## ACTIVITY: Result 0 - Management & coordination of TAT, A 0.4.1 Articles inserted in web platform (capacity4dev.eu),

## BRIEF INTRODUCTION: This is the first article of a series of 3 to be produced under the Service Contract implemented by SOFRECO under Component 3 of the RED2 programme. Although each article introduces a specific topic they are all interdependent and aim at showing the project’s progress and impact and constraints met over its period of implementation.

The first article will introduce the challenges of Papua New Guinea’s Highlands agriculture sector, the second shall detail the approach proposed by the project and the third will resume its results and impact.

## SUBJECT: Article 1 date of September 2017.

**TITLE**

"Introducing the challenges of Papua New Guinea’s Highlands agriculture sector"

## Country background

Papua New Guinea (PNG) is a low middle-income country and the biggest economy in the Pacific region with a landmass of almost 420.000 sq./km and between 75% and 80% of its population. PNG per capita income is US$2,399 (PPP basis) (2014) and is the biggest and fastest growing economy in the Pacific region with an annual GDP of over US$ 16 billion forecast in 2015 supported by the growth in the non-renewable mineral sector (mining, oil & gas). However, in spite of continuous economic growth in the past 10 years mainly driven by commodity prices and attractive conditions for foreign investors in the mining industries PNG is in the top 10 of the most resource dependent economies with 29% of GDP coming from resource rents, which makes it vulnerable to external economic shocks. As a result of the downfall of oil and gas and key commodity prices as well as the impact of the drought in 2015, projections of GDP growth in 2016 were revised downwards, to 4.3% according to government sources, or 3% according to some economic analysts.

Moreover, PNG is one of the poorest countries in Asia-Pacific and in the world. The number of people living with less than 1 US$/day is about 40% and more than one third of Papua New Guineans are living in poverty with an overwhelming share of the country’s rural communities characterised by deprived access to clean water, sanitation, health care, education, electricity, communication and transport in addition to a poor ranking on the UN Human Development Index (HDI 2014) for which the country did not meet any criteria set for 2015.

In this context, the agriculture sector is the predominant source of livelihood in PNG accounting for more than 65% of the total labour force and 35% of the GDP in 2014. About 40% of the population is under the age of 15 and 85% of the population lives in rural areas. Agriculture produces all the food for subsistence and provides the basis for employment and income generation for over 82% of the population who live in rural areas and practice mainly subsistence agriculture. For most Papua New Guineans, agriculture fills their lives, physically, culturally, economically, socially and nutritionally. Most important staple food crops include sweet potato, sago, banana and various types of taro and yam. Important cash export crops are oil palm, coffee, cocoa, coconuts (copra and oil) and to a lesser extent rubber and tea.

## The agriculture sector in PNG

There are still large disparities between urban and rural areas and between provinces in PNG. In this sense, growing wealth has mainly benefited small urban-based segments of the population, leaving many communities marginalized from recent macroeconomic successes, particularly in remote rural areas. Rural people living in areas with access to markets to buy and sell products or with job opportunities (e.g. on plantations or mines) are relatively well off. They live within the cash economy and are able to more easily satisfy needs above subsistence level. In areas where services still exist and land quality is satisfactory, subsistence farmers go forward even if they are isolated, with country-wide 83% of food energy being produced locally. But those populations who are cut-off from main roads and living in minimally serviced villages and outside the cash economy are more likely to live at subsistence level, especially if their lands are poor.

In recent years the estimated growth of the agriculture sector was well below expectations, and often around 1%, compared to a population growth of 2.7%. This situation naturally affects the rural population that depends exclusively on agriculture for their livelihood and is further impacted by poor governance and management as the development of the agricultural sector has been driven on an ad-hoc basis without proper coordination and control and a market environment where more than 85% of consumption depends on imports. Furthermore, land tenure has often been blamed for the slow pace of development of agriculture since 97% of the land is under customary ownership and only 3% is under leasehold or freehold title. Customary ownership of land bestows ownership of land on the clan and legislation prevents sale of customary land unless it has been converted first to leasehold land. In addition, climate change is threatening a large number of rural communities including their livelihoods. Mitigation and adaptation strategies are being developed by the Climate Change Development Authority (CCDA) and donors in order to tackle these negative effects. After the recent 'Paris Agreement' in December 2015 it is also expected that more efforts and resources will be available to face climate change in PNG.

