

Productive Partnerships In Agriculture (PPAP)
PROJECT IMPLEMENTATION MANUAL (PIM)
Section 2 – Component 2 Implementation Manual

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Abbreviations

| Abbreviation | Description |
|---------------------|--------------------------------------------------|
| ARB | Autonomous Region of Bougainville |
| Bank | World Bank |
| CCIL | Cocoa Coconut Institute Limited |
| CIC | Coffee Industry Corporation |
| CPB | Cocoa pod borer |
| ENBP | East New Britain Province |
| ICC | Industry Coordination Committees |
| IDA | International Development Association |
| IFAD | International Fund for Agricultural Development |
| M&E | Monitoring and Evaluation |
| NARI | National Agricultural Research Institute |
| NDAL | National Department of Agriculture and Livestock |
| PCR | Project Completion Report |
| PCU | Project Coordination Unit |
| PIM | Project Implementation Manual |
| PMU | Project Management Unit |
| PPAP | Productive Partnerships in Agriculture Project |
| PSC | Project Steering Committee |
| SMS | Short message system |
| TA | Technical assistance |
| TAC | Technical Appraisal Committee |
| TOR | Terms of reference |
| TTL | Task Team Leader |

1 Introduction

This document provides details of the proposed implementation arrangements for Component 2: Productive Partnerships. This Manual is **Section 2** of the **Project Implementation Manual (PIM)**. Separate manuals are available for Components 1 & 3 (Institutional Strengthening & Coordination, Market Access Infrastructure), Procurement, Financial Management and Monitoring & Evaluation.

1.1 Purpose of the Manual

The purpose of this manual is to provide detailed guidelines for implementing Component 2 of PPAP. It is designed to guide and instruct all those involved in the implementation and monitoring of the project activities proposed under Component 2.

The manual consists of the following sections:

- Brief summary of objectives and outcomes of Component 2;
- Eligibility criteria and cost sharing;
- Partnership selection guidelines;
- Partnerships implementation and monitoring guidelines;
- All the related appendixes, including draft formats and forms for use by implementers.

1.2 Objectives and key indicators

1.2.1 Project Development Objective

The development objective of the proposed project would be to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and the sustainability of value chains in cocoa- and coffee-producing areas.

1.2.2 Component 2 Objective

The specific objective of Component 2 is to foster the integration of a greater number of smallholder producers in performing and remunerative value-chains, by developing and implementing public-private alliances in the project areas. It has two sub-components covering partnerships in the cocoa sub-sector and in the coffee sub-sector.

The establishment of Partnership Agreements with legal entities in the private and associative sectors to assist smallholder cocoa and coffee growers to improve their productivity, the quality of their products and achieve enhanced sustainability of their cocoa- and coffee-based farming systems lies at the heart of the PPAP strategy. Project funding would be channeled through partnerships with entities that have demonstrated success in working with smallholders and are interested in scaling-up these activities.

1.2.3 Component 2 Project Outcome Indicators

The key outcomes of Component 2 will be:

- (a) The number of hectares replanted or rejuvenated with improved planting material;
- (b) The share of total coffees exported by PNG that are differentiated;
- (c) The increase in average smallholder coffee yields in project areas;
- (d) Losses due to CPB infestation substantially reduced in project areas;
- (e) The increase in average smallholder cocoa yields in project areas;
- (f) The average dried cocoa moisture content is reduced in ARB; and

- (g) The increase in women's access to information on improved farming practices, processing and marketing leading to increased income

The full set of project and intermediate outcome indicators are presented in **Error! Reference source not found..**

2 Eligibility criteria and cost sharing

2.1 Eligible Partners

The partners would need to have a demonstrated capacity to manage contracts and activities of the scope and nature identified in the proposed partnership. It is anticipated that the majority of partnerships would cover identified farmer groups and any of the following:

- An agribusiness or private sector firm or association of firms engaged in the sector;
- A knowledge or service provider (private or public entity such as University or NGO);
- Smallholder farmer cooperatives or associations;
- A multiple partnership involving different entities with one designated as the lead.

The universe of potential partners is broad and purposely inclusive. To qualify as a lead partner, an entity must be eligible to sign legal contracts and receive funds. The lead must be a legally incorporated company or business group registered under the Investment Promotion Authority (IPA) of Papua New Guinea or a cooperative society registered with the Cooperative Societies of PNG or as a registered Association. The other partners and participants need not be legally registered or incorporated.

Eligible activities will generally be restricted to the geographic target areas/communities defined by the lead partners through their joint-partner or linked farmer groups. These target communities will predominantly include a large proportion of smallholder cocoa or coffee farmers. These are defined as those holding less than 5 ha of coffee per household and less than 5 ha of cocoa per household. PPAP will not exclude larger farmers when these function as partners in service delivery such as nucleus estates for technical assistance or processing.

It is envisaged that the PPAP will establish approximately 50 productive partnerships during the course of its implementation. It is envisaged that some partnerships will be multilateral with a lead partner providing support to subsidiary partners representing smallholder farmers and/or knowledge providers.

2.2 Cost sharing

Cost sharing between PPAP and the partners will vary depending on the relative assets of the partners. Partners with lower incomes will receive a higher level of support. The main partners identified in the proposals will be classified into three levels:

1. Partners with combined annual revenues in excess of PGK 400,000 will receive 70% support for eligible activities under selected proposals;
2. Partners with combined annual revenues less than PGK 400,000 will receive 80% support for eligible activities under selected proposals.

Support scales: The maximum project financing per Partnership will be \$700,000. It is expected that the scale of project support for large-scale partners will be in the range of US\$100,000 to \$700,000;

while those with medium-sized entities would be in the range of US\$50,000 to \$200,000 and small-scale entities from US\$20,000 to \$75,000.

The maximum project financing going to any individual partner will be less than 12% of the component 2 budget for that sector. This can be revisited as the project progresses to ensure optimal use of the funds.

2.3 Eligible activities

The partnerships will be demand-driven and based on agreed objectives that are consistent with the specific objectives of the PPAP. The priority activities (no order of preference) to be covered under the Partnership Agreements are:

- a) *Specialized training in good farming practices* including sustainable pest management approaches such as 'training by association' for cocoa,¹ other training approaches having demonstrated their efficiency, and training of farmer group leaders in cocoa and coffee growing areas.
- b) Training of farmers to improve *quality and productivity*. This includes replanting support to farmers for the implementation of rotational methods and improved planting material.
- c) *Post-harvest and processing*. Matching grants will be available to partners that make investments in improved processing, trading, and storage facilities for quality management and environmental-sustainability.
- d) Training to improve *business skills and farm management*.
- e) Developing and scaling-up proven extension methodologies for engaging and building the capacity of extension agents and other key stakeholders to deliver improved sustainable farming practices, improved quality and productivity, business and farm management skills.
- f) Capacity building of *farmer groups or cooperatives* in the skills necessary to operate effectively as associations including management, record-keeping, participatory or democratic processes,
- g) *Sustainable & certified production systems*. Support to interested groups of farmers for producing certified or specialty coffee or cocoa under internationally recognized sustainability schemes, including the provision of objective information to assist farmers to make informed decisions on whether certification is a sound option for them and, if so, what type of certification is the best solution. This includes support for knowledge providers and farmer groups or cooperatives that would build group capacity and address certification requirements.
- h) *Production of improved planting material*: The rehabilitation and expansion of existing nurseries, and the establishment under technical control by qualified operators of local level satellite nurseries and budwood gardens. In general, the partner would manage the scheduling, supervision and monitoring of nurseries.
- i) *Diversification of farming systems*. Partnerships to facilitate alternative crops and new technologies for the diversification of cocoa- and coffee-farming systems where appropriate to reduce one-crop dependence and risk.

