

Review of Solomon Islands Small Business Enterprise Centre

Final Report - December 2005

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1. EXECUTIVE SUMMARY

The last several years have been a challenging time for the board and staff of the Small Business Enterprise Centre as they have recovered, along with the rest of the Solomon Islands, from the tensions and the subsequent arrival of RAMSI in 2003. The Centre is now operating without any impediments and this review is intended to help New Zealand Aid identify how it can ensure that an efficient and effective service is provided to the community.

The definition of a small business in the Solomon Islands, which we use in this report, includes anyone who trades goods to produce an income or any small enterprise employing up to ten staff. These definitions are based on the many Solomon Islanders who earn their living from trading and because in the Solomon Islands any business that employs ten or less people is restricted by law to Solomon Islanders only. This is the target group which the SBEC aims to serve.

The Solomon Islands Small Business Enterprise Centre provides business training for existing and start-up small business people. It regularly delivers these services in Honiara and in the provinces and is extremely well regarded by clients and referral organisations.

The board of the Centre have sometimes struggled to maintain an effective governance role due to the small number of board members, the fact that the role is voluntary and other demands on their time. This may be resolved by increasing the board numbers and appointing members with the ability to devote considerable time to this role.

From our research and discussions service delivery appears to be of appropriate quality with the Centre well regarded and constant demand for the training services, both from individuals and organisations. The training appears to be sufficient in regards to quantity and quality. It is consistent with the standard of other Small Business Enterprise Centres in the region in that it provides practical, relevant and simple training for small business people.

Other training services have been developed to complement the small business courses and training in regards to 'managing your own finances' has shown a large and growing market demand.

The Centre does virtually no mentoring and this is an area that the review team believe the Centre should focus more effort and resource on in order to ensure that the investment made in training is not wasted. One of the common themes expressed by both clients and stakeholders during our consultation was the need for post-course mentoring.

Almost every organisation interviewed expressed strong support for the centre and was aware of its training activities.

A common theme from these interviews was the need to provide more training in the provinces and rural areas. Many times we heard from people wanting the centre to bring more training, advice and support to their particular province, community or village.

For some organisations course fees for their clients was an issue raised as neither they or their clients could always afford to pay although sometimes this was resolved by SBEC not charging the clients, but only charging for their travel costs and accommodation which sometimes the organisations were able to pay for with other donors money.

Another common request was the need for ongoing training as many participants practised what they had been taught, were keen to learn more and wanted to go further in developing their businesses. Many of these people, particularly women, have low literacy levels and they relish the opportunity to undertake the training and mentoring the centre offers to improve their and their family's abilities to produce an income.

A number of the people interviewed felt that some small business people would benefit from the opportunity to network and that this was something the SBEC could do. Many SBECs around the region do run small business networks of various sorts that often include having speakers presenting on different topics.

It is hard to quantify the impact the centre has as for most Solomon Islanders there are few jobs and so small business is their only option often of generating an income and so it is difficult to determine if SBEC has influenced the establishment of new start ups.

A number of the organisations interviewed were able to point to members they had who had attended training and as a result had started small businesses. These ranged from bakeries, crafts, and produce sales to fishing, farming and other such enterprises.

We also met with a number of existing businesses who had accessed the training or wanted to so they could continue to improve their knowledge and grow their business.

While there continues to be a very large and unsatisfied need for the Centres services, the review team also notes that the Centre only has limited ability to meet these needs and should progress carefully without placing huge pressure on the centres limited resources. In addition the Solomon Islands economy also has limited opportunities for small businesses at this stage and so the Centre needs to be mindful of this.

The centre does an annual survey of a sample group who have attended its courses to determine outcomes which seem to be favourable in terms of new businesses started and new jobs created.

Coupled with this is the anecdotal evidence that is very positive about the impact of the small business enterprise centre in helping up skill those already in business and those wanting to start..

Finally a number of the organisations interviewed had not met with the Manager either at all or for quite some time and they wanted to engage more formally and more regularly, including the government through the Ministry of Commerce and its SME division.

The SME unit, along with other organisations, are looking to contract the centre to provide small business training alongside several SME programmes they intend running and hope to build a long term relationship with the centre.

This idea of purchasing training was raised a number of times by various groups and it is the view of the review team that the Centre could build on these opportunities to increase revenue to provide more services other than through funding from NZ Aid however caution should be taken not to pursue revenue at the expense of meeting the needs of the community.

Based on the interviews, our observations and research the review team believe that the Centre is achieving the objectives set out in the funding deed by NZ Aid which are "to provide consistent facilitation(including training) and consultation services of the highest quality to existing and potential small businesses in the Solomon Islands"

There are a number of recommendations that the review team feel will add value to the Centre including:

1. Providing more mentoring and business networking both to existing and start-up business.
2. Appointing a business advisor and trainer to work in the provinces.
3. Partnering with financial institutions to offer training and access to loans.
4. Formalising a meeting schedule with the educational, Ngo, Government, Provincial Government and other organisations on a quarterly or six monthly basis.
5. Appointing up to two more board members.
6. Reviewing and updating the Trust deed.

The review team are of the view that none of these recommendations will require more resource from NZ Aid as there is sufficient budget currently available to resource these recommendations.

Finally, the review team would like to thank the staff, management, board and supporters of the Small Business Enterprise Centre for their full cooperation in providing information, time and valuable space for this review.

2. INTRODUCTION

SISBEC was opened in 1998 as part of a NZAID development project. The project was originally managed under a management service contract for the first two years however after the tensions increased in 2000 the Centre was scaled down and the High Commission took responsibility for management of the centre.

For the past four years a consultant, Mathew Able, has made short monitoring visits to ensure the centre has been operating efficiently and meeting its annual business plan requirements.

In November 2005 NZ Aid decided, as per the agreement when the Centre was established, to undertake an independent review of the Solomon Islands Small Business Enterprise Centre.

