

Papua New Guinea

Market for Village Farmers Project - Maket Bilong Vilis Fama Supervision Report

Mission Dates: 20 - 31 March 2023

Document Date: 28/04/2023

Project No. 2000000899

Report No. 6444-PG

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

ACIAR	Australian Centre for International Agriculture Research
ANWPB	Annual Work Plans and Budget
BDSP	Business Development Service Provider
CEFI	Centre for Financial Inclusion
CIC	Coffee Industry Corporation
DA	Designated Account
DAL	Department of Agriculture and Livestock
DFAT	Department of Foreign Affairs and Trade (Australia)
DNPM	Department of National Planning and Monitoring
DSIP	District Service Improvement Programme
EH	Eastern Highlands
ENB	East New Britain
EOI	Expression of Interest
EU	European Union
FAM	Financial and Administrative Manager
FAO	Food and Agriculture Organisation
FPDA	Fresh Produce Development Agency
GAP	Good Agricultural Practices
GESI	Gender Equity and Social Inclusion
GoPNG	Government of Papua New Guinea
IFC	International Finance Corporation
ISM	Implementation Support Mission
KM	Knowledge Management
LTB	Letter to The Borrower
M&E	Monitoring and Evaluation
MDF	Market Development Facility
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
MIS	Management Information System
MOU	Memorandum of Understanding
NARI	National Agriculture Research Institute
NOTUS	No Objection Tracking System (IFAD)
PA	Partnership Agreement
PBA	Project Bank Account
PC	Project Coordinator
PE	Project Expeditor
PHAMA+	Pacific Horticultural and Agricultural Market Access
PM	Project Manager
PMU	Project Management Unit
PNG	Papua New Guinea
PO	Procurement Officer
PP	Procurement Plan
PPAP	Productive Partnerships in Agriculture Project
PSC	Project Steering Committee
PSIP	Province Service Improvement Programme
SME	Small and Medium Enterprise
TAC	Technical Appraisal Committee
UNRC	United Nations Resident Coordinator

VEW	Village Extension Worker
WA	Withdrawal Application
WH	Western Highlands

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Actual problem
Country:	Papua New Guinea	Environmental and Social Category:	Moderate
Project Name:	Market for Village Farmers Project - Maket Bilong Vilis Fama	Climate Risk Classification:	Moderate
Project ID:	2000000899	Executing Institution:	Department of Agriculture and Livestock
Project Type:	Storage, processing and marketing	Implementing Institutions:	Fresh Produce Development Agency
CPM:	Hani Abdelkader Elsadani Salem		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date:	14/09/2017	Last audit receipt:	14/12/2022
Signing Date:	13/12/2017	Date of Last SIS Mission:	31/03/2023
Entry into Force Date:	27/08/2018	Number of SIS Missions:	9
Available for Disbursement Date:	29/07/2019	Number of extensions:	0
First Disbursement Date:	29/07/2019	Effectiveness lag:	11 months
MTR Date:	not available yet		
Original Completion Date:	30/09/2024		
Current Completion Date:	30/09/2024		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$25,500,000
Domestic Financing breakdown	Other Government	\$13,000,000
	Beneficiaries	\$1,214,000
	National Government	\$2,851,000
Co-financing breakdown,	Co-financiers	\$4,223,000
Project total financing:		\$46,788,000

Current Mission

Mission Dates:	20 - 31 March 2023
Days in the field:	12 days (3 days visiting project sites; 6 days with PMU in Goroka, including meeting with PMU stakeholders, writing aide memoire; 3 days in Port Moresby meeting with key stakeholders, kick off and wrap up meetings)
Mission composition:	Mr Hani Elsadani, Country Director and mission leader Mr Thierry Mahieux, Rural Finance Specialist - Technical team leader Ms. Rahmi Khalida, Targeting and nutrition Expert Mr. Dipak Sah, Financial management consultant Mr. Harry Sudewa, Procurement consultant Mr. Joe Degemba, IFAD Country liaison officer
Field sites visited:	Port Moresby, Goroka

B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		3.21	Assessment of the Overall Implementation Performance		3.0

Effectiveness and Developmental Focus		3	Project Management		3
Effectiveness		3	Quality of Project Management		3
Targeting and Outreach		3	Knowledge Management		4
Gender equality & women's participation		3	Value for Money		3
Agricultural Productivity		N/A	Coherence between AWPB and Implementation		3
Nutrition		N/A	Performance of M&E System		3
Adaptation to Climate Change		3	Social, Environment, and Climate Standards requirements		3

Sustainability and Scaling-up		4	Financial Management and Execution		3
Institutions and Policy Engagement		3	Acceptable Disbursement Rate		3
Partnership-building		4	Quality of Financial Management		2
Human and Social Capital and Empowerment		4	Quality and Timeliness of Audit		2
Quality of Project Target Group Engagement and Feedback		3	Counterparts Funds		3
Responsiveness of Service Providers		4	Compliance with Loan Covenants		4
Environment and Natural Resource Management			Procurement		3
Exit Strategy		4			
Potential for Scaling-up		4			

Relevance		5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The Market for Village Farmers - Maket Bilong Vilis Fama (MVF) was approved by IFAD's Executive Board in September 2017. The total project financing is US\$ 50.3 million, consisting of an IFAD loan of US\$ 25.5 million (50.7%), a government contribution of an estimated US\$ 2.9 million (5.7%), contributions from beneficiaries estimated at US\$ 1.2 million (2.4%), financial institutions US\$ 4.2 million (8.4%), while provincial and district governments are expected to co-finance US\$ 13.0 million (25.9%) for the road rehabilitation works. The financing gap of US\$ 3.5 million (6.9%) is expected to be financed by subsequent IFAD contributions or by other partners. The IFAD Financing Agreement (FA) entered into force on 27 August 2018, although implementation only began in early 2019 due to the process of obtaining the legal opinion on the FA from the Government of Papua New Guinea (GoPNG). The project completion date is 30 September 2024, and the project closing date is 31 March 2025.
2. The goal of MVF is to improve the livelihoods of village farming households in target provinces by facilitating their transition from semi-subsistence agriculture to market-oriented production and farming as a business, and its development objective is to achieve sustainable increased returns to village farming households from increased marketed production. The project targets six provinces of PNG: Western Highlands (WH), Jiwaka, Simbu, Eastern Highlands (EH) and Morobe, for the fresh produce sector, and East New Britain (ENB) for Galip nut related activities. MVF targets around 25,000 farming households, benefiting approximately 125,000 people. The Department of Agriculture and Livestock (DAL) is the Project Executing Agency, while the Fresh Produce Development Agency (FPDA) is the Project Implementing Agency. The project has three components: **C1: Inclusive Business Partnerships** supports all the activities required to build and implement business partnerships; **C2: Supportive Value Chain Investment** complements partnership investment through spot improvements on feeder roads; and facilitating the access to financial services; **C3: Collective Governance and Project Management** includes all the activities aiming at promoting a favourable policy and institutional environment to support the development of inclusive fresh produce and Galip nut value chains.
3. Following the last supervision held in November 2022, the project is still facing numerous challenges, particularly with regard to financial management and the implementation of Call 1 due to freezing disbursements. Since November 2021 and despite the challenges of freezing funds flow, the project managed to sign the business partnerships under Call 1, finalize the selection of the first batch of business proposals under Call 2, and provided training to about 2,500 farming households participating in business partnerships under Call 1. However, due to the issues with FM, disbursements to the project have been temporarily suspended, thus halting further progress.
4. Significant efforts were made during the first quarter to improve implementation including financial management. An implementation support mission was carried out in February 2022 to address implementation and audit challenges. Good progress was made and disbursement is expected to be reinstated soon.
5. In this context, this Supervision Mission^[1] (ISM), was undertaken from the 20 to 31 March 2023. The main objective of this supervision mission is to address challenges related to project implementation including compliance issues. The mission also aimed at providing guidance to the FPDA, the PMU and partners to consolidate the achievements to date and ensure that the implementation can be expedited. In this context, the specific objectives of the supervision are: (i) review project management and make recommendations to address the challenges; (ii) review the progress implementation of partnership interventions; (iii) assess the project progress in terms of signing call 2 partnerships, and review, if necessary, the roadmap for implementation; (iv) assess the progress of the guarantee scheme; (v) guide the project regarding progress of the infrastructure subcomponent and other subcomponents; (v) identify the project implementation issues and challenges including targeting and SECAP; (vi) review the Financial Management practices and support the project in addressing them; (vii) review the progress of preparation of the financial statements and FM action plan, and (viii) review procurement practices and compliance with procurement arrangements under the project.
6. A kick-off meeting was held on March 20 and a wrap-up meeting was held on March 31 in DAL office in Port Moresby, both chaired by the Acting Secretary DAL. The meetings were attended by the representatives of FPDA, the Department of National Planning and Monitoring (DNPM), the Department of Treasury (DoT), and the Centre of Excellence for Financial Inclusion (CEFI). Visits to project sites were organized to Western Highlands, Jiwaka and Simbu provinces where the mission interacted with farmers, lead farmers, and lead partners under Call 1 and Call 2 as well as with a training partner. In Port Moresby, the mission held discussions with CEFI, the Bank of PNG, MiBank, and the Nambawan Savings and Loans Society.
7. ^[1] The mission was composed of: Mr Hani Elsadani-Salem, Country Director and mission leader; Mr Thierry Mahieux, Rural Finance Specialist and Technical team leader; Ms. Rahmi Khalida, Targeting and nutrition Expert; Mr. Dipak Sah, Financial management consultant; Mr. Harry Sudewa, Procurement consultant, and Mr. Joe Degemba, IFAD Country liaison officer. Mr. Francis Daink, Deputy Secretary DAL; Ms. Merrie Unagi DAL; Mr. Joe Kengogla and Mr. Richard Stanley both DNPM, and Ms. Atkeria Painap Department of Treasury accompanied the mission throughout the entire time, and participated in key meetings with the PMU and field visits.

Key Mission Agreements and Conclusions

8. The mission, GoPNG, FPDA, and MVF team agreed on a road map to strengthen project implementation, address outstanding issues and ensure the project will achieve its objectives. This includes:
 - Strengthening the PMU with number of key experts in project management, financial management, procurement, M&E, SECAP, targeting and nutrition;
 - Recruit few vacant positions (GESI and value chain assistant) at the level of the PMU;

- Strengthening key linkages between provincial teams and the PMU;
- Disburse grants to farmers, lead farmers, lead partners for business partnerships under Call 1 and Call 2 batch 1, and ensure technical and financial readiness of partnerships for submission to the MVF TAC;
- Further dialogue with MiBank, Nambawan Savings and Loans Society and Bank of PNG for the implementation of more appropriate agricultural loan terms and conditions;
- Update priority list for road improvement including Call partnerships as well as stronger involvement of the district and provincial governments.
- While financial statements for 2021 were restated and draft financial statements for 2022 were prepared with both accepted by IFAD, the project should continue its efforts to complete requirements for restarting disbursements, which is expected to take place in April/May 2023. The project should address FM improvement action plan to ensure improvement of the FM performance.
- Procurement function and procedures should be strengthened to ensure compliance and effective implementation.

9. The main agreed actions include:

10. **Targeting**

- At least 25 % of all VFLI trainees will be farming HHs not yet members of partnerships and 40% of these additional 25% are vulnerable and marginalized farming HHs
- Roadmap should be elaborated for the graduation of these additional farming HHs in current partnerships and ensuring compliance with MVF social inclusion and GESI strategy

11. **Training**

- VFLI training should be complemented by agriculture technical training including modules (production, pest management, post-harvest handling, nutrition and food processing, and marketing) provided by FPDA using the “champions methodology”
- Training sessions should comply with Family Team approach and accommodate women time constraints
- Performance of VFLI training and trainers should be assessed by trainees and refresher VFLI training provided a year after the initial training

12. **Business partnerships**

- Call 2 batch 2 eligible partnerships should be signed by the MVF TAC by July 2023
- MVF grant ceiling should be increased by about 20% to cater for inflation
- Calculation of the MVF grant should be modified to consider the borrower’s investment loan repayment capacity and loan duration, and approved by a specific committee (PMU, CEFI, bank)
- A coordination grant of PGK 20,000 should be extended to small lead partners to reduce the impact of geographical dispersion
- Capacity building grant should also be extended to farmers in micro partnerships
- The project will conduct a study to assess potential diversified channels to commercialize fresh produce, and implementation of a pilot project on processing fresh produces together with one/two selected lead partners

13. **Galip nut**

- The project should aim at signing three projects signed by the MVF TAC by July 2023
- Finance equity participation of Galip nut farmers cooperatives in the lead partner company capital when possible

14. **Roads**

- The project should support improvements of local level government roads, farm tracks, village roads
- Define list of criteria included in the ranking/cost benefit analysis
- Engage with districts for their financing of road embankment improvements and construction supervision
- Finalize road selection and advertise for engineering consultancy firm

15. **Access to finance**

- Assess performance of MiBank one-year old agricultural loans and introduce changes in its terms and conditions
- Further discussion should be conducted with Nambawan SLS on terms and conditions applied to its agricultural loan
- Identify possibility to co-finance their outreach expansion

16. **Project management and staffing**

- Project management advisor, financial management expert and accountant, procurement specialist and international procurement expert, SECAP and climate change international part-time expert, M&E expert, and short-term experts for KM and communication, as well as for targeting and social inclusion should be contracted/recruited
- Vacant PMU positions should be filled: GESI officer, and value chain assistant
- Provincial coordinators report to the PMU, PMU organizes regular follow-up meetings with provincial teams, and three provincial M&E officers needs to be recruited

17. **Financial management**

- Procure new financial system to record financial transactions as described in the Financing Agreement and generate requisite reports to facilitate accountability in project management
- Payments of Tax on Salaries & Wages to the Internal Revenue Commission from GoPNG counterpart fund account
- Recover GST net balance amount of K505,105 from GoPNG account which was paid from IFAD account during the financial

year 2021 and 2022

- Ensure strengthening of MVF internal control to avoid recurrence of previous years' situation
- Implementation of all recommendations included in the 2023-2024 Financial Management Action Plan
- As 2021 financial restatements and 2022 draft financial statements were completed and accepted by IFAD, disbursements are expected to be allowed once IFRS are completed and accepted. This is expected to happen by April/May 2023.

18. **Procurement**

- Conduct procurement processes in compliance with GoPNG procurement guidelines and regulations, as well as with IFAD Letter to the Borrowers and Financial Agreement
- The 2023-2024 Procurement Plan should be submitted to IFAD by the Mid-Term Review mission

19. **Monitoring & Evaluation**

- Kobo Toolbox and VFIMS platforms should be effectively synchronized
- Capture data on business partnerships to monitor changes affecting farmers, lead farmers, and lead partners

20. **Nutrition**

- A specific food processing module should be included in the VFLI training to improve HHs balanced diet and to promote food/nutrition-based income-generating activities for women.

D. Overview and Project Progress

21. **Sub-Component 1.1 - Fresh Produce Partnerships**

22. **Training for farming HHs.** The schedule for the retail training of farming HHs under Call 1 and Call 2 as well as the ToT training for training partners in Eastern Highlands and Morobe provinces has been actualized. Based on the current estimate of farming HHs involved in Call 2 batch 2 partnerships (2,500 HHs equally distributed among all 5 provinces), on the training capacity of training partners (300 people per week), and on 25% of farming HHs not members of partnerships, the following table illustrates the number of weeks needed to train all farming HHs.

Provinces	# of HHs in partnerships			# of weeks for training
	Call 1	Call 2	Total	
Simbu	2,000	2,650	4,650	41
Western Highlands	900	766	1,666	16
Jiwaka	900	500	1,400	13
Eastern Highlands		1,569	1,569	15
Morobe		1,087	1,087	11
Total	3,800	6,572	10,372	

23. Considering a probable availability of financial resources in May 2023, retail trainings in Western Highlands, Jiwaka, Eastern Highlands, and Morobe are expected to be completed by end of September 2023, while training in Simbu should be completed by March/April 2024. To ensure participation of women in training sessions, training partners should adapt schedule and duration of these sessions to women possibility and should also ensure that trainings are provided by a team of one man and one woman.
24. As a first step towards financial inclusion and bridging the gap between financial institutions and farming HHs, the mission suggests to have financial institutions' representatives participating in training sessions whenever possible. There is anecdotal evidence from the field visits that trainings have brought about some changes in farming HHs behaviours. Interviewed farmers all mentioned that they understand the need to record and budget expenses, and are more aware of their profit margins. Furthermore, most farmers mentioned that they have started saving money as a result of trainings, either to finance agricultural inputs for future seasons or for HHs expenses. During VFLI training, trainees are expected to open a bank account. However, opening a bank account in itself does not mean that farmers actually use it for their transactions and cannot be used as a proxy for the VFLI training outcome. The PMU and CEFI should attempt to monitor, on a sample basis, the actual use of bank accounts to effectively assess the actual impact of the training, and lead partners should be advised to pay farmers through bank accounts.
25. In parallel with the VFLI training, farming HHs should also receive agriculture technical training including production, pest management, post-harvest handling and management, and marketing. This technical training in the form of refresher courses is essential to ensure improved yields and enhanced quality in production. The technical training would follow the "champion methodology" i.e., champions identified in each business partnership (generally the lead farmers) are trained and then these champions train other members of the community. It is suggested that FPDA implements this methodology with possible support from FAO for technical training aspects. A financial incentive covering operating costs will be paid to lead farmers when training farmers onsite. The project should assess the quality of the VFLI training provided by training partners through the implementation of trainees questionnaire to collect their feedback on the content of training modules and their quality. Finally, to ensure complete understanding of trainings and improve their adoption rate, one-day VFLI refresher training courses should be

provided a year after the initial VFLI training.

