



10 LEARNING CONVERSATIONS

on Entrepreneurship in Tanah Papua

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FOREWORD

ENTREPRENEURSHIP is recognized as a key engine of economic development. New businesses are important means to increase productivity, create new job opportunities and alleviate poverty. In Indonesia, Presidential Decree No. 6 of 2009 on the creative economy acknowledges that economic development can be boosted by increasing the entrepreneurship skills of Indonesians—especially the capacity of young women and men in less developed regions like Papua. More recently, the proposed Basic Principles of P2TP (Accelerated Development for Tanah Papua) highlight the importance of taking into account culture and local wisdom in all development interventions in Papua.

The relation of the entrepreneur with her/his social environment is also at the core of the debate between so-called formalist and substantivist economists. The formalist approach regards the individual as making rational economic decisions based solely on an estimate of future economic benefits, while the substantivist approach places the individual in the context of society and culture, and argues that decisions are not based purely on economic benefits but also on social and cultural considerations.

Indeed, indigenous social and cultural environments offer specific opportunities and challenges for new entrepreneurs. ILO experience supporting the creation of small enterprises in Papua and elsewhere has shown that context matters; that is to say that individuals can only be trained as entrepreneurs effectively and efficiently if social and cultural norms are taken into account.

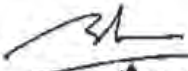
The ILO Convention 169 concerning Indigenous and Tribal Peoples in Independent Countries (C169) also highlights the need to recognize and empower all indigenous and tribal peoples, their ways of life, customs and traditions, institutions, customary laws, forms of land use and forms of social

organization. With its focus on participatory decision-making and consultation, Convention No. 169 is internationally regarded as the appropriate framework for development processes affecting the lives and interests of indigenous and tribal peoples and to stimulate meaningful dialogue.

In line with the Government of Indonesia's priorities, and with the principles of C169, the 10 Learning Conversations on Entrepreneurship in Tanah Papua presented in this publication provide a framework to engage Papuan entrepreneurs in a dialogue to tackle social and cultural issues related to entrepreneurship.

The Learning Conversations propose a balanced view of cultural and social specificities in Tanah Papua, highlighting the positive aspects, especially with regard to income redistribution, community welfare, social capital and stable harmonious social relationships. They also allow space to discuss the practical challenges new entrepreneurs are faced with.

It is hoped this simple tool will support a move away from "one size fits all" development interventions in Tanah Papua towards a more contextualized approach as part of a constant dialogue with the communities.



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INTRODUCTION

THE ILO Education and Skills Training project for Youth Employment in Indonesia (ILO-EAST) aims, amongst other things, to strengthen the entrepreneurship capacity of young Indonesian women and men in six provinces across the country, including Papua and West Papua. The entrepreneurship training package used for out of school youth is the ILO Start Your Business (SYB) module. ILO-EAST encountered some challenges with SYB in these two provinces due to specific social and cultural issues that make it difficult to set up private enterprises in traditional community settings.

The main social issues faced include the high price of social capital; in order to function as a profitable business within the community, the entrepreneur is expected to share with community members sometimes more than what s/he earns, making any individual economic development unsustainable. Cultural issues are defined here as a set of underlying shared values, beliefs, and expected behaviors impacting on the attitude of the community towards new businesses. They may support innovation and risk taking or favour conformity and established group interest.

Previous research undertaken on the subject by the Oikonomos Foundation in Jayawijaya (Burg, 2007), as well as the direct experience of the ILO-EAST project show that Papuans living in traditional communities are entangled in a web of social and cultural obligations that sometimes prevent them from making individual business decisions, but also protect them from external economic shocks.

The purpose of the project interventions is not therefore to deny the importance and the benefits of these social and cultural relations, but rather to identify with the SYB trainees when these relations may prevent economic development, and what actions can be taken to promote positive changes

Social and cultural constraints to entrepreneurship in Papua identified by the Oikonomos Foundation's research include the following: (a) solidarity obligations prevent profit re-investment; (b) businesses are expected to cost share traditional "adat" ceremonies (wedding, funeral or others); and (c) social resentment exists against successful entrepreneurs who are perceived as a threat to social cohesion.