¹ The 'Training by Association' model covers the field training of lead farmers (and other stakeholders in the cocoa industry) to carry out the five basic CPB management practices - weekly harvesting of every pod, every tree; centralized pod breaking and discarding damaged beans; burial of all pod material; regular pruning and shade control; and target or spot spraying at strategic times - in a plantation setting over a two week period. Trainees follow the strict labour inputs during this period and are provided with a tool kit to carry out their practices with their farmer groups.

Ineligible activities

The following is a list of activities which are not eligible for financing from the project:

- Activities focused on **large block-holder or plantations**, except when they are used as a base to the delivery of extension, processing and marketing services to surrounding smallholders and benefits to smallholders can clearly be established;
- **Research activities**, except where there is a clear demand from associated smallholders or private partners to directly assist smallholders;
- **Subsidy** of transportation costs;
- **Mobile assets** such as cell phones, laptops, or motor vehicles;
- **Activities that do not comply with Bank Safeguard Policies:** Activities that do not comply with World Bank environmental and social safeguard policies, as described in the project's Environmental and Social Management Framework (ESMF);
- **General education activities**, apart from the use of schools that serve as a community focal point in target areas for demonstration plots and the like;
- **Overhead and management costs of partners** which are not directly and exclusively linked to the new activities; and
- Funding of activities through **third parties** that are not part of the Partnership Agreement or not formally linked with the lead partner.

3 Partnership selection and implementation

3.1 Technical Appraisal Committee (TAC)

Establishment of the TAC. A Technical Appraisal Committee (TAC) will be established to assist the PMUs in conducting the technical appraisal of the proposed partnerships. The TAC will have an independent review function to ensure transparency and objectivity in the selection process. The TAC would comprise a combination of the following skills:

- A chairperson, being a representative of the Rural Industries Council (RIC) or another institution representing the private sector and considered as neutral by the industry;
- An cocoa industry specialist with extensive knowledge of the sector;
- A coffee industry specialist with extensive knowledge of the sector; and
- A social development specialist with extensive knowledge of smallholder socioeconomics.

These are expected to be individuals with appropriate technical expertise and who are respected within the industry for their impartiality and ability to make sound decisions. They would preferably be PNG-based, and they would have in-depth experience in the respective industry/area of expertise.

The PC, at project inception, would invite each Industry Coordination Committee to nominate TAC members (and alternates) for each of the above panelist position.

TAC membership would be confirmed by the PC after the qualifications and interest of nominated members have been confirmed. The PC and PMs would interview each nominated member of the panel to obtain details of their experience and past involvement with any entities that are likely to apply for partnerships. They would seek their formal commitment to maintain confidentiality and adherence to the PPAP Code of Conduct.

Role of the TAC. After their selection, TAC members would receive extensive briefing and training from the PCU and PMU on their role and the guidelines to be applied in evaluating the proposals.

Responsibility for the appraisal and ranking of PPAP Partners rests with the Technical Appraisal Committee with the final endorsement given by the respective Industry Coordination Committee. The Component 2 Coordinator in each PMU will prepare all files for TAC members and carry out field reviews ahead of the TAC evaluation as needed. In order to establish a close familiarity with the types of activities that potential partners undertake, each Component 2 Coordinator (Partnership Coordinator) should travel regularly to targeted smallholder grower communities throughout their respective areas to familiarize themselves with the types of activities carried out by existing and potential partners and their effectiveness. As implementation proceeds, these field assessments will become a core element of the Partnership Coordinator's supervision and monitoring tasks.

Each TAC member for a specific partnership selection round will be provided with electronic copies of the proposals submitted by short-listed applicants, as well as a summary of the initial review carried out by the Component 2 Coordinator (including observations from field visits). The need for the TAC to hold formal meetings to evaluate their proposals would be determined by the Project Coordinator, in consultation with the PMs.

Confidentiality of information is a matter of concern to potential partners who may submit detailed proposals. The PMU will assure that detailed proposals are secured and made available only to the limited staff that is required to review these documents. In addition to the safeguards against conflict of interest built into the TAC panel selection above and the maintenance of a database on partners/service providers, all PPAP staff and members of the Industry Coordination Committees (ICC) and the Technical Appraisal Committee (TAC) would be required to sign and to adhere to a PPAP Code of Conduct, which includes specific requirements for confidentiality. A draft PPAP Code of Conduct is presented at Appendix C.

3.2 Selection and implementation cycle

3.2.1 Partnership selection process

To ensure objectivity and transparency, a seven-step selection process for Partners is to be carried out on a six-month cycle.

1. **Promotion and Call for Proposals.** This is the first step and includes public advertisement of the project goals and Partnership (subproject) eligibility criteria including any priority criteria for each round of calls for proposals (CFP). The promotion will be coordinated by the respective PMUs and will convey a clear deadline to potential beneficiaries for their proposals to be submitted and the expected decision dates. Clear Guidelines for 1-2 page proposals (see **Appendix C**) are to be conveyed as well as the scoring values (see **Appendix E**) to ensure maximum transparency and to minimize misunderstandings. Applications can be submitted to provincial offices of the Cocoa Board and CIC, or directly to the CIC (for coffee) or CB (for cocoa) head offices.

The objective is to effectively disseminate the opportunities under Component 2 of PPAP among the target audience. The types of projects being applied for will also be recorded, as a mechanism to understand sector interests and to monitor the effectiveness of the promotional campaign. More importantly, this registration and timeline are meant to ensure that all applications are registered and processed in a timely manner. This will avoid delays with the development of selected proposals into subprojects and enable the PMU to provide timely

feedback to unsuccessful candidates, including if relevant informing them of how they can better prepare for another submission.