2.1 Purpose of the Review

The purpose of the review was to assist the development of small business enterprise in the Solomon Islands. The review was to:

- Assess the relevance and appropriateness of the SBEC in relation to small business in Solomon Islands.
- Evaluate the efficiency and effectiveness of the SBEC in relation to small business development needs in the Solomon Islands.
- Consider the rationale and options for further Solomon Islands Government and NZAID support, and make recommendations to improve and extend the performance of SBEC.

The team was led by Clare Nolan and comprised Allan Daonga and John Claasen from the Solomon Islands NZ Aid office. The Manager and staff from the Small Business Enterprise Centre provided assistance as required.

2.2 Methodology

A four stage process was undertaken. Firstly, face-to-face interviewing was undertaken of management, staff, the Board of Trustees and a representative sample of SBEC stakeholders and other government, donor and NGO organisations. Interviews were held with small samples of clients both in Honiara and at an outer island Gizo. Training of an evening class was also observed.

Secondly documentation, from both the organisation and reports in relation to the state of the economy in the Solomon Islands, was evaluated to identify the development of the small business sector, issues, policy response, processes, procedures and outcomes of the Centre itself. This material included the Trust Deed, quarterly reports, and minutes of meetings, financial records, service contracts and tracing surveys.

The third stage involved the collation and analysis of information and the compilation into this draft report.

The fourth and final stage involves debriefing and reporting back to NZ Aid Solomon Islands, SBEC Board and management, NZ Aid New Zealand and the finalisation of the report.

Sample

The process focused on stakeholders across a mixture of Government, NGOs and other organisations. The list of interviewees was prepared by the NZ Aid office in Honiara.

Sample size

A total of approximately 20 organisations and individuals were interviewed.

Interview method

A semi structured interview was chosen as the most appropriate way of obtaining the kind of information sought for this research. The questionnaire used was based on the terms of Reference and was not provided to the stakeholders but was recorded by taking comprehensive notes during and after the interviews. Interviews ranged from forty five minutes to two hours.

3. SMALL BUSINESS DEVELOPMENT NEEDS

3.1 Small Business Sector

The Solomon Islands is still recovering from the effects of the tensions that severely affected the Solomon Islands economy in 2000.

With the start of RAMSI, in July 2003, a number of economic and governance reforms have been initiated though the depth of the damage inflicted over the tension years means that will take a significant period of time to restore the economy and confidence of the community.

The small business sector is critical to the Solomon Islands economy and particularly in the provincial areas where small business offers the best, and often the only, opportunity in relation to income generation for families and communities.

Agriculture makes up fifty percent of the Solomon Islands economy with most of this activity occurring in the rural area. The three main export commodities are timber, fish and copra, though much of the forestry exports are built around unsustainable logging practices.

There is no data available on the island's small business sector even though businesses are required to register and be licensed to operate.

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Most small business activities centre on selling food, fishing, farming, guest houses, transport, retail and crafts. One of the challenges is to encourage more Solomon Islanders to develop businesses that create value from raw materials rather than simply selling produce and fish.

As at 2003 the per capita annual income was US\$500 which made the Solomon Islands the most impoverished of the Pacific countries.

The unemployment rate is unable to be determined but there are few jobs with many hundreds of applicants often applying for the few advertised. Many of these jobs are only available to those with higher school education.

No welfare system exists meaning that a large proportion of the population must trade as a means of earning income. This is even more prevalent in the provinces and rural areas where there are virtually no jobs.

3.2 Constraints to Small Business Development

There are significant impediments to virtually all private sector development in the Solomon Islands and the small business sector is no different.

Reasons for this include:

- A compliance heavy business environment.
- Lack of access to capital/micro-finance.
- Inadequacy of legal and property rights.
- Low levels of literacy.
- Lack of skilled people.
- Transport costs and barriers.
- Costly or non existent infrastructure.
- The Wantok system.

3.2.1 Compliance

All businesses are required to register with the Government Registration Office which is a very complex, slow and expensive process. Most small businesses don't comply as it is beyond their abilities to navigate the system even if they understood it.

Issues with the tax system include:

- High administration costs.
- Very difficult to interpret.
- Conflicting information and advice on tax compliance.
- Very little enforcement.

This system makes it easier to not register and not pay tax, though non-compliance does generate resentment from those businesses who are complying who as a result feel unfairly burdened.

There are plans to reform the tax system but this is unlikely to occur in the next five years or so.

3.2.2 Lack of access to capital/micro finance

The tensions resulted in the government and other organisations withdrawing financial assistance to the small business sector. As a result most people cite it as a real impediment to the growth of small businesses and the economy.

As discussed later a number of credit and loan type facilities are being reintroduced by both government and the private sector. A critical role for the SBEC will be educating the small business sector about their availability and criteria to improve people's access.

3.2.3 Inadequacy of legal and property rights

A number of issues surround land rights and land holdings in the Solomon Islands including land leases, land valuation, methods of transferring ownership and clarity of ownership.

There are many cases before the courts of both land disputes and other contract disputes however the system is very slow, unreliable and open to differing interpretations of the law.

These conditions create uncertainty and lack of confidence for small businesses who then decide to operate outside of the system thus creating a vicious circle as they deprive the economy of their taxes and themselves of access to protection under the law.

3.2.4 Literacy

Solomon Islanders have one of the lowest literacy rates in the Pacific with adult literacy rates at 30% and women's literacy rates as low as 17%. Accessibility to education is very limited as there are teacher and resource shortages across many of the provinces and in Honiara.

This creates an enormous barrier to the growth of the economy and makes it very difficult for the small traders wishing to expand beyond a simple trading activity into something more sophisticated that will add value to their raw materials or service.

3.2.5 Skills

The literacy levels and the restricted access to higher education coupled with few jobs means that the skills required to develop more sophisticated small businesses are simply not available. As noted anyone with formal education generally either works for government or for the donor/NGO organisations.

3.2.6 Transport

Because of the geographical spread of the Solomon Islands transport, particularly access to the main markets in Honiara and other large provinces is critical to the small business sector. However the quality of the transport system is inadequate, expensive and unreliable. There are only 40 kilometres of paved roads in the whole country and inter-island air and sea transport is very expensive and therefore prohibitive to many small traders.