Discussions with communities and SYB trainees during the coaching sessions also revealed certain characteristics of entrepreneur practices that are not specific to Papuan communities (combining business and family finances, giving emergency loans to improve her/his own social standing, etc.) but that still need to be tackled.

The project reviewed the learning conversation methodology from the NGO Freedom From Hunger (FFH) Credit with Education project (see: www.freedomfromhunger.org/about/). As all the education modules of FFH, learning conversations are designed to be relevant to the local context, enjoyable, and easy to use. More specifically, a learning conversation introduces:

1. the issue that has been identified by the community (i.e. what is perceived as being a problem by the community),
2. the positive impact, or reasons that justify the existence of the issue,
3. the negative impact, or reasons that support a change, and
4. possible solutions that can be discussed with the community.

Learning conversations are meant to be used as a canvas for community facilitators to conduct informal discussions on specific subjects, and reach consensual decisions on the steps forward.

ILO-EAST was funded by the Embassy of the Kingdom of the Netherlands in Jakarta. Stitching Duurzame Samenleving was contracted to draft and pilot test learning conversations on entrepreneurship in West Papua. The document also benefited from the inputs of Flora Yvonne de Quelyoe, Novita Taroreh, and Elizabeth Florince Mau, who organized additional group discussions to further mainstream gender issues in the document, as part of a separate ILO contract. The pictures included in this document were taken by Mr. Tauvik Muhamad, ILO Programme Officer. The module also benefited from the inputs of Valerie Breda, and Severine Deboos of the ILO Social Finance Programme, and Virginia Rose Losada of ILO SEEDS. Rolly Damayanti (ILO Jakarta Office), and Steven Schmidt also contributed comments. The conversations were finalized by Hiranía Wirasti and Patrick Daru, respectively Provincial Programme Coordinator and Chief Technical Advisor of the ILO-EAST project. The Indonesian translation was produced by Margaret Augusta. Budi Maryono (ILO-EAST Entrepreneurship Specialist) and Nicki Ferland ensured the proofreading of the final drafts.

The expected readers are the Start and Improve Your Business (SIYB) trainers. The module does not distinguish between different Papuan clans, and there is scope for further refining the conversations with an anthropological understanding of different Papuan groups. In short, the authors rely very much on the trainers' field experience to adapt the wording and the tone to the audience of Papuan women and men they work with.

It is hoped that these learning conversations will help trainers to tackle social and cultural issues that prevent the set up of micro-businesses in Tanah Papua in a non threatening way, building a consensus on what should and should not be changed.

Learning Conversation #1

ISSUE: AN ENTREPRENEUR IS EXPECTED TO SHARE PART OF HER/HIS INCOME IN THE FORMS OF GOODS, GRANTS OR LOANS WITH HER/HIS RELATIVES AND COMMUNITY. THIS SIGNIFICANTLY REDUCES THE ENTREPRENEUR'S PROFIT AND HINDERS RE-INVESTMENT.

Positive Aspects • The practice complies with Papuan traditional customs. • Businesses that live up to their responsibility contribute to community welfare and to equality within the community in terms of access to resources. • The practice contributes to the maintenance of good family relationships and the social status of the entrepreneur. • Debtors will comply with entrepreneur's requests whenever s/he needs some help or support. • Female entrepreneurs are less likely to give loans or grants for status reasons that will jeopardize the success of the business or the welfare of the family.	Negative Aspects • The increased consumption of status-related products, as well as loans and grants to community members, will put the business at risk. • If the entrepreneur stops giving, a conflict will erupt; the practice supports a fragile system of conflict prevention that does not resolve underlying issues. • Even if an amount is loaned to a community member, the entrepreneur will not dare asking for it back. • The practice makes business more difficult and limits the establishment of new enterprises and community economic development. • Securing permission from the head of the village to start an enterprise, for some clans, has an important recurrent cost. • Men often make spending decisions even when women run the business.
SUGGESTED RESOLUTIONS The group may decide that: • Community members' support should not be bought with loans or grants; however, entrepreneurs may decide to support community activities/investments to a level that does not jeopardize the profitability of their businesses. • Loans should not be given to individuals who do not have the demonstrated capacity to repay; to help community members that will not be able to repay, entrepreneurs should either (a) give grants rather than loans; or (b) link the individual to the business for a longer term source of income, using a share of their income as collateral against the loan. • Starting a family/community business where all members have defined responsibilities is better, if it is understood profit will be shared between them anyway. Before starting up a business, it is important to raise awareness among family members about the objectives of the business and the conditions for making it a success in the long run. • The share of the business that will go to the community should be decided in advance in a transparent manner. Credit and grants should be considered a separate activity that will not reduce the original business capital. • Improved bookkeeping practices will allow entrepreneurs to differentiate between business and household cash flow, and decide that loans/grants should not be provided from business funds.	

