



CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION

MARKET FOR VILLAGE FARMERS PROJECT

Sub – Component 2.2 Financial Inclusion

2nd Quarter 2023 Progressive update

**Prepared by CEFI MVF Team (Busa Jeremiah Wenogo, CEFI Special Projects Manager,
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Brief Executive Summary

This is the 2nd Quarter progressive update report that has been put together for the purpose of updating IFAD/MVF PMU. The report reports on the implementation of CEFI's sub-Component 2.2. – Financial Inclusion under *Component 2 Supportive Value Chain Investments*. The report will report on CEFI's activities for the period **April to June 2023**.

The progressive update by CEFI will fall under two (2) main focus areas of the Sub-Component 2.2 Financial Inclusion. These are;

1) Village Farmers Livelihood Improvement Training

For this area CEFI will be responsible for the following;

- a) Development of the Training Material
- b) Conduct of ToT Trainings for the CEFI selected Training Partners
- c) Provide Mentoring and Coaching Support

CEFI has also contracted training partners in WHP, Jiwaka and Simbu Provinces to be responsible for rolling out the retail training to the selected farming households in these provinces. These training partners are as follows;

- a) Peoples' Action for Rural Development (PARAD) – WHP
- b) Cliffy Contractors – Jiwaka Province
- c) Ambumangre Microcredit Scheme – Simbu

2) Engagement of Financial Institutions

In this area CEFI has contracted Agriculture Finance Consultants (AFC) of Germany to be responsible for this component. As per the Project Design Document CEFI through AFC will be required to recruit about eight (8) financial institutions to roll-out innovative agriculture products and services to the farming households throughout the six (6) identified provinces.

The report also provides a summary of CEFI's MVF Financial transaction for 2nd Quarter herein marked as ANNEX 1 and a copy of the letter from AFC to MVF Project with reference to their unpaid invoice herein marked as ANNEX 2. This will be followed by a matrix outlining the activities and the targets that CEFI plans to undertake for the next three (3) months for the period April to June 2023.

The report will end with a set of recommendations or wayforward

Acronyms & Abbreviation

AFC	Agriculture Finance Corporation
BPNG	Bank of Papua New Guinea
CEFI	Centre for Excellence in Financial Inclusion
EHP	Eastern Highlands Province
FPDA	Fresh Produce Development Agency
IFAD	International Fund for Agriculture Development
MOU	Memorandum of Understanding
MVF PMU	Market for Village Farmers Project Management Unit
PC	Provincial Coordinator
PFI	Partner Financial Institutions
PNG	Papua New Guinea
ToT	Training of Trainers
VFLI	Village Farmers Livelihood Improvement Training
WHP	Western Highlands Province

PART 1: Village Farmers Livelihood Improvement (VFLI) Training

No training took place during the second quarter due to no funding from the MVF PMU and also that IFAD's priority was to fix up the MVF PMU's financial management system and other aspects of the projects. Nonetheless, these are some of the activities that CEFI MVF Project Officers conducted.

- Updated Call 1 Village Farmers Livelihood Improvement training data for Simbu, Jiwaka & Western Highlands Provinces
- Prepared Village Farmers Livelihood Improvement retail training plan for Simbu Provinces & submitted to CEFI, PMU and IFAD
- Prepared Village Farmers Livelihood Improvement retail training plan for Jiwaka Provinces & submitted to CEFI, PMU and IFAD
- Prepared Village Farmers Livelihood Improvement TOT training plan for Western Highlands Province, submitted to CEFI, PMU and IFAD
- Prepared Village Farmers Livelihood Improvement training budget and submitted to CEFI, PMU and IFAD
- Prepared Village Farmers Livelihood Improvement TOT training material listing and submitted to CEFI.
- Communicated with Ambumangre Micro Credit Scheme to prepare their trainers for upcoming Village Farmers Livelihood Improvement retail in Simbu Province on 08th May and July 2023.
- Communicated with Cliffy Contractors to prepare their trainers for upcoming Village Farmers Livelihood Improvement retail training in Jiwaka Province on 08th May, 2023 & July 2023
- Communicated with Cliffy Contractors to prepare their trainers for upcoming Village Farmers Livelihood Improvement TOT training in Western Highlands Province on 08th May, 2023 and July 2023
- Attended FPDA PMU meetings / briefings on MVF project activities
- Coordinated CEFI Field Officers daily activities
- Translation of VFLIT trainer's evaluation forms to pidgin
- Consolidated Bank Account Opening Data and Loan

Challenges

- VFLIT training did not taking place for the last five (5) months
- No account opening took place for the trained farmers
- Due to the huge time lapse community based trainers who underwent TOT Training seem to forgot what they were taught. This requires the MVF Project through CEFI to conduct the refresher trainings before recommencement of the retail training thus leading to the delay in recommencing the retail training.
- Lead farmers that were notified to mobilise their farmers for the VFLI Training are showing signs of withdrawing their interest due to the long delay.

