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## Accelerating economic development through engagement and development of local industry institutions in Pacific island countries

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## 2 Executive summary

Donors and governments in the Pacific are seeking to facilitate private sector-led economic development in primary industries, particularly in agriculture. Industry organisations are recognised as facilitating some of the few examples of successful development outcomes in domestic agricultural industries. The range of potential services that industry organisations can provide for economic development is broad and includes:

- information and support services for businesses
- marketing and access to markets
- consolidated processing or handling services
- certification and production standards oversight, and
- representation, advocacy and relationship/network development.

As a result, donor programs and government strategies are increasingly involving industry organisations and seeking to create partnerships for development. The interest in engaging with industry organisations is aligned to broader trends in international development policy including a renewed emphasis on agricultural development and the need to find more effective pathways for aid delivery.

The potential for success from a partnership and investment strategy with industry organisations is significant but in no way certain. The industry organisation sector in the Pacific is highly diverse and changing over time as new organisations emerge and others decline in relevance and influence. While there are important examples of success, overall the industry organisation sector in the Pacific is fragmented and fragile. Even the most successful organisations may not be successful into the future without on-going organisational development.

The research has found that the way in which donors and governments engage with industry organisations is fundamental to the likelihood of success and the starting point for building a strategy that will work. However, at present there are significant issues with the way relationships are built that undermine effectiveness and the development of robust, independent industry organisations.

Key issues include treating industry organisations like service providers, creating donor driven projects that are not aligned to organisation capabilities and objectives and having unrealistic expectations about what industry organisations can achieve in short periods of time. Transforming these relationships is the responsibility of donors and governments who hold the greatest power and influence over the engagement process because they bring access to funding that is not otherwise available to these organisations. The challenge can be approached by emphasising three processes during relationship development:

- Creating alliances rather than engaging a service provider
- Making organisational development an objective of every relationship, and
- Embedding commercial orientation.

Developing relationships on this basis will enhance the prospects for success of private sector led development as well as developing the capacity of industry organisations to lead the development process. The report provides the building blocks for the implementation of such an approach in current donor and government initiatives in the Pacific and potentially more broadly.

Our work has sought the views of development professionals, the private sector and industry organisations in the Pacific to identify actionable insights on how donors, governments and industry organisations can increase the momentum for change on the ground. The next step is to test them in practice and refine the approach to implementation.

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## 3 Introduction

Industry organisations provide mechanisms for groups of businesses to act cooperatively to solve common challenges. The defining feature of industry organisations is that they operate on behalf of a group of similar businesses and that these businesses have a direct say in operations through membership or shareholding structures. This factor distinguishes industry organisations from other government, commercial or non-government bodies that seek to act in the interests of businesses in an industry.

Industry organisations in many countries have been key players in successful development initiatives and provide crucial links for individual producers to markets, information and government processes. They do this by supporting people to develop relationships, to influence their business environment and to understand what they as an individual or business need to deliver to be effective in meeting demand for their products. At their best, industry organisations are highly effective agents of locally driven and locally owned economic development.

People involved in development in the Pacific consistently identify that industry organisations are becoming more important in processes of sustainable economic development in primary industries. This sentiment is also evident within the wider international development community, which is emphasising the importance of private sector engagement and the development of industry structures (FAO 2009; IFAD 2010).

The objective of this ACIAR scoping project is to bring together current knowledge and information on the status of industry organisations across the Pacific and identify opportunities for enhancing their role as independent agents of economic development. This is an important issue as large aid initiatives targeting the agriculture and fisheries sector are engaging with industry organisations and there is substantial interest in the potential to spread some of the successful models already being applied by industry organisations in development.

The project has reviewed an extensive range of international literature on development and industry organisations, produced a discussion paper and explored some of the key issues with a variety of development professionals involved in Pacific Island aid initiatives. The project team also visited three Pacific Island nations (Fiji, Vanuatu and Samoa) to meet with industry organisation leaders, business people and government officials. The methodology applied has provided a practical understanding of the current status for organisations in the Pacific.

This report is presented in three sections:

- **Industry Organisations and International Development** provides a contextual discussion of the role of industry organisations in the development process and identifies some of the reasons that donors and governments are seeking to develop relationships with industry organisations to achieve economic development
- **Industry Organisations in the Pacific** provides an overview of the status of the industry organisations in the Pacific, their strengths and weaknesses and the key factors that will determine their future development and potential contribution to economic development
- **Transforming Relationships with Industry Organisations** examines some of the issues with current approaches to industry organisation engagement and practical ways to develop better relationships with industry bodies and advance economic development.

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## 4 Industry organisations and international development

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### 4.1 The role of industry organisations in development

Industry organisations are capable of a strong contribution to development outcomes. They do this by providing opportunities for individual businesses to achieve things collectively and to address common challenges. By acting within an organisational structure, members can increase their bargaining power in markets and reduce the costs of access to information and resources.

The range of potential services that industry organisations can provide for economic development is broad and includes:

- information and support services for businesses
- marketing and access to markets
- consolidated processing or handling services
- certification and production standards oversight, and
- representation, advocacy and relationship/network development.

These services translate into potentially significant development outcomes such as:

- increased returns to producers from:
  - implementation of new knowledge, technology and skills
  - negotiation of higher prices, and/or
  - reduced supply chain costs
- improved product quality and greater market certainty through long-term agreements and relationships
- increased ability to deal with economic and other shocks
- access to new markets, and
- greater influence in decisions that impact upon their operations.

These outcomes will flow through to benefit the wider community primarily as economic benefits from increased incomes and also employment.<sup>1</sup> Social interactions and successful cooperation can also have beneficial impacts for societies (Rankin and Russell 2005)

Functional, farmer-driven industry organisations empower producers to overcome constraints, enhance industry branding and reputational capital, build responsiveness to market changes, access market intelligence, and develop collective knowledge and organisational memory. However, in the past some industry organisations have not been effective agents of development and in some cases have obstructed development and industry progress.

In developing countries, many industry organisations are remnants of colonial structure or have been dominated by government agendas and resources. The implication is that they can operate more as extensions of the bureaucracy rather than as instruments of farmer

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<sup>1</sup>The project takes an economic development perspective, emphasising the successful engagement of people in business development and the growth of domestic and international markets for agricultural products as the primary method for change. Other objectives such as food security, sustainable production, cultural and gender issues are recognised as important components of the development process but they are not the focus of this work.

empowerment. As these government resources decline, government supported organisations are also likely to decline in significance and number. However, interviews conducted with development professionals as part of this research indicated that the corresponding benefit has been that the remaining organisations are becoming more farmer-driven.

Industry organisations need to be engaged with their members and function effectively in delivery of services to benefit members. The FAO has defined a set of criteria for measuring the success for member based organisations that apply to industry organisations as broadly viewed in this paper (Crowley et al. 2005):

- Achieves objectives agreed by members at creation
- Retains or expands membership
- Shows progress towards financial and managerial self-reliance and
- Brings some improvement to the well-being of its members.

These criteria provide a useful basis for examining industry organisations. However, it is important to recognise that industry organisations are not static and evolve over time in response to the changing needs of members and the changing external environment. In this context, the above criteria provide a useful guide but are not all encompassing.

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## **4.2 Relevance to contemporary development policy**

Industry organisations are now recognised in the donor community as being important players in the successful development of agriculture in the Pacific and other developing countries in the next decade.

Some of the current drivers and trends in thinking amongst donors that are of particular relevance to the role of industry organisations in economic development include:

1. The renewed imperative to transform agriculture
2. Trade liberalisation and globalisation of markets and
3. Donor focus on increasing the effectiveness of development investments.

These areas are further explored below and collectively provide pointers as to why there are potential benefits for economic development if industry organisations were to play a more influential intermediary role between farmers, governments and markets.

### **4.2.1 Renewed imperative to transform agriculture**

The process of economic development is characterised by a shift by populations from employment in agriculture and the rural economy to employment in urban centres and secondary and tertiary industries. This trend is observed in rapidly developing countries such as China and continues to be observed in developed countries such as Australia. Previously, the trend has led development policy thinkers to play down the importance of agricultural development in favour of a focus on the potential for industrialisation and development of secondary or tertiary industry (IFAD, 2010).

However, agriculture plays a substantive role in the development process and provides a variety of pathways out of poverty for poor rural people, particularly for countries where industrialisation and the development of secondary industries is not evident. Agriculture is also a key driver of non-farm economic development, with each dollar of additional value added in agriculture generating another 30 to 80 cents in second-round income gains elsewhere in the economy (IFAD 2010).

Within the donor community there is a renewed recognition of the critical importance of agriculture as a key driver of development and poverty reduction in developing countries and the consequent need for greater aid policy and investment focus on agricultural development (IFAD 2010). For example, following 20 years of decline in the World Development Bank's assistance to the sector there has now been a reassessment and

shift in strategy, beginning with the 2008 World Development Report that reconfirmed the role of agriculture in development.

The reassessment of priorities and shift back into agricultural development is gaining momentum and clarity. The World Development Bank report was followed by another key report – the 2008 International Assessment of Agricultural Knowledge, Science and Technology for Development. The work affirmed the importance of agriculture for increased national production in many developing countries and also highlighted the need for a transformation in agricultural knowledge, science and technology to better enable the development process.

The strategy of placing greater emphasis on agricultural development is particularly relevant to the Pacific. Agriculture and/or fisheries remain fundamental to the local economies of most Pacific Island countries and provide accessible economic opportunities for a large portion of the population. With the exception of tourism, there are often limited alternative economic opportunities for people in these countries. A key challenge is to achieve a transformation in how agriculture contributes to the prosperity of these economies for the long term.

Recent reports and literature have begun to place renewed emphasis on considering and incorporating industry organisations into reassessments of agricultural development needs and strategy (FAO, 2009). A key motivation for the changed emphasis on industry organisations is their intermediary role with and therefore potential influence on private sector investment. A critical issue is in understanding how industry organisations could have an influential role in achieving a transformation of agriculture by acting as intermediaries for individual producers and the private sector in general.

#### **4.2.2 Need for private sector led development in response to trade liberalisation and the globalisation of markets**

The second significant trend in development policy thinking is an emphasis on private sector leadership in economic development in response to the impacts of a globalising and more liberal trade environment.

Globalisation and the progressive opening up of markets is a long term trend providing both opportunities for exports from developing economies as well as threats from increased competition in both domestic and overseas markets. For the most part, globalisation and trade liberalisation tends to be perceived as a threat to small holder agriculture which struggles to compete with the power and scale of international agricultural businesses and more sophisticated production systems (IFAD 2005).

Like most countries, economies in the Pacific region are experiencing the full gamut of challenges associated with trade liberalisation. Governments of Pacific island countries generally recognise:

- The importance of a vibrant agriculture sector to their local economy and for employment
- The need for earning foreign exchange through exports
- The risks associated with a negative balance of trade (i.e. net imports) and
- The benefits of diversifying the agricultural base.

