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Investing in rural people in **Papua New Guinea**

Papua New Guinea's population of 7.5 million is young and growing. The country has an abundance of natural resources and geographical proximity to rapidly growing Asian markets. Its population is diverse, speaking over 800 languages.

Two sectors continue to dominate the economy: the agriculture, forestry and fisheries sector, which engages most of the labour force; and the minerals and energy extraction sector, which accounts for the majority of export earnings and GDP.

Despite recent strong economic growth, about 3 million people live below the national poverty line, mainly in rural areas. Young people in particular face limited opportunities in rural areas, where many have never acquired any formal education. Inequality remains high in Papua New Guinea; an estimated 20 per cent of the population earn 47 per cent of total income. A large majority of the population (87 per cent) are rural and dependent mainly on semi-subsistence agriculture.

Agriculture accounts for about 26 per cent of GDP but sustains the livelihoods of 80 per cent of the active population. Small-scale farming systems dominate



Total number of projects: 20
Total cost: US\$2,764.92 million
Total financing from IFAD:
US\$669.59
Directly benefiting:
3,904,600 households

the sector, where food crops provide most of the food consumed in the country, and pigs, poultry and cash crops (mainly coffee, cocoa and copra) supplement income.

The low availability and high cost of modern inputs and technologies, coupled with a lack of irrigation and low access to support services, contribute to low yields. Falling commodity prices, ageing coffee, copra and cocoa trees, high logistical costs due to the poor transport network and isolation, and a lack of market access further discourage small-scale farmers from raising production for market – it is estimated that only 25 per cent of agricultural production is marketed.

Weather extremes and hazards related to climate change hamper agricultural development. As a result, more than half of the country's population experience severe to moderate food insecurity, with half of children under five years of age suffering from stunting.

Eradicating rural poverty in Papua New Guinea

Papua New Guinea is seeking to achieve higher economic growth through better opportunities for rural men and women to participate in market-oriented agriculture.

The country's long-term development strategy envisages a shift in the economy to broad-based growth in agriculture, forestry, fisheries, ecotourism and manufacturing in order to expand household incomes and enhance socio-economic development.

Accordingly, the 2010-2030 Strategic Development Plan aims to transform Papua New Guinea into a prosperous middle-income country by 2030. Specific objectives for the agriculture sector include a fivefold increase in agricultural production, mainly through improved land use and productivity. Public-private partnerships are to become a cornerstone of agricultural development.

IFAD's strategy in Papua New Guinea

The goal of IFAD's country strategy is to support the Government of Papua New Guinea in reaching its objective of achieving broad-based, inclusive growth by improving the incomes, food security and resilience of rural women, men and youth, through innovative models that build on the country's rich potential, support equitable partnerships with the private sector and preserve natural resources.

IFAD's strategy is to improve the livelihoods of small-scale farmers by increasing production volumes and quality, and to improve access to markets, technologies and services in order to increase farmers' share of value added.

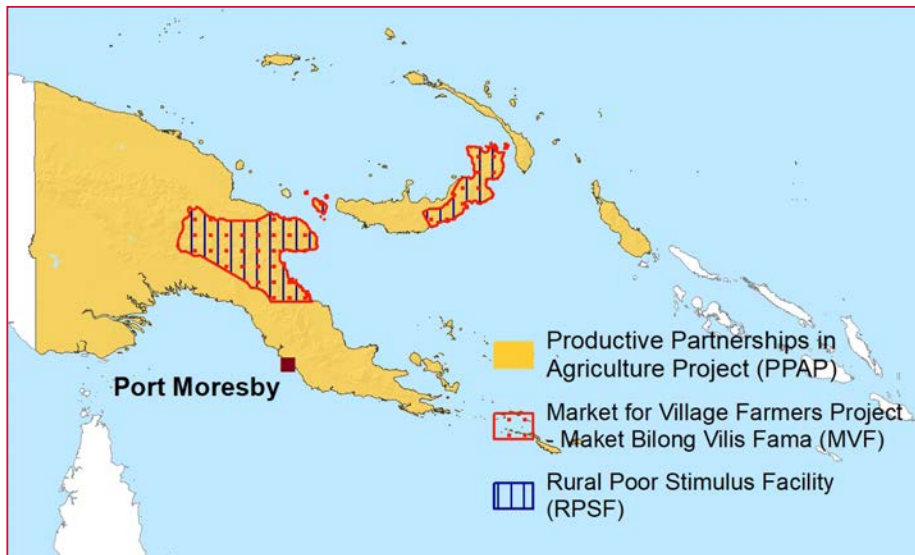
This strategy is implemented mainly by establishing productive partnerships between small producers and agribusinesses, supporting extension efforts, and contributing to policies and institutions that aid development of inclusive value chains. To this end, IFAD supports efforts to strengthen institutional capacity and coordination, and to build public-private partnerships in the coffee, cocoa and fresh produce sectors.

