

STDF PROJECT PREPARATION GRANT (PPG)

APPLICATION FORM

The Standards and Trade Development Facility (STDF) provides Project Preparation Grants (PPGs), up to a maximum of US\$50,000, for the following purposes (or a combination thereof):

- application of SPS-related capacity evaluation and prioritization tools;
- preparation of feasibility studies that may precede project development to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or
- preparation of projects proposals that promote compliance with international SPS requirements, for funding by the STDF or other donors.

Applications that meet the STDF's eligibility criteria are considered by the STDF Working Group, which makes the final decision on funding requests. Complete details on eligibility criteria and other requirements are available in the *Guidance Note for Applicants* on the STDF website (www.standardsfacility.org). Please read the *Guidance Note* before completing this form. Completed applications should be sent by email (as Word documents) to STDFSecretariat@wto.org.

PPG Title	Training of champion coffee and cocoa farmers in Papua New Guinea (PNG) to adopt good agriculture practices (GAP) and to ensure compliance with SPS requirements to enhance trade.
Budget requested from STDF	US\$30,560
Full name and contact details of the requesting organization(s)	Dr. Vele Pat Ila'ava, Secretary, Department of Agriculture and Livestock, PO Box 2033, Port Moresby, NCD, Papua New Guinea Email: vpilaava100261@gmail.com Mobile: +675 71111348
Full name and contact details of contact person for follow-up	Mr. Charles Dambui, Acting CEO, PNG Coffee Institute Corporation, PO Box 137, Goroka, Eastern Highlands Province, Papua New Guinea Email: cdambui@cic.org.pg Mobile: +675 79401754 Mr. Boto Gaupu CEO, PNG Cocoa Board, PO Box 532, Rabaul, East New Britain Province, Papua New Guinea Email: ceo@cocoaboard.org.pg Tel.: +675 9829083

I. BACKGROUND AND RATIONALE

1. What is the purpose of this PPG? Explain whether it is requested to: (i) apply an SPS-related capacity evaluation or prioritization tool; (ii) prepare a feasibility study (prior to project development) to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or (iii) prepare a project proposal for consideration by the STDF or other donors?

- (a) *We request for a consultant to assist us in preparing a project proposal to ensure champion PNG coffee and cocoa farmers adopt GAP and comply with SPS requirements to enhance trade.*
- (b) *The country and sector context remains largely unchanged since the PPAP project was approved in 2010. PNG is a resource-rich, lower middle income country of approximately 7.2 million people. The modern extractive sector draws on substantial reserves of metal ores and hydrocarbons and accounts for more than a third of GDP, but generates only a small fraction of employment. The majority of the population (86 percent) resides in rural areas and is largely dependent on semi-subsistence agriculture. Agriculture accounts for approximately a third of GDP and the sector is dominated by smallholder farming systems. Coffee and cocoa are the main cash crops.*

2. Explain the key SPS problems and/or opportunities to be addressed. Clarify why these issues are important, with attention to market access and poverty reduction. Describe, if relevant, how these issues relate to SPS priorities in the Enhanced Integrated Framework's Diagnostic Trade Integration Studies (DTIS), the findings of SPS-related capacity evaluations, national poverty reduction strategies, sector development strategies or policies, etc. See Qn. 7. (b) – (d) of the Guidance Note.

- (a) *Ochratoxin A (OTA) is a toxic fungal metabolite classified by the International Agency for Research on Cancer as a possible human carcinogen (group 2B). JECFA established a PTWI of 100ng/kg bodyweight for OTA. In recognition of this global concern, FAO developed the Guidelines for the Prevention of Mould Formation in Coffee (2006) as a strategy to enable coffee producing countries to develop and implement their own national programmes for the prevention and reduction of OTA contamination. OTA is produced by a few species in the genera *Aspergillus* and *Penicillium*. In coffee, only *Aspergillus* species, specifically *A. ochraceus* and related species (*A. westerdijkiae* and *A. steynii*), *A. niger* and related species, and *A. carbonarius* are involved. OTA is produced when conditions of water activity, nutrition and temperature required for growth and biosynthesis are present. Codex has developed a Code of Good Practice for the Reduction of OTA in coffee (CAC/RCP 69-2009).*
- (b) *Coffee production has not increased over the last 10 years with average annual export volumes fluctuation between 800,000 to 1,000,000 60 kg*