However, the deregulation process has the effect of reducing the ability of governments to influence commercial markets locally, regionally and internationally. Decisions by commercial players who bring an understanding of market needs and competitive business systems will increasingly underpin the development of industries.

Government support and influence in the agriculture sector is declining in developing countries (IFAD 2005) including in the Pacific, where the extension capability has not matched that of research and is creating a need for alternative models of industry-led development (McGregor 2006). Interviews with government and industry representatives

conducted in this study support this assessment. Stakeholders considered that while government supported research in the Pacific may be producing valuable findings to inform farmer decisions, government extension services are declining and not bridging the gap between research and its application on the ground.

The experience in developed countries is that as agricultural enterprises develop, they opt to use commercial advisers as sources of technical advice. However, where enterprises have a limited ability to pay for advice there is a need for a transitional strategy.

The solution to this gap does not necessarily lay in boosting government extension services. Instead, the transition to a more commercial model can involve industry organisations that are capable of working across the commercial and public sectors. For example, industry organisations can contribute to the setting of research priorities and/or in communicating with farmers about research findings.

It is in this context that governments in developing countries are exploring how to engage with industry organisations to deliver services and implement policies more effectively to foster economic development. Donors have a similar interest as partners of governments in the development process.

In summary, industry organisations represent a potential means of connecting with the private sector to influence change in economies that are de-regulating and globally connected.

#### **4.2.3 Donor focus on increasing the effectiveness of investments**

Donor countries commit substantial funds to development programs around the world and have a close interest in maximising the effectiveness of their investments so that they are delivering outcomes of genuine value to developing countries. However, the results of aid funding have been mixed and at worst are seen as contributing to the problem and increasing dependency on aid (Moyo 2009, IFAD 2010).

There are many reasons behind the mixed performance in achieving effectiveness with development funds. The donor community is well aware of the issues and has sought to address the challenge of improving effectiveness. For example, operating principles for donors and recipient governments have been established through high level initiatives such as the 2005 Paris Declaration of Aid Effectiveness.

Australia too has been active in pursuing improved effectiveness of its development programs. In the annual review of development effectiveness for 2009 by the Australian Office of Development Effectiveness (2010), two key challenges to improve program management were identified as:

- A proliferation of aid activities rather than a focused program approach, and
- a lack of clarity in program objectives, which continues a focus on outputs rather than shifting emphasis to results.

In other words, the desired direction is for more focused programs that emphasise outcomes on the ground.

The imperative to enhance aid effectiveness and achieve tangible results is certainly an issue for the Pacific region where, in general, growth has stagnated despite levels of aid from donor countries being among the highest in the world on a per capita basis (Holden 2005).

The levels of funding for foreign aid are substantial. For Australia alone, almost \$1b or 25 per cent of the foreign aid program was directed at Papua New Guinea and the Pacific in 2008-9 (Office of Development Effectiveness 2010).

Agricultural development programs are very much part of the challenge of enhancing the effectiveness of donor funding (Cabral 2008, 2010) and there is much scope for improvement in the Pacific (McGregor 2006).

The need for new approaches to develop the private sector including agriculture in the Pacific is recognised by donors, recipient governments and by the private sector itself (Holden 2005, McGregor 2006). The core issues are more about identifying viable options for action and implementing them successfully.

Donors are increasingly aware that, alongside other initiatives, industry associations could play a useful role in improving the impact of development funds. The Pacific 2020 project identified empowering people to take advantage of agricultural opportunities as a core objective of development in the Pacific.

This requires policymakers and donors to recognise small-scale farmers as part of the private sector and build public and private sector partnerships that accept that agricultural development is led by the private sector, with government playing a facilitating role (Pacific 2020 background paper). However, a key question for donors is exactly how can they work most productively with industry associations in the Pacific to deliver better development outcomes?

#### **4.2.4 Industry organisations are positioned for an increased role in development**

The challenge of transforming agriculture and aid effectiveness in an environment that necessitates private sector led development should not be underestimated. Achieving transformational change is difficult within organisations. It is even more complex and risky at industry, sectoral, country and regional levels where multiple organisations and interests are involved. If the agreed priority by all parties is to catalyse transformational change for agriculture, then the strategies adopted to achieve that change must go substantially beyond the approaches used in the past.

Major reforms typically involve fresh thinking and approaches rather than the pursuit of incremental improvement with increased vigour (Kotter and Cohen, 2002). They also require an understanding of the process of change and a sophisticated approach to influence people and organisations to enlist their support.

Strategies, business plans, compelling analysis, new technical research and worthy goals to develop agriculture are all important ingredients for a process of change, but they provide no assurance of success in transforming it. In reality, constraints to development are rarely solely technical in nature, which can often be the focus of donor programs (Office of Development Effectiveness 2010; Cabral, 2010). Rather, the constraints are also broadly political in nature as there are many influential interests involved in how resources are allocated, including those with a stake in the status quo.

The value of strategically engaging with industry organisations to catalyse change and development is centred on the relationships that industry organisations foster between farmers, governments and the market. These relationships provide a potential mechanism to influence change and development in ways that are different to what governments, donors and commercial businesses can do alone. Industry organisations can provide links with people whose support is important to achieve change on the ground.

Strategic engagement with industry organisations by donors and Pacific Island governments offers another avenue to influence development outcomes in the region. By providing linkages between farmers, governments and markets, industry organisations can contribute to both the design and implementation of new strategies for agricultural development. Donor countries have recognised the importance of the private sector, including the potential influence of industry organisations in agricultural development. However, there is a large gap between such policy statements, strategy and practical actions on the ground (FAO 2009).

Clearly, the challenge for all interested parties is to move beyond statements of intent to engage with industry organisations. A broad awareness of the potential contribution of industry organisations to development has been well established. The immediate

challenge is to take collaborative actions that will help lift the role of these organisations to another level and thereby increase the development impact on the ground. The timing for action is appropriate as are the policy settings. However, a structured approach will be required by all parties in order to maximise the contribution of industry organisations to economic development in the Pacific.

## 5 Industry organisations in the Pacific

Industry organisations are an important part of donor and recipient government strategies and initiatives to reinvigorate agriculture in the Pacific. The recognition of industry organisations as important to development in the Pacific has been made explicitly and implicitly in current and previous development initiatives (see examples in Box 1).

### **Box 1: Engagement of industry organisations in Pacific development initiatives**

#### *Pacific Horticultural & Agricultural Market Access Program (PHAMA)*

The PHAMA Program is an 8-year AusAID initiative that is in the process of establishment. The Program's goal is increased exports of high value primary products, contributing to increased economic growth and improved rural livelihoods.

It will achieve this goal by facilitating Pacific government and industry organisations to work collaboratively to gain, maintain and improve access into key markets for selected high priority products. The ability of industry organisations to participate and drive the success of the initiative is crucial to PHAMA Program success.

#### *Pacific Agribusiness Research for Development Initiative (PARDI)*

PARDI is a four year ACIAR program to improve marketing opportunities and boost agribusiness in the Pacific. Implementation of PARDI research findings (via component five of the program) will require the involvement of industry organisations.

#### *Facilitating Agriculture Commodity Trade (FACT)*

The FACT pilot project is presently assisting 18 commercial ventures and producer groups to become export-oriented, market-driven enterprises that will consistently supply overseas markets with competitive agricultural and forestry products.

A new and much larger phase of the Program, IACT (Increasing Agricultural Commodity Trade) is now under development and industry organisations are to play a significant role in its future delivery.

#### *All Africa Caribbean Pacific Commodities Program (AAACP)*

The AAACP is a multi-regional program that aims to improve the ability of the stakeholders in agricultural value chains, develop and implement sustainable strategies for their products.

The Program has engaged with industry organisations and offered to support their development. The Program has also supported a training workshop for industry organisations, clearly identifying the opportunity for further development of these organisations to support progress in industry development.

Within and beyond these development initiatives, Pacific Island Governments are seeking to engage with industry organisations for multiple purposes. Interviews and research conducted during this project revealed that, among other reasons, Pacific Island Governments want to develop an ongoing dialogue with the private sector to:

- Seek input to the development of policies and plans that are valued by all parties and implementable
- Agree on priorities for government and/or donor investment
- Identify barriers to market development and find workable solutions
- Understand and monitor the needs and priorities of the private sector so that donor and government programs are more targeted
- Explore how the private sector could deliver some services that are now delivered by governments and
- Inform people and communicate knowledge for better decisions by individual businesses.

There is much to be done before most industry organisations in the Pacific can fill these roles effectively. Several Pacific island government representatives we met with expressed both a willingness to work with industry organisations and frustration that the industry organisations in their country were not innovating and taking up the expanded role that they envisaged. These sentiments reflect a common theme throughout this study that donors and governments are challenged by the question of 'how' to work most effectively with Pacific industry organisations.

## 5.1 The Nature of Industry Organisations in the Pacific

Box 2 includes a list of some of the notable industry organisations currently operating in the Pacific. These organisations are referred to throughout the remainder of the report in order to ground the discussion in the situation as it currently exists.

A short description of each organisation drawn from the review of literature and engagement with the development community and the some of the organisations themselves is provided in the Appendix.

Case studies of various Pacific industry organisations have been previously undertaken and published in other studies and provide an in-depth analysis of individual contexts and history which complement this strategic assessment (e.g. see FAO ACP and EU 2010; Coates, Clarke and Skeates, 2010).

The industry organisation sector is clearly diverse in the Pacific and understanding that diversity is an important step in assessing the potential of these organisations to contribute to development objectives.

There is no ideal model of a Pacific industry organisation. However, the nature of industry organisations can be better understood by analysing their functions against a series of important continuums. These continuums are described below with some selected Pacific examples identified for each.

### *The Formality Continuum*

Industry organisations may be informal structures for collaboration and joint action or formal organisations using association, cooperative, federation, company or statutory structures (see Appendix for a short description of each type of structure).

Most of the organisations in Box 2 have some level of formal structures. This research is likely to have understated the existence and importance of informal organisations as they are more difficult to identify using this research methodology. The Farmers Support Association is a notable example of an informally convened organisation.

### **Box 2: Examples of Existing Pacific Industry Organisations**

#### *Regional Organisations*

Pacific Island Private Sector Organisation (PIPSO)

Pacific Islands Association of Non-Governmental Organisations (PIANGO)

Melanesian Farmers First Network

PestNet and Pacific SoilNet

Pacific Islands Noni Association

Pacific Organic and Equitable Trade

#### *Fiji*

Nature's Way Cooperative

National Farmers Union

Fiji Cane Growers Association

Coconut Industry Organisation

Fiji Organic Association

Cocoa Cooperatives

Ginger Association

#### *Vanuatu*

Farmer Support Association

Vanuatu Organic Cocoa Growers Association

Vanuatu Cocoa Growers Association

Coffee Organisation of Vanuatu

Vanuatu Commodities Marketing Board

Vanuatu Cooperative Federation

Vanuatu Fisherman's Association

#### *Samoa*

Women in Business Development Inc.