PART 2: Engagement of Financial Institutions

1.1. MiBank Piloting Update

Lending to the farmers

As of June 30th, 86 loans were disbursed in the amount of 863.380 Kina and some pending approval. Refer to Annex 1 Milbank's MVF Loan Disbursement Report. Refer to Annex 2 for classification of loans disbursed:

Summary	MVF	Non-MVF
Lae Branch		4
Lead Partners		
- <i>Organic Farm Fresh</i>	34	
- <i>Paks Supplies</i>	12	
- <i>Junior JP</i>	9	
- <i>Kale Fresh Vegetables</i>	1	
- <i>JOFFC</i>	1	
- <i>Hilans Fresh</i>		12
- <i>Star Fresh</i>		1
- <i>Others</i>		12
Number of Loans	57	29
Loan Amount approved	630.000,00	229.000,00
Percentage	73%	27%
Loan amount Disbursed	617.400,00	224.420,00
PAR	0	0
Males	44	
Females	42	
	86	

Arrears

Currently MVF loan is on hold, due to arrears. Refer to Annex 3 for Milbank's MVF Loan Arrears Report. AFC Consultant Ghandi Katao is contacting lead partners and lead farmers to advice their farmers to pay up.

Grace period

During the discussion, it was noted that there is no configuration for grace period or balloon repayment in the MiBank IT System. Meaning that, once a loan is disbursed, the repayment (interest and principal) due date for all MiBank loans start from the date of disbursement. Because of this, the Agri loan grace period of 3 months is manually done. However, it was agreed with MiBank, and it is stated in product description, that the repayments of the main amount will be bullet at the end of the term of the loan. Interest is paid on monthly basis. The absence of grace period might lead to the delays of the repayment as farmers needs time to growth their harvest and to sell it.

Agent Banking

Due to non-payment of AFC invoices the agent banking assignments are on hold. In case AFC will receive the payment of invoices starting from 2021, AFC agent banking expert Mr. Vladislav Nimerenco resumes his work on the topic.

Lead Partners who have signed up for MiCash Agents are:

1. Agnes Merep - Jiwaka Organic Food Farmer's Association (JOFFA).
2. Jim Kuk – Paks Supplies Ltd.
3. John Pup – Kelta Farmers (Lead farmer of Organic Farm Fresh, John Beiye).
4. James Panagua – Junior JP.

1.2. Nambawan Savings & Loans Society (NSLS)

Meetings

NSLS had a meeting with PMU via MS Teams on Wednesday April 19 where MVF program conditions were clarified. From NSLS were Alex Lazarus and John Solok, from AFC - Sigitas Bubnys and Ghandi Katao and from PMU - Joe Koima and Bill Humphrey. List of MVF Lead Partners and their farmers was sent to NSLS as well the Lead Partners contact details.

Another meeting was held on the 9th of May with Ghandi Katao (AFC) and Alex Lazarus (NSLS) in Port Moresby. Points discussed were as follows:

1. NSLS board wants the product to start pilot by end of May 2023.
2. Pilot locations are WHP and Jiwaka.
3. NSLS have conducted their own market research. Their finding on credit demand and product specifications are in line with AFC's credit Demand Study.
4. NSLS are screening lead partners and will start with and lend only 15 loans.
5. NSLS are now updating the MVF profile farmers listing with LPs via their Highlands regional manager, to ensure that the farmers to be recommended for loans by Lead Partners are profiled farmers and not non profiled.
6. Product specifications: loan term 24 months, Loan size: K2000 - K24,000, interest rate: 2% per month, equity; will be taken from farmer's contributions as a member, thus the farmer will not have to put upfront cash deposits as equity.
7. Farmers grant from MVF is factored in as part of the loan process. Meaning farmers won't take loan unless MVF puts up their grant into their accounts with NSLS.
8. NSLS raise concern on the turnaround time for grants to be received before farmers take loan. Grant turnaround time must not affect the credit turnaround time.

