



**PRODUCTIVE PARTNERSHIPS IN AGRICULTURE PROJECT
(PPAP)**

**BI-ANNUAL PROGRESS REPORT
FOR THE PERIOD 01ST OCTOBER 2015 – 31ST MAY 2016**

INSERT COCOA AND COFFEE PHOTOS HERE

I. EXECUTIVE SUMMARY

1.1. Introduction

This report covers the implementation period from October 2015 to May 2016. It intends to provide an update on project implementation, results achieved, challenges and lessons learned. The report will outline the components under the project, the activities implemented and their status as well as the challenges and recommendations. The analysis and recommendations are from the Project Coordination Unit and is based on the reports received from the two (2) Project Management Units.

1.2 Background

The majority of PNG's population (86 percent) resides in rural areas and is largely dependent on semi-subsistence agriculture. Agriculture accounts for approximately a third of GDP and the sector is dominated by smallholder farming systems. Coffee and cocoa are the main cash crops.

Approximately 20 percent of PNG's rural population is engaged in cocoa production, processing and sale. Cocoa is the largest single source of income in East New Britain Province, the Autonomous Region of Bougainville as well as the MOMASE provinces. The cocoa sector itself has been devastated by the emergence of cocoa pod borer (CPB), a serious and difficult to control pest which causes significant crop yield loss. While technical solutions are available for CPB control, their adoption will require a substantial scaling-up of farmer support services and on-farm investments. The Cocoa and Coconut Institute (CCI) released 10 CPB-tolerant clones of cocoa in 2012; these could be used under the AF to accelerate the response of the cocoa industry to CPB.

Approximately 2.5 million people (about 400,000 families), over one third of the population, are dependent on coffee production, processing and sale for their livelihood. However, productivity is low, with yields on average 30-50 percent of their potential; quality has also been deteriorating. There is little empirical data available, but the reasons behind low productivity have been documented in recent research: lack of support services to promote improved tree husbandry practices; lack of adequate replanting (most of the trees are over 40 years old and well beyond their optimal production age); constraints to market access and quality issues that reduce farm-gate prices and smallholders' incentives to invest in or harvest coffee; and law and order issues.

PPAP was approved on April 29, 2010 and was signed on August 9, 2010. The project had co-financing of US\$ 25 million from IDA and US\$14 million from IFAD. Government of Papua New Guinea (GoPNG) was to contribute US\$1.5 million. As of June 2015, US\$15 million had been disbursed to finance project activities.

The project's Mid-Term Review (MTR) in November 2013 confirmed that significant progress has been made in implementing PPAP. PPAP's performance has been consistently rated Moderately Satisfactory or above. Overall, the project is on track to meet the original target values of key indicators. Based on this success, the Independent State of Papua New Guinea requested the World Bank and IFAD for additional financing. The World Bank approved US\$30 million and IFAD will provide US\$22.0 million. Therefore, the total loan financing for Phase I and II is now **US\$ 91.0 million**. The completion date of the project is now extended from 30th of June 2016 to June 2019.

The Development Objective of the project is *to improve the livelihoods of smallholder cocoa and coffee producers supported by the Project. This objective would be achieved by implementing the following components, namely; Industry Coordination and Policy Development, Productive Partnerships and Market Access.*

The cocoa producing provinces currently benefiting from PPAP original financing are Autonomous Region of Bougainville (AROB) and East New Britain, and the additional financing will cover Morobe, Madang and the two (2) Sepik provinces. The coffee producing provinces currently benefiting from original financing are Eastern Highlands, Simbu, Jiwaka, Western Highlands, and the additional financing will support Enga, Southern Highlands, Morobe, Madang, East Sepik and East New Britain. Support will also be extended to other provinces where there a private sector partners involved in cocoa and coffee production.

With additional financing, the targeted beneficiaries have now increased from 18,000 to 60,000 households.

II. PROGRESS WITH COMPONENT IMPLEMENTATION

1. Key Results under Component 1, Progress, Achievements and Lessons

A. PROJECT COORDINATION UNIT

1.1 Project Management & Coordination

The Unit is fully staffed and operational. Within the reporting period, three (3) new long term experts have been recruited to deal with, finance, nutrition and gender activities within the project.

As per the recommendations from the 2014 Audit Report, the former Finance Officer's contract was terminated in December 2015 and a new officer has been recruited. He started work on Monday 11th April 2016.

The PCU also initiated the process of recruiting new Coffee Project Managers for Cocoa and coffee whose contracts are due to expire in June and August respectively.

Staffing: PCU is currently staffed with a Project Coordinator, a Senior Monitoring & Evaluation Officer, a Senior Finance Management Officer, a Gender Specialist, a Nutrition Specialist, an Office Manageress, a Driver and an Office attendant. The former Office Manageress left the PCU in May 2016 after she was offered a position as the Fiduciary Officer with the Cocoa PMU.

1.2 Finance

Consolidated Quarterly IFRs are usually submitted to the Bank and Monthly Financial Reports are submitted to Government as stipulated under the Trust Deeds and required by the Public Finance Management Act. However, during this reporting period, only the 2nd Quarter IFR was submitted to the Bank. The 3rd and 4th Quarter IFRs were only submitted in April 2016 when the new Finance Officer came on board on 11th April 2016. The Withdrawal Applications are for the PCU were prepared by the Cocoa PMU during the period prior to the new finance officer coming on board. The WAs are usually processed via Client Connections by the Manila Office.

With Additional Financing, the advance has increased from PGK350, 000 to PGK700, 000. This will surely improve the cash flow situation within the three (3) units. The WA financing split has also been amended to 61% and 39% from 64% and 36% IDA and IFAD respectively. The issue of over expenditure under Category 3 has been resolved with Additional Financing which is being currently being drawn down.

PCU Finance: The PCU operates two trust accounts. As at 30th April 2016, the total cash balance in the IDA Trust Account were at **PGK81, 585.00**. The cash balance under the GoPNG Trust Account is PGK **120,000**. Most of these expenditures incurred under these two Trust Accounts were related to consultancy services, monitoring & evaluation, facilitation of PPAP meetings and office operational costs.

1.4. PPAP Drawdown/Disbursements

Drawdown or disbursement rate of funding is approximately 26.5% which includes additional financing. This drawdown rate is too low thus a lot needs to be done between now and 30 June 2019.

The drawdown/disbursement situation of the original financing as at 30th April 2016 is as follows:

- Total Loan Financing : SDR 25,620,000 or US\$35,964 million or PGK103, 196 million
- Total Drawdown : SDR13, 472,663.80 or US\$18,270,496.10 or PGK52,426,100.70
- Total Available : SDR12, 147,336.20 or US\$16,473,198.00 or PGK47,268,860.80

Additional Financing is now being drawdown.

The drawdown situation for the total financing is as follows:

- Total Loan Financing : SDR 59,450,000 or US\$. 80,621,101.20 or PGK231,337,450.00
- Total Drawdown : SDR15, 743,243.80 or US\$21,349,666.10 or PGK61,261,595.70
- Total Available : SDR43, 706,756.20 or US\$59,271,435.00 or PGK170,075,854.00

Based on the above information, we need to do more out in the field and that sharing of resources and collaboration with stakeholders is now vital. PPAP has to be owned and implemented by the concerned agencies and not only by the Project Implementation Units. We also have to review how we are doing things and to look at innovative ways to implement activities that will directly impact our farmers. For instance, in some partnerships, farmers can afford tools thus these could be eliminated and we should concentrate on activities that they really need (such coffee husbandry trainings) and supply of eco-pullers with simple gravity feed water supply systems so as to ensure good quality coffee processing.

1.5 Procurement

During the reporting period, the procurement plan was updated in consultation with the two (2) PMUs. New procurement items under the PCU included a Nutrition Specialist and related

activities, a Gender Specialist and related activities, the Senior Finance Management Officer, Finance Advisor, Procurement Advisor, Follow-up Survey and three (3) new members of the Technical Appraisal Committee (Coffee Specialist, Cocoa Specialist and the Social Development Specialist). An updated procurement plan is attached to this report.

During the next reporting period, a new procurement plan will be prepared and presented to the stakeholders.