2. **Registration & Eligibility Screening.** The application must be immediately registered by the PMU into the electronic Record of Applications Received. The PMU will then promptly review proposals for completeness and accuracy and verify that they comply with the established Eligibility Criteria.
3. **PMU Partnership Subproject Application Review and Ranking.** The two-page proposals for projects are then screened by the PMU using the scoring sheet (Annex E) and those that are top ranked by the PMU using this pre-determined scoring system are then promptly returned to the Applicant for further preparation. Each Applicant will receive confirmation or acknowledgement of preliminary acceptance or rejection (with reasons in writing submitted to Applicant for any rejection) from the respective PMU within 15 working days of receipt. If the proposal is accepted, the Applicant is informed of their short-listing and requested to complete a more complete application according to the pre-published PPAP requirements (management, procurement, financial, and M&E) that will be sent to the Applicant.
4. **Partnership Preparation.** Partnership projects from lower-capacity organizations i.e. other than firms or established NGOs, with passing scores that are above a predetermined cutoff point but that require some business planning or specific technical assistance to become functional will be informed of the short-list decision and the PMU will be required to reasonably support the Applicant in completing their full application. This may happen with internal PMU resources (if minimal support is required) or by the PMU contracting service providers that provide specific technical assistance and business planning services. The service provider will be selected in agreement with the partners.
5. **TAC Application Review and Selection.** After the PMU has completed the required checks, proposals are submitted to the TAC members and they are appraised and ranked against then established Priority Selection system. Project Proposals requiring more information will be returned to the PMU for them to either directly verify certain information or inform the applicant of further information needs.

Projects will be submitted to the TAC each month as soon as they are ready in order to prevent bottlenecks and to speed time to approval.

6. **Partnership Approval and Effectiveness.** The list of appraised and ranked proposals as established by the TAC is finalized by the PMUs and the PM, with support from the Component 2 Coordinator, prepares a recommendation for the TAC. If the total amount of financing requested during that specific round exceeds the resources available from the project for that round, the recommendation of the PMU for final endorsement by the ICC will be adjusted to cover the top ranked proposals as per the resources available. Approved Partnership projects whose business plans indicate market and financial feasibility will be promptly informed and invited to complete the contractual process.

The PMU will prepare and deliver formal Partnership Agreements to all applicants advising them of the decision and advising successful applicants of the procedures to be followed and how disbursements will take place (See **Appendix G Sample Partnership Agreement**). This will cover timing, tranches, procurement, monitoring, and financial reporting requirements. The PMU will arrange for formal signing by legal representatives of the selected partners and the official CB/CIC representative. Unsuccessful applicants will also be informed.

- 7. Partnership Implementation Monitoring and Evaluation** Each Partnership subproject will be monitored by the PMU according to pre-established guidelines (See **Appendix F**). The timeline for the implementation of project-financed activities under the Partnership Agreement will depend on the type of project. These will ideally be one year in duration with longer subprojects accepted up to 3 years so long as they do not exceed the overall duration of the PPAP.

3.2.2 Partnership cycle timeline

It is estimated that the process for subprojects from Registration to Approval will take up to 23 weeks. Table 3 below provides a breakdown of the timeline.

Table : Partnership Subproject Cycle Timeline

| Activity | Timeline |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Promotion & Call for Proposals | Ongoing for next cycle but at least 3 months prior to projected final approvals. |
| Registration & Eligibility Screening response to Applicants | Up to 15 working days (3 weeks) |
| Partnership Application Review & Priority Ranking by PMU | Up to 20 working days (4 weeks) |
| Partnership Preparation - Preparation of Business Plan & Project Implementation Plan | Up to 30 working days (6 weeks) |
| PMU verification Check data and appraisal of expanded proposal to meet prior submission criteria and the management, procurement, financial, and M&E requirements | Up to 20 working days (4 weeks) |
| TAC Partnership Application Review & Selection | Up to 20 working days (4 weeks) |
| Partnership contractual signatures | Up to 10 working days (2 weeks) |
| Maximum Time from Registration to Effectiveness | Up to 23 weeks |
| Subproject Implementation - implementation of project components - monitoring, mentoring and capacity support - evaluation | Ideally for 52 weeks with longer projects accepted up to 3 years so long as they do not exceed the overall length of the overall PPAP project. |

As part of the annual review, the Industry Coordination Committees (Cocoa and Coffee) will provide guidelines to the PMU and TAC on any particular factors that should be taken into account in the forthcoming selection round, such as preferred target areas in light of lessons learned from existing partnerships and their geographic coverage. If necessary, they can propose, in discussion with the TAC and PMUs, that priority weighting of the selection process be adjusted in order to better meet emerging issues within the parameters of the PPAP. The decision is to be submitted for endorsement on a “no objection” basis to the PCU in DAL and to the World Bank.

3.2.3 Role of service providers

It is expected that some of the potential partners will require assistance with the preparation and/or implementation of their proposals. To enable them to fully participate in the project, a pool of qualified service providers will be established by each PMU at the onset of PPAP implementation, in mid-2010. Those service providers would be either organizations or individuals who have a demonstrated track record of providing support to smallholder farmers, and who are interested in playing that role under the PPAP. The PMUs will establish the list of qualified service providers for the purposes of the PPAP on the basis of the industry boards own knowledge of local service providers, of information available from other ICC members and/or programs (e.g. SSSPP, FPDA) as well as requests for expressions of interest to broaden the selection. The list should include organizations or individuals who have established networks in more remote areas, as well as some with a specific track record of working with women and other vulnerable groups. Performance of the service providers will be monitored by each PMU and the list regularly updated. When the support of a service provider is sought, the proponents (partners) would decide on which service provider they would like to work with. Service providers are contracted by each PMU.

3.2.4 Target areas and subsidiary activities

The project is expected to initially operate in the major cocoa and coffee producing areas, namely ENB Province and the ARB for cocoa, and the Eastern Highlands, Simbu, Jiwaka and Western Highlands Provinces for coffee. The design of the project envisages a gradual expansion of the project to new provinces based on successful implementation in the initial project area and demand from other provinces. As a result of feedback from the partnership monitoring process and industry priorities, the respective ICCs may from time to time provide guidelines to the PMU on specific factors, such as likely target areas, that should be taken into account in selecting the potential partners to be invited to submit proposals under Step 1 of the selection process.

The initial geographical coverage of project activities would be based on the actual demand from the partners selected under the process outlined above. The target groups defined through the partnership selection process will also establish the potential market infrastructure investments to be appraised and selected for implementation in Component 3.

3.2.5 Selection criteria

The short-listed applicants from the Call for Proposal (CFP) process will be invited to submit more detailed proposals that address the specific selection criteria. When short-listed applicants express the need for assistance in developing their partnership proposals, the PMUs will be responsible for the contracting of pre-qualified service providers to assist the proponents.

Proposals should be restricted to **eligible activities** as defined in the Call for Proposals (see above).