26. **Business partnerships.** Considering Call 1 and Call 2 batch 1, there is a strong imbalance in the location of approved partnerships with Simbu province representing around 53% of all farming HHs. In both Calls, Simbu province was by far the leading province in terms of farming HHs included in partnerships (2,000 HHs in Simbu for a total of 3,800 HHs in Call 1 and 2,150 HHs for a total of 4,072 HHs in Call 2). With similar potential for fresh produces in all MVF provinces, the PMU should consider putting more efforts in promoting/advertising project activities in the 4 other provinces.
27. Average participation of women in the partnership under Call 1 is 35% (ranging from 18% to 71%). Although the project aims at strengthening existing business relationship between farmers and lead partners, social inclusion targeting should be further promoted by the project vis-à-vis lead partners.
28. The grant ceilings for members of partnerships have not been revised since project started in 2019, although inputs and equipment prices have seriously increased due to inflation exacerbated by the COVID pandemic. It is recommended to increase the grant ceiling for farmers from US\$ 500 to 600, from US\$ 1,000 to 1,200 for micro lead partners, from US\$ 5,000 to 6,000 for small lead farmers, and from US\$ 50,000 to 60,000 for medium lead farmers. This increase will be effective for all partnerships under Call 1 and Call 2. The calculation of the MVF grant for investments for both small and medium partnerships based on a standard percentage of the investment is not satisfactory as it doesn't consider the business's performance and cash-flow. The mission recommends for Call 2 batches 1 and 2 to determine the MVF grant based on the maximum repayment capacity of the borrower (cash-flow) and on the loan duration (or amortization period). The grant amount will be determined as the difference between the investment, the borrower's contribution and the maximum loan amount. The MVF grant will be determined by the MVF production and VC manager, with final approval by a specific committee (Grant Appraisal Committee - GAC) composed of one representative from PMU, one from CEF1, and one banker (BSP or NDB). Discussions with small lead partners have highlighted the fact that in many cases their suppliers are scattered across the district, thus increasing their operating costs. Discussions also highlighted the fact that farmers supplying micro lead partners are also in need of both technical and VFLI training. In that respect, the mission recommends to extend the coordination grant to small lead partners (for an amount of PGK 20,000) and to include farmers supplying micro lead partners in both MVF trainings, thus benefiting from the same capacity building grant as farmers in small partnerships.
29. With all business partnerships producing and marketing their production at the same time, there is a risk that, supply exceeding demand, market prices drop. To mitigate this risk, alternative markets need to be identified by lead partners such as markets for processed fresh produces (dried products, chips, and others). This would enable production to further grow without endangering profit margin for all stakeholders. Therefore, the mission recommends to (a) contract an international firm to carry out a study on the different products that can be made from fresh produces, their domestic and export markets, as well as their norms and standards, and (b) based on the results of the study and together with one or two selected lead partners, co-finance the implementation of a fresh produce processing activity. The MVF grant will cover part of the investment costs as well as part of the operating costs including marketing costs.
30. Call 2 batch 2 business partnerships should be approved by the MVF TAC in June 2023. Effective implementation of partnerships investments will spread from end of 2023 to beginning of 2024. Under Call 1 and Call 2, the project financial support amounts to US\$ 6.84 million while beneficiaries' contributions amount to US\$ 6.22 million. The breakdown of contributions between beneficiaries' own resources and loans extended by financial institutions will vary on a case-by-case basis.
31. **Sub-component 1.2 - Galip Nut Partnerships**
32. **Galip nut.** The 3 approved business partnerships should submit detailed business plans and funding agreements to the MVF TAC for approval in July 2023. The project should further investigate the possibility to fund one of these three business partnerships using equity financing in addition to investment/working capital grant. Although being a family company, SISAL has expressed its interest in having equity participation from cooperatives of Galip nut farmers in the company's capital subject to effective capacity building support to Galip nut farmers from the project.
33. **Sub-component 2.1 - Spot Improvement of Field Roads**
34. **Roads.** During field visits, the mission was exposed to roads that are larger than farm tracks, however they were in poor shape and seems to affect access to markets. It was not clear whether these roads are district roads or not. It was also discussed that some of the proposed roads have significantly higher estimated costs than others. In case of need, the PMU should liaise with the provinces and districts to rehabilitate the higher-level district ones. The mission met during the field visits with the commissioner for Kerowagi district (Simbu province) who indicated significant level of investments in roads rehabilitation in his district. Given the time remaining for project implementation and the fact that significant time will be needed to complete arrangements for creating common trust account for road rehabilitation and mobilization of funds, it is practical at this stage to coordinate implementation with districts and provinces roads programs without seeking direct contributions in monetary terms but rather splitting of works i.e., IFAD finances bridges/culverts/crossings/drainage works with district programs financing the embankments improvement works. The PMU will engage with the districts to confirm their readiness to do road embankment improvement while IFAD finances structure and other crossing works. This process will be conducted and finalized in parallel to the cost benefit analysis / ranking process.
35. The PMU has identified 6 roads within call 1 partnerships to be improved in 3 provinces for an estimated cost of approximately US\$ 2 million. Given the fact that districts/provinces contributions are not in place, the above 6 roads within call 1 alone represents 55% of the total works expenditure category. These roads cater only for the 6 Call 1 partnerships, while no roads have yet been identified for Call 2 which expects about 30 additional partnerships.
36. The current ranking exercise provides a good starting point for the cost-benefit analysis mentioned in the design and referred to by earlier missions. This mission discussed the need to upgrade the current ranking / cost benefit analysis and include other

criteria or examine validity of data i.e., review exact number of farmers served by a given partnership, amount of produce served by the road for the benefit of the partnerships, need for road improvement to access social services, estimated cost etc. The PMU will prepare list of criteria to be included in the ranking / cost benefit analysis. The PMU should proceed to finalize the cost benefit analysis with the inclusion of call 2 partnerships and select a list of roads to be improved. This final selection should take into consideration the following factors as well: (i) selected road should be serving partnerships directly; (ii) balanced distribution of resources allocated for roads improvement among provinces; (iii) estimated cost for a given road should not be too high; (iv) readiness of the district to carry out maintenance after roads completion, and (v) readiness of the district to finance embankment works and higher-level roads improvement if needed. The final selection should be approved by the MVF TAC. The PMU should expedite the process subject to completion of other necessary steps.

37. Given the high estimated costs to engage an engineering firm to carry out construction supervision, the PMU should engage with district departments of roads to examine their readiness to carry out this task. Following the identification of roads to be improved, a consultancy firm will be recruited to conduct the following tasks: (i) complete designs and preparation of Bills of Quantities, and (ii) ensure the works are conducted in accordance with SECAP procedures. The above should be done in a way that include the structures to be supported by MVF and the embankment improvement portion to be implemented directly by the districts as separate bidding documents as tendering is expected to be done independently. The PMU should expedite the preparation of the Terms of Reference and issuance of the Expression of Interest. The PMU will advertise for selection of an engineering consultancy firm to carry out engineering designs and the PMU should start tendering of the packages as soon designs are completed by the consultancy firm.

38. Sub-component 2.2 - Financial Inclusion

39. **Access to finance.** MiBank has already launched its agricultural loan while Nambawan Savings and Loans Society is planning to roll it out during summer 2023. The mission considers that the terms and conditions of these agricultural loans are not optimal for farming HHs. The MVF should meet with MiBank in September 2023 to assess the performance of its one-year-old agricultural loan and advocate for changes in the loan terms and conditions. With regards to Nambawan SLS, the mission recommends to further discuss with its senior management to introduce changes in the design of their agricultural loan before it is rolled out.

40. Efforts for the expansion of financial institutions' outreach should be expanded further. The development of financial institutions' outreach is necessary to ensure that MVF target group access financial services even in remote villages and districts. Outreach expansion can be an incentive for a financial institution to go the extra-mile to serve farming communities and extend agricultural loans. Outreach expansion can take different aspects based on financial institutions' development plan (network of agents, ICT and digital finance, points of services). With the two banks that have so far developed agricultural loan products, the project should explore the possibility of co-financing investment and operating costs related to the outreach expansion in the MVF area. In addition, together with MiBank where most MVF-supported farming HHs have opened a new bank account, the project should explore the possibility to associate the opening of traditional bank accounts with e-wallets. The project would also cover the costs charged by financial institutions to open and operate during one year the e-wallets.

41. Sub-component 3.1 - Collective Governance

42. This sub-component supports all activities aiming at promoting a favorable policy and institutional enabling environment to support the development of inclusive business partnerships and value chains for both fresh produces and Galip nut. The position of Policy Officer has not been filled since 2021. To date, little progress has taken place with regards to inclusion of stakeholders or policy aspects mainly due to the fact that business partnerships have not yet been financed by the project and implemented by farmers and lead partners. Stakeholders' platforms have not played the desired roles in establishing the fresh produces and Galip nut partnerships. IFAD and DAL agreed in November 2022 that a consultant would be contracted to continue and finalize the work done by the PMU on the Seed Policy. No action has yet been taken due to lack of funding. The 2023 AWP&B includes provision to support this work.

Agreed Action	Responsibility	Agreed Date
CEFI agreement Revise the CEFI agreement based on the changes mentioned in the report		01/2023
Rural Roads Scope for smaller, village and/or farm roads that could potentially be financed 100% by MVF		02/2023
Rural roads (2) Reduce the scope of existing designs in order to reduce the budget and the overall contribution from expected local governments		02/2023
Completed financial statements for 2022 Complete accurate financial statements for 2022 expenditures		03/2023

VFLIT training plan 5 VFLIT ToT completed and 2,400 Call 1 HH trained		03/2023
Finalise pending Call 1 agreements Finalise pending Call 1 agreements by either the termination or the provision of investment grants to remaining call 1 LPs		03/2023
New Loan products At least additional 2 new loan products are launched and loans extended to 50 trained farmers		03/2023
Rural roads (3) Undertake the cost-benefit analysis for nominated roads using the number of HH as a proxy for volume of fresh produce, and finalise the ranking of roads		04/2023
Targeting 25% of trainees to be farming HHs not member of business partnerships 40% of the above-mentioned 25% to include vulnerable and marginalized farming HHs	PMU - CEFI	04/2023
Training Revisit training organization to accommodate women's time schedule and workload and ensure VFLI training provided by a team of one man and one woman	CEFI - Training partners	04/2023
Business Partnerships Increase grant ceiling by 20% Modify calculation of the grant amount on the basis of cash-flow and repayment capacity of borrower Extend coordination grant to small lead partners and capacity building grant to farmers in micro partnerships	PMU VC	04/2023
Business Partnerships Implement specific committee (CEFI, PMU, Bank) to validate calculation of grant	PMU	04/2023
Roads Confirm the scope of prepared packages is limited to smaller local level government roads, village and/or farm roads that could potentially be financed 100% by MVF Submit modified criteria for ranking / cost benefit analysis to IFAD for review and feedback Engage department of roads and assess their readiness and adequacy to carry out road construction supervision	PMU Eng.	04/2023
Access to Finance Advocate changes in terms and conditions of Nambawan SLS agricultural loan	CEFI	04/2023
Assess AFC performance Assess the performance of AFC against the stipulated deliverables		05/2023
Rural roads (4) With support from PCU and IFAD, explore the possibility of including alternative co-financiers for the road improvements		05/2023

Targeting Specific roadmap for graduation of vulnerable and marginalized HHs in business partnerships	PMU - CEFI	06/2023
Training Agriculture technical training provided to all farmers using “champions” methodology	FPDA - PMU	06/2023
Training Implement VFLI training and trainers assessment by trainees	CEFI - PMU	06/2023
Roads Finalize ranking / cost benefit analysis including call 2 partnerships Engage with districts to confirm their readiness to do road embankment improvement while MVF finances structure and other crossing works Engage department of roads and assess their readiness and adequacy to carry out road construction supervision Advertise for selection of consultancy firm to complete designs (including SECAP requirements) Start tendering processes for packages as they become available (approval by the MVF TAC should be ensured before starting the tendering process)	PMU Eng. & Proc.	06/2023
Business Partnerships Contract international firm to study possibilities of accessing alternative markets for fresh produces (processed)	PMU VC	07/2023
Targeting Activities with vulnerable and marginalized HHs aligned with social inclusion and GESI strategy	PMU	08/2023
Galip nut Ensure readiness of projects for MVF TAC Elaborate roadmap for equity financing for Galip nut farmers’ cooperatives in one lead partner’s company on top of MVF grant	PMU VC	08/2023
Access to Finance Identify co-financing possibility for outreach development with MiBank and Nambawan SLS	CEFI	09/2023
Access to Finance Assessment of MiBank agricultural loan performance and impact	CEFI - PMU	10/2023
Business Partnerships Co-finance a pilot with one/two lead partners	PMU	11/2023
Business plans and partnership agreements Completed final drafts of the business plans and partnership agreements for the 12 LP in Call 2 who have already submitted business plans		

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 3

Previous rating: 3

Justification of rating

43. Development effectiveness is rated as moderately unsatisfactory. The Implementation Support Mission team believes that the project objective as well as the main outcome targets can be achieved if the PMU shows significant improvements in the coming months, especially in term of management.

To date, 4 of the 6 Call 1 partnerships have been implemented in 2022, the remaining 2 will be implemented during 2nd quarter of 2023, 16 call 2 batch 1 partnerships will start implementation by mid-2023, and 15 call 2 batch 2 partnerships will be approved in June 2023 for implementation during last semester of 2023. However, it seems improbable that the project will have sufficient time to implement a third call of partnerships unless extension is granted. Nonetheless, the project revised the VFLI training manuals ensuring that all call 1 and call 2 farming HHs will be trained by 2023.

Log-Frame Analysis & Main Issues of Effectiveness

44. Despite restrictions on disbursements, some important milestones have been achieved since the November 2022 supervision mission: (i) 6 call 1 partnerships implemented, 4 of their lead partners financed to-date, the remaining 2 being financed by June 2023; (ii) 16 call 2 batch 1 business partnerships already approved and to be financed by mid-2023; (iii) 15 call 2 batch 2 business partnerships to be approved by the MVF Technical Appraisal Committee in July 2023 (including 3 Galip nut proposals) and financed before end-2023; (iv) ToT of revised VFLI training provided to training partners; (v) training of farmers under call 1 resumed; (vi) MiBank has extended more than 50 loans to MVF farming HHs and around 30-50 loan applications are submitted per week; (vii) all loans extended by MiBank are guaranteed by the Bank of PNG Risk Sharing Facility, and (viii) thanks to MVF/CEFI support, another financial institution is rolling out its new agricultural loan in June 2023.

45. Thanks to interventions from CEFI and AFC, MiBank has launched its agricultural loan product, although not entirely meeting the needs of project farming households. Nambawan Savings and Loans Society is expected to launch its specific agricultural loan product in June 2023. All these loan products benefit from the RSF guarantee, thus facilitating access of project-supported farming households.

46. The project recommends to fine-tune the logframe articulating clearer outcome targets that can be measured and broken down into activities, for which responsibility can be assigned more easily and clearly. Improved outcome statements and accompanying output and activity lists should be articulated and vetted at a NPIU meeting, and eventually presented to partners and stakeholder for their views, to IFAD for endorsement and to the Project Steering Committee for its approval. The mission recommends to elaborate a list of indicators to measure the performance of partnerships and their impact for farming households in terms of production and income. Data on the current situation will be compared against situation at the date of drafting the business plan (baseline) and projections included in the business plan (target). Collection of data will occur at the end of each agricultural season. Data should be collected for the main commodities and for a sample of farmers across call 1 and call 2 business partnerships.

- Development effectiveness is rated as moderately unsatisfactory. The Implementation Support Mission team believes that the project objective as well as the main outcome targets can be achieved if the PMU shows significant improvements in the coming months, especially in term of management.
- To date, 4 of the 6 Call 1 partnerships have been implemented in 2022, the remaining 2 will be implemented during 2nd quarter of 2023, 16 call 2 batch 1 partnerships will start implementation by mid-2023, and 15 call 2 batch 2 partnerships will be approved in June 2023 for implementation during last semester of 2023. However, it seems improbable that the project will have sufficient time to implement a third call of partnerships unless extension is granted. Nonetheless, the project revised the VFLI training manuals ensuring that all call 1 and call 2 farming HHs will be trained by 2023.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Log frame	PMU	05/2022
Fine tune the project outcomes and outputs in the log frame to ensure measurability		

Development Focus

Targeting and Outreach

Rating: 3

Previous rating: 3

Justification of rating

47. Targeting and outreach is rated as moderately unsatisfactory. So far, in term of inclusion in business partnerships, the project has reached approximately 7,150 farming HHs under call 1 and call 2 batch 1 and will reach an additional 4,500 HHs under call 2 batch 2, for a total of 11,650 farming HHs (approximately 58,000 people). In term of financial inclusion, the project has already trained around 3,800 farming HHs of which around 3,100 farming HHs are included in business partnerships with the remaining 700 farming HHs are not included yet. Overall, the profiling of farming HHs included in call 1 business partnerships has confirmed that the project is reaching its expected target group (smallholder farming HHs, poor or close to poor, facing big challenges to increase income through market access). A small but rapidly growing number of farming HHs have now access to bank loans to finance their activity.