Samoa Farmers Association

Nonu Association of Samoa

Samoa Organic Farming Association

#### *Solomon Islands*

KastomGaden Association

Planting Material Network

Solomon Islands Forest Industries Association

Organisations will often progress from an initially informal approach to a formal structure as they mature, succeed and acquire resources over time. In Samoa, Women in Business Development Incorporated (WIBDI) is an example of this progression in the Pacific.

While an informal organisation provides flexibility and reduces administrative pressures in the early phase of organisational development, more sophisticated and independent operations, particularly from a financial perspective, will require the adoption of a formal structure.

### ***External – Internal Development Continuum***

Industry organisations may also be internally or externally driven in their development and operations. Externally driven organisations develop with an impetus from an external commercial, government or non-government entity (e.g Vanuatu Organic Cocoa Growers Association developed with impetus from the KAOKO company). Alternatively, organisations may emerge from local people recognising and agreeing to collaborate in solving a common business or economic challenge (e.g. WIBDI).

### ***The public versus private continuum***

Industry organisations may play a variety of roles in the public or private sphere of industries. In the public sphere, industry organisations undertake representative roles on behalf of the industry with government and participate in the management of regulatory issues and assist in delivery of government programs to develop the industry. Samoa Farmers Association and the National Farmers Union and Fiji Canegrowers Association in Fiji are examples of organisations playing a representative role. These functions require political acumen and influencing skills.

Alternatively, organisations may also be commercially driven and perform a commercial function such as the supply, production, processing or marketing of goods. Commercial industry associations may operate for profit or provide non-profit commercial functions to members. The Tongan Friendly Islander Marketing Cooperative and the Nature's Way Cooperative in Fiji are examples of commercially orientated organisations.

### ***Scale and supply chain continuum***

Industry organisations can operate at village/local scales or nationally and internationally. Box 2 includes regional and national level organisations. For example, village level cooperatives are the members of the Cocoa Organisations in Vanuatu.

Primary industry organisations are often thought of as related to producers or farmers. However, organisations can exist across a supply chain and operate on behalf input suppliers, transport and handling businesses, processing operations or marketing firms. The higher level of sophistication in supply chains means these types of organisations have not been identified by this study. However, many of the organisations in Box 2 are performing supply chain roles on behalf of producers.

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## **5.2 Strategic assessment of Pacific industry organisations**

In considering the current status and inherent capability of industry organisations to provide a leadership role in private sector development activities, the following set of strategic factors identify the strengths and weaknesses of the current organisational structures.

### ***Strong producer and/or supply chain relationships***

The most successful and widely recognised organisations in the Pacific typically feature strong producer and/or supply chain relationships. For example:

- Nature's Way Cooperative in Fiji provides quarantine services to fruit and vegetable growers and has built its success upon a strong membership base and market relationships in export destinations such as New Zealand.
- Vanuatu Organic Cocoa Growers Association is underpinned by a strong relationship with KAOKA that provides both organisational resources and a reliable market for produce. This is supported by contracted relationships with village cooperatives which enable it to secure a level of reliable supply and the opportunity to grow over time.
- Women in Business Development Incorporated has strong local networks of producers and an understanding of how to develop productive relationships with buyers in export markets.
- Farm Support Association in Vanuatu has long term relationships with producers based on trust and commitment which enable it to have influence.

It is these relationships, built and maintained over time, that are the strongest asset that industry organisations bring to economic development. Such relationships are not easily created or sustained by donors or governments. It is these unique relationships that provide the fundamental source of value for donors and governments when they engage effectively with industry organisations to pursue development objectives.

### ***Emergence of Organic Organisations***

While some industry organisations are in decline, there are also emerging industry organisations across the Pacific, reflecting a level of dynamism in the sector. The recent rise of organic product associations is a notable development.

The growth of industry organisations in the organics area coincides with an increased focus on organic production by donors and local industries. Their development is a direct response to shifts in the patterns of consumer demand in developed economies, where community expectations for food products from environmentally sustainable and ethical production systems are increasingly important. Industries in the Pacific are moving to meet that demand. And they are having success.

In the past decade, associations of organic producers and farmers have been founded across the Pacific region to organize the individual organic producers in each country, achieve certification and to form international supply chain alliances. While many of these associations have not yet developed into well-functioning organizations there are examples of success and this is notionally an area of genuine future potential for the region.

The significance of the organic industry developments is that it highlights how businesses are responding to the changing nature of trade in the Pacific. In the past, trade was primarily in commodities with product standards set by the trading companies. With globalisation of markets, the Pacific island agricultural industries are looking for sources of competitive advantage through adoption of niche strategies where the low input, natural production systems can align with higher value niche markets such as organics.

However, meeting strict importing country standards and achieving and maintaining certification to access markets for higher value products requires a sophisticated level of organisation. The recent development of the organic product associations suggests willingness by Pacific Island farmers to work together and develop new industries and new ways of creating value for overseas customers. It reflects a 'Pacific island' way of doing business. The organisational structures are positioned to facilitate growth if they are successful in connecting producers to markets and growing producer support.

### ***Historical Importance of Donor and Government Assistance***

An initial external catalyst is present in most of the industry organisations identified in the study. Each of the most successful organisations have been provided with initial external support either through infrastructure support (e.g. Nature's Way through the USAID

investment in treatment facilities), organisational support (e.g. the Farmers Support Association which emerged from the colonial farmers organisation at independence and remains hosted by it) or both (e.g. the VOCCA has relied on EU investment in village cooperatives and processing material as well as the investment by KAOKA in the organisation itself). The recent organic movement is another which is benefiting from external impetus and investment in its early existence, particularly at the regional level.

While *internal* impetus may be weak or non-existent at the beginning of an organisations life, it is essential to the long term existence and functionality that the organisation has internal legitimacy and support from members. This is an area where many Pacific industry organisations have struggled to gain momentum.

### ***The industry organisation sectors capability is highly variable***

Despite a large number of industry organisations nominally existing across the Pacific, the research team has found a unanimous view amongst people involved in Pacific development that there remains a scarcity of effective collective intermediaries in most industries. Most major industries have an organisation involved at some level in the industry in either a representative or commercial capacity. However, the type of organisation, their role in the industry and their level of success varies greatly between industries and organisations.

The performance of representative organisations in Pacific agricultural industries is generally poor (PIPSO 2008) and the relationships between government and industry are poorly developed. Many representative organisations exist, but often they are defunct, inactive or incapable of representing their industry effectively. The agricultural sector is generally not well represented in, or closely linked with the network of national private sector organisations. There is also an absence in most countries of effective national farmers associations or related bodies. This undermines the ability for governments and the private sector to communicate and consult on policy, program and services issues.

The situation with agricultural organisations is in contrast to other sectors such as tourism and manufacturing, which often have well organised and influential representative organisations. The reasons for the disparity seem to relate to the different structures of these industries. Manufacturing and tourism typically involves a small number of businesses with larger investments, while agriculture in the Pacific has historically involved large numbers of small traditional farmers. Thus, manufacturers and tourist operators can more readily engage with a small number of business-oriented members to form an effective representative industry organisation.

There is also fragmentation of industry organisation roles within and between industries and supply chains. For example, some industries, such as the cocoa industry in Vanuatu, the timber industry in the Solomon Islands and the fruit and vegetable industry in Fiji have organisations with dedicated roles in the supply chain. Others are supported by more generic extension agents such as the Farm Support Association in Vanuatu and the Kastom Gaden in Solomon Islands which have good producer relationships, but limited market knowledge and influence.

### ***A small pool of organisations magnifies the costs of failure of development interventions***

The project has identified a general lack of capacity amongst industry organisations in the Pacific, which extends across the sector and is organisation specific.

At the organisation level, capability is fragmented and linked to the history and background of the key people involved. An examination of the detailed case studies of the most successful organisations in the Pacific (e.g. see FAO ACP and EU 2010; Coates, Clarke and Skeates, 2010) reveals that even these organisations remain fragile and are not certain to continue to prosper and facilitate further development outcomes. Key person

dependency is a particular issue that often undermines the potential for organisations to grow and achieve stronger outcomes.

The implication for donors and government is that expectations need to be modified to match the current reality of the organisational capability. In some cases, no relevant organisational structure will exist. Even where an organisation does exist and is relatively successful, there is a significant cost associated with failure. These organisations are valuable and not easily replaced given the time required to develop the necessary relationships and legitimacy that underpin industry organisational performance.

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### 5.3 Relationship Challenges

Establishing the working relationship between a donor or government and the industry organisation at the outset can reduce the risk of failure of a development initiative. However, discussions with industry organisations, governments and donors suggest that in some cases relationships are dysfunctional and/or there are significant opportunities for improvement.

This is not a surprising observation as donor/government-industry organisation relationships can be complex and not every initiative will succeed. From the perspective of both parties, there will be substantial issues to be overcome in the process of developing a productive and trusted relationship that will generate mutual benefits.

#### *Donor and government challenges*

In comparison to conventional service provider relationships, donors and governments face multiple challenges in working with industry organisations:

- **Alignment:** Development initiatives need to align with the policy priorities of individual Pacific island governments and, where industry organisations are recipients of project funding, also align with their interests.
- **Accountability:** Effective governance arrangements need to be in place to ensure funding is managed and invested in the way it was intended. This can present some very practical issues, where many industry organisations in developing countries are small and have limited internal capabilities for managing and reporting at the levels needed by donors and governments.
- **Effectiveness and value:** Governments and donors need evidence of measurable results and benefits from their investments.
- **No competition:** Unlike the engagement of consultants or suppliers, working with an industry organisation does not provide an opportunity to work with the best of a pool of potential suppliers competing for work.
- **Targeting:** Minimising unintended adverse impacts of donor investment. For example, donor funding might undermine development of other initiatives that are developing independently of donor and government funding within the country.

#### *Consequences for Industry Organisations*

Interviews with industry associations and government officials in Fiji, Samoa and Vanuatu highlighted a series of common consequences associated with the ways in which donor and government project investments are seeking to meet the challenges described above.

- **Donor driven projects:** Donor driven investments can shift the focus of industry associations away from their own objectives and towards donor objectives. The implication is that the industry organisations commitment is tied to ongoing donor funds. Interviews with industry bodies identified that many industry bodies will agree to participate in initiatives to which they are not strongly committed in order to access needed funds. Once the funds expire, they cease pursuing the initiative.
- **Competition with commercial initiatives:** Donors can invest in projects that effectively compete with other initiatives. For example, industry organisations could

provide training services as a means of raising revenue, but have to compete with donor funded training services. The situation can change over time. For example, although initially reliant on donor funding to create the processing capacity amongst producers, the VOCCA is conscious of the risk that donor funding could undermine its commercial orientation and supply chain relationship, despite on-going financial pressures.