1.6 Project Steering Committee

The October 2015 PSC meeting was held in Port Moresby and the next will be held also in Port Moresby due to financial constraints as this activity is financed by government.

1.7 Technical Appraisal Committee

Three (3) new members of the Committee who have been contracted are Dr. Eric Omuru Cocoa Specialist), Dr. Norah Omot (Socio-economist) and Mr. Mathew Kanua (Coffee Specialist). Mr. Paul Barker was retained as the Chairman of the Committee. Three meetings are envisaged during this reporting period but only two (2) meetings were actually held (Call 3 for Cocoa and Coffee). Call 4 for Coffee is envisaged during May 2016.

1.8 Monitoring & Evaluation

The PCU now has capacity to analyse data from the two (2) PMUs. The attached update the Project Results Framework outlines progress over the two (2) years. However, the PCU does not receive the progress on time but appreciates the challenges being faced at the partnership level. The last World Bank Implementation Support Mission also indicated this short coming and has recommended the project to analyse this challenge and to implement practical solutions to enhance efficiency in regular reporting.

As part of the PCU M & E, there is a need for the PCU to be involved in the Quarterly partnership visits as well as Annual Stakeholder Consultation Meetings.

The PCU will attend the upcoming Stakeholders Meeting for Coffee and provide necessary support where required.

From the PCU's perspective, there needs to be a review of Component 1 activities. Several studies have been completed with clear recommendations. These recommendations need to be analysed and implemented. This is to avoid the practice of reports being filed away to collect dust. In regard to Component 2, it is the PCU's view that the performance of all the lead partners have to be reviewed with the possibility of terminating those that are not performing to expectations and getting on board new lead partners to support the farmers who deserves the support. Those that are performing well should be rewarded by up-scaling their activities to include more farmers.

In regard to Component 3, there has been a very good progress for the Cocoa roads whilst the coffee component has been somewhat frustrating with only 1 bridge has been completed. Five log bridges were constructed during this period but financed under GoPNG. The tender evaluation for a road was declared ineligible hence time was spent to produce new tender document for NOL.

1.9 Regular Reporting to Government

Regular bi-annual reports are produced and circulated to government stakeholders as well as the World Bank, IFAD and the European Union. Most of these reports in the past were activity

oriented and we are now embarking on preparing analytical reports. These reports are results oriented and will outline progress related to the Results Monitoring Framework. As indicated above, the PCU is providing its views and recommendations.

1.10 Procurement Advisor

Due to the need associated with Component 3 tenders, the contract for the Procurement Advisor has been extended to provide some on-shore and mostly off-shore support. The Procurement Advisor and the Bank's Civil Engineer are now providing the required support to the 2 civil engineers in order to fast-track the implementation of this component.

1.11 Annual Audits

There was a lengthy delay in the execution of the 2015 audits due to the missing files and the subsequent recovery of finance files within the PCU. This has been resolved and the financial statement has been consolidated, finalized and delivered to the Auditor General for the audit to start immediately. It is envisaged that the audit report will be delivered by the end of July or early August 2016.

1.12 Visibility of PPAP

During the 9th Implementation Support Mission in October 2015, DAL's Information and Communication Officer was involved so as to enhance the visibility of PPAP. An eight-page newspaper supplement was published which was indeed very good. The next newspaper supplement would be published in October/November 2016 after the 10th Implementation Support Mission. This newspaper supplement would try to capture as much as possible the real life stories of lead partners as well as the participating farmers. (Coffee PMU will not publish in June but December yes as am not happy with the numbers been adopted and reported plus C3.)

1.12 Additional Financing from World Bank & IFAD

It was also during this reporting period that the loan effectiveness for the Additional Financing was achieved and the Bank has issued a disbursement letter for drawdown to proceed accordingly. This will enable the Call3 and 4 partnerships to be implemented.

1.13 Counterpart Funding

The Government has allocated PGK2.0 million in its 2016 Development Budget. None to date has been released due to cash-flow issues. PCU is still following up with Planning and Treasury departments.

1.14 Nutrition Activities

The Nutrition Strategy, Work Plan and Budget has been developed and finalized. However, the Nutrition Specialist was not available for 2.5 months due to health reasons. She has now resumed in early May 2016 and that implementation of the field activities are envisaged in July 2016.

1.15 Gender Activities

The Gender Strategy, Work Plan and Budget has also been developed and finalized with the implementation of the field activities being envisaged in mid July 2016.

III. WORK PROGRAM FOR THE NEXT SIX (6) MONTHS

The main focus of the PCU shall be to improve the Monitoring & Evaluation and this will coincide with the recruitment of a M & E Advisor. The PCU will also be more active in policy

dialogue with implementing agencies. PCU will facilitate this process with the objective to support in the development of the new ten-year National Agriculture Development Strategy and the five-year Development Plans.

The Impact Assessment would also be a very important exercise during this period. PCU has initiated the recruitment process of a firm to undertake this exercise and that it is envisaged that the assessment will start in July 2016. The report should be available in October/November 2016.

Rolling out and the actual field implementation of the Nutrition and Gender Activities will also be given priority. We intend to start with the Cocoa partnerships and then upscale to the coffee partnerships.

Regular newspaper articles as well as newspaper supplements will be produced with the support of the existing resources within DAL.

It is envisaged that the two PMUs will ensure that some of the delayed activities in Component 1 will be fast tracked and implemented. Furthermore, they will continue to actively provide support to the Partners in implementing their agreed activities under Component 2 and to ensure that they are implemented accordingly. Furthermore, support for the implementation will be a priority in the new provinces/areas as a result of additional financing. It is also envisaged that more support and focus will be given to the implementation of Component 3 so appropriate service providers are contracted to rehabilitate market access infrastructure for farmers to utilise.

IV. ISSUES, CHALLENGES & WAYS FORWARD

Component 1:

The delays with the implementation of activities under Component 1 were initially linked to the Functional Expenditure Review (FER) of the agriculture Sector. The appointment of the Board of Directors for Coffee Industry Corporation and the Cocoa Board were also linked to the FER and this has contributed to the delays since it was the Board of Directors who has the authority to authorize certain activities to be implemented.

However, the FER has now been completed and this has led to the successful implementation of some of the Component 1 activities such as the Cocoa Industry Strategic Plan and the Coffee Grading and Standards. The completion of the FER has now also created new opportunities for PPAP to support its implementations. PPAP now intend to discuss with the implementing agencies to identify activities where support can be provided as there are adequate resources under additional financing.

Component 2

Despite some challenges, in regard to availability of CPB tolerant cocoa seedlings, fraud in two (2) coffee partnerships, timely reporting from partnerships, this component has generally made a very good progress. As usual, one cannot find uniform progress in any project implementation. There is a varying degree of success from one partnership to another – some partnerships are champions; others are performing well whilst others are performing poorly. Two partnerships from the Coffee Component have been terminated due to poor performance and fraud.

Very important lessons have been learned from Phase I implementation which will be used for reviewing the current partnerships and for the implementation of Phase 2 partnerships. The Coffee PMU has undertaken a Sustainability Audit which identified shortcomings and is now addressing them with the on-going as well as the new partnerships in Call 3 and 4.

To ensure that lead partners are on top their planned activities, it would be good to state clearly in their partnership agreements that a review will be done within six (6) months of the implementation period so as to assess progress and to decide whether to continue or discontinue the partnership project – this is to ensure that resources are not wasted. It would also be good to encourage those well performing lead partners to go into new areas for Calls 3 and 4. As an incentive, those well performing lead partners, should be encouraged expand their project scope so as to increase their activities and the number of beneficiaries – up-scaling their partnerships.

Component 3

This component was deemed to be the slowest in terms of implementation. However, the Cocoa roads have gained very good momentum with one (1) road of approximately 0.7 km of already rehabilitated and five (5) roads now being with the State Solicitors Office for legal clearance on the contracts. The two (2) roads in Bougainville are being retendered due to non-responsive bidders. The bidding document for the final road under original financing is now being prepared. A total of 19 km of cocoa roads are envisaged to be rehabilitated.