Main issues

48. *Selection and targeting.* The main selection criteria to benefit from project activities is to be an active member of an existing business partnership with a lead partner. This shows to be incompatible with the 50% women and 30% youth overall targets. VFLI training partners also find difficult to provide in the communities their training exclusively to farming HHs members of business partnerships. During training sessions provided to farming HHs under call 1, non-members of business partnerships have also participated. As a solution to increase the final outreach of the project, the project will include 25% of farming HHs that are not members of business partnerships. Out of these additional 25% farming HHs, 40% should be vulnerable and marginalized farming HHs (women-headed households, youth, minorities). Globally, the project will target around 16,000 farming HHs (i.e., 80,000 people) of which around 4,000 HHs are not participating in business partnerships of which around 1,600 HHs will represent vulnerable and marginalized ones. The project together with CEFI, the training partners and the lead partners will elaborate a roadmap to ensure possible graduation of these HHs and their inclusion in supported business partnerships.
49. *Gender and social inclusion awareness.* One lead partner (JOFFCS) has included gender and social inclusion awareness in its business partnership. This has to be promoted across all business partnerships and in that respect the NPMO shall organize an awareness campaign targeting the provincial implementation teams, CEFI and its training partners as well as lead partners under call 1 and call 2. The project will also develop promotion material such as poster, leaflets and organize media campaigns.
50. *GESI officer.* To improve the overall targeting of the project, the new GESI officer needs to be recruited as soon as possible. His/her task will be primarily to ensure that all project activities are compliant with the GESI strategy.

Gender equality & women's participation **Rating: 3** **Previous rating: 3**

Justification of rating

51. Gender equality and women's participation is rated as moderately unsatisfactory. In fact, while the project had made important efforts around GESI in the early stages, the GESI officer unfortunately passed away due to COVID in late 2021. The GESI officer position should be recruited by May 2023. Furthermore, while 35% of the farming households are reportedly led by women, the CEFI and the PMU have not fully implemented the family team approach for the VFLI trainings, which entails training both partners of the household. As such, the project has missed the opportunity to advance some of its gender objectives. However, discussions with women participating in the project as lead farmers, farmers and who have received the VFLI training have indicated that they are now able to play an active role in negotiations around partnership agreements.

Main issues

52. The GESI strategy and implementation framework have been completed and FPDA and NPIU staff have been inducted on the content of the strategy. Regional workshops were being prepared to ensure that all the provincial project staff and lead partners are fully aware of the strategy and its implementation framework. The discussions with BDSPs and lead partners have highlighted that they are all aware of the GESI strategy, but are unsure what the implications are and how to effectively implement the strategy with regards to the partnership agreement
53. CEFI has entirely revised the VFLI training content and ToT has been provided to all its training partners. Following last year recommendation, farmers under call 1 will be trained once again using the new modules. Consequently, the Family Team approach can be emphasized while training schedule can be adapted to the women workload (several half-day sessions spread over a couple of weeks) to ensure women effective participation.
54. None of the farming HHs under call 1 and call 2 business partnerships have yet received any technical training on production but also on post-production. In addition to these technical training, the project will also provide additional trainings on nutrition, food processing, and marketing. These additional training will enable women to start small income generating activities as a complement to the income generated by fresh produce activity. have not yet received any knowledge in term of agriculture technical training.
55. Finally, to ensure that women and youth engage with the training, training target and action plan need to be aligned with Project target and GESI strategy.

Agreed Action	Responsibility	Agreed Date
<p>GESI strategy should be mainstreamed throughout the project, and integrated in:</p> <p>1. GESI Criteria for hiring service providers. Ensuring that SPs willing and able to contribute to GESI objectives</p> <p>2. Scoping Study. Include information on socio-economic differentiation amongst producers in project value chains and the impact of gender, generation gaps, wantok networks, land rights etc.</p> <p>3. Integrate GESI eligibility criteria into EOIs</p> <p>GESI provisions in baseline and information campaign</p>	PMU (GESI Officer)	05/2022

Agricultural Productivity **Rating: N/A**

Nutrition **Rating: N/A**

Adaptation to Climate Change	Rating: 3	Previous rating: 4
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Justification of rating

56. Adaptation to climate change is rated as moderately unsatisfactory. Since business partnerships have not yet been fully implemented, it is difficult to assess the impact (negative or positive) these can have on climate change issues. A SECAP and climate change international part-time expert will be contracted, to be on board by April 30th. One of its main tasks will be to finalize the SECAP action plan, to ensure that the plan is implemented with possible workshops for project staff, lead partners and project partners, to ensure that business partnerships include SECAP and climate change mitigation or adaptation actions, and to develop whenever possible a climate risk analysis on each of these business partnerships with recommendations to introduce new climate resilient agricultural best practices and technologies. However, the extent of these recommendations will be driven by the business partnerships.

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 3	Previous rating: 3
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Justification of rating

57. Institutions and policy engagement is rated as moderately unsatisfactory. In fact, the Policy officer has not been replaced since the termination of the previous incumbent, and consequently no progress has been made on the National Agriculture Seed Policy (NASP) and no Multi-Stakeholder Platforms were organised in 2022.

Main issues

58. *Policy engagement.* With regards to the NASP, DAL and the project have agreed to mobilise during the second semester of 2023 a consultant to finalise the process, including the following steps: organise a final workshop to review the NASP draft, incorporate the comments from the workshop, undertake a validation meeting, and submit the draft NASP to the Central Agencies Coordination Committee (CACC) and then to the National Executive Committee (NEC) for approval in late 2023 or in 2024.
59. Finally, DAL and MVF suggested two potential future policy engagement areas, including (i) an agriculture MSME policy, and (ii) a Galip nut industry policy. IFAD reiterated its suggestion to strengthen the current concept paper on the agri-MSME policy for further dialogue with relevant stakeholders while recent positive developments for the Galip nut emphasize the need for a Galip nut industry policy to be elaborated jointly with its stakeholders. This could be achieved by one of the business partnerships to be supported by the project. The 2023 AWP&B includes a study on the Galip nut industry that would pave the way to the Galip nut industry policy.
60. *Multi-stakeholder platforms (MSP).* Since the termination of the Policy Officer, the PMU has not followed-up on the organisation of MSPs. In this context, and given the need to focus on the challenges posed by the implementation of the partnerships, the project, DAL and FPDA have considered dropping MSPs for 2023. Based on the outcomes of the study and industry policy, a Galip nut multi-stakeholders platform could be promoted by the project.

Partnership-building	Rating: 4	Previous rating: 4
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Justification of rating

61. Partnership building is rated moderately satisfactory. Notwithstanding the challenges, the project has been able to foster 6 partnerships under call 1, of which 4 have mobilised funding from a bank, one from the Provincial government and one has co-financed the partnership with its own funds. Out of 108 applications, the project has approved 16 business partnerships for call 2 batch 1 and in June/July 2023 will approve another 15 partnerships including 3 for Galip nuts under call 2 batch 2. The project has signed 8 memoranda of understanding with financial institutions. MiBank has already launched its agricultural loan program, extending more than 50 loans to farmers (with 30-50 additional applications submitted each week). Another one (Nambawan Savings and Loans Society) will launch its agricultural loan product by the second semester of 2023.

Main issues

62. Under call 1 and Call 2 business partnerships, inputs from farmers and lead farmers have been lower than it should, mostly because VFLI training has been provided after the drafting of the business plans and agreements. In addition, BDSPs have not performed their expected roles. BDSPs were contracted to assist both parties (lead partners and farmers) to draft business plans integrating both parties' perspectives, constraints and needs, however their performance was not satisfactory. Consequently, the project has not renewed BDSPs contracts and support to lead partners and farmers has been provided directly by the project. With the renewed provision of VFLI training to all farming HHs under call 1 and call 2, and considering that 3-year business plans can be annually revised, it is expected that inputs from farmers will help foster a better deal with lead partners.
63. MiBank has launched its agricultural loan product and has started to extend loans to MVF farming HHs. Nambawan SLS will do the same during the second quarter of 2023. However, the review of the terms of conditions of these agricultural loans shows that they do not exactly meet the farmers' needs and constraints. The project together with CEFI should organize a workshop with MiBank for the first anniversary of the launching of its agricultural loan product (October 2023) during which performance of the loan product should be assessed and changes in the terms and conditions introduced so as to better match the farmers' needs and constraints. CEFI and its partner AFC should provide training to loan officers and senior management from partnering financial institutions with regards to (i) agriculture financing and associated risks, and (ii) value chain financing as a way to minimize risk when financing agriculture taking partnership agreements and forward contracts as collateral. Finally, budget

provisions were made to co-finance the increase of the outreach of financial institutions based on these latter's demand such as agents' network, digital financing, points of services. Implementing this activity could result in a win-win situation for financial institutions and MVF farmers.

Agreed Action	Responsibility	Agreed Date
Galip nut partnership Request the 3 LP to submit business plans in order to assess the eligibility of investments under the MVF framework.		01/2023
Call 1 Partnerships If conditions are met, disburse investment grants for the two (the Agrotech Lead Farmers have already submitted proposals for Call 2) remaining Lead Partners under Call 1		03/2023
farmers' working capital needs Evaluate the farmers' working capital needs for the next 2 agricultural seasons (2023) and assess their capacity to contribute at least 50% of these needs through their savings		03/2023
Call 2 partnerships (2) Sign the 12 partnership agreements		05/2023
Call 2 partnerships (3) Complete the drafts of the remaining 15 business plans and partnership agreements		05/2023

Human and Social Capital and Empowerment

Rating: 4

Previous rating: 4

Justification of rating

64. Human and social capital and empowerment is rated as moderately satisfactory. VFLI training has been revised and will be provided again to all farming HHs under call 1 and call 2. There is anecdotal evidence from the field visits as well as through-out the year from MVF, DAL and CEFI teams that these trainings have brought about some changes in farming HH behaviours. Interviewed farmers all mentioned that they understand the need to record and budget expenses, and are more aware of their profit margins. Furthermore, most farmers mentioned that they have started saving money as a result of training, either to finance agricultural inputs for future seasons, or for other HH expenses such as school fees. It is worth mentioning though that the previous VFLI training modules were not of sufficiently good quality.

Main issues

65. A revised VFLI training plan has been elaborated together with CEFI as a result of the absence of financial resources at project level (see annex 1). This training plan includes all 5 provinces in the high lands and farming HHs included in business partnerships under call 1, call 2 batch 1 and call 2 batch 2. Apart from Simbu where more than half of farming HHs benefitting from the project are located and where more than half the business partnerships are implemented, trainings in the remaining 4 provinces will be completed before the end of 2023, while that in Simbu will be completed during the first semester of 2024. Planning has been made considering the effective implementation of the Family Team approach.
66. FPDA would be responsible for the provision of additional trainings on good agricultural and post-harvest practices, production consistency, and cold chain storage operations as well as nutrition and food processing. The mission noted the commitment of participating farming HHs for project activities, even though the project engagement with them is still at an early stage.
67. Most of the farmers who attended the VFLI training have opened a bank account. However, opening a bank account in itself does not mean that farmers actually use it for their transactions and cannot be used as a proxy for the VFLI training outcome. The PMU and CEFI should monitor the actual use of bank accounts to effectively assess the actual impact of the training, and lead partners should be advised to pay farmers through the bank accounts.

Agreed Action	Responsibility	Agreed Date
Implement the family farm team approach		01/2023
VFLIT ToT Deliver all refresher ToT for Call 1		02/2023
Delivery of VFLIT trainings to farmers Complete retail trainings for all 3,600 HH in Call 1, including those already trained in 2021/2022 and the HH not yet trained, and including HH under Agrotech, JOFFCS and OFFL partnerships, and Start the delivery of retail trainings for Call 2		05/2023

Quality of Project Target Group Engagement and Feedback

Rating: 3

Previous rating: 3

Justification of rating

68. The quality of beneficiary participation is rated as moderately unsatisfactory. Out of the 6 call 1 partnerships, the lead farmers have been able to mobilize their contributions, loans from commercial banks and/or financing from the Provincial government. The suspension of transfer of resources from IFAD has not enabled the project to extend the grants for farmers included in business partnerships under call 1, more than 50 farmers (on-going increasing number) have accepted to take a loan from MiBank covering 80-90% of their investment (instead of a loan covering 40-50% of the investment, the project grant covering the balance). Once the suspension of transfer of resources is lifted, the project will pay MiBank the grant amount as partial reimbursement of farmers' loans.
As a result of the VFLI training, farmers and lead farmers have indicated their willingness to finance the working capital of their activity with their own savings rather than through a bank loan. They will keep the bank loan facility for larger investments (material and equipment).

Main issues

69. Under both call 1 and call 2, lead partners have been actively engaged in the preparation of business plans and business partnerships and some have invested their own resources into these partnerships. Due to the late provision of VFLI training to farmers, their inputs in business plans and business partnerships were limited. The different supervision/implementation support missions conducted by IFAD since 2022 have demonstrated that there has been a clear and strong relationship between farmers and lead partners since a few years.
70. The number of business proposals submitted by lead partners and farmers for call 1 and call 2, more than 150 in total, demonstrates the high interest of potential beneficiaries in this project. Although the project will not be able to launch a third call unless an extension is approved, the 40 business partnerships under call 1 and 2 show a clear potential for scaling up the project.
71. Also to be noted, is the opening of bank accounts after the VFLI training (more than 700 new bank accounts opened by people previously unbanked) and the increasing number of farming HHs that have reportedly started to save.

Responsiveness of Service Providers

Rating: 4

Previous rating: 3

Justification of rating

72. The responsiveness of service providers is rated as moderately satisfactory. Currently the main service providers recruited include: (i) CEFI; (ii) Training service providers, and (iii) financial institutions. Clear improvements happened with regard to the quality of partnerships is evident as implementation progressed. Partnerships with CEFI and financial institutions is performing well. The contracts with both CARE and the BDSPs have not been renewed in 2022. CEFI has not only worked to improve the quality of the training modules and expanded them but also it has financed from its own resources the provision of ToT to training partners on the new VFLI training and some retail trainings for farmers in Simbu province. Although with delay but one financial institution (MiBank) is now clearly on board with its new agricultural loan product while a second one is launching its own later in 2023.

Main issues

73. Due to the poor quality of the training material at the start of the project, both manuals and handbooks were revised by CEFI in October 2022 and found satisfactory by the previous supervision mission. The suspension of transfer of resources to the project has prevented CEFI from implementing the training schedule as elaborated by the mission and CEFI. In response, CEFI managed (using its own resources) to provide the ToT to its training partners using the new handbook and modules (more focus given on farming as a business) and has also managed to extend the retail VFLI training to around 100 farming HHs from Simbu. The mission and CEFI have elaborated a new training schedule for all farming HHs included in business partnerships under call 1 and call 2, as well as for non-members of business partnerships. Apart from Simbu, the retail training in the remaining 4 provinces will be completed before end of 2023, while in Simbu, retail training will be completed by mid-2024. This new training schedule takes into account the improved conditions of retail training to accommodate women's workload.

74. Additional training on production, post-production, pest management, marketing will be provided by FPDA/FAO alongside the VFLI training. In addition, the VFLI training will also include a specific module on nutrition and food processing that is directly targeting women, thus enabling them to implement a small income generating activity as a possible complement to the fresh produce income.
75. The role of BDSPs has been taken over by the project, but the number of approved business partnerships under call 2 compared to call 1 advocates for the recruitment of a value chain assistant.

Agreed Action	Responsibility	Agreed Date
BDSP 2 Assess the performance of BDSPs and renew contracts for performing ones.	PMU	06/2022

Environment and Natural Resource Management

Rating:

Exit Strategy

Rating: 4

Previous rating: 4

Justification of rating

76. The exit strategy is rated as moderately satisfactory. The exit strategy of the project is clear, and includes promoting partnership agreements between lead partners and farmers to ensure, for these latter, access to more secure markets for their produce, thus allowing them to move from subsistence to semi-commercial farming. Accessorily it enables them to better plan their seasonal production on a multi-year scale. Similarly, mobilising financial institutions to provide access to finance for lead partners and farmers is being promoted to ensure the financing of their activity and its growth. Finally, VFLI training and its focus on savings ensure that farming HHs will in the near future reach a point whereby they can self-finance their activity and growth, leaving access to bank loans for larger investments. However, the delays in implementing Call 1 and Call 2 business partnerships and partnership agreements prevent a sound assessment on how the implementation of the exit strategy will proceed. There is nonetheless anecdotal evidence from the first 4 business partnerships implemented and financed in late 2022 that the main objectives of the project are met (sustainable access to more profitable markets, higher production of improved quality, increased income).

Potential for Scaling-up

Rating: 4

Previous rating: 3

Justification of rating

77. The potential for scaling-up is rated as moderately satisfactory. All stakeholders recognise the importance of fresh produce for PNG. There is an clear appetite and scope to scale up the project, based on a growing demand for local fresh produce and the proven effectiveness of the public-private partnership approach. The number of business plans submitted to the project for call 2 and even after evidences the potential for scaling-up the project in many other provinces. In addition, to prevent market prices to drop because of large supply from local fresh produce at the same time, diversification will be promoted: instead of supplying markets with fresh produce only with focus on value addition, thus developing alternative markets either local or for export.

Main issues

78. IFAD has already received request from the GoPNG to scale-up MVF to other provinces and districts, and to include the rehabilitation of rural markets in the project scale-up. However, the scaling up of project activities will depend on FPDA capacity to implement the current set of activities and on financial institutions willingness to continue extending loans to lead partners, lead farmers and farmers.
79. The Fresh Produce Market Study commissioned in 2022 by the project clearly highlights the potential for local fresh produce to access markets and substitute imported products. There is a growing demand for local products identified by the study from a wide range of off-takers, buyers and consumers (including restaurants, catering companies) which would benefit from structured value chains and organized smallholders and producers. As example, the space allocated for local fresh produce in supermarkets and malls in Port Moresby has been multiplied by at least 10 times since the start of the project. Final consumers are more inclined to buy local fresh produce, cheaper than imported ones, even if their external appearance is not as nice as that of imported products. While short value chains (from producers to regional markets) can easily be promoted and strengthened, long value chains (from producers to Port Moresby and/or export) still face hampering issues such as transportation and related costs. Through its micro and small partnership development, the project can be the catalyst for regional short value chain development.
80. Findings from the Fresh Produce Market Study indicates also the potential for processed fresh produce to develop their own market and substitute imports products. Several lead partners have already expressed to the project their interest in investing in a specific line of production for domestic and export markets.

c. Project Management

Quality of Project Management

Rating: 3

Previous rating: 3

Justification of rating

81. The quality of project management is rated as moderately unsatisfactory. Given the fact that project activities are expected to pick up after reflow of disbursements as well as other emerging issues of compliance and slow progress of key activities included in project design, there is clear need to reinforce the PMU management team with external support. The aim is to help strengthen procedures for project management, follow up of plans, timely reporting and ensuring compliance. The mission also notes the lack of coordination with and reporting from provincial coordinators to the PMU as well as a need for more regular follow-up meetings with the provincial teams.