bags (Figure 1). About 50% of PNG's coffee is exported to Germany, 22% to USA and the rest to Australia and Asia. In coffee, consistently supplying coffee that meets safety and quality requirements to the markets remain the biggest challenges for majority of the village coffee farmers who contribute 85% of the export production for international markets. Poor farming and post-harvest practices by majority of the rural coffee farmers in PNG compromise the quality of the green beans and make them vulnerable to "ochratoxin-A (OTA)" contamination.

- (c) The common cause of PAH contamination of cocoa beans is through the process of smoking, heating and or drying when beans come into direct contact with hydrocarbons. Contamination in cocoa occurs mostly on the shells and may progress onto the cocoa nibs and/or cocoa butter. PNG trades its cocoa to international markets as Fair Average Quality (FAQ) cocoa. Over 60% of PNG cocoa is exported to South East Asia for blending with other imported bulk cocoa. About 30% of PNG beans are exported to the US markets while 20% reach European markets. The main issue with PNG beans debated in successive ICCO review has been smoke contamination.*
- (d) Smoke taint in PNG cocoa beans has been the major issue preventing the classification of PNG beans as exclusively fine or flavour. In response to the Polycyclic Aromatic Hydrocarbons (PAH) contamination to PNG cocoa beans and other market concerns, Cocoa Board of PNG initiated the analysis for Benzo (a) Pyrene and Cadmium presence. Benzo (a) Pyrene is the most toxic and carcinogenic of the PAH and is considered a serious contaminant to cocoa. Results showed that Benzo (a) Pyrene was "not detected" in all samples submitted and analyzed. In addition, the Cocoa Board of PNG initiated fermentary inspections to ensure only good processing facilities are in operation, cocoa quality assessor's trainings aimed at ensuring compliance to food safety standards and adoption of GAP. The Cocoa Board of PNG plans are to obtain a 100% rating of fine or flavour status for PNG cocoa so farmers can excess higher value niche markets that are available. The primary objective of this proposed project therefore is to achieve 100% fine or flavour so farmers can access the higher value niche markets. This is important for PNG cocoa because despite independent laboratory analysis showing that Benzo (a) Pyrene was not detected in the PNG samples, some in the ICCO and the market still perceive our cocoa to be a health hazard because of the "smoke taint" tag.*
- (e) The underlying objective of PNG's trade policy is to promote economic growth through trade and, thereby improving the welfare of our citizens. In the PNG Vision 2050, this is captured under the agenda of economic growth, poverty reduction and better living standards for the people. The Vision gives priority and prominence to international trade*

relations and trade policy under pillars No. 2 (wealth creation) and No. 4 (security and international relations). It is acknowledged that PNG must have a comprehensive trade policy to reduce its excessive reliance on mining and petroleum resources. To increase contributions to the national economy from agriculture and food trade, compliance to Codex, OIE and IPPC standards and requirements are essential in achieving the food production and food security targets set in the PNG Vision 2050, the DSP 2010-2030 and the Medium Term Development Plans (MTDP).

3. Which government agencies, private sector, academic or other organizations support this PPG request? Letters of support from each of these organizations would be advantageous (Appendix 1). See Qn. 7. (e) of the Guidance Note.

(a) *This PPG request is supported by the PNG Coffee Industry Corporation (PNG CIC), the PNG Cocoa Board, the PNG Cocoa Coconut Research Institute Ltd (PNG CCIL) and the Department of Agriculture and Livestock.*

4. How does this PPG complement and/or build on past, ongoing and/or planned national programmes and/or donor-supported projects? See Qn. 7. (f) of the Guidance Note.