- **Reporting and compliance burden:** Industry organisations often struggle to meet the expectations of donors with reporting obligations. The situation is compounded where organisations are the recipient of funding from multiple donors.
- **Unrealistic Expectations:** There is often a significant gap between industry association capability and donor expectations. Failure to deliver on these unrealistic expectations can lead to an organisation falling out of favour with donors and having no access to future support. Several industry leaders engaged with during the research expressed concerns that government and donors had too many expectations of them – ranging from strategic input to ad hoc operational issues.

Each key risk can be linked to the power imbalance in the relationship leading to donor-driven resolution of their challenges rather than the development of a shared approach. Donors inevitably wield considerable influence and power in these relationships. While donors may turn to government or private service providers to achieve their aims if an industry body proves uncooperative, without donor investment an industry organisation may have few or no options for expanding their scope of operations or possibly even to continue operating as viable entity.

This chapter has identified a variety of issues that impact on the potential of industry organisations as agents of change and development in the Pacific. It has highlighted that conventional approaches to industry engagement by donors/governments represent flawed means of achieving strategic engagement with the private sector. Given the power imbalance in the relationship and the disparities in the sophistication of the organisations involved, it falls to the donor or government to take the lead in creating the environment for success. The challenge is to transform the relationships between donors/governments and industry organisations. The next section provides a basis for doing this as a starting point for increasing the effectiveness of private sector led development strategies in the Pacific.

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## 6 Transforming relationships with industry organisations

There are many factors that will determine the ultimate success of private sector led development facilitated by donor/government investment with industry organisation intermediaries. Actions to maximise the likelihood of success will depend on donors and government focussing on improving the areas where they can directly have influence and control.

Once policy and program objectives have been established, the way in which a relationship with an industry body is developed is the first opportunity for influence and an area in which a donor or government has significant control.

The previous section described some of the relationship issues that are common in conventional industry organisation engagement approaches and are evident in the Pacific. Overcoming these issues requires the adoption by the donor or government of three strategies for success (Box 3).

### Box 3: Key strategies for success

- Create an alliance rather than contracting a service provider
- Ensure targeted organisational development is an objective in every relationship, and
- Embed commercial orientation in the purpose and objectives of the relationship.

While there are examples in the Pacific of donor/government/industry organisation relationships that exhibit at least one of these strategies, it is only when all three are applied that the key ingredients for success are in place.

The rationale for each strategy is discussed below along with some insights relevant to implementation that donor and government agencies can use to transition their approach to relationship development.

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### 6.1 Strategies for success

How the relationship with an industry organisation is viewed by the donor or government is critical. During this research we observed that industry organisations tend to be viewed as a possible contractor - to deliver a project for a donor or as a conduit for communications or service delivery for a government organisation. However, in reality the relationship is much more important than a funder/contractor arrangement. It is more akin to an alliance where donors and governments are engaging with industry organisations to allocate resources and effort in pursuit of common objectives.

Treating the relationship as an alliance enables a more sophisticated approach to building a trusted, productive working relationship over time. Approaching the relationship in this way is vital as the Pacific islands are small economies and there are limited players to collaborate with on development initiatives – often, different initiatives involve not only the same organisations, but the same individuals.

The development of close working relationships between governments or donors and industry organisations is broadly analogous to that of an alliance in the private sector. These types of relationships are fundamentally different to the service provider/sub-contractor model which underpins most government and donor investment approaches.

Interestingly, the driver for development of alliances in the private sector (including through value chains) is also similar to the driver for alliances with industry organisations. Alliances are a proven response to compete more successfully in a globalising market in the delivery of goods and services. Organisations collaborate because they want to

leverage the differences between each organisation (i.e. leverage the strengths that each can offer) to achieve objectives of common interest that would otherwise be difficult or impossible to achieve alone.

The experience in the private sector in developed economies is that the formation of corporate alliances is increasing by some 25 per cent annually and that those alliances account for nearly a third of many companies' revenue and value. Yet the failure rate hovers between 60-70% (Hughes and Weiss 2007). The key point is that if governments and donors wish to develop strong, productive relationships with Pacific industry organisations it will involve considerable effort and the active management of risk by all parties.

For donors, they will need to step back from their contracting processes and consider how the system can be developed to better support the effectiveness of industry organisations as agents of development, which is the common interest of both parties. For industry organisations, they will need to step up to the challenge of developing their own organisational capability and being more accountable to members and alliance partners.

A series of strategies for donors and governments can be adopted in reconsidering the approach to relationship development and these are explored below.

### ***Ensure clarity of purpose for engaging with industry organisations***

Industry organisations cannot be all things to all people. Yet there is often an expectation among governments and donors that they can contribute in a multiplicity of ways to policy, program and project initiatives. At the same time, members will often expect their industry organisation to deal with every issue of concern. These external and internal pressures can lead industry organisations to spread scant resources too thinly to be effective and can even place the future of the organisation at risk

It was observed in this study that many Pacific industry organisations are either emergent, dysfunctional or at risk of being overwhelmed by donor interest. It is not realistic for most Pacific industry organisations to respond effectively to a multiplicity of priorities from governments and donors.

A far better approach is to start small and focused, get some early wins, and then as the relationship matures consider expanding the scope in a structured way that does not overwhelm the industry organisation. While this may appear a simple tactic, if applied with rigour it imposes discipline on all parties to prioritise efforts on the areas that are agreed as the most important.

### ***Value differences in stakeholder interests***

It may appear counter-intuitive, but the value of collaboration between organisations lies more in understanding and leveraging the different interests, priorities and values of the various parties in the 'system' than in focusing on the similarities.

Whatever the primary purpose of engaging with an industry body, the first step is to recognise that while the strategic priorities and values of the various may converge or overlap, they are not the same for all parties. And this is a good thing.

Interviews and research conducted as part of this study suggests that donors, Pacific governments, industry organisations, their members and their employees are each likely to have differing interests and sources of value (see Box 4).

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A key insight here is that development initiatives will have much more prospect of being ongoing and providing the opportunity for donor exit if they genuinely cater to the interests and needs of the industry body and its members as well as to the interests of the donor/government. It means that donors must understand and place a value on the interests and priorities of the industry body (beyond their need to have access to funds). In

the longer term, it is in the interests of all parties for industry organisations to become more effective agents of change.

**Box 4: Stakeholder interests in the Pacific are diverse**

- Members of industry organisations (i.e. farmers and other private sector businesses) will often value lower costs, access to markets, access to information that they can use in making decisions (e.g. technical, markets), higher prices and less risk.
- Industry organisations will often value increasing membership, increasing revenue and staff, a positive public profile, influence with government, status and visibility with members and less operational bureaucracy.
- Employees of industry organisations will value job security, clear direction, reward and recognition and good working conditions.
- Donors will often value accountability for investments, recognition as an investor, evidence of benefits from investments, good relationships and reputation with governments and the private sector.
- Governments will often value accountability for their investments (e.g. in R&D), reducing need for government intervention (i.e. more market orientation and self-reliance in the private sector), effective and efficient delivery of public good services, sustainable production.

The alternative approach of donor-driven investments increases the risk of shifting the focus of industry organisations away from their own objectives and towards donor objectives. The implication here is that it can put at risk the prospects of ongoing benefits from the donor investment and also re-direct the resources of the industry body away from its own priorities. Neither of these outcomes is satisfactory or sustainable.

***Emphasise the right working relationship***

Experience has shown in business and government that well-crafted business plans, program design and project management are vital for allocating resources efficiently and achieving desired outcomes. The same can be expected to apply for maximising the prospect of achieving intended development outcomes from a program in a developing country.

However, focusing on plans alone provides no guarantee of success when working between organisations. There is a critical need to also explore and clarify up-front the nature of the partners' working relationship – not just what each party will do, but how they will interact.

Studies of people involved in hundreds of failed alliances have consistently pointed to breakdowns of trust and communication and the inability to resolve disagreements as the most common causes of failure (Hughes and Weiss 2007). Better business planning and more carefully crafted contracts are rarely cited as reasons for the failure of collaborative initiatives.

Spending more time upfront to jointly define the relationship that donors, governments and the industry organisation want out of the alliance is likely to generate significantly greater value than focusing exclusively on business goals, contract terms and formal governance structures. In reality, if the right working relationship is not established then the prospects of success will be greatly diminished regardless of the quality of plans and governance measures.

In a Pacific context, many industry organisations have a limited capacity, which means that the nature of the conversation about the working relationship may be quite different for an emerging organisation and for a well-established one. However, the need to address the question of the right working relationship is no less important. The onus is placed firmly with the donor to approach the issue in an appropriate way.

### ***Have a realistic view of the potential for engagement and achievement of donor objectives***

Governments and donors are vulnerable to underestimating the effort involved in engaging in a strategic manner with the private sector to build trusted working relationships that translate into outcomes on the ground.

The risk is that donor programs can be designed from the top down with an expectation that the private sector is both willing and able to engage and contribute to achieving the program objectives. People will come to the table with the right incentives, but it does not mean that a trusted relationship can be built overnight.

Where governments and donors build timeframes for program delivery around the assumption that effective private sector engagement can be readily achieved, then the program itself can be at risk of achieving its outcomes. Building trusted relationships takes time and does not always run on the same timeframes as program budget cycles.

The key point here is that besides having clear program objectives, it is critical at the outset to have a reality check on the likely effort that will be required to engage the private sector and enlist their commitment for the long term.

### ***No quick fixes - take a long term perspective***

The above strategies collectively highlight that meaningful engagement with Pacific island industry organisations is not only possible, but a high priority if development goals are to be accelerated and transform agriculture and other primary industries in the Pacific. However, there are no quick fixes.

We heard on many occasions that the Pacific does not suffer from a lack of initiatives, but from a lack of initiatives with scale and longevity. Where existing industry organisations are more mature, then they may be better placed to respond to short-term program imperatives.

The literature confirms that donor driven program timeframes, overseas commercial competition, and the volatility of Pacific island industries and markets all contribute to complexity. If simple solutions to achieving economic development in the Pacific existed, they would have been grasped already.

On a positive note, there are good examples where donor investments have facilitated development and are paying off over the long-term in the Pacific (FAO, ACP and EU, 2010). For example, donors have invested in infrastructure that has enabled farmers to access markets and develop ongoing business:

- In Fiji, an investment in 1995 by USAID in a facility for heat treatment of horticultural products has provided access to markets and enabled the Nature's Way Cooperative (NWC) to develop exports and the cooperative itself over many years. Over the last decade, the NWC has grown from a small business handling just 30 tonnes of papaya to an agribusiness treating 1,200 tonnes of fruit (papaya, mango, eggplant and breadfruit) annually for export.
- In Vanuatu, initial infrastructure support was a key success factor for the Vanuatu Organic Cocoa Grower Association (VOCGA) which now has over 1200 members, and the development of a valuable organic cocoa export industry.