Main issues

82. During meetings held with key stakeholders, agreements were reached regarding the need to strengthen the PMU in key areas that are showing weaknesses at the moment:

- **Project Management Advisor:** Project management expert with international expert in managing similar donor funded projects to help strengthen procedures for project management, follow up of plans, timely reporting and ensuring compliance;
- **Financial Management Function:** A financial management action plan has been prepared and communicated to IFAD. The action plan calls for recruitment of financial management expert and accountant with international experience to be done either by outsourcing the financial management function to a reputable consulting firm; or through direct recruitment of individual experts;
- **Procurement Specialist on retainer basis (urgent support):** Despite some improvements in 2022 procurement is still a serious issue with no one to handle procurement since the resignation of the procurement office in January 2023. A temporary urgent arrangement needs to be made to recruit a procurement expert on retainer to take care of the procurement function;
- **Procurement Expert:** The mission and the FPDA agreed to recruit an expert with international experience in donor funded projects and in selection and management of activities with wide range of partners.
- **SECAP and Climate Change Technical Assistance:** A part-time specialist with international SECAP/safeguards experience in donor-funded projects will be recruited to ensure compliance with SECAP requirements for the project, including social, environmental safeguards and climate related dimensions.
- **M&E Technical Assistance:** The PMU needs to strengthen its M&E arrangements, build the existing team capacity and ensure it feeds management decisions. The recruitment of an expert with international experience in M&E under donor-funded projects is required.
- **KM and communication:** Short-term support contracted to prepare KM and communication strategy and implementation plan.
- **Short-term Targeting and Social Inclusion Expert:** An expert with international experience and knowledge of IFAD procedures shall be recruited to support improvement of project performance on targeting, social inclusion and nutrition, currently performance is below expectations.

83. The mission studied the implementation structure of the project and endorses the following recommendations made by the PMU:

- **PMU Structure:** (a) Recruitment of a GESI officer and a Value Chain Assistant, with short-term Targeting, Social Inclusion and Nutrition technical assistant to support and guide the recruitment of the GESI officer; (b) the International Management Specialist to be recruited to guide the implementation of Policy development activity with the assistance of service providers and partners; (c) defer the decision to recruit MIS specialist to the MTR, and (d) endorsement of the new organogram that incorporates the new technical assistant positions,
- **Provincial Teams Organization:** (a) in order to ensure efficient implementation of activities at the province/district level, provincial coordinators should report to the PMU (50-75 percent of their time); (b) regular follow up meetings with provincial teams, and (c) complete the staffing of provincial teams.

Agreed Action	Responsibility	Agreed Date
Recruit short time BDSP A short-term BDSP will be mobilised to assess Call 2 business plans		01/2023
Recruit GESI officer		03/2023
Production and Value Chain officer 2 A long term PVCO for Financial Inclusion will be mobilised		05/2023
Provincial M&E officers The 2 missing M&E officers in Morobe and Simbu will be recruited, only IF Call 2 partnerships have been finalised		07/2023

Knowledge Management

Rating: 4

Previous rating: 4

Justification of rating

84. Knowledge management is currently rated as moderately satisfactory as the NPIU has developed a KM plan and related activities are included and budgeted for in the AWPB. The responsibility of KM implementation lies with the M&E and KM officer supported by provincial M&E officers. Although commendable, there is a need for assistance from a short-term support to revise the KM and communication strategy and elaborate an implementation plan with concrete actions.

Main issues

85. Given the nature of MVF Project, knowledge management will be key to generate learning from field experience, provide evidence-based lessons to inform policy and to justify scaling-up. The project should generate knowledge around: (i) business models in the framework of MVF-supported partnerships; (ii) innovative modalities for sharing benefits and risks between partners; (iii) innovative models for accessing financial services; (iv) innovative marketing channels for processed fresh produce; (v) the family-based approach, women and youth empowerment, and (vi) alternative sources of income for women through income generating activities based on food processing.

Value for Money	Rating: 3	Previous rating: 3
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Justification of rating

86. The project's value for money is rated as moderately unsatisfactory, mainly because funds have been spent on preparatory activities, and insufficient support has been delivered to beneficiaries to date due to implementation delays resulting in the suspension of disbursements still in force in April 2023. Nonetheless, the average unit costs (budget to output) are in line with the design, but there are very few outcomes to show for the outputs achieved.

Main issues

87. To date, most of the project expenditures have been towards project management and preparation of partnership agreements. For these latter, the VFLI trainings have been provided only for farming HHs under call 1. The first season agricultural inputs have been financed through the RPSF grant for farmers under call 1 business partnerships. Only 4 grants have been disbursed to lead partners under call 1 business partnerships. About 50 loans have been extended by MiBank to finance farmers and lead farmers, mostly from call 1 business partnerships. It is expected that once the suspension is lifted, the project will be able to finance VFLI training to all farming HHs included in call 1 and call 2 business partnerships, grant finance farmers, lead farmers, and lead partners, and start road spot improvements which will contribute to significantly improve the MVF value for money.

Coherence between AWPB and Implementation	Rating: 3	Previous rating: 2
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Justification of rating

88. The coherence between AWP&B and implementation is rated as moderately unsatisfactory. Lessons learned from last year AW&PB, namely over-ambitiousness resulting in implementation being below expectations and in a large difference between physical and financial rates, have been integrated in the 2022 AWP&B. However, the suspension of disbursements has resulted in very few activities being implemented in 2022. The 2023 AWP&B has integrated the on-going suspension and lessons learned from previous years, thus including only realistic targets and activities.

AWPB Inputs and Outputs Review and Implementation Progress

89. The expected financing of Call 1 business plans should have paved the way to the financing of Call 2 business plans as well as to the reduction of the difference between physical implementation and financial delivery rates. This didn't happen in 2022 because of the suspension of disbursements. In 2023, the resuming of the implementation of project activities and the grant financing of business partnerships under call 1 and call 2 once the suspension is lifted will reduce that difference.
90. The road sub-component has been entirely reviewed considering the lack of financing commitment from the provincial and district governments. A new strategy for the implementation of that sub-component has been elaborated during the mission including (i) coordination of implementation with districts and provinces road programs without seeking direct contributions in monetary terms but rather splitting works; (ii) upgrading current cost-benefit analysis to include other social and community development criteria, and (iii) distribution of road improvement works on all call 1 and call 2 partnerships. However, road improvement sub-component is not expected to produce any substantial result before 2024.

Performance of M&E System	Rating: 3	Previous rating: 3
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Justification of rating

91. The performance of the M&E system is rated as moderately unsatisfactory. Following the recommendations of the last mission, the Kobo toolbox as a digital platform for data collection and analysis, is now linked to the project online MIS system (Village Farmers Information Management System - VFIMS). However, not all data collected by the project and CEFI are available in both Kobo Toolbox and VFIMS: some important information such as data on the investments made in the context of the partnerships, or data on the number of farmers trained are collected manually and are still not readily available.

M&E System Review

92. The logframe has broad outcome statements, which are difficult to measure; while annual work plans are specified against output areas. In that respect, during the 2022 supervision mission it was agreed to fine-tune the logframe articulating clearer outcome targets that can be measured and broken down into activities. Subsequently the NPIU would fine-tune and complete the M&E strategy, plan, matrix and budget based on updated outcome statements and make them user-centred and utilization-driven. In addition, CEFI and the NPIU have agreed to implement a standard reporting form and templates aligned with the MVF M&E system to facilitate the integration of CEFI data. This is still ongoing and shall be completed by June 2023 while CEFI has already developed a standard reporting.

93. With a view to ensuring a more participatory M&E, the project will explore the possibility to setting up an online dashboard presenting progress per district and achievement rate of agreed targets. The project needs to agree with key stakeholders (CEFI, FPDA, lead partners, VFLI training service providers, participating financial institutions) on key performance questions and frequency of updates to ensure regular information flows for problem-solving and decision-making.
94. The project M&E system should ensure the collection of data on partnership agreements that would enable the PMU to monitor their progress and performance. One objective among others of partnership agreements is to increase the income of farming HHs, lifting them from subsistence to semi-commercial farming. It is important to assess that the current business relationship among farmers, lead farmers, and lead partners is evolving toward fully meeting assumptions included in partnership agreements and business plans (such as incremental volume purchased by lead partners, unit price paid to farmers, and distribution of incremental added value). Another key aspect is the role of women and youth in the business partnerships and the changes in responsibilities.

Agreed Action	Responsibility	Agreed Date
Monitoring and Evaluation Upload the AWPB and PA targets Upload the AWPB output achievement data for 2020 and 2021		06/2022
Synchronize Kobo toolbox and VIFIMS The Kobo toolbox and VIFIMS platforms are effectively synchronized so that the data collected on Kobo Toolbox is available in VIFIMS		01/2023
Data collection Data on the partnership implementation (outreach, investments purpose and amount) and outcomes (yields, volume of production and sales, value of sales, price of purchase from farmers, and price of sales by lead partners) should be collected.		12/2023

Social, Environment, and Climate Standards requirements

Rating: 3

Previous rating: 3

Justification of rating

95. The compliance to the requirements of SECAP is rated as moderately unsatisfactory. A SECAP note was undertaken at design stage and determined that MVF pertains to environmental and social category B. Due to the delays in implementation, no SECAP-related documents have yet been produced. A Climate Risk Analysis study is yet to be undertaken.

SECAP Review

96. A climate risk assessment was supposed to be carried out in 2022 with the objectives of identifying areas with climate change risks, establishing baseline data and identifying a suite of appropriate short-, medium- and longer-term agricultural risk management strategies and best practices to feed into partnership business plans and in the provision of extension and advisory services to growers. Unfortunately, due to the suspension of disbursements the study was postponed and will be carried out during the second semester of 2023.
97. In terms of biodiversity, traditional agriculture practices have been adopted by farmers with basic management of their land through crop rotation and short-term crop cycle. Since the project area also includes indigenous land and people, an Indigenous People Plan (IPP) as part of SECAP standard should be developed to guide project implementation in the risk area. Water availability and use of chemical fertilizers constitute another environmental risk.
98. The project needs an expert support to ensure compliance with SECAP requirements for the project, including social, environmental safeguards and climate related dimensions. A part-time specialist with international SECAP/safeguards experience in donor-funded projects will be recruited. The involvement of the expert in the short term will be strongly needed to draw out plans and procedures and ensure full compliance with the requirements. Currently, the project is not complying with SECAP requirements. The PMU will finalize the process of recruitment of SECAP and Climate Expert by 15 May 2023.
99. In terms of social aspects, the GESI strategy elaborated by the project still needs to be enforced especially with regards to the business partnerships and partnership agreements. The recruitment of a GESI specialist to support improvement of project performance on targeting, social inclusion, and nutrition (currently performance is below expectations) has been agreed and will be finalized by end of second quarter 2023.

d. Financial Management & Execution

Acceptable Disbursement Rate

Rating: 3.0

Previous rating: 3

Justification of rating

Automated rating based on IFAD disbursement data

100. *[Text obscured]*

Main issues

101. Justification of rating

102. As a consequence from the suspension of disbursements, the balance of the IFAD loan has not changed since the last supervision mission and are still low and below standards. To date, only US\$ 7.7 million has been disbursed out of a total allocation of USD 25.5 million (30.2%).

103. As a result of the specific focus of the mission onto the project financial management and financial documents, (a) the restatement of the 2021 financial statements as per IPSAS cash-basis has been accepted by IFAD; (b) a draft of 2022 financial statement as per IPSAS cash-basis has been accepted by IFAD and shall be audited by the Office of Auditor General, whose report shall be submitted to IFAD before end of June 2023, and (c) a 2023-2024 Finance Management Action Plan has been elaborated.

104. Following the recommendations and actions taken to restructure and support the MVF management team and the work done on the MVF financial management and financial documents, the reflow of funds is expected to take place during the second quarter of 2023. The 2023 AWP&B reviewed and approved by the mission indicates a budget amounting to US\$ 9.4 million (36.9% of the total allocation) of which US\$ 4.6 million represent project grants for farmers, lead farmers, and lead partners under call 1 and call 2 business partnerships (agreements already signed - another US\$ 4-5 million is expected to be disbursed in 2024), and US\$ 3.5 million mostly for training of farmers included in business partnerships under call 1, call 2 batch 1 and batch 2 (another US\$ 1 million disbursed in 2024). Roads (budget allocation of US\$ 2.3 million) are expected to be financed by the project during 2024.

105.

106. Main issues

107. Two factors explain the low disbursement rate: (a) due to issues with financial management and qualified audit opinions, IFAD has temporarily suspended disbursements to MVF until the audit report on the 2022 financial statements is received and the ineligible issue is fully cleared. In addition, early 2023, IFAD issued a letter requesting redoing of financial statements for 2021 and preparing a financial management plan to address the long-standing issues, and (b) business partnerships have been slow to implement with only the VFLI training provided to farmers and lead farmers and no grants for farmers and lead partners disbursed (except for 2 lead partners in 2022).

108. Despite these challenges, the project made progress with regard to creating and strengthening partnerships and access to finance. While the GoPNG has financed few essential activities from its own budget, MVF is currently facing a significant cash shortage resulting in a number of payments still pending, putting the project at risk vis-à-vis their contractual commitments. This situation also led to a halt of most activities (disbursement of grants to partnerships members) jeopardizing the project progress and achievement of its objectives.

109. The project has maintained some level of activities in the field to avoid losing confidence from farmers and partners. These activities have been implemented by the PMU (with GoPNG resources) and by CEFI (with its own resources) but at a limited scale (for example 100 farming HHs trained instead of 2,400 HHs). The PMU has also been working to assess and validate business partnerships for Call 2 batch 2 and has ensured the technical and financial readiness of partnerships under Call 1 and Call 2. This indicates that once the reflow of funds is effective, the project will finance VFLI training and disbursed grants on a large scale.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Need to recover GST from GoPNG which was paid from IFAD account	PMU	06/2023
Need to recover GST from GoPNG which was paid from IFAD account		

Fiduciary aspects

Quality of Financial Management **Rating: 2** **Previous rating: 2**

Justification of rating

110. The quality of financial management is still rated as unsatisfactory. Little improvement has been made in the project financial management since the last mission. The PMU needs to strengthen its financial management function through international expertise and the financial management team performance will be monthly evaluated based on targets and achievements. The project management should invest in a financial system that has the capacity to record all financial transactions as described in the Financing Agreement and generate requisite reports to facilitate accountability in project management

Main issues

111. Justification of rating

112. The quality of financial management is still rated as unsatisfactory. Little improvement has been made in the project financial management since the last mission. The PMU needs to strengthen its financial management function through international expertise and the financial management team performance will be monthly evaluated based on targets and achievements. The project management should invest in a financial system that has the capacity to record all financial transactions as described in

the Financing Agreement and generate requisite reports to facilitate accountability in project management. The PMU needs to comply and pay Tax on Salaries & Wages to the Internal Revenue Commission (IRC) from GoPNG counterpart account and the PMU needs to recover the Goods and Services Tax (GST) from GoPNG counterpart account which was paid from IFAD account during the fiscal year 2021 and 2022.

113. The project needs to take immediate action to ensure that its internal control is suitably strengthened to avoid recurrence of the situation found in the previous years. The project shall provide missing documents (payment vouchers, ineligible expenditure supporting documents) as detailed in the FMAP. Finally, the project shall implement the recommendations included in the 2023-2024 Financial Management Action Plan (FMAP).

114. Main issues

115. Major issues include: (i) failure to maintain Chart of Accounts (CoA) as per International Public Sector Accounting Standards (IPSAS) cash-basis accounting system within the MYOB Cloud-based accounting software and project financial statements not prepared according to IPSAS cash-basis; (ii) lack of segregation of duties, where same cashier deals with bank, cash and prepares bank reconciliation statements, however not prepared, reviewed and approved on a monthly basis; (iii) a random review of project expenditures for fiscal years 2021 and 2022 shows that most of project expenses were paid to the vendors/suppliers through quotations/pro forma invoices and that inadequate or non-existing supporting documentary evidence for some project expenses, and (iv) AWPB not properly monitored and uploaded into the MYOB Cloud-based accounting software.

116. With regards to taxes, the tax deducted from project staff salaries and wages since the financial year 2021 has not yet been transferred to the PNG Internal Revenue Commission and this tax amount needs to be paid through GoPNG contribution in accordance with the financing agreement. The PMU needs to recover the GST net balance amount of PGK 505,105 (around US\$ 140,000) from the GoPNG counterpart account which was paid from IFAD account during the financial year 2021 and 2022.

117. Finally, it is considered essential for the project to have an internal audit function that would ensure compliance to internal procedures, accounting best practices, and tax regulations.