- a) The proposed selection criteria are defined and scoring recommended in **Appendix E**. The criteria would be: The **experience, management and innovation capacity** of the lead partner. The lead partner must demonstrate reliability (i.e. clean audit opinion, no prior defaults,

respected reputation in the trade and community) and experience in the sector. A formal review of the entity by the PMU may be required to validate these criteria. In some instances, validation of financial capacity may require a review by a financial officer, with this task possibly being undertaken by the financial management officer in the PMU. In terms of management capacity, the lead partner ought to demonstrate past performance in delivering similar activities.

If the proposed partnership involves the contracting, supervision and monitoring of extension workers or nursery operators, then the proposal needs to demonstrate experience in this management task and the processes that will be employed to ensure results are delivered in a timely and cost-effective manner. Attention will also be given to how cost-effectively services will be delivered to smallholder farmers. This entire category is weighted at 17 per cent of the total score.

- b) **Scope:** The number of smallholder cocoa or coffee farming households who will be involved and will benefit from the proposed partnership arrangements will also be assessed. This category is weighted at 10 per cent of the total score.
- c) **Social and economic benefits:** This has three objectives. First, it assesses the estimated **impact** on smallholder farmers regarding productivity, quality and other differentiation such as certification that can directly affect the price of their products. Second, it assesses the estimated impact on the farmer organization or surrounding community in terms of developing organizational capacity and associative processes. Third, it assesses specific features of the proposals to provide women with opportunities for improving skills and getting value, including how practical these measures could be in the context of the target communities. Proposals can benefit from the inclusion of organizations that have skills and experience in engaging with producer groups and with women in rural communities in partnerships, or can offer special measures to promote activities that specifically engage women.

These three areas require having some information on the location, social and economic status of the communities or audiences that will benefit from the proposed partnership activities and the potential to increase the differentiation, productivity and/or quality of the cocoa/coffee produced in that target location(s). This assessment is weighted at 25 per cent of the total score.

- d) **Environmental aspects:** The assessment focuses on the degree to which the proposal addresses environmental aspects, such as sustainable management of natural resources, soil improvement, waste management and rational use of agrochemicals. Potentially negative environmental impacts can be scored negatively. This category is weighted at 8 per cent of the total score.
- e) **Technical and marketing aspects:** Are the proposed activities appropriate, practical, and technically sound. The cost-effectiveness and coherence of the proposed tree husbandry, processing and/or marketing activities in terms of industry best practices (not necessarily common practices) and technical recommendations for smallholder coffee and cocoa farming systems be assessed here. Attention would also be given to the soundness of proposed activities to enhance transparency and market access for smallholder producers to deliver improved prices in a sustainable manner. This category is weighted at 15 per cent of the total score and inappropriate activities can be scored negatively.

- f) **Sustainability of the partnerships:** An assessment of how well the proposed activities are designed to ensure that the partnership and its benefits to individual smallholder households and farmer groups will be sustained beyond the period of project support. This category is weighted at 15 per cent of the total score.
- g) **Partnerships and Risk:** In addition to the specific criteria listed above, the assessment of partnership proposals would also take into account elements that cut across the selection criteria. Thus the TAC will take into account how well initiatives proposed under the above categories would build linkages with other organizations or programs that can help enhance the sustainability of the activities undertaken under the partnership. Similarly, the degree to which proposals demonstrate an appreciation of the risks that may occur during implementation of any partnership agreement. For instance, is the potential for a breakdown in cooperation and trust between the lead partner and target communities addressed, and what measures are proposed to address these? This category is weighted at 10 per cent of the total score.

As noted above, a draft matrix for the evaluation of proposals against the criteria and the weighting by category of applicant is given in **Appendix E**.

3.3 Implementation and Monitoring of Partnerships

3.3.1 Partnership negotiations and agreements

Partnership negotiation. On approval of the partnerships identified for support in each selection round, the Partnership Coordinator would negotiate with the representative/s of each successful applicant a Partnership Agreement defining the agreed activities to be supported, and the arrangements for funds transfer and acquittal. The Agreement would be consistent with the approved proposals and the guidelines defined in this Manual. The broad funding rules for partnerships also include the following:

- The items to be funded by the PPAP and those to be met by the partner under the cost-sharing criteria will be specified in an approved investment plan for each Partnership Agreement.
- Both the lead partner and supporting partners, together with any additional farmer groups/organisations specified in the partnership proposal are eligible for support. The support provided to lead partners (such as agribusiness enterprises) is to fund advisory and marketing services, farmer and staff training and/or farm input supply (e.g., planting material) on an incremental basis. Support for the provision of advisory services, training or farm input supply that would have taken place in the absence of the partnership is not eligible.
- Eligible expenditures under **approved partnership investment plans** include: services activities in support of farmer groups (and their members) and the respective partner/s; as well as goods, materials and on-farm works that allow to improve production productivity as well as improved post-harvest management undertaken by smallholders, all on an incremental basis. Expenditures that are not eligible for project financing (in addition to those defined in the **negative list - Ineligible Activities**) are (farm) land, and in-kind labor contributions on the part of the farmer groups or the lead partner.
- For investments in fixed assets such as coffee pulping facilities, storage sheds, cocoa fermentaries and the like, the partnership agreement should clearly define ownership and management arrangements by the designed partner(s). Training facilities for farmers established with project support and managed by lead partners will become assets of the respective partner.

- Agreed activities to be funded under the partnership would need to comply with World Bank environmental and social safeguard policies. They would not include activities prohibited under the Environmental and Social Management Framework (ESMF).

Partnership Agreement: From the negotiations between the PMU and the selected partners, partnership agreements will be drawn up in accordance with the agreed procedures to be followed for individual partnerships. It will specify:

- **Lead and sub-partners:** their roles and responsibilities and those of the PPAP. The negotiations will seek to strike a balance between administrative simplicity, building a genuine sense of partnership between lead entities and farmer groups or associations, and the GoPNG/World Bank requirements for due process and accountability.
- **Activities to be supported and cost-sharing:** Eligible activities that contribute to the objectives of the specific partnership will be specified in the Agreement with a proposed implementation schedule and budget of proposed expenditure and the cost-sharing between the Project and the Partner/s.
- **Disbursement procedures and financial reporting:** The disbursement schedule, the procedures for disbursement and financial reporting requirements agreed in the negotiations will be incorporated into the Agreement.
- **Procurement Mechanisms:** The Agreement will specify the agreed works, goods and consultants/trainers to be procured (procurement plan) and the procurement practices to be followed in each category.
- **Monitoring and reporting:** The responsibilities of the Project and the lead partner to monitor and report on progress each six months/for each subsequent tranche payment will be incorporated into the Agreement. This will include details of the records that need to be made available to PMU representatives if required and the rights of these representatives to make field visits to collect monitoring information.
- **Dispute resolution:** The Agreement will include the proposed mechanisms for resolving any disputes that may arise between the lead partner and sub-partners/farmer groups; and between the lead partner and the PPAP. In the former instances the relevant PMU will explain to each party their rights and procedures for resolving grievances and will seek a resolution by informal arbitration. If the resolution proposed by the PMU is not acceptable to both sides, then the matter will be referred to the relevant Administrative Disputes Tribunal. Disputes between the lead partner and the PPAP that are not resolved by direct negotiation between the two sides will be referred to the relevant Administrative Disputes Tribunal.

