



Centre for Excellence in Financial Inclusion (CEFI)

# Financial Inclusion for Fresh Produce & Galip nut Farming Households

Market for Village Farmers Project (MVF)



Enabling poor rural people to overcome poverty





# Executive Summary

This booklet is an initiative of the Centre for Excellence in Financial Inclusion (CEFI) to provide information to the public and relevant stakeholders about its roles and responsibilities as an implementing partner in the Market for Village Farmers Project.

The Centre for Excellence in Financial Inclusion (CEFI) will be implementing sub-component 2(ii) of the Market for Village Farmers Project which is focused on providing a holistic training and provision of innovative financial products and services to improve their livelihood. The Fresh Produce Development Agency (FPDA) and the CEFI have signed a Sub Project Agreement (SPA) to implement financial inclusion. These includes in brief, facilitating the access of farming households and other players in the fresh produce and galip nut value chains to affordable and diversified financial resources and others.

CEFI will facilitate the work of up to nine selected Partner Financial Institutions (PFIs) through the establishment of MOUs. CEFI will provide technical assistance to the PFIs, with support from an expert consultant to design and develop innovative financial productions and services that meet the commercial and business financial needs of MVF target rural farming communities.

CEFI and each of the Partner Financial Institutions will develop a business development plan, including a three-year training plan, to build internal organisation capacities and ensure that they provide affordable and diversified financial services to MVF target households and value chain players.

We hope that this booklet will serve as an important material to those who wish to learn more about CEFI's work in the Market for Village Farmers Project. For those who seek more information, I encourage you all to speak to our responsible officers whose contact details are provided in the booklet

We look forward to continue working with the Project Management Unit of the Market Village Farmers Project housed within the Fresh Produce Development Agency, the Department of Agriculture & Livestock and the International Fund for Agriculture Development to ensure that financial inclusion contributes to improving the wellbeing and livelihood of the farming households in the six identified provinces and beyond.

Thank you  
Garima Tongia  
Executive Director  
Centre for Excellence in Financial Inclusion (CEFI)

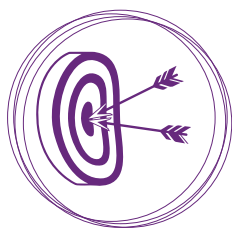
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# About Centre for Excellence in Financial Inclusion

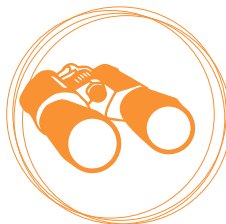
The Centre for Excellence in Financial Inclusion (CEFI) established by the Government and Bank of Papua New Guinea (BPNG) in April 2013 is the National Executive Council endorsed industry apex organisation mandated to coordinate, advocate and monitor all financial inclusion activities in Papua New Guinea (PNG).

CEFI's vision, mission and values focus on financial inclusion and literacy, poverty reduction and the promotion of vibrant financial institutional operation in Papua New Guinea.



## MISSION

CEFI's mission is to promote the provision of quality financial services, develop innovative delivery channels and facilitate financial education. In this way, we will make financial services accessible to all people across Papua New Guinea.



## VISION

Our vision is to reduce poverty in PNG by developing financial inclusion that allows all citizens access to affordable financial services. We plan to expand these activities to the Pacific Region.



## VALUES

CEFI focuses on three core values to fulfill our mission: Quality, Transparency and Equity (QTE). Our members and team of dedicated professionals uphold these values, enabling us to continue developing healthy financial inclusion across PNG.





(L-R) CEFI staff at the opening of CEFI Goroka Office (L-R) Special Projects Manager, Busa Jeremiah Wenogo, former Goroka-based field officer Jackson Gaulma replaced by Agatha Kunda (insert), Sub-Project Coordinator Sebastine Mugup, CEFI Financial Inclusion Adviser Saliya Ranasinghe and Mt Hagen based field officer Paul Maina.