**Policy and strategy context**

In 2010, the Government of Papua New Guinea adopted the strategic long-term **Vision 2050** which aspires for Papua New Guinea to be a "smart, fair, wise, healthy and happy society by 2050". Developed as an overarching development plan cutting across sectors, it is based on seven pillars: 1. Human capital development, gender, youth and people empowerment, 2. Wealth creation, 3. Institutional development and service delivery, 4. Security and international relations, 5. Environmental sustainability and climate change, 6. Spiritual, cultural and community development and 7. Strategic planning, integration and control) and will drive PNG development initiatives over the coming 40 years. The Vision acknowledges that improvement of the overall service delivery and wealth creation – particularly for the rural population – is a priority and that critical infrastructures and utilities are necessary to create enabling environments, economic corridors and increase services delivery in general.

The **Development Strategic Plan 2010-2030** translates Vision 2050's priority areas into concise directions for sector interventions. It also embodies the directives of the PNG Constitution, in particular, the principles of equity and participation by which "all citizens should have equal opportunity to participate in and benefit from the nation's development". With the vast majority of Papua New Guineans living in rural areas, rural prosperity is a major emphasis of the Development Strategic Plan.

In this context, the GoPNG has launched the **National Strategy for Responsible Sustainable Development (StaRS)** thatcalls for a paradigm shift towards a sustainable clean energy and resource using low or zero carbon-generating ‘green’ or ‘clean’ inclusive economic growth path aimed at strengthen PNG’s strategic positioning and economic competitiveness in the world, while at the same time able to contribute to a high quality and better life for all Papua New Guineans now and in the future.

Guided by the Development Strategic Plan 2010-2030, the **Medium-Term Development Plan** 2011-2015 (MTDP1) outlined key objectives, strategies, indicators and sectoral targets for PNG. For rural development, its goal was to focus on rural prosperity as economic development in rural areas has been slow and stagnant since independence. The Government’s priority was to improve service delivery in rural areas thus most deliverables in the Medium-Term Development Plan were focused on rural communities.

However, most of these challenges remain and the GoPNG has launched the **Medium-Term Development Plan 2** 2016-2017 (MTDP 2) with similar objectives to MTDP 1. For agriculture, the goal is to support large scale agricultural enterprises and smallholder growers more generally to meet domestic and international needs. In addition, to improve public services, the Government is firmly committed to the decentralisation process. In accordance with the **Organic Law on Provincial and Local Level Government**, District Administrations have drawn-up development plans and receive already considerable finance to improve public services. Sustainability of these services may depend on increased family income through future development of the rural economy and local revenue collection mostly from trade.

However, such expectations meet the realities of rural and agricultural Papua New Guinea characterised by a very rugged terrain in the Highlands and isolated coastal areas, an important lack of business oriented infrastructure (e.g.: roads, dry or cold storage areas, HACP oriented laboratories, open air markets), high road or air transportation costs, low business education levels, ineffective financial services and limited rural extension service delivery. These issues are clearly outlined in all Government strategy documents and they are the basis for the Rural Economic Development Programme - Phase 2 (RED2) which aims at improving the livelihoods of people living in rural areas of Papua New Guinea and more specifically in the Highlands Provinces of PNG.

The **main problem areas** identified for this new phase of RED2 are:

1. Unproductive agriculture value chain and restricted market access:

The poor state and high costs of transport, infrastructure and communication are major impediments to agricultural development in PNG and specifically in the Highlands region. These factors together with the lack of proper agricultural market oriented planning impede the establishment of a strong value chain and therefore undermine the development of business opportunities in the agriculture sector.

1. Weak governance on the agriculture sector:

Limited public management system and capacity constraints have hindered sound governance in PNG resulting in an unsteady economic growth and therefore poverty levels remain high. These factors have a direct effect on the rural sector where the main agriculture institutions face capacity and resources constraints. Inadequate internal coordination between national, provincial, district and local authorities hinders a coordinated implementation of policies including service delivery and consequently undermines the entrepreneurial and business capacity of rural local producers and businesses.