NSLS Pilot Plans

NSLS plans to commence pilot in mid-July. The pilot product will be in Goroka.

Concerns regarding grant disbursements was raised and a meeting will be organized to discuss that.

1.3. Other PFIs Update

BSP Financial Group Limited, despite signed MoU, does not show the interest in the program so far.

Women's Micro Bank, despite signed MoU, does not show the interest in the program so far.

East New Britain Savings & Loans Society – will follow up again.

People's Micro Bank – will follow up again.

NASFUND Contributors Savings & Loans Society – does not respond on follow up emails.

2. Delay of the payment for the Consultant

AFC agriculture and Finance Consultants GmbH (AFC) on 12th January 2021 was contracted by CEFI/ MVF under MVF project to enhance the lending for agriculture sector and individual farmers in Papua New Guinea.

The following payment schedule for AFC services was agreed between CEFI and AFC.

No	Deliverable	Date of Deliverable	Payment Amount
1	Inception report	March 2021	5% contract amount
2	Submit Due diligent reports for all the interested financial institutions	September 2021	10% contract amount Payment to be made based on invoice provided and submission of the report
3	Submit the final plans for comments	December 2021	10% contract amount Payment to be made based on invoice provided and submission of the report
4	Submit 12 quarterly TA progress reports with actual TA provided and the results achieved	3 weeks after calendar quarter ends	5% contract amount for each of 12 reports Payment to be made based on invoice provided and submission of the report
5	Submit final report at the completion of the assignment	December 2023	15% contract amount Payment to be made based on invoice provided and submission of the report

The first three payments were paid, however, no single quarterly payment was received by AFC for the period 2021 II quarter – 2022 IV quarter. Overall un-paid to AFC amount is 190.645 USD.

AFC has expressed its concerns over the lengthy non-payment of AFC invoices by CEFI/ MVF Project. AFC has notified CEFI number of times that non-payment will slow down implementation of the project. CEFI explained that the reason for delay is the issue with MVF PMU funding by IFAD.

AFC has notified CEFI that if the outstanding invoices are not paid AFC is not able to proceed in completing the task with agent banking, but even more importantly – working on loans piloting, guiding MiBank on assessment and disbursement of the loans and following up with farmers on timely repayment. On this basis AFC has asked IFAD, MVF PMU and CEFI to proceed with the payment of AFC invoices as soon as possible to prevent them from rendering their service to the MVF Project.