The Partnership Agreements will be activated upon formal signing by the CEO of the CB or CIC or his legal representative and representatives of the partners.

3.3.2 Disbursement Procedures

The lead partner must be required to open a specific account at an approved financial institution in its name with clearly defined commercial authorities and drawing procedures. The account will be used exclusively for the management and reporting of PPAP funds as described in the Partnership Agreement.

The Partnership Agreement will include specification of how funds will be managed within the partnership, covering the responsibilities of the lead and sub-partners in the management and reporting of financial transactions.

PPAP financing will be provided in tranches as described in the Partnership Agreement. The first tranche will be transferred after signature of the Agreement by all Partners and once the related account has been opened. Financial results will be reported every six months and with each request for payment of the next tranche, together with the reporting of physical progress, with the specific financial reporting requirements to be specified in each Partnership Agreement.

3.3.3 Procurement

The procurement of works, goods and consultants under these partnerships is described in the Procurement Manual. Given the wide variation of potential procurement items between individual partnerships, the items to be procured and the procedures will be specified for each Partnership Agreement, in a specific procurement plan.

The Partnership Agreements will also require the recipient(s) to maintain records of all procurement activities carried out. The SPO in each PMU will be responsible for the monitoring and ex-post review of procurement activities carried out under the Partnerships Agreements, to ensure compliance with the provisions of those Agreements. The SPO, with support from the Procurement Advisor as needed, will also provide guidance and training to Partners on PPAP procurement procedures. Progress reports submitted by Partners when requesting the release of funds under the PA will include reporting on procurement carried out with adequate documentation to enable the SPO to carry out their reviews. Should any deviation occur, then the Partners will not be eligible for funding (or reimbursement) from the Project for the related expenditures.

Partnership based procurement is expected to include consultant services, training and workshops, goods, equipment and materials as well as small works. Procurement for eligible activities under approved proposals from selected productive partnership would be carried out using the Community Participation in Procurement method (as per paragraph 3.17 of the World Bank Procurement Guidelines).

The procurement practices below are recommended to be used for procurement under approved productive partnerships.

Goods

Procurement of Goods will use the following procurement methods:

1. Direct Contracting: Generally, Direct Contracting may be used in contracts with a value less than US\$10,000. Direct contracting can be also used under the following circumstances.
 - h) Extension of existing contract- where it can be shown that there is little benefit in issuing a competitive tender for additional goods currently being supplied under an existing contract, Direct Contracting may be employed.
 - i) Equipment standardization – where it is necessary to match new equipment with existing equipment then Direct Contracting may be used.
 - j) Proprietary equipment – where the required equipment is proprietary and only available from a single source, than Direct Contracting may be used.
2. Shopping: Shopping may be used to procure Goods when the value of the contract is less than US\$50,000.
3. National Competitive Bidding – For Contract values greater than US\$50,000 and less than US\$500,000 National Competitive Bidding may be used.

Civil Works

Procurement of Civil works will use the following procurement methods.

1. Shopping: Shopping may be used to procure Civil Works when the value of the contract is expected to be less than US\$50,000.
2. National Competitive Bidding: Procurement of larger civil works when contract values are expected to exceed US\$50,000 and less than US\$500,000 will be procured using National Competitive Bidding.

Consulting Services

Procurement of Productive Partnership Consulting Services will use the following procurement mechanisms.

1. Consultants Qualifications Selection (CQS) – Procurement of small value contracts (value less than US\$100,000 will be performed using CQS.
2. Quality and Cost Based Selection (QCBS) – Where the consulting services are complex and present a technical challenge QCBS will be used to select the consultants.
3. Least Cost Selection (LCS) – Where the scope of work of the assignment can be precisely defined and the TOR are clear and well specified and the work is technically straight forward LCS may be used to select the consultants.
4. Individual Consultant – Where the scope of work does not require the employment of a number of persons, the position does not require professional support and the experience and qualifications of the consultant is paramount Individual Consultant selection may be used.

The PMU is responsible to ensure that the Partners receive adequate training on the procurement methods to be applied.

3.3.4 Partnership supervision and monitoring

Role of the PMU. In each PMU, the Component 2 Coordinator (Partnership Coordinator) will have overall responsibility for the monitoring and evaluation of the overall implementation of the Component and of each partnership under the Component.

S/he would establish a PPAP Partners database structured to record monitoring data for each partnership according to the specific elements of that partnership, namely baseline data on the situation in the partnership area (Mini-baseline), the expected beneficiaries, agreed investments, their cost-sharing arrangements, the dates for specific deliverables, the specifications of what will be delivered by each partner, and expected outcomes. S/he will carry out field visits at regular intervals to monitor implementation of the partnerships.

S/he will also ensure that independent monitoring activities, as defined in the **M&E manual**, are carried out in a timely manner. As described in the M&E Manual, the M&E system would also initiate specific studies that provide an independent assessment on the efficiency and effectiveness of the Productive Partnerships. The results of these studies would be provided to the respective PMU and incorporated into the Partnership database.

Prior to launching the next productive partnership cycle within a province (i.e., Call for Proposals, etc), the PMU would aggregate the key data for the partnerships and send a semi-annual comprehensive evaluation report to the PCU. The evaluation report would cover progress regarding key performance indicators, project outcomes and outputs, as well as analyzing the progress of the previous partnership cycles in order to identify key factors for success or failure of partnerships and formulate lessons learnt and recommendations to be incorporate in the subsequent partnership cycle. The PCU, in turn, will consolidate the partnership reports from both PMUs in a suitable format for presentation to the PSC and to the World Bank.

Role of Partners. In addition to reports submitted for the payment of each tranche, partnerships would submit a semi-annual (six-monthly) progress report to the PMU, including data on the achievements towards the objectives and indicators outlined in the Partnership Agreement, and financial performance. A draft reporting format for Productive Partners is presented at **Appendix F**. It will preferably be submitted electronically as the reporting format has been designed to collect monitoring data in a standardised format that can easily be entered into the database. The format will be adjusted as needed by the M&E Advisor at the start of project implementation.

Annual reviews. A partnership review workshop would be held with representatives of key stakeholders for each industry on an annual basis to review the progress and further refine lessons learned and proposed responses. Key lessons would be reviewed by the ICCs and they would develop appropriate recommendations for local adjustments for their sub-sector to be addressed in the next partnership selection cycle.

A report on each workshop would be sent to the PCU, which would consolidate the outcomes of these workshops and formulate any necessary recommendations for adjustments to the overall PPAP partnership processes. Any potential adjustments would be reviewed by the joint-review missions during project implementation.

