

Dear colleagues,

Below is a new link from Oxfam New Zealand on lessons from the experience of some exciting enterprises across the Pacific. The intention of the research has been to stimulate debate and new thinking on the ways in which enterprises can not only compete internationally from their Pacific base, but also contribute to sustainable economic development.

The report is <http://www.oxfam.org.nz/resources/onlinereports/learning-from-experience6.pdf> as a longer version with photos (2 MB) and <http://www.oxfam.org.nz/resources/onlinereports/learning-from-experience-text.pdf> as a smaller text only file (240 KB) for those with slower download speeds. The Executive Summary is pasted below.

I hope you agree that it contains some good lessons for businesses, NGOs, growers, policy makers and others. Please feel free to send this report on to whoever may be interested.

## Executive Summary

This research aims to learn about economic development in the Pacific from some of the organisations that are doing it successfully. The approach used was to screen a long list of potential enterprises and identify those that are both able to compete internationally and generate tangible benefits locally. In-depth surveys were then used to identify critical success factors.

Particular attention has been given to the issue of how organisations have overcome the serious constraints posed by operating in small, remote islands with poor infrastructure. The breadth of interesting and innovative organisations profiled presents evidence that, despite inherent disadvantages, the Pacific is home to some of the entrepreneurial talent and resources necessary to excel in high-value international markets.

The 14 organisations profiled in this report are mostly agricultural-based ventures. It is not surprising that agricultural enterprises would be prominent among initiatives providing significant benefits to poor communities considering that just 15 per cent of the Pacific's people work in formal employment and the majority of cash-poor communities work in agriculture. If economic development is to benefit the most remote and cash-poor communities in the Pacific, it needs to centrally involve producers based in the informal and agriculture sectors.

This report shows that organisations working with agricultural products can provide links between the informal and formal economies and give remote communities the opportunity to turn commodities into higher-value cash crops. This is crucial because high transportation and infrastructure costs in the Pacific make it difficult for commodity producers to survive in competition with large scale low-cost suppliers. Short term price hikes offer some temporary opportunities, but in the longer term there is little future for Pacific producers in trying to export undifferentiated, unprocessed raw materials. The returns will not be sufficient for them to earn a decent living.

Instead, the organisations profiled in this research have developed agricultural-based products that can sell in higher-value international markets. In these markets, characteristics that are inherent in remote Pacific communities can be used to gain advantage over international competitors. For example, Pacific growers using traditional organic farming methods and situated in tropical environments can gain market access and higher prices through organic certification. Similarly, the Pacific's cultural richness contributes to an exotic 'sourced from the Pacific' brand that can provide a competitive advantage in high-end cosmetic markets.

By building on the Pacific's strengths, a number of similar enterprises have been able to create products that excel in niche markets. These higher-value markets demand smaller quantities that are more appropriate to the scale of Pacific producers and provide higher prices. The ability to target markets that reward distinctiveness allows Pacific enterprises to overcome cost disadvantages and compete internationally.

Another critical element to the success of enterprises surveyed is adding value to raw materials in order to tailor the products to identified markets. This is not only important in delivering a distinctive product, but also captures more of the overall value for the local economy, thereby raising incomes and creating employment opportunities. A number of the organisations profiled have shifted a significant part of the processing of agricultural products into the villages to save transport and processing costs, strengthen linkages with growers and support community development.

Throughout these processes, the role of the exporter (whether private sector or NGO) is crucial. Access to markets is not possible without experience and expertise in forging market linkages. In the organisations profiled, market-oriented entrepreneurs have built close relationships with the buyers and experts in their sector. These links cannot be maintained without ongoing investment in marketing, whether in the form of high-quality websites or regular visits to trade shows and customers.

Just as important is the role of the producer support organisation. The exporter may play a direct role in helping to organise and develop a base of suppliers, but a separate organisation tends to play this role for the larger producer networks. Producers need more than decent prices and regular orders. They also need support for organising efficient transport and delivery; training in agricultural production standards, certification schemes and business; and support for developing value-adding processes in their village or region.

But the most important ingredient of success is the quality of the relationships between these key actors. Unlike many commercial supply arrangements that rely on purchasing raw materials at the lowest possible cost, the enterprises profiled in this research have built longer-term relationships that allow for mutual benefit. Exporters gain the ability to improve the quality, reliability and scale of their businesses, while producers gain skills, capacity and opportunities to invest and add value. The tools for this relationship-building are trust, training, investment by all parties and fair sharing of the higher prices that result.

This research finds that these strategies can help build the basis for sustainable economic development, with broad-based benefits for a large number of growers in rural areas. Regional and international donor governments, regional bodies, inter-governmental agencies and NGOs can and should support the necessary investments to ensure the growth and development of organisations like the ones profiled here, and promote the emergence of new enterprises. This requires those agencies to recognise that different forms of economic development have differential impacts on the broader population. If donors intend to support economic development for those who are most in need, clear criteria are required to indicate the type of development being promoted.

The criteria proposed in this paper comprise the key elements of sustainable economic development, drawn from development literature and from Oxfam's experience. In order to be regarded as *sustainable economic development*, the activity should be:

- **Sustainable**, environmentally, socially, culturally, economically, and financially
- Generate **broad-based benefits**, with equitable distribution of the benefits throughout the community, including for women and disadvantaged groups
- **Appropriate** to the culture and situation
- **Scalable** in being able to make a significant contribution to the region's resources and needs

In addition, this research has focused on enterprises producing **a tradable product**, across regions or internationally, since they have greater economic impact in bringing wealth into a community or region than is the case with non-tradable goods and services.

It requires patience to nurture initiatives such as those profiled in this research. All of those discussed in the following pages have taken many years, sometimes decades, to get to where they are now. They have been buffeted by natural disasters, economic volatility, occasional social turmoil and rising numbers of young men and women with unmet expectations. Results are not achieved quickly; donors need to recognise that the usual three year project cycles are inappropriate for the challenges. Capacity building is required.

The purpose of this research is not to make specific policy recommendations, but to inform those working in economic development about the important lessons that come from some of the most exciting initiatives in the Pacific, and to help those who would promote such initiatives to do so more effectively.

The seeds for sustainable economic development in the Pacific lie in the lessons that come from these initiatives. The people involved deserve our recognition and support, along with those before them who laid the foundations.

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