3. Status of project implementation and deliverables

Activities	2021				2022				2023				24	Status, notes
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Task 0: Inception phase														
Kick-off meeting, inception report		W												
Task 1: Due diligence and selection of the financial institutions														
1.1. Develop information package for interested FIs		R												
1.2. Announce programme and inform FIs														
1.3. Define FIs' due diligence criteria and checklist		R												
1.4. Present FIs' due diligence criterias to CEFI and PMU for approval		R												
1.5. Preselection (shortlisting) of FIs by CEFI and PMU														
1.6. Conduct due diligence of interested FIs		R	R											
1.7. Present due diligence results to CEFI and PMU for approval			R											
1.8. Recommend of up to six FIs for the program			R											
1.9. Final selection of up to six FIs by CEFI and the Steering Committee			R											
1.10. Draft the MoU template to be concluded between PFIs and CEFI			R											
1.11. Sign MoU between CEFI and selected PFIs (conduct signing ceremony)			R											
1.12. Implement 1.1.-1.11. with later selected 3 FIs				R	R									
Task 2: Preparation of 3 year institutional development plan (business plan)														
2.1. Discuss current business strategy with PFIs			W											
2.2. Conduct market assesement														
2.3. Conduct planning sessions with each PFI on institutional development			W	W										
2.4. Prepare 3-years business plans for each PFI				R										
2.5. Implement 2.1.-2.4. with later selected 3 PFIs					R	R								
Task 3: PFIs capacity building needs assessment and preparation of capacity building plan														
3.1. Conduct Capacity Building Needs Assessment (CBNA) of each PFI														
3.2. Present CBNA results to PFIs and CEFI/ PMU				R										
3.3. Draft capacity building and TA plan for each institution				R	R									
3.4. Implement 3.1.-3.3. with later selected 3 PFIs						R		R						
Task 4: Improvement of outreach														
4.1. Improve/ implement network of agents														
4.2. Support PFIs in introducing mobile money applications, digital payments, interconnectivity with agents and points of services														
4.3. Support PFIs in implementation of other digital financial services														
4.4. Support PFIs to organise point of services to people with a low degree of														
4.5. Implement marketing measures foreseen in institutional development plan														
4.6. Implement steps 4.1.-4.5. with later selected PFIs														
Task 5: Implementation of new products and services at each PFI														
5.1. Design new lending for agro-value chain finance products														
5.2. Review, update and/or design new lending products														
5.3. Review, update and/or design new savings products														
5.4. Identify and establish instruments aiming at mitigating credit risk														
5.5. Update lending policies and procedures														
5.6. Implement (join) Risk Sharing Facility mechanism														
5.7. Implement other measures foreseen in institutional development plan														
5.8. Implement steps 5.1.-5.7. with later selected PFIs														
Task 6: Implementation of capacity building plan														
6.1. Draft training program for each PFI, based on CBNA & institutional development plan					R									
6.2. Draft training material and provide training on agriculture finance						W								
6.3. Draft training material and provide training on marketing and exposure						W	W							
6.4. Draft training material and provide training on credit risk management						W	W							
6.5. Draft training material and provide training on internal control							W							
6.6. Draft training material and provide training on other topics foreseen in CBNA and institutional development plan of PFIs							W	W						
6.7. Implement steps 6.1.-6.6. with later selected PFIs								W	W	W	W			
Task 7: Reporting														
7.1. Inception Report	R													
7.2. Monthly Reports		R	R	R	R	R	R	R	R	R	R	R	R	R
7.3. Quarterly Progress Reports		R	R	R	R	R	R	R	R	R	R	R	R	R
7.4. Due diligence reports (9 FIs)		R	R	R	R									
7.5. Development plans (9 FIs)				R	R	R								
7.6. TA plans (9 FIs)				R			R		R					
7.7. Draft Final Report													R	
7.8. Final Report													R	

Activity, W = workshop/ training, R = report

- not started
 - in progress
 - achieved
 - delayed

PART 3: Planned activities for the next three (3) months – July- September – 2023

Below is the list of planned activities that CEFI will embark on implementing in the next three (3) months as per the aide memoire

1) VILLAGE FARMERS LIVELIHOOD IMPROVEMENT TRAINING

a) Recruitment of CEFI Training Partner in Morobe Province

CEFI expects conduct an institutional assessment for the successful training provider.

b) ToT and Training for WHP, Jiwaka and Simbu Province

As per our brief meeting this morning, please see below the training schedules.

Date	Province
24 th – 28 th July	TOT Training for WHP
17 th – 21 st July	Mobilisation for Retail Training in Simbu and Jiwaka Provinces
24 th July	Recommence Retail Training in Simbu and Jiwaka Provinces
07 th – 11 th August	Mobilisation for Retail Training in Western Highland Province
14 th August	Recommence WHP Retail Training
25 th September - 13 th October	TOT training for Eastern Highlands Province
16 th – 20 th October 2023	Mobilisation for Retail Training in Eastern Highlands
23 rd October 2023	Recommence Retail Training in Eastern Highlands

**The above schedule is tentative as it is subject to change. A finalized schedule will be provided once all has been confirmed*

WHP TOT Training starts on 24th July

Simbu & Jiwaka retail training starts on 24th July

Communicated with training partners and they are aware of the upcoming training.

Once completed training for Call 1 HH, CEFI will continue to train Call 2 HH

CEFI is only waiting for PMU to release the funds to implement training activities.

1) ENGAGEMENT WITH FINANCIAL INSTITUTIONS

Under the Village Farmers Livelihoods Improvement Trainings below are the list of planned activities

Target for the next three (3) months – July to September 2023

The following are key tasks that are still outstanding for AFC to deliver as per the CEFI AFC Agreement

1) Development of agents networks

MVF PMU/The Project will partly finance the training costs of these agents and will decrease their operating costs. It will also co-finance any required mean of transportation for the agents;

2) Development of points of services

MVF PMU/The project will co-finance the construction/rehabilitation and equipment of these points of services, as well as decreasingly finance their operating costs;

3) Development of mobile money applications

In close collaboration with financial institutions and service providers, the project will co-finance the development of new applications (transfer of money from any mobile phone, interconnectivity with agents and points of services, loan application submission, payments to third parties; transformation of goods into money, deposits and loans ...) as well as co-finance related implementation (adaptation of the MIS and accounting systems) and operating costs (including users' training).