Learning Conversation #2

ISSUE: SPENDING ON TRADITIONAL “ADAT” CEREMONIES IS COMPULSORY (BE IT FOR FAMILY OR COMMUNITY CEREMONIES).¹

¹ For instance, in some clans (e.g. the Masyorandak in Biak), expensive traditional passing-of-the age ceremonies (e.g. hair cutting and ear piercing) are required for men to access a new status.

Positive Aspects • These expenses contribute to keeping alive traditional practices that are an important part of Papuan identity. • They also contribute to ensuring that inter-family relations remain harmonious, and to preventing conflicts. • Funding these events create social capital that is indirectly useful for business. • Each community member benefits in turn from these expenses; next time there will be a ceremony, the entrepreneur will be invited.	Negative Aspects • Profit re-investment is constrained by spending on traditional ceremonies. • The level of social coercion to spend on these ceremonies is so important for some clans that it prevents business development. • These ceremonies are mostly for men's status and benefit rather than women's. They contribute to the institutionalization of patterns of gender inequality.
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SUGGESTED RESOLUTIONS

The group may decide that:

- To establish detailed costing for ceremonies (such as weddings, hair cutting, ear piercing and funeral ceremony); decide what costs could be reduced, and prepare a realistic family saving plan to be able to meet the expenses when they occur.
- To organize separate group savings for traditional "adat" ceremonies.
- The community can agree to save costs by having a mass celebration within that community (e.g. one party/ceremony for several weddings at the same time).
- To explain to family members that they should share the cost, so that it does not burden the entrepreneur only.
- To advocate with the traditional elders for establishing a contribution limit for community events (as recommended in the Start Your Business (SYB) module Chapters 8 and 9).
- To decide, prior to starting up the business with the community elders, the percentage of profit the business will contribute to the community including to traditional ceremonies.
- To estimate the benefit that can be expected by participating in these ceremonies, and define the business contribution in relation to this expected return.
- To select a business site where "adat" traditional costs (or the cost of securing permission from the village head) are less.
- To map out these indirect costs of doing business in the district/province, and share the results with village elders to produce emulation.

Learning Conversation #3

ISSUE: BUSINESS SUCCESS CREATES SOCIAL RESENTMENT.

Positive Aspects • The fact that Papuans value equality between community members ensures that no one is left behind. • The social capital within the community contributes to the success of the business.	Negative Aspects • Resentment can result in open conflicts between entrepreneurs and families/communities. • Conflict management becomes too time and resource consuming and discourages individual commitment to business. • Unrestrained envy can even trigger open conflict.
SUGGESTED RESOLUTIONS The group may decide that: • Successful entrepreneurs should be encouraged, as they can serve as role models, and emulate healthy competition. • Entrepreneurs should focus on their business and not “show off” because of quick gains; if a profit comes after a committed entrepreneur’s long period of hard work, it is more likely to be perceived as justified by the community than if a quick gain is spent on status-related items. • Entrepreneurs should give more importance to business networking and long-term partnerships where participating businesses progress together (See GET Ahead Module: Module 2.2, Exercise 10 and Module 4.2, Exercise 28).	

Learning Conversation #4

ISSUE: THERE IS NO SEPARATION BETWEEN BUSINESS AND PRIVATE ACCOUNTS.

Positive Aspects

- The business caters to the immediate needs of the family.
- The whole family is committed to protect and maintain business assets.
- Women are more likely to separate business and household management.