3.2.7 Costly or non existent infrastructure

Because of the geographical spread of the population across many small islands the costs of providing infrastructure are enormous and probably uneconomical for some areas. Electricity is often supplied by generators though this is costly and, even in Honiara, unpredictable with regular disruptions.

Telephone services extend to nearly all the provinces but the government owned company recoups the cost of subsidising the provinces by imposing higher costs on the businesses in Honiara and on international calls. Internet and cellular services are expensive and only available in Honiara and several provinces.

3.2.8 The Wantok System

The Wantok system is an all encompassing relationship that is communal in nature. You share everything with friends, visitors, neighbours and especially your relatives - your wantok - no matter how tenuous the link.

This means that for many small businesses in the Solomon Islands everything they earn is spent helping those in their v wantok and never saving anything. One of the key lessons that the SBEC are trying to teach is that your business money is not the same as your family money and you need to save it to reinvest in your business.

3.3 Government Response

The Government creates substantial barriers to doing business in the Solomon Islands and is beset with problems of high debt, under-qualified staff, inefficiency and services that are costly, confusing or in some cases non-existent.

The past few years have seen the focus on restoring basic governance, financial stability and bringing law and order to the country. Government reform is critical for the growth of the economy but this will only happen slowly in the foreseeable future and will take many years to achieve.

However, the situation is not all bad as the Ministry of Commerce have a budget allocation to provide assistance to the SME community in the next financial year. The allocation is for approximately \$7.5 million and will be used in a range of schemes to assist SME including access to:

- Small business training.
- Technical assistance.
- Capital.
- Unsecured loans

The Ministry is keen to purchase training services from the SBEC in addition to developing their own training services. They believe that the type of training SBEC offers is perfectly targeted at the start-up end of the market and that their training will be for more sophisticated SMEs.

In addition the Ministry are also working with UNDP to gather data on the small business sector in order to identify its size and scope.

The Ministry originally had their Head of Department sitting on the SBEC Board and would be keen now to have the head of their SME division take a board position.

While several organisations have suggested that the SME fund may not materialise after the elections in March, the review team feel that it would be a very positive move for the centre to have the Government involved again on the Board.

The Ministry are also keen to establish an ongoing dialogue with the SBEC and it could be beneficial to both parties for a formal meeting to be held every quarter.

3.4 Role of SBEC and other education/training organisations

The review team met with both the Solomon Islands College of Higher education (SICHE) and University South Pacific (USP) located in Honiara.

3.4.1 SICHE

SICHE have a range of diploma and certificate programmes for which entry is restricted due to their inability to meet demand. Within the Business and Administration Diploma is a small business management component which students can elect to do.

The Head of School at SICHE's School of Finance and Business Administration stated that because of the large unsatisfied demand for places at the school they felt that SBEC played an important role in providing basic small business training and that some of the graduates from SBEC could then apply to be accepted for the diploma programme.

SICHE were also keen for more regular meetings to take place between the organisations and for SBEC to provide speakers for the Small Business Management units.

3.4.2 USP

USP expressed a similar view to SICHE in that they could not meet the education needs for the numbers applying and that SBEC had an important role in providing small business training. The University had offered a short small business management course of four weeks duration but had to drop it when they couldn't secure appropriate tutors.

USP's Solomon Islands Centre Director felt that SBEC had a very important role to play in providing training as another option for many people who would never be able to secure a job because of the small number of jobs available.

3.5 Best Practice

A best practice is a technique or methodology that, through experience and research, has proven to reliably lead to a desired result and in our view the Small Business Enterprise Centre meet best practice in their training delivery and outcomes.

The training is based on the very successful generic 'Be Your Own Boss' training course used across the Pacific for start up small business people but amended for local conditions. It is delivered as a basic and practical course that provides skill development for people wishing to start a small business.

The Centre delivers training most weeks of the year both on and offsite but the volume does not seem to affect the quality. The course material is easily understood and well presented.

For those clients with low literacy levels the tutors use spoken examples and provide one on one assistance. Much of the training is completed using a whiteboard and discussions, and is based on a participatory approach.

The review team sat in on an evening course which included a bank officer, a school teacher, a trader and several other villagers all of whom participated in the course and were actively learning new ideas and skills. We were impressed with the tutor's ability to understand and relate to this diverse group.

We also reviewed a sample of course evaluations for the past year which on average rated the course as 4 to 4.5 out of 5 which is the highest score.

This partly reflects the appreciation that Solomon Islanders place on any learning opportunity but does also reflect the client's satisfaction and new skills learnt from these courses.

4. EFFICIENCY AND EFFECTIVENESS OF SBEC

4.1 The Centre

The SBEC has four employees including the manager, deputy manager and trainer, receptionist and a cleaner. When required contract trainers are used for provincial and rural training in addition to the two senior staff.

The offices are one street back from the main road in Honiara and comprise a reception area, two offices, a file storage area, kitchen, toilets and a large training room. The facilities are well presented and easily accessible to clients. They have computers and other appropriate office equipment.

The centre has two vehicles used for running errands and visiting clients although client visits have not occurred recently.

The Centre has good signage out the front of the building and overall the Centre is of an appropriate standard for this type of operation and easily accessed by clients.

4.2 Governance

The board have six trustees. These are:

Kevin Misii	Chairman
John Claasen/Allan Daonga	NZ Aid
Luka Eta	PS Department of Tourism
Gane Simbe	CBSI
Josephine Teakeni	Voice Blong Mere (NGO)
Louis Fakaia	SIARTC

The Board are required under the trust deed to meet a minimum of four times a year and more frequently if required. The Board are voluntary and it has proved difficult to achieve full attendance at the Board meetings.

The trust deed allows for up to ten board members and the review team believe the appointment of several new trustees with particular skills relevant to the Centre could reduce the load on the current board and ensure ongoing development of the centre.

The review team, on checking the trust deed, note that the deed actually requires a representative from the Ministry of Commerce to sit on the board and this would be appropriate given their keen interest in participating.

The review team believes that another additional board member (ideally from another well-organised trust or NGO) could also be beneficial but suggest it would be appropriate to review the governance job description first to ensure it still is relevant and meets the needs of the Centre.