(a) *The National Agriculture Development Plan's 2007-2016 (NADP) overall goal is to stimulate economic growth in the agriculture sector in all districts with the primary objective being to reduce costs of production and improve quality of agricultural produce for both domestic and international markets. This project is aligned to the NADP through priority area No 7 on providing Regulatory and Technical Services. A key responsibility of the DAL is the provision for increased information and communication on SPS and export markets issues.*

(b) *PNG was inducted into the Codex family in 1989. Since then PNG has enacted legislation and policies to support and facilitate plans for food security, safety, standard and trade. These steps were taken to strengthen PNG's plans for achieving national food security and be internationally competitive in food trade. However, more work needs to be done in the areas of policy, legislation and institutional strengthening. PNG was the Coordinator of the Codex Committee for North America and South West Pacific (CCNASWP) from 2012 to 2015.*

(c) *In 2012, the Government of PNG obtained a loan from the World Bank with co-financing from IFAD, and EU of totalling about US\$97 million to increase production and incomes for cocoa and coffee farmers. The Productive Partnership in Agriculture Project (PPAP) supports the*

development of the cocoa and coffee value chains. For cocoa, approximately 20 percent of PNG's rural population is engaged in cocoa production, processing and sale. About 85 percent of Papua New Guinea's cocoa is produced on small holdings by an estimated 150,000 families. Cocoa is the largest single source of income in East New Britain Province and the Autonomous Region of Bougainville. The cocoa sector itself has been devastated by the emergence of cocoa pod borer (CPB). CPB-tolerant clones of cocoa and these could be used to scale and accelerate the industry cocoa response to CPB. For coffee, approximately 2.5 million people in the country, over one third of the population, are dependent on coffee production, processing and sale for their livelihood. However, productivity is low, with yields on average 30-50 percent of their potential, and quality has also been deteriorating.

- (d) The cocoa, coffee and fish sectors were identified through a risk-based approach to improve efficiency and field interventions in the management of food safety systems. Under this program, EDES support to PNG included training of inspectors and auditors in the concerned food sectors, specific upgrading in laboratory analytical skills, training in self-assessment systems, technical assistance for the implementation of a regulatory framework for pesticides registration, technical assistance for the implementation of a regulatory framework for veterinary drugs registration, development and training on the implementation of residue control plans for coffee and cocoa and, support in the development of expert networks (national/international).*
- (e) The proposed project will build on agronomic and socio-economic studies in cocoa and coffee in PNG supported by the Australian Centre for International Agriculture Research (ACIAR), PPAP project and the CCI US\$3.5 million on Capacity Building of Farmers for Access to Improved Planting Material and management Practices. Just last year, PNG was included in the Australian supported Pacific Horticultural and Agricultural Market Access program (PHAMA). This project proposal differs to previous PNG Government, ACIAR, PPAP and CABI in that it focuses on specific SPS market issues such as OTA in coffee and PAH in cocoa for share in the niche markets instead of focusing primarily on increase in productivity and up-scaling of production.*

5. Have you discussed this PPG request – or funding for the project proposal which would result from it – with any potential donors (bilateral, multilateral, Enhanced Integrated Framework, etc.)? If so, provide details below and indicate potential sources of funding for the resulting project. See Qn. 7. (g) of the Guidance Note.

- (a) The PNG Coffee Industry Corporation (PNG CIC), the PNG Cocoa Board, the PNG Cocoa Coconut Research Institute Ltd (PNG CCIL)*

and the Department of Agriculture and Livestock have budget allocations in 2016 to support this request.

6. Briefly explain how cross-cutting issues (e.g. related to gender, the environment) are relevant for this PPG and, if appropriate, how they will be addressed.