The challenge with the Coffee PMU still remains. The tender evaluation reports outlining the rejection of the bidders for Road No.1 have been approved by the World Bank and will be retendered soon. In April 2016, the Procurement Advisor and the Bank's Civil Engineer were with the Coffee PMU to provide support with the preparation of the bidding documents for the other roads and hopefully this will be approved and tendered before June 2016.

It is the PCU's view that similar non-responsive bids could be expected thus the need to peruse alternative options such as the utilization of the civil works unit established by the Department of Works with the support from the Japanese government.

2 C1. COCOA PROJECT MANAGEMENT UNIT

1. Component 1 – Institutional Strengthening & Industry Coordination

1. A. Industry Coordination & Policy Development

- 1. Industry Coordinating Committee:** The Cocoa ICC has met 15 times to date and will continue to meet and deliberate on important issues for consideration by the Cocoa Board and PSC. Two new positions were recommended by the ICC to represent Call 3 in the Momase Region. They are the Administrators for Madang and East Sepik Provinces. Their delegates, DPI Advisors, attended ICC meeting No 15. Two farmer reps for the region will also be nominated when Partnership Agreements have been signed.
- 2. Review of the Cocoa Board Financial Management:** This activity has been completed by Deloitte. However, there are clear recommendations that need to be implemented by the Cocoa Board and PPAP resources are there to provide such support.
- 3. Review of Cocoa Act:** This activity will now proceed as a result of the Functional Expenditure Review. The Cocoa Board is required to prepare a detailed TOR and request for PPAP to support with this review exercise.

- 4. Cocoa Sector Strategic Plan:** Completed. An Individual Consultant, Dr. Eric Omuru, was engaged to produce the SP. A stakeholder consultation workshop on the draft SP was conducted in Port Moresby in late February 2016. The final SP was launched by the Minister for Agriculture in Lae on Friday 15th May 2016. Cocoa Board has been requested by the World Bank to consider capacity requirements under PPAP to operationalise the plan.

1. B. Communication and Information Management Systems

- 1. Targeted Campaign to Promote PNG Cocoa:** The PPAP supported two staff from Cocoa Board to attend the Cocoa of Excellence Show in Paris in October 2015. Samples of PNG cocoa were submitted and an award was won by two samples. Other samples were deemed to be smoke tainted highlighting the issue of poorly maintained fermentaries and need for increased inspection efforts to maintain PNG's quality status. Cocoa Board intends to implement a domestic event to promote cocoa quality internally and then to link this up with international events.
- 2. Upgraded Information to Smallholders:** The Cocoa Board website continues to be managed. Various newspaper articles and supplements have been produced. EMTV and Kundu film crews have visited and filmed partnerships in ENBP for TV programmes. World Bank media team has filmed the Konnou Partnership in Bougainville where the PPAP is felt to have greatly assisted the peace process between warring factions. Facebook page for Cocoa PMU has been created and some good articles posted on it. A CCIL cocoa extension manual and field pocket book revision has been supported by the PPAP and is nearing completion – see below

1. C. Quality and Sustainability Management

- 1. Training of Fermentary Owners, Traders and Inspectors:** Cocoa Board has defined the activity and budget requirement. NOL has been given by the World Bank for this activity according to Original Financing budget contingent on Cocoa Board providing the Bank with a capacity building / sustainability plan for consideration at the next Mission.
- 2. Capacity Building in the Cocoa Industry:**
 - A CCIL Extension Manual and a Field Pocket Book have been revised by a consultant working closely with CCIL staff and other key stakeholders. Final input is required from CCIL before the publications can be printed
 - A cocoa extension video is planned - no progress this period
 - A radio drama series of some 20 programmes is planned – no progress this period
 - A training model for the PPAP cocoa component has been designed for future calls and Up-scaling. It comprises a Lead farmer with a cluster of 25 farmers and an Extension Officer for 10 Lead Farmer clusters (250 farmers). Model Farms are established in partnerships operated by each Lead Farmer for training and awareness of their cluster group and also nearby farmers who are not in PPAP.
 - All extension officers attend a ToT course at a cocoa “centre of excellence” – Tokiala, ENBP. All extension staff in calls 1 and 2 have attended. Call 3 and EU Up-scaling is programmed with a mid-term refresher course
 - Cross-cutting issues with focus on HIV AIDS awareness and voluntary testing has been arranged for all partnerships run by Red Cross, National AIDS Council and

Health departments. It has been successfully completed in 6 of 10 Call 1 and 2 partnerships in ENBP. This involves Training of Trainers in the partnership communities for capacity development followed by village-based awareness. Health officers accompany the team to offer voluntary HIV testing and counseling. For many of the more remote communities, this is the first awareness and voluntary testing that they have received on HIV/AIDS. The same programme has been included for Call 3 and EU Up-scaling partnerships. Partnerships have arranged and conducted this in 3 of 4 partnerships in AROB.

- Financial Literacy awareness has been arranged with the Bank of South Pacific for all PPAP households (26,000) and has commenced in ENBP Call 1 partnerships. A savings culture through establishment of bank accounts is encouraged.
- Some 59 village nurseries and 64 budwood gardens have been established by partnerships in ENBP and ARB and nursery management training provided to provide capacity for production of high quality cocoa clones at village level.
- A business/sustainability plan has been included for all future Call 3 and EU Up-scaling partnerships. The performance of all Call 1 and Call 2 partnerships has been evaluated

The CCIL shareholders have decided to place CCIL into voluntary liquidation. CCIL research station and plantations in Madang are intended to go back to KIK and those in East New Britain to the Cocoa Board.

3. Review of Standards, Licensing and Regulations: - no progress

4. Survey Status of Fermentaries and Prepare a Response: Cocoa Board has defined the activity and budget requirement. NOL has been provided by the World Bank according to Original Financing budget contingent on Cocoa Board providing the Bank with a capacity building / sustainability plan for consideration at the next Mission. The first activities are scheduled to commence in May 2016.

1. D. Project Management

1 Staff: the following new positions are at the evaluation stage: M&E officers Kokopo and Madang, MIS Officer-Kokopo and a Clerk-Madang. Positions filled during the past 6-month period are: Senior Procurement Officer, Component 2 Officer, and Fiduciary Officer. Some ten staff contracts require renewal under the Additional Financing and project extension to June 2019.

The PMU office in Buka has been relocated to Arawa in order to be nearer the existing partnership locations – Buin, Konnou, Torokina and Tinputz and new EU up-scaling locations including Wakunai and Arawa. Arawa now has banking facilities, weekly Air Niugini flights to Kokopo and POM and mobile communications

1.2. Financial Management:

- The Attaché accounting package continues to work well
- Account postings are up to date
- Quarterly IFRs are produced and submitted to PCU
- Petty Cash management is maintained at the three PMU offices
- The 2015 accounts for the Cocoa PMU have been submitted for Audit
- GST reimbursement claims for the cocoa PMU are submitted timely each month but payments are still outstanding from December 2014. All claims for 2015 have been redone on the new TIN forms and resubmitted to IRC.

- Withdrawal Applications have been made periodically to ensure cash flow
- An increase in IDA/IFAD ceiling for K 12 million was requested and approved by the Bank to cater for the new Call 3, EU up-scaling, and Component 3 road renovation payments
- IFAD replenishment issue reported at the last two PSC meetings still persists and contributes to Cash Flow issues – manual submissions via Treasury (IDA replenishments are made on line to Client Connection) and minimum threshold requirement of US\$ 120,000.
- A new Chart of Accounts is required for the PMU Additional Financing and EU funding

1.3. Procurement Management:

- Senior Procurement Officer recruited and induction provided by PPAP Procurement Advisor
- Procurement Plan updated
- Fiduciary Officer dedicated to Component 2 – to commence work in June
- PMU to undertake bulk procurement for some partnership items in Call 3 and EU Up-scaling
- Develop a Management Information System for the cocoa PMU

2. Component 2 – Productive Partnerships in Cocoa Growing Areas

This section provides a brief overview of the implementation of Cocoa Partnerships during the reporting period.