The trust deed for the Centre does require any new trustees to be nominated by NZ Aid. In addition the deed states that at any one time the board must have a representative from the Development Bank which is now in some difficulties so the Board may need to take some legal advice and amend the trust deed with approval from NZ Aid.

4.3 Management

See confidential annexe.

4.4 Data Collection

The centre keeps very good records and a database of clients including their name, contact details, type of service provided and date. The database is not backed up but all manual application forms are filed. This data collection enables the centre to undertake tracing surveys every year to determine the outcomes of its training and to further offer other appropriate services.

4.5 Business planning

The centre's annual business plan is prepared by the Manager and approved by the Board and follows a template established some years ago which seems to still be appropriate. The plan is also submitted to NZ Aid for their approval.

The targets for the centre to achieve this current year, June 2005 – June 2006 and the results for the first quarter are as follows.

Activities up to June 30 2006	Out put for Qtr 1 – 30 sep 05	Actual for Quarter	Out put for Qtr 2 – 31 Dec 05	Out put for Qtr 3 – 31 mar 06	Out put for Qtr 4 – 30 Jun 06
1. Business Courses					
- Honiara	7	11	5	6	7
- Provinces	3	2	3	3	3
- Rural areas	2		2	2	2
	12	13	10	10	12
2. Consultations/mentoring/follow-up/coaching					
- Philip	20	0	25	10	20
- Celia	20	0	25	20	20
- Others contracted	10	0	10	10	10
	50	0	60	40	50
3. Other Services					
- Small business (association/club) networking	1	0	1	1	1
4. Other activities					
- Tracing survey			1		1
- Other research to measure output & outcome			2	1	
- Train women's trainer	1	0		1	
- Networking with other partner organizations	1	1	1	1	1

Based on evidence from quarterly reports of previous years the centre has little problem meeting its training targets although it does struggle to meet its mentoring some of the other targets.

The centre does not have a current strategic plan however the Manager advised that this is something the board may develop early next year as part of the ongoing business planning process.

4.6 Range of services

SBEC offers relevant and practical business training courses designed for people with little or no business experience. The courses cover the usual subjects of small business planning including:

- Goal setting.
- Starting your own business.
- Book keeping.
- Handling Money.
- Costing and pricing.
- Marketing and customer service.
- Managing cash flow.

(Current courses provided by SBEC)

- Starting your own business
- Marketing and Customer Service

- Business Plan Writing
- Book-keeping for Small Business Managers
- Financial Management
- Personal Financial Management
- Cash Flow Management

In addition the Centre has now started running courses on how to manage your personal budget. This is because many of their clients have only rudimentary skills in money management and so this course is intended to be a pre-cursor to going on the Start Your Own Business course.

The courses are between five and ten days in duration depending on the location and needs of the particular group. A night course of three nights a week is also held for those clients currently working during the day.

The courses are run in Honiara and in the provincial areas, sometimes as a result of an approach being made to the centre for specific training. As far as we could ascertain training has been delivered in:

- Guadalcanal
- Makira
- Malaita
- Santa Isabel
- Western Province

The Centre advertises its courses heavily in the Solomon Star which the review team believe may be unnecessary. Instead of this smaller press ads and radio could be used along with flyers and presentations to community groups.

Given the demand for training the centre should review its marketing strategy.

4.6.1 Specialist training

This year the Centre ran a specialist course in partnership with the Department of Fisheries and Marine Resources. This linked the business skills training with the technical requirements for starting a fishing business.

This course was run over two weeks and split between the Department's premises and the Centre's training room and had approximately 15 attendees.

The attendees had to be engaged even at a small level in a fishing activity and paid \$350SI to attend with some of them travelling from other provinces to participate. The senior trainer was from the Papua New Guinea Small Business Development Corporation and he provided expertise and training resources previously unavailable to the Department of Fisheries and Marine and the SBEC.

The response from course participants was overwhelming and there is already a waiting list for the next course. The tutor from SBEC advised that the Centre will conduct follow-up visits with each of the attendees to monitor their progress.

In discussions with one of the women's groups they talked about the food handling course they had attended and that it would be of real benefit to the women if SBEC could partner with these sorts of technical providers for ongoing training.

It is the view of the review team that these types of specialist courses meet a real need and that the Centre should build on these specialisations and look to partnering with other technical providers for relevant courses. This could include technical and business training in farming, fisheries, tourism and services.

4.6.2 Courses for Women

The centre has been contracted by a number of organisations to provide small business training to women. As in many societies women in the Solomon Islands face particular barriers in obtaining finance and accessing services as they are often intimidated by bureaucracy, lack security and have low literacy levels. However many women in the Solomon's are the key income earner and it is the women who generally save money to meet the families needs of school fees, food and other things.

The courses run specifically for women seem to be very well supported and again the need is enormous with far more women wanting to access the training than the Centre can assist.

The review team met with a range of women's organisations that were all very supportive and complimentary about the centre and its role. Many of them had attended training themselves and felt it was very useful, even those women who worked in NGOs were able to use some of the skills learnt in these organisations.

The review team feel that the SBEC has an important role in providing training and education to those women wanting to develop their business skills and that they are doing an excellent job of meeting some of the need.

A key issue raised by many groups including women was the need for capital to help start their small business. It was noted that before the tensions there were a range of grant programmes although some of the women said they were difficult to access without security.

The review team believe that there are emerging loan funds but that there needs to be better education about the details of the loan funds available. It may be an option for SBEC to trial, in partnership with some of these loan providers, specialist seminars on availability of small business loans.

4.7 Cost of training

The Solomon Islands small business centre is one of the few SBECs in the Pacific region that charges for its training courses. This decision was made many years ago when the Centre was established and has not been reviewed since.

Clients on Guadalcanal are charged \$150SI and clients in the Provinces are charged \$100SI. On occasion the SBEC has run courses where the clients have not been charged but a donor has paid for the tutor's travel and accommodation costs.

There seems to be no hard and fast rule as to how these decisions are reached about payment and it would be appropriate that a policy be developed. The review team however believe that overall the process seems to work reasonably well.