- (a) *Efficient facilitation of trade in food and other agricultural products promises myriad benefits including improved food security, more export income, increased access to productivity advancements, and nutritionally varied diets. Agriculture is fundamental to poverty reduction, economic growth and environmental sustainability in PNG today and in the future. In PNG, women play a significant role in farming and so projects aimed at increasing incomes in the agriculture have a long and lasting positive impact on families and society. Furthermore, as this project also targets village farmers, it provides an excellent vehicle to promote HIV/AIDS awareness. There is evidence that the spread of aids decreases when participating local communities start earning higher income and thereby giving them the economic freedom to avoid behaviour that promote HIV/AIDS in many impoverished societies.*

II. IMPLEMENTATION & BUDGET

7. Who will take the lead in implementing this PPG? If particular national experts and/or international consultants are proposed, attach a copy of their Curriculum Vitae and record of achievements (Appendix 2). If no names are provided, the STDF will provide a shortlist of consultants if the PPG request is approved.

- (a) *The Department of Agriculture and Livestock will be the lead implementing agency for this PPG request, and the Head of the Department, Dr Vele Ila'ava, has met with the STDF Secretariat in Geneva on two occasions this year.*
- (b) *Based on discussions with the STDF Secretariat based in Geneva, Sydney Suma was recommended as a potential candidate to undertake this consultancy. Mr Suma has been associated with STDF in the past and he is a citizen of PNG.*
- (c) *The PNG Department of Agriculture and Livestock has also consulted with Mr Amos Taporai of UNCTAD in Geneva on this project.*

8. In the table below, briefly describe the main activities to be carried out under this PPG and specify who would be responsible. Provide an estimate of the budget required (e.g. for national/international expertise, travel and DSA of consultants, stakeholder meetings or workshops, general operating expenses, etc.).

Activity	Responsible	Estimated STDF Budget (US\$)	In-kind Contribution
Finalize STDF Consultants terms of Reference and sign off in Port Moresby – 1 day.	1. STDF Consultant 2. DAL Staff	600	50
Consultation with coffee farmers, Coffee Industry Corporation (CIC) and site visits in Goroka, Eastern Highlands Province. It will take about 6 days including 2 days travelling time.	1. STDF Consultant 2. CIC Staff 3. DAL Staff	1,200	300 600
Consultation with cocoa farmers, Cocoa Board and Cocoa Coconut Institute (CCI) and site visits in East New Britain Province. It will take about 6 days including 2 days travelling time.	1. STDF Consultant 2. Cocoa Board Staff 3. CCI Staff 4. DAL Staff	1,200	300 300 600
Consultation with Department of Agriculture and Livestock (DAL) and other government departments and agencies in Port Moresby. It will take about 3 days.	1. STDF Consultant 2. DAL Staff	1,800	150
Prepare draft report and hold workshop to present draft report to key stakeholders. Should take about 7 days.	1. STDF Consultant 2. DAL Staff 3. All key Stakeholders	4,200	200
Travel STDF (incl. international travel) DAL (domestic travel only)	1. STDF Consultant 2. DAL Staff 3. STDF DSA	4,200 4,560	1,200
Accommodation STDF (27 days) DAL (12 days)	1. STDF Consultant 2. DAL Staff	10,800	4,800
Operating Cost	1. STDF Consultant	2,000	

(a) *The estimated total cost for this PPG is US\$39,060 (NB. If Sydney Suma is appointed then the costs will be lower).*

- (b) *Cost of involving DAL, Cocoa Board, CCI and CIC staff on the ground is estimated at US\$8,500. DAL, Cocoa Board and CIC will meet these costs.*
- (c) *The total amount requested from the STDF therefore is US\$30,560.*

Appendixes

Appendix 1: Letters of support from each of the organizations supporting this proposal.

Appendix 2: Curriculum Vitae and record of achievements for any consultants proposed to implement this PPG.