Agreed Action	Responsibility	Agreed Date
Timely posting expenditure into accounting software Posting all unrecorded expenditure to MYOB and continue it on timely basis.	PMU	04/2020
AWPB and budget report 2020 AWPB uploaded to MYOB, budget reports setup properly in MYOB.	PMU	04/2020
PIM and FIM review PIM and FM are review and updated to reflect MVF implementation activities.	FPDA/PMU	12/2020
Supporting documentations are reviewed and updated prior to the audit Supporting documentation is reviewed and updated, internal control to be strengthened in the future.	PMU	06/2021
timely post all transactions and budget to accounting software. Timely post all transactions and budget to accounting software.	PMU	06/2021
Adjustment of accounting entries, VAT and Advance to CEFI are properly adjusted in next SOE. VAT and Advance to CEFI are properly adjusted in next SOE.	PMU	06/2021
Clarity of roles and responsibility of finance staff (FAM and Accountant) Clarify roles and responsibility of finance staff.	PMU	07/2021
Budget is uploaded to Accounting Software and budget report is set up to provide useful managerial information to project and IFAD. Budget is uploaded to Accounting Software and budget report is set up to provide useful managerial information to project and IFAD.	PMU	07/2021

Online banking to be applied to avoid cash payment. Setting up of online banking for project, minimize the cash payment.	PMU	07/2021
Reporting IFRs are timely submitted to IFAD in acceptable format.	PMU	07/2021
Action plan and Accountability. FAM prepare a six month action plan and continue updating its progress to Project Manager, FPDA Manager, DAL and IFAD FAM should be accountable for daily operational of finance section and be responsible to FM issues currently.	PMU/FPDA	05/2022
Compliance to Payment process in Finance Manual Payment process in Finance Manual must be complied, transactions are timely entered into MYOB	PMU/FPDA	05/2022
Counterpart contribution for VAT VAT contribution for 2020 and prior year to be transferred to DA immediately. VAT for 2021, to be transferred to IFAD when fund available.	PMU/FPDA/DAL	05/2022
Accounting software Reformat current accounting software (MYOB) according to IPSAS cash-basis accounting system	PMU	04/2023
staff income tax Need to comply and pay tax on staff salaries and wages.	PMU	06/2023
Provide missing documents (payment vouchers, ineligible expenditure supporting documents) as per the FMAP Provide missing documents (payment vouchers, ineligible expenditure supporting documents) as per the FMAP	PMU	06/2023
Internal control Implement internal controls, bank reconciliations and ledger reconciliations to avoid previous years similar situation	PMU	
Implement Financial Management Action Plan and its recommendations Implement Financial Management Action Plan and its recommendations	PMU	
Ensure submission of audit report for fiscal year 2022 Submission of restated financial statements for fiscal year 2021 Ensure submission of audit report for fiscal year 2022 Submission of restated financial statements for fiscal year 2021	PMU	

Quality and Timeliness of Audit

Rating: 2

Previous rating: 2

Justification of rating

118. Quality of audit report and management letter is fairly satisfactory but Audit report submitted to IFAD 2.5 month late despite of 3 month extension.

Main issues

119. Auditing standard is acceptable to IFAD, Audit coverage is adequate and qualified opinion is provided on the financial statement on variance of bank account. The audit report was due on 30 Jun 2022 and agreed for extension to 30 Sep 2022 due to C-19 and finally submitted to IFAD on 14 December, 2.5 months after the extended deadline.

120. Management letter included with the follow up on 2020 missing documentations and indentified key issues on project financial management issues however without management response to the finding.

Counterparts Funds	Rating: 3	Previous rating: 3
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Justification of rating

121. Counterpart funds are rated moderately satisfactory. The GoPNG committed USD 2.85 million for counterpart financing to cover project staff costs from provincial and district governments to be annually determined. To date, the contribution from the GoPNG amounts to US\$ 1.71 million (59.9% of the allocation).

Main issues

- Counterpart funds are rated moderately satisfactory. The GoPNG committed USD 2.85 million for counterpart financing to cover project staff costs from provincial and district governments to be annually determined. To date, the contribution from the GoPNG amounts to US\$ 1.71 million (59.9% of the allocation).
- It has to be noted that during the suspension period, the GoPNG has financed some key activities in lieu of IFAD. In that respect, an amount of US\$ 228,420 has to be reimbursed to the GoPNG by IFAD for activities financed during the first quarter of 2023 (essentially PMU operating costs).
- The PMU needs to recover the GST net balance amount of PGK 505,105 (around US\$ 140,000) from the GoPNG counterpart account which was paid from IFAD account during the financial year 2021 and 2022.

Compliance with Loan Covenants	Rating: 4	Previous rating: 3
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Justification of rating

122. The compliance with loan covenants is rated moderately satisfactory. The project complies with all loan covenants except one: failure to maintain Chart of Accounts (CoA) as per International Public Sector Accounting Standards (IPSAS) cash-basis accounting system within the MYOB Cloud-based accounting software and project financial statements not prepared according to IPSAS cash-basis.

Procurement

Procurement	Rating: 3	Previous rating: 3
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Justification of rating

123. The quality of procurement is rated as moderately unsatisfactory. Processes, procedures and systems applied show significant shortcomings and inconsistencies across some of the requirements, thus negatively impacting and delaying the project implementation. There haven't been significant improvements and changes in the procurement process since the last mission apart from the resignation of the procurement officer in January 2023. Therefore, there is an urgent need to fill up the vacant position with an internationally-exposed procurement specialist and to ensure compliance with IFAD and GoPNG regulations and processes within the project.

Procurement Review

124. The composition of the project procurement unit has not been modified and the Human Resources officer and the road engineer are still involved in the procurement process and part of the MVF procurement selection committee.

125. The oversight and implementation of all contracts are well below appropriate standards with no one to update the progress of all contracts in CMT (IFAD Client Portal Contract Monitoring) and with no clear structure and delegation of authority to handle and control all project's contracts.

126. In 2022, due to the suspension of disbursements, less than 80% of procurement activities stated in the Procurement Plan have been executed and implemented for all categories of procurement, while in 2023 no procurement has been done. Most activities that have not been implemented in 2022 have been carried forward and included in the 2023 Procurement Plan. In that respect, the 2023 Procurement Plan has been reviewed and updated on the basis of more strategic activities to be implemented following the reflow of resources. The overall template of the Procurement Plan has been revised to include important information such as the dates related to the different steps of the procurement process.

127. The MVF project has not followed all last mission's recommendations such as the advertisement, debriefing session and complain handling regarding the procurement process. It is also advisable for the PMU to organize an internal workshop for all staff on the procurement process and regulations.

128. Procurement review

Procurement Questions related procurement implementation and process	Y/N	Response
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Any main progresses, issues and constraints in the current procurement process of the project.	Yes	
Progress		<ul style="list-style-type: none"> About 16 out of 20 employees or the project consultant did not have a valid contract prior 2022. In April 2022 the progress has shown that all PMU staff have a contract. The procurement documents gradually documented and some of them are put in soft copy.
Issues and Constraint		<ul style="list-style-type: none"> The project procurement specialist has resigned in January 2023. None of the project staff has knowledge on public procurement neither GoPNG and IFAD since the last predecessor procurement specialist assigned from January 2023 to March 2023. Human resource consultant/employee together with technical staff act as procurement officer with no knowledge of public procurement nor experience in procurement
Is access to all procurement transactions and documentations of the period available during mission?	Partly	The procurement documentation was moderately available during the mission, some of them are not kept well and complete
<p>A brief description of the review of the procurement actions according to the following aspects:</p> <ul style="list-style-type: none"> Structure of the Procurement Unit, Procurement Plan, Procurement Initiation, Terms of Reference/Specifications, Solicitation documents, Procurement Processes/methods, Contract Drafting, Contract Awards, Record Keeping, Contract Management, and any procurement on hold including unresolved issues with contractors. 	N/A	<ul style="list-style-type: none"> Structure of the Procurement Unit Previously the MVF has 3 persons working on the procurement at One is procurement Specialist, Human Resource (HR) Officer and Infrastructure engineering. The HR officer in the project overlap with the assignment of the procurement specialist and took the recruitment process of consultant and non-consultants. The Infrastructure Engineer on the other hand conduct his own bids and tender documents without consulting the Procurement Officer to ensure activity is comply and meet with the procurement regulation. January 2023 the procurement specialist resigned and the HR and Engineering are still with the project. Therefore, there are no procurement officer. Procurement Plan The procurement plan is not well prepared, less than 80% of procurement activities listed in the procurement plan are not executed, carried forward and/or cancelled. Procurement Initiation has shown some weakness and limited knowledge especially in determining the procurement. Therefore, the harmonization between AWPB and PP were challenging. Terms of Reference/Specifications, Solicitation documents, Procurement Processes/methods, Contract Drafting, Contract Awards, Record Keeping, Contract Management, and any procurement on hold including unresolved issues with contractors. The Overlap assignment between Procurement Specialist and HR Role in this project has created some conflict in decision in drafting the ToR- HR involved in compiling TOR. The project Management, especially the PCU also involved in drafting all procurement of PMU.

<p>Please describe in detail if there are any issues of non-compliance in any of the procurements completed or in progress.</p>	<p>Yes</p>	<ul style="list-style-type: none"> · Contract awarded to the Project Manager was the decision by the CEO and Project Coordinator without due compliance to procurement processes. · Previously prior March 2022 Staffs working and paid without having signed contracts. And early this year 5 employee has no contract and without contract extension, however all of them has received the salary. · The Engineer conducted their own procurement process (collect the bids and evaluate) without the involvement of Technical Financial and Evaluation Committee (TFEC) and Procurement committee and split the package for less than 1 million PGK or USD 340,000.
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Agreed Action	Responsibility	Agreed Date
<p>The MVF Project need to focus on the Procurement of “Big Ticket” activities</p> <p><input type="checkbox"/> Some of the Big-Ticket procurement activities which involve high value threshold and have high risk in terms of complexity and long process</p>	<p>Project Manager, Procurement Specialist Engineer</p>	<p>05/2023</p>
<p>Finalization Better Procurement Plan</p> <p>*Make sure all the procurement activities are stated in the procurement plan (any of procurement activity not stated in the procurement plan to be considered as missed procurement and ineligible expense) *Update the procurement plan (actual step of the process and date)</p>	<p>Procurement Specialist and Project manager</p>	<p>06/2023</p>
<p>Strengthen the function of the procurement unit in the MVF project</p> <p><input type="checkbox"/> The procurement unit need to have minimum 1 procurement officer/expert/specialist and 1 technical person/ assistant which overall minimum consist of 2 people. Each of the procurement person should have procurement certification and/or have experience in the procurement both local and international procurement practice</p>	<p>Project Director and Project Manager</p>	<p>06/2023</p>
<p>MVF project staff need to have training on procurement and compliances</p> <p>*Followed all the procurement principles *Knowledge on GOPNG procurement regulation and IFAD, LTB, Financial Agreement, etc. *Update the procurement regulation and policy *Fulfill all the procurement requirement in process and administration</p>	<p>Procurement Specialist</p>	<p>06/2023</p>
<p>Assigned Project procurement specialist to update Contract Management and Administration and CMT data accuracy and timeliness</p> <p>The CMT or Contract Monitoring is obligatory for the project to oversight the contract and mitigate the risk of any forbidden activity occur.</p>	<p>Procurement Specialist and Project manager</p>	<p>06/2023</p>
<p>Improved the record retention</p> <p>*All the confidential bidding documents, securities such as bid guarantee, etc. need to be securely stored *All the procurement document should be kept in chronological order and for 5 years after the project closure for audit purpose *All the documents should be kept both in hardcopy and digitally (preferably in the cloud)</p>	<p>Project Manager, Procurement Specialist, Administration Staff</p>	<p>06/2023</p>
<p>Consultant for SECAP Need to be appointed</p>	<p>Project Director and Project Manager</p>	<p>07/2023</p>

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 3.21	Previous rating: 3.3
Assessment of the Overall Implementation Performance	Rating: 3.0	Previous rating: 2.83

F. Relevance

Relevance	Rating: 5	Previous rating: 5
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Justification of rating

129. The project relevance is rated as satisfactory. The project design is highly consistent with the needs of the target groups and the proposed interventions and implementation modalities are highly appropriate given the context. The relevance and timeliness of the project have also been commended by the Department of Agriculture and Livestock.

Main issues

130. The field visits and discussions have emphasized how the important economic potential of fresh produce production in the Highlands is curtailed by the limited access that farmers have to the lucrative markets in urban centers, particularly Lae and Port Moresby. On the one hand, farmers in the Highlands produce high quality fruits and vegetables but are often forced to sell their produce by the side of the road or in makeshift local markets as they are unable to reach more lucrative markets. On the other hand, local market actors, such as aggregators, wholesalers and agri-business, are looking to expand their supply base in order to respond to growing demand for fresh produce from the retail, hospitality, and mining sectors.

131. As such, the project's focus on supporting fresh produce farmers' access to markets by strengthening their engagement with existing market actors is undoubtedly relevant and endows the project with a great potential to improve the livelihoods of these farmers, while supporting the economic growth of the country.

G. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
CEFI agreement Revise the CEFI agreement based on the changes mentioned in the report		01/2023
Rural Roads Scope for smaller, village and/or farm roads that could potentially be financed 100% by MVF		02/2023
Rural roads (2) Reduce the scope of existing designs in order to reduce the budget and the overall contribution from expected local governments		02/2023
Completed financial statements for 2022 Complete accurate financial statements for 2022 expenditures		03/2023
VFLIT training plan 5 VFLIT ToT completed and 2,400 Call 1 HH trained		03/2023
Finalise pending Call 1 agreements Finalise pending Call 1 agreements by either the termination or the provision of investment grants to remaining call 1 LPs		03/2023

New Loan products At least additional 2 new loan products are launched and loans extended to 50 trained farmers		03/2023
Rural roads (3) Undertake the cost-benefit analysis for nominated roads using the number of HH as a proxy for volume of fresh produce, and finalise the ranking of roads		04/2023
Targeting 25% of trainees to be farming HHs not member of business partnerships 40% of the above-mentioned 25% to include vulnerable and marginalized farming HHs	PMU - CEFI	04/2023
Training Revisit training organization to accommodate women's time schedule and workload and ensure VFLI training provided by a team of one man and one woman	CEFI - Training partners	04/2023
Business Partnerships Increase grant ceiling by 20% Modify calculation of the grant amount on the basis of cash-flow and repayment capacity of borrower Extend coordination grant to small lead partners and capacity building grant to farmers in micro partnerships	PMU VC	04/2023
Business Partnerships Implement specific committee (CEFI, PMU, Bank) to validate calculation of grant	PMU	04/2023
Roads Confirm the scope of prepared packages is limited to smaller local level government roads, village and/or farm roads that could potentially be financed 100% by MVF Submit modified criteria for ranking / cost benefit analysis to IFAD for review and feedback Engage department of roads and assess their readiness and adequacy to carry out road construction supervision	PMU Eng.	04/2023
Access to Finance Advocate changes in terms and conditions of Nambawan SLS agricultural loan	CEFI	04/2023
Assess AFC performance Assess the performance of AFC against the stipulated deliverables		05/2023
Rural roads (4) With support from PCU and IFAD, explore the possibility of including alternative co-financiers for the road improvements		05/2023
Targeting Specific roadmap for graduation of vulnerable and marginalized HHs in business partnerships	PMU - CEFI	06/2023
Training Agriculture technical training provided to all farmers using "champions" methodology	FPDA - PMU	06/2023

Training Implement VFLI training and trainers assessment by trainees	CEFI - PMU	06/2023
Roads Finalize ranking / cost benefit analysis including call 2 partnerships Engage with districts to confirm their readiness to do road embankment improvement while MVF finances structure and other crossing works Engage department of roads and assess their readiness and adequacy to carry out road construction supervision Advertise for selection of consultancy firm to complete designs (including SECAP requirements) Start tendering processes for packages as they become available (approval by the MVF TAC should be ensured before starting the tendering process)	PMU Eng. & Proc.	06/2023
Business Partnerships Contract international firm to study possibilities of accessing alternative markets for fresh produces (processed)	PMU VC	07/2023
Targeting Activities with vulnerable and marginalized HHs aligned with social inclusion and GESI strategy	PMU	08/2023
Galip nut Ensure readiness of projects for MVF TAC Elaborate roadmap for equity financing for Galip nut farmers' cooperatives in one lead partner's company on top of MVF grant	PMU VC	08/2023
Access to Finance Identify co-financing possibility for outreach development with MiBank and Nambawan SLS	CEFI	09/2023
Access to Finance Assessment of MiBank agricultural loan performance and impact	CEFI - PMU	10/2023
Business Partnerships Co-finance a pilot with one/two lead partners	PMU	11/2023
Business plans and partnership agreements Completed final drafts of the business plans and partnership agreements for the 12 LP in Call 2 who have already submitted business plans		
Development Effectiveness		
GESI strategy should be mainstreamed throughout the project, and integrated in: 1. GESI Criteria for hiring service providers. Ensuring that SPs willing and able to contribute to GESI objectives 2. Scoping Study. Include information on socio-economic differentiation amongst producers in project value chains and the impact of gender, generation gaps, wantok networks, land rights etc. 3. Integrate GESI eligibility criteria into EOIs GESI provisions in baseline and information campaign	PMU (GESI Officer)	05/2022
Log frame Fine tune the project outcomes and outputs in the log frame to ensure measurability	PMU	05/2022

