand reduces its import controls and continues with deregulation of the financial sector so as to expose New Zealand more and more to international competition. Australia, Indonesia, Singapore, and Thailand, to name a few countries, are all moving in this direction. The challenge for indigenous Maori businesses is how to reallocate resources from declining sunset to profitable sunrise activities in a competitive market where indigenous Maori management skills are weak. We need an Enterprise Support Organization that is committed to the development of the Maori people and their resources, and whose employees are prepared to adopt a "hands-on" relationship at the board level of Maori companies to ensure the financial success of Maori businesses.

We need to take note of Pacific indigenous business performances, because there is no point in reinventing the wheel. Those who fail to recognize the mistakes of the past are bound to repeat them. Therefore no benefit can be realized in funding indigenous Maori businesses that are likely to fail. Instead they are likely to be small rather than large, as well as high risk with relatively low returns. The definition of a small business, however, is a personal one. If you think you are in a small business, then you are in small business.

In the new Asian/Pacific economic environment, indigenous Maori businesses need to survive and consolidate, but they will not do so if they rely on soft options. Soft options only breed inefficiency and sluggish responses to market forces.

In an Asian/Pacific environment of increasing competition, the immediate task is for the indigenous businesses of the Pacific to respond to the new environment, but they can respond to these new market opportunities only by preparing proper feasibility studies and project plans and by becoming constructive growth-orientated managers.

The failure to accept the new Asian/Pacific climate of increasing competition will not only breed inefficiency, but also frustrate any developments toward business relationships among indigenous businesses of the Pacific region. The failure to adapt to the new Asian/Pacific economic environment will mean lower standards of living for Pacific peoples—and a continuation of the dreaded dependency syndrome.
BUSINESS DEVELOPMENT IN NIUE

L. Lipitoa and B. Talagi

Introduction

Business development in Niue is still at an early stage, and over the past several years government has recognized this fact and paid more attention to the promotion of indigenous businesses. Most businesses in Niue are engaged in trading activities, though several "small businesses" are involved in productive activities such as market gardening, poultry (layers and broilers), livestock farming, clothing manufacture, food catering, joinery, and bakery.

Development Objectives

The development objectives for the private sector as contained in the first National Development Plan are (1) to create employment opportunities through private sector growth, (2) to facilitate the expansion and diversification of the private sector particularly in regard to agricultural and industrial production, (3) to establish financial infrastructure, (4) to encourage the greatest possible role of Niueans in private business, (5) to encourage foreign investment where management and high technical skills are required in the business, and (6) to facilitate the private takeover of suitable government businesses.

Despite such wide ranging proposals, the reality is that the failure or success of business in Niue reflects the various socioeconomic problems faced by the entrepreneurs, which include:

- Niue's declining population and thus limited market potential,
- Lack of business management skills and experience,
- Poor appreciation of market factors,
- Continuing pressure from family and customary sources,
- Limited money management skills,
- Poor understanding of available incentives,
- Lack of understanding by government officials of the needs of entrepreneur, and
- Inadequate means to transport goods into and out of the country.

Also for many Niueans business is an "alien" concept because business mindedness connotes acquisitiveness, thriftiness, and profit motives, which are not characteristic of the communal way of life in Niue.
Development Credit Finance

In 1979 government formally established the Development Finance Fund to provide development credit facilities; it is commonly referred to as the "Small Business Loan Scheme," which is our version of a development bank. Since its inception the type of loans advanced have ranged from NZ$200 to $50,000 for ventures such as market gardening, poultry, bakery, clothing manufacture, and joinery. The experience gained through administering this scheme is that we highly value the nature and content of this workshop for the development and promotion of our private sector.

Current procedures in the administration of this scheme require that the prospective clients provide the normal banking requirements, for example, security, equity, and financial projections. But most Niueans have no clear appreciation of the value of such information before a loan can be approved.

For some ventures that do appear to succeed at first, the owners often tend to forget the importance of keeping accounting records of transactions and thus lavishly waste business resources on social functions. When this happens, repayments fall behind and the business eventually fails.

Policies and Incentives

The government's incentives policies are available on request and include relief from company tax and from duty on imported capital items or raw materials, restricted trade (quotas, import tariffs, etc.), and accounting and management assistance, as well as moral, technical, and political support from government.

The government has also become more involved with the Niue Chamber of Commerce, though the chamber is presently rather ineffective in promoting the interests of indigenous business in Niue.

Training

The training policy of government is to assist the private sector by allowing bonded students who have completed their studies to satisfy the terms of their bond by accepting employment in the private sector. This policy will assist the private sector to attract young, qualified people.

Land Tenure

This paper would be remiss if the basic problem of land tenure was not addressed. It is the Niue Government's policy that the major thrust in developing employment opportunities will be to encourage private sector investment in agriculture (agro-based industries), light manufacturing, and tourism. All these efforts will be based as much as possible on locally grown resources, for example, forestry, and vegetables. Unfortunately, the present land tenure system of ownership is a major drawback to the overall promotion of the private sector.
Even if the land tenure problem is overcome, the small size of the population, together with the lack of a regular transportation links, denies the country the advantages of economies of scale. The result is a restricted and localized market, which has little attraction to either local or foreign investors. Even where opportunities exist for local businesses in the processing of fish, fish drying, or fish paste, etc., local taste and preferences are not favorable, and no incentive thus exists to develop local marine resources.
DEVELOPING BUSINESS IN THE COMMONWEALTH OF THE NORTHERN MARIANA

Gabriel Boyer

In 1978 the Commonwealth of the Northern Mariana Islands was established through a negotiated agreement between the CNMI and the United States. The local people finally achieved a substantial degree of local control, and with continuing assistance of the United States and the growth of a strong tourism industry, the future looks promising.

Meanwhile, the people of the CNMI have accepted these events, but most have experienced little direct benefit or profit. Various so-called experts have visited the islands to catalog their exploitable natural resources and have labeled them the resource poor instead—an attitude that pervades much of the island's development policies at present.

Unfortunately, scant attention has been paid to maintaining self-sufficiency, and the CNMI gradually has become dependent upon imported goods and services. The historic lack of business competition, the anti-development policies of the U.S. military, and the early Trust Territory Government, as well as the introduction of social welfare programs, have significantly slowed the development of entrepreneurial enterprise.

Over the years the people have learned the ways of commerce and slowly gained more political control of their economic development. There has been a lingering belief, however, that the islands are resource poor and suffer from effects of the war, economic stagnation, and isolation. But there is evidence of change as the CNMI is developing a determination to formulate new development policies and provide for local participation in the improving economic climate.

Advances in communications—air travel, shipping, satellite, computers, and English literacy—coupled with an emerging recognition of global tensions, political instability, food and energy shortages, overcrowding, pollution, increased living standards, and the booming economies of nearby Asia—are all creating an awareness of the future pattern of development of the Commonwealth and its relationship with the outside world.

An appreciation of the significance of island resources in terms of the wider geopolitics is growing among the islanders as the local leadership emerges. This is revolutionizing the self-image of the islanders and resulting in the confidence to break with the ways of the past. The Commonwealth is paying greater attention to the role that business can play in supplementing government programs in developing the CNMI economy. Business is seen as being more efficient in utilizing domestic resources to deliver services and sustain a growing economy and population.

The CNMI is looking to domestic economic growth through development and the utilization of sustainable resources with the support of regionally significant national and international economies. This perspective should
be considered by businesses, investors, political leaders, and "old Pacific hands" alike.

Problems Faced by Indigenous Enterprise

Indigenous businesses are subjected to competitive disadvantages for the following reasons:

- They lack access to institutional sources of equity capital.
- They are unfamiliar with the myriad of private and government financing programs or management technical, and procurement assistance programs.
- Their record keeping and accounting systems need improvement.
- They are not familiar with management tools such as planning and controlling their sales, assets and operations.
- They are unfamiliar with export marketing strategies and technical requirements.
- Small construction contractors are weak in costing, bidding, and scheduling their jobs due to an unavailability of bid, performance and payment bonds.

Federal agencies like the Small Business Administration (SBA) and local government financial institutions like the Commonwealth Development Authority can provide financing, management, technical, and procurement assistance services to indigenous businesses; however, they are not now providing the assistance that is needed.

Plan of Action

The CNMI Government or the Saipan Chamber of Commerce should establish a business assistance center to provide integrated business assistance services to indigenous businesses. This center should:

- Be entitled to receive technical staff support to assist constituents in preparing equity and/or debt financing proposals and negotiating with private financial institutions, government, or quasi-government agencies.
- Identify and define management, marketing, and technical problems and locate sources of knowledge, expertise, and assistance.
- Conduct management, production, marketing, international trade, and government procurement seminars.
- Recruit active business executives and make counseling services available to their constituents.
- Assist construction contractors and service contractors to obtain surety bonds.
Future Outlook

The Commonwealth, like other emerging Pacific nations, must plan carefully for economic development, recognizing its constraints of land, labor, capital, natural resources, and water, along with its advantages of the U.S. flag, geography and site, and opportunities presented by global and regional events. Attainment of long-range economic goals depends on the available infrastructure and effectiveness of planning. The most important aspect of development relative to the private sector will be the creation of a political-social-economic climate suitable for expansion of private business activities and enhancement of an image of the CNMI as a Pacific business leader. The future of the country looks bright, but to reach its full potential it must act to avoid or remove constraints that stand in its way, as well as clearly recognize the opportunities and limitations that are found in the CNMI and in its relationship with Asia and the Pacific Basin.

In the search for development opportunities, it is wise to realize that the CNMI by itself may not be a viable market for many businesses. There is a continuing need for outside partners to open up access to new and established markets, as well as to offer expertise and capital. During the next few years, private outside investment must be actively encouraged and joint ventures vigorously pursued. For instance, the government has introduced policies that allow it to take an equity position in large projects if finances are available. But other innovative ways to use the CNMI's limited resources must be discovered and implemented. The private sector's management skills, capital, and technology combined with good government, mutually shared objectives, wise policies, and a free environment for priority area action will move the CNMI successfully into the future.

In supporting the private sector, the government should encourage domestic long-term investment and stability and respond to legitimate public interests by introducing innovative legislation, programs, project infrastructure, and better coordination with foreign and federal government agencies.

The U.S. Government must also play a role. It must recognize the uniqueness of the islands and the direct and indirect effects that its policy has on an insular economy. The federal government wants the CNMI to work, to be showcase for America. As one federal official involved with Micronesia stated, "There is nothing that the United States would rather have out here in the Pacific than an example of the free market system, and working well." To this end, the United States must ascertain from the CNMI if a regulation, a change, or new policy will be harmful to the economy, prior to its implementation.

Certainly there are problems, and the government through law, policy, and program has tried to overcome them. It has made headway but it has not succeeded. The real responsibility—stimulating action—must rest with the private sector, and the private sector must be a good citizen. We must assist the government in providing a good business climate for ourselves and a good quality of life for everyone in the CNMI. The government must assist in achieving ample profit-making opportunity.
This goal is definitely attainable. The government and private sector of the CNMI has already shown the will, capacity, and capability to work together in long-term projects that will enhance the investment climate of the country. Where there has been a felt need, as demonstrated by the Tax Advisory Task Force and by the promotion of foreign investment, prompt and responsive action by all concerned has a positive development impact. This, indeed, encourages future cooperation in other efforts directed at stimulating economic growth.

One important asset of the CNMI, which should be understood in planning, is the population's insight into the people of both East and West as a result of historical associations that have given the people of the CNMI an ability to assimilate and accommodate various foreign cultures. Because of this, the CNMI may not follow closely in the footsteps of its neighbor, Guam, in looking mainly to the United States for solutions to its problems, but rather is expected to draw upon the wider experience of its Asian and Pacific neighbors. This approach holds promise for the future of the CNMI as a center for regional trade and development in the Pacific.
BUSINESS OPPORTUNITY IN PALAU

Lincoln Osima

The Republic of Palau, like most island countries in the Pacific, was a victim of international conflicts during the First and Second World Wars. The Republic of Palau, as it is known by its constitutional government, was sold to the government of the Second Reich, Republic of Germany, by the Spanish government immediately after the Spanish-American War. After the First World War, Palau came under the Japanese Empire through the League of Nations. The aftermath of the Second World War caused the islands of Palau to be administered by the United States under the Trusteeship Agreement of the United Nations.

In retrospect, Palau has experienced four major countries of the world with four totally diversified forms of economic concepts—concepts ranging from the intensive colonialism of pure exploitation of its mineral resources to a totally free enterprise of capitalism. These economic concepts of previous administrators have rendered its people ineffective in the face of the incoming government's ways of doing things, if only because of the language barrier. Each time a new administrator occupied Palau, the local leadership has ceased to function effectively until students have grown up to be adults and have learned to communicate in the new language, which takes several years to master. The present administration is the longest in terms of number of years in power compared with the former administrations. It also places high emphasis on the free enterprise concept that encourages the so-called "indigenous business."

This short historical background is important in giving perspective to the present complexity of Palau's economic development. As is well known, the prosperity of economic well-being not only rests with political stability, but also relies heavily on the readiness of the people to assume economic responsibility. Economic responsibility has to be nurtured in the minds and lives of people before it can be actually practiced. Palau, based on tradition and folklore, has never been an agrarian society. Palauans have always relied on wild trees and limited subsistence gardening for their livelihood.

Ceramic. One of the few potential light industries that could be developed in Palau is the ceramic industry. Such an industry existed during the Japanese occupation and was quite prosperous. Although the industry has been dormant until now, there is a good possibility that the revivification may occur in the near future. Serious interest exists in ceramic potentiality, especially on the part of government. Such an industry could contribute heavily to our household goods and also help to reduce unemployment. We ask that any financial and technical support be offered to the Bureau of Commerce for this undertaking.

Giant Clam. Recently in the Micronesian Mariculture Demonstration Center in Koror, Palau, a spawning technique was perfected in the giant clam specie. This special specie of clam can mature to beyond 100 pounds with the shell and meat together. The discovery of this spawning technique is considered a milestone in this part of the world, especially given its
immense potential marketability in Hong Kong and Taiwan. A government researcher conservatively forecasted the market value of clam farming at US$250,000 per acre. Such market potential is also under consideration for future projects. Palau needs adequate funding from outside sources to realize this market. Any financial assistance from outside sources to undertake clam farming is most welcome.

Deep Water Fishing. The future economic prosperity of Palau lies in deep water fishing. Such a venture requires highly technical equipment and skills in order to reap a huge profit from resources that are practically laying idle in the depths of the sea. Potential profits from the sea are hundreds and thousands times more than those of our land.

Palau is slightly over 300 miles long. The major islands are clustered together, whereas the remaining five islands are scattered with a considerable distance between each of them. The immense body of water provides an ideal fishing ground for migratory fishes and deep water fishing.

Shipping and Flying. Palau's geographical location is about 500 hundred miles southeast of the Philippines, about 300 hundred miles northeast of Indonesia, and about 600 hundred miles north of New Guinea. This location makes Palau ideal for both shipping and flying to the major countries in the Far East. Within a radius of two hours' flight from Palau are the major cities of Manila, Port Moresby, Guam, and several places in Indonesia. A three-hour flight can reach Jakarta, Singapore, Taiwan, Saipan, and Okinawa, with four hours to Tokyo. Aviation is an industry that should be examined seriously with an intention to launch a national airline or joint venture with a major airline company.

Palau's location is also ideal for a shipping company. It could be a major transshipment point for U.S. goods where all the cargos destined to the Far East countries are discharged for reshipment in smaller vessels to their destinations. Although Palau is now a transshipment point for the P & O Shipping Company, cargos discharged in Palau are not destined for the Far East countries; they are reshipped to the islands in Micronesia or former Trust Territory districts.
Papua New Guinea is the largest developing country in the South Pacific Basin. With a population of some 3.5 million, it has vast mineral, agricultural, and marine resources, as well as a relatively stable political climate. It therefore has tremendous potential for economic growth—a potential that is enhanced by its unique relationship with Australia and its position on the world map at the crossroads between Asia and Australia.

The country's growth potential, however, has been hampered by a number of factors. It is not the purpose of this paper to examine these factors in detail, although they will be highlighted throughout this presentation because they have a bearing on the development of indigenous business.

Historical Perspective

Historically, indigenous enterprise in Papua New Guinea did not become evident until the 1950s when encouragement was given for the establishment of cooperative societies dealing in primary commodities such as coffee, cocoa, and copra. This development was largely confined to the Papuan coastal regions, New Guinea Islands, and northern coastal areas. Virtually no development of this type occurred in the hinterland; the now economically productive Highlands areas were then virtually untouched.

Cooperatives

The central government established a department whose task was to provide assistance to fledgling cooperatives in all areas of their work, and this assistance bore fruit, such that in the early 1960s at the peak of the cooperative movement there were approximately 400 cooperatives, with a total membership of some 130,000 people and capital of about A$3 million, operating in primary production, wholesale and retail trading, and freight and coastal shipping.

In the late 1960s, however, the cooperative movement declined for several reasons. One reason was the improvement in the communication network. With the increase in the number of roads being built, particularly into rural areas, it became possible for the primary producers to sell their crops outside the cooperative and for other retailers to establish themselves in competition with cooperative stores, which had hitherto enjoyed a quasi-monopoly. Thus, the monetary cycle of cooperative to producers and back to cooperative was broken.

Business Groups

Another and probably more fundamental reason was the demonstrated preference by Papua New Guineans for operating smaller (mainly family) business entities. This preference was enhanced by clan or tribal elements. Recognizing this preference the government enacted new
legislation in 1974 creating entities known as business groups. These business groups allowed association of members of the same clan to form a corporate body with limited liability but without the strict statutory obligations of bodies incorporated under the Companies Act which itself was a carbon copy of the Australia Companies Act, and in many ways inappropriate for indigenous business activity.

The cooperative movement has now virtually ceased, having been eclipsed by an estimated 15,000 business groups formed since the legislation was enacted.