Notably, in both of the above cases collaborative approaches that are private sector led have prevailed over the long term, with donor funding being facilitative in the initial phase.

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## **6.2 Approach to implementation of an alliance**

As shown throughout this report, there is much diversity both in the characteristics of industry organisations in the Pacific and in the local context for their operations.

Therefore, how an alliance approach is implemented will involve following a structured process so that the approach is tailored, rather than implementing a prescribed solution.

### ***Confirm that the foundations exist***

Industry organisations, businesses, donors and governments have many demands on their time and resources. The basic pre-conditions before embarking on an alliance initiative are:

- There is an existing donor or government policy objective with program funding and clear objectives, and
- There is an existing, relevant industry organisation/s that can be engaged and
- There are genuine market opportunities for products or services.

If these elements are in place, then the basic foundation exists for creating a collaborative approach to economic development that is private sector led and is tailored to the interests of all parties. If they are not, then the challenge is to establish the foundations. Acting in their absence risks misallocation of resources, unproductive use of time and building up unrealistic expectations by all parties.

### ***Establish the type of alliance relationship that is most likely to be workable***

Donors and government officials need to be wary of the notion that one type of collaboration is superior to others. There is an array of choices and trade-offs on how an alliance can operate and under the right conditions, quite different approaches can be highly effective (Pisano and Verganti 2008).

A shared commercial objective (e.g. to export more product to a particular market) provides a focus point for all parties and is the driver that will shape priorities and the alignment of all activities. While the overarching commercial objective may be shared, the contribution of each party to achieving success will be different. It will leverage the differences between the organisations. The real challenge to resolve is in 'how' the donor, government and the industry organisation will work together to achieve the commercial objectives.

The process to determine the most workable approach will involve engaging in a dialogue as partners to:

- explore the potential challenges of working together,
- examine differences,
- develop shared protocols for managing those differences,
- establish mechanisms for the day to day work and
- develop metrics that are not only pegged to the alliance goals (e.g. increasing volume and/or value of exports), but also to the progress of the alliance (e.g. the speed of decision making, sharing of key information and so on).

Given the variable levels of development and capacity of industry organisations in the Pacific, the starting point and nature of the dialogue will vary considerably, though the process will be common. The end point of such a process will be unique to the circumstances of the parties involved and what they perceive as both beneficial and achievable. It can then evolve over time.

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## **6.3 Strategies for success: Build the capacity of industry organisations in the Pacific**

Given the importance of industry organisations to donor strategies and the development process, the issue of capacity can only be overcome if organisational development is adopted as an explicit goal of engagement with industry organisations that is independent of program or project objectives.

## Common Limitations

Industry organisations have a variety of limitations, with several common issues that significantly undermine their effectiveness and ability to be autonomous and influential. The common limitations observed with Pacific industry organisations during this study (see Box 5) are shared with similar organisations in developed and developing countries.

### Box 5: Common limitations of Pacific industry organisations

- **Membership:** By definition, an industry organisation represents members. Value as an organisation that provides services for the benefit of members and the influence of the organisation is shaped and reflected in its membership. Increasing and retaining membership levels are a high priority for all successful industry organisations, both in terms of the number of members and the level of production that they represent.
- **Financial stability:** Many industry organisations in the Pacific have limited financial resources. This is a common issue for industry organisations around the world. Subsistence farmers have limited capacity to pay membership fees and there are few opportunities to generate income from alternative sources. Thus, organisations tend to become overly dependent on government and/or donor funding.
- **Business skills and market orientation:** The value to members, donors and government of effective industry organisations is linked to their capacity to understand and influence commercial imperatives at the firm and industry levels. Industry leaders need to be business savvy to be effective in creating value for all stakeholders.
- **Managing relationships:** Leaders of industry organisations need to be skilled at managing competing interests and developing productive relationships internally (ie with members) and externally (ie with governments and commercially influential businesses in the value chain). It is mainly through trusted relationships that industry organisations can exert influence to benefit their members.

In engaging with industry organisations, it is important to identify the extent of these common limitations and the extent to which they will either be addressed by the alliance or not impact significantly on its success. Even if there is a robust foundation for industry organisation capacity, it needs to be continuously improved so that the organisation remains relevant and effective.

Thus, industry leaders will need to make it a priority to work with their current members, with government and with donors to:

- Develop diversified and more secure funding, including member funding and income from service provision.
- Pursue initiatives to increase membership levels by demonstrating relevance and value.
- Develop business skills and understanding of markets and the opportunities that they present.
- Define and resolve governance issues to meet key stakeholder expectations (i.e. member, government, donor, and commercial partners).

These areas of focus are common, but how individual organisations go about pursuing each area can be quite different, depending on their circumstances. It is clear that the best interventions are those that will enable the leaders of industry organisations to understand and weigh up the simple, practical options that they could implement.

For example, interviews in Fiji, Samoa and Vanuatu suggested that connecting with and learning from leaders of other industry organisations about successful actions to develop funding, membership and understanding of markets could be an effective approach. However, leaders of Pacific industry organisations are also seeking ideas and advice from trusted individuals in government, donor organisations, universities and value chain firms.

The key point is that Pacific leaders are genuinely interested in practical advice from credible peers within and outside their networks.

In contrast, generic leadership and skill training (e.g. in governance) tended to be seen as more relevant for larger, mature industry organisations. Again, this reinforces that the small number of industry organisations in the Pacific and their diversity require unique approaches to building organisational capacity.

### ***Each Organisation Requires a Unique Approach***

Industry organisations in the Pacific can take action (including with targeted support from governments and donors) to transform their capacity to achieve the purposes for which they were established and so that they are better positioned to play a valued role in facilitating development.

What constitutes an industry organisation and what influences the priorities for capacity building for particular bodies must be placed in context. A 'one size fits all' approach is neither appropriate nor relevant to the Pacific.

There is no widely agreed, unified model for assessing and building the capacity of organisations. However, developing a tailored approach can be facilitated by applying the framework for diagnosis described in Figure 1. The framework has been developed by Inovact Consulting in working with Australian industry organisations and confirmed through discussions with industry leaders and development professionals as being applicable in the Pacific.

The framework provides a way of developing a stronger understanding of the organisation and a basis for diagnosis of issues and design of interventions to develop the capacity of organisations. It includes a number of important elements. The first is the surrounding box which represents the context for the organisation.

#### **6.3.1 Context Assessment**

The framework identifies a set of common components of an industry organisation, yet it is important to consider that these organisations operate within a wider industry, cultural, historical and political context. In understanding and engaging with an industry organisation it is essential to build an understanding of its context and history as well as its organisational condition. Analysis of each of these issues facilitates a robust understanding of an organisations situation.

##### ***Industry context***

Each organisation operates within an industry or industries. The scope of this context includes economic, market and technical aspects (e.g. enterprise characteristics such as number of farms, geographical concentration, degree of diversification and so on) of an industry that directly impact upon organisational function.

##### ***Cultural context***

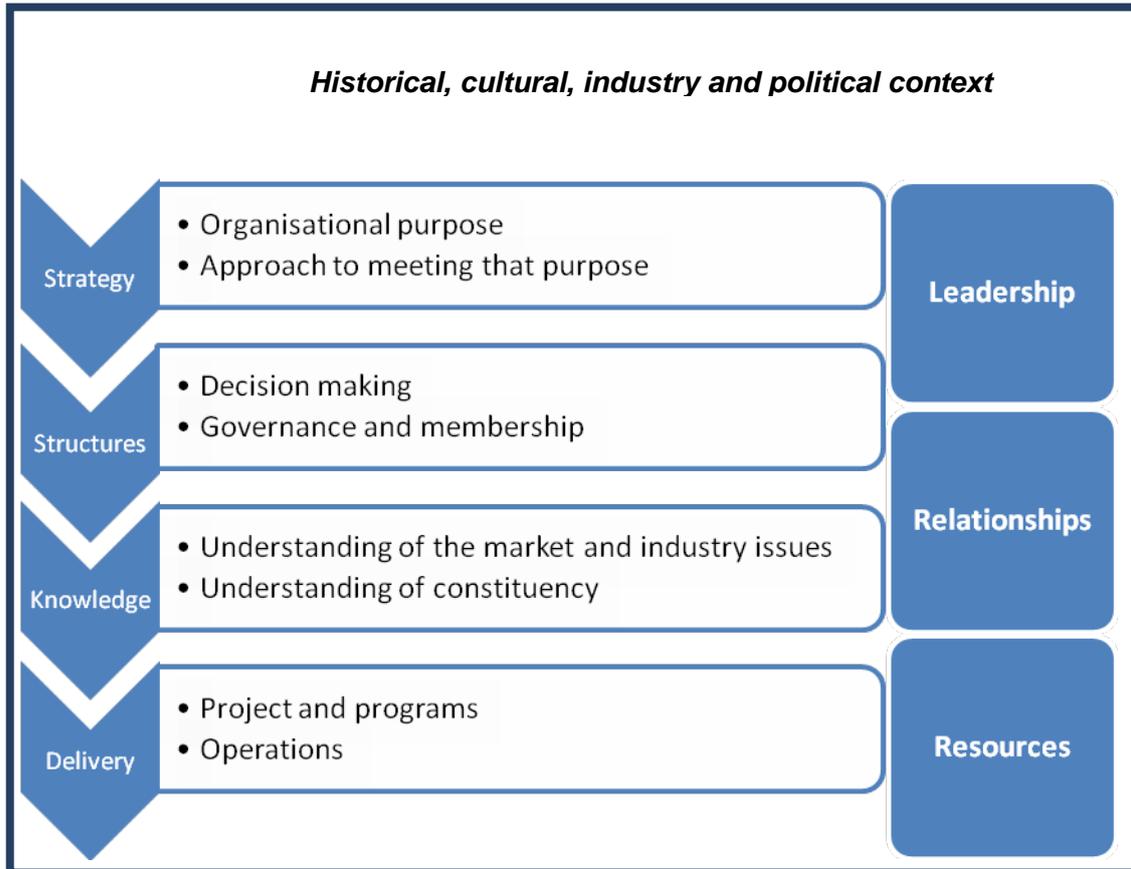
The wider social and cultural context of significance to the membership population. There are also often industry specific cultural aspects related to 'the way we do things' that may impact upon the organisations function.

### ***Historical context***

Understanding why an organisation exists and how it has developed over time.

### ***Political context***

Refers to the role (if any) of an industry organisation in national, regional or local political/policy processes. It also refers to the internal industry politics, as industry organisations often include groups with differing views or perspectives that play an influential role in the organisation.