Negative Aspects

- The sustainability of the business is jeopardized.
- Business planning becomes impossible as it depends on family needs rather than market reality.
- If family members are allowed to use business cash, it blurs the lines of responsibility within the business.
- Men spend their resources on status-related items/events, and the loss needs to be covered with business profits.

SUGGESTED RESOLUTIONS**The group may decide that:**

- The entrepreneur should share with the family a commitment to separate personal and business property.
- Family based businesses should be designed with clear lines of responsibilities including consensual agreement on the use of funds.
- In the case of a family business, decisions on the use of funds should be made by all with secret bulletins in order to avoid the influence of group pressure on personal decisions.
- An agreement about capital and profit share should be discussed before starting the business, and be officially recorded.
- When conducting training, it is necessary to explain the usefulness of property separation (Get Ahead Module 2.2, Exercise 21 and SIYB Module 5-7).

Learning Conversation #5

ISSUE: SHORT-TERM THINKING–THE LACK OF PERSONAL COMMITMENT TO THE ENTERPRISE’S LONG-TERM GOALS RESULTS IN SPENDING THE PROFIT DIRECTLY RATHER THAN SAVING IT AND/OR RE-INVESTING IT.

Positive Aspects

- The entrepreneur is able to enjoy the business profit, and the enhanced status in the community.
- The entrepreneur feels empowered to do what s/he wants and benefit from improved social status.
- Women entrepreneurs are usually better in profit management, including re-investment of business profit.

Negative Aspects

- The business will be put at risk of bankruptcy because of the entrepreneur's lack of enthusiasm and commitment.
- The lack of the entrepreneur's personal commitment will also translate into low value added goods of limited use for the community.
- If the business fails, the entire community will experience a loss, which may generate conflicts.
- Such an attitude perpetuates irresponsible behaviors and it gives Papuans a bad name; it will reinforce prejudices against the alleged unreliability of Papuans.
- It also contributes to the wrongful perception of entrepreneurship as a non option for Papuans.

SUGGESTED RESOLUTIONS

The group may decide that:

- The entrepreneur should have from the start a clear picture of what s/he want to achieve and what profit re-investment is needed to achieve it.
- Detailed bookkeeping will give a regular picture of the business situation, and serve as a basis for the use of profit. (Refer to Record Keeping of IYB Module).
- The entrepreneur needs to distinguish between needs and wants, and decide on consumption levels based on the available profit.
- Commitment needs to be supported with business development services and coaching from others who have the technical skills/experience of running a similar business, and can demonstrate the benefit of a long-term commitment.

Learning Conversation #6

ISSUE: LACK OF FOCUS OF THE ENTREPRENEUR RUNNING SEVERAL MICRO BUSINESSES AT THE SAME TIME.

Positive Aspects

- The entrepreneur may gain greater income from managing several micro businesses at the same time.
- Multiple sources of income prevent the risk of complete bankruptcy.
- It increases the exposure of the entrepreneur to different types of business.
- It is more fun, as the entrepreneur avoids routine.
- Women are more involved in home based businesses. While it limits the scope for the use of their skills, it also allows them to keep a focus even of diverse sectors of activities.

Negative Aspects

- The entrepreneur does not have time to specialize in the technical skills of the business s/he is running.
- The entrepreneur cannot commit the necessary time to a particular business and make it grow in the long run.

SUGGESTED RESOLUTIONS

The group may decide that:

- Time management, proper planning and delegating responsibility are key to running several businesses at the same time.
- If the entrepreneur is to develop several businesses, s/he may decide to do so as part of a value chain approach, i.e. several businesses contributing to the transformation of the initial input.
- The entrepreneur should manage her/his time and limits her/his businesses in order to give sufficient attention to businesses s/he owns and learn the skills s/he needs.
- S/he can delegate management responsibilities after having defined in detail what the tasks at hand are and which skills the appointed manager should have.

Learning Conversation #7

ISSUE: GENDER DIVISION OF TASKS AT HOUSEHOLD LEVEL LIMITS THE OCCUPATIONS/TASKS MEN AND WOMEN CAN UNDERTAKE.