2.1 Summary of Achievements

- A total of 129,864 existing cocoa trees covering 208 hectares were rehabilitated during the quarter, bringing the total to 1,765,004 trees on 2,824 hectares.
- A total of 147,139 hybrid clone seedlings were planted on 236 hectares, bringing the total to 1,182,297 plants on 1,892 hectares.
- No budwood gardens were established during the quarter, with the total remaining at 64. Progress with this activity is constrained by availability of CPB-tolerant hybrid clone seedlings from certified sources.
- Seven nurseries were established during the quarter, bringing the total to 59.
- Best Practice Cocoa Management was implemented by a further 266 farmers during the quarter, bringing the total to 2,511 farmers.
- A further 266 farmers implemented cocoa pod borer (CPB) management during the quarter, increasing the total to 2,511. The output “% of farmers reporting crop losses less than 20%” is new for this report and partnerships have not been reporting it. The Cocoa PMU is liaising with them to record this information.
- No fermentaries were renovated during the quarter and 2 new ones were constructed, resulting in cumulative totals of 106 fermentaries renovated and 6 constructed.
- A further 100 tool kits were distributed to farmers this quarter, bringing the cumulative total to 5,386.
- Three hundred galip seedlings were planted this quarter, resulting in a cumulative total of 29,795 plants on 745 hectares. No farmers planted annual food crops this quarter, with the cumulative total remaining at 2 hectares.
- A total of 22 farmer training meetings or activities (624 cumulative) were conducted during the quarter for 855 female farmers (5,142 cumulative) and 1,124 male farmers (19,748 cumulative). Partnerships have not been recording the number of non-PPAP farmers attending the trainings, which is considerable, but this will be done in future

- Partnership farmers were reported to have sold 963 tonnes of dry bean to their respective lead partners during the quarter (cumulative total 3,957 tonnes). The price of K7, 747 per tonne, of dry bean at an average price K7, 478) Not all partnerships reported cocoa purchases. An unknown quantity of cocoa was sold outside the partnerships.

Six partnerships received a total of 134,772 hybrid clone seedlings from commercial nurseries during the reported quarter (cumulative total 621,158), using EU funds to top-up the difference between the amount in their budget and the current commercial price.

Signature of the agreements for the new partnerships in Bougainville (replacing those previously led by Monpi) between World Vision and the Buin Farmers Association in Buin, and World Vision and the Konnou Farmers Association in Konnou, was completed and the agreements became effective on 2nd November 2015.

3. ISSUES AND REQUIRED ACTIONS / RECOMMENDATIONS

Issues affecting one or more partnerships are described in this section, with required actions to resolve them, or recommendations.

3.1 Partnership Financial Reporting

3.1.1 Ineligible Expenditure by two Call 1 partnerships

Issue: The Cocoa PMU continued to discuss ineligible expenditure incurred by two partnerships led by the East New Britain Development Corporation that had persisted for some 8 months. The costs related to project management that was budgeted as a Lead Partner contribution.

Required action / Recommendation: The lead partner accepted the issue which related to project management costs and agreed to repay the ineligible expenditure but was unable to do so timely. Implementation of partnership activities suffered as a result. The Cocoa PMU worked with the Lead Partner to resolve the issue over a prolonged period. The LP has recently repaid a substantial amount of the Ineligible Expenditure. A time extension will be requested from the ICC and Bank so that the two partnerships can complete delivery of cocoa clones and training services to their farmers.

4.1.2 Ineligible Expenditure by two Call 2 Partnerships

Issue: Review of their quarterly financial reporting revealed that two Call 2 partnerships, Growers Association and one led by World Visio, had exceeded the budgeted amount for one item (in each

Required action / Recommendation: The Lead Partners were advised that the difference between the budgeted amount plus 20% and the actual expenditure would have to be repaid to the partnership bank account. Both partnerships repaid the amounts and advised savings on other items to cover the 20% overspending.

4.2 Encroachment of Oil Palm Development into Partnership Area

Issue: Encroachment of an oil palm development in the Bainings area of East New Britain into areas in which cocoa is already being grown as a cash crop, affecting five partnerships. Ninety-six farmers' assets (cocoa clones) provided by PPAP have been destroyed (affected) whilst other farmers have been influenced in one way or another – usually planting of oil palm on part of their land. Cocoa clones, galip seedlings all provided by the project, food gardens and some family houses have been destroyed by the Developer, ZEN Niugini. The affected/influenced persons include settlers, block holders, traditional land owners (Bainings). There appears to have been grossly insufficient public consultations, no land report and no environmental report conducted by the developer. Many environmental issues appear to be of concern including farming on steep sloping land, blocking of minor waterways and the likely negative impact of chemical and fertilizer use on the surrounding ecology including mangroves. The ENB PA informs that it was not consulted by the Developer prior to development taking place in its province. Violence and threats were allegedly used by the developer towards farmers during the operations which often were conducted under armed police protection. Two Bainings clans oppose the development whilst four are part of it.

Partnerships affected: Call 1 – Central Inland Baining Cocoa Rehabilitation Project, Trans Kereba Extended CRETENB Project, and Ilugi Cooperative Society CRETENB Project. Call 2 – NARI Gazelle District WYIA CIFSD Project, Vudal Vunapalading Cocoa Rehabilitation Project.

Required action / Recommendation: The Cocoa PMU has proactively engaged with Lead Partners and farmers of affected partnerships to confirm details about the encroachment for every affected/influenced farmer, circumstances surrounding it, extent of losses etc. All blocks have been GPS identified. Ongoing discussions have been held with the ENB Provincial Administration. The situation seems to have stabilized in these locations with few new incursions. There appears to have been no open public consultations, no land report and no environmental report conducted by the developer ZEN Niugini. The National Court's decision in the case between the two Baining clans who are opposed to the oil palm development and are not members of the Incorporated Land Group and the four clans that are in the ILG is still awaited. The standard Department of Lands Community Land Use Agreement (CLUA) will be used in all future calls in areas where oil palm incursion is a potential threat. The World Bank has brought the issue to the attention of National Government on two occasions. The ENB PA is to present a position paper to the ENB PEC on Alternative Cash Crop development in the province. The Zen Niugini oil palm development in ENBP should be of concern to a number of key National Government Departments – Agriculture, Lands, Environment and Conservation and Treasury.

Cocoa Partnerships affected by oil palm incursion in ENBP

PARTNERSHIP	No. Farmers Affected	No. Farmers influenced	Total No. Farmers affected and influenced
Call 1 Central Inland Baining Cocoa rehabilitation	58	31	89
Call 1 ENBDC Trans Kereba Extended Cocoa Rehabilitation Extension and Training Project	10	7	17
Call 1 ENBDC Ilugi Cooperative Cocoa Rehabilitation Extension and Training Project	25	38	63
Call 2 Vudal Vunapalading Cocoa Rehabilitation Partnership	0	9	9
Call 2 NARI Gazelle District WYIA Cooperative Society Cocoa Integrated Farming Systems Development Project	3	1	4
Total	96	86	182

4.3 El Niño Drought

Issue: The severe El Nino drought persisted for some 6 months into the fourth quarter. The drought affected all partnerships in East New Britain and the north of Bougainville, with less impact on partnerships in the south of Bougainville.

Required action / Recommendation: meetings with partnerships were held by the PMU and agreement made to stop the production, procurement and planting of cocoa clones until the drought had ended. Extension efforts focused on encouraging farmers to reduce water stress by various methods (allowing weed cover, additional temporary shade over young seedlings, hand watering where possible etc.). An assessment of seedlings at risk was made to determine potential losses to the projects. Heavy rain started in most parts of East New Britain and Bougainville by early December 2015. Growth of young seedlings planted up to some 6 months prior to the drought was seriously retarded but seedling deaths were relatively few. Partnerships resumed their nursery and field planting programs soon after the rain started, but will need some time to make up for the delays incurred during the drought period.

5. Call 3 Momase Region

The Technical Appraisal Committee of PPAP considered 10 proposals that had passed Stage 1 and recommended 9 of them. Discussions were held with the 9 partnerships to consider the standard package developed for the EU Up-scaling – all accepted the offer. Innovation activities requests of the partnerships also are considered. Partnership Agreements/contracts

are now being drawn up. Call 3 is expected to commence in May 2016 and run for 3 years. Some 8,600 households will participate in the four Momase provinces – East and West Sepik, Madang and Morobe, at an estimated cost of K 20 million.