**Figure 1: Framework for organisational analysis, issue diagnosis and intervention management (Source: Inovact Consulting)**

### 6.3.2 Operational Assessment

The remaining components of the framework identify the factors that describe the operation of an organisation. They include an organisations strategy which enunciate its purpose and approach, its decision-making and governance structures that enable its operations, its knowledge which helps target and shape its operations and its delivery which are the systems, projects and processes that enable it to achieve its strategy.

#### **Success drivers**

Alongside these functional elements are three key inputs that are fundamental to organisational success:

- **Leadership:** this is an essential element in developing and executing strategy and in making structures work effectively. Without adequate leadership the ability of an organisation to take collective actions is significantly reduced.
- **Relationships:** this is essential to all parts of the organisation but particularly structures and knowledge. An organisation must have good relationships (formal and informal) within its industry and in government or value chains to perform its functions effectively.
- **Resources:** this includes human, financial and physical resources which are fundamental to delivery and organisational operation. Without sufficient resources the impact of an organisation will be limited.

These elements work in combination and shape organisational success. If these elements are well developed and made to operate in harmony, an organisation is positioned to be a powerful agent of change in an industry. If not, then investment in organisational development is required.

In conducting this research, we observed that industry organisations that were most successful tended to have good leadership and relationships and, perhaps as a consequence, access to resources from donors.

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## 6.4 Strategies for success: Embed commercial orientation

Economic development initiatives that are connected with markets are much more likely to be sustained independently of donor and government funding. Donors and governments consistently recognise the critical role of the private sector. However, the development literature (e.g. FAO 2009) confirms that there can be a large gap between the stated intention of engaging with the private sector and what actually happens in practice. If the goal is to invest in development initiatives to stimulate sustainable economic development, then meaningful engagement is not optional – it is fundamental.

The FAO (2009) has explored the priority action areas for directly engaging with the private sector in developing and implementing policies and programs to accelerate agricultural development. They identified in their analysis that the priority of utmost importance for government action is to:

- Develop or reinforce commodity, location, industry, producer and other private sector organisations in order to improve communication with private sector representatives.
- At the same time, put in place specific mechanisms to ensure effective involvement of these representative organisations in policy dialogue and sector planning.

More engagement with the private sector is occurring in the Pacific and is being facilitated at a number of levels. For example:

- The private sector across the Pacific is being engaged through the Pacific Islands Private Sector Organisation (PIPSO), which was formed in 2005.
- The Fruit and Vegetable Sector Strategy for Samoa was recently developed in partnership with the private sector including industry organisations and with the active support of the government of Samoa and donor organisations.
- New donor programs such as the Pacific Horticultural and Agricultural Market Access Program (PHAMA), Pacific Agribusiness Research for Development Initiative (PARDI) and IACT (Increasing Agricultural Commodity Trade) are examples of programs that are being deliberately designed to connect with the commercial sector and leverage the influence of industry organisations to achieve development outcomes.

The intentions expressed by governments and donors to improve engagement with the private sector and the above examples are positive developments. However, it is too early to identify improved outcomes that have been achieved from the more recent initiatives.

Not surprisingly, there is no one proven model for engaging the private sector in the Pacific. Instead, there are a number of different types of collaborative arrangements to link producers and markets. For example, connectivity with commercial markets can be achieved via a single large business with local suppliers and established international markets and relationships, or via organisations that connect with multiple firms in a value chain. Both approaches operate successfully in the Pacific. For example:

- Collaborative action to generate ongoing economic benefits is occurring without the intervention of donors or government in Vanuatu through the Vanuatu Organic Cocoa Growers Association. This type of arrangement works because there is a key commercial player that has access to export markets and know-how, along with a willingness to work with small farmers to supply the markets (FAO, ACP and EU, 2010).

- More developed organisations that have an understanding of the value chain and in-market relationships can also be effective in sustained economic performance. An example is Women in Business Incorporated in Samoa, which leverages its relationship with international customers such as the Body Shop and its know-how in helping family enterprises to produce quality products to meet specifications and demand.

### ***Approaches to embed commercial orientation***

The obvious and most compelling means of embedding commercial orientation in development initiatives is to focus the efforts of alliance members on capturing specific market opportunities where Pacific island businesses can compete successfully. Then, all activities (e.g. production, research, quality assurance, extension, selection of participants in the alliance, metrics, relationship management priorities and so on) can be aligned to support development of the market opportunity.

A common theme across case studies of successful organisations and enterprises in Pacific island countries is that success is associated with collective pursuit of a specific market opportunity (eg FAO, ACP and EU 2010; Coates, Clarke and Skeates 2010; IFAD 2005). Often, the commercial opportunity is a niche market where products are valued for their natural or organic attributes and businesses can compete on attributes other than a lowest cost or commodity basis.

Where capture of a defined market opportunity is placed at the centre of a development initiative, it helps to shape many important decisions and relationships in an alliance. For example, it can see a higher priority on the involvement of larger producers and/or increase focus on the logistics of connecting efficiently with many small producers, or place greater value on accessing advice from commercial sources rather than reliance on government.

A second and complementary means of embedding commercial orientation in industry organisations is in the delivery of services. For example, there appears to be limited development to date of commercial technical advisory services for agriculture in the Pacific. However, there are examples where governments are engaging with industry organisations with a view to improving delivery of research results to farmers.

The standard, public sector model of agricultural extension based on technology transfer and delivery has all but disappeared in many countries around the world (IFAD 2010). However, the legacy of the out-dated approach to extension persists in many countries in the Pacific.

Some developing countries have gone far in privatizing and contracting out advisory services, with extension being decentralized, and a variety of alternative advisory services emerging, including private extension efforts run by agri-input and agro-processing/agribusiness companies, a vast assortment of NGO-supported efforts, services run by producer organizations and farmer-to-farmer exchanges (Heemskerk et al 2008). However, the range of service and information choices for poor farmers often remains very limited (IFAD 2010) and this appears to hold true in the Pacific as well.

Outsourcing services is a way of involving non-public services in responding to emerging needs expressed by farmers, such as demands for entrepreneurial and facilitation skills, knowledge about value chains and information on sustainable production methods (Heemskerk et al 2008). Industry organisations in the Pacific could provide one viable pathway for the advisory services system to improve and more efficiently enhance innovation.

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## 7 Conclusions

The potential contribution of industry organisations to sustainable economic development in the Pacific appears both significant and consistent with donor and Pacific island government strategies and priorities. There are examples of organisations that are providing sustainable benefits to groups of small producers and empowering these groups to be agents of their own development. This suggests that if industry organisations are able to operate more effectively in Pacific industries, then new development benefits are likely to follow.

Industry organisations in the Pacific remain fragmented, underdeveloped and fragile. They are not likely to develop on their own or if they do it will be very slowly. The history of donor interventions that underpins the majority of the currently most successful organisations suggests that it is highly unlikely that significant development will occur at the sector level in the short term.

Our assessment of current government and donor strategies suggests that they are correct in identifying the potential for industry organisations and the need to engage them in private sector development orientated strategies. However the approaches being taken and the underlying approach to the development of relationships with industry organisations are flawed.

This situation can begin to be rectified if donors and governments step back from continuing to create donor/government driven sub-contractor relationships with industry organisations and applying three strategies for success in future activities:

- Developing alliance based relationships
- Incorporating organisational development as a separate objective in every relationship and
- Embedding commercial orientation in relationships.

These three key ingredients for success have their foundations in the findings of studies published in the wider development literature and various case studies of successful businesses and industry organisations in the Pacific. The literature comprehensively describes the challenges and also provides check lists of what appears to work (or not) in achieving private sector led development.

An important observation during this study was that collective approaches to economic development can and must fit with the cultural characteristics of communities in the Pacific. Indeed, many of the historical and current commercial success stories involve collective approaches through cooperative or other industry organisation structures.

The recent growth in organic production and the formation of related industry organisations to help facilitate the matching of supply and demand illustrates a 'Pacific way' of capturing commercial opportunities. The evidence is that farmers in the Pacific are willing to look beyond subsistence farming where collective approaches that fit with cultural or communal norms can be established. In this context, effective engagement by donors and governments with and investment in the development of industry organisations in the Pacific can be aligned with commercial, cultural and development objectives.

The capacity of existing Pacific industry organisations to rise to the economic development challenge is a significant issue. However, the need for action does not sit entirely with donors and government. Industry leaders too will need to step up and make it a priority to work with their members, with government and with donors to:

- Develop diversified and more secure funding, including member funding and income from service provision.

- Pursue initiatives to increase membership levels by demonstrating relevance and value.
- Develop business skills and understanding of markets and the opportunities that they present.
- Define and resolve governance issues to meet key stakeholder expectations (i.e. member, government, donor, and commercial partners).

These areas for action are common, but how individual industry organisations go about pursuing each area can be quite different, depending on their circumstances. It is clear that the best interventions are those that will enable the leaders of industry organisations to understand and weigh up the simple, practical options that they could implement.

Our work has sought the views of development professionals, the private sector and industry organisations in the Pacific to identify actionable insights on how donors, governments and industry organisations can increase the momentum for change on the ground. The next step is to test the findings in practice, refine the approach to implementation and raise awareness of workable ideas and tactics with donors, governments and industry organisations alike.

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## 9 Appendix A: Common industry organisation structure

The legal structures that support industry organisation operations both facilitate and limits operations. Organisations are likely to change their structure over time to enable functional evolution. The common organisational structures described briefly below.

### **Company**

A company is a standard commercial structure that varies in application depending on local legal frameworks. It may be for profit or not-for-profit. The organisation is run by management who report to a board. The organisation is owned by a group of shareholders (the business members) and guided by an organisational constitution.

Th company structure is more likely to be employed by industry organisations with a commercial purpose, particularly those that play a direct role in the supply chain for the industry.

### **Cooperative**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (<http://www.ica.coop/coop/index.html>). Because co-operatives are owned and democratically-controlled by their members (individuals or groups and even capital enterprises) the decisions taken by co-operatives can balance the need for profitability with the needs of their members and the wider interests of the community.

There is significant experience with cooperative structures in the developed and developing world. This experience suggests that formal, top-down, large group approaches to cooperative formation and management are generally less successful. Cooperatives that operate as small, member owned businesses and remain relatively free from outside interference with high levels of member involvement and delivering simple services to members are much more likely to deliver sustainable benefits (Rankin and Russell 2005).

The experience of co-operatives in the Pacific has been mixed. In the past, co-operatives have come into conflict with cultural hierarchies in Pacific countries where individuals have different roles in decision making rather than the traditional democratic approach utilised by the co-operative structure (Coates, Clarke and Skeates 2010). On the other hand, local processing cooperatives and supply chain cooperatives are among the examples of the most successful industry organisations identified in the Pacific currently (Coates, Clarke and Skeates 2010).