Positive Aspects • Skills are passed on between generations of women and generations of men; it contributes to intergenerational bonding. • Women are good at saving and at taking care of the family's welfare with their income, while men usually take care of tasks outside the home.	Negative Aspects • Women's occupations are too often limited to home-based activities or subsistence agriculture, while men get more easily involved in paid jobs and larger commercial activities. • Men may not be as mindful of the buying and selling prices of products/services as women. • Men do not usually spend income on households but on status-related items and ceremonies.
SUGGESTED RESOLUTIONS The group may decide that: • Women and men will discuss the possibilities to improve the sharing of home-based tasks, and the possibilities for women to expand activities outside the home. • Traditional skills should not only be transferred from men to boys or from women to girls but across gender lines. • Women should adopt some of the traditional status attributes of men (dance, clothing, etc.) to affirm the recognition of their right to equality, as already done by some Papuan women.	

Learning Conversation #8

ISSUE: DISCRIMINATORY HABITS AND/OR LACK OF CAREFUL CHOICE RESULT IN ETHNIC PAPUANS PAYING A HIGHER PRICE FOR LOWER QUALITY GOODS/SERVICES.

Positive Aspects Discriminatory practices do not have positive aspects, neither for ethnic Papuans nor for non Papuans.	Negative Aspects - Finished goods sold by the Papuan businesses will also be of lower quality for higher price, resulting in loss of competitiveness. - This practice contributes to ethnic tensions between ethnic Papuans and non ethnic Papuans.
SUGGESTED RESOLUTIONS The group may decide that: - Before procuring goods/services, the entrepreneur should define all the requirements, including quality-related details, and conduct price comparisons (by collecting quotes). - The entrepreneur should take into account the transport cost, which has a large impact on prices in hard to reach places of Papua. - The entrepreneur should not shy away from asking prices, asking for discounts, and refusing to buy if the goods/services do not meet the requirements. - The entrepreneur should learn negotiation skills from a more senior business partner or from a coach in order to ensure s/he gets good value for her/his money. - Trainers need to further explain "Buying" in the IYB Module.	

Learning Conversation #9

ISSUE: BRIBERY² AND CORRUPTION PREVENT THE BUSINESS FROM GROWING.

² Bribery is defined here as “the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal or a breach of trust” (see Transparency International “Business Principles for Countering Bribery,” 2009, p.5).

Positive Aspects

- No known positive aspects for the community or for the entrepreneur.

Negative Aspects

- The cost of corruption is passed on to the business, making it uncompetitive.
- Opportunities for economic development are wasted for personal gains.
- Corruption encourages individuals to get richer without working (rent seeking behaviors).
- Corruption rewards inefficiency and encourages red tape.
- Corruption prevents poor people from accessing the market, as they cannot pay the entry fee.

SUGGESTED RESOLUTIONS

The group may decide that:

- The entrepreneur should never accept corruption money and should make one's stand against corruption known to all.
- A coalition against corruption should be established, including "adat" traditional authorities, and should explain why corruption needs to be eliminated.
- At election times, candidates should be encouraged to make the eradication of corruption a core theme of their campaign.
- As much as possible, report corruption cases and hold corruptors accountable.

Learning Conversation #10

ISSUE: ENTREPRENEURS DON'T PAY BACK CREDIT, OR NOT ON TIME, AND/OR NOT WITH INTEREST.

Positive Aspects

- The entrepreneur who secured the credit will be able to get the business capital so s/he can run a business.

Negative Aspects

- Banks, Cooperatives or Micro Finance Institutions will no longer trust the entrepreneur and s/he will no longer have access to financial services (savings, credit or insurance).
- The low repayment rate at the bank level will result in higher interest rates for other Papuans considered as “difficult” or even non bankable by creditors.
- It perpetuates a culture without credit discipline that affects the community reputation with the banks, and reduces Papua’s development.

SUGGESTED RESOLUTIONS**The group may decide that:**

- The community should back the loan and ensure they are repaid on time, as default will affect all community members.
- The entrepreneur should be convinced that maintaining creditors’ trust is crucial to future business expansion.
- Careful planning should include credit repayment; systematic bookkeeping should allocate resources for this.
- Creditors should be paid back as a matter of priority.

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