Issue: Supply of cocoa clones for Momase is a serious issue as there are insufficient nurseries available. The biggest challenge will be in Sepik. Commercial nurseries and their seedling capacities in the four provinces have been identified and discussions held with the owners on scaling up on their capacities. CCIL has been requested to provide a budget for doubling its existing capacity in Madang. Cocoa board has been requested to increase its capacity at Hawaiian near Wewak. Clone seedling requirements for the four provinces are as follows. Note that budding success rates from nursery to field planting are about 70% so the actual nursery capacities need to be increased by about 30%

East/West Sepik – 6,340 farmers require 1,268,000 clones

Madang – 1,730 farmers require 346,000 clones

Morobe – 595 farmers require 119,000 clones

Issue: Supply of budwood in Sepik will be an issue due to inadequate establishment of budwood gardens. Insufficient quantities of the new CCIL 2013 clone release are available in Sepik so 2003 releases will need to be used there – abundant supply at Saramundi but will present a daily logistic challenge for movement to PPAP project areas. Budwood in Madang is sufficient at the PNG CCIL, Murnas.

6. EU Up-scaling

The EU has provided a grant of EURO 5 million (K 16 million) for upscaling of successful partnerships in call 1 and 2. A standard set of activities and budget has been developed in association with the Partnerships. Partnerships are also permitted to nominate innovation activities they consider important to the cocoa farming system and their farmer group. This approach ensures that all important requirements for successful cocoa business farming are included, accurate budgets used, standard data collection and reporting, simplified process/model for GoPNG consideration after the end of PPAP. The approach has been approved by the Cocoa ICC and endorsed by the Bank. The EU funds need to be spent by May 2017. Partnerships require three years to implement a cocoa development project. The EU grant of some K 13 million will be spent in the first year. To achieve this, the PMU will undertake bulk/centralized procurement for the partnerships and coordinate trainings. Years 2 and 3 will be funded by IDA/IFAD residual after Momase Call 3 at a cost of some K 7 million. This will then fully commit the Additional Financing funds for cocoa for Component 2. The Partnership Agreements/contracts are now being compiled and are expected to be finalised in May. Some 9,600 farmers in 10 new partnerships in ENBP and AROB will participate. Lead Partners have received interest from many thousand more farmers.

Issue: Supply of Cocoa clones in South Bougainville will continue to be a challenge due to a lack of commercial nurseries there. The PMU has verified a technique for the transport of bare-rooted cocoa clones from the commercial nurseries in the North to South Bougainville. The method is very successful but relies on a high degree of logistics and quality control.

Commercial nurseries of varying sizes in ENBP are now sufficient to service the EU Up-scaling.

3. Component 3 – Market Access Infrastructure

1. Introduction

This section provides a brief overview of the implementation status of the Cocoa Component 3 – Market Access Infrastructure for the reporting period. The implementation of the Component is based on the PPAP Project Implementation Manual (PIM) for Component 3-Market Access Infrastructure. The report covers the various component activities undertaken to date, progress achieved and constraints. The Implementation of the Market Access Infrastructure Component is led by a Senior Engineer (SE), assisted by a Community Liaison and Lands Officer (CLLO) and supported by the Project Manager within the PMU. Fourteen (14 partnerships (5 from Call 1 and 9 from Call 2) are being implemented under the Component 2 cocoa sub-component. All of these partnerships are eligible to apply for Component 3 infrastructure rehabilitation assistance –all did so. Forty-one roads were scoped and evaluated by the PMU. Nine roads were selected by cost benefit and approved by the ICC for funding. Seven of these were in ENBP and two in AROB.

2. Progress

Implementation progress is as follows.

Safe Guards Documentation has been completed for all nine (9) approved feeder roads selected for renovation.

Eight of 9 Maintenance MOUs have been compiled, NOL received from the Bank and duly signed by the various provincial authorities, farming communities and Cocoa Board.

Procurement Progress - East New Britain

One feeder road renovation of 0.7 km has been completed (under Shopping procurement procedure) at Pamkubau, Toma in ENBP. Procurement of all remaining roads is being done under National Competitive Bidding (NCB) through the CSTB.

Five roads in ENBP, Vunapalading, Riet, Randingi, Rangulit and Kaunsil Sawmill in ENBP have undergone partnership selection, scoping, costing, benefit/cost prioritization, ICC approval, advertising, tendering, and evaluation by TEC and draft contracts produced. The contracts are now with CSTB awaiting clearance by the State Solicitor. Vunapalading is Prior Review (Bank NOL obtained) whilst the others are Post Review.

Sikut feeder road is the only one in ENBP not yet processed. We are awaiting design costs for three bridges.

Procurement Progress - Bougainville

Two prioritized roads were tendered – Tinputz and Oria. No good bids were received. We are currently re-packaging the roads in the south and will shortly advertise again for tenders.

Weakening of the Kina has resulted in more funds available for Component 3. Feeder road identification and scoping is currently being done for three call 2 partnerships which commenced in late 2015. They are Torokina in Bougainville and Lasul and Napapar in ENBP.

Call 3 Momase

Call 3 Momase partnership Agreements are expected to be signed in May. The partnership farmers will then be asked to nominate their priority roads. Scoping, costing and benefit/cost assessment will then be made by the PMU's Senior Engineer and Community Liaison and Lands Officer.

4. WORK PROGRAM FOR THE NEXT SIX (6) MONTHS

1. Component 1. Institutional Strengthening

- Provide support to Cocoa Board for Training of Fermentary Owners Traders and Inspectors
- Provide support to Cocoa Board for Inspection and Certification of Fermentaries
- Produce CCIL Extension Manual and Field Pocket Book
- Undertake production of a Radio Drama series for cocoa
- Undertake production of a cocoa training video
- Manage procurements according to Procurement Plan
- Financial Management of the Cocoa PMU
- Establish a Management Information System for the Cocoa PMU
- Implementation Support Mission – May 23 to June 3rd 2016

2. Component 2 Productive Partnerships

- Calls 1 and 2 - continue to support and monitor implementation
- Call 3 Momase - finalise x 9 partnership contracts and support and monitor the new Partnerships; facilitate upscaling of existing commercial nurseries; facilitate partnership procurement
- EU Up-scaling - finalise x 10 contracts and support and monitor the new Partnerships –; facilitate and undertake bulk partnership procurement
- Manage Safeguards compliance
- Monitor oil palm incursions

3. Component 3 Improved Market Access

- Award contracts for x 5 roads for ENBP, supervise construction
- Complete procurement for ENBP Sikut bridge designs and road renovation contract
- Re-package x 3 roads for AROB, advertise tenders and process procurement through ABG Tenders Board
- Complete scoping and prioritization of, Lassul and Niga Feeder roads ENBP
- Commence identification and scoping of feeder roads in Momase partnerships

3 COFFEE PROJECT MANAGEMENT UNIT.

Component 1 – Institutional Strengthening, Capacity Building and Management

1. A – Coffee Industry Coordination & Policy Development

1. Industry Coordination Committee (ICC) – Coffee. The ICC meeting on 2nd May 2015 was the meeting where the Committee resigned en-masse as a result of the Kongo Coffee Issue. The Committee was resurrected in early October 2015 when they met to appoint a new Chairman. It was also during this meeting that Mr. Mathew Kanua was appointed as the Coffee Specialist to the Technical Appraisal Committee.
2. Efficiency of Public Expenditure on Coffee. The ToR for the study has been completed and is now with the World Bank for No Objection. This study has been frustrated by procedural challenges, the latest being impossible to apply. It is now envisaged that the study will be undertaken during the latter part of 2016. No progress has been made since the departure of the last Project Manager.
3. Assessment of Coffee Grades & Standards. This activity has progressed well with draft proposal for revised grades presented to representatives of Traders and Exporters and approved. The final recommendation for the PNG Coffee Standards has been presented to NISIT by CIC for endorsement. The Coffee Grades and Standards is now simplified and will be used by the industry after approval by NISIT Council.
4. Effectiveness of Coffee Industry Associations. A ToR has been completed and is with the CEO of CIC for endorsement prior to submitting to World Bank for NOL. However, in view of the non-appointment of Industry Association representative to a CIC Board, it has not been considered appropriate to undertake the study at this point in time. Further delays are envisaged for this activity. No progress has been made and that this activity could be reviewed for its validity.
5. Structure and Performance of CIC Extension Services. This study has been completed and a report submitted. Implementation of the recommendations will have to be undertaken by CIC in due course.
6. Policy Dialogue with Coffee Producing Countries. This activity has started with a team from CIC undertaking a trip to Columbia and Costa Rica. These are the countries that are deemed to be the biggest and finest coffee producers in the World. Columbia has managed to complete a major and successful replanting programme which PNG can follow. Implementation of the recommendations will have to be undertaken by CIC in due course.