While a number of people raised the cost of attending training as an issue, given the unsatisfied demand for training the fees do help act to reduce the demand to a more manageable level.

In discussions with the provincial government of Western Province they noted they had no ability to pay fees of any kind but would approach the government to fund the training with the support of the Centre. The Centre does play a role in directing clients and organisations to potential funders and it does on occasion assist with these applications to other agencies and donors.

4.8 Linkages

The Centre has a number of other organisations it works with both as a provider of services for their clients and as referral organisations.

These include:

- Rural Training Centres
- EU – micro projects
- Kastom Garden
- UNDP
- World Vision (SI)
- Women in Business
- Provincial Government
- Government Departments (Forestry)

Many of these organisations buy training services from the SBEC for their client groups which include rural people, women, young people and other provincial and community groups. It is a testament to SBEC's

reputation and abilities that the demand for training from these organisations continues to grow though there is a need to stay focused on the Centre's business plan and spread training evenly across the provinces.

The deputy manager advises that if an organisation asks for training and can pay then they will receive it. This may not always be appropriate if it means that more training is delivered in one province and none in another.

The review team met with the provincial government of Western province who were desperate to secure more training services from the Centre but were unable to pay. They noted that they received government funds of less than .75 cents SI per head of population and there was no money available. Given some of the tourism opportunities being developed in the Western province they were very keen to have training provided and were wanting to maintain regular dialogue with the SBEC and other donors to help them.

The review team felt that it is very important that SBEC is seen to deliver its services in a fair and equitable way across all the provinces where possible.

4.8.1 Relationships with Banks

The review team met with both the National Bank Solomon Islands and ANZ. Both banks were aware of SBEC but had no relationship with the Centre.

The Development Bank of the Solomon Islands was established to promote economic development and to support activities that created new investment opportunities and had a trustee on the Centres Board. As part of their activities the Bank did offer loans and capital to small businesses but over recent years has experienced significant financial difficulties and is now no longer trading.

The other commercial banks feel quite confident about the growth in the economy and are investing in resources to help them expand their banking services. The ANZ have started a rural banking initiative which is taking banking services out to the provinces and villages. In addition they are now offering unsecured loans to people subject to a range of criteria. Meanwhile the NZSI are also introducing a roving bank officer who will work in the provinces and concentrate on making loans.

Both existing banks have seen a significant increase in people applying for loans to start a small business in areas such as farming, tourism, fishing, retailing and small manufacturing.

One of the issues for the banks is financial illiteracy and they are very keen to support SBEC in its training particularly the personal finance management course and are happy to provide speakers for those courses. In addition to this ANZ are working with UNDP to develop financial literacy education. It is expected that they will launch this project shortly after training approximately 50 trainers who will then work across the country.

The banks are becoming very competitive and recognise the small business market as the growth sector and so are looking to meet the markets needs by developing small business products such as unsecured loans etc.

The review team's view is that these new products will meet small business needs sufficiently and that the SBEC's role would be to educate their clients about the products available and how to meet the criteria.

Many of the people and organisations interviewed raised the issue of lack of capital being a barrier, however we are satisfied that the banks and other government and NGOs are working to meet the sectors needs and are being innovative about the way they do it. This coupled with the funding that will be available from the Ministry of Commerce should be sufficient to meet the needs, particularly given the limited ability for the economy to sustain too many small business start-ups in the short term.

4.9 Perceptions of key stakeholders

Overall approximately 20 stakeholder individuals or organisations were interviewed in the timeframe available.

Organisations were selected by geographical spread, experience with the Centre and clients. (Outreach training locations were also selected.)

All interviews used a stakeholder questionnaire (see appendix 2) and results from this consultation are summarised below.

Approximately 70% of the organisations interviewed had a relationship of some sort with the Centre for a number of years. Around 30% of the organisations knew about the centre but had not actually developed a relationship or used its services.

The organisations interviewed range from a minor referral source (referring a client) to a major referral source (purchased training) to organisations that supported the centre.

All of the organisations were one hundred percent satisfied that the service was meeting client needs and where feedback was received it was positive. The evaluation team had the opportunity to view course evaluations held at the Centre which were also overwhelmingly positive.

None of the community organisations had experienced any difficulties in dealing with the Centre or staff, and were in fact extremely vocal in their support for the Centre. All those interviewed felt that the Centre dealt with them professionally, and with courtesy and empathy.

The only issues raised were difficulties with being able to access the training either because of cost or geography. All of the community organisations interviewed expressed the desire for more training and advice to be available in the provincial and rural areas and for the need for funding for training.

The Centre's service delivery was viewed as accessible, empathetic, friendly and achieving good results for the clients. The outreach courses were seen as being particularly useful in meeting the needs of the provincial clients who often could not afford to travel to Honiara for training.

There were a number of suggestions for improvement to the services. These included:

- Regular and consistent outreach courses in new areas. This was the area in which community organisations most often wanted to see an increase in service. It is noted by the evaluation team that at present Centre staffing levels this would not be achievable.
- Provision of specialist training such as food handling, fishing etc. Again this is a resource issue.
- Mentoring services to be available to those businesses that have finished training and need ongoing advice.
- Provision of business networking

There was unanimous agreement amongst the stakeholders that the Centre is providing an excellent service and all of the organisations stated that they wished to see the service continue and expand.

5. EVALUATION OF SERVICE DELIVERY

The review team evaluated the performance of the Centre against previous years by comparing the KPIs. The spread and numbers attending training for the past seven years are:

	Honiara	Provinces	Total
98-2001	1,284	714	1,998
2002	278	85	335
2003	351	197	548
2004	482	161	643
2005	463	122	585 (actual to date)

The lower numbers for 2002 were as a result of the tensions and SBEC operating on only 2 staff.

In terms of its training the centre is certainly meeting its annual performance requirements although it is not meeting its mentoring requirements. One of the issues for the Centre has been we were advised was the time spent training the new Manager and Deputy Manager which has reduced the focus on mentoring. Although we were unable to discuss this issue with the Manager, the deputy manager advised that she had little time available for mentoring as she was constantly training or preparing for training.

