

# The RETA-H Process

The Rural Economic Transition Assistance – Hawai'i (RETA-H) Program was established to use business incubation as a means to achieve rural economic development. In the wake of economic collapse in the communities impacted by the closing of sugar plantations, RETA-H provided funds as grants to individuals and groups who wanted to create a new agriculturally related business or expand an existing one in a targeted area. These businesses needed to attain the following RETA-H Program goals: (a) provide jobs, preferably as owners of businesses, for former sugar workers and others economically disadvantaged by the loss of the sugar industry, (b) place former sugar lands back into agricultural production, and (c) stimulate the economy in former sugar communities through the expansion of diversified agriculture.

The process was designed as a transparent, self-selecting system. The applicant first submitted a two-page, five-question "concept statement" that described the proposed project, how it conformed to the RETA-H goals and grant requirements, and how the funds would be used. Commonly, these concept statements were worked out carefully with RETA-H staff who helped applicants create a project that would fit the requirements of RETA-H. These concept statements were evaluated at quarterly meetings by an Oversight Committee of prominent volunteers, most of whom were from the business community.

If the concept statement were accepted, then the applicant was asked to complete a full proposal that included many aspects of a five-year business plan, as well as responses to questions on the fit of the project to the RETA-H Program. The full proposal was reviewed and evaluated by the Oversight Committee at the meeting following its submission. If the full proposal were approved as a viable business that would further the goals of the RETA-H Program, the applicant was approved for funding. Grant funds were then disbursed as reimbursements for approved expenses in the full proposal's detailed one-year budget.

Applicants received support in the form of consulting, technical assistance, and administrative support at all phases of this process, from developing their concept to field activities and submitting monthly invoices and reports. The Hawai'i SBDC Network provided this support through its six offices located on the four islands where the RETA-H Program was available, as well as through technical support services provided by the program's own technical consultants.

Extensive efforts were made to select projects that would succeed while fulfilling the intent of the grant and then to ensure their continuing success through business and technical support. However, these support efforts were designed to be risk-reduction measures, not risk elimination measures. RETA-H was designed for high-risk projects.

Even so, the results have been significant. Only 13 projects (16.9%) out of the 77 field projects failed over the 10-year history of the program, while another 7 projects ceased operations at some point and returned funds. A total of 57 projects (73.0%) continue as successful operations. Many statistics are given regarding business failure rates and none is too reliable. However, one of the better-grounded figures is that nationally only 50% of businesses with employees are in existence after four years. This is based upon a national closure rate of 10.2% annually.

(See: <http://www.sba.gov/advo/stats/sbfaq.pdf>). Studies further indicate that non-employer firms fare less well. In Hawai'i, the business failure rate is 14.5%, meaning that approximately 14.5% of all businesses close each year or 42% will have survived over a four-year period. The RETA-H Program with its high-risk ventures has fared far better with 73.0% of the field projects having survived. Reasons given for RETA-H businesses not continuing operations included disabling illness, death, failure of infrastructure, crop diseases, and severe drought.

<u>Success Level of Projects</u>	<u>No. of Projects</u>	<u>Percentage of Projects</u>
Flourishing	23	29.9%
Successful	34	44.1%
Returned Funds	7	9.1%
Failed	<u>13</u>	<u>16.9%</u>
Total	77	100.0%