**Village Economic Development Fund (VEDF)**

At about the same time as the Business Groups Incorporation Act came into being, a number of government initiatives occurred to further promote local business activity.

A fund was established out of the annual national budget called the Village Economic Development Fund (VEDF). The fund was used to assist business groups in establishing new business ventures in village situations. Viable business projects could apply to the PNG Development Bank for commercial loan funding, and if deemed necessary a grant from the fund would be made to supplement the business groups' equity contribution. Thus economic projects could be financed jointly by the business groups (usually 20 percent), the VEDF grant (40 percent), and the PNG Development Bank (40 percent). Unfortunately, the VEDF had to be abolished in 1980 due to the misapplication of funds in many cases, favoritism by those responsible for the release of funds, and poor monitoring procedures after the funds' release. However, the fund was responsible for an upsurge in indigenous business activity in the 1970s, particularly in trade stores, passenger transportation operations, and agricultural projects such as chicken farms and piggeries.

**Stret Pasin Stoas**

The PNG Development Bank established a scheme called the "Stret Pasin Stoa" scheme. Under the scheme the PNG Development Bank trains suitably qualified Papua New Guineans in retail store management. Upon completion of training the bank purchases a retail store in an urban location (usually from Chinese proprietors wishing to leave the country) and installs the trainee, who then takes out a loan from the bank subject to a mortgage on the property. Loan repayments are made out of the cash flow generated, while at the same time the new proprietor receives ongoing assistance in management and accounting. This scheme has been one of the most successful schemes to be introduced because it provides training, finance, and continuous supervision without which the new entrepreneur would be struggling.

**Department of Business Development**

In 1975 the government established the Department of Business Development to promote small-scale industry, to train new entrepreneurs, to provide technical expertise to new industries (e.g., construction and boat building), and to assist in incorporation formalities, as well as in legal,
secretarial, and managerial matters. The emphasis of this department was away from cooperatives and more on the development of small businesses based on family groupings in service industries, such as wholesale and retail, transportation, processing of primary produce, building and construction, light engineering, and trades. The department also, through its training college, provided a continual input of extension officers, trained in business, for the branches of the department in the 19 provinces in the country. These branches became more or less autonomous following independence in September 1975, but still maintained strong links with the department in the fields of training and technical areas.

Joint Ventures

During the first five years after independence, a noticeable upsurge occurred in indigenous business activity, which can be largely attributed to the major factors outlined above. There was also an increasing emphasis on joint venture arrangements between Papua New Guinean groups/companies and overseas investors. Joint ventures were encouraged by the government as it was realized that the overseas partner (who in many cases had operated in the country for many years and wished to liquidate his assets over a period of, say, from three to five years) could provide vendor finance and technical expertise and could train a manager nominated by his joint venture partner. This kind of arrangement was also encouraged by commercial banks that wanted to ensure adequate management during the loan period.

Current Situation

During the last five years considerable changes have occurred in the spectrum of indigenous business activity. Trade stores and transportation operations are almost fully saturated in urban areas, which is reflected in the number of new trading and public transport licences now being issued by governing authorities. There is fairly high saturation in contracting industries; plumbers, electricians, carpenters, and builders are now becoming very competitive. Those sectors now beginning to see an increased entry by Papua New Guineans are professional services (lawyers, accountants, private doctors, engineers, real estate agents, architects, and insurance agents), specialized shops, tourism establishments, and security services. Security services are becoming especially popular, given the law-and-order problem in many urban centers and the industry's ease of entry and simplicity of establishment.

Manufacturing

The level of indigenous manufacturing industry has not increased, except on a very small scale. For example, tremendous potential exists for the manufacture of furniture from the many hardwoods found in Papua New Guinea, which have been depleted in other countries. This industry is beginning to show signs of development. Other industries based on forest or minor forest products such as paper, hardboard and cardboard, particle board, and cork manufacture remain almost totally undeveloped. Even the level of saw milling has remained stagnant.
Small Industry

The government is now attempting to encourage small industry development for Papua New Guinean entrepreneurs because it is realized that any expanded development will eventually come from the small end of the scale. The Department of Trade and Industry (the successor to the Department of Industrial Development) is experimenting in various small industries through its affiliate, the South Pacific Appropriate Technology Foundation. Those industries already in an advanced stage of research are the manufacture of leather goods, particularly shoes and sandals to fit the rather uniquely shaped feet of Papua New Guineans, the recycling of waste metals and recasting into such items as coffee pulpers, small tools, brick-making machines, pipes, and tubes. The casting is done with the use of waste fuel oil, which reduces costs enormously. The ceramics industry, particularly the manufacture of floor and roof tiles, is showing encouraging signs, and various centers have been established for training purposes.

Food Processing

One area in which the government is now showing serious interest is that of food processing. In the past little emphasis has been placed on food crop production for export due in part to cultural practices. Of equal if not more importance, however, were the "hard kina" policy adopted by the government in the first seven or eight years after independence, the high wage structure, and the low tariffs that played a role in encouraging food imports and capital-intensive agricultural techniques. The consumption of rice, 98.5 percent of which is imported, is growing at 8 percent per annum.

One of the indigenous areas that seems to offer a high potential for commercial activities is linked to domestic food production. In the urban centers the link has to be with the informal sector. In addition, commercial ventures have multiplier effects that emanate from the establishment of import substitution industries. The greatest constraint on economic growth is the volume of imports that the country can afford. Given that food imports have not been held down, that the two most valuable and underdeveloped resources in Papua New Guinea are its land resources, and that only some 15 percent of the cultivable land is being worked at anytime, the production of food must surely be the main plank of any development plan.

Food production brings with it many commercial activities as spin-offs, for example, transportation services, preservation, processing, grading, and marketing. Food processing and preservation can be carried out on a very small scale and can provide excellent opportunities for village-based industry, for example, in the production of fruit juice and dried vegetables and fruits, with a minimum of capital investment and expertise.

Enclave Developments

Another important initiative in the development of indigenous business activity has resulted from several large-scale industrial developments.
The Bougainville and Ok Tedi gold and copper mines, large timber logging projects, oil palm nucleus estates, and Ramu sugar have each generated opportunities for local business development. The government has repeatedly stressed that first preference should be given to Papua New Guinean businesses in the awarding of contracts for the supply of goods and services to these major projects—provided that by so doing it would not have an adverse effect on the developing company's operations and costs.

Fairly detailed clauses are usually incorporated into agreements between the state and project developers such that the project developers adhere to time schedules to localize various activities. Developing companies are obliged to employ business development officers to encourage local participation. In some cases "umbrella" companies have been established on behalf of people in the project area who wish to invest royalties or earnings from the project. These umbrella companies encompass a wide range of activities such as plant hiring, transportation services, catering and entertainment, repairs and maintenance, and building and construction. They have the advantage of marshalling local investment sources and providing a training ground for aspiring entrepreneurs while at the same time ensuring that the project developer is receiving the required goods and services, at competitive prices.

At the same time, these large-scale projects have encouraged the creation of many other businesses to cater to the needs of the work force and their families, such as public transportation, retail stores, taverns, and vegetable and animal farms.

**Problems and Constraints**

On the basis of this history, and present situation, of indigenous business in Papua New Guinea, some of the problems and constraints confronting further development will now be discussed. And also some predictions will be made as to where we will be by the year 2000 or the 25th anniversary of independence.

**Capital inadequacies**

The primary problem encountered by new entrants to the economy is lack of capital. This general lack of capital creates, in turn, a whole group of problems relating to size and site of the enterprise, quality of labor, market coverage, and purchase of stock and equipment—all of which lead to a low turnover. Because of capital inadequacies, the entrepreneur is forced to seek loan finance, but this is itself limited because of lack of collateral (which is becoming even more limited due to even tighter liquidity of commercial banks in Papua New Guinea). A Papua New Guinean's largest single asset in the majority of cases is land. However, only a small proportion of land in Papua New Guinea is registered, 97 percent being subject to commercial land ownership without title.

An effort has been made in the past to alleviate this problem by the introduction of two subsidized credit schemes. The first, entitled the "Government Credit Guarantee Scheme," provides government guarantees to loans obtained by national groups and companies that have commercially viable projects but no security for loan finance. The government, provided
it is assured of the project's commercial success over the loan period, underwrites up to 80 percent of any loan and interest repayments outstanding should the enterprise fail. Since the inception of the scheme, nearly K4.5 million worth of commercial bank lending has been guaranteed by the government.

The second scheme, "The National Investors Scheme," instead of providing guarantees, actually lends money for largerscale projects (over K100,000 establishment cost) pari passu with a bank, provided the project proponent can contribute 10 percent of the initial set-up costs. The advantages of this scheme are that the bank's loan input is halved and that the period of the loan is doubled, with the government agreeing to be repaid after obligations to the bank are first fulfilled.

These schemes have been largely successful in promoting a considerable amount of local business in Papua New Guinea but do not really cure the real problem, which stems from the land tenure system, low disposable incomes, and limited awareness of the desirability of thrift or saving.

Management skills inadequacies

The second major problem, which is common to most developing nations, is the shortage of management and technical skills. The high rate of failure of local enterprise is largely due to lack of managerial ability and financial control.

Several training courses are available in the field of business management; however, these are normally reserved for successful school-leavers, most of whom will become employed by well-established businesses. The problem therefore still exists for the small businesspeople establishing themselves.

It has now been realized that basic business skills courses are needed, and the Department of Trade and Industry is currently preparing a series of such courses that will ultimately be supervised by business development officers throughout the country.

Another idea is an extension of the highly successful "Stret Pasin Stoa" scheme into other areas of commercial activity, such as repair workshops, service stations, hotels, and taverns.

For at least the next generation, however, expensive expatriate management will still be required to prop up the high price structure.

Infrastructure

Other problems cannot be solved in the short term and will inhibit further expansion of local business. Both poor infrastructural installation and a lack of registered commercially zoned land for lease in population centers act as major disincentives for the establishment or expansion of commercial concerns. Furthermore, because most of the land in Papua New Guinea is customarily owned without title, it cannot be used as security for loan finance.

125
An additional problem is the high rents charged for commercial properties by real estate developers. Returns on investment in real estate in Papua New Guinea are far higher than in most other countries.

Communal infrastructure in the form of low-cost commercial units provided by the government has been implemented in some urban centers, which has alleviated the problem to a certain extent. However, other problems are still encountered when the enterprise wishes to expand. Because of the high cost of renting privately owned commercial property, there is a reluctance to relocate, which prevents expansion and disallows other proposed commercial ventures the opportunity of establishment.

Marketing

In the area of marketing, effective promotion measures, which invariably incur heavy expenditure, are often not undertaken by entrepreneurs because of capital inadequacies resulting in low market potential. The new businessperson is at a particular disadvantage because of the encroachment of larger enterprises with better marketing ability and financial resources.

In the past the government has provided limited assistance to organizations that have acted as marketing agents in a particular commercial field, for example, handicrafts. But further assistance could be provided by creating a favorable environment involving guidance, training, quality control, and buying and selling (in certain circumstances).

Location

Problems are also encountered in the location of business activities. The need for infrastructural installation, particularly roads, shipping facilities, power availability, accommodation, etc., is obviously paramount in decisions as to the location of an enterprise.

However, small towns and peri-urban areas do require commercial facilities. Large-scale agricultural and industrial projects create incomes and thus the need for commercial services. This fact has been recognized in locations such as Ok Tedi, Ramu Sugar, and the Oil Palm nucleus estates, and when such projects are planned, infrastructural facilities and commercial lots must be made speedily available to ensure that services are available where people require them. Of particular importance are the availability of land and the provision of government extension services to promote businesses in areas that have heretofore experienced little commercial activity.

Fragmentary market

A further problem consists of the smallness and fragmentation of internal markets, which inhibit economic development in several ways. First, villagers in outlying areas find it extremely difficult to develop income-generating activities without reasonable access to markets, thus severely limiting their opportunities for participation in the economy. Second, with respect to the reverse flow of goods and services, both
suppliers and consumers are disadvantaged by weak and expensive transportation linkages between points of supply and points of consumption, which fragment the inherently small national markets into high-cost, low-volume, regional markets. These concerns suggest the need for a strong and continuing long-term emphasis on developing adequate rural road networks and on improving the efficiency of coastal shipping. Factors such as alleged over-regulation, stevedoring, and ship repair charges seem to entail costs significantly out of line with those prevailing in many other parts of the world.

Wages

Papua New Guinea's wage structure is also an inhibiting factor in the development of enterprise, whether it be by Papua New Guineans or by overseas investors. Papua New Guinea has a very large unskilled labor force, which is increasing at a high rate.

The percentage of school-leavers entering the employable work force is increasing at a rate far higher than the increase in the number of jobs available.

Minimum wage legislation introduced in the early 1970s has effectively ensured that wage rates are higher than the supply price (based on a family needs regimen). Wage rates in the commerce sector can effectively be passed on to the consumer, but because output prices are generally beyond the control of the primary producer, primary industry is more vulnerable to wage cost increases. The commerce sector therefore does not necessarily suffer from wage rate fixing in its overall returns. However, a strong disincentive exists to employ labor-intensive methods, a situation that is exacerbated by low worker productivity. Wages thus are not flexible downward in response to changes in supply conditions. This situation is largely caused by salary scales set by the government in response to the high proportion of the skilled labor force employed in the public service, which, in turn, has a major influence upon average rates of occupational pay. Projections of demand for skilled workers suggest that the ratio of workers in the public sector—as opposed to similarly educated workers in the private sector—will continue to be high over the next five years. Decisions concerning appropriate differentials at each level of the public service will therefore continue to have a profound impact upon earnings paid in other sectors of the economy, including those of unskilled workers.

Institutions

With regard to the institutional framework for investment, those institutions that encourage investment, savings, and the transfer of asset ownership are relatively uncoordinated, and their respective roles are unclear. There is no stock exchange as yet, and no building societies exist.

This framework is currently under review, and efforts by the government to coordinate and redirect financial institutions will hopefully improve the situation.
The government has a number of parastatal or public institutions with substantial quantities of capital available for one form of investment or another, especially the National Provident Fund, the Public Employees Superannuation Fund, the Investment Corporation, the Agriculture Bank, and the PNG Banking Corporation.

However, the government does not formally encourage domestic thrift. And no legislation exists both to prevent monopolistic/oligopolistic situations from emerging and to overcome restrictive trading that prevents free access to markets.

A New Approach

Obviously, many of the problems encountered in Papua New Guinea in indigenous business development are common to most developing countries, but each country will, of course, adopt a different approach to solve these problems.

Five-year plan

Papua New Guinea has in the past adopted a rather ad hoc approach without any real coordination or development plan. Now, ten years after independence, the government has embarked on a five-year development program that will concentrate on four main development objectives:

- Economic growth coupled with more productive work,
- Sustained development based on planning and investment for the long term,
- Increased self-reliance,
- Equality and participation by all in the country's development,

Those sectors with the greatest bearing on these objectives will receive the largest share of government support and finance. The Department of Trade and Industry will be strengthened to alleviate the problems faced by the indigenous business sector. Particular emphasis will be placed on overcoming the shortage of business skills among aspiring entrepreneurs by the following activities: improved training facilities, coordination of the efforts of the Provincial Business Development Offices, opportunities to Papua New Guineans for spin-off activities from large enclave developments, and project identification based on the collection and dissemination of marketing information.

The strategy will also be based on the recognition that government involvement in the promotion of business is best accomplished at the level of formulation of well-planned and integrated systems of assistance designed to create a stable and encouraging environment in which natural capabilities can flourish. Given a benign government approach to business in the form of an easing of restrictions, a relatively open market economy, incentives for investment, provision of infrastructure, etc., many of the
conditions to ensure a buoyant business climate will be present to ensure that the private sector will organize itself to take advantage of the numerous opportunities available.

In conclusion, Papua New Guinea has come a long way since independence in 1975. Indigenous business activity has made strides that would have been unthinkable ten years ago. But the nation has still a long way to go before we can truly say that we have mastered our own resources.

In the year 2000 we shall still be reliant on overseas investment and expertise, there will still be the need for government support and encouragement, and there will still be many problems to overcome. However, I feel that we have identified the main problems and have now adopted a clear and precise program of priorities. I feel confident that Papua New Guinea with its rich resources will eventually be not merely a country of challenge and opportunity, but rather a country that has challenged and won.

SMALL BUSINESS TRAINING IN PAPUA NEW GUINEA
Emmanuel Rausi

Introduction

The purpose of this paper is to help satisfy two of the overriding objectives of the Regional Workshop on Indigenous Business Development in the Pacific, namely, (1) to identify indigenous entrepreneurial development needs and problems, in particular, problems associated with management training in the context of Papua New Guinea experience; and (2) to suggest alternative strategies.

The Times of Papua New Guinea, week ending May 10, 1986, carried two articles, one by Dr. J.K. Ravalo titled "People are Key to Development" and the other by Mr. R. Grynberg titled "Measuring the Nation's Growth." In fact, the contents of both articles highlighted the same complex issues that are the subject of this workshop.

Dr. Ravalo emphasized that, "To be able to play this role this human resource must be capable of being HUMAN, that is also a resource, and a RESOURCE that is also humane." He added, "We can never go wrong if national development begins with the development of its people."

Mr. Grynberg's article concentrated on the reasons for the failure of the economy to sustain economic growth. In fact, since independence in 1975 Papua New Guinea has seen virtually no growth in real GDP for obvious reasons. Grynberg highlighted certain factors that have contributed to the stagnant economy, including high expatriate labor cost, lack of private investment (apart from mining), and lack of access to land. Regarding small business, he added, "There are many quite capable businessmen in Papua New Guinea, and even the small village businessman is often very
capable of seeing where a profit can and cannot be made." These village entrepreneurs should be the preferred investors, given the fact that they are likely to reinvest their profits in Papua New Guinea rather than outside.