We reviewed the training material used in the courses and found it to be of an appropriate quality for the small business market. We did question how the trainers used the material with the clients who have low literacy and were advised that the tutors worked one on one with these clients using some of the course material.

The material is based on the generic small business start-up training modules available across the Pacific but amended for Solomon Islands use and appropriateness.

As noted earlier in this report the review team interviewed a number of clients and stakeholders who had some relationship with the centre. All the clients we spoke with were unanimous in their praise for the Centre and the training which they all agreed had improved their business skills.

Several of the Women's organisations also stated that they believed many women's lives had been improved as a result of the training as it opened up options for women to increase their income generating activities successfully.

The Centre has undertaken several tracing surveys over the past eight years with good results. The surveys whilst not statistically valid are useful in assessing the long term impact of the centre.

One of the barriers contributing to the survey problems is the transient population with many of the people attending courses then returning to their homes in the provinces and rural centres. The cost of tracking these people is prohibitive, however there seems to be reasonable evidence that the centre is and has made an impact.

Of the surveys undertaken in 1999 and again in 2004 the outcomes seem to indicate that

- Fewer women attend training than men.
- Many existing small business people attend the training.
- Those not starting a business after completing training cite access to capital the reason.
- Retail and service businesses are predominant.
- Retail and manufacturing also provide the most new jobs.

If the question was asked of all these participants 'are you in a better position now than before you attended the training?' it is likely that most people would answer yes. This is evidenced by the discussions with past clients who all stated that their businesses had improved after attending the training.

For some of these people it was the first time they had accessed some formal learning and received a certificate, for others it was learning money management skills and for many it was learning to grow their business beyond a simple trading operation.

The review team also believe that if the Centre develops its mentoring services again this will also aid the Centre in evaluating the impact as they will have built longer term relationships with clients over a six to twelve month period.

It is hard to measure the impact of the Centre statistically but based on the response from clients and stakeholders there would seem to be a large unfilled need left if the centre was to close.

6. EXPANSION AND RATIONALE

Since its inception the Small Business Enterprise Centre has enjoyed the support of the Solomon Islands Government, primarily through the Ministry of Commerce who at various times have had a representative on the Board of the Centre.

Because of the focus of the government and other donor's on stabilizing the country and strengthening and building community and civil society development, the Centre has been almost entirely funded by NZ Aid.

Given the unknown timetable for ongoing RAMSI assistance and the enormous challenges faced by the country it is very unlikely that any other sort of support will be available for the Centre in the short term from the Solomon Islands government or other organisations.

Other donors are supporting the Centre through providing funding for their interest groups to access the training which is a good outcome and a clear indication of support.

The review team, as noted earlier, found the Centre played an important and almost exclusive role in providing small business training at the start up level. However our investigations also identified that the Centre has focused all its resources on meeting the growing demand for training, sometimes to the exclusion of other services.

We recommend a small expansion of activities and that the Centre employs a roving trainer/advisor based in one of the provinces to support the training provided by the Centre in those regions.

In addition with some better time management we recommend that the centre start meeting it's mentoring KPIs in the business plan which we think are achievable by the existing staff without having to employ extra resource.

Our rationale is that if the Centre does not meet its mentoring requirements then it may be compromising the investment the Centre and NZ Aid are making in the training and even in the Centres existence.

Without mentoring follow-up some of the businesses will struggle to grow and survive and as is the model of SBECs in the Pacific the mentoring is a key component.

As noted earlier in the report there is a growing and unsatisfied demand for business mentoring and training however we caution against a large expansion at this time as the Solomon Islands only has a limited ability to support new businesses.

There is a clear need for the Centre's services but the services provided should be within the capability of the Centre to deliver and also should be delivered across a geographical area and targeted in some cases to specialist groups e.g. farmers and women.

The rationale for this small expansion includes:

- Need to be seen to be delivering services outside of Honiara.
- Small cost involved in increasing services.
- Growing need in the provinces.
- Opportunity to partner with other providers in technical provision.

The cost of appointing a new trainer/advisor could come out of the existing budget as the review team noted that the Centre did not always uplift its entire annual grant from NZ Aid. In addition we believe that the centre has a generous budget and that there are areas where expenses could be reduced including:

- Vehicles.
- Vehicle costs.
- Entertainment.
- Advertising.
- General office costs.

We are confident that there are savings to be made within the budget that will fund this small expansion however we have not drawn up a specific budget due to uncertainty over some of the unexplained expenditure and other issues.

The review team believe that once the board have reviewed the auditors report for the 2004/05 year they will be able to identify the savings we believe are in the annual budget.

The review team also believe that if further expansion of the Centre were to occur in the future then areas for focus include youth training and extended training for existing small businesses.

Finally, based on the interviews, our observations and research the review team are of the view that the Centre is achieving the objectives set out in the funding deed by NZ Aid which are "to provide consistent facilitation(including training) and consultation services of the highest quality to existing and potential small businesses in the Solomon Islands"

7. RECOMMENDATIONS

The following action plan is designed to provide guidance to the Trust in addressing the issues identified in this review. It is expected that the Board and Management will set the timelines, responsibilities and may modify, delete or add to the activities required.