Appendix A PPAP Results Framework

| PDO | Project Outcome Indicators | Use of Project Outcome Information |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To improve the livelihoods of smallholder cocoa and coffee growers through the improvement of the performance and sustainability of value chains in cocoa- and coffee-growing areas. | <ul style="list-style-type: none"> • the net income of smallholder cocoa and coffee growers in the project area • the number of farm households applying improved farming practices • the number and coverage of partnerships successfully implemented and likely to be sustained • the percentage of the export price and quality premiums, received by farmers | These indicators will help assess the extent to which the activities of the project resulted in improved livelihoods for small producers engaged in coffee and cocoa production in project areas. |
| Intermediate Outcomes | Intermediate Outcome Indicators | Use of Intermediate Outcome Monitoring |
| Result 1: Establishment of effective, relevant, and representative industry coordination committees, contributing to improved sector policy | <ul style="list-style-type: none"> • the percentage of cocoa and coffee industry coordination committee members reporting satisfactory value, representativeness and relevance of the committees • the number of policy and regulatory measures adopted and implemented • the percentage of buying points with access to price and quality information | Assess the implementation progress of component 1 |
| Result 2: CIC and Cocoa Board establish sustainable information systems and produce high quality M&E data and reports | <ul style="list-style-type: none"> • the availability and timely dissemination of quality M&E data and reports | Ensure that adequate M&E is performed and available and, if not, take corrective measures |
| Result 3: PMU has adequate capacity to efficiently procure goods and services and ensure financial reporting and controls | <ul style="list-style-type: none"> • Timely implementation of procurement activities and satisfactory financial management reports. | Ensure that adequate procurement and financial management are applied and, if not, take corrective measures |
| Result 4: Smallholders have adopted improved cocoa management practices in project areas which results in good control of CPB infestation and improved yields | <ul style="list-style-type: none"> • CPB control plan has been developed and is in place • Losses due to CPB infestation are substantially reduced • Cocoa yields have increased for smallholders | Assess the implementation progress of component 2, particularly in terms of: <ul style="list-style-type: none"> • Effectiveness of the control of the CPB infestation , and, if necessary, revise and adjust the CPB control plan • Effectiveness of the adoption of the improved production management practices and their ability to deliver the outcome in terms of increased cocoa yields; if necessary, |

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | revise and amend the partnership agreements |
| Result 5: Smallholder cocoa plantations have been rejuvenated and diversification crops have been introduced and disseminated | <ul style="list-style-type: none"> • Number of hectares of cocoa replanted or rejuvenated with improved planting material • Number of hectares of shade and diversification crops planted | Assess the implementation progress of component 2, particularly in terms of the effectiveness of the technical package and support measures to deliver the acreage to be replanted, and , if necessary, revise and amend the partnership agreements |
| Result 6: The quality of cocoa delivered by farmers in targeted areas has been maintained or improved | <ul style="list-style-type: none"> • Percentage of production rejected • Average dried cocoa moisture content in ARB reported by buyers | Assess the implementation progress of component 2 |
| Result 7: Smallholders have adopted improved coffee garden/block management practices in project areas resulting in improved yields and quality of coffee delivered | <ul style="list-style-type: none"> • Coffee yields have increased for smallholders | Assess the implementation progress of component 2, particularly in terms of the effectiveness of the adoption of the improved production management practices and their ability of to deliver the outcome in terms of increased coffee yields ; if necessary, revise and amend the partnership agreements |
| Result 8: Smallholder coffee gardens/blocks have been rejuvenated and diversification crops have been introduced | <ul style="list-style-type: none"> • Number of hectares of coffee rejuvenated • Additional volume of diversified products sold | Assess the implementation progress of component 2 |
| Result 9: The quality and marketability of coffee along the value chain has been improved | <ul style="list-style-type: none"> • Percentage of differentiated coffee exported from PNG by value • Percentage of coffee with sustainability certification exported from PNG by volume and value • Percentage increase in price received by farmers in project areas over the standard quality (Y1) price | Assess the implementation progress of component 2 |
| Result 10: Women contribute more to increases in household income through involvement in improved farming practices, processing and marketing | <ul style="list-style-type: none"> • Number of women in farming households reporting increased access to, and use of, information on improved farming practices, processing and marketing | |
| Result 11: Critical transport infrastructure has been improved and is more likely to be maintained | <ul style="list-style-type: none"> • Number of Km of roads rehabilitated and maintained as per Maintenance Agreements | Ensure that the objective of component 3 is achieved |

Appendix B Code of Conduct for PPAP Personnel and Members of Project Committees

This code of conduct sets out what is expected of staff working on PPAP, as well as of those of individuals representing their respective organisations on the Industry Coordinating Committees and those serving on the Technical Appraisal Committee (TAC). The Code sets out the practices and principles of behaviour that PPAP staff and committee members are required to follow throughout all project-related operations to ensure that the organisations they represent receive and maintain public reputations of the highest order.

Integrity

Integrity should be a principle at the forefront of the mind of all. This includes full accountability and transparency in dealings with clients and suppliers. It requires honesty, fairness and truthfulness in all dealings.

Staff should ensure that all PPAP documents and records are completed accurately, truthfully and in a timely manner. The making of false or misleading entries or documentation is strictly prohibited. Any funds provided under the project are expected to be fully acquitted by the required times, with all supporting documents such as receipts and invoices.

Respect for people and non-discrimination

It is the policy of PPAP that all employees are treated with fairness and respect. The project will not tolerate discrimination within the organisation based on nationality, ethnic group, clan group, religion, sex, age, marital status, sexual orientation, or disability. Particular attention needs to be given to non-discrimination against individuals who are HIV positive.

All PPAP staff are expected to treat their colleagues, counterparts and clients with equality and respect at all times.

Commercial Confidentiality

PPAP recognises that commodity dealing for cocoa and coffee is a commercially competitive business and that information, including but not limited to pricing, purchasing arrangements, agreements with local growers and financial dealings, is commercially sensitive.

PPAP wishes to promote private public relationships that benefit all stakeholders and will co-fund agreed activities. Hence, in all its dealings with private organisations, PPAP will only request sufficient non-commercial information that will provide the necessary base for the relevant Project Management Unit and its advisers to monitor that any co-investment in the partnerships will reasonably deliver the agreed outcomes. All PPAP personnel who may receive information during the course of their duties that may be commercially sensitive are required to respect the confidentiality of that information and not divulge it to others.

Conflict of Interest

A conflict of interest is any situation in which a staff or committee member may have two or more duties or interests that are not compatible, and may influence that person's ability to be impartial.

To maintain the highest degree of integrity when conducting project work and to maintain independent judgement, all PPAP staff and committee members must avoid any activity involving personal interest that creates, or has the appearance of creating, a conflict between their interests and the interests of the project.