CEFI has indicated to AFC that the payment for the next invoice that AFC submits and the remaining invoices after that will be determined by the successful delivery of these outstanding tasks. Also for these invoices we will be expecting timesheets to be furnished to us in addition to the reports as these tasks are based on AFC rendering its "technical expertise". Furthermore, CEFI has advised AFC that these key deliverables should be delivered within the remaining life of the CEFI-AFC agreement.

AFC has expressed clearly that they are unable to proceed further if they are not paid. A letter to that effect has been sent to CEFI and the MVF PMU as per ANNEX 2.

Recommendations& Wayforward

Based on the report above we hereby provide the following recommendations to be considered by relevant parties. The recommendations are broken into two (2) parts. The first part contains recommendations with regards to the Village Farmers Livelihood Improvement Training and the second part contains recommendations for the Engagement with Financial Institutions

1) Recommendations regarding the Village Farmers Livelihood Improvement Training

- MVF Provincial M & E Officers need to be present on the ground to observe the roll-out of the trainings as well as reconcile profile farmers and non-profile farmers together with the Trainers.
- FPDA MVF and Lead Partners to provide logistics support to Trainers for pick up and drop off.
- Ensure One Trainer to be assigned to a particular location should the profile Household has less than five (5) profile farming Household.
- Account Opening Exercise to go parallel with VFLI Training location by location during the training week.
- CEFI Field Officers to have its own logistics for training site visit and other project related activities. Depending on FPDA MVF Project Vehicle will sometime cause inconvenience when the MVF Project Vehicle is assigned to other urgent important task – Project related.
- FPDA MVF to send out its officers to profile those Farmers (HH) who already took part in the VFLI Training (Majority have admitted that they are yet to be surveyed).
- MVF PMU and CEFI to increase the number of TOT weeks from 2 weeks 3 weeks. TOT participants to have enough time to do session preparation (3 hours each day) and presentation (20 -25 minutes each session)

2) Recommendations regarding the engagement with Financial Institutions Account Opening

- MVF PMU/IFAD to urgently pay AFC's outstanding invoices. Eight (8) quarterly payments from II quarter 2021 till 1st quarter 2023 are yet to be paid. **AFC Management is now considering to stop rendering its service to CEFI and the MVF Project as a whole.**

ANNEX 1

Summary Financial Statement for the 2nd Quarter of 2023

Account Name	April	May	June	Total
Total Income	-	-	-	-
	-	-	-	-
Expenses				
Workshops (Trainings)	1,754.40	-	1,666.30	158,304.00
Telephone & Communication	-	55.00	55.00	330.00
Supplies	-	-	-	110.00
Employment Expenses	20,976.20	21,669.24	35,563.46	145,137.50
Accounting Software	495.00	-	-	1,485.00
	23,225.60	21,724.24	37,284.76	305,366.50
	(23,225.60)	(21,724.24)	(37,284.76)	(305,366.50)

ANNEX 2 - AFC Letter on the Unpaid Invoice



AFC Agriculture and Finance Consultants GmbH
Baunscheidstr. 17 | 53113 Bonn | Germany

**Centre for Excellence in Financial Inclusion (CEFI)
International Fund for Agricultural Development (IFAD)
Project Implementation Unit (PIU) for Market for Village Farmers (MVF) Project**

Bonn, 22/06/2023

Payment of AFC invoices for Market for MVF project

AFC agriculture and Finance Consultants GmbH (AFC) on 12th January 2021 was contracted by CEFI/ MVF under MVF project to enhance the lending for agriculture sector and individual farmers in Papua New Guinea.

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The first three payments were paid, however, no single quarterly payment was received by AFC for the period 2021 II quarter – 2022 IV quarter. Overall un-paid to AFC amount is 190.645 USD.

We would like to express our concerns over the lengthy non-payment of AFC invoices by CEFI/ MVF Project. AFC noticed CEFI number of times that non-payment will slow down implementation of the project. CEFI explained that the reason for delay is the issue with MVF PIU funding by IFAD.

We kindly ask IFAD, MVF PIU and CEFI to proceed with the payment of AFC invoices as soon as possible as due to the shortage of funding we are in position to stop some international experts activities.

Best regards,

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