Village Farmers Livelihood Improvement Retail Training at Pepik village, Minj District, Anglimp South Waghi, Jiwaka Province. Training was delivered by CEFI's training partner PARD. Pictured are participants doing group presentations during a VFLI retail training session.

# Market for Village Farmers (MVF)

## Overview

The project was initiated by the Department of Agriculture & Livestock (DAL) in 2013.

DAL requested IFAD to consider a soft loan funding arrangement (25 years) for a project that would contribute to improving the fresh produce value chain in PNG, similar in scope to the then PPAP partnership model for Coffee & Cocoa.

Total Project Financing - \$USD 50.26 million.



### Project Goal

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.



### Project Objective

To achieve sustainable increased returns to village farming Households from increased marketed production.



### Target Provinces

Western Highlands, Jiwaka, Eastern Highlands, Simbu, Morobe – (Fresh Produce) & Eastern New Britain [Galip Nut].



### Target Population

25,000 Farming Households .i.e. about 100,000 individuals.







Tomatoes harvested from Steven Bob's garden at Kora village, Anglimp District, Jiwaka.

Mr. Bob (photo below-standing left) and Ghandi Katoa (AFC Agroculture Product and Development Specialist visiting Mr. Bob's tomato farm at Kora Village, Anglimp District, Jiwaka Province.



# Project Components of the MVF Project

## 1. Inclusive Business Partnerships

Farmers to gain improved access to markets and support services and buyers to source from farmers fresh produce to supply remunerative markets.

Focus areas|Sub-components;

- 2.1 Fresh Produce Value Chains
- 2.2 Galip Nut Value Chains

## 2. Supportive Value Chain Investments

Facilitate farmers access to markets by unlocking production areas through road spot improvements & support the access of farming households and other value chain stakeholders to responsive and suitable financial services provided at an affordable cost by sustainable financial institutions

Focus areas|Sub-components;

- 2.1 Spot Improvements of feeder roads
- 2.2 Financial Inclusion

## 3. Collective Governance and Project Management

Promoting a favourable policy and institutional environment to support the development of inclusive fresh produce and galip nut value chains

Focus areas|Sub-components;

- 3.1 Collective Governance
- 3.2 Project Management







A tomato farm in Kora Village, Anglimp District, Jiwaka Province. (photo below) Harvested tomatoes ready for the market...



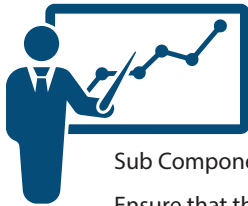
# CEFI's Component of the MVF Project: Supportive Value Chain Investments.

## Financial Inclusion

CEFI will focus on implementing Sub – Component 2.2 – Financial Inclusion. MVF Project, Fresh Produce Development Authority (FPDA) and CEFI have signed a sub-project agreement (SPA) to implement financial inclusion activities.

Aim: improving access to affordable and diversified financial services for farming households and other value chain stakeholders that can unlock access to markets and services for farmers.

CEFI's roles in the project under Financial Inclusion are three (3) fold



1) Roll-out VFLI Training to Farming Households in the selected Provinces

Sub Component-Objective:

Ensure that the family based approach and financial education component will be perfectly harmonized into a seamless gender inclusive program aiming at raising household's standards of living.

## Targets

Trainers = 14 CEFI for each province

Total trainers = 84 Trainers for six (6) provinces

Estimate Total = 4100 farming families per province

## Major Activities:

1. To develop appropriate training material and conduct Training of Trainers for targeted Farming Households.
2. To conduct Retail Trainings to the Identified Farming Households.
3. Conduct Refresher Training.
4. Conduct Mentoring Sessions.







CEFI Executive Director Garima Tongia presenting female participant, Margaret Jeremah from the Department of Community Development her certificate after she successfully completed a Training of Trainers Training run by CEFI.



Paks Supplies Contact Farmers opening bank accounts with MiBank at Anglimp South Waghi, Jiwaka Province.