1B Communications and Information Management Systems

1. Upgrading Information Management in CIC. PPAP will install an ‘Information Management’ System (MIS) for CIC which will give all staff real time access to those Corporation files for which they are responsible and any other files that they require to carry out their work. ‘Access to research and extension information would be available to all stakeholders and the general public. Consultants engaged were to establish the system and to put in place a reporting framework for PPAP. The plan to install an Information

Management System (MIS) for CIC has been frustrated by the failure of the MIS consultancy which was terminated in June 2014. New TOR has been prepared and separate consultancies will be executed for coffee and cocoa PMUs. No progress has been made since the departure of the previous Project Manager. The incumbent Project Manager could not progress same because of frequent power outages hence this had to be addressed first. As this was not catered in the procurement plan GoPNG fund of K70, 000.00 was used to purchase a 65Kva Genset which is now operational. Hence this paves way for progress on MIS. This will then be followed by installation of Integrated Financial Management System to significantly improve the governance of CIC.

2. *SMS Price Dissemination*. No progress to date from PPAP's end. International Finance Corporation has taken over this task and has conducted extensive negotiations with Digicel to be the carrier of the data.
3. *CIC Information Programme*. Commencement of this item will depend on the MIS being completed
4. *Coffee Cost Structure Analysis*. This study is being undertaken in-house by CIC economists. They continue to monitor the proportion of the FoB price being passed on to smallholder coffee growers. The cost of production for smallholder coffee farmers is primarily the cost of the family labour input.
5. *Targeted Campaign to Promote Specialty PNG Coffee*. As soon as the new set of Grades & Standards is endorsed by NISIT, CIC will proceed to implement this activity.

1C Quality Promotion and Sustainability Management

1. *Market Development & PNG Origin Development*. Markets should be developed for specific grades of PNG coffee and this will depend on endorsement of Grades & Standards by NISIT as defined above.
2. *Sustainability Capacity Building in Coffee Industry*. The PNG Coffee Handbook which is technical has been completely reviewed and updated in consultation with coffee growers, processors and exporters and lately finalized. The production of it is now awaiting NOL of procurement plan. The Coffee Extension Manual is yet to be finalized. Consultant Dr. Paul Harding had been contacted and has resumed working on it.
3. *Geographic Indicators (Tracking Origin)*. This activity will start upon the endorsement of the Coffee Grades & Standards by NISIT.
4. *Quality Training and Development*. This activity will start upon the endorsement of the Coffee Grades & Standards by NISIT.

1D Project Management Unit

1. Staffing

Between February and early May 2015, the Senior M&E Officer, Component 2 Coordinator and Project Manager all departed. In May the Industry Coordination Committee resigned en masse and the CEO of CIC also departed. The newly recruited Component 2 Coordinator was appointed as the interim Project Manager in mid-May 2015.

The staff at the PMU is now on full strength with the recruitment of the new Project Manager and the Component 2 Coordinator for Mt. Hagen. The recruitment of staff required for the implementation of Phase II (Additional Financing) has now progressed and contracting will be done by the New Project Manager.

2. Finance

Quarterly IFRs and Monthly Financial Reports up to Quarter 3 were submitted to the PCU for consolidation. Withdrawal applications are processed via Client Connections and processed by Manila Office. Minor problems continue to arise with IFAD Withdrawal Applications but are being addressed by the Department of Treasury.

The project has exhausted its budget for Category 3 and there is an urgent need to review and reallocate funds. This issue can be resolved if the Additional Financing is effective and drawn down.

3. Procurement

The procurement plan has been reviewed and some new items have been incorporated (see attached).

4. Audits

The PPAP Coffee PMU 2014 accounts have been audited by the Auditor General's Office (AGO). The CIC's institutional audit for 2013 is yet to be done and this is being followed up by the World Bank. CIC has yet to progress the audit and this is becoming urgent. The 2015 PPAP audit process has started in early 2016.

5. Monitoring and Evaluation

The M & E has now improved and that quarterly reports are being sent to the PCU. The newly recruited M & E Officer has got database experience and has assisted with the development of the M & E system.

6. Communications – Internet & Email.

The VSAT systems installed at CIC Goroka and Mt Hagen offices are performing as per the specifications. CIC needs a MIS Officer and PPAP will recruit a short-term IT expert to be funded by GoPNG funds. The new Project Manager completed the recruitment process for the Information and Communication Officer.

Component 2 – Partnerships

- **First Call for Proposals:** The progress of the six (6) Partnerships approved under the 1st Call for Proposals for a total of K8.6 million of which K5.8 million is funded from the IDA / IFAD.

The first call partnerships expired July 18, 2015. ToRs were then prepared to assess the sustainability of these partnerships after PPAP funding has ceased. The consultancy for this study was delayed as the candidate in mind became unavailable after discussions had been initiated. The incoming C2C Coordinator – Mt. Hagen undertook this task as his first assignment. Of the five partnerships in the first call, four have submitted their final quarterly report while the fifth one (PAMSL) has stopped responding to our attempts to contact them. A

decision regarding use of the unspent funds and/or extension of these partnerships is pending the sustainability audit. Very good performers will be considered for up-scaling under the additional financing. The following partnerships were financed under Call 1:

1. **PAMSL Smallholder Partnership (Kenta area, WHP & Sigri/Bunum Wo, Jiwaka)**
2. **Kosem Group (Nondugl Sub District).** The diesel powered eco- pulper machine with a capacity to pulp 500 kg of cherry per hour has been recently installed and commissioned by the CIC mechanical engineer and is now being utilized by farmers.
3. **Kosem Smallholder project**
The PMU has purchased a McKINNON eco pulper for the partnership. It has a capacity to pulp 1000 kg of cherry per hour. The CIC mechanical engineer has recently installed the engine and is now being utilized by farmers.
4. **Sustenance & Development of Specialty (Elimbari) Coffee**
This partnership was suspended due to alleged misuse of project funds. The new Project Manager has met with the Managing Director of Kongo Coffee and eligible and ineligible expenditures had been identified. This is now subjected to both parties sitting together again to agree on same and Kongo Coffee to repay the balance of the ineligible expenditures.
5. **Smallholder Development through Certification**
This partnership is well established. Strict Monitoring by Monpi has ensured that certification of each co-partners is being continuously renewed since 2013. The downside of this partnership is there is no coffee rehabilitation inclusive of the infills.
6. **PNGCE/AAK Cooperative**
The three (3) Co-operatives continue to perform satisfactory.

➤ **Second Call for proposals –Phase 1 Partnerships**

7. ***Hagen/Rilke Joint Coffee Venture: Lead Partner-Rilke Pty Ltd. Co-partners 1,080***
This partnership is progressing very well despite a slow start. The three (3) Extensions Officers and a Data Entry Clerk have been recruited and good progress is now being made. A bridge leading to a group of farmers at Munglamp area collapsed and has been restored under the project's 'emergency infrastructure' facility.
8. ***Coffee Connections & Cooperative Partnership – Lead Partner: Coffee Connections- Co-partners, 1,500***
Road is the biggest issue affecting efficient delivery of the project. However, the LP is working very hard because it has got its overseas established market to supply.

Tairora Smallholder Coffee Rehabilitation- Lead Partner- Colbran Coffeelands – Co-partners 439

The project commenced slowly but is now progressing. All staff are in place, the mini-baseline has been completed and farmer training is underway. Demonstration gardens have been selected and are being developed.