Small Business in Papua New Guinea

In Papua New Guinea the majority of nationals involved in business operate small-scale enterprises as compared with foreign-owned big businesses. The this paper focuses on the majority of small-scale business operators.

While no clear definition exists for small-scale business for our training purpose, we tend to adopt a definition that emphasizes skills deficiency rather than size. Thus we have adopted the definition suggested by the Wiltshire Committee's Report into Australian small business in 1971, which reads:

A business in which one or two persons are required to make all of the critical management decisions--finance, accounting, personnel, purchasing, processing or servicing, marketing, selling without the aid of internal specialist, and with specific knowledge in only one or two functional areas.

A reasonable understanding of small business problems in Papua New Guinea requires a wide ranging approach in order to identify the training needs of small businesses and to formulate effective and practical training programs. This approach requires information in two specific areas, first, we must know the socioeconomic objectives of the society, and, second, we need a realistic diagnosis of the current situation. In other words, a clear idea of the policy objectives within the context of the present situation determines what problems exist and what kind of training is necessary to solve.

Government Objectives

In Papua New Guinea the first real attempt to offer a strategy for development occurred in December 1972 following the announcement of the eight-point plan. The basic element of this plan was to emphasize rural development as the vehicle for promoting more equal distribution of socioeconomic opportunities throughout the country.

The eight-point plan specified these national goals:

1. Larger proportion of the economy controlled by Papua New Guineans,
2. More equal distribution of benefits,
3. Decentralization,
4. Small-scale artisan activity,
5. Self-reliance,
6. Locally raised revenue,

7. Equal participation by women,

8. Necessary government control and involvement.

These eight aims were later found to be too broad and vague to offer clear guidance for policy choices. Instead, the planners concentrated on assessing government expenditure based on an annual system of priority budget allocations.

Following a review in late 1976 the eight-point plan was modified and incorporated into the National Development Strategy and the Native Investment Strategy.

The National Development Strategy (NDS) was supported by the National Public Expenditure Plan (NPEP), which established the framework for allocating government resources on the basis of a four-year rolling development budget.

The National Development Strategy was expected to achieve the following objectives:

- Increased rural well-being,
- Improved rural education,
- Increased assistance to less developed areas,
- Improved subsistence agriculture,
- Increased food production,
- Enhanced economic development,
- Increased Papua New Guinean participation in the economy,
- Improved urban management,
- Increased environment protection.

While the approaches of government objectives and planning strategies varied, political changes were also taking place through the decentralization of government functions via the establishment of separate provincial political autonomies.

The decentralization of provincial government meant that the development of some provinces lagged behind because they lacked a skilled work force to institute the NPEP planning system in their provinces. Thus sectoral programs were introduced as a catch-up operation. This piece-meal, stage-by-stage approach to development planning can be attributed to the caliber of government in power and the lack of skilled manpower to administer development plans.
Economists and others involved with economic development would argue that there was an oversight in the manner in which Papua New Guinea implemented its development plan. The Faber Report highlighted the concern over the type of development being promoted and suggested that appropriate measures of economic development should have been identified first.

In their foreword and introductory comments to the 1986 planning and budgetary strategy, the current Prime Minister and his deputy, the Minister of Finance, emphasized this omission and advocated a change in the planning system due to the NPEP's severe shortcomings. Following the 1984 World Bank Report on Public Administration, the government decided to reform the planning system to address the following broad objectives:

- To encourage economic growth that creates more productive work;
- To pursue sustained development based on long-term planning and investment;
- To make Papua New Guinea increasingly self-reliant; and
- To encourage equality and participation by all in the country's development.

Under this new approach the Department of Industry and Trade has been classified under the economic sector, which is important because no national department was solely responsible for commerce. The expectation is that the department will help develop the commerce sector, as well as promote industry.

**Current Situation - Government Assistance to Small Business**

The Department of Industry and Trade in its white paper on industry development has set out the framework for the development of the small business sector. The main agency providing direct assistance in the promotion and development of small business consists of the Provincial Divisions of Commerce. Because these divisions do not come under the Department of Industry and Trade, a close working relationship will have to be worked out between the Department of Industry and Trade and its provincial departments to assist in the development of the small business sector.

Such a relationship must be both practical and positive in nature the provincial department can conduct business development work as well as provide the necessary support for small businesses. The 1986 budget allocation for commerce, however, shows that a mere 1.7 percent of the total national budget has been allocated to this essential area (Table 1). These figures also each respective provincial government's support for commerce and business development.

According to existing government departmental structures, there should be a total of 270 business development officers (BDOs), though the number is less. The work load per BDO can differ considerably when the proportion of BDOs to the provincial population is considered. (See Table 2.) BDOs generally assist a fairly wide cross section of clients, that is, from
villagers to qualified tradesmen and other professionals such as lawyers and doctors.

Their assistance can be categorized as follows: general advice, assistance in incorporating various forms of business ventures, project study and loan submission on behalf of clients, project development and assistance in establishment, and general project management assistance in the early stages of operation.

Constraints in the Development of Small Business

1. Social demands and traditional obligations of kinship are the most significant constraints.

2. The BDOs lack diagnostic consultancy skills and generally do not monitor small business progress.

3. The representatives of the small business sector lack an institutional and organizational framework to lobby government. This is of particular concern when coupled with the fact that small business operators are rarely encouraged by government agencies to form their own business associations.

4. Due to a lack of market information many small businessperson seem to be operating in isolation because government provides little information, and obtaining such information from other organizations like the Chamber of Commerce can be fairly expensive.

5. Government subsidies are used to attract foreign investors and overseas business interests, but these subsidies and concessions are felt to be too expensive and discriminatory which may eventually deprive the national entrepreneurs of their ability to grow and flourish within the domestic market.

6. Previous government objectives and policies can be attributed to having a direct impact on the development efforts of the small businessperson. Whether that effect was good or bad is a subject that requires a study of its own. Perhaps compared with other countries that have specific policies and programs to support small business, Papua New Guinea could be at an advantage—given that no special schemes or policies were established to discriminate against small businesses. Some people, however, would argue that entrepreneurs in Papua New Guinea need a specific small business program to support their role in the economy.

Business Training in Papua New Guinea

Overview of higher education and training in Papua New Guinea

In Papua New Guinea, numerous tertiary educational and training institutions offer diverse and expensive education and training. The great majority of these educational and training institutions are owned and
operated by different government departments and agencies. Over 60 separate institutions each of provide specific skills training.

Table 3 shows that 65 tertiary educational and training institutions which are both government and privately owned and operated. The table also shows the number of government departments and agencies, as well as the number of private organizations that administer the institutions and the provinces in which they are located. Most of the government-operated institutions are teachers' colleges, of which 20 are administered by the Department of Education. The next highest number of government colleges is 17, which are owned and managed by the Health Department followed by five agricultural colleges. Apart from the University of Technology (UOT) and the University of Papua New Guinea (UPNG), which are autonomous bodies, of the 20 educational and training institutions that the Department of Education administers, only one (the Port Moresby In-Service College) offers in-service courses teachers. The other technical and teachers' colleges offer only pre-service courses to high school graduates. Out of the five government-owned agricultural colleges that the Department of Primary Industry (DPI) administers, only one (the Highlands Agricultural College at Mt. Hagen, Western Highlands Province) develops and offers in-service courses for the rural development field extension staff. All of these in-service courses are short in duration and skills oriented.

Tertiary and training institutions in Papua New Guinea are diverse, complex, and expensive. Many offer training to personnel from the same sector under the control of one department. For instance, the University of Papua New Guinea offers a Bachelor of Agricultural Science, while the Department of Primary Industry has five agricultural colleges that offer certificate and diploma courses in tropical agriculture and fisheries. For example, the Vudal Agricultural College in Rabaul, East New Britain Province, runs a three-year diploma course in tropical agriculture while the Popondetta and Sepik Agricultural Colleges each runs a two-year certificate in tropical agriculture. The National Fisheries College in Kavieng, New Ireland Province, has a two-year certificate in tropical fisheries technology.

Accounting and Commerce Training in Papua New Guinea

Six government-owned and operated educational and training institutions develop and run courses in accounting and commerce. Two technical colleges in Lae and Port Moresby have certificate courses in commerce, and the College of External Studies in Port Moresby also offers a certificate in commerce through correspondence. The Administrative College of Papua New Guinea runs a certificate in accounting on full-time and part-time basis for 10 months. The great majority who enroll for the course are public servants and employees of statutory bodies because successful completion of the certificate in accounting is a prerequisite to the diploma in public finance and accounting. This diploma course is also of a 10-month duration, but it can only be done on a full-time basis.

The Administrative College also runs short skill-oriented courses in accounting for public servants of government departments like the Department of Finance and for employees of statutory bodies like the Office of Auditor-General. Sometimes staff of a client organization and college
staff jointly conduct short job-oriented courses for employees of the former.

The two national universities, the University of Papua New Guinea (UPNG) in Port Moresby and the University of Technology (UOT) in Lae which were both started in 1966, offer degree courses in accounting and in commerce. At UOT, a diploma in commerce is offered in the first two years. Two further years of study lead to the award of bachelor of commerce in accounting. At the University of Papua New Guinea, a diploma in commerce and a bachelor in commerce are offered simultaneously.

A few privately owned and managed educational and training institutions also offer commercial courses. The Seventh-Day Adventist Church has recently established near Port Moresby a university college called the Pacific Adventist College. It also runs a two year diploma in business.

The great majority of tertiary educational institutions develop and run pre-service educational programs. Most, if not all, tertiary educational institutions with the exception of the Administrative College of Papua New Guinea, the Papua New Guinea University of Technology, and the University of Papua New Guinea offer courses geared to the needs of government departments. For instance, all teachers' colleges turn out people to teach, while agricultural colleges train young people to become agricultural field extension officers. Colleges of health produce people who become health extension field officers, while schools of nursing train technicians and nurses who work in clinics, rural health centers, and hospitals.

The courses in accounting and commerce described above are offered by numerous tertiary educational and training institutions, of which the majority are government owned and operated. A recent report on accounting education in Papua New Guinea has noted that overlap occurs in diploma and degree courses in accounting and commerce at the two national universities—University of Papua New Guinea and University of Technology. The report also pointed out that a lack of coordination exists between the institutions that run the same courses, which has caused unnecessary and costly duplication of training programs.

Business Development Training

Prior to independence in the mid-1960s UNESCO assisted in establishing a cooperative college. The original objective was to train cooperative officers for the South Pacific region, but due to certain constraints the idea of a regional center for cooperative training idea was dropped.

The facilities were then used for the training of cooperative officers in Papua New Guinea. In fact, much of small business development in Papua New Guinea today can be attributed to the early encouragement of the development of cooperative societies because they provided the first opportunity for indigenous people to participate in business activities.
The Laloki Cooperative College became the training college for the then Office of Business Development, later renamed the Department of Commerce, a department that was finally abolished in 1982.

In the 1970s and '80s many changes took place, and the emphasis for cooperative training was switched to commercial studies and more recently to business development studies. The college was primarily responsible for training staff for the Department of Commerce, which had offices in all the provinces. These provincial offices became an integral part of the provincial departments after decentralization.

In 1982, following the abolishment of the Department of Commerce, Laloki Cooperative College was transferred to the Papua New Guinea Administrative College. Despite the physical change the function of the business development studies section remained the same and continues to provide both pre-service and in-service training for BDOs.

Certificate and diploma in business development

The certificate in business development course which normally takes two and one-half years, is designed to train business development officers and equip them with appropriate knowledge, skills, and attitudes. Their responsibilities include assisting the establishment of small- and medium-scale businesses as well as government developmental projects.

The certificate course consists of the following subjects: accounting, business environment and development, commercial mathematics, management and communication, field practicals, taxation, development awareness, project appraisal, project implementation, monitoring and evaluation, and consultancy, as well as industry modules (agriculture, manufacturing, trading and transport).

At graduation, most holders of the certificate in business development work with divisions of commerce of both provincial and national government departments while a few work with private sector organizations like banks.

The diploma in business development, which is offered on a two-modular basis of nine weeks of full-time attendance, is attended by holders of the certificate in business development. Participants also are required to work in the field for at least two years. The content of the diploma includes project appraisal, management, legal and financial subjects, industry specialization, and advanced professional skills.

In addition, the college runs in-service workshops on special topics such as project appraisal, marketing and staff development, and training related to business development. The workshops are attended by business development field officers, and their rationale is to make best use of limited staff resources to train advisors and trainers who will pass on acquired skills in the provinces at low cost.

Small business training courses

The only agencies that provide full-time training for local entrepreneurs are the Provincial Divisions of Commerce, which is mostly
through on-the-job training. Over the last couple of years we have tried to establish the BDO as the sole training body. Field Training Officers (FTOs) also have coordinated and implemented client training programs to respond to specific skills training for clients.

Other full-time courses are offered through the Development "Stret Pasin Stoa Scheme" and the "Skull Belong Stuakipa" based in Wewak. The problem with these two organizations is that the former accepts only limited numbers, while the latter is restricted to low level clients in local areas.

A range of part-time courses is offered through the University of Technology and the technical colleges already mentioned. The problem with these part-time courses is that they have no follow-up component, thereby reducing their potential effectiveness in implementation of their acquired skills.

Summary

Insofar as government objectives are concerned, positive progress has been made since independence. The independent review by Goodman, Lepani, and Morawetz (1985) confirms the above. Their report also states that the two goals receiving the greatest emphasis during the past two years are (1) growth in output per capita and in the general standard of living, and (2) the need for growth in productive employment opportunities to ensure that the rapidly increasing numbers of young people can find jobs.

The future of small business development in Papua New Guinea rests with the Department of Industry and Trade but is constrained by its inability to set practical policy objectives for this sector. Thus the basic development framework outlined in the white paper regarding small businesses and rural industries still needs refinement into practical objectives and implementable strategies.

The important socioeconomic role of the small enterprise in the development of Papua New Guinea can be expressed in the following six policy objectives.

1. Improvements in productivity to create conditions in the economically weak entrepreneurial sector so that a more efficient and effective use can be made of available workforce and other resources, which will raise production, income, and the general standard of living.

2. Implementing of a balanced industrial structure, which will emphasize the importance of the principle of complementarity, that is, the industrial sector of an economy needs small-, medium-, and large-scale enterprises to develop its full production efficiency.

3. Promotion of indigenous businesspeople because the small business sector is a non-replaceable social institution that offers opportunities in society for potential entrepreneurs. The sector provides a training opportunity where at a low social cost individuals can thrive and prosper.
4. Additional capital formation, which is essential in the national economy because the most important source of start-up capital is tapping personal funds or family finance.

5. Expansion of employment small businesses are labor intensive. Small business absorbs a high degree of untrained and semi-trained manpower as part-time and full-time workers.

6. Encouragement of regional development through the promotion of small business is a dominant factor in the strategies of regional development in Asian countries. But in the Pacific islands region this is just beginning. However, small business cannot succeed in areas where the socioeconomic environment creates too many disincentives. Perhaps a better approach would be to promote a mix of industry designed to maximize employment and production.

In Papua New Guinea we cannot yet quantify the contribution of the small business sector to the GDP. This is not to say that it is impossible, rather it is a question of who should do it and why. Though to some extent the Provincial Divisions of Commerce do maintain some records of clients that they have assisted. But what is required is a standard proforma where data collected in the field can be analyzed in terms of the established objectives.

Current business development training programs leave much to be desired, especially because our knowledge of the subject is still rather fragmentary. There is a definite need to improve our diagnostic capacity. We need empirical studies of small business practices and problems to realistically identify the training needs of small businesses and to develop appropriate training programs. This is made more difficult because no clear strategy exists for the development of the small business sector in Papua New Guinea. Thus it is hard to decide in advance what is needed, given the constraints of time and money. Also needed are qualified instructors trained in business management consultancy skills, but such skills courses are not yet available in Papua New Guinea.

Training facilities and services should be made more available to the small businesspeople at the appropriate level and at affordable rates. Based on my almost ten years of work experience both as a BDO and trainer, I feel that the best way to achieve this would be to establish a business training institution that is independent of government control. Of course, in the initial stage, it will require government approval and support as well as outside assistance. But once established it should become financially self-supporting.

If the government decides on a specific program for small businesses, then it should establish an executing central body or council to develop training programs and coordinate the work of existing institutions to develop training courses for small business (see Table 3). In addition, the courses developed must be accepted by the banks; a certificate of a qualified training course could even be part of the security for loans.

Training must thus be recognized as an investment in human resources, where both the individual and society as a whole are the beneficiaries.
REFERENCES

Times of Papua New Guinea. 10 May 1986.