Sustainability and Scaling up		
BDSP 2 Assess the performance of BDSPs and renew contracts for performing ones.	PMU	06/2022
Implement the family farm team approach		01/2023
Galip nut partnership Request the 3 LP to submit business plans in order to assess the eligibility of investments under the MVF framework.		01/2023
VFLIT ToT Deliver all refresher ToT for Call 1		02/2023
Call 1 Partnerships If conditions are met, disburse investment grants for the two (the Agrotech Lead Farmers have already submitted proposals for Call 2) remaining Lead Partners under Call 1		03/2023
farmers' working capital needs Evaluate the farmers' working capital needs for the next 2 agricultural seasons (2023) and assess their capacity to contribute at least 50% of these needs through their savings		03/2023
Delivery of VFLIT trainings to farmers Complete retail trainings for all 3,600 HH in Call 1, including those already trained in 2021/2022 and the HH not yet trained, and including HH under Agrotech, JOFFCS and OFFL partnerships, and Start the delivery of retail trainings for Call 2		05/2023
Call 2 partnerships (2) Sign the 12 partnership agreements		05/2023
Call 2 partnerships (3) Complete the drafts of the remaining 15 business plans and partnership agreements		05/2023
Project Management		
Monitoring and Evaluation Upload the AWPB and PA targets Upload the AWPB output achievement data for 2020 and 2021		06/2022
Recruit short time BDSP A short-term BDSP will be mobilised to assess Call 2 business plans		01/2023
Synchronize Kobo toolbox and VIFIMS The Kobo toolbox and VIFIMS platforms are effectively synchronized so that the data collected on Kobo Toolbox is available in VIFIMS		01/2023
Recruit GESI officer		03/2023
Production and Value Chain officer 2 A long term PVCO for Financial Inclusion will be mobilised		05/2023

Provincial M&E officers The 2 missing M&E officers in Morobe and Simbu will be recruited, only IF Call 2 partnerships have been finalised		07/2023
Data collection Data on the partnership implementation (outreach, investments purpose and amount) and outcomes (yields, volume of production and sales, value of sales, price of purchase from farmers, and price of sales by lead partners) should be collected.		12/2023
Financial Management & Execution		
Timely posting expenditure into accounting software Posting all unrecorded expenditure to MYOB and continue it on timely basis.	PMU	04/2020
AWPB and budget report 2020 AWPB uploaded to MYOB, budget reports setup properly in MYOB.	PMU	04/2020
PIM and FIM review PIM and FM are review and updated to reflect MVF implementation activities.	FPDA/PMU	12/2020
Supporting documentations are reviewed and updated prior to the audit Supporting documentation is reviewed and updated, internal control to be strengthened in the future.	PMU	06/2021
timely post all transactions and budget to accounting software. Timely post all transactions and budget to accounting software.	PMU	06/2021
Adjustment of accounting entries, VAT and Advance to CEFI are properly adjusted in next SOE. VAT and Advance to CEFI are properly adjusted in next SOE.	PMU	06/2021
Clarity of roles and responsibility of finance staff (FAM and Accountant) Clarify roles and responsibility of finance staff.	PMU	07/2021
Budget is uploaded to Accounting Software and budget report is set up to provide useful managerial information to project and IFAD. Budget is uploaded to Accounting Software and budget report is set up to provide useful managerial information to project and IFAD.	PMU	07/2021
Online banking to be applied to avoid cash payment. Setting up of online banking for project, minimize the cash payment.	PMU	07/2021
Reporting IFRs are timely submitted to IFAD in acceptable format.	PMU	07/2021
Action plan and Accountability. FAM prepare a six month action plan and continue updating its progress to Project Manager, FPDA Manager, DAL and IFAD FAM should be accountable for daily operational of finance section and be responsible to FM issues currently.	PMU/FPDA	05/2022

<p>Compliance to Payment process in Finance Manual</p> <p>Payment process in Finance Manual must be complied, transactions are timely entered into MYOB</p>	PMU/FPDA	05/2022
<p>Counterpart contribution for VAT</p> <p>VAT contribution for 2020 and prior year to be transferred to DA immediately. VAT for 2021, to be transferred to IFAD when fund available.</p>	PMU/FPDA/DAL	05/2022
<p>Accounting software</p> <p>Reformat current accounting software (MYOB) according to IPSAS cash-basis accounting system</p>	PMU	04/2023
<p>The MVF Project need to focus on the Procurement of “Big Ticket” activities</p> <p><input type="checkbox"/> Some of the Big-Ticket procurement activities which involve high value threshold and have high risk in terms of complexity and long process</p>	Project Manager, Procurement Specialist Engineer	05/2023
<p>Finalization Better Procurement Plan</p> <p>*Make sure all the procurement activities are stated in the procurement plan (any of procurement activity not stated in the procurement plan to be considered as missed procurement and ineligible expense) *Update the procurement plan (actual step of the process and date)</p>	Procurement Specialist and Project manager	06/2023
<p>Strengthen the function of the procurement unit in the MVF project</p> <p><input type="checkbox"/> The procurement unit need to have minimum 1 procurement officer/expert/specialist and 1 technical person/ assistant which overall minimum consist of 2 people. Each of the procurement person should have procurement certification and/or have experience in the procurement both local and international procurement practice</p>	Project Director and Project Manager	06/2023
<p>MVF project staff need to have training on procurement and compliances</p> <p>*Followed all the procurement principles *Knowledge on GOPNG procurement regulation and IFAD, LTB, Financial Agreement, etc. *Update the procurement regulation and policy *Fulfil all the procurement requirement in process and administration</p>	Procurement Specialist	06/2023
<p>Assigned Project procurement specialist to update Contract Management and Administration and CMT data accuracy and timeliness</p> <p>The CMT or Contract Monitoring is obligatory for the project to oversight the contract and mitigate the risk of any forbidden activity occur.</p>	Procurement Specialist and Project manager	06/2023
<p>Improved the record retention</p> <p>*All the confidential bidding documents, securities such as bid guarantee, etc. need to be securely stored *All the procurement document should be kept in chronological order and for 5 years after the project closure for audit purpose *All the documents should be kept both in hardcopy and digitally (preferably in the cloud)</p>	Project Manager, Procurement Specialist, Administration Staff	06/2023
<p>Need to recover GST from GoPNG which was paid from IFAD account</p> <p>Need to recover GST from GoPNG which was paid from IFAD account</p>	PMU	06/2023
<p>staff income tax</p> <p>Need to comply and pay tax on staff salaries and wages.</p>	PMU	06/2023

<p>Provide missing documents (payment vouchers, ineligible expenditure supporting documents) as per the FMAP</p> <p>Provide missing documents (payment vouchers, ineligible expenditure supporting documents) as per the FMAP</p>	PMU	06/2023
<p>Consultant for SECAP Need to be appointed</p>	Project Director and Project Manager	07/2023
<p>Internal control</p> <p>Implement internal controls, bank reconciliations and ledger reconciliations to avoid previous years similar situation</p>	PMU	
<p>Implement Financial Management Action Plan and its recommendations</p> <p>Implement Financial Management Action Plan and its recommendations</p>	PMU	
<p>Ensure submission of audit report for fiscal year 2022 Submission of restated financial statements for fiscal year 2021</p> <p>Ensure submission of audit report for fiscal year 2022 Submission of restated financial statements for fiscal year 2021</p>	PMU	

Papua New Guinea

Market for Village Farmers Project - Maket Bilong Vilis Fama Supervision Report

: Logical Framework

Mission Dates: 20 - 31 March 2023

Document Date: 28/04/2023

Project No. 2000000899

Report No. 6444-PG

Asia and the Pacific Division
Programme Management Department

Market for Village Farmers Project - Maket Bilong Vilis Fama

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency	Responsibility	
Outreach	1.a Corresponding number of households reached							Project survey	Interim review 2 and project end	PMU + FPDA	GoPNG commitment to improve returns to farmers in agriculture value chains
	Households			23 500		3 049	12.974				
	1 Persons receiving services promoted or supported by the project							Project survey	Interim review 2 and project end	PMU + FPDA	
	Males					2 078					
	Females					971					
	Young					0					
	Indigenous people					0					
	Total number of persons receiving services			117 500		3 049	2.6				
	1.b Estimated corresponding total number of households members							Project survey	Interim review 2 and project end	PMU + FPDA	
	Household members					15 245					
Project Goal Improved livelihoods of village farmers' households (HH) in target provinces	Increase in HH asset ownership index							Project survey	Interim review 2 and project end	PMU + FPDA	GoPNG commitment to improve returns to farmers in agriculture value chains
	Households	0	15	30							
Development Objective Increased returns to village farming households from increased marketed production	Percentage of total farmer fresh produce production sold to market increased							Partnership reports	Quarterly reports	Lead Partners	GoPNG commitment to improve returns to farmers in agriculture value chains
	Increase in production sold	0	30	40							
	Percentage of total galip nut production per farmer sold to galip plant							Partnership reports	Quarterly reports	Lead Partners	
	Galip nut sold per farmer	0	50	90							

Results Hierarchy	Indicators						Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency		Responsibility
Outcome Village farming households have access to markets and services in the target value chains	Yield in selected fresh produce crops increased						Partnership reports	Quarterly reports	Lead Partners	Private investors interested in partnering with men and women village farmers	
	Average yield increase	0	30	40							
	Annual volume of galip nut sold to plant						Partnership reports	Quarterly reports	Lead Partners		
	Galip nut	0	200	500							
	1.2.4 Households reporting an increase in production						Partnership reports	Quarterly reports	Lead Partners		
	Households		40	75							
Households											
Output 1.1 Different types of business partnerships involving FP/GN are implemented	Farming households (men and women) involved in project-supported partnerships						Partnership reports	Quarterly reports	Lead Partners	Private investors interested in partnering with men and women village farmers	
	Households	0	22 000	23 200							
Output 1.2 Farming households in partnerships are trained to use improved technologies	1.1.4 Persons trained in production practices and/or technologies						Partnership reports	Quarterly reports	Lead Partners	Private investors interested in partnering with men and women village farmers	
	Men trained in crop					0					
	Women trained in crop					0					
	Young people trained in crop					0					
	Indigenous people trained in crop					0					
	Total persons trained in crop		15 000	20 000		0					0
Outcome Improved value chain environment to facilitate small farmers' inclusion	1.2.5 Households reporting using rural financial services						CEFI reports, PMU reports	Biannual reports	CEFI, PMU		
	Total number of household members	0	15 000	18 000							
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities						CEFI reports, PMU reports	Biannual reports	CEFI, PMU		
	Households reporting improved physical access to markets		5 000	10 000							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency	Responsibility	
	Households reporting improved physical access to processing facilities										
	Households reporting improved physical access to storage facilities										
Output 2.1 Financial institutions (FIs) with improved capacities to serve target value chains players	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas							CEFI reports	Biannual reports	CEFI	
	Service providers	0	9	9		9	100				
Output 2.2 Improved, climate resilient feeder roads from main production areas to main road	2.1.5 Roads constructed, rehabilitated or upgraded							PMU reports	Biannual reports	PMU	
	Length of roads	0	50	100		0	0				
	Districts have maintenance arrangements in place to sustain feeder road practicability after spot improvements							PMU reports	Biannual reports	PMU	
	Districts	0	6	20							
Outcome Organised industry players contribute to policy development and sector coordination for inclusive industry growth	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment							PMU reports	Biannual reports	PMU	
	Number	0	1	3							
	FPDA MIS operational							PMU reports	Biannual reports	PMU	
	FPDA	0	1	1							
Output 3.1 Multi-stakeholders' platforms created and trained	National, provincial and district-based multi-stakeholders' platforms supported							PMU reports	Biannual reports	PMU	
	National	0	2	2							
	Provincial	0	2	3							
	District	0	6	10							
Output 3.2 Policy and regulatory instruments prepared	Policy 1 Policy-relevant knowledge products completed							PMU reports	Biannual reports	PMU	
	Number	0	2	3		1	33.333				
Output 3.3 MIS system in place at FPDA and FPDA staff trained	MIS in place and number of staff trained							PMU reports	Biannual reports	PMU	
	MIS	0	1	1							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency	Responsibility	
	Staff	0	35	35							
	Annual set of evidence-based knowledge products posted on FPDA website as of year 3							PMU reports	Biannual reports	PMU	
	Knowledge products	0	1	1							

Papua New Guinea

Market for Village Farmers Project - Maket Bilong Vilis Fama

Supervision Report

Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 20 - 31 March 2023

Document Date: 28/04/2023

Project No. 2000000899

Report No. 6444-PG

Asia and the Pacific Division
Programme Management Department

Appendix 1: Financial: actual financial performance by financier; by component and disbursements by category

Project name: Market for Village Farmers (MVF) Project

Table 1A: Financial performance by financier for Project Period to Date as at

12/31/2022

IFAD Financing Loan Number: 200000196100

Financier	Approval	Disbursement	% disbursed
	(US\$ '000)		
IFAD Loan	25,500	7,700	30.20%
Government	2,851	1,707	59.88%
Beneficiaries	1,214	225	18.53%
Provinces & Districts	13,000	-	0.00%
Financial Institutions	4,223	-	0.00%
Unidentified Financier	3,472	-	0.00%
Total	50,260	9,632	19.16%

Project Name: Market for Village Farmers (MVF) Project

Table 1B: Financial performance by financier by component for Project Period to Date as at

31-Dec-22

IFAD Financing Loan Number: 200000196100

#	Component	IFAD Loan			Government			Beneficiary contribution			Provinces & Districts			Financial Institutions			Unidentified Financier			Total		
		Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
		(USD)			(USD)			(USD)			(USD)			(USD)			(USD)			(USD)		
Comp. 1	<i>Inclusive Business Partnership</i>	12,307,000	767,696	6.2	1,305,000	74,694	5.7	1,214,000	225,000	18.5				4,223,000			3,472,000			22,521,000	1,067,390	4.7
Comp. 2	<i>Supportive Value Chain Investments</i>	6,267,000	2,089,709	33.3	623,000						13,000,000									19,890,000	2,089,709	10.5
Comp. 3	<i>Collective Governance and Project Management</i>	6,926,000	4,663,187	67.3	923,000	565,504	61.3													7,849,000	5,228,691	66.6
	<i>Unallocated</i>					407,894															407,894	
	Total	25,500,000	7,520,592	29.5	2,851,000	1,048,092	36.8	1,214,000	225,000	18.5	13,000,000			4,223,000			3,472,000			50,260,000	8,793,684	17.5

Project Name: Market for Village Farmers (MVF) Project
Table 1C: IFAD Loan Disbursements Project Period to Date as of

12/31/2022

IFAD Financing Loan Number: 200000196100

Category description	Allocation (USD)	Disbursement from IFAD (USD)	WA/expenditure pending (USD)	Total (USD)	Balance (USD)	Per cent disbursed
I. Works	2,320,000	0		0	2,320,000	0.0%
II. Equipment and Materials	1,860,000	934,222	0	934,222	925,778	50.2%
III. Consulting Services and Trainings	10,700,000	2,282,058	0	2,282,058	8,417,942	21.3%
IV. Credit Guarantee Funds	410,000	0	0	0	410,000	0.0%
V. Grants	2,700,000	0	0	0	2,700,000	0.0%
VI. Recurrent Cost	4,960,000	2,983,671	0	2,983,671	1,976,329	60.2%
Unallocated	2,550,000	0	0	0	2,550,000	0.0%
270001: Authorised allocation	0	1,500,000	0	1,500,000	-1,500,000	
Total	25,500,000	7,699,951	0	7,699,951	17,800,049	30.2%

Papua New Guinea

Market for Village Farmers Project - Maket Bilong Vilis Fama Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 20 - 31 March 2023

Document Date: 28/04/2023

Project No. 2000000899

Report No. 6444-PG

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

Activity/Output Result Table: Partnership Typology										
#	Component 1: Inclusive Business Partnerships									
	Sub Component 1.1: Fresh Produce Partnerships									
	Implementation Year	2022								
	Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action
1	Fresh Produce Partnerships									
1.1.	Households reached	#	23,500	2777	263			3,040	13	
1.1.	Persons supported	#	117,500	13895	1305			15,200	13	
2	Partnership Typology									
2.1	Large partnership	#	2					0	0	
2.2	Medium partnership	#	50					7	14	
2.3	Small partnerships	#	100					0	0	
2.4	Micro Partnerships	#	100					0	0	
Activity/Output Result Table:										
#	Component 1: Inclusive Business Partnerships									
	Sub Component 1.1: Fresh Produce Partnerships									
	Implementation Year	2022								
	Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action
3	Lead Partner Seed Capital Investment Area 1 Procured and Distributed									
3.1.	Twin steer procured	#	2		2	0		2	100	
3.2.	Twin steer distributed	#	2		1	1		2	100	
3.3	Isuzu truck procured	#	2	0	1	0		1	50	
3.4	Isuzu truck delivered	#	2	0	1	0		1	50	
3.5	Genset procured	#	7	0	2	5		7	100	
3.6	Genset delivered	#	7	0	2	0		2	29	
3.7	Chiller container procured	#	5	0	1	4		5	100	
3.8	Chiller container delivered	#	5	0	1	0		1	20	
3.9	Comprehensive lodge	#	3	0	2	1		3	100	
3.10	Comprehensive paid	#	3	0	2	0		2	67	
Activity/Output Result Table: Rural Poor Stimulus Fund (CoVID 19 funds)										
#	Component 1: Inclusive Business Partnerships									
	Sub Component 1.1: Fresh Produce Partnerships									
	Implementation Year	2022								

	Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action
4	Farm Tools and Equipment Procured and Distributed to Farmers									
3.1.1a	Net bags procured	#	17,310	0	0	17,310	0	17,310	100	
3.1.1b	Net bags distributed	#	17,310	0	0	0	709	709	4	
3.2.1a	Wheel barrow procured	#	509	0	0	509	0	509	100	
4.2.1b	Wheel barrow distributed	#	509	0	0	0	428	428	84.1	
4.3.1a	Knapsack procured	#	1,531	0	0	1,531	0	1,531	100	
4.3.1b	Knapsack distributed	#	1,531	0	0	0	1189	1189	78	
4.4.1a	Shade cloth procured	#	4,122	0	0	4122	0	4,122	100	
4.4.1b	Shade cloth distributed	#	4,122	0	0	0	535	535	13	
3.5.1a	Nursery tray procured	#	57	0	0	57	0	57	100	
4.5.1b	Nursery tray distributed	#	57	0	0	0	15	15	26	
4.6.1a	Watering can procured	#	76	0	0	76	0	76	100	
4.6.1b	Watering can distributed	#	76	0	0	0	46	46	61	
4.7.1a	Gum boots procured	#	171	0	0	171	0	171	100	
4.7.1b	Gum boot distributed	#	171	0	0	0	52	52	30	
4.8.1a	Hand gloves procured	#	57	0	0	57	0	57	100	
4.8.1b	Hand gloves distributed	#	57	0	0	0	13	0	23	
4.9.1a	Digging fork procured	#	197	0	0	197	0	197	100	
4.9.1b	Digging fork distributed	#	197	0	0	0	92	92	47	
4.10.1a	Bush knife procured	#	446	0	0	446	0	446	100	
4.10.1b	Bush knife distributed	#	446	0	0	0	288	288	65	
4.11.1a	Spade procured	#	598	0	0	598	0	598	100	
4.11.1b	Spade distributed	#	598	0	0	0	365	61	17	
3.12.1a	Axe procured	#	16	0	0	16	0	16	100	
4.12.1b	Axe distributed	#	16	0	0	0	1	1	6	
4.13.1a	Rubber hose procured	#	1	0	0	1	0	1	100	
4.13.1b	Rubber hose distributed	#	1	0	0	0	1	1	100	
4.14.1a	Plastic can jerry procured	#	12	0	0	0	0	0	0	
4.14.1b	Plastic can jerry distributed	#	12	0	0	0	0	0	0	
Activity/Output Result Table: Rural Poor Stimulus Fund (Covid 19 funds)										
#	Component 1: Inclusive Business Partnerships									
	Sub Component 1.1: Fresh Produce Partnerships									
	Implementation Year	2022								
	Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action
5	Farm Chemicals and Fertilizers Procured and Distributed to Farmers									
5.1.1a.	Potato mix procured	#	1747	0	0	1747	0	1747	100	
5.1.1b	Potato mix distributed	#	1747	0	0	0	1,213	1231	69.4	

5.2.1a	Vegetable's mix procured	#	1391	0	0	1391	0	1391	100	
5.2.1a	Vegetables mix distributed	#	1391	0	0	0	763	763	54.9	
5.2.1b	Grow hariap fertilizer procured	#	10	0	0	10	0	10	100	
5.3.1a	Grow hariap fertilizer distributed	#	10	0	0	0	7	7	70	
5.3.1b	Urea procured	#	23	0	0	23	23	23	100	
5.4.1a	Urea distributed	#	23	0	0	0	17	17	73.9	
5.4.1b	Farmico procured	#	84	0	0	84	0	84	100	
5.5.1a	Farmico distributed	#	84	0	0	0	21	21	25	
5.5.1b	Mancozep procured	#	573	0	0	573	0	573	100	
5.6.1a	Mancozep distributed	#	573	0	0	0	287	287	50.1	
5.6.1b	Ortin procured	#	219	0	0	219	0	219	100	
5.7.1a	Ortin distributed	#	219	0	0	0	42	42	19.2	
5.8.1a	Eco procured	#	1821	0	0	1821	0	1821	100	
5.8.1b	Eco distributed	#	1821	0	0	0	1197	1197	65.7	
5.9.1a	Karate procured	#	1898	0	0	1898	0	1898	100	
5.9.1b	Karate distributed	#	1898	0	0	0	953	953	50.2	
5.10.1a	Malathion procured	#	3	0	0	3	0	3	100	
5.10.1b	Malathion distributed	#	3	0	0	0	1	1	33.3	
5.11.1a	Thunder EC procured	#	560	0	0	560	0	0	100	
5.11.1b	Thunder EC distributed	#	560	0	0	0	341	341	60.9	
5.12.1a	Glyphosate procured	#	1236	0	0	1236	0	1236	100	
5.12.1b	Glyphosate distributed	#	1236	0	0	0	864	864	69.9	
5.13.1a	Grammoxne procured	#	741	0	0	741	0	741	100	
5.13.1b	Grammoxne distributed	#	741	0	0	0	336	336	45.3	
5.14.1a	Spread stick procured	#	10	0	0	10	10	10	100	
5.14.1b	Spread stick distributed	#	10	0	0	0	10	10	100	
Activity/Output Result Table: Rural Poor Stimulus Fund (Covid 19 funds)										
#	Component 1: Inclusive Business Partnerships									
	Sub Component 1.1: Fresh Produce Partnerships									
	Implementation Year	2022								
	Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action
6	Seeds Procured and Distributed to Farmers									
6.1.1a.	Ware potato seed procured	#	1882	0	0	1182	0	1182	100	
6.1.1b	Ware potato seed distributed	#	1882	0	0	0	1157	1157	61.5	
6.2.1a	Bulb onion procured	#	991	0	0	991	0	991	100	
6.2.1a	Bulb onion distributed	#	991	0	0	0	947	947	95.6	
6.3.1a	Red onion procured	#	118	0	0	118	0	118	100	
6.3.1b	Red onion distributed	#	118	0	0	0	0	0	0	
6.4.1a	Broccoli procured	#	90	0	0	90	0	90	100	

6.4.1b	Broccoli distributed	#	90	0	0	0	29	29	32.2	
6.5.1a	Cauliflower procured	#	267	0	0	267	0	267	100	
6.5.1b	Cauliflower distributed	#	267	0	0	0	1	1	0.37	
6.6.1a	English cabbage (Green coronet) procured	#	1354	0	0	1354	0	1354	100	
6.6.1b	English cabbage (Green coronet) distributed	#	1354	0	0	1354	0	893	65.9	
6.7.1a	Chinese cabbage procured	#	106	0	0	106	0	106	100	
6.7.1b	Chinese cabbage distributed	#	106	0	0	0	19	19	17.9	
6.8.1a	Red cabbage procured	#	234	0	0	234	0	234	100	
6.8.1b	Red cabbage distributed	#	234	0	0	0	0	0	0	
6.9.1a	Pak choi procured	#	26	0	0	26	0	26	100	
6.9.1b	Pak choi distributed	#	26	0	0	0	0	0	0	
6.10.1a	Capsicum procured	#	178	0	0	178	0	178	100	
6.10.1b	Capsicum distributed	#	178	0	0	0	41	41	23	
6.11.1a	Carrot procured	#	441	0	0	441	0	441	100	
6.11.1b	Carrot distributed	#	441	0	0	0	309	309	70.1	
6.12.1a	Lettuce procured	#	129	0	0	129	0	129	100	
6.12.1b	Lettuce distributed	#	129	0	0	0	21	21	16.3	
6.13.1a	Cucumber procured	#	1	0	0	1	0	1	100	
6.13.1b	Cucumber distributed	#	1	0	0	0	0	0	0	
6.14.1a	Eggplant procured	#	61	0	0	61	0	61	100	
6.14.1b	Eggplant distributed	#	61	0	0	0	0	0	0	
6.15.1a	Tomato procured	#	14	0	0	14	0	14	100	
6.15.1b	Tomato distributed	#	14	0	0	0	0	0	0	
6.16.1a	Pumpkin procured	#	90	0	0	90	0	90	100	
6.16.1b	Pumpkin distributed	#	90	0	0	0	0	0	0	
6.17.1a	Watermelon procured	#	38	0	0	38	0	38	100	
6.17.1b	Watermelon distributed	#	38	0	0	0	26	26	68.4	
6.18.1a	Zucchini procured	#	72	0	0	72	0	72	100	
6.18.1b	Zucchini distributed	#	72	0	0	0	12	12	16.7	
6.19.1a	Celery procured	#	0	0	0	0	0	0	0	
6.19.1b	Celery distributed	#	0	0	0	0	0	0	0	
6.20.1a	Silver bit procured	#	17	0	0	17	0	17	17	
6.20.1b	Silver bit distributed	#	17	0	0	0	0	0	0	
6.21.1a	Parsley procured	#	8	0	0	8	0	8	100	
6.21.1b	Parsley distributed	#	8	0	0	0	0	0	0	
6.22.1a	Kale procured	#	0	0	0	0	0	0	0	
6.22.1b	Kale distributed	#	0	0	0	0	0	0	0	

Activity/Output Result Table:

#	Component 2: Support Value Chain Investment									
Sub Component 1.2: Financial Inclusion										
Implementation Year		2022								
Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action	
8.1	Village Farmers Livelihood Improvement Training (VFILT)									
8.1.1	VFLIT conducted	#	20	0	0	0	0	12	60	
8.1.2	Male	#	15,000	0	0	0	0	2412	16	
8.1.3	Female	#	15,000	0	0	0	0	2412	16	
8.1.4	Number of persons trained	#	117,500	0	0	0	0	4859	4	
8.2	Training Manual Developed									
8.2.1	Training manual developed	#	1	0	0	.50	.40	.90	90	
Activity/Output Result Table:										
#	Component 2: Support Value Chain Investment									
Sub Component 1.2: Financial Inclusion										
Implementation Year		2022								
Implementation Quarter	UOM	Target	Q1	Q2	Q3	Q4	Achievement (#)	% Cumulative Achievement	Monitoring & Agreed Action	
9	Opening of Bank Accounts									
9.1.1	Male farmers opened account with Mibank	#	3750	69	68	0	0	137	4	
9.1.2	Female farmers opened account with Mibank	#	3750	145	146	0	0	291	8	
9.1.3	Male farmers opened account with People's Micro Bank	#	3750	157	0	0	0	157	4	
9.1.4	Female farmers opened account with People's Micro Bank	#	3750	115	0	0	0	115	3	
9.1.5	Persons opened account	#	15,000	0	0	0	0	700	4.7	
9.1.6	Joints account opened	#	7500	0	0	0	0	00	0	

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Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 20 - 31 March 2023

Document Date: 28/04/2023

Project No. 2000000899

Report No. 6444-PG

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B.6	Designated account open (in USD)		Complied	
Section B.7	NPIU to open a project account in PGK		Complied	
Section 7.01	AWPB to be submitted to the Fund, for its review and comments		Complied	
Section 7.05	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 3		Complied	
Section 7.11	Lead project agency appoint key staff		Complied	
Section 7.11	Key project personnel shall be insured against health and accidents		Complied	
Section 8.01	Project shall ensure all hard copies relating to project implementation and financial management are properly filed.		Complied	
Section 8.02	Establish a Management Information System		Complied	
Section 8.03 (a)	Project shall furnish periodic progress reports		Complied	
Section 9.01	Project shall maintain accounts and records in accordance with consistently maintained appropriate accounting practices		Partially complied	Maintain Chart of Accounts (CoA) as per International Public Sector Accounting Standards (IPSAS) cash-basis accounting system within the MYOB Cloud-based accounting software and project financial statements not prepared according to IPSAS cash-basis

Papua New Guinea

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Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates: 20 - 31 March 2023

Document Date: 28/04/2023

Project No. 2000000899

Report No. 6444-PG

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Moderate
<i>Political Commitment</i>		<i>No risk envisaged - not applicable</i>
<i>Governance</i>		<i>No risk envisaged - not applicable</i>
<i>Macroeconomic</i>		<i>No risk envisaged - not applicable</i>
<i>Fragility and Security</i>	<i>Substantial</i>	<i>Moderate</i>
Sector Strategies and Policies	Substantial	Moderate
<i>Policy alignment</i>		<i>No risk envisaged - not applicable</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Moderate</i>
Environment and Climate Context	Moderate	Low
<i>Project vulnerability to environmental conditions</i>		<i>No risk envisaged - not applicable</i>
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Low</i>
Project Scope	Substantial	Moderate
<i>Project Relevance</i>		<i>No risk envisaged - not applicable</i>
<i>Technical Soundness</i>	<i>Substantial</i>	<i>Moderate</i>
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial
<i>Implementation Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
Project Financial Management	High	Moderate
<i>Project Organization and Staffing</i>	<i>High</i>	<i>Moderate</i>
<i>Project Budgeting</i>	<i>High</i>	<i>Moderate</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>High</i>	<i>Moderate</i>
<i>Project Internal Controls</i>	<i>High</i>	<i>Moderate</i>
<i>Project Accounting and Financial Reporting</i>	<i>High</i>	<i>Moderate</i>
<i>Project External Audit</i>	<i>High</i>	<i>Moderate</i>
Project Procurement	Substantial	Moderate
<i>Legal and Regulatory Framework</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Accountability and Transparency</i>	<i>High</i>	<i>Substantial</i>
<i>Capability in Public Procurement</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Public Procurement Processes</i>	<i>Substantial</i>	<i>Moderate</i>
Environment, Social and Climate Impact	Substantial	Moderate
<i>Biodiversity Conservation</i>		<i>No risk envisaged - not applicable</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>		<i>No risk envisaged - not applicable</i>

Risk Category / Subcategory	Inherent risk	Residual risk
<i>Labour and Working Conditions</i>		<i>No risk envisaged - not applicable</i>
<i>Community Health and Safety</i>		<i>No risk envisaged - not applicable</i>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>
<i>Greenhouse Gas Emissions</i>		<i>No risk envisaged - not applicable</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>		<i>No risk envisaged - not applicable</i>
Stakeholders	Moderate	Low
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Low</i>
<i>Stakeholder Grievances</i>		<i>No risk envisaged - not applicable</i>
Overall	Substantial	Moderate

Country Context	Substantial	Moderate
Political Commitment		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Governance		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Macroeconomic		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Fragility and Security	Substantial	Moderate
Risk: Civil unrest, social conflict and insecurity are important risks in the country, which in conjunction to weak governance structures result in social and institutional fragility.	Substantial	Moderate
Mitigations: Strengthening the legitimacy of the project and its activities by working in close collaboration with the local authorities, and with socially recognized and respected small farmers organizations, private partners and implementing partners.		
Sector Strategies and Policies	Substantial	Moderate
Policy alignment		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
Policy Development and Implementation	Substantial	Moderate

Risk: Insufficient institutional capacities to implement policies in a fragile context with technical and institutional limitations.	Substantial	Moderate
Mitigations: Capacity building of public institutions, small farmers organizations and private partners for project implementation, with focus on project management, productive and managerial skills.		
Environment and Climate Context	Moderate	Low
<i>Project vulnerability to environmental conditions</i>		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Low</i>
Risk: Climate change, extreme climatic events and increasingly uneven rainfall have negative impact on productive activities and on continuous functionality of access roads and small bridges.	Moderate	Low
Mitigations: Climate risk assessment, promotion of climate-resilient varieties, incorporation of sustainable natural resources management practices, prioritization of climate-resilient feeder roads.		
Project Scope	Substantial	Moderate
<i>Project Relevance</i>		<i>No risk envisaged - not applicable</i>
Not relevant for this project.		
<i>Technical Soundness</i>	<i>Substantial</i>	<i>Moderate</i>
Risk: Engagement of poor small farmers in partnerships with private sector enterprises entails the risk of unequal benefits, due to the lower technical, managerial and market knowledge of the former.	Substantial	Moderate
Mitigations: Adequate tools and partnership agreements, including managerial, productive and legal aspects are developed and applied, to formalize fair and transparent business relations between private enterprises and small farmers. Strengthening access to market information and negotiating capacities of small farmers.		
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial
<i>Implementation Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
Risk: Limited technical capacities in the country for project implementation, and to set up and implement productive and commercial partnerships between small farmers and private enterprises.	Substantial	Substantial

<p>Mitigations:</p> <p>Successful PPAP experience is going to benefit the project implementation. Particular attention paid to recruitment of qualified project staff. Benefiting from national and international consultants to work jointly with the project staff. FPDA, the implementing agency, has a good track record of project implementation and support to smallholder farmers</p>		
<p>Monitoring and Evaluation Arrangements</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Risk:</p> <p>(i) M&E data is not collected regularly and is not used for management purposes (ii) Baseline is not available</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>The project includes provisions for M&E staff, an M&E software system and capacity building for national and sub-national level staff.</p>		
<p>Project Financial Management</p>	<p>High</p>	<p>Moderate</p>
<p>Project Organization and Staffing</p>	<p>High</p>	<p>Moderate</p>
<p>Risk:</p> <p>The PMU organization and staffing main issue is the contractual status of 06 staff members i.e. 1) Mr. Mala Ahi-Finance & Admin Manager; 2) Ms. Mary Wemin Auri-HR and Admin Officer; 3) Ms. Michaeline Kupo-M&E Officer; 4) Ms. Magdalena Moannzie-Admin Assistant; 5) Jonny Waula-Infrastructure Engineer, whose working contracts have ended in Dec. 2022 whilst number 6) Mr. Tio Nevenimo-Galip Nut Manager, his contract ended on 22 May 2021 but they are all still working at the PMU and also draw salaries and wages.</p> <p>Weak internal controls, lack of awareness and in-house financial management and project weak accounting capacity and ineffective financial management oversight within the PMU were noted.</p> <p>The PMU does not have an accountant at the moment.</p> <p>No adequacy of project financial management staff i.e. numbers and skills matching functional needs of the project.</p> <p>The PMU does not have a procurement specialist/staff since January 2023 and there is no one to take care of the procurement function at the moment. Due to non-availability of procurement specialist and procured goods, works and consultant services by PMT will have high impact over the objectives of the Project.</p> <p>Schedule II (13) of Section 1 of the Financing Agreement stipulates that a draft Project Implementation Manual ("PIM") should be prepared and submitted to the Fund for its comments and notice of No Objection. However, PIM is still in the draft version and has to obtain a No objection for the fund approval.</p> <p>Lack of segregation of duties, where same cashier deals with bank, cash and prepares bank reconciliation statements, however, not prepared, reviewed and approved on a monthly basis.</p>	<p>High</p>	<p>Moderate</p>