	Reason/Output	Activity	Due date	Responsibility
Mentoring	Achieving at the minimum the mentoring KPIs in the 05/06 business plan.	<ul style="list-style-type: none"> ▪ Ensure each staff member meets the required mentoring hours. ▪ Keep individual client records recording the person, date and number of hours provided. ▪ Report each quarter against the business plan. 	July 06 ongoing	Board/Manager Staff Manager/Board
Appoint a new trainer/advisor	Enable the Centre to meet some of the training and mentoring needs in the provinces	<ul style="list-style-type: none"> ▪ Review position description ▪ Identify with stakeholders appropriate provinces for the person to operate from ▪ Develop a budget including salary, travel, etc ▪ Advertise and shortlist ▪ Identify appropriate panel to interview 	February/March	Board/Manager
Partner with institutions offering access to capital	Provides integrated service to clients	<ul style="list-style-type: none"> ▪ Develop with the various institutions some form of agreement to partner ▪ Draw up a schedule for year of activities ▪ Agree to measure outcomes at year end ▪ Evaluate success of partnerships 	Feb/March Annually	Manager Manager
Relationships	Development of a plan and process for regular meetings with a range of stakeholders to ensure SBEC is considered consulted and, when appropriate, contracted for training and other small business needs.	<ul style="list-style-type: none"> ▪ Establish a simple schedule for these meetings and include in quarterly reporting 	Immediate	Manager

Training	The plan will define the training needs and set the framework for how and when the training will occur.	<ul style="list-style-type: none"> ▪ Approach other SBECs to determine suitability for a training visit 	Feb 06	Board/Manager
		<ul style="list-style-type: none"> ▪ Approach other Trusts/NGOs to establish desire to assist SBEC with management including financial and administration training 	Immediate	Board/Manager
		<ul style="list-style-type: none"> ▪ Find an appropriate mentor for management mentoring 	Immediate	Board/Manager
Governance	Achieve more active participation at Board level.	<ul style="list-style-type: none"> ▪ Review Board attendance ▪ Review and refine Board job description ▪ Appoint up to two more Board members 	March 06	Board

APPENDIX ONE – CONSULTATION LIST

In undertaking this interview phase the review team, with the assistance of the Small Business Enterprise Centre, met with a range of stakeholders and Board members.

Organisations interviewed included:

- Small Business Enterprise Centre Board members.
- Women in Business.
- ANZ Rural Banking officials.
- National Bank of Solomon Islands
- Department of Commerce, Industries and Employment
- Chamber of Commerce.
- Clients of an evening business course.
- EU Micro project.
- World Vision.
- Kastom Garden.
- SICHE School of Finance and Business Administration.
- University South Pacific.
- Planning officer Guadalcanal Province.
- SBEC clients (Mothers Union, Dorcas, Isabel Women's Association, others).
- Western Provincial Deputy Premier and Deputy Provincial Secretary.
- 20 Business women from Western province.
- Two successful Western province SBEC clients.

APPENDIX TWO - QUESTIONNAIRE

The following questions were asked of organisations interviewed where relevant.

1. Comment on the role of the Centre?
2. What is your relationship with the Centre?
3. Does the centre meet your or your client's needs?
4. What issues are your clients dealing with that the centre can help with?
5. Have you had feedback from the clients?
6. Is the centre accessible and user friendly?
7. How could the service be improved?
8. Do you have any ideas about how the service could be better delivered in provincial and rural areas?
9. Are there other providers you know of similar services?
10. What sort of outcomes do you think the Centre achieves?
11. Do you have any additional comments?

APPENDIX THREE – DOCUMENT SEARCH

The following documents were sought in order to undertake this review.

Documents	Viewed	Not viewed	Comments
Trust Deed	✓		
Employment Contracts	✓		
Job Descriptions	✓		
Performance agreements		✓	Not available
Lease	✓		
Board minutes	✓		Some minutes missing from period 98-2002 and last Board meeting in October 2005
Quarterly reports	✓		
Business Plan	✓		Plans viewed for 03 and 04 years.
Strategic Plan		✓	New plan to be developed by year end
Policy and Procedures manual		✓	Non existent
Training manuals	✓		
Course Evaluations	✓		
Certificate of Incorporation	✓		
Staff work plans	✓		
Training plans		✓	
Performance plans	✓		In business plan
Performance reviews		✓	
Insurance	✓		Only for vehicles
Auditors annual report		✓	Sighted previous two years, current year in progress.

APPENDIX FOUR – LITERATURE REVIEW

Asian development Bank 2005 - Private sector Assessment for the Solomon Islands.

UNDP 2004 - Peace and Conflict Development Analysis, Emerging priorities in preventing future violent conflict.

Australian Government 2004 - Solomon Islands, Rebuilding an Island Economy.

SOPAC 2005 - Summary of current issues and SOPAC response.

APPENDIX FIVE – TERMS OF REFERENCE

TERMS OF REFERENCE FOR THE REVIEW OF Solomon Islands Small Business Enterprise Centre

NZAID has supported the development of small business in Solomon Islands, through the SBEC, since 1998. The goal of the SBEC mission is to "assist, strengthen, and support the development of small businesses in the Solomon Islands particularly amongst needy groups, including women". In addition it will assist the development of financial and general management amongst NGO's and other community organisations, where SISBEC clearly has the appropriate skills and resources to do this.

The purpose of the review will be to assist the development of small business enterprise in Solomon Islands through evaluating the appropriateness, efficiency and effectiveness of the SBEC against its mission objectives. As far as possible, the review should be designed to support the SBEC to evaluate its own performance. The review should be designed as a positive "learning" event that benefits the SBEC and enhances support to small business development.

Background

The Solomon Islands Small Business Enterprise Centre (SBEC) was opened in 1998 as part of a NZAID small business development project. SBECs goal is to assist, strengthen and support the small business sector throughout the Solomon Islands in accordance with Solomon Islands Government (SIGov) policy and NZAID guiding principles as a means of increasing the standard of living of disadvantaged people.

When ethnic tensions increased in 2000, the original four full-time staff members were reduced to just the Manager and an administrator/secretary. Several years of civil and political unrest since then have left the economy of the Solomon Islands ravaged, threatening the survival of small businesses. The Annual Review of 2003 reported an increasingly robust SBEC being maintained by capable, albeit scaled-back, management. It found that while the economy was at its lowest, there appeared to be a benefit from this of people becoming more motivated to undertake small trading activities, reflected in the increased demand for business training from potential and existing businesses/organisations. Among the accepted recommendations were the recruitment of two additional trustees to the SBEC Board, and another full-time staff member for the Honiara office to accommodate expansion of training activities. The acceptance of these recommendations marked an acknowledgement by NZAID that SBEC and its management had developed sufficiently to consider greater expansion of its activities to other provinces and additional professional development for the manager.

Also recommended in the 2003 report was a comprehensive review of SBEC in early 2005 to determine future developments. This is now timely given the positive shift in the small businesses environment over the last year or so due to the return to law and order. It is therefore necessary to assess this shift, and whether it is improving and conducive to private sector development.