### Table 1. 1986 budget by provincial department and division of commerce (K 000)

<table>
<thead>
<tr>
<th>Province</th>
<th>1986 Total</th>
<th>1985 Total</th>
<th>1986 Commerce</th>
<th>1985 Commerce</th>
<th>1986 %</th>
<th>1985 %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Southern Coastal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Western</td>
<td>3,669.6</td>
<td>5,806.1</td>
<td>93.5</td>
<td>97.2</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>2 Gulf</td>
<td>5,592.7</td>
<td>5,681.4</td>
<td>155.9</td>
<td>118.0</td>
<td>2.8</td>
<td>2.1</td>
</tr>
<tr>
<td>3 Central</td>
<td>8,609.6</td>
<td>218.4</td>
<td>222.6</td>
<td>2.6</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>4 Milne Bay</td>
<td>8,928.6</td>
<td>9,410.1</td>
<td>107.6</td>
<td>127.7</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>5 Oro</td>
<td>6,105.1</td>
<td>6,213.0</td>
<td>94.9</td>
<td>91.9</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28,680.3</td>
<td>35,720.2</td>
<td>670.3</td>
<td>657.4</td>
<td>2.3</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>B. Highlands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 S/Highlands</td>
<td>12,697.1</td>
<td>10,944.3</td>
<td>73.2</td>
<td>82.6</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>7 Enga</td>
<td>9,227.9</td>
<td>9,371.9</td>
<td>70.8</td>
<td>73.0</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>8 W/Highlands</td>
<td>11,606.8</td>
<td>11,578.2</td>
<td>156.8</td>
<td>142.9</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>9 Simbu</td>
<td>8,258.1</td>
<td>8,418.2</td>
<td>57.6</td>
<td>67.6</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>10 E/Highlands</td>
<td>6,880.3</td>
<td>7,312.1</td>
<td>74.0</td>
<td>77.5</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>48,670.2</td>
<td>47,624.7</td>
<td>432.4</td>
<td>443.6</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>C. Northern Coastal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Morobe</td>
<td>9,948.8</td>
<td>9,688.6</td>
<td>135.3</td>
<td>118.4</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>12 Madang</td>
<td>6,054.9</td>
<td>6,001.7</td>
<td>155.0</td>
<td>143.3</td>
<td>2.6</td>
<td>2.4</td>
</tr>
<tr>
<td>13 East Sepik</td>
<td>6,357.3</td>
<td>6,167.4</td>
<td>90.8</td>
<td>102.4</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>14 Sandaun</td>
<td>9,398.0</td>
<td>9,304.1</td>
<td>116.0</td>
<td>129.8</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,759.0</td>
<td>31,161.8</td>
<td>497.1</td>
<td>493.9</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>D. Islands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Manus</td>
<td>3,077.8</td>
<td>3,126.1</td>
<td>61.6</td>
<td>62.9</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>16 N/Ireland</td>
<td>3,000.6</td>
<td>3,348.1</td>
<td>119.7</td>
<td>125.4</td>
<td>4.0</td>
<td>3.7</td>
</tr>
<tr>
<td>17 E.N.B.</td>
<td>5,091.5</td>
<td>5,201.4</td>
<td>121.3</td>
<td>114.6</td>
<td>2.4</td>
<td>2.2</td>
</tr>
<tr>
<td>18 W.N.B.</td>
<td>3,614.5</td>
<td>3,652.0</td>
<td>98.7</td>
<td>85.6</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>19 N/Solomon</td>
<td>4,546.3</td>
<td>4,946.0</td>
<td>174.8</td>
<td>152.8</td>
<td>3.8</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,330.7</td>
<td>20,273.6</td>
<td>576.1</td>
<td>541.3</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Overall Total</strong></td>
<td>128,440.2</td>
<td>134,780.3</td>
<td>2,175.9</td>
<td>2,579.8*</td>
<td>1.7</td>
<td>1.9</td>
</tr>
</tbody>
</table>

* Personnel employments is K1,684,300 or 65 percent of total budget in 1985 and less in 1986.
** National Government Budget, i.e., excluding provincial departments.
*** Budget of Department of Industrial Development

Source: Papua New Guinea 1986 revised budget document
Table 2. Manpower commerce

<table>
<thead>
<tr>
<th>Province</th>
<th>No. BDOs</th>
<th>1985 Estimate Population '000</th>
<th>Population per BDO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western</td>
<td>9</td>
<td>87.7</td>
<td>9.7</td>
</tr>
<tr>
<td>Gulf</td>
<td>16</td>
<td>68.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Central</td>
<td>16</td>
<td>128.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Milne Bay</td>
<td>13</td>
<td>140.4</td>
<td>10.8</td>
</tr>
<tr>
<td>Oro</td>
<td>10</td>
<td>85.2</td>
<td>8.5</td>
</tr>
<tr>
<td>South Highlands</td>
<td>5</td>
<td>256.7</td>
<td>51.3</td>
</tr>
<tr>
<td>Enga</td>
<td>7</td>
<td>179.1</td>
<td>25.6</td>
</tr>
<tr>
<td>West Highlands</td>
<td>17</td>
<td>295.0</td>
<td>17.4</td>
</tr>
<tr>
<td>Simbu</td>
<td>8</td>
<td>185.8</td>
<td>23.2</td>
</tr>
<tr>
<td>East Highlands</td>
<td>8</td>
<td>300.7</td>
<td>37.6</td>
</tr>
<tr>
<td>Morobe</td>
<td>17</td>
<td>349.1</td>
<td>20.5</td>
</tr>
<tr>
<td>Madang</td>
<td>22</td>
<td>234.2</td>
<td>10.7</td>
</tr>
<tr>
<td>East Sepik</td>
<td>16</td>
<td>246.1</td>
<td>15.4</td>
</tr>
<tr>
<td>West Sepik</td>
<td>12</td>
<td>122.8</td>
<td>10.2</td>
</tr>
<tr>
<td>Manus</td>
<td>6</td>
<td>27.6</td>
<td>4.6</td>
</tr>
<tr>
<td>North Ireland</td>
<td>23</td>
<td>71.6</td>
<td>3.1</td>
</tr>
<tr>
<td>East New Britain</td>
<td>19</td>
<td>144.2</td>
<td>7.6</td>
</tr>
<tr>
<td>West New Britain</td>
<td>16</td>
<td>100.5</td>
<td>6.3</td>
</tr>
<tr>
<td>North Solomons</td>
<td>19</td>
<td>142.1</td>
<td>7.5</td>
</tr>
<tr>
<td>Department of Industrial Development</td>
<td>11</td>
<td>135.4</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Total: 270 3,300.0 12.2

At the national level if BDOs are distributed in proportion to population, the equation will be one BDO for 12,200 people. But this not the case because (1) provincial development levels and needs are different, and (2) emphasis for business development tends to differ for historical and political reasons.

The 1985 population estimates are based on 1984 estimates compiled by consultant on Commerce Medium Term Development Strategy.

Source: Papua New Guinea 1986 revised budget.

141
Table 3. List of institutions of higher education involved in training in Papua New Guinea

<table>
<thead>
<tr>
<th>Administering Department</th>
<th>Ministry or Agency</th>
<th>INSTITUTION</th>
<th>PROVINCE</th>
<th>REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Administered Tertiary Educational and Training Institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Aviation (1)</td>
<td>Civil Aviation Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>Culture &amp; Tourism (1)</td>
<td>National Arts School</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>Education (20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Baiob Teachers' College</td>
<td>Morobe</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
</tr>
<tr>
<td>2. Dauli Teachers' College</td>
<td>Southern Highlands</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Gaulia Teachers' College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Holy Trinity Teachers' College</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Madang Teachers' College</td>
<td>Madang</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. GLSN Teachers' College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. St. Benedicta Teachers' College</td>
<td>East Sepik</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. St. Pauls Teachers' College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Port Moresby Inservice College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Arawa Technical College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Goroka Technical College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Loe Technical College</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Madang Technical College</td>
<td>Madang</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Malaguna Technical College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Mt. Hagen Technical College</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Port Moresby Technical College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Port Moresby Secretarial College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Rabaul Secretarial College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Papua New Guinea University of Technology</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. University of Papua New Guinea (1) Main Campus</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Goroka Teachers' College</td>
<td>Eastern Highlands</td>
<td>Highlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOREST (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Papua New Guinea Forestry College Bulo</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Timber Industry Training College</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FINANCE (1)</td>
<td>Customs Training Centre</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>DEFENSE (1)</td>
<td>Papua New Guinea Defence Force Academy</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
</tr>
<tr>
<td>1. College of Allied Health Science</td>
<td>Madang</td>
<td>Northern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. College of Allied Health Science</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Arawa School of Nursing</td>
<td>North Solomons</td>
<td>Islands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. APCM School of Nursing Balimo</td>
<td>Western</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Highlands Regional</td>
<td>Eastern Highlands</td>
<td>Highlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Loe School of Nursing</td>
<td>Morobe</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Lutheran School of Nursing</td>
<td>Madang</td>
<td>Mamose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Mendi School of Nursing</td>
<td>Southern Highlands</td>
<td>Southern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Nazarene School of Nursing</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administering Department</td>
<td>Institution</td>
<td>Province</td>
<td>Region</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------</td>
<td>----------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Civil Aviation (1)</td>
<td>Civil Aviation Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>Culture &amp; Tourism (1)</td>
<td>National Arts School</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>HEALTH (17)</td>
<td>Rabaul School of Nursing</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sacred Heart School of Nursing</td>
<td>New Ireland</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sopas School of Nursing</td>
<td>Enga</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Barnabas School of Nursing</td>
<td>Milne Bay</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Gerards' School of Nursing</td>
<td>Central</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Mary School of Nursing</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tinsley School of Nursing (Baiyer/H)</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wewak School of Nursing</td>
<td>East Sepik</td>
<td>Mores</td>
<td></td>
</tr>
<tr>
<td>CORRECTIONAL &amp; LIQUOR</td>
<td>Corrective Institutions Service</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>LICENSING (1)</td>
<td>Staff Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>JUSTICE (1)</td>
<td>Legal Training Institute</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>MINERALS &amp; ENERGY (1)</td>
<td>ELCOM Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>POLICE (1)</td>
<td>Bomana Police Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>PRIMARY INDUSTRY (5)</td>
<td>Highlands Agricultural College</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Popondetta Agricultural College</td>
<td>Northern</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sepik Agricultural College</td>
<td>East Sepik</td>
<td>Mores</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vudal Agricultural College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Fisheries College</td>
<td>New Ireland</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td>HEALTH (17)</td>
<td>College of Allied Health Science</td>
<td>Madang</td>
<td>Northern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>College of Allied Health Science</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Arawa School of Nursing</td>
<td>North Solomons</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>APM School of Nursing Balimo</td>
<td>Western</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Highlands Regional</td>
<td>Eastern Highlands</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lee School of Nursing</td>
<td>Morobe</td>
<td>Mores</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lutheran School of Nursing</td>
<td>Madang</td>
<td>Mores</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wendi School of Nursing</td>
<td>Southern Highlands</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nazarene School of Nursing</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rabaul School of Nursing</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sacred Heart School of Nursing</td>
<td>New Ireland</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sopas School of Nursing</td>
<td>Enga</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Barnabas School of Nursing</td>
<td>Milne Bay</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Gerard's School of Nursing (Veifa)</td>
<td>Central</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>Administering Department</td>
<td>Ministry or Agency</td>
<td>INSTITUTION</td>
<td>PROVINCE</td>
<td>REGION</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------</td>
<td>-------------</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>Government Administered Tertiary Educational and Training Institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Aviation (1)</td>
<td>Civil Aviation Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>Culture &amp; Tourism (1)</td>
<td>National Arts School</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Mary's School of Nursing</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tinsley School of Nursing (Baiyer/H)</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wewak School of Nursing</td>
<td>East Sepik</td>
<td>Mamose</td>
<td></td>
</tr>
<tr>
<td>CORRECTIONAL &amp; LIQUOR LICENSING (1)</td>
<td>Corrective Institutions Service</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staff Training College</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JUSTICE (1)</td>
<td>Legal Training Institute</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>MINERALS &amp; ENERGY (1)</td>
<td>ELCOM Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>POLICE (1)</td>
<td>Bomana Police Training College</td>
<td>National Capital District</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td>PRIMARY INDUSTRY</td>
<td>Highlands Agricultural College</td>
<td>Western Highlands</td>
<td>Highlands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Popondetta Agricultural College</td>
<td>Northern</td>
<td>Southern</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sepik Agricultural College</td>
<td>East Sepik</td>
<td>Mamose</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vudal Agricultural College</td>
<td>East New Britain</td>
<td>Islands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Fisheries College</td>
<td>New Ireland</td>
<td>Islands</td>
<td></td>
</tr>
</tbody>
</table>
Introduction

The future of commercial and industrial development in Tuvalu depends on the economic opportunities that can be generated by this newly independent small island nation with its population of less than 8,000. The expansion of entrepreneurial enterprise may be self-generating, but it is still subject to the constraints that affect much of the development of Tuvalu.

Tuvalu has few exploitable resources, a small population, and limited domestic markets for locally produced goods and services. The remoteness of Tuvalu makes sea and air transportation expensive, and poor communications affect the efficiency of any business. The large distances between the islands of Tuvalu fragment local markets and constrain the development of indigenous commercial activity.

The small population of Tuvalu with an estimated per capita income of approximately A$405 in 1982 is unlikely to support any major investment in the manufacturing or service industries and retail stores. However, with the expansion of entrepreneurial activity associated growth is expected in the domestic cash economy. For example, local people will be able to buy fish from the growing number of small commercial fishing ventures, which in turn will generate an income for the fishermen with which they can pay for, say, their visits to the cinema. Such a domestic multiplier effect will reduce "leakages" in the local economy. It is estimated that future development will be hastened if investment occurs in productive industries rather than in the service sector.

Unfortunately, there has been little tradition of commerce in Tuvaluan culture, with the result that there is a distinct lack of experienced entrepreneurs with management skills.

The lack of sophistication within the commercial sector is reflected in the goals for future development.

Tuvalu's business development objectives are:

- To strengthen and diversify the Tuvalu economy through private enterprise and quasi-government commercial operations,
- To encourage and assist the development of new and existing commercial activities,
- To develop employment opportunities and to foster entrepreneurial skills within the population,
- To exploit the resources of Tuvalu to their most beneficial capacity, and
To encourage export opportunities and technical expertise related to commercial operations.

When these goals are assessed two factors must be kept in mind. First, commerce is historically alien to Tuvalu, and so a careful balance must be maintained between a commercial environment and the traditional lifestyle. Second, the integrity of Tuvalu as an independent, fair trading nation must be protected; businesspeople, both foreign and indigenous, should not be allowed to jeopardize the country's existing good international image by overstepping their credit worthiness and entering into commitments they cannot fulfill.

During 1980-83 steps were taken to improve the infrastructure available to the entrepreneur. Prior to this period few activities were undertaken privately, except for the cooperative movement that played an active commercial role in the country. Now this scenario is changing. The introduction in late 1980 of the National Bank of Tuvalu (NBT) and in late 1981 of the Business Development Advisory Bureau (BuDAB) has provided entrepreneurs with a means to set up and maintain their businesses. The NBT was established as a joint venture between the Tuvalu Government and Barclays Bank International, with the government taking the majority shareholding.

BuDAB

The BuDAB was set up under the public finance ordinance with funds from the British Phosphate Commission and the Australian Government. During its first two years of operation the BuDAB sponsored some A$125,000 of commercial loans, which resulted in the formation of 33 new businesses. These new ventures are now estimated to have created over 100 additional jobs (full and part time) in the private sector. In total BuDAB has sponsored some $195,000 of commercial loans, resulting in the formation of 50 new businesses since its establishment. Although small in absolute terms the figure is nevertheless significant in the development of the private sector and in the increased employment base of the economy. In addition to the provision of loan finance BuDAB has also provided overdraft guarantees for businesses amounting to approximately $117,000.

The BuDAB assists the entrepreneur by doing market research; compiling feasibility studies; negotiating on behalf of the entrepreneurs with the government, with the bank, and with overseas agencies and suppliers; providing assistance for loan financing; subsidizing interest rates; providing guarantees; obtaining overdrafts; sourcing goods and materials; and providing management and bookkeeping advice. A Trade Information Library has been also organized by BuDAB, which provides trade information materials for both government and private sector users.

During 1980-83 and prior to the formation of BuDAB, several businesses existed in the retailing and construction sectors, which were used by government to carry out the construction work associated with development projects. In addition a significant number of extremely small businesses are unrelated to BuDAB. These appear to be primarily designed to supplement family income (whether subsistence or cash oriented) and to provide an outlet for time honored skills and employment, for example,
handicraft production, thatch making (lau), fencing material manufacture, canoe building, boat building, sales of excess home produce such as breadfruit, bananas, chickens, eggs, pigs, coconut, pandanus, sour toddy, and coconut molasses. Other small businesses include cake and bread making, mobile video screening, and "front room" retailing.

In the context of Tuvalu's size and resources some businesses are more desirable than others in terms of the national economy and social desirability. By the end of 1983, it was evident that there were sufficient general retailers on Funafuti, and no further encouragement was given to this sector. Similarly, on Funafuti the market is at times saturated by fishing ventures (a feasibility study is currently underway to ascertain whether investment in infrastructure to freeze and export fish overseas would be justified); consequently, it is imprudent to support any further fishing businesses on Funafuti until the market improves. This situation is also true of the construction industry, ice-cream businesses, and cinema businesses on Funafuti.

By the end of 1986 it is anticipated that a cooperative effort between the entrepreneurs, BuDAB, and the Agriculture Division will lead to Tuvalu becoming self-sufficient in chicken and eggs. Other major import substitutes are expected to be viable operations, such as laundry soap, toilet soap, and cooking oil.

BuDAB was, and still is, hampered in its task of promoting new businesses by the need to spend time on businesses that were in severe difficulties before BuDAB's formation. Many of the problems encountered by these businesses relate to the lack of adequate management and accounting expertise, and BuDAB Advisory Services are being utilized to overcome these problems. One item lacking in the organized development of the commercial sector is the lack of an effective company law, though work has begun on formulating draft proposals for implementation.

When specialized expertise is required within a particular commercial venture, assistance may be obtainable through a number of different aid agencies, such as PIIDS, SPEC, and ILO.

Foreign investment in local industry will continue to be sought, provided that the overseas investor can offer something of value to the country, such as employment and skills. Any such foreign investment will be subject to government controls over the terms and extent of the investment. An Investment Advisory Board was established in 1981 to oversee government's policies and activities in the monitoring of foreign investment in Tuvalu. The work of the board will be important in the future, and thus the expertise of the board members needs to be strengthening.

Some taxation and other incentives to foreign and domestically financed investment were available through the "pioneer company" provisions in the Income Tax Ordinance. These provisions are, however, considered to be generally unsatisfactory, and assistance is being sought to thoroughly review the business development incentives which may be undertaken in conjunction with the preparation of the new companies legislation.
Cooperatives

The cooperative movement is administered and regulated by the Cooperative Division of the Ministry of Commerce and Natural Resources. The Registrar of Cooperatives is responsible for insuring that the cooperatives are run in the best interests of the members and the nation.