The target group for IFAD's work in the country is small-scale farmers and producers, with an emphasis on women and young people.

In Papua New Guinea, IFAD-funded projects support vulnerable groups through:

- development of market opportunities;
- income generation in rural areas;
- participation in partnerships across sectors; and
- strengthening of extension services.

Ongoing operations



Markets for Village Farmers Project

The Markets for Village Farmers Project (MVF) aims to improve the livelihoods of farming households by facilitating their transition to market-oriented production and farming as a business. It supports the development of sustainable business partnerships, in which farmers have secure and remunerative market options and buyers obtain a reliable and consistent supply of vegetables and other fresh produce. The MVF targets six provinces of Papua New Guinea: Chimbu, East New Britain, Eastern Highlands, Jiwaka, Morobe and Western Highlands. About 25,000 farming households (approximately 125,000 people) will directly benefit from the project, which began in 2017 and will run until 2024. The total project cost is US\$50.7 million, of which IFAD is providing a US\$25.94 million loan on blend terms.

Productive Partnerships in Agriculture Project

The objective of this project is to improve the livelihoods of small-scale cocoa and coffee producers by enhancing the performance and sustainability of value chains in cocoa- and coffee-growing areas. These value chains are an important part of farming systems in the project area and play a critical role in helping households meet their cash requirements.

To enhance rural livelihoods, the project works to:

- strengthen coordination between the coffee and cocoa industries and related institutions;
- facilitate linkages between small-scale farmers and agribusinesses for the provision of technologies and services; and
- provide improvements in infrastructure to increase small-scale farmers' access to markets.

The project provides small-scale farmers, producers, women and young people with training in more efficient, market-responsive and sustainable production practices. It covers two distinct target areas: for cocoa, the coastal areas of the Autonomous Region of Bougainville and East New Britain; and for coffee, the provinces of Chimbu, Eastern Highlands and Jiwaka. The project started in 2010 and is scheduled to run until the end of 2020. The total project cost is US\$119.21 million, of which IFAD is providing a US\$35.96 million loan on highly concessional terms.

Rural Poor Stimulus Facility

The Markets for Village Farmers – COVID-19 Response (MVF-CR) is embedded in the Markets for Village Farmers Project (MVF) and is fully aligned with the response of the Government of Papua New Guinea to the impact of COVID-19. It is designed to tackle: (i) cash shortages in rural communities and for small and medium-sized enterprises; (ii) reduced ability to purchase agricultural inputs for future production seasons; (iii) disruptions to transport of goods from farm to markets and collection points; and (iv) reduced food security and nutrition.

Funding for the MVF-CR, currently earmarked at US\$437,500, will be used primarily to ease the financial burden of farmers by financing their expected 10 per cent contribution to MVF partnerships. This will include their expected contributions both to financial institutions to access loans, and to the input packages to be delivered through the MVF. A selected number of lead partners will also be eligible for MVF-CR funds, depending on their current liquidity status. Other activities will include support to the transport sector, which is a key sector for the marketing of fresh produce in Papua New Guinea, and support to the Fresh Produce Development Agency's market-price monitoring system, which is also supported by the MVF. The channelling of RPSF support through the partnerships between farmers and traders will help to re-establish sustainable livelihoods. The plan is to use the RPSF between January and December 2021.



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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$22.6 billion in grants and low-interest loans to projects that have reached about 513 million people. IFAD is an international financial institution and a United Nations specialized agency based in Rome – the United Nations food and agriculture hub.

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