### **Association (or union)**

An association is a group of individuals who enter into an agreement to form a body to accomplish a purpose. This purpose is usually related to external representation for the group or internal organisation and development. These structures are usually not formed for commercial purposes though they may have some commercial functions. All economic benefits derived from an associations operation must be reinvested in the association's operations.

Most associations have some kind of document or documents that regulate the way in which the body meets and operates. Such an instrument is often called the organization's bylaws, regulations, or agreement of association. The specific legal requirements for associations vary between nations.

A closely linked structure is the **federation** which is usually formed when associations with common interests form an overarching organisation to achieve common aims (see Shepherd et al, 2009).

### ***Informal Structures***

In addition to formal legal structures industry organisations may operate under informal arrangements. In most cases these organisations will be based on a group of businesses agreeing to operate collaboratively without creating a formal entity and associated governance needs.

The informal approach can be effective for short-term issues or in the early stages of organisational development. However the lack of formal governance arrangements means that these kind of organisations usually cannot be formal partners in donor funded initiatives in the way legally recognised organisations can be. This may be overcome to some extent by contracting directly with one or more member organisations or by limiting participation to roles not requiring formal contracts.

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## 10 Appendix B: Industry organisations currently operating in the Pacific

### 10.1.1 Regional Organisations

There are a number of regionally based organisations that operate across countries and work closely with industry organisations in a coordination or support role.

#### ***Pacific Islands Private Sector Organisation (PIPSO)***

The Pacific Islands Private Sector Organization (PIPSO) was established in 2005 and its membership comprises the National Private Sector Organizations (NPSOs) of the 14 countries of the Pacific Islands Forum Island. National Private Sector Organizations (NPSOs) are the peak industry association in each country – often the National Chamber of Commerce.

PIPSO's Strategic Goals to 2010 were:

- To establish a strong and effective Secretariat;
- To identify the priority needs of members and provide appropriate assistance;
- To promote and facilitate greater cooperation among members;
- To improve private sector dialogue with Governments and development partners;
- To advocate the interests of the private sector at regional and international fora; and,
- To enhance private sector involvement in policy development and implementation.

PIPSO is currently engaged in establishing effective NPSOs in each nation. The aim is that each country has a unified peak industry organisation that can effectively coordinate representation and engagement with governments on private sector issues, thereby developing more effective relationships between government and industry. This process has required changes to structures and the integration of organisations through new membership arrangements.

The scope of the PIPSO and NPSO mandate is inclusive of agricultural industries and industry representative organisations. However the significant fragmentation or lack of clear representative bodies in agriculture compared to other sectors makes inclusion of the primary industry sector in the new national structures challenging. This challenge is being dealt with on a country by country basis given the individual history and situation in each.

#### ***Pacific Islands Association of Non-Governmental Organisations (PIANGO)***

The Pacific Islands Association of Non-Governmental Organisations (PIANGO) is a regional network of NGO focal points or coordinating bodies known as National Liaison Units (NLUs) based in 21 Pacific Island countries and territories.

PIANGO was formally established in 1991 to assist NGOs in the Pacific to initiate action, give voice to their concerns and work collaboratively with other development actors for just and sustainable human development.

PIANGO's primary role is to be a catalyst for collective action, to facilitate and support coalitions and alliances on issues of common concern, and to strengthen the influence and impact of NGO efforts in the region.

PIANGO exists to enable the Pacific extended family of NGOs to more effectively promote and advance the interests and wellbeing of their people. More specifically, PIANGO is a network of Pacific NGOs, existing to facilitate communication, provide a common voice at regional and international forums, assist NGOs to strengthen and develop Pacific

identities, unity, cultures and forms of social action, as well as to improve the wellbeing of the communities they serve.

### ***Melanesian Farmers First Network***

This regional coordination network aims to improve collaboration between agricultural NGOs in Melanesia.

### ***Pest Net and Pacific Soil Net***

These networks provide free interactive email services that help people in the Pacific obtain rapid information and advice on pest, disease and soil related problems (AusAID, Background Paper: Agriculture).

### ***Pacific Islands Noni Association (PINA)***

PINA was formed in 2003 to assist in promoting Pacific Noni as the premium product in the growing global Noni market (FAO case study of Noni industry) <http://www.pina.ws/>

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## 11 Appendix C: Industry organisations in Pacific island countries

Below is a snapshot of status of agriculture in Fiji, Vanuatu and Samoa, along with brief descriptions of some of the existing Pacific industry organisations. It has been compiled from documentary evidence and from discussions with people involved in Pacific development initiatives. The list is not exhaustive, but it does show that a diversity of organisations exist, that a diversity of approaches are being tried and tested with some specific examples of success and that the sector is constantly changing with new organisations emerging and others declining in response to producer and market needs.

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### 11.1 Fiji

With the contraction of the Fiji sugar industry, the diversification of export and rural livelihood opportunities is urgently required. In line with global trends, horticultural exports have been identified as one of the most promising diversification avenues for Fiji. The country is in the midst of a complex transition from a commodity driven agriculture sector to a more diversified high value export base. Export horticulture is now, after years of disappointment, the fastest growing part of Fiji's agricultural sector. For example, in export earnings, the last decade have seen the copra industry (a traditional commodity mainstay) surpassed by ginger, kava and taro (FAO case study). In this respect, Fiji stands out from other Pacific island countries.

Overall, the status of primary industry organisations in Fiji is mixed. While many exist, most are inactive and only emerge in response to particular industry issues. Previous government initiatives to support organisational development have been largely unsuccessful, often exhausting their funds before they achieved sustainable organisations. However, there are a few examples of strong, well-functioning organisations and new organisations emerging but these are the exception rather than the rule. This situation is in contrast to the situation for other major industries such as the tourism and manufacturing industries in Fiji that have active, functioning peak organisations.

The Fijian government is currently focussed on developing industry associations to assist the government in implementing its policy objectives for agriculture (development of outer islands, import substitution and export development). The government is now in the process of forming two peak councils – the Crop and Livestock Council and the National Research Council. It is intended that these Councils will act as coordinating points for industry specific organisations that will be developed in the future.

#### *Nature's Way Cooperative*

Nature's Way Cooperative is an organisation with a high profile in the development community. It is a private organisation that operates a quarantine treatment facility for Fijian horticultural exporters. Its membership is a mixture of producers and exporters. The NWC was established 15 years ago with the support of USAID, providing technology, equipment, technical support; the Fijian government provided the site and funding for the treatment facility. Ad hoc donor support has been required over the life of the project to enable operations and equipment upgrade although the operation is getting closer to being self-sustaining as income from treatment fees rises.

NWC's traditional role is in treating and packing horticultural produce in order to meet the biosecurity requirements of importing countries.. It is not involved with exporting. All exporters must be shareholders to use the facilities and they are encouraged to purchase produce from farmers who are also shareholders. NWC has begun to expand into providing other services (representation for the horticulture industry, field services,

facilitating market access and supplying inputs) for its members (McGregor et al. 2009). It is now looking at market development and improving the wider supply chain to grow operations over time.

### ***National Farmers Union and Fiji Cane Growers Association***

These are rival organisations which both promote the interests of farmers. Sugar Cane Growers Council is an elected organisation and has representatives from both rival unions as well as government appointments.

### ***Coconut Industry Organisations***

There are several bodies in the coconut industry that are playing industry roles without being fully fledged industry organisations. *Origins Pacific Ltd* is a Fijian owned company which produces coconut oil products for high value local markets and export markets. Family communities are stakeholders in the mill and involved in all levels of production. The organisation currently operates on a small scale (Case study done by Oxfam). The *Coconut Industry Development Authority* is also relevant to this industry although this organisation has limited information available. It has a membership but also a role within government (is established by an Act) as a regulator.

### ***Fiji Organic Association***

This organisation is in the early stages of its development and currently has a small number of members. The former manager of the Nature's Way Cooperative is currently leading this organisation and brings his success in organisational development to the role.

### ***Cocoa Cooperatives***

Fiji has at least two cocoa producer cooperatives, Tailevu Province Cocoa Growers and Producers Co-operative Association Limited and Namau Cocoa Growers and Marketing Cooperative. The Tailevu Province organization has links with Coca Bello, a Swedish NGO. Little information is available on the Namau cooperative.

### ***Ginger Association***

Fiji has previously had a functional and important ginger association, established with its own Act. However, the association is reported to have become largely defunct following the contraction of the industry and is not active at present, though the Fiji government is currently trying to revive it.

### ***Aquaculture Representative Associations***

Three associations are reported to exist to represent aquaculture interests in Fiji. These include a Brackish Aquaculture Association, a Freshwater Aquaculture Association and Fiji Pearl Farmers Association. None is identified as being highly active at present.

### ***Fishing Industry Associations***

Two organisations exist for fisheries, representing inshore and offshore parts of the industry. The Fiji Tuna Boat Owners Association represents the local industry. Fiji Offshore Fisheries Association was established due to concerns by its members that the Fijian fisheries department was not fully conversant with the deep sea industry (Australian National Centre for Ocean Resources and Security 2008).

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## **11.2 Vanuatu**

Vanuatu, of all the Pacific Island Countries (PICs), is the most dependent on agriculture with some 75% of the population living in the rural areas. The country is endowed with rich land resources and has a vibrant traditional production base which ensures a high level of

food security. Agricultural exports (coconut products, cocoa, kava and beef) account for about 80% of Vanuatu's total exports by value and agriculture officially accounts for 20% of GDP. However, the importance of agriculture is probably underestimated in GDP calculations (McGregor et al. 2009).

Industry organisations, particularly cooperatives, have been an important part of agricultural history in Vanuatu. During the early 1980's there were 180 cooperative societies and at least 85% of goods in the islands were distributed by cooperative organisations. Almost all rural people were members of cooperatives. However by the end of the decade, membership had declined and the supervisory body, the Vanuatu Cooperative Federation (VCF) had been dissolved due to debt problems (Europa Worldbook 2002).

The Vanuatu government has a Department of Cooperative and Ni-Vanuatu Business Services which has as one of its stated objectives the reestablishment of the VCF (Department of Cooperatives and Ni-Vanuatu Business Services 2010).

### **Farmer Support Association**

FSA is a non-government organisation that provides agricultural extension services to a wide variety of organisations. It has no formal structure or core funding. Its work includes a contract with Venuei Vanilla (largest spice exporter) which uses the association to provide extension services to its smallholder suppliers and maintain the organic certification for the Vanuatu Spice Network. It is also the agent for a major European organic certifier. (Oxfam 2010, Jansen 2008)

### **Vanuatu Organic Cocoa Growers Association (VOCGA)**

The genesis of VOCGA was a visit to Vanuatu in 1989 by the CEO of the French organic chocolate manufacturer KAKO. Following this visit a proposal was prepared to establish a producer organization project which would facilitate the development of a certified organic cocoa production base. The French government agreed to fund such a project which resulted in the Vanuatu Organic Cocoa Growers Association (VOCGA).