The cooperative movement dominates retailing throughout the country. Cooperative societies have a long history in the islands and are now well established and entrenched in the local island system. The two main national societies: are (1) Tuvalu Cooperative Society, (2) Tuvalu Coconut Traders Cooperative (TCTC). The Tuvalu Cooperative Society Limited (TCS) is a Consumer Cooperative while the latter is a marketing cooperative dealing only in copra and coconut marketing.

The national organizations are owned by member cooperatives comprising the islands' eight cooperative societies, which were formed prior to separation from the Gilbert Islands (Kiribati). The island cooperative societies are each owned and controlled by the people of the islands.

Recently the island consumer cooperatives have joined together to form one organization. These societies finance their own operations through capital contributions from members and their own surpluses from trading operation; however, the Tuvalu Cooperative Society has a limited loan from government of A$335,415 to be repaid in 15 years beginning in 1982.

In addition to the above societies a newly registered cooperative is established on one of the outer islands, which manufactures coconut oil, soap, and other related products. The project was aided by the BuDAB.

The Private Sector

The private sector is generally composed of very small family businesses but a recent development has been the establishment of island group stores. These are based on Funafuti (the capital) and are designed to cater especially to the individual island communities of Funafuti.

The Chamber of Commerce formed in 1979 has not played as active a role in promoting the private sector as had been envisaged because it the expertise and resources to be fully effective. Training opportunities will continue to be sought for officials of the chamber so that its effectiveness can gradually be enhanced in the future.

Several major constraints to the future development of trading and marketing enterprises in the country are (1) the relatively small size of the local market; (2) the generally low levels of cash incomes, especially on the outer islands; and (3) the lack of management expertise and financial resources for expansion.

Government assistance continues to be channeled through the Ministry of Commerce and Natural Resources and is mainly in the form of financial and training assistance. In the past little direct government financial and training assistance was provided to the private sector, but with the establishment of the National Bank of Tuvalu and the Business Development
Advisory Bureau, finance and advisory services have now become readily available.

Trading and marketing, particularly retail stores, provide the main area of local involvement in the business sector. Such businesses provide a valuable opportunity for the acquisition of business skills and management expertise.

The national development objectives relevant to the private sector and the cooperatives include the strengthening and diversification of the Tuvalu economy and the development of new and existing commercial activities.

Specific private sector objectives are to encourage the production and export of local produce; to meet the needs of small businesses for technical advice, capital, and other assistance that will help to ensure that the ventures are successful, and to promote a wider range of stocks in retail stores and secure the cheapest sources of supply.

Specific cooperative movement objectives are to consolidate and strengthen the cooperative movement in Tuvalu, to identify and develop further trading opportunities suited to the cooperatives system including fisheries cooperatives, and to properly establish the TCTC and promote its activities. New cooperatives will be encouraged in the following fields: fishing, (both production and marketing), sales and export of handicrafts, production and export of local produce, and promotion of other developments suited to cooperatives.

Problems

Problems that have delayed the development of indigenous enterprise in Tuvalu include the following factors:

. The local market is limited;

. The development of local businesses lacks management and technical expertise;

. Some entrepreneurs have proved either unable or unwilling to absorb financial and technical advice or grasp the basic essentials of business and farm management;

. Monitoring of local businesses has proved difficult due to the dishonesty of some businesspeople and their misapplication of funds;

. A number of entrepreneurs are not fully aware of or prepared to shoulder their responsibilities as regards loans repayment and general accountability;

. Many entrepreneurs appear unwilling to accept the very real risks and responsibilities of self-employment in business;
Considerable difficulties are being experienced in loan monitoring and in making entrepreneurs aware of their financial and managerial responsibilities though some progress is being made, and BuDAB, which spends considerable time providing support for fledging businesses, is over, committed and does not have the staff or resources to carry out its task effectively.

It should be stressed that these problems are not peculiar to Tuvalu, but in a small country they are more self-evident and may appear to have a greater impact.
Introduction

The Development Bank of Western Samoa (DBWS) does not offer any specific assistance to "indigenous" businesses. It does, however, offer various forms of assistance, financial and otherwise, to different types of business whether or not they are run by indigenous entrepreneurs.

The basic purpose of the Development Bank of Western Samoa is to promote the expansion of the economy of Western Samoa by making loans and providing financial, technical, and advisory assistance. Although the Development Bank of Western Samoan Act provides for a wide range of banking activities, the bank's activities are confined at present to lending operations, promotional and advisory work, and in a few cases management and equity investment.

This paper discusses the role of the Development Bank of Western Samoa in the promotion of businesses in Western Samoa irrespective of the nature of the business supported.

Bank Lending Policies for Businesses

In general the bank's lending policy is determined by the availability of collateral offered by the potential borrower, as well as by the size of the loans-to-assets ratio enforced by the bank. But under the bank's charter, the bank should give preference to any enterprise that will: (1) use local raw materials in processing and manufacturing; (2) make use of labor and intensive technologies to provide more opportunities for employment and training of local people; (3) contribute effectively to broadening the base of local entrepreneurship; (4) have a good potential for expanding imports or increasing imports; and (5) lower costs within the country and improve the efficiency or standards of goods and services within the country.

The bank has over the years implemented certain policies relevant to specific businesses. These policies are the result of the bank's experience and have been implemented for the economic benefit of the country as a whole. For example, the bank can lend only 50 percent of the total cost of a bus or truck, but if the bus is serving a route in the rural area, then the limit is extended to 75 percent because such buses are recognized as being a major means of transporting agricultural products to their markets. Similar constraints exist on bank lending to retailing and wholesaling ventures, although it will consider assisting rurally based trade stores to finance freezers/refrigerators. This exception was made because people in rural areas often do not have access to freezers and rely on trade stores to stock frozen foods. The bank also cannot lend to
ventures classified under the heading of entertainment, recreation, or sports because they are felt to have limited economic benefits as compared with manufacturing and other service ventures.

The lending restrictions mentioned above affect only a very small portion of those businesses that are eligible for financial assistance from the bank. The restrictions, however, are in line with the government's economic policies, which clearly show a bias toward ventures that appear to benefit the country economically, especially with respect to foreign exchange savings and earnings. On the other hand, those ventures that are eligible under these lending policies are still subject to the usual bank procedures, and their viability is determined by a thorough feasibility study of each proposal. Although these feasibility studies are considered by many to be a lengthy process as compared by the existing two commercial banks, obtaining credit from DBWS is generally considered easier, especially for a newly established venture.

Services Available

Industrial loans division

The DBWS has an industrial/business loans division comprising six officers and headed by a divisional manager. Each of the six officers is responsible for a portfolio of about 60 clients. Apart from their main role of appraising loan applications, they are also involved in counseling and advising their respective clients, especially those who face financial problems that could result in non-repayments of their loan accounts. These officers have received special training and have attended various courses, mainly overseas, on such topics as project evaluation and small business consultancy. These courses have been conducted by the Asian Development Bank (ADB) and the Association of Development Finance Institutions for Asia and the Pacific (ADFIAP).

Business promotion

The research and development division of the bank is involved mainly in business promotion. An ADB consultant with DBWS works closely with one of the division's research officers in promotional work. This involves the identifying profitable projects that have good prospects and potential, as well as the ability to achieve profitability and benefit the country in general.

This team reviews existing projects with the potential for expansion or diversification. In this context, direct consultation with sponsors is usually arranged to discuss issues such as the existing state of the business with regard to its financial situation, management capability, and recurrent problems. Attempts are then made to improve or correct these issues or concerns, and these projects are monitored closely to ensure that the recommendations are implemented and that the companies' potential is achieved.

This promotional work has been in existence for a number of years, but the lack of manpower has hindered its full development. However, the direct involvement of the ADB consultant and the availability of local
counterparts have enabled its recent expansion. By October 1986, when the ADB consultant's term is completed, the local counterparts are expected to be able to continue this program, assisted by the industrial loan officers who have marketing skills and knowledge of basic record keeping.

Small business training

The training unit under the research and development division of DBWS conducts monthly workshops on various topics relevant to small businesses. This unit has been in existence since June 1985 and receives support from the Small Business Agency, a branch of the Development Finance Corporation of New Zealand.

The program is divided into a series of six modules and a workshop, which focuses on a wide range of aspects involved in a small business. Each module is geared to a specific topic, thus module 1 offers an introduction to running a small business, module 2 deals with basic business records, and module 3, with sales and marketing, etc. The resource persons for these modules are drawn from qualified personnel within the research and development division of the bank who have undertaken intensive training in this field. Similar support is also received from members of the Association of Public Accountants and from specialists in the field of insurance, taxation, and commercial banking.

The program is open to anyone, although preference is given to those who are already operate businesses. Course members are restricted to 25, which is considered a reasonable and controllable size for a course of this nature and for the training venue used. The emphasis of these workshops is to offer basic skills to entrepreneurs in running a small business in the area of management, marketing, and finance, areas in which many local entrepreneurs have limited skills or experience.

Credit unions

The DBWS has also been instrumental in the reactivation of the Credit Union League. The league comprises a number of credit unions from various parts of the countries established for office staff, extended families, congregations, youth clubs, etc. Credit unions operate like a savings club but in a more organized way. If credit union members are exposed to such aspects of organized finance and management, hopefully they will be inspired to go one step further and establish a small business.

Women's advisory council

The development bank also administers a special revolving fund of about WS$10,000 from the Women's Advisory Council. This fund enables women to obtain small amounts of credit to assist them with new or existing small ventures. Such ventures are generally regarded as cottage industries, and funds are usually lent to finance tools and working capital. The DBWS, however, does not participate in the selection of clients, which is carried out by the Women's Advisory Council. All DBWS does is to release the funds and keep records of the loan accounts.
The program has some weaknesses because, as a revolving fund, it can run dry if the repayments for current accounts are not met regularly and thus relatively few women benefit from this fund. The Women's Advisory Council's staff have limited experience in appraisal procedures and may not have the expertise to select viable projects worthy of assistance—which unfortunately is reflected in the number of their clients who are unable to meet their repayments. Perhaps in the future a greater involvement by bank staff in appraising prospective applicants could overcome this problem. Better liaison between the bank and the Women's Advisory Council would help to transfer necessary skills to the Women's Advisory Council staff.

Professional associations

The DBWS is a member of the Chamber of Commerce as well as the Manufacturing Association. These associations comprise a cross-section of the business communities in Western Samoa, both small and large. The bank's role is to give advice and liaise with other bodies on various aspects for the benefit of their members. The bank has arranged meetings and study visits between members of these associations and organizations such as the Center for Development of Industry (CDI) based in Brussels, Belgium. Such visits and meetings with these organization have resulted in the establishment of joint venture schemes between local businesses and overseas partners, mainly from New Zealand, Australia, and Europe. These schemes are closely monitored by DBWS because in most cases the bank also has a loanable interest in them. On occasions, senior members of the DBWS have given talks to these and other organizations on the role of the DBWS, which provide members with an understanding of the role of the bank.

Conclusion

The Development Bank of Western Samoa was established to provide assistance primarily for the agriculture sector, but its expansion over the years to include the business and industrial sector shows the government's initiative for a well-balanced economy incorporating all sectors. The development of the bank's research and development division and its involvement with the business community in promotional and research work and in the training of potential entrepreneurs are a clear indication of the bank's increasing role in these sectors over the years. Perhaps the bank is the only institution within the country that offers such a comprehensive range of counseling and advisory assistance in support of the business sector. The DBWS, continues to explore new ways and ideas to improve its services and offer an effective program of support to the local business community.
APPENDIXES
LIST OF WORKSHOP PARTICIPANTS

AMERICAN SAMOA

Mr. Alexander Pau'u ZODIACAL
Business Analyst
Economic Development and Planning Office
Government of American Samoa
Pago Pago, American Samoa 96799

AUSTRALIA

Ms. Rhonda CALMA-HOLT
Area Manager
Aboriginal Development Commission
Nhulunbuy
Northern Territory, Australia

COOK ISLANDS

Ms. Teraihei McFADZIEN
Senior Loans Officer
Industrial/Commercial Section
Cook Islands Development Bank
Rarotonga, Cook Islands

Ms. Marie MELVIN
c/o Island Craft
Rarotonga, Cook Islands

Ms. Janice PEARSON
Administration Manager and Secretary to Board
Cook Islands Development Bank
Rarotonga, Cook Islands

FIJI

Ms. Daphne KALAOUCAVA
Business Opportunity & Management Advisory Service
Ministry of Fijian Affairs
Private Mail Bag
Government Buildings
Suva, Fiji

Ms. Laisenia QARASE
Managing Director
Fiji Development Bank
G.P.O. Box 104
Suva, Fiji

Ms. Mere SAMISONI
General Manager/Director
The Hot Bread Kitchen
P.O. Box 3084
Lami, Fiji

Mr. Malakai TAWAKE
Lecturer in Administrative Studies
University of the South Pacific
P.O. Box 1168
Suva, Fiji

FRENCH POLYNESIA

Mr. Louis SAVOIE
Director
Territorial Department of Economic Affairs
Trade & Development
P.O. Box 82
Papeete, French Polynesia

FEDERATED STATES OF MICRONESIA

Mr. Manny MORI
President
FSM Development Bank
Kolonia, Pohnpei
Eastern Caroline Islands 96941

156
HAWAII
Ms. Linda COLBURN
Program Coordinator
Na 'Owi O Oahu, Inc.
Hawaiian Business Development Program
Cooke Street, 2nd Floor
Honolulu, Hawaii 96813

Mr. Van Horn DIAMOND
Economic Development Director
Alu Like Inc.
401 Kamakee Street, 3rd Floor
Honolulu, Hawaii 96814

Ms. Lucy GAY
Acting Assistant Dean of Instruction
Leeward Community College
96-045 Ala Ike
Pearl City, Hawaii 96782

KIRIBATI
Ms. Anote TONG
Acting Director
University of the South Pacific
Atoll Research Center
Bairiki, Tarawa, Kiribati

NAURU
Ms. Elaine BAILEY
Manager
Od-N-Alwo Hotel
Nauru

NEW ZEALAND
Mr. Neville Baker
Deputy Secretary
Department of Maori Affairs
Private Bag
Wellington, New Zealand

Mr. John DYALL
Executive Officer
Department of Maori Affairs
Private Bag
Wellington, New Zealand

Te Okanga HUATA
Tribal Elder

Mr. Stanley KEEPMA
Consultant, Property Developer
Member, Board of Maori Affairs
Member, Auckland Small Business 524 Association

Ms. Polole TOMA
Department of Maori Affairs
Private Bag
Wellington, New Zealand

NIUE
Mr. Lika LIPI TOA
Deputy Director
Economic Development
Government of Niue
Alofi, Niue

Mr. Bob TALAGI
Business Development Officer
Government of Niue
Alofi, Niue

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
Mr. Gabriel BOYER
Executive Director
Saipan Chamber of Commerce
Saipan, CNMI 96950

REPUBLIC OF PALAU
Mr. Lincoln Osima
Economic Development Technician
Economic Development Division
Bureau of Commerce
Republic of Palau
Koror, Republic of Palau 96940
PAPUA NEW GUINEA

Ms. Bungtabu BROWN
Managing Director
Kabua Pty. Ltd.
P.O. Box 779
Rabaul
East New Britain
Papua New Guinea

Mr. Emmanuel RAUSI
Head of Section
Administrative College of Papua New Guinea
P.O. Box 1216
Boroko, Papua New Guinea

Mr. Kikereng WARGEM
Senior Planning Officer
Policy and Planning Division
Department of Trade and Industry
P.O. Wards Strip
Waigani, Papua New Guinea

Mr. Andy WATSON
First Assistant Secretary
Department of Trade and Industry
P.O. Wards Strip
Waigani, Papua New Guinea

SOLOMON ISLANDS

Mr. Warren PAIA
Managing Director
Kelton Marketing Co.
P.O. Box 320
Honiara, Solomon Islands

TONGA

Ms. Papiloa FOLIAKI
Managing Director
Friendly Islander Motel
P.O. Box 142
Nuku'alofa, Tonga

Mr. Tsutomu NAKAO
P.O. Box 12
Nuku'alofa, Tonga

Mr. Esafe VUKI
P.O. Box 184
Nuku'alofa, Tonga

TUVALU

Mr. Simeona IOSIA
Manager
Business Development Advisory Bureau
Government of Tuvalu
Funafuti, Tuvalu

VANUATU

Mr. Japin TARI
Director of Industry
Department of Industry
Minister of Finance
Port Vila, Republic of Vanuatu

WESTERN SAMOA

Mr. Leota L.I. ALE
Managing Director
Life International & Brokers Ltd.
P.O. Box 249
Apia, Western Samoa

Mr. Hans KRUSE
Director
Department of Economic Development
P.O. Box 862
Apia, Western Samoa

Mr. Manoo LUTENA
Managing Director
M & M International Ltd.
Box 369
Apia, Western Samoa

Mr. Rudy MEREDITH
Research & Development Manager
Development Bank of Western Samoa
P.O. Box 1232
Apia, Western Samoa
Ms. Lusia SEPO
Senior Planning Officer
Department of Economic Planning
P.O. Box 862
Apia, Western Samoa

Mr. Laki SIO
Staff Training Officer
Development Bank of Western Samoa
P.O. Box 1232
Apia, Western Samoa

REPRESENTATIVES OF REGIONAL ORGANIZATIONS

Mr. John ALLEN
UNIDO
South Pacific
UNDP
Suva, Fiji

Mr. John CRUIKSHANK
Executive Officer
PIACC
P.O. Box 14252
Suva, Fiji

Mr. Reuben DUDLEY
ILO Regional Adviser
Labour and Population for the South Pacific
International Labour Organisation
G.P.O. Box 1546
Suva, Fiji

Mr. John LOW
Lecturer in Agricultural Economics
University of the South Pacific
Alafua Campus
Apia, Western Samoa

Mr. George MOENGANGONGO
Director
Institute of Rural Development
University of the South Pacific
Nuku'alofa, Tonga

Mr. Martin MIRIORI
Project Officer (Private Sector Contracts)
South Pacific Bureau for Economic Cooperation
G.P.O. Box 856
Suva, Fiji

Mr. Bikenibeu PAENIU
South Pacific Commission
Post Box D5
Noumea Cedex, New Caledonia

Mr. Ropate QALO
Fellow
Institute of Social and Administrative Studies
University of the South Pacific
Suva, Fiji

Mr. Marvin W. WODINSKY
Counsellor
Canadian High Commission
Wellington, New Zealand

PIDP STAFF

Dr. Te'o I.J. Fairbairn
Acting Director

Mr. John HAILEY
Fellow

Ms. Jeanne HAMASAKI
Program Officer

Mr. Forrest HOOPER
Secretary
Appendix 2

ENTREPRENEURS' PROFILE

Eleven leading members of the business community in the island nations of the South Pacific attended the workshop. All of these successful entrepreneurs are indigenous Pacific islanders whose experiences and determination provide a valuable role model for potential Pacific entrepreneurs. The following brief biodata, which are drawn from the entrepreneurs' own presentations to the workshop, are testimonials to allow other Pacific islanders to see the diversity and versatility of this group of successful Pacific entrepreneurs.