2) Partnering with Partner Financial Institutions to deliver services to the farming households using digital channels

Sub Component-Objective:

To develop innovative financial products and service meeting the needs of farming households and other relevant stakeholders in the fresh produce industry

Targets

Nine (9) Financial Institutions (commercial Banks, Microbank, Savings & Loans)

Major Activities

- Engagement of Technical Service Provider to conduct due diligence exercise and support the partner financial institutions.
- Identify regulated Financial Institutions who are actively participating in the provinces.
- Conduct a survey on Agriculture Financing.
- Build confidence and capacity on agriculture lending through training, exposure visits etc.
- Conduct market research and design innovative market driven products for the farmers.
- Design Risk Mitigating strategy for lending.
- Work with the PFIs to rollout agriculture loans for farmers.
- Work with PFIs to expand their agent banking outreach.
- Open bank accounts for VFLI Trained Farmers.

CEFI will provide technical assistance to the Partner Financial Institutions (PFIs), with support from an expert consultant to design and develop innovative financial productions and services that meet the commercial and business financial needs of Market for Village Farmers Project's target rural farming communities.

Specific Assistance to be provided to PFIs is as follows;

i) Outreach – Based on the development plan of each financial institution, the Market for Village Farmers Project through CEFI will support any of the activities relating to the development of agent networks covering the target provinces, development of point services specifically adapted to people with low degree of literacy and further development of mobile phone applications that will ease access to finance.

ii) Products and services – CEFI will support financial institutions in developing innovative products and services that cater to the needs of the target farming households through a) product design and b) training of potential beneficiaries of financial institution's staff (as well as the adoption of the selected financial institution's MIS and accounting system).



iii) Capacity building – CEFI through the project will build the capacity of financial institution's staff through the provision of various training courses focusing on financing rural and agriculture-related activities, risk and project assessment and management, project monitoring and control

Financial Institutions who are interested to partner with CEFI and the PMU in this endeavour will be accorded the following support:

- Support for extending the banking services network to target project provinces through new agencies
- Provide capacity development for staff on agriculture lending (credit assessment, design repayments based on actual cash flows, delinquency management and risk mitigation strategies)
- Exposure visits to successful countries/country to learn about their experience in developing financial services and products for market-oriented agriculture.
- Membership to international agriculture lending networks such as Asia-Pacific Rural and Agricultural Credit Association (APRACA)
- Technical assistance (TA) from reputable international firm with excellent track record of assisting banks in agri-business to design market drive innovative agriculture lending products
- Support for pilot testing and marketing agriculture lending products
- Other performance related incentives



3) Risk Sharing Facility (RSF) - Market for Village Farmers Project  
BPNG RSF will cover all agriculture lending products under the MVF arrangements with CEFI, and the partner institutions. The Small Scale Agriculture Lending guarantee product which has the following features will be offered under the MVF Project.