9. *Anglimp Smallholder Coffee Partnership- Lead Partner – Madan Coffee and Tea Plantation; Co-partners; 310*

The financial management issues have been resolved and the project is progressing very well. Demonstration gardens have been selected; trainings have been conducted in health and nutrition, financial literacy and personal viability.

10. *Improved Livelihood of Smallholder Coffee Producers in Gumine: Lead Partner, Community Development Agency – Co-partners 300*

The project is now gaining momentum after it was hampered by the 2012 general elections restricting the movement of Extension Officers is now being very well implemented. Minor issues relating to financial management issues are being resolved.

11. *Gerame Alenumpa Partnership- Lead Partner-Gerame Coffee Ltd – Co-partners 326*

The PM reported this partnership has been terminated. The main fraudster has been arrested by police and is out on bail pending committal hearing.

12. *NGHCE Smallholder Coffee Rehabilitation-, Lead Partner, New Guinea Highlands Coffee Exports*

This project is not progressing well and currently under review.

➤ **Second Call for proposals – Phase I**

The following partnerships were provided with a small first tranche of funding, sufficient to complete the household data survey (mini-baseline) prior to commencing the activities. Once the survey is completed and verified, the second tranche of funds will be released. The seven (7) partnerships that were signed on 30th April 2014 and their progress on implementation are as follows:

13. *Daulo District Coffee Growers Partnerships – Lead Partner, Goroka Community Development Agency, Co-partners 456*

All staff have been recruited, the mini-baseline survey has been conducted and filed operations have commenced. The level of enthusiasm by the co-partners is very positive.

14. *Kosem 2 Smallholder Project- Lead Partner- Kosem Ltd, Co-partners 600*

This project has just now commenced.

15. *Rika Cooperative & Sustainable Management Services Partnership- Lead Partner, Monpi SS, Co-partners, 120*

This project is progressing well.

16. *Lahamenagu Cherry Supply Chain Partnership – Lead Partner- PNGCE, Co-partners 400*

This project has just now commenced, staff have been recruited and the mini-baseline survey is underway.

17. Timbuka Coffee Farmers Partnership – Lead Partner – Timbuka Coffee Estates, Co-partners, 432

The project is progressing well. Staff have been recruited, mini-baseline survey completed, demonstration gardens selected and technical training provided to co-partners.

18. Tarabo Coffee Estates Partnership – Lead Partner, Tarabo Coffee Estate – Co-partners – 310

This project is not progressing well and currently under review.

19. Lower Jimi & Simbai Coffee Rehabilitation project – Lead Partner – Aipo Rong Diocese, Anglican Church - Co-partners- 877

This project is progressing well. All staff have been recruited, the mini-baseline survey has been completed and the end of coffee season rehabilitation has commenced.

PMU staff conducted field verification visits to the villages where the Gerame growers live. The purpose was to get an accurate number of how many tools were actually distributed by the Lead Partners. Results were not satisfying. A few representatives offered to supply information from memory and in other cases village leaders just said they knew nothing about it. In one case someone offered to collect information if we paid him. We heard numerous reports of the LP collecting variable amounts of cash in return for tools and that it didn't matter if the farmer was a registered group member. We also learned that members originally paid a K5.00 membership fee to be part of the group, though this was never known by PPAP staff.

The outcome of our visits was a more complete but unacceptable database on tools distributed. In frustration we concluded that the farmer network was never a viable entity. Our recommendation is that if the lead farmers want to re-start the network they should start from scratch and not just adopt the original name lists.

The PMU obtained search warrants from the police for viewing bank records but the warrants were imperfect and allowed us only to see the bank statements, not the supporting documents. We are now seeking a new warrant so we can determine more about the way the funds were used.

First Call Expiry

The first call partnerships expired July 18, 2015. The incoming C2C Mt Hagen conducted a sustainability audit on these partnership as his first task and induction exercise starting in October. We expect the report in January.

Third Call Proposals

Twelve business plans (proposals) resulting from the third call were forwarded to the TAC on Dec 18th.

Fourth Call for Proposals

Evaluation of the 4th call proposals continued. 66 proposals were received and registered.

Monitoring and Evaluation

The WB 9th visit was given a tour and presentations from lead partners. There was disappointment at the lack of progress on the M&E system. Since then a revised quarterly reporting template has been created and a series of management notes initiated. The addition of the C2C Hagen has added capacity but the benefits are not yet realized this quarter. MIS development continues to be delayed by the shortcomings in the IT system in CIC. It is now agreed that it will be hosted on Google rather than an internal server.

Section 1: Narrative Summaries

The partners' narrative summaries have been consolidated into two tables. Table 1 provides a snapshot of the issues reported by the Lead Partners for the quarter. Table 2 summarizes the achievements that partners wanted to highlight in their reports. In some cases, these are achievements not captured in the target achievements tables

Table 1: Summary of Issues Reported by Lead Partners

Partnership	Issue	Actions
CFP2 006	Nil reported	
CFP2 008	Heavy crop is stopping growers from pruning until after harvest	Nil
	Biggest problem is lack of roads between gardens and airstrip.	LP is proposing to find funds for a tractor to transport coffee.
CFP2 009	No report received	
CFP2 011	Distribution of tools constrained by slow receipt of farmer contributions.	
CFP2 014	Rehabilitation is slow but field staff are now emphasizing this	
	More farmers using chemicals despite advice given to use spades.	
	Witnessing a 'no care' attitude by farmers. Not engaged in program.	
CFP2 021	Drought has forced farmers to focus on subsistence activities. Not much being done on coffee	No action. Wait for rain.
	Resources not adequate to do all the training planned.	Adopted a TOT practice such that lead farmers will train others that the project cannot reach directly

	Sourcing of Service Providers for Fin Mgt and PVT training has proven difficult	Using some CDA staff with previous experience to do the training themselves.
	Some farmers left the partnership and others joined and so the profiling database needs to be updated.	Will update the database when a full time data clerk is engaged.
CFP2 025	Delay due to drought	No action. Wait for rain.
CFP2 030	Two EOs departed for personal reasons	Recruit replacements.
CFP2 034	Farmer contribution towards tools has been slow.	Visit farmers and confirm what they really need. Restructure the farmer contribution (same total) to suit the farmer preference.
	Realize that their initial nursery plans were too grand	Reduced from a 100,000 seedling nursery to 18,000.
	Farmers did not want to receive seedlings during the drought due to inability to water them.	No action. Wait for rain.
	Two EOs resigned	Is considering replacing them but waiting to see if workload justifies this.
	Shortage of seeds at CIC Aiyura	Wait until supplies are available.
CFP2 036	Farmers sold their coffee outside of the partnership	Not stated.
	Internal issues between the farmers and the Co-op executive.	Not stated.
CFP2 044	Now that Timbuka has started their cluster training they realize they need two additional EOs.	Not stated.
	Nursery budget exhausted.	Developing new nursery proposal and seeking adjustment to budget.
CFP2 050	120 farmers refused to pay their 5% for materials and CDA has removed them from the list of members.	Currently signing up new members. Note that no tools were yet issued to the ones that dropped out.
	Drought resulted in up to 20% of newly germinated seedlings dying in the nursery.	Dead seedlings were replaced. Rain has now arrived.
CFP2 052	Some farmers are refusing to pay the contribution for their tool kit.	Kosem has now started to remove the non-paying farmers from the list.

	Many growers are not familiar with coffee agronomy and cannot learn everything in the training provided.	Kosem plans to revisit farmers to conduct the training a second time to reinforce the learning.
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Section 2: Implementation of Targets

Summary of highlights of achievements reported for the quarter for the 13 active partnerships are commented on below including the cumulative totals for all the 19 partnerships:

- 2,530 smallholder farmers who own 997 coffee gardens constituting approximately 4344 ha were profiled during the quarter. Cumulatively, 22,303 gardens (123%) of the 17,728 targeted gardens have been profiled. Cumulative area profiled is 13822 ha which is 131% of the targeted 10243 ha.
- Distribution of tools (grass knives, bow saws, secateurs, spades and spade heads) averages 57% of the target. There was only minor changes to the number of pulpers, shade cloth and coffee films¹. Previous percentage of 51% remains.
- Coffee Productivity improvement activities (rehabilitation work) have been implemented and progressing at different stages. Coffee planting and pruning figures are as follows:

Description	Achievement	Cum. % of Target
In-filled seedlings	549460	24
Seedlings in replanted blocks	237757	73
Trees recycle pruned	2016687	9
Trees maintenance pruned	6026177	19

On average the number of farmers involved in the planting and pruning was 44% of the targets.