The Central Bank of Solomon Islands (CBSI) estimated that the economy grew by 5.8% in real terms in 2003. This recovery started in late 2002, assisted by the improved law and order, and the effective management of Government finances.

The Development Bank of Solomon Islands (DBSI) has not been able to give loans for a couple of years and its future is uncertain. The EU Micro Projects initiative has given grants to approximately 80 small rural projects and plans more in a later phase; however finance for micro- and small-enterprises is difficult to find.

As this is a significant hindrance to potential and existing small business ventures in the Solomon Islands, it is proposed that this review examine and establish links with financial institutions that offer small business credit facilities.

The Role of the Small Business Enterprise Centre

SBEC aims to support small business in order to promote employment creation, economic growth, private sector development and human resources development in the Solomon Islands.

The main focus of the centre is to:

1. Provide business advice and training for existing small businesses and people thinking about starting a small business.
2. Facilitate networking of small business sector participants.
3. Facilitate co-ordination of other organisations involved in supporting the small business sector.
4. Identify potential new enterprise opportunities and encourage rationalisation and diversification.
5. Provide an information service to small business, including a directory of organisations providing services to the small business sector. Develop the capacity for business advice and training in the provinces by providing training and training trainers. Need to review current curriculum to include other issues like legal requirement registration and legal implication.
- 6.

(N.B: Due to recent history and current staffing SBEC is currently unable to focus on objectives (2, 4 and 5)

Scope of the Review

The purpose of the review is to assist the development of small business enterprise in Solomon Islands. The review will:

1. Assess the relevance and appropriateness of the SBEC in relation to small business development needs in the Solomon Islands;
2. Evaluate the efficiency and effectiveness of the SBEC in achieving its objectives (including its institutional and management efficiency);
3. Consider the rationale and options for further SI Gov and NZAID support, and make recommendations to improve and extend the performance of SBEC.

Review Methodology

While a review methodology is described below, the review team will need to work closely with SBEC management and staff to refine the approach and to consider the timing and sequence of the evaluation i.e. meetings, workshops, interviews, collation of relevant literature and so on. As far as possible, the review should be designed as a positive "learning" experience that benefits the SBEC and enhances support to small business development.

The review will draw on relevant SBEC material including:

- Strategic planning documents and annual business plans
- Quarterly and annual reports including financial audits
- SBEC resource material for the delivery of training programmes and advisory services
- SBEC's client database and business advisory systems
- SBEC's internal financial and administrative guidelines

SBEC management and stakeholders will need to be involved throughout the evaluation process both in assessing their own performance against objectives, and identifying recommendations to enhance support to small business. Site visits, particularly to small business (failed as well as successful) and previous clients may be necessary.

1. Assess the relevance and appropriateness of the SBEC against small business development needs in Solomon Islands (i.e. is the SBEC the right approach?)

To assess the relevance and appropriateness of the SBEC to small business needs and development the review team will:

- Analyse the development of the small business sector in Solomon Islands over the period 1998-2004, drawing on available literature, qualitative and quantitative data;
- Assess the current constraints to small business development in Solomon Islands drawing on available literature, and interviews with key stakeholders;
- Analyse the government's policy response for removing these constraints;
- Analyse the difference between roles and training provided by SBEC and SICHE;

- Compare the SBEC model with best practice and evidence of effectiveness from elsewhere in the region.

2. Evaluate the efficiency and effectiveness of the SBEC in achieving its objectives (i.e. is the SBEC doing the "right" things?)

The review will assess and report on SBECs achievements in meeting its mission statement through examining:

- The perceptions of SBEC by core target clients (e.g. women) with a particular focus on SBECs contribution to the development of the clients' business;
- The perceptions of key stakeholders (e.g. the annual client survey, Ministry of Finance, Trade and Commerce and other government departments);
- The level, type, range and reach of services available, particularly geographic reach and ability to reach poorer and disadvantaged communities, gender mix and type of business sectors that SBEC has focused on;
- Evidence that these services are producing results;
- Linkages with other organisations and providers (e.g. Women in Business Foundation) and the role it is playing in small business development in the Pacific region;
- The feasibility of linking SBEC with the Department of Commerce and existing financial institutions;
- The rationale for the proposed expansion of SBEC's activities away from Guadalcanal.

3. Consider the rationale and options for further SI Gov and NZAID support and make recommendations to improve and extend the performance of SBEC

Based on the findings above, the review should:

- Make recommendations for improving SBEC performance to meet current and emerging small business needs. This may include changes to management or institutional structures, a revised vision and strategic focus, the introduction of new activities such as the proposed establishment of links with financial institutions, the expansion of SBEC in the provinces;
- Provide budget estimates for all recommendations.
- Examine how the cost of its recommendations can be met.

Outputs

The review team will provide the following outputs:

- Debriefing meeting with SBEC management, board, and NZAID
- Briefings for the evaluation's key audiences. This may include a draft summary of findings and recommendations for feedback purposes
- A detailed evaluation report setting out the approach to the evaluation, findings of the review with the supportive analysis and recommendations for improving performance and the future direction of the SBEC.

Skills and Qualifications of the review team

- Broad knowledge and experience of small business development/private sector development in developing countries including the Solomon Islands
- Broad knowledge and experience of development issues including credit facilities and small business training
- Evaluation skills
- Knowledge and understanding of capacity building in the Pacific
- Demonstrated understanding of, and commitment to gender and development issues, particularly in relation to income-generation activities, non formal and adult education

- Demonstrated understanding of, and commitment to environmentally and socially responsible business practices
- Cross cultural communication skills
- Demonstrated ability to integrate gender issues in study methodology, analysis and reports
- Ability to write clearly and concisely

Timing

The consultant will be expected to visit the Solomon Islands for a period of up to 12 days (including 2 days travelling). Report writing will be done in country and a draft document left with SBEC management and NZAID Honiara for comment. A final report will be submitted to SBEC and NZAID within 14 days of receiving written feedback from NZAID.