<p>Mitigations:</p> <p>Without contractual agreements and NOL from IFAD, these salaries and wages amounts would be deemed ineligible expenditures of project unless the staff should retrospectively sign their contract and also project management should approach the IFAD for the post-facto NOL with giving reasons.</p> <p>The PMU needs to take a decision on whether to allow the continuation of these 6 staff or recruit new staff in consultation with IFAD as soon as possible.</p> <p>The Project Management should recruit a financial management expert and accountant or hire or reputable consulting firm and needs to strengthen its financial management system.</p> <p>Non-availability of a standard version of Project Financial Management Manual has the risk of the IFAD taking a serious view of the capacity of Project Management Team to efficiently implement the project. It also has serious pecuniary ramifications due to the absence of standard version mechanism tools. Therefore, the project financial manual needs to be reviewed and revised in line with IPSAS cash-basis of accounting and international best practices of project finance function.</p> <p>PMU needs to obtain NOL and approval of draft Project Implementation Manual ("PIM") from IFAD for efficient and timely completion of the Project.</p> <p>The PMU needs to strengthen the FM function through International finance expertise for project finance function, especially for reporting under the IPSAS cash-basis accounting method and capacity building for project staff. The PMU needs to recruit an International Finance Management Expert and Accountant in view of the capacity of Project finance team to efficiently implement the project finance, accounting and presentation.</p> <p>The PMU needs to hire adequate procurement specialist so that project execution should be suitably aligned to optimize physical and financial progress and ensure effective and efficient achievement of the Project's objectives.</p> <p>PMU should arrange training programs for the capacity building of its finance manager.</p> <p>The functions of preparing bank reconciliation statements and dealing with banks & cash should be segregated and divided into two separate functions. Bank Reconciliation Statements should be prepared by a person other than a cashier in order to have proper control over cash and bank transactions.</p>		
<p>Project Budgeting</p>	<p>High</p>	<p>Moderate</p>
<p>Risk:</p> <p>Slow pace of expenditure and under-utilization of budget.</p> <p>The project expenditures/payments for the fiscal year ended 31st December 2022 was US\$ 1,639,562 (i.e. as per draft FS-2022) it. includes GST only which is equivalent to 28.40% of the total approved IFAD Loan budget of US\$ 5,772,140. The cumulative expenditure till 31st December 2022 (i.e. as per draft financial statements) was US\$ 7.803 million (including GST) only which is equivalent to 31.28 % of the IFAD Loan Fund. Since the closing date of the project is 31st August 2024, at the current pace of expenditure, the project may not be able to spend even 50% of the loan fund by closing date.</p> <p>Lack of adequate planning of budgeted and regular monitoring of the pace of expenditure out of the approved Annual Work Budget Plan ("AWBP") for the FY 2021 and FY 2022.</p> <p>AWBP is prepared but no properly monitoring function is in place at Project management about the PNG government contribution/allocations and IFAD loan sources of funds/allocations aligned with the signed financing agreement. Hence, the funds allocated by the PMU are not correct/inadequate specially regarding project staff's salary and wages; taxes which needs to be contributed by GoPNG. No timely preparation and approval of AWBP for the FY 2023.</p> <p>AWBP and accumulated budgets were not properly uploaded into the MYOB Cloud-based Accounting Software.</p>	<p>High</p>	<p>Moderate</p>

<p>Mitigations:</p> <p>Project Management Team should develop plan for measurable actions to achieve the remaining objectives and monitor the operations for completing project activities.</p> <p>The management needs to take immediate action to ensure that its internal controls are suitably strengthened to avoid recurrence of the situation found in the previous years so that at least 60% of the loan fund is utilized productively for activities within the allowed time limit.</p> <p>The AWBP is required to be properly monitored to align with the IFAD financing agreement and need proper allocation between PNG government and IFAD loan sources of funds.</p> <p>PMU needs to prepare the AWBP-2023 and obtain approval of the IFAD for efficient and timely manner plan. However, the project informed that the draft AWBP was in the process of finalisation and will be submitted to IFAD by end of March'23.</p> <p>AWBP and accumulated budgets should be uploaded into the MYOB Cloud-based Accounting Software.</p>		
<p>Project Funds Flow/Disbursement Arrangements</p>	High	Moderate
<p>Risk:</p> <p>At present, the project disbursements have been halted due to repeated qualified audit opinions of the Project financial statements and other serious financial managements internal controls issues within the project management.</p> <p>Inadequate project performance, especially in key areas seems to be mainly caused by weak programme oversight and Funds flow & Disbursement.</p> <p>No funds were disbursed by different sources of funds (i.e. co-financiers funding) from beneficiaries estimated at US\$ 1.20 Million (2.4%), financial institutions US\$ 4.20 Million (8.4%), while provincial and district governments are expected to co-finance US\$ 13.0 Million (25.9%) as per financial agreement and project design.</p> <p>Para 4 of Section B of the Financing Agreement states that the Designated Account (DA) of Loan No. 2000001961 of the Markets for Village Farmers Project-Maket Biliang Villis Fama (MVF) shall be used for the RPSF Grant. The PMU maintained the same DA account for both project (Loan & Grant) and none of the remaining grant funds were transferred to IFAD.</p> <p>100% RPSF grants disbursement was received from IFAD till the end of the FT 2022. However, the PMU needs to refund the RPSF grant fund balance amount of K 425,905 to IFAD at the closing of the grant period i.e. 31st December 2022.</p> <p>The funding from RPSF is not monitored and reported separately in the project accounting systems i.e. MYOB software.</p> <p>During the FY 2022, there is no Withdrawal Application submitted to IFAD Loan source of funds for the FY 2022 expenditures.</p> <p>No disbursement rate compared to the AWBP for FY 2022.</p>	High	Moderate
<p>Mitigations:</p> <p>The project management needs to strengthen its financial management system and internal controls systems to restore project disbursements from IFAD.</p> <p>PMU needs to closely discuss with Government for GoPNG contributions as well as other co-financiers to MVF project by end of March 2023.</p> <p>PMU needs to prepare the Q-4-IFR and submit it to IFAD and review the funds flow in accordance with AWBP-2023.</p> <p>PMU needs timely preparation and submission of withdrawal applications to claim the project expenditures of the FY 2022.</p> <p>PMU needs to report separately RPSF funds received and expenditures in restatement of the FY 2021 and draft FS for the FY 2022.</p> <p>PMU needs to refund the RPSF grant fund balance amount of K425,905 to IFAD at the end of the grant closing period.</p> <p>Para Numbers 6 & 7 of Section B of the Financing Agreement and Sections C and D of the Letter to the Borrower states that the Project Designated Account (DA) shall be required to open in the USD to receive the funds from IFAD and another project account will be maintained in local currency at a commercial bank to receive funds from Designated Account (DA) for eligible expenditure. This DA was opened by operation of law of Central Bank of PNG to receive foreign currency and transfer to project account where BPNG monitors the foreign currency.</p> <p>Hence, the PMU needs to take post facto No Objection Letter (NOL) from the IFAD for Project Designated Account (DA) which was opened in local currency instead of US\$ currency as per the Financing agreement.</p>		

Project Internal Controls	High	Moderate
<p>Risk:</p> <p>Insufficient Supporting documents: A random review of project expenditures for fiscal years 2021 and 2022 shows that most of project expenses were paid to the vendors/suppliers through quotations/pro forma invoices and that inadequate or non-existing supporting documentary evidence related to beneficiaries' contributions expenses and other some project expenses were noted. Salary and Wages Tax deducted {FY2021: K373,771; FY 2022: K278,015 and Jan'23- March'23: K56,551} but not deposited with the Tax Authority i.e Internal Revenue Commission (IRC) of PNG Government. PMU paid the GST through IFAD loan account fund but did not recover the GST amount from GoPNG account on time. PMU did not refund the RPSF grant fund balance amount at the end of closing period of grant. Project did not have any Internal Audit Function. Failure to implement suggestions/recommendations of the Auditor General's previous audit shows signs of poor management and lack of seriousness on the part of project management about audit and respect for accountability for IFAD loan funds; and Not following up on previous audit recommendations would mean that the experience learned will not be incorporated into future implementation.</p>	High	Moderate
<p>Mitigations:</p> <p>The PMU needs to provide original invoices instead of the Supplier's quotations or Pro forma invoices as supporting documents for Bank payment and verification of the Project expenses.</p> <p>The Project needs to investigate the matter of probable malpractice in financial and procurement management.</p> <p>The PMU is to ensure that adequate supporting documents are filed properly and maintained and be readily available for management, IFAD supervision mission review and audit purposes.</p> <p>Failure to remit/deposit taxes in time and not following it up indicates a significant deficiency in internal control. The PMU and DAL should jointly ensure that the salary and wages taxes are deducted and remitted to the Internal Revenue Commission (IRC) of PNG Government on a timely basis and also this tax amount need to be paid through GoPNG contribution in accordance with the financing agreement.</p> <p>PMU needs to recover the GST net balance amount of K505,105 from GoPNG account which was paid from IFAD account during the financial years 2021 and 2022</p>		

<i>Project Accounting and Financial Reporting</i>	<i>High</i>	<i>Moderate</i>
<p>Risk:</p> <p>Non-maintenance of proper books of accounts/records and weak internal control system. The First, Second, Third and Fourth quarterly IFRs should reflect a complete financial picture of the project. The PMT should prepare and submit quarterly IFRs to the IFAD. Bank reconciliation statements are not prepared, reviewed and approved on monthly basis. Direct payments are not recorded in the project financial statements as well as within the MYOB Cloud-based accounting software. Failure to maintain Chart of Accounts (COA) as per IPSAS cash-basis accounting systems within the MYOB Cloud-based accounting Software. The budget figures were not captured in the MYOB accounting software to give a system-generated analysis of the budget comparison against actual expenditure incurred. Failure to maintain separate accounts/ledger records of Rural Poor Stimulus Facility (RPSG) grant within the MYOB Cloud-based accounting Software. The Project transactions/books keeping was not timely updated within the MYOB Cloud-based Accounting Software.</p>	High	Moderate
<p>Mitigations:</p> <p>The First, Second, Third and Fourth quarterly IFRs for FY 2022 should reflect a complete financial picture of the project. The PMT should prepare and submit quarterly IFRs to the IFAD. Project needs to strengthen its financial management, accounting and reporting system, especially the Bank reconciliations should be prepared on a monthly basis as soon as possible after the month's end. To ensure the reconciliation is properly prepared it should be reviewed by a person independent of the reconciliation process. The PMU will need to update the bank records and project accounting transactions regularly in MYOB cloud-based accounting software. The project management needs to strengthen its financial management, especially relating to direct payments by IFAD to vendors or service providers on project (MVF) fund account and these direct payments should be recorded in MYOB cloud-based accounting software. The PMU needs to re-format the MYOB cloud-based accounting software with detailed subsidiary accounts/ledger records for components and category-wise payments/expenditures, budget information and Chart of Accounts (COA) as per IPSAS cash-basis accounting systems. PMU needs to maintain separate accounts/ledger records of Rural Poor Stimulus Facility (RPSG) grant within the MYOB Cloud-based accounting Software. PMU needs to update on daily basis project transactions/books keeping within the MYOB cloud-based accounting software.</p>		
<i>Project External Audit</i>	<i>High</i>	<i>Moderate</i>

<p>Risk:</p> <p>The Audit General, Auditor General Office (GAO), Papua New Guinea, conducts project statutory audit in accordance with International Standards of Supreme Audit Institutions (ISSAI) issued by International Organization of Supreme Audit Institutions (INTOSAI).</p> <p>The audit reports for the fiscal years 2020 and 2021 were provided with significant delays to IFAD.</p> <p>The Qualified audit opinions for the Fiscal years ended 31 December 2020 and 31 December 2021 were provided.</p> <p>Basis for Qualified opinion for the FY 2020:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Closing Cash and Bank Balance Variance: K 375,235. <input type="checkbox"/> Limitation of Scope: Missing payment Voucher K 2,726,604. <input type="checkbox"/> Limitation of Scope: Insufficient Supporting Documentation: K 368,769. <p>Emphasis of Matter: Basis of Accounting and restriction on Distribution</p> <p>Basis for Qualified opinion for the FY 2021:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Closing Cash and Bank Balance Variance: PNG K 152,483. <p>Emphasis of Matter: Basis of Accounting and restriction on Distribution</p> <p>The project management did not prepare the Financial statements in accordance with IPSAS - Financial Reporting under the cash-basis of accounting issued by International Federation of Accountants (IFAC).</p> <p>IFAD fielded a financial management expert to provide support to PMU to address the above mentioned issues. The project with support from the expert prepared a restatement of project financial statements for the fiscal year 2021 and draft financial statements for the FY 2022 as per IPSAS-Cash basis accounting system and in line with the IFAD Financial reporting requirement with full set of notes disclosing the nature of transactions and the financial position of the project account.</p>	High	Moderate
<p>Mitigations:</p> <p>The financial statement was not prepared according to IPSAS-Cash basis of accounting. Therefore, IFAD suggested that the 2021 Financial Statement to be re-done and re-audited by AGO and the PMU should submit the revised Audit Report to IFAD.</p> <p>As discussed, with Auditor General's representative (Mr. Veratau) who asserted that AGO cannot perform two (2) audits for the same financial period having two (2) separate audit opinions assuming that all discrepancies were resolved. During the meeting, it was agreed that the restatement of financial statements for the fiscal year 2021 will be prepared to address the above mentioned issues. He further suggested that this restatement will then have to be submitted to IFAD to gain comfort over the disclosures so that clearance will be provided for AGO to audit. Upon AGO audit, procedures on the accuracy and completeness of the 2021 restated balances will also be performed on the opening balances along with the 2022 financial statements audit.</p> <p>PMU has been provided the restatement of the 2021 financial statements as per IPSAS cash-basis and this restatement Financial Statements have been accepted by IFAD.</p> <p>A draft of 2022 financial statement as per IPSAS cash-basis has been accepted by IFAD and shall be audited by the Office of Auditor General, whose report shall be submitted to IFAD before end of June 2023.</p>		
<p>Project Procurement</p>	Substantial	Moderate
<p>Legal and Regulatory Framework</p>	Substantial	Moderate
<p>Risk:</p> <p>The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.</p>	Substantial	Moderate

<p>Mitigations:</p> <ol style="list-style-type: none"> 1). Review periodically the application procurement in accordance with the Project Procurement Manual. 2). Review and clear project procurement plan (consolidated) encouraging the use of competitive procurement methods 3). Provide consolidated procurement information on project website (opportunities and awards) 		
<p>Accountability and Transparency</p>	High	Substantial
<p>Risk:</p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.</p>	High	Substantial
<p>Mitigations:</p> <ol style="list-style-type: none"> 1). Provide confidential report of complains received, under investigation and resolved. 2). Establish appropriate level of procurement reviews post and prior based on risk 3). Identify and report on risk flags during procurement supervision 4). Use IFAD standard bidding documents which include provisions for prohibitive practises and safeguards 5). Review of project operation procurement by external project auditors. 		
<p>Capability in Public Procurement</p>	Substantial	Moderate
<p>Risk:</p> <p>The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.</p>	Substantial	Moderate
<p>Mitigations:</p> <ol style="list-style-type: none"> 1). Retain procurement professional to support intermittently 2). Periodic training and support to be provided to various implementing agencies teams. 3). Ad-hoc offsite coaching by IFAD accredited procurement consultant. 		
<p>Public Procurement Processes</p>	Substantial	Moderate
<p>Risk:</p> <p>The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.</p>	Substantial	Moderate
<p>Mitigations:</p> <ol style="list-style-type: none"> 1). Qualified procurement officer has been recruited to oversee all the procurement procedures. 2). The procurement officer is regularly backstopped by IFAD procurement staff and certified consultants. 3). NOTUS is now fully operational for MVF/PNG and all prior-review procurement processes are duly being followed. 		
<p>Environment, Social and Climate Impact</p>	Substantial	Moderate
<p>Biodiversity Conservation</p>		No risk envisaged - not applicable

Not relevant for this project.		
Resource Efficiency and Pollution Prevention	Substantial	Moderate
Risk: Soil erosion and fertility depletion caused by cultivation of steeply sloping land	Substantial	Moderate
Mitigations: Contour cultivation in sloping land		
Cultural Heritage		No risk envisaged - not applicable
Not relevant for this project.		
Indigenous People		No risk envisaged - not applicable
Not relevant for this project.		
Labour and Working Conditions		No risk envisaged - not applicable
Not relevant for this project.		
Community Health and Safety		No risk envisaged - not applicable
Not relevant for this project.		
Physical and Economic Resettlement		No risk envisaged - not applicable
Not relevant for this project.		
Greenhouse Gas Emissions		No risk envisaged - not applicable
Not relevant for this project.		
Vulnerability of target populations and ecosystems to climate variability and hazards		No risk envisaged - not applicable
Not relevant for this project.		
Stakeholders	Moderate	Low
Stakeholder Engagement/Coordination	Moderate	Low
Risk: (i) Low interest of agribusinesses to engages with small farmers in business partnerships due to risk and high transaction costs. (ii) Weak technical and management capacity of farmers' organizations	Low	Low

<p>Mitigations:</p> <p>Building on the successful experience of the PPAP with respect to incentivizing the participation of agribusiness and ensuring extensive support to farmers' organizations.</p> <p>Developing technical and managerial capacities of small farmers to guarantee that the agreed production is timely delivered, with proper quality and food safety standards.</p> <p>Sensitization of potential private partners and engaging them since the beginning in open dialogue with small farmers to build mutual trust.</p> <p>Commercial, productive and legal agreements are based on clear and transparent documents.</p>		
<p>Risk:</p> <p>Limited interest of financial institutions in extending services to rural areas.</p>	Moderate	Low
<p>Mitigations:</p> <p>Engaging with the Centre of Excellence for Financial Inclusion (CEFI), who already works closely with financial institutions in PNG. CEFI will support the development of new financial instruments to support smallholder farmers.</p>		
<p>Stakeholder Grievances</p>		No risk envisaged - not applicable
<p>Not relevant for this project.</p>		