Leota Ale, Life International and Brokers Ltd., Apia, Western Samoa. Leota Ale, formerly a Speaker of the Fono, recently started an innovative finance company that is thoroughly rooted in Fa'a Samoa, as he will lend money at a 15 percent interest rate, using fine mats as collateral. Fine mats are highly valued, intricately woven mats of great ceremonial importance; some are valued at more than US $5,000. Although some people doubt whether Leota can blend together the tradition of centuries with a contemporary financial operation, if successful this venture will be a worthy example of Fa'a Samoa's integration with modern capitalism.

Elaine Bailey, Od-N-Aiwo Hotel, Nauru. As a business woman who is also a full-time primary school teacher on Nauru, Elaine Bailey's business interests include retailing, an import-export business, a poultry farm, a restaurant, the Od-N-Aiwo Hotel, and even driving one of her family's taxis at night. A graduate of a teacher training college in Australia, Elaine schedules her daily life around her teaching commitments and her business interests, as well as her family. According to Elaine, her business success can be attributed to the support from her family, her father's business experience, her ability to control customary borrowing (bubati), and her determination to succeed.

Bungtabu Brown, Kabaul Holdings, Ltd., Rabaul, Papua New Guinea. An entrepreneur who not only owns and manages several businesses but also is the executive officer of the East New Britain Council of Women, Bungtabu Brown's rural business interests include a cocoa processing operation and a piggery; in addition, in Rabaul she owns a number of shops and a car rental business. Bungtabu, mother of three children and married to a leading provincial politician, began her career after secondary school as a loan officer with a credit union and then later worked for the development bank. This exposure to the local business community convinced her to start her own business and prove that a woman could succeed in business. Bungtabu attributes her success to the support of her sisters, the attitude of her father, and the encouragement of her husband. She also recognizes that her early career as a loan officer gave her the skill and insight to assess business problems and the confidence to exploit business opportunities.

Papiloa Foliaki, Friendly Islander Hotel, Nuku'alofa, Tonga. Trained as a nursing sister, Papiloa Foliaki resigned her post in 1971 when her husband was appointed director of health, apparently a conflict of interests. In search of challenge she used her father's old, discarded bus
as the catalyst for her future business empire. By saving on household expenses and selling gifts and garden produce, she saved enough money to renovate the bus. After an innovative market research exercise she began her bus company, and by 1974 she operated ten buses. Papiloa then diversified and established the Friendly Islander Motel, which through a program of planned expansion boasts a squash court, a conference center, and restaurants. Apart from her varied life as a mother, wife, entrepreneur, and habitual conference participant, she was elected as Tonga's first woman member of Parliament. Papiloa's entrepreneurial vision, her determination, remarkable versatility, and articulate courage have served her well in business.

Stanley Keepa, Auckland, New Zealand. A Maori property developer, Stanley Keepa has been in business for over a quarter of a century and is claimed to be the first Maori multimillionaire. Stanley, a member of the prestigious Board of Maori Affairs, left school at 15; after a variety of jobs, including a policeman, he began developing residential properties in 1969. He now concentrates his considerable talents on commercial properties and controls the development of more than 135 factories and office buildings. Stanley recently diversified his operation by starting a finance company to fund future expansion. When questioned about his knack for property development, Stanley disarmingly humble response was suggesting that he must have a knack for property development. Stanley stated that "making my first million was relatively easy."

Manoo Lutena, M & M International, Apia, Western Samoa. After returning home to Western Samoa in the late 1970s from the United States where he gained extensive experience and qualifications, Manoo Lutena began working for the Western Samoa Cooperative Association. He recognized the need to help local farmers to market their products overseas and thus in 1981 established a company that had 90 percent of its revenue generated from the export of produce such as cocoa, taro, and kava, as well as manufactured and processed goods. Manoo later diversified into transportation, service stations, agro-processing, and consultancy work. The company's sales turnover rose from WS$150,000 in 1981 to over $1 million in 1985. Manoo, a one-time member of Parliament with political ambitions, sees his success as being related to his ability to identify and develop export opportunities, using his own international contacts and experience.

Marie Melvin, Island Crafts Ltd., Rarotonga, Cook Islands. A successful Cook Island businesswoman, Marie Melvin owns and manages a range of businesses employing over 30 people, including a handicraft shop, a wood carving and timber operation, a flower center, and the gift shop at the Rarotonga Airport. Marie, married with three children, received only primary schooling, and after working as a professional photographer in New Zealand she returned to Rarotonga to open a photography business. After purchasing the original Island Crafts she diversified into the present line of businesses. Marie believes her personal success is due to her hard work, her family's support in the daily operation of the businesses, and domestic help at home. Her reputation as a businesswoman has been enhanced by her reliability and business consistency, as exemplified by her ability to meet deadlines and pay bills on time, as well as her willingness to work long hours despite personal inconvenience.
Tsutomu Nakao, Nuku'alofa, Tonga. Trained as a chartered accountant in New Zealand, Tsutomu Nakao feels that his business acumen can be attributed as much to the insights of his father, a carpenter, as to his formal education. During his university vacations, he worked in New Zealand factories, which gave him experience in industrial manufacturing. On returning to Tonga, he worked for the government for 10 years and then transferred his experience to business. Tsutomu is now a leading figure in the Tongan business community and has a variety of business interests including manufacturing and import/export operations. In addition, he has interests in firms that manufacture wire, paper, sports equipment, and soft drinks.

Warren Paia, Kelton Marketing, Honiara, Solomon Islands. In business for only three years, Warren Paia previously worked for the South Pacific Bureau for Economic Co-operation (SPEC) and was a fellow of the Institute of Social and Administrative Studies in Fiji. His business interests, based in Honiara, include an increasingly profitable real estate business and a well-established stationary and computer business. This venture started as an innovative joint venture with another successful indigenously owned venture based in Fiji. This partnership gave Warren who had no previous business experience, immediate access to established business contacts, channels of distribution, and internationally known suppliers, as well as lines of credit. This link with the Fijian firm has proved to be a highly successful method of starting a sophisticated, well-connected local business operation. Warren, who is actively involved in encouraging indigenous business in Solomon Islands, has been a past chairman of the Solomon Islands Business Association.

Mere Samisoni, Hot Bread Kitchen, Suva, Fiji. Although general manager and director of this successful line of "bake on the premises" bread shop, Mere Samisoni, a mother of three, was trained and worked as a nursing sister for most of her life. Increasingly attracted to the challenge of business she recognized the potential for such "bake on the premises" bread shops in Pacific island markets. The first Hot Bread Kitchen opened in 1982, and by early 1986 the company employed 120 people with branches throughout Fiji. Through a well-planned franchising arrangement she opened branches in such diverse places as Honiara in Solomon Islands and Waipahu in Hawaii. Initially, however, Mere experienced setbacks and frustrations, including the refusal by the Fiji Development Bank to give her a loan. But Mere has persevered to run an operation that is fast becoming the first multinational company controlled by an indigenous Pacific Islander. Mere accounts for her business success by sheer determination and hard work and her concern for details in quality, hygiene, customer relations, and staff matters—all of which she learned during her career as a nurse. But above all, Mere emphasizes her ability to adapt to her changing roles. Flexibility is essential in her varied roles as mother, wife, entrepreneur, manager, and community worker.

Esafe Vaki, Ikuna Hatchery, Nuku'alofa, Tonga. Over the last decade Esafe Vaki has built up one of the largest food processing businesses in Tonga, and largely through his efforts Tonga has become self-sufficient in chicken. Esafe's determination and foresight began as a government civil servant when he saved a tiny portion of each month's salary. Before his retirement from government service in 1974 he had decided to establish a
poultry venture, even though he knew nothing about chickens. His initial venture consisted of 25 laying hens, which today has grown into a flock of 12,500 laying hens, from which he supplies over 85 percent of Tonga's eggs. In 1981 he diversified and built a new slaughter house and packing facility, which can process 3,000 chickens per week. More recently Esafe has branched out into pig production, as well as started his own feed mill. Esafe's success is marked by foresight and patience as much as by determination and hard work.
Appendix 3

WORKSHOP AGENDA

REGIONAL WORKSHOP
ON
INDIGENOUS BUSINESS DEVELOPMENT
IN THE PACIFIC

Apia, Western Samoa
May 18-24, 1986

May 19, 1986 (Monday)

9:20 a.m. Opening Speech: Le Tagaloa Pita, Minister of Economic Affairs

9:30 a.m. Introduction to Workshop: Dr. Te'o I.J. Fairbairn, Acting Director, PIDP

9:45 a.m. Overview of PIDP Indigenous Business Project

10:45 a.m. Introduction by the Business Participants

2:00 p.m. The Experience of Maoris in Business: Paper and Discussion

3:30 p.m. Pacific Women in Business Paper and Discussion

May 20, 1986 (Tuesday)

9:00 a.m. Papua New Guinea Experience in the Promotion of Indigenous Business: Paper and Discussion

10:15 a.m. Finance for Indigenous Enterprise: Paper and Discussion
May 20, 1986 (Tuesday)
(continued)

11:15 a.m.  Introduction to Working Committees: Chairmen's comments and statement of research findings

Participants to join one of three working committees on Finance for Indigenous Business, Training for Indigenous Business, Government Policy and Organizational Support for Indigenous Business

2:00 p.m.  Regional Support for Indigenous Business: Paper and Discussion

3:30 p.m.  First Committee Session

6:30 p.m.  Cocktail Reception: Aggie Grey's Hotel

May 21, 1986 (Wednesday)

9:00 a.m.  Enterprise Support Organizations in the Pacific: Paper and Discussion

10:30 a.m.  Second Committee Session

2:00 p.m.  Indigenous Business in Tourism in the Pacific: Panel Discussion

3:15 p.m.  Tour of Local Winery and Garment Factory

May 22, 1986 (Thursday)

9:00 a.m.  Alternative Business Structures and Pacific Businesses

10:30 a.m.  Third Committee Session
May 22, 1986 (Thursday) (continued)

2:00 p.m. Final Committee Session
Reports to be completed in draft

4:30 p.m. Reception at Vailima Breweries
Jointly hosted by Department of Economic Development and the Vailima Breweries

May 23, 1986 (Friday)

9:00 a.m. Committee Presentation and Discussion: Finance for Indigenous Business

10:45 a.m. Committee Presentation and Discussion: Training for Indigenous Business

2:00 p.m. Committee Presentation and Discussion: Government Policy and Organizational Support for Indigenous Business

3:30 p.m. Conference Overview and Closing Remarks
PAPERS PRESENTED BY

- Institute of Rural Development
- South Pacific Bureau for Economic Co-operation
- South Pacific Commission
- International Labour Organisation Office for the South Pacific
SMALL BUSINESS TRAINING AT THE INSTITUTE OF RURAL DEVELOPMENT

George Moengangongo

Introduction

The Institute of Rural Development (IRD) was established in 1981 as an autonomous institution under the mandate of the University of the South Pacific. Soon after the IRD was established, a regional review was begun to assess the needs of the region. One conclusion of this review was that there was a dearth of experience in the area of small business management. This was further supported by other investigators who recognized that most indigenous businesspeople in Tonga lacked modern business acumen. This picture persists throughout the South Pacific today, where foreigners still dominate the business sector.

For the last two decades technical and production-oriented training has been conducted throughout the Pacific. Training on the practical aspects of agriculture and fishery has been done by the South Pacific Commission for several years and more recently by the USP School of Agriculture in Western Samoa. Some nonformal types of training related to business management were undertaken by the cooperatives and NGOs. Unfortunately, the training was specific to members only, and nonmembers were excluded; hence the majority of the population was unable to benefit from such relevant training and still awaits the opportunity to do so.

The problem was further exacerbated by the lack of trained personnel at the grass roots level. For example, the field officers, especially within the Ministries of Agriculture, have had little exposure in the area of business management, yet their clients still seek their advice on commercial matters as they are often the only extension officers with whom indigenous entrepreneurs working in the rural areas may have contact. This situation, however, does not belittle their expertise in the area of agriculture production.

The Institute of Rural Development therefore set out to run a series of training programs aimed at improving the knowledge of business management of these field officers, as well as disseminating some of this knowledge to the actual indigenous businesspeople themselves.

Program Objectives

The general objectives of the program were to: (1) improve knowledge and skills in a range of management areas, (2) identify causes of business failures, and (3) provide advice to rural enterprises.

The intention of the training component was to pursue the concept of training of "trainers." The rationale for choosing this approach was first to make best use of limited available funds and, second, to ensure that a cadre of people within most of the countries of the region would have the ability to undertake some form of training activity.
Associated with the training component were some research projects that were identified by development banks in the region. Time did not allow a complete coverage of all the islands in the region, but, for example, a comprehensive study was undertaken of the activities of the development bank in the rural areas of Vanuatu. Moreover, data were collected on the small rural businesses in Tonga, as part of the students' project work.

Staff from the institute also prepared a series of training manuals that were used as the basis of the training program and are now being used extensively throughout the region.

The Program

The program began in 1982 with the appointment of the project coordinator. The details of the project were drawn up, and participants were solicited from the countries under the auspices of the USP. To date, there have been two regional training programs and a number of national programs.

The first training program had 15 people, four of whom came from Tonga and the rest from Fiji, Solomon Islands, and Vanuatu and included four females. The average age of the participants was 27 and ranged from 21 to 39. There were no specific qualifications, except that they were expected to have completed at least two years of high school. The most important criterion was that the participants must be working in a rural area and actively involved in the area of development.

The participants were employed both in the government sector and the non-government sector. Within the government sector, some worked with the Department of Agriculture, the cooperatives, or Business Advisory Services. In the non-government sector, some were with the YMCA, and others were with independent rural development groups. At least some of the participants had already completed some formal practical training and were attuned to the objectives of the program.

The program was divided into three phases, with the first and third phases being residential courses at the IRD. The second phase was completed at the national level and consisted of correspondence courses and home country projects. The first phase concentrated on basic commercial skills as well as training know-how, during the final phase, the participants were introduced to more specialized techniques and to the practical implications of their work. Some time was also spent in fieldwork specifically related to small rural businesses, and several small businesses were studied in detail.

In the first residential training course, the curriculum consisted of introduction and review, the socioeconomic background, and training needs, as well the skills needed for starting and operating a business. During the second residential course, most of the curriculum focused on detailed studies of specific income-related activities.

The second regional training followed a format similar to the first one, except that it was extended to include the Cook Islands, Kiribati, and
Tuvalu. At the national level, 15 training courses were conducted by the participants.

The program had to terminate because of limited finances. However, the institute is still actively involved in the area of business training in Tonga. The Government of Tonga with assistance from bilateral aid has commissioned the IRD to undertake a number of training programs aimed at the small businesspeople. Furthermore, a cadre of trainers is to be trained so that they will be in a better position to advise on business matters.

Conclusion

The IRO is still involved with business training. However, it is presently concentrating its efforts on Tonga, if only because Tonga has procured the necessary funds to support the training.

This two-year program is aimed specifically at the small businesspeople. Attempts to define a small business on the basis of monetary turnover is difficult because of the nature of the available data. Therefore, a number of criteria are used, which include the age of the business, the level of education of the owner, the location or rather the isolation, and the type of business involved.

What has emerged from the training programs so far emphasizes the importance of establishing a formal business advisory service in Tonga. The Chamber of Commerce is ineffective, and furthermore only large businesses are members. Consequently, their problems are different from those of the small businesses, and so their efforts are directed more toward protecting their own interests rather than those of small businesses.

The training programs that have been completed appear to have merely touched the tip of the iceberg. There are regular requests for similar courses, and participants have asked to attend additional courses because the subjects covered are so new that they need repeated coverage.

In conclusion the IRD has successfully developed training modules for two levels of training: one for trainers or extension personnel, and one for small rural entrepreneurs. An integral part of these modules are the training manuals that the IRD prepared and that are now being used throughout the Pacific.

THE ROLE OF SPEC TO SUPPORT AND ENCOURAGE THE DEVELOPMENT OF INDIGENOUS BUSINESS IN THE PACIFIC

M. Miriori

Introduction

This paper is confined to issues affecting the development of indigenous business in Pacific island countries. It examines the
relationship between these businesses and government, the problems of indigenous business, and the role that SPEC can play in its development.

**Relationship Between Government and Indigenous Business**

I will first examine the type of relationship that is supposed to exist between government and indigenous business, and then try to identify some of the most common problems that affect indigenous businesses in Pacific island countries. These important factors tend to vary from one country to another for reasons that also will be raised during the course of our discussion.