For lessons learnt, the first phase of the EU funded **Rural Economic Development (RED1) Programme** is very important to consider, particularly the contribution to the Productive Partnerships in Agriculture Programme implemented by the World Bank (5M€) aimed at improving the livelihoods of smallholder cocoa producers and the Community led Development Pilot Project implemented by UNDP (1M€), aimed at supporting local villages through support to Community Based Organisations. Both projects demonstrate that the rural development sector in PNG is still facing serious constraints in terms of agriculture value chain supply, market access and competitiveness and therefore solid, realistic and strong project design from the beginning is paramount. Ongoing projects under RED2 also provides many lessons learnt, especially the project **Agricultural Innovations for Improved Livelihoods in the Highlands region**implemented by the National Agriculture Research Institute (NARI) with which this project will be directly linked to facilitate training and capacity building to farmers and PNG authorities. The project **Improving access to financial services for agricultural value chain financing** implemented by UNCDF is also providing valuable information in terms of micro and capital insurance to benefit farmers. Both projects demonstrate that permanent coordination is needed to ensure efficiency and avoid duplication and therefore reinforce farmers' capacity.

**Rural Economic Development Programme - Phase 2**

The RED2 represents an integrated approach in responding to the here above mentioned main problem areas, which **overall objective** is "improving the livelihoods of people living in rural areas of Papua New Guinea" and more specifically in the Highlands Provinces. The RED2 is constituted of three interdependent components, each aiming at contributing to the same overarching objective:

* Component 1: Improved rural infrastructures, implemented by the ADB (contribution agreement);
* Component 2: Access to financial services for agricultural value chain, implemented by the UNCDF (contribution agreement);
* Component 3: Value chain development support services and service delivery capacity of local government, implemented by NARI (grant contract) and **SOFRECO through a Service Contract for provision of Technical Assistance.**

The following table, extracted from the corresponding Financing Agreement provides a summary of the RED2 project and introduces SOFRECO’s service contract which correspond to activity 3.1.2.

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| Results / Activities | ***Component 1 –* Rural infrastructures are improved in the Highlands Region (the Action)** | |
| Activity 1.1 | Preparation of rural infrastructure investment programme. With the Department of Works, based on selection criteria, identify and formulate the priority investment areas of the Highland region. |
| Activity 1.2 | Development of rural infrastructure investment for market access*.* Detailed design and preparation of suitable bid and contract documentation for rural road rehabilitation and maintenance works; Supervision, maintenance planning and socioeconomic and environmental impact and monitoring studies; Procurement and contracting rehabilitation works on selected rural roads; Working with target community groups, Districts, LLGs and other relevant stakeholders to develop and introduce sustainable regimes for routine and periodic maintenance of the rehabilitated transport links. |
| ***Component 2 –* Access to financial services for agricultural value chain financing is further developed in the Highlands Region** | |
| Activity 2.1. | Support to the development of rural microfinance institutions through a grant making facility for eligible institutions to increase the financial security and build the financial resilience of low income and rural households, especially women. |
| Activity 2.2 | Financial Inclusion TA team with the specific aim to support the institutional and technical capacity of the rural microfinance institutions, as well as the capacity of the potential recipients. |
| ***Component 3 –* Value chain development support services and service delivery capacity of local government in the Highlands Region** | |
| Activity 3.1 | Improve value chain development support service. |
| Activity 3.1.1 | Accelerate income generation from agriculture produce in the Highlands region, facilitating: (i) access to information and knowledge on improved and new technologies and agricultural best practices; (ii) establishment of new and reinforcement of existing Farmer Resource Centres[[1]](#footnote-1) (FRC); (iii) analysis on development on second generation problems and emerging research issues. |
| Activity 3.1.2. | Based on act. 3.1.1, Value chain development support services and improvement of service delivery capacity of local government in the Highlands Region through the provision of technical support to farmers, farmers' organisations, rural communities, and the provision of training of trainers and guidance to qualified trainers. Analysis of farmers' feedback under the form of "request for support" from rural communities and farmers organisations; Training of trainers; Qualified trainers to be recruited for "follow up on-the-job reinforcement and guidance" to targeted communities.  Building the capacity of Department of Provincial and Local Government Affairs (DPLGA) to develop appropriate analysis and policy responses to local level development. Focus on support governance initiatives with the aim to facilitate the link between local administration (districts, provinces) and rural communities in terms of rural economic development funding. |