VOCGA operates as an umbrella marketing cooperative under which there are primary processing cooperatives that supply organically certified dry cocoa beans. Each primary cooperative operates one or more centralized fermentaries. VOCGA now has a total of 1,205 members. Exports of organic cocoa commenced 2006, with 400 tonnes shipped to France. The forecast exports for 2009 is 312 tonnes.

Through the improved marketing provided by VOCGA the participating small farmers have been able to substantially increase their income. There remains considerable scope to further improve farmer returns by increasing their productivity. (McGregor et al. 2009)

### **Vanuatu Cocoa Growers Association (CGA)**

CGA now has around 1200 members, who belong to 19 separate cooperatives, located on Malekula, Ambae and Malo. Members sell wet beans to these cooperatives that have fermentation and drying centres in key villages. Dried beans are then transported to Lakatoro where CGA has its office and warehouse. CGA's export performance to date has been 2006 (150 tonnes), 2007 (150 tonnes) 2008 (75 tonnes). All CGA cocoa is now exported to Singapore. (McGregor et al. 2009)

### **Coffee Organisation of Vanuatu (COV)**

An umbrella producers' organisation, the Coffee Organisation of Vanuatu (COV) was formed in 2003 to assist in the achievement of marketing objectives. The essence of POP2's coffee marketing support involves encouraging the grouping together of producers to achieve economies of scale in storage and transportation, standardised quality and grades and hence greater negotiating power in the market place.

<http://www.tannacoffee.com/tcdc.html>

The COV was initially established to provide the farmers with a unified voice and a body that could jointly represent them in discussions and negotiations, while seeking assistance and support from the various international donor bodies.

(<http://www.tannacoffee.com/tcdc.html>)

### ***Vanuatu Commodities Marketing Board***

A statutory body that issues export licences to private sector exporters and levies what is in effect an export tax. It is involved in regulating price in the coconut, copra and kava industries.

### ***Vanuatu Co-operative Federation***

The Co-operative Federation is the now defunct supervisory body of cooperatives in the country. It previously ran centralized shipping and handling services but was dissolved due to debt problems.

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## **11.3 Samoa**

Samoa is still recovering from the 2009 tsunami, but has experienced comparatively strong economic growth recently (ACIAR Annual Operational Plan 09-10) and has relatively high domestic food security. However, poverty levels are rising as earning opportunities are not keeping pace with the cost of providing infrastructure (World Bank, East Asia and Pacific Economic Update).

Agriculture is fundamental to Samoa and traditional agriculture is important for the economy (AusAID, Background Paper: Agriculture). Agricultural industries have led growth due to development of vanilla and squash industries. Taro was previously the leading export product until the industry was decimated by disease. New disease resistant varieties may provide an opportunity for some recovery in this industry over time. Noni is currently the largest Samoan agroforestry export, but the agroforestry export industry is currently very small (SPC, Increasing Trade in Pacific Island Agriculture and Forestry Commodities).

Samoa has several important industry organisations with one well established Non-Government Organisation(NGO) and several emergent and growing organisations that are seeking to play a role in industry development over the next decade.

### ***Women in Business Development Inc. (WIBDI)***

This active and successful NGO has received significant donor support over time and works closely with small agricultural producers. The organisation has supported organic certification by NASAA of producers and processors (FAO case study of Nonu industry).

### ***Samoa Farmers' Association***

The Association aims to influence official policy (lobbying), linking members to support, disseminating information and investing in research and development and training programs. Its focus is on food crops including Samoa's staple food crops such as taro, bananas and other starchy staples, and fruits and vegetables for local use and for export markets. It is supported to some extent by the government.

### ***Nonu Association of Samoa***

Established 2009, industry previously in decline, now looking at China as a potential export market. NAS Inc. objectives are:

- to secure complete organization of the Association
- to promote, protect and maintain just and proper treatments of members in all aspects of their nonu related business

- to represent the interest of the members to the Samoan Government, to negotiate all matters relating to the promotion and development of the Nonu Industry in Samoa and
- to do all such things as are incidental or conducive to the attainment of the above objectives.

Membership to the association is open to any person who is actively involved in the growing, manufacturing, processing and marketing of *Morindacitrifolia* and pays a subscription of SAT\$100 per annum (FAO case study of Nonu industry)

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## 11.4 Solomon Islands

Agriculture is fundamental to the Solomon Islands. It is the predominant source of employment and is a substantial proportion of net export earnings. Subsistence farming provides a significant proportion of GDP (AusAID, Background Paper: Agriculture). Most Solomon Islanders live in isolated rural communities and are dependent on subsistence farming, intermittent crop and small livestock sales. Many do have access to more lucrative urban markets – which are developing quickly as the political situation stabilises. (ACIAR Annual Operational Plan 09-10)

Round logs are the Solomon Islands only significant agricultural/forestry export (SPC, Increasing Trade in Pacific Island Agriculture and Forestry Commodities). The Solomon Islands face substantial structural challenges over the coming years due to the impending collapse of natural forest logging (which currently accounts for a large proportion of exports) (World Bank East Asia and Pacific Economic Update 2010, vol. I). Civil conflict has caused stagnation/collapse in the production and export of many commodities (e.g. fish, timber, copra, palm oil and cocoa) (ACIAR Annual Operational Plan 08-09). However, production of palm oil and cocoa are now resurgent, with the active support of government and donors.

The Solomon Islands has a small but vibrant non-government support sector including several successful industry organisations that have received donor support.

### ***Kastom Gaden Association***

KGA is an NGO which has a focus on ensuring the food security of its members. Its services include distributing inputs, providing information, facilitating marketing opportunities, providing training and support services. It has a marketing arm called 'Farmer Fresh' (Jansen 2008).

### ***Planting Material Network (PMN)***

PMN grows seeds, cuttings and root divisions in its seed centres and then distributes these to its members. Members contribute seeds back to the Network for multiplication, propagation and redistribution. Members include farmers, NGOs, schools and agricultural trainers and advisers. It was initially an initiative of KGA and is still supported by KGA, though it is now an independent NGO.

### ***Value-added Timber Association (VATA), Solomon Islands***

The Value Added Timber Association has more than 400 members located throughout the Solomon Islands. VATA's mission is to develop a strong sector in value added timber products based on high quality natural and plantation species grow in the Solomon Islands. Individual members of the association are directly involved in small-scale timber processing and export, mainly to Vanuatu, Australia and New Zealand. VATA is currently seeking the FACT Program's assistance with developing an FSC certification system for local sawmillers, training and establishment of demonstration plots of FSC certification system; market information system and intelligence and training in marketing skills including negotiation and pricing.

## 11.5 Tonga

Agriculture is important in Tonga and it has recently led economic growth (AusAID, Background Paper: Agriculture). The decline in prices for major commodity exports has slowed growth in the agricultural sector and has led to an overall decline in agricultural output (World Bank, East Asia and Pacific Economic Update). Factors affecting agricultural development include isolation, fluctuations in export markets for Tongan produce (particularly Mexican competition for the Japanese squash market), a limited natural resource base and government structures (ACIAR Annual Operational Plan 08-09).

### *Growers Federation of Tonga*

Growers Federation of Tonga has a constitution, corporate and business plan with clear organisational structure and as a national body are able to represent all growers including outer islands.

### *Tongan Friendly Islander Marketing Cooperative*

The cooperative has 3000 members and is a cooperative society in which 80% are farmers, 15% engaged in fisheries and 5 % in handicrafts. The marketing cooperative has been exporting squash, vanilla, root crops and handicrafts for the past twenty years.

The cooperative provides supply facilities for farm equipment, fertilizers, pesticides and seeds to its members as well as providing technical advice and training on productivity. The cooperative has managed to supply its markets efficiently except in cases of natural disasters and droughts. The long-term success of the cooperative relies on the development of infrastructure support and modern facilities for the storage and transportation of products.

### *GroCom Ltd*

GroCom is a limited liability company established in 2009 and owned by more than 1000 Tongan farmers engaged in export production. GroCom aims to provide a range of services to the horticulture export industry. The Company's revenue will come from a performance based commission pegged to achievement of export volumes and fob prices.

GroCom Ltd is seeking to develop a set of guidelines and a certification process for Tonga GAP (Good Agricultural Practices) and to conduct a series of workshops to train and certify participating farmers; value chain analyses and interventions; packaging and branding (carton and label design), trial shipments and market information.

### *Fishing Industry Association*

Little information available. Website is currently down for maintenance.

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## 11.6 Kiribati

The Republic of Kiribati comprises of 33 atolls, which are divided into three main groups including the Gilbert group, the Line Group, and the Phoenix Group. The islands are scattered over more than 3.5 million square kilometres of ocean with the total land area being 810 square kilometres.

The prospects for development in the agricultural sector is constrained by the inherently poor soil, poor rainfall and lack of surface water sources, land tenure and the geographical scattered nature of the islands. Agriculture production is dominated by coconut palms (*Cocos nucifera*), which provides the main components of the daily diets as well as the only main export crop.

Apart from the coconut, the other main food crops are pandanus (*Pandanustectorius*) and tebabai (*Cyrtospermachamissonis*) which is grown in pits dug to the underground water table. Breadfruit trees (*Artocarpusaltilis*) are often grown around homes, whilst bananas, paw paws and pumpkin and sweet potatoes are occasionally grown. In the drier islands the breadfruit trees do not grow well whilst bananas and paw paws are almost non-existent. Due to poor soil conditions, agricultural production is very low and consequently, most of the food products are imported from overseas.

### ***Kiribati Organic Farmers Association (KOFA)***

The locally based Kiribati Organic Farmers Association (KOFA) is an organisation where the long term sustainability of home gardening in South Tarawa has its greatest chance of success. As a quasi-government organisation, KOFA already has the support of the Government of Kiribati and is fast building a membership base that provides technical assistance and low cost agricultural supplies to local farmers. Driven by the vision of local people, KOFA stands out from other home gardening aid programs because of its direct connection to the government, local people and supporting donor organisations. Organisations such as KOFA will need to be further strengthened and developed if home gardening in South Tarawa is to have a future beyond home garden based aid programs (East and Dawes 2009).

KOFA is the parent organisation to small KOFAs throughout the islands in Kiribati. The aim is to form a strong operational link with all small KOFAs in the outer-islands and thus a good flow of local produce from outer islands to main market in Tarawa, the capital. Possible assistance in leading KOFA to join international bodies could be sought from the International Federation of Organic Agriculture Movements [IFOAM]. (Hon. Martin Puta Tofinga Minister of Environment Lands and Agricultural Development speech to the 29th Session of IFAD's Governing Council).