It is the role of any responsible government, particularly in a free enterprise economy, to have a positive attitude toward and a favorable relationship with its indigenous business community in the private sector. This role is based on the understanding that the government and the commercial sector depend on one another's support and cooperation for their overall activities to be successful and to achieve the appropriate mutual objectives. In order to derive long-term benefits from the private sector, government needs to place significant emphasis on encouraging and developing the indigenous business components of the economy. This goal is to enable the country to establish a truly "national" and firm economic base so that its dependence on existing forms of external support can be reduced as much as possible.

From a government's point of view, the need to encourage and develop indigenous business is based on a number of reasons. The overall development objective of any responsible government is to ensure that the country's resources are most effectively used to achieve an acceptable level of self-sufficiency and broad-based economic growth. One of the best ways to tackle this problem is to help indigenous businesses and encourage them to participate in the economy more fully. Sir Thomas Davis, Prime Minister of the Cook Islands, said in March of this year that there were more than 200 registered businesses in the Cook Islands and that the number was growing every day. In such a small country with such limited resources it meant that there was one registered business for every 24 people in the country.

Some of the ways in which the government would be likely to benefit from the increased indigenization of business, provided of course that there is some degree of success, are through income tax and excise duty levies of various types, import replacement, savings in terms of the country's foreign exchange reserves, creation of more employment opportunities, and increased levels of spending. But quite apart from the monetary returns, which the government would be expected to receive as a result of higher levels of economic activity, are the social and other noneconomic effects of indigenous business development. Such businesses have good multiplier effects through the economic and political systems.

The government's support of indigenous business can take many forms. One example would be for the government to provide legal protection, with special privileges such as tax exemptions to be enjoyed exclusively by its indigenous business community. The government can also introduce and provide various types of financial support schemes to enable adequate...
levels of capitalization for their indigenous entrepreneurs. This type of
government support is of vital importance, especially in the Pacific, where
indigenous business is quite often in competition with foreign-owned,
experienced, and resource-rich business operations.

Problems of Indigenous Business in the Pacific

Indigenous businesses in the Pacific seem to have a number of common
and yet unique problems. The major problems include the lack of
entrepreneurial experience, business management skills, and finance, and a
strong traditional, diversified cultural background that tends to work
against a progressive development attitude toward the major objective of
indigenous business. In other words, an absence of some vital and
fundamental considerations for indigenous business simply do not provide
incentives and make it difficult for either government assistance or
outside support to penetrate properly into the local business development
system.

The fact that the small island states are widely scattered over the
Pacific gives rise to further serious problems in transportation and
communication networks. In a few large countries such as Papua New Guinea
and Solomons Islands, the general terrain and ruggedness of the geographic
makeup contribute to similar difficulties. The cost of providing these
facilities is often excessively high, and neither the traditional foreign
private sector nor the government has sufficient resources to absorb the
levels of expenditure required. Therefore, the difficult conditions
directly contribute to an increase in operating costs, and indigenous
businesses with inexperienced management skills, inadequate financial
resources, and other handicaps find it difficult to remain in business and
unfortunately are often forced out of the market.

The size of most of the smaller states in the Pacific and their
markets mitigates against effective economies of scale. Island states are
comparatively small in size and generally have limited available natural
resources to exploit. This factor places restrictions on the scope of
business for the commercial sector. The level of competition is limited,
and often business is in the hands of a powerful minority, most of whom
are likely to be expatriates.

Monopoly situations are common. The size of the population of most of
the island states is also comparatively small. Their size does not seem to
allow for a sufficient pool of both qualified and experienced manpower
resources, out of which skilled management requirements could be made
available, to indigenous business. Even if a local skilled work force is
available indigenous businesses usually cannot afford to pay the higher
costs, and skilled workers tend either to be absorbed by more powerful
expatriate-owned businesses or to seek other more lucrative employment
opportunities abroad. Indigenous business in a number of countries
continues to suffer while expatriate commercial elements often survive
because of their greater ability to absorb higher levels of cost structures
and services.

The diversity of different cultures and traditions in the Pacific also
has a great deal of influence over indigenous business. In most island
states in the Pacific, between 60 percent and 80 percent of the economies depend on either noncommercial or subsistence operations. The people still place great emphasis on and maintain strong traditional ties and a sense of commitment to the rural sector. Therefore, commerce in its true sense is still a foreign concept that simply cannot fit in easily with the normal lifestyle of the bulk of the population of Pacific island countries. When people with western cultural backgrounds decide to enter into businesses, they are generally more committed because their culture and traditions are more closely connected to commercial ideas and practices. In other words, they have a natural instinct and appreciation for business while indigenous businesspersons are in most cases outside of their culture and traditions. If the business closes down they simply fall back on their traditional ways of life, which continue to be supportive. Consequently, there is often a lack of commitment on the part of the indigenous businessperson in the Pacific despite the fact that opportunities may be available for ventures into commercial enterprises with the necessary encouragement and appropriate support.

Role of SPEC

The South Pacific Bureau for Economic Co-operation (SPEC), which is the secretariat and administrative arm of the South Pacific Forum, is the major regional body representing the independent countries of the South Pacific. Since it was established in 1972, SPEC has been given the mandate by the forum leaders to undertake regional development activities, particularly in trade and economic development for the member states in the region.

Article VIII of the SPEC Agreement gives the following objectives of SPEC’s role as the secretariat in this regard.

Subject to the direction of the Committee, the Secretariat may:

a. prepare studies in order to identify opportunities for a modification of present trade patterns in the South Pacific region, and between the region and other countries, having in mind the objectives of regional trade expansion;

b. carry out necessary investigations in connection with development of free trade among the Island members of the Bureau;

c. prepare studies of the development plans and policies of member governments in an effort to promote co-operation in the region; and investigate the scope for regional development planning aimed among other things at a rationalization of manufacturing and processing industries and the achievement of economies of scale in certain regional enterprises;

d. establish an advisory service on sources of technical assistance, aid and investment finance, both official and private, that are available to members;
e. undertake studies of regional transport, as necessary, and help coordinate action, both government and private, in this sector;

f. advise and assist member governments with the operation of a regional trade and tourist promotion service;

g. provide a means of regular and rapid consultation among the Islands on the region's import requirements to enable the bulk ordering of essential imports by official agencies;

h. act as a clearing house for information on trade, production and economic development in the region and in areas outside the region which are of interest to members;

i. carry out research and statistical studies on production and trade on a continuing basis as requested by the Committee;

j. prepare reports, studies and working papers;

k. establish means for the collection, dissemination and exchange of information and statistics;

l. cooperate with member governments in research projects and the obtaining and collating of statistics and other information;

m. cooperate and coordinate its work with that of other international and regional organizations;

n. undertake such other activities as the Committee may from time to time consider necessary for the attainment of the Bureau's purpose.

Benefits resulting from the coordination of resources are made available to recipients through normal government official channels. A number of these services benefit the indigenous private sector directly while others are geared toward national or regional projects.

Level of SPEC Involvement

SPEC operates a fellowship scheme for its member countries that allows for training opportunities to a maximum of six months. This scheme has proved so far to be quite popular and has been useful for the member governments in the region. Training is open to all sectors of the community in member countries; however, greater emphasis is usually placed on the indigenous private sector so that the business is given the special attention that it requires to initiate new development and improve performance. For example, a new joint venture operation has recently been developed in Suva: a local Suva-based expert on micrographics has combined forces with Fiji's largest domestic computer software bureau and a New Zealand information management company to form the Pacific islands' first microfilm bureau. The firm, Microimage Fiji Ltd., has since expanded its operations by opening new offices in Wellington, Auckland, and Hong Kong. The establishment of this company is particularly pleasing to
SPEC as its owner received part of his training while on a SPEC fellowship to Australia in 1981.

Another instance of SPEC's ability to contribute to business has been in the field of restaurant catering. Two businesspersons from Solomon Islands and Tuvalu last year were awarded fellowships to undertake training in Fiji.

SPEC's fellowship scheme is an ongoing activity, and material is available for distribution to any interested participant.

Consultancy/Advisory Services

SPEC also provides various short-term advisory services (STAS) for its member countries that are also available to the indigenous private sectors in the region. Again, these are fully funded services in which expert advice—on projects, the development of specific products, feasibility studies, or particular types of business venture—is readily available for a maximum period of three months.

For example, last year SPEC facilitated the provision of an expert from Tonga to offer advice on the potential development of the vanilla industry for a local interested party in Fiji. Another case was a consultancy that was funded under STAS to provide training in hotel catering in Pohnpei. It is nevertheless the intention of SPEC that more should be done in the future to encourage more and better use of this facility by indigenous businesses in the region.

SPEC's special role in the activities of the Tourism Council of the South Pacific (TCSP) and the Pacific Islands Association of Chambers of Commerce (PIACC) is also worth noting. These umbrella organizations have been established to represent the interests of the general private sector, and funding for their operations presently is provided by the European Economic Community (EEC). According to the existing agreement, the director of SPEC is the official authorizing signatory to any EEC project in the region.

Trade Information Services

SPEC provides various trade information functions, either by direct contact with trade personnel or through more generalized published information services. The SPEC monthly publication Trade and Industry Scene (TIS) has over the years provided a useful trade information service on matters such as product development, processing, promotion, and marketing. The general monthly circulation of TIS currently exceeds 2,000. Many TIS readers are indigenous private sector businesses. In this way SPEC attempts to create a basic awareness and stimulation of business interest among the indigenous people of the Pacific. SPEC can also provide advice on access to a broad range of assistance available both within and outside the region.
Coordination of Meetings and Periodical Visits by Officers

Meetings can facilitate the exchange of valuable information and views. Thus SPEC is often involved in organizing and participating in important meetings during which a wide range of activities, including those of trade and industry, are discussed. Such meetings in many instances can lead to the development of new or improved private sector activities or assistance.

SPEC officers are also required to make country visits during which, for example, trade officers establish contact with the indigenous private sector, identify impediments or problem areas, and provide information and technical assistance. More important they often act as a channel for further assistance.

Coordination and Negotiation of Aid

One important activity in which SPEC is involved is the negotiation and coordination of the flow of various types of assistance to member countries such as financial assistance, technical assistance, and infrastructure.

During the earlier part of this discussion two basic problems experienced by indigenous business in the Pacific were identified as the lack of start-up funds and undercapitalization. Although indigenous business interests can be assisted by various external sources of aid, another major difficulty is knowing where and how to attract potential financial assistance. Therefore, one of SPEC's major tasks is to identify and coordinate the financial and in-kind support of donors to meet the developmental needs of the region. Examples of SPEC's coordination of assistance from aid donors to benefit the indigenous private sector have been short-term advisory services in the fields of handcraft development, training, and technical assistance through various articles of the South Pacific Area Regional Trade and Economic Cooperation Agreement (SPARTECA), and assistance in obtaining UN Industrial Development Organization (UNIDO), Commonwealth Secretariat, and EEC resources.

SPEC was involved in the negotiations and follow-up of SPARTECA, which involves Australia and New Zealand, on the one hand, and the forum member countries on the other. Under this nonreciprocal agreement, Pacific island countries are given special privileges or treatment to export island-produced commodities and products to these two countries. Many of the goods that are exported to Australian and New Zealand domestic markets are manufactured by indigenous business interests (e.g., handcrafts, apparel, and processed primary products). SPEC is making a solid contribution toward encouraging the development of indigenous business in the Pacific among its forum member states through SPARTECA activities, and requests are welcome from businesses for information, advice, and technical assistance in this area.
Trade Promotions and Displays

SPEC, particularly through the South Pacific Trade Commission (SPTC), has also been able to involve itself quite extensively in organizing and staging promotional trade displays for a number of products available throughout the Pacific islands. SPEC and the SPTC will continue to show special interest in inviting and coordinating the participation of member countries at trade exhibitions, including specific products generated by the indigenous private sector. On occasion, if and when funding arrangements can be identified and made available, provision is made to financially support attendance at such events.

The South Pacific Trade Commission at 225 Clarence Street, Sydney, Telephone 02 290 2833, Telex 70342, has been set up specifically to provide advice and assistance to producers in forum island countries. It is available to help with all of the items in the preparation of a marketing program. It can provide market advice by mail and sometimes by a personal visit when the marketing program is being prepared, and it can provide practical assistance in arranging a program of appointments, participation in trade shows, provision of office facilities, and in following-up sales contacts in export markets.

Joint Venture Schemes

Australia and New Zealand have been responsible for substantial improvements in business development in the region and have initiated a number of novel development assistance mechanisms, usually at some cost to themselves, as they have been major suppliers and resource exploiters of the region.

Although it has sometimes been argued that weaknesses occur in the level of activities undertaken by these two countries, it cannot be denied that, in addition to their normal aid contributions and existing trade agreements under SPARTECA, they have been responsible and forthcoming in embarking upon innovative operations to stimulate private business development in the region.

The New Zealand Pacific Islands Industrial Development Scheme (PIIDS) has been involved in a number of new industrial ventures in the Pacific. A side effect of the scheme has been facilitating the migration of New Zealand businesspersons, often with island families, to the islands and as a result has injected a new dimension into the indigenous business sector.

Conclusion

It is difficult to document every case of assistance that SPEC has provided for indigenous private business in the region, but let me conclude with the following. SPEC has a range of formal ongoing forms of assistance that are available as part of our continuing mandate. In addition, an equally broad range of assistance can be provided on a case-by-case basis. SPEC, appreciating the problems in this area,
endeavors to be as positive and flexible as possible in reacting to requests. If we do not have the required resources or expertise ourselves, we will certainly try to find them.

THE ROLE OF THE SOUTH PACIFIC COMMISSION IN INDIGENOUS BUSINESS DEVELOPMENT

Bikenibeu Paeniu

The South Pacific Commission (SPC) presently has no direct role in indigenous business development but does provide training, advisory, and consultative services that assist in the promotion and development of the economic as well as social well-being for the peoples of the Pacific. Its programs are directed toward meeting the needs of the 22 countries and territories of the Pacific that come under its mandate.

The SPC Rural Employment and Development Project places considerable emphasis on promoting employment opportunities and income-generating activities through training, research, and provision of advisory services. This project is currently under review, with the aim of identifying the most appropriate approach toward rural development that includes indigenous business development. The development of indigenous business, in this particular context, is seen by the SPC as an important means not only of increasing the income of rural people but also of promoting both income-generating and self-employment opportunities.

Other SPC programs of relevance to the promotion of business development include agriculture, fisheries, women's and youth programs, the South Pacific Regional Environment Programme (SPREP), health, demography, statistical development, and a training course in farm management. The present activities of both the demography and statistical development programs of the SPC are also useful in providing important data and information required for establishing as well as maintaining a business enterprise.

One important aspect of the demographic contribution to indigenous business development is in the area of demographic statistics, such as the spatial distribution of a country's population in the urban and rural areas, to suggest locations for a particular business and number of businesses in the same product line so that intensive competition and profit deterioration, etc., are avoided.

The statistical program, on the other hand, can provide assistance in the areas of market identification at both the local and overseas levels, information on world price trends on export commodities as they relate to the local situation, statistics on interregional trade, and so forth. SPREP is especially useful at the policy level in ensuring that indigenous business is developed in such
A major activity of the fisheries project is the development of the deep-sea fisheries resources, which involves the posting of three master fishermen to individual countries of the region for periods varying from four to twelve months. One of the prime responsibilities of these master fishermen is to assist commercial and village-level fishermen to improve their fishing techniques, vessel effectiveness, and fish-handling skills. This practical training helps them to improve their catch rates as well as their commercial fishing and marketing abilities, thus enabling them to sell more fish in the local and overseas markets. A fish-handling and processing training officer is also under recruitment to further develop the skills of the fishermen in preparing and selling their products, particularly in overseas markets. The current fisheries training project is also developing responses to countries that have requested training in fisheries business management.

The women's program, in collaboration with the University of the South Pacific Institute of Rural Development and the Commonwealth Secretariat, has conducted training courses for women, which have included sections on income-generating activities. The SPC Community Education Training Center in Suva, Fiji, conducts a ten-month community development training course, which includes a specialized stream of income-generating activities.

In addition, the youth program operates a mobile training unit with the objective of training a core of skilled and experienced youth and community workers in specific skills appropriate to their own country's situation and needs. Most of the skills taught by this unit—bookkeeping, business management, leadership, community development, and so forth—are of relevance to the development of indigenous business.

It is apparent from the above that, although the major part of the SPC's work program is not directed specifically toward indigenous business development, its total work program is nevertheless aimed at assisting governments in creating the kind of environment that is conducive to the development of such businesses. Clearly those activities directly related to business development within the SPC work program are intended to benefit existing and potential small-scale enterprises at the village or rural level, such as cottage industries. The SPC therefore has a direct interest in PIDP's project on indigenous business development.
The International Labour Organization

The International Labour Organization (ILO) was founded in 1919 essentially to promote social progress without which there can be no harmonious socioeconomic development. In 1946 the ILO became the first specialized agency of the United Nations.

The 150 member states of the ILO subscribe to the principles written into its constitution, cooperate in the work that it finances, and are represented at all levels of the organization by government, workers, and employers who confer together on a basis of equality.

Five Pacific nations are member States of the ILO—Australia and New Zealand as founding members, Fiji (1974), Papua New Guinea (1976), and Solomon Islands (1984).

In its annual conference in Philadelphia in 1944, the organization's aims and objectives were redefined in what is called the Declaration of Philadelphia. A portion of it states: "Poverty anywhere constitutes a danger to prosperity everywhere.... All human beings, irrespective of race, creed, or sex have the right to pursue both their material wellbeing and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity...." The Declaration of Philadelphia became a part of the ILO constitution and from that time onwards reoriented the work of the organization. The vast social and economic needs of the developing nations, particularly since the 1940s, became a major preoccupation of the ILO as they did for the United Nations and other specialized agencies.

The ILO engages in activities such as (1) the formulation of international policies and programs to help improve working and living conditions, enhance employment opportunities, and promote basic human rights; (2) the creation of international labor standards to serve as guidelines for national authorities; and (3) an extensive program of international technical cooperation to help government in offering training, education, research, and publishing activities to help advance all these efforts.