Personal interests must be declared on in writing if there is a potential conflict. In these circumstances the work or decision would be delegated to another colleague. The reason for doing this is to avoid any conflict of interest, maintain an open and transparent environment and minimize risks of corrupt practices.

Drugs and alcohol

All staff when representing PPAP must be fit for duty and free of drugs and alcohol. This includes legal and illegal drugs. *Buai* is not to be chewed inside the project offices, which are also smoke free.

Gifts

The giving or receiving of gifts, by staff members or by members of their family, can potentially cause problems as such acts may be seen as an attempt to earn certain favours.

Staff members, or their immediate families, may not request, accept or give any gift or payment in connection with their work for the project beyond that of token value. Gifts such as *bilums* and local handicrafts presented at a formal function are acceptable, but any more expensive gifts should be declared. If there is any uncertainty then the Project Coordinator and/or Chairman of the Project Steering Committee should be consulted. PPAP project staff may not accept or expect payments from clients for the work they do on behalf of the project.

Project Assets

It is the responsibility of all project staff to ensure that assets and consumables are used only for PPAP business and are well looked after. Unless given specific permission in special circumstances, Project assets and consumables shall be kept on PPAP premises.

All purchases of equipment and services under the project should be made strictly on the basis of quality, suitability, service, price and efficiency. All purchases and contracts must be made on the basis of the Procurement Guidelines.

Use of Communications resources

Project communications resources such as telephones, faxes, e-mails and the Internet are for official use only.

In addition, all e-mails and personal files stored on the PPAP IT network are the property of the project. Staff should therefore have no expectation of privacy in connection with these resources.

Media

Staff should not speak to the media or release press statements on behalf of the project without clearance through their respective Project Manager and/of the CEO of the CB/CIC (respectively). The preparation and release of material for release to the media will follow a clearly defined process requiring formally signed approvals for the release of the material, usually on the part of the respective industry agency that the PMU represents.

Politics

PPAP staff are free to belong to or support any political party or candidate, but this should never be on work time or conflict with their project responsibilities. Project staff should never use their position to build up political support for themselves or a political party or group.

Responsibility of disclosure

If a PPAP staff member has good reason to believe another project worker is in breach of the Code of Conduct, he/she should bring this information to the knowledge of the responsible Project Manager or deputy. This information will be treated in the strictest confidence.

Appendix C PPAP Call for Proposal (CFP) in a Partnership

Before completing this form please read the PPAP Partnership Guidelines, which are available at the project web site ([xxxxx](#)). Note also the directions (which should be deleted before submission) provided within each box of this form.

Proposals may be submitted to the Cocoa/Coffee Project Management Unit by the date specified in the accompanying Letter. [Insert details here if provision is made for the electronic submission of Proposals]

Information provided in this call for Proposal should be brief and to the point, but needs to address each of the areas listed in this form. **Confidentiality** of information is a matter of concern to potential PPAP partners and all staff and technical specialist who will have access to the information provided in this CFP have signed a PPAP Code of Conduct that requires them to ensure that all information provided by your firm or association remains confidential.

What the PPAP seeks to achieve:

Improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and sustainability of value chains in cocoa- and coffee-producing areas.

This Development Objective is aligned with the Goals of the GoPNG Medium Term Development Strategy (2003 –2007). The MTDS recognises the importance of the development of the agriculture sector to overall development of PNG.

The objective is to be achieved through Partnership Agreements between the Cocoa Board/Coffee Industry Corporation and legal entities in the private and associative sectors to assist smallholder cocoa and coffee growers to improve their productivity, the quality of their products and achieve enhanced sustainability of their cocoa- and coffee-based farming systems.

1. Partnership details: The PPAP supports effective partnerships between a lead firm or entity and legal entities representing smallholder farmers in specific geographic areas (target communities). Favourable attention will be given to proposals that [specify focus of the round as need]. The contact details of all partners will be incorporated into the PPAP Partnership database for monitoring purposes and future contact.

Lead Partner: name of lead organisation and details of legal status to enter into contracts.

Name and contact details of contact person: person responsible to coordinate links the PPAP Project Management Unit; state position, provide postal and e-mail address, phone and fax numbers.

Partnership Coordinator: (If note the contact person, give name, present position, provide postal and e-mail address, phone and fax numbers of the person who will be responsible with coordinating activities with other entities in the partnership.)

Joint Partners: (Organisation, Contact person, present position, contact details). Further details of other partners to be provided in following sections.

(i)

(ii)

(iii)

(iv)

(v)

Project location(s) – province/s and district details of target communities with whom the partners will be working

2a. Co-partner 1: Name of organisation and details of legal status to enter into contracts (e.g., IPA registration)

2b. Membership and profile: give a brief statement of the registered membership of the organisation (for Farmer Groups) the geographic areas covered and present cocoa/coffee growing activities and constraints.

2a. Co-partner 2: Name of organisation and details of legal status to enter into contracts (e.g., IPA registration)

2b. Membership and profile: give a brief statement of the registered membership of the organisation (for Farmer Groups) the geographic areas covered and present cocoa/coffee growing activities and constraints.

2a. Co-partner 3: Name of organisation and details of legal status to enter into contracts (e.g., IPA registration)

2b. Membership and profile: give a brief statement of the registered membership of the organisation (for Farmer Groups) the geographic areas covered and present cocoa/coffee growing activities and constraints.

2a. Co-partner 4: name of organisation and details of legal status to enter into contracts (e.g., IPA registration)

2b. Organisation profile: give a brief statement of the range of activities currently undertaken by the entity in terms of eligible PPAP partnership activities (for Knowledge Providers), including brief descriptions of the target groups and subject areas covered.

2a. Co-partner 5: name of organisation and details of legal status to enter into contracts (e.g., IPA registration)

2b. Organisation profile: give a brief statement of the range of activities currently undertaken by the entity in terms of eligible PPAP partnership activities (for Knowledge Providers), including brief descriptions of the target groups and subject areas covered.

3a. Activities to be addressed: Give details and specific activities that will be initiated or scaled-up under the Partnership. Please address the list of Eligible Activities in the Letter of Invitation.

3b. Justification: give a brief statement of the issues or issues to be addressed by the proposed Partnership activities and its significance and importance to particular target groups detailed above.

4. Partnership Purpose: refers to what the Partnership expects to achieve in terms of sustainable development impact on peoples lives at the end of the time period specified for the Partnership Agreement. Particular attention will be given to how the partnership will maintain these benefits after the conclusion of any partnership agreement.

5. Expected benefits: Describe the expected social and economic benefits from the partnership and how these will be sustained over the longer term. Specify which groups will benefit most and detail any risks that some may be disadvantaged by the partnership activity or that there may be environmental problems?

6. Project duration: It is envisaged that Partnership Agreements will generally be of 1-3 years duration, while some may be for shorter periods according to the nature of the particular activities to be covered. All partnerships will need to be concluded within the six year implementation period of the PPAP.