**Component 3 and implementing Entities**

The Component 3 is being implemented by NARI and SOFRECO, two different entities whose performances are interconnected and pursue concurrent objectives. NARI, whose headquarters are in Lae (Morobe Province), kicked off the implementation of Component 3 on June 2016 and based a TA team in its research stations in Tambul (Western Highlands Province) and Ayura (Eastern Highlands Province).

The scope of NARI’s intervention comprehends:

* Identifying three new crops by means of a needs survey to farmers;
* Building a network of up to 10 Farmer Resources Centres (FRCs) around the Highlands region;
* Producing manuals of best practises, one for each new crop, which should support the development of a training programme benefitting FRCs’ partner farmers and neighbouring rural communities.

The purpose of the Technical Assistance provided by SOFRECO is "to ensure the establishment of effective value chain development support services and service delivery capacity of local government in the Highland Regions". That purpose has been amended to reflect the short timeframe of the services contract, therefore being "value chain development support services and service delivery capacity of local governments in the Highland regions are improved".

Main results to be achieved are as follow:

Result 1: Farmers, farmers' association and rural communities have access to appropriate information and training tailored to their needs through Farmers Resource Centres (FRC);

Result 2: Farmers, local authorities and value chain operators are benefiting from an improved capacity in the agro-rural sector.

The geographical area to be covered for the component 3 shall be the seven provinces of the Highlands region in Papua New Guinea, broken down into:

Upper Highlands: Hela, Western Highlands, Southern Highlands and Enga Provinces;

Lower Highlands: Eastern Highlands, Simbu and Jiwaka Provinces.

The target groups of the intervention are:

For result 1: Small holder-farmers and emerging small-scale producers' group requiring support to income generating activities for the purpose of livelihood enhancement. Within these groups, women's group will be targeted as well as the most vulnerable sub-groups (women headed households and poor farmers);

For result 2:

Ministry of Works, Districts and LLG administration,

National and provincial planners and providers/coordinators of extension and advisory support services,

The private sector (intermediate traders/buyers and main buyers/storage and processing facilities),

Small holder farmers.

All in all, **the TAT is expected to provide awareness training to a wider scope of public and private sector beneficiaries** by challenging the current Highland’s agriculture production oriented paradigm and introducing more effective market oriented concepts to improve the understanding, positioning and capacity of provincial and district governments, available extension services as well as social and economic operators’ capacity to meet conditions **to build a sustainable market and marketing conditions** for farmers and rural communities.

**Technical Assistance’s approach**

The absence of markets for farmers and the process to attain such purpose shall be addressed through a pilot case training based on 3 key subjects:

Reinforcing and upgrading agriculture skills using the 3 crops (sweet potatoes, Irish potatoes and bulb onions) promoted by NARI as a ground examples;

Promote Value chain development; and

Introduce agri-business development models.

The pilot case shall build on the interdependence of these three topics and their joint contribution to the development of a sustainable and viable market place to illustrate critical market economy principles and notions, such as: demand oriented farming production and market segmentation and positioning. Furthermore, it will propose realistic solutions to close the gap between agricultural production and economic development.

This methodology will also shift the original individual thematic delivery to a skills development oriented process. To that effect a training cycle of three phases has been outlined as per as the following figure:

It is expected that such sequential approach leads to:

Common understanding of key market economy concepts across all beneficiaries and subsequent qualitative strategic dialogue;

Build a portfolio of advisors and trainers;

Transfer know-how and competency in key market economy notions for sustainable strategic economic and rural business development.

1. FRC Concept: The FRCs are to be a value chain support mechanism, based on community requests for specific agricultural products. A network of 10 FRC are established by NARI around the 7 Provinces of the Highlands region and their particular location are selected on a necessary critical mass for effective and efficient agricultural production, processing and marketing of the selected product. [↑](#footnote-ref-1)