ILO in the Pacific

The ILO Office for the South Pacific is based in Suva. It is one of several area and branch offices that are under the ILO Regional Office for Asia and the Pacific, which is located in Bangkok.

Technical advisory services are provided to countries on request though regional advisers and experts in such fields as vocational and
technical training, rural training, labor relations, management development, employment and human resources planning, vocational rehabilitation, small-scale enterprise development, women's and youth programs, construction management, appropriate technology, workers education, social security, and development of cooperatives.

Four regional projects provide technical assistance to the Asia and Pacific region. These are Asian and Pacific Project Labour Administration (ARPLA); Asian/Pacific Team for Employment Promotion (ARTEP); Asian and Pacific Skill Development Programme (APSDEP); Labour and Population Team for Asia and the Pacific (LAPTAP).

Several of the ILO's technical assistance efforts are carried out in collaboration with regional and national institutions in the Pacific such as the South Pacific Commission, the South Pacific Bureau for Economic Co-operation, the University of the South Pacific, the University of Papua New Guinea, and the Honiara Technical Institute.

While the ILO's technical assistance is available to member states, which also participate in deciding on the ILO's program of work, technical assistance is also provided on request, depending on resource availability to non-member states that are independent and self-governing.

ILO and Small Enterprise Development in the Pacific

In 1979-80 the ILO conducted a survey of the marketing and design of handicraft products in the South Pacific island countries. This survey was financed by the Australian government and executed by the ILO. The survey covered six South Pacific countries: Fiji, Niue, Western Samoa, Solomon Islands, Kiribati, and Tonga. The main objectives were to identify handicraft types that have a high potential internal or external demand; to provide guidance to producers to improve output and quality of their products; to review existing marketing and export channels and practices within the South Pacific with an eye to making improvements; to prepare training courses to introduce new and improved production techniques and new product design plus provide necessary information on product marketability; to prepare a technical report and make recommendations for future development; and to train national counterparts in various activities.

After the completion of the first phase of the survey, the following recommendations were made: marketing skills needed to be developed and supported; production needed to increase for the handicraft industry to develop; new designs based on traditional items needed developing; a consultant was needed to help with the training of local counterparts to ensure that necessary skills were passed on; fellowships were needed for people to acquire new skills and to work alongside consultants to ensure that methods, quality, and design are compatible with traditions; workshops needed to be conducted in local and urban areas, with a focus on bringing together the currently fragmented industry and on promoting handicrafts in rural areas.
In 1980 a regional project based in Port Moresby, Papua New Guinea, was launched on Small-scale Enterprise and Entrepreneurship Development. The objectives of the project were to identify focal points within each country for the provision of business and management training and to assess and enlarge the range of competence of such focal points; to prepare training materials specific to the needs and cultures of the South Pacific region; and to assist each country in the development of various support services to entrepreneurs and assist the government department or other appropriate organizations in the provision and management of such services. The publication "Pacific Business Opportunities" on furnishings, soft toys and wooden toys was produced, as well as another publication called, "SEED" (Small Enterprise and Entrepreneurship Development).

The focus expanded later to cover "women in business." In January 1983 The United Nations Voluntary Fund for the Decade for Women sponsored a project to produce a resource book on "Women and Money in the Pacific." This publication was specially developed for women extension workers to help urban and rural women become more aware of income-generating projects and possibilities. (The resource book contains 20 profiles of possible money-making and business opportunities for women.) The objectives of the project were to assist economic development efforts of women in Pacific countries by providing assistance for the development of money-making and business activities; and to research and compile a set of profiles for use by women entrepreneurs, women groups, and women's resource workers in Pacific countries.

Women's basic business workshops lasted five days each, were based on the ILO resource manual, "Women and Money in the Pacific," and have been held in Fiji, Western Samoa, Tonga, Cook Islands, Marshall Islands, Federated States of Micronesia, Palau, Vanuatu, Solomon Islands, and Kiribati.

For each workshop a counterpart was allocated to the ILO associate expert to receive additional training in organizing and running business workshops for whichever national agency or women's group she represents. This part of the project has been successful, and already business workshops have been run by ILO-trained counterparts.

This efficient grass roots program works at a level that the Pacific women understand and appreciate. The participants fall into three groups: (1) national government female extension officers who go on to teach, administer, and start up women's income-earning projects within their areas of responsibility; (2) women belonging to non-governmental organizations, for example, women's fellowships, religious groups, YWCA, Community Education Training Centre, Community Action Agencies, National Councils of Women, and handicraft centers, and (3) individual women who already are in business or are desirous of starting up their own small businesses.
Participant received training in the following business segments: costing, pricing, marketing, business records, family budgets, credit, numeracy (using hand-held calculators), usage of the ILO Resource Manual, case studies of existing viable women's businesses in the Pacific and identification of suitable income-generating projects for course participant groups. Each course member was presented with her personal copy of the ILO Resource Manual and purchased a heavily subsidized hand-held calculator.

A Pacific Regional Workshop on Women in Business and Small Industry held in Suva in 1979 led to the project on "promotion of women in business" in Papua New Guinea. This project was based on the national government's plan stressing the need for "the creation of income opportunities, employment, and increasing self/community reliance for women by the encouragement of local business enterprises."

Four different provinces were chosen as the sites of activity. ILO teams, consisting of an ILO associate expert, a counterpart woman manager, and a provincial business development officer were assigned to each location.

Highlights of One of the Locations—The Milne Bay Province

The main strength of these provincial women was obviously their fine handicrafts. Thus a handicraft business was set up. The women's confidence gradually increased, and the company was registered having as its shareholders the ten women's village groups, with a total membership of over 400, each contributing toward the total share of capital.

Each group elected a member to the board of directors and was required to attend bimonthly meetings. These women shareholders were given courses in numeracy, basic business and banking, while the directors had extra training, which included serving in the company showrooms. The counterpart woman manager attended a handicraft management training course in Fiji.

During the three years of the associate expert's tenure, the business became very profitable, and a dividend of 100 percent was paid to shareholders. The success of the project was based primarily on the high demand for the handicrafts made by these provincial women in conjunction with the unusually high demand for ebony artifact carvings from the Trobriand and Woodlark Islands. News is that the business is in a good state of profitability, and with the start up of a large palm oil scheme in the area, profits are expected to rise even higher.

Mention also should be made of the efforts of the Milne Bay provincial government in making available to the company a showroom/storeroom complex in Alatau.
It should also be noted that the company's woman manager attended an Australian Trade Fair where she represented Papua New Guinea as a handicraft/artifact expert.

Model Pilot Project Launched in Tonga—Revolving Loan Fund

A pilot project that may well apply to other countries in the Pacific was launched in Tonga in 1985. The project "Training of Women for an Improved Rural Living" has had an encouraging start.

A revolving loan fund has been set up and administered by the Tongan Development Bank and Tongan Department of Agriculture. The beneficiaries of the loan fund are Tonga women's groups who require a loan to start small businesses.

The maximum loan is T$1,500 rising to T$2,000 if a group proves itself to be credit worthy with the first loan. So far seven women's groups have been granted loans from the fund, and further approvals are being processed. The businesses include two peanut cultivators, vegetable farming, handicraft marketing, semi-intensive pig farming, a yam and mulberry plantation, and a fishing project.

All the Tonga women's groups are coping well with their introduction to the harsh world of commerce. It is encouraging to note that the chairlady of the most profitable group (fishing) attended one of the ILO's "Women in Business" workshops assisted by the ILO associate expert in Tonga and has used the information and training to advantage.

The revolving loan fund is very popular with the Tonga women's groups because of its low interest rates, in addition to the fact that each group is allocated a national government female agricultural extension worker from the Ministry of Agriculture. The extension worker supervises the group's progress and helps them whenever she can. All the female extension workers attended the ILO workshop "Women and Money in the Pacific."

The ILO's International Programs on Small Enterprise Development

Following more than four decades of the ILO's active work in the field of small-scale industries, in 1977 a section specializing in small enterprise management and development was established in the Management Development Branch of the Training Department. Although reference is specifically made to small enterprise development, the ILO's program, as appropriate, includes small and medium-sized enterprises.

Other programs of the ILO have also dealt specifically with small enterprise development over the past five or ten years.

Government Involvement

The prime efforts by governments in promoting small enterprise development revolve around the creation, adoption, and implementation of effective and efficient developmental policies, institutions, and
programs for the different types of small enterprises in accordance with national development objectives.

There appears to be universal agreement that a key role for government is to establish a conducive climate within which small enterprise development can develop and prosper. The ILO therefore assists governments in developing policies for the promotion of small enterprise development through various means of action. A key component is provided by action research whose findings are disseminated to member states through publications, seminars, workshops, technical assistance projects, and advisory services. An example of such ILO assistance is provided by research work carried out in the 1970s and first published in 1977 under the title, *Small Enterprise Development: Policies and Programs*. This publication has become one of the best-known and internationally used works on the topic.

The ILO's work in the field of the design of national small enterprise development strategies has led to a heavy demand for advice and for participation in international or national discussions and negotiations, such as the drafting of the relevant part of the Lome III Convention of the European Economic Community. Conceptual work also led to specific requests for operational assistance in the design of new small enterprise development strategies.

Regarding technical cooperation and the development of small enterprises, the Management Development Programme has been involved in a wide range of activities for the design and execution of national and regional technical assistance projects, usually initiated by means of advisory service missions to countries. Given the experience of the last ten years, it now that perhaps more attention needs to be paid to also providing assistance in defining and adopting relevant policies. Moreover, using a mix of delivery systems depending on prevailing conditions may prove more effective than relying on the execution of assistance programs solely by government institutions.

The ILO's Turin Centre has also designed and conducted, in cooperation with the Management Development Programme, courses on important aspects of policies and their implementation and relevant functional subject areas relating to small enterprise development.

Another example of ILO assistance to governments in policy questions concerns the role of cooperatives in the socioeconomic development of developing countries, which applies to all categories of cooperation, including handicraft cooperatives, workers' productive cooperatives, labor contracting cooperatives, credit union cooperatives, and service cooperatives. The ILO therefore, can be considered as a useful instrument for promoting cooperative services through small enterprise development.

The ILO recently completed, under its cooperative program a comprehensive study on cooperative-type services for the urban poor including industrial cooperatives in the urban informal sector.
Organization-Based Approach

The ILO is actively involved in strengthening efforts of various organizations to promote the small enterprise development sector because it is recognized that self-help leads to self-reliance which contributes to effective development.

The Training Program has provided a large measure of assistance to small contractors' associations in an effort to support indigenous building industries. This sectoral approach appears to be successful, and it is planned to expand assistance along these lines to other sectoral associations. A particular instance of ILO assistance in developing organizations in rural areas is through the formation of local trade associations supported by indigenous business advisory services.

In the field of handicrafts and cottage industries, various types of craft cooperatives previously constituted the main organizations working directly with the ILO. Recently, new forms of trade associations have been used as official counterpart institutions.

The recent development by trade unions to organize small enterprises in the form of self-employment opportunities for members and families has been assisted by the ILO.

The Management Development Programme is currently assisting employers' associations in building up productivity services to local business with special attention to the needs of small enterprise development. Several employers' organizations have shown interest in this kind of service for small enterprise development, and relevant proposals are under discussion.

Development Training and Extension Activities

In addition to policy formulation and institutional support, the ILO has been involved in small enterprise development activities in the functional areas of training, extension services, technology, marketing, and finance, as well as in assisting employers and workers in small enterprises in dealing with labor and social problems concerning this sector.

Traditionally, most ILO activities in the field of small enterprise development were started in response to needs for assistance in training and extension services. Several field projects have been carried out over the years, and the volume of these activities continues to grow.

A series of texts, manuals, handbooks, workbooks, and trainer's guides for small enterprise development has been developed as part of the ILO's training program.

In the field of handicrafts and cottage industries the ILO does not employ a formal training approach, but rather on-the-job training, or even short courses when the subject matter cannot be conveniently
taught at the work place. It is generally recognized that training to use improved technologies or introduce new products in this field is a reasonably straightforward exercise, but great difficulties are encountered in introducing business and management training because of the low literacy and numeracy capacities of trainees.

In the field of cooperatives the ILO has introduced a successful global exercise in training that evolves around developing the materials and techniques for cooperative management training, known under the acronym MATCOM. This interregional project, which began in 1978, is funded jointly by SIDA, NORAD, and FINAD and focuses on preparing and disseminating training manuals and materials adapted to local conditions. Seminars are organized in which training of trainers is a key feature.

The ILO is not a funding agency and therefore does not directly fund recipients of assistance through technical cooperation field projects. However, an important part of the ILO's advisory work with local training programs and small enterprise development institutions involves advising entrepreneurs on how to make applications and obtain loans for fixed and working capital from financial institutions.

ILO The research of particular relevance to small enterprise development in non-farm activities includes work on technology and employment (including the construction industry, handicrafts, and rural industrialization); trade expansion and employment; rural employment policies (including popular participation and the role of youth and women in the development process); and manpower planning and labor market studies.

Recognizing the growing importance of the informal sector as a source of employment, as well as the projected increased in the urban population and labor force over the next few decades, the ILO has designated the informal sector as a "global theme" in its Medium Term Plan 1982-87, and activities in this field are expected to expand.

Because these groups are vulnerable to being excluded from organized labor due to their insufficient education or experience, the ILO has increased assistance to target groups requiring special care. The priority groups include, as already discussed, include youth, women, refugees, migrants, and the disabled.

Conclusion

A recent ILO conference held in Geneva in June 1986 examined ways of promoting worldwide growth of small and medium-sized enterprises. The conference discussed the latest trends, policies, and programs in this field, together with the operational work being done by the ILO, and them proposed concrete measures to encourage the development of small and medium-scale enterprises in both industrialized and third world countries.

An ILO report prepared for the conference emphasized the considerable socioeconomic significance of small enterprises and their
great potential for employment creation and reduction of income disparities. These enterprises contribute on a vast scale to the output of large industrial corporations. For instance, a large industrial enterprise in Italy is supplied by some 16,000 small subcontractors, what has been termed "a tapestry of small businesses."

In developing countries—often constrained by shortages of entrepreneurial talent, managerial experience, capital, and skilled labor—the promotion of small businesses is generally seen as an important approach to national development. Small undertakings are usually in fact the largest employers. In addition to providing primary employment in rural areas—where most small enterprises are located—they create secondary jobs during agricultural slack periods, and their products cater to the basic needs of the bulk of the population.

They have many other advantages. They need less capital per worker, help reduce income disparities, develop skills as a basis for future industrial expansion, and are a "breeding ground" for entrepreneurial talent. These characteristics have inspired many countries to launch strategies for small business development.

The great potential of small enterprises to create new jobs warrants special attention, particularly in the developing world. In developing countries—where investment costs per job in a large manufacturing company may run as high as US$15,000 or more, policies must be established to stimulate new job creation at much lower average capital cost. More developmental assistance is needed to help third world countries elaborate their policy, legislative, and institutional framework. Policies for industrialization should not discriminate against small enterprises either by excluding them from investment opportunities or by imposing weighty bureaucratic procedures that they are not equipped to handle.

The government therefore has a key role in establishing a conducive climate within which small businesses can develop and prosper.

Among other issues of concern are the poor conditions of work, occupational safety, and health hazards in many such enterprises. In both industrial and developing countries, small businesses tend to have higher rates of occupational accidents and diseases and less satisfactory working conditions than do large undertakings. They are furthermore usually only partially covered by protective labor laws, and enforcement is difficult, leading to unsatisfactory and even exploitative conditions.

In conclusion governments are seen to have an increasing role to perform in promoting small enterprise through appropriate nonformal mechanisms. The use of appropriate training and technology and effective marketing or financial incentives will allow small enterprises to fulfill their role in the development of rural areas and the informal urban economy. Such growth, however, should not be at the expense of the health, safety, and well-being of the employees.
SELECTED BIBLIOGRAPHY


Lamont, J. \textit{A Preliminary Study of Small Entrepreneurs in Ha'apai, Tonga.} Tonga. Institute of Rural Development. 1983.


N.B. Further information on indigenous business in the Pacific can be found in the following journals and magazines: \textit{Islands Business,} Suva, Fiji; \textit{SSED Review,} USP, Suva; \textit{Journal of Pacific Studies,} USP, Suva; \textit{Pacific Perspectives,} IPS, Suva; \textit{Pacific Islands Monthly,} Sydney, Australia; and \textit{Pacific Magazine,} Honolulu, Hawaii.
PACIFIC ISLANDS DEVELOPMENT PROGRAM

The Pacific Islands Development Program (PIDP) at the East-West Center helps meet the special development needs of the Pacific islands through cooperative research, education, and training. Its quality in-depth research provides island leaders with information on alternative strategies to reach development goals and meet the needs of the island peoples.

PIDP serves as the secretariat for the Pacific Islands Conference, a heads of government organization, and for the Standing Committee, composed of eight island leaders. PIDP's projects — requested and reviewed by the Standing Committee — respond to the development themes discussed at the First (1980) and Second (1985) Pacific Islands Conference. This process is unique within the East-West Center and in other research and educational organizations serving the Pacific.

Since 1980 PIDP has conducted research and training in nine areas: appropriate government systems, aquaculture, disaster preparedness and rehabilitation, energy, faculty development, indigenous business development, nuclear waste disposal, regional cooperation, and roles of multinational corporations.

EAST-WEST CENTER

The East-West Center is a public, nonprofit educational institution with an international board of governors. Some 2,000 research fellows, graduate students, and professionals in business and government each year work with the Center's international staff in cooperative study, training, and research. They examine major issues related to population, resources and development, the environment, culture, and communication in Asia, the Pacific, and the United States. The Center was established in 1960 by the U.S. Congress, which provides principal funding. Support also comes from more than 20 Asian and Pacific governments, as well as private agencies and corporations.