Coffee block maintenance figures are as follows:

Description	Achievement	Cum. % of Target
Farmers practicing weed control	12557	84
Farmers planting and managing shade trees	4438	42
Farmers de-silting drains	7074	58
Farmers digging new drains	5377	27
Farmers fencing coffee blocks	455	28

¹ Previous reports showed higher figures because the numbers reported procurement as well as distribution. Numbers here are for distribution only. This approach will be followed going forward.

- 8 new nurseries were established this quarter bringing the total number of nurseries producing seedlings from seeds supplied from the seed gardens in Aiyura to 67 of the targeted 109.
- 21 new demonstration gardens were developed this quarter bringing the total to 327 which is 39 % of the total target.
- 1 farmer groups applied for certification under 1 certification standards following which 1 initial farm audit was conducted.
- 2 farmer groups were certified by standards bringing the total to 11 groups.
- 90 new coffee drying beds were constructed bringing the total to 798.
- Capacity building training has been provided in all contracted areas, viz., pruning, other agronomic practices, harvesting & processing, certification, personal viability and extension, group management, gender development and HIV/AIDS.
- A total of 9109 beneficiaries were trained this quarter, where some individuals received various combinations of types of training of which 3,737 (47%) were females and 4,160 (53%) were males. Overall progress towards training targets is now as follows:
 - Pruning 64%
 - Good agronomy 54%
 - Harvest and post-harvest 52%
 - IPM 29%
 - Certification 46%
 - Personal viability 15%
- Extension training was provided to 21 MEOs bringing the total to 121. (data correction since last report).
- Group management training was provided to 432 farmers bringing the total to 2923 which is 26% of the target.
- Financial management training was provided to 108 farmers. 14% of the target is now reached.
- Gender awareness training was provided to 630 farmers. 42% of target is reached.
- HIV/AIDS training was provided to 403 people. 31% of target now reached.

- There were 552 farmers visited in the quarter. The cumulative total now exceeds the number of participating households suggesting multiple visits to some.
- No cluster group training sessions were carried out during the quarter.
- During this quarter, 254 farmers have been reported to sell 1889 bags of **green bean equivalent**² coffee to their Lead Partners as follows;
 - 369,821 Kgs of cherry coffee,
 - 949 bags (50kg) of standard parchment coffee,
 - 452 bags (50kg) of PSC grade (Premium Smallholder Coffee) to their respective Lead Partners, while an unknown volume of production has been sold elsewhere.
 - These production figures cumulatively translate to approximately 826,443 bags (60kg) of green bean sold to Lead Partners cumulatively.

Individual activities are reported under the four output categories (rehabilitation, quality improvement, market access infrastructure and capacity building/training) and presented in

² Conversion ratios used: 5 Kg Cherry to 1 Kg Parchment, 1.27 Kg Parchment: 1 Kg Green Bean

tabular form under section 2, while in section 3 the partnership functioning and outcomes are reported followed by the finance (section 4), procurement (section 5) and finally the environmental and social impact report (section 6).

Data Quality

The data quality issues reported in the previous quarter remain and will remain in the 4th quarter. The PMU has addressed this by creating and launching a new reporting template. However, the partners will not be reporting with this template until the first quarter of 2016. The new template will have the following advantages:

- Data is in a spreadsheet rather than a word processor document. Hence data entry is easier.
- Achievements will be added to previous totals automatically thus preventing addition errors. Formula cells will be protected to avoid corruption.
- Template has a separate worksheet for each quarter so that the same file is used repeatedly for the entire partnership period.
- Non-critical data fields have been eliminated as follows resulting in fewer data points to be entered.

6. Environmental and Social Impact Report

6.1 ENVIRONMENTAL IMPACTS TRIGGERED

6.1.1 Nursery establishment

Impact

8 new nurseries were reported to be established this quarter bringing the total to 65 that are in progress. This activity triggers the removal of bush materials, top soil and river sand from the vicinity of the nursery sites.

Mitigation and associated costs

The farmers were advised to only take bush materials required for building the nursery shelters and top soil and river gravel for filling the poly bags. There was total compliance. No additional costs were incurred.

Monitoring frequency and responsibility

The Lead Partners through the Extension Officers (EOs) are responsible for monitoring during farm visits to ensure that farmers are compliant.

6.1.2 Weed Control using Glyphosate

Impact

2378 farmers were reported to have used Glyphosate to control weeds and this had the potential to expose the sprayers /farmers and the environment to this chemical.

Mitigation and associated costs

Training in use of chemicals and back pack sprayers is now included in all partnerships where chemicals are supplied. Safety clothing budgeted to the same number as proposed numbers of back pack sprayers being purchased.

Glyphosate was sprayed using knap-sack sprayers, where sprayers were provided with safety clothing. The knap sack sprayers were mounted with nozzles that directed the spray droplets at weeds only. Empty containers were then collected, cut-up and buried to avoid re-use for other purposes. Costs for the equipment and safety clothing are part of the sub-project budget with no additional costs.

Monitoring frequency and responsibility

The Lead Partner through the Extension Officers (EOs) and site supervisors are responsible for monitoring during farm visits and daily supervision to ensure that farmers (sprayers) are compliant.

6.1.3 Wet-Processing (pulping of cherry coffee)

Impact

Pulping coffee results in three impacts;

- Water taken from natural sources
- Used water allowed straight back into water source without adequate oxidation
- Production of coffee pulp and risk of coffee pulp being discharged into water courses.

Mitigation and associated costs

Two CIC licensed central wet processing facilities (PAMSL and PNGCE) reported processing cherry coffee during the quarter. Smallholder farmers however were reported to have produced parchment using hand held pulpers. The coffee was processed by only taking enough water for use and pulping was carried out in the coffee gardens or near vegetable gardens close to their houses, where waste water then seeped into the soil and coffee pulp allowed to decompose and used as organic fertilizer without incurring any additional costs.

The PMU is established one eco-pulper at Bung village and is in the process of setting up a second one. These machines will be evaluated on operational aspects in the village context. Adoption of eco-pulpers drastically reduces water usage.

6.1.4 Quality Improvement & Market Access (Warehouse Construction)

Impact

Construction of warehouses for coffee storage and as meeting places result in;

- removal of bush materials such as posts, twines and Kunai grass (*Imperata cylindrica*) or Pitpit (*Saccharum* spp.), from surrounding areas.

Mitigation and associated costs

Only trees and materials to be utilized were extracted with no additional materials taken. Warehouses were built as part of sweat equity contributions at no additional costs to the project.

6.2 SOCIAL IMPACTS

6.2.1 Training

Impact

Eleven (11) types of training have been reported and some partnerships have provided combinations of several types of training for their farmers and extension workers. Women could be excluded from trainings and being marginalized if not encouraged to participate.

Mitigation and associated costs

The 11 types of trainings involving 11,156 farmers were conducted. Of these 4,300 (39%) were women.

Component 3 – Infrastructure

The Awareness & Consultations with the communities was undertaken between October - December 2013. The Lead Partners were then invited to submit lists of infrastructure for component 3 infrastructure assistance in January 2014. Sixteen (16) feeder roads representing all existing Partnerships and all Provinces were evaluated in February 2014. First level assessment and costing of these 16 roads were done and presented to the Industry Coordination Committee in April 2014. The Survey, Scoping and costing of infrastructure was completed in May 2014. Preparation of Bidding Documents and Invitations commenced in October 2015.

The first CSTB tender for Nombia-Bibiori 5km road had failed to meet the technical evaluation hence it will now be retendered after no objection from World Bank. It is envisaged that contracting and implementation of this road construction will be done by year ending. This will pave way for speedier process to get other roads constructed.