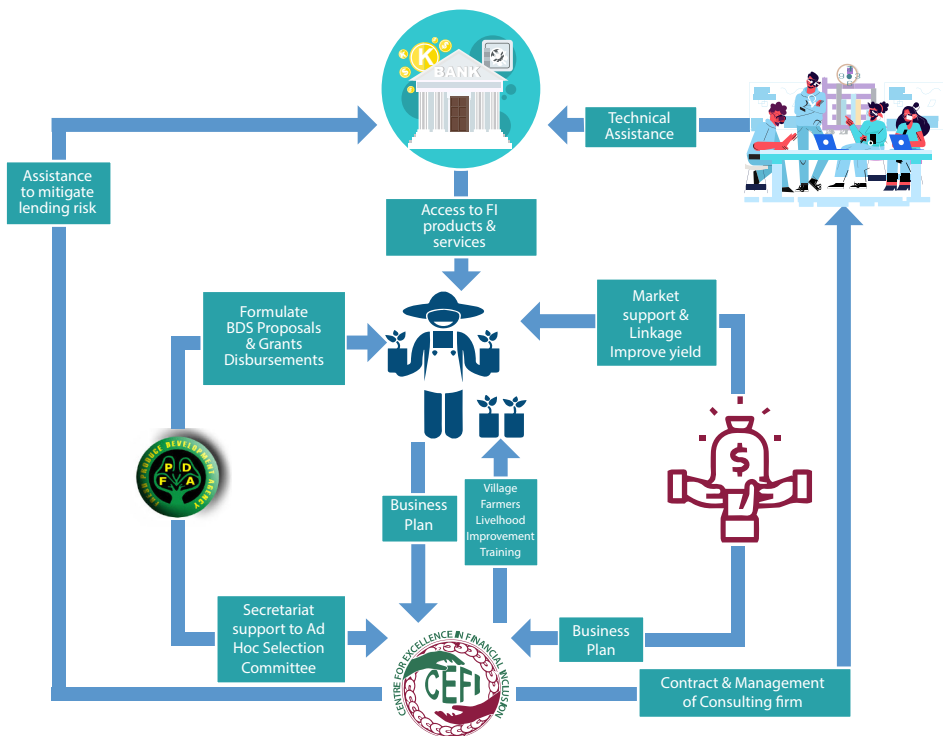
- Loan purpose: Agriculture lending by farmers
- Maximum Loan Amount: K20,000
- Minimum collateral top loan ratio: Not required
- Maximum Loan Term: 36 months
- Premium Pricing Policy Normal Rate: 0.5%

The premiums of this product will be subsidized by CEFI on behalf of the MVF project.

The product has already been presented to all partner financial institutions in the presence of CEFI and PMU. The PFIs have been advised that the premium will be covered by CEFI till the end of the MVF project (end of 2024).



Diagram Illustrating responsibilities of key partners in assisting Farmers have access to innovative products & services in the Market for Village Farmers Projects.



# Details of responsibilities of key players

<p><b>CEFI responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Train Farmers through the Village Farmers Livelihood Improvement Training and measure progress at regular intervals</li> <li>Engage and manage the</li> <li>• Consulting Firm</li> <li>Invite Banks to Training Sites to make awareness of their products &amp; services and open up bank accounts</li> <li>Manage a temporary Risk</li> </ul>	<p><b>MVF PMU Responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Provide Secretariat support to the Ad-hoc selection committee</li> <li>• Provide support to formulate business proposals using BDS providers</li> <li>• Disbursement of the Grant Fund</li> </ul>	<p><b>Financial Institutions Responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Expand outreach (mainly through agencies) project provinces.</li> <li>• Promote digital financial services (DFS) and assist to open accounts for all the players in fresh produce sector</li> <li>• Develop agriculture lending as commercially viable proposition.</li> <li>• Provide Innovative products &amp; services to the fresh produce value chain</li> </ul> <p>Provision of credit facilities for viable business proposals.</p>	<p><b>Consulting Firm Responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Conduct Due diligence on interested FIs and make recommendations for their selection</li> <li>• Undertake needs analysis of the Participating FIs</li> <li>• Develop Business Plan for participating FIs to address             <ul style="list-style-type: none"> <li>i) Outreach</li> <li>ii) Products &amp; Services</li> <li>iii) Risk Sharing Mechanism</li> <li>iv) Capacity building</li> </ul> </li> </ul>
	<p><b>Lead Partners</b></p> <ul style="list-style-type: none"> <li>• Market Linkage</li> <li>• Assist in improving farming practice for improved yield</li> </ul>		
	<ul style="list-style-type: none"> <li>• Assess the application for Grant from Lead Partners/Farmers &amp; advise MVF PMU on the approval of grant funds (Based on 10% contribution, 40% grant and, 50% loan principle)</li> </ul>		



# For more Information contact office as below:

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CEFI-MVF Field Officer Paul Maina educating local farmers in Jiwaka, Western Highlands province on the roles and responsibilities of CEFI and MVF.









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