Start: dd/mm/yyyy **Completion: dd/mm/yyyy**

7. Sources of funding: Please indicate the contributions to be made by the entities making up the Partnership and the areas where funding support is required from the PPAP.

8. Activities and Expected Outputs: Outputs refer to the specific results and tangible products (goods and services) produced by undertaking a series of tasks or activities (e.g. areas planted/developed, nursery established, etc). An output should have: a time limit; have a result that can be measured; and have a performance standard.

| Output description (specific, measurable and outcome orientated) An output description generally will not include a verb. | Means of verification (how to measure the output has been achieved and by whom) | Activities List the specific tasks to be undertaken to achieve the required outputs. Normally a number of activities will be needed to achieve an output. An activity description must contain a verb. |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| Etc. | | |

Appendix D Draft Partnership Proposal Guidelines

Overview

The following guidelines will be sent to each short-listed applicant from the Call for Proposals stage of the selection process with a covering letter advising them of their short-listing and inviting them to submit a detailed proposal and business plan for their partnership ideas. The letter should include details on how and where the proposal needs to be submitted, a guide on the preferred duration of the partnership and the closing date for submissions. The package should include a list of the eligible partnership activities, the following Guidelines and a copy of the Assessment Criteria and their weightings for the relevant category of partnership.

Guidelines for Preparing Proposals

Applicants should carefully assess the list of eligible criteria and the Assessment Criteria, including the weightings that will be used to evaluate your proposal. The proposal should use the Cover Page included in these Guidelines to present the basic information about your partnership and the present your partnership strategy and the proposed activities against the headings set out below.

The information presented in your proposal should be brief and to the point, but it needs to address each of the areas listed in this form. In short, you need to provide the Appraisal Committee with a clear description of what you intend to do, the capacity of your partnership to implement the activities, how they will contribute to the objectives of the Productive Partnerships in Agriculture Project and why you think the development impacts can be sustained after the duration of the partnership. Proposals should be limited to ten pages (in addition to the cover page) typed in at least a 12 point font. The text in italics below is for your guidance and should be deleted prior to submitting your proposal.

Confidentiality of information is a matter of concern to potential PPAP partners and all staff and technical specialist who will have access to the information provided in this Proposal have signed a PPAP Code of Conduct that requires them to ensure that all information provided by your firm or association will be treated as 'Commercial in Confidence' and will not be divulged to any non-authorised persons.

Cover page:

| | | | | |
|-----------------------------------------------------------------------------------|------------------------------|------------------------------|---------------|--------------------------------|
| Date of submission: | | | | |
| Submission number (For PPAP use) | | | | |
| Name of partnership: | | | | |
| Title of the partnership proposal | | | | |
| Location of the partnership proposal: <i>province(s), district(s), village(s)</i> | | | | |
| Total duration of the project: <i>months</i> | | | | |
| Lead Partner 1 | | | | |
| Partner 2 (smallholders) | | | | |
| Partner 3 (if required) | | | | |
| Partner 4 (if required) | | | | |
| Total cost of the partnership activities | Contribution of lead partner | Contribution of smallholders | Third partner | Amount requested from the PPAP |
| (Kina) | (Kina) | (Kina) | (Kina) | (Kina) |
| Contact details for this partnership: | | | | |
| Contact person for the partnership: | | | | |
| Postal address: | | | | |
| Telephone number: | | | | |
| Fax number: | | | | |
| Email: | | | | |

Detailed partnership proposal: (Maximum 10 pages in 12 point font)

Management and Financial Capacity

[As detailed in the Selection Criteria, you will need to demonstrate the management and financial resources that the partners will bring to the agreement and the experience of the partner/s in implementing similar activities to those that are proposed in this submission. Public companies should indicate where their financial accounts are available. Their innovativeness of your proposal in its approach to delivering services to smallholders is also covered here.]

Relevance

[You also need to describe the main activities proposed under the partnership and show how they relate to the objectives of the PPAP. The specific farmer groups that your partnership will be targeting, their location and the numbers of smallholder cocoa or coffee farmers that will be engaged in the partnership also need to be specified here.]

Socio-economic benefits to the target group

[Additional information on the farmer groups associated with the partnership should be set out here, particularly in terms of their location, socio-economic status and how the proposed activities will impact on these households. Weighting is also given to how your partnership proposes to enhance participation by women and youth, together with demonstrating that these measures will be practical in the context of the target communities.]

Environmental aspects

[You need to specify the potential environmental impacts of the proposed activities and demonstrate how your partnership will minimise these risks. Specific activities to enhance the sustainability of smallholder cocoa or coffee farming will be assessed positively. Please include the relevant social and environmental screening form and environmental management plan form provided by the CIC/Cocoa Board]

Technical and Marketing issues

[The appropriateness and cost-effectiveness of initiatives to improve the productivity and/or quality of smallholder cocoa or coffee production in terms of the context and experience of target farmers will be assessed here. You need to be confident that your proposed activities have shown positive results under similar circumstances and have the confidence of scientific opinion within the industry concerned. Innovative approaches to helping smallholder farmers receive price premiums for their products will be assessed favourably.]

Capacity building

[The proposal should describe the specific activities proposed to strengthen the capacity of the farmer groups partnering or linked with the partnership, together with measures to train individual farm households. Note the weighting for assessing proposals from small firms, civil society organisations or farmer groups gives increased emphasis to this category]

Cross-cutting issues: In addition to the specific criteria listed above, you should keep in mind cross-cutting issues that will be taken into account in assessing your proposal when preparing your response on each of the above points. These include:

- Specific initiatives proposed under the above categories that would build linkages with other organisations or programmes that can help enhance the sustainability of the activities undertaken under the partnership. These include linkages with research and other agricultural sector organisations that could enhance the robustness of the smallholder cocoa/coffee farming systems, or measures that broaden the range of services being delivered to target communities to enhance their social status, such as HIV awareness and prevention and enhancing educational opportunities.
- The degree to which proposals demonstrate an appreciation of the risks that may occur during implementation of any partnership agreement. For instance, is the potential for a breakdown in cooperation and trust between the lead partner and target communities addressed, and what measures are proposed to address these?

Required attachments:

1. Schedule of implementation;
2. Investment plan including contributions of each partner and of PPAP by activity and category of expenditure;
3. Disbursement schedule;
4. Procurement Plan;
5. Proposed Monitoring Arrangements
6. Identification of expected beneficiaries, and contacts and signature of representatives of all parties.

Appendix E Selection Criteria and Weighting for Partnerships

Scoring Sheet for Applications

| Selection Criteria | Max. points | Points given |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|
| 1. Experience, management and cost-effectiveness | 17 | |
| 1.1 Stability of the lead partner organization: Established 6+ years = 5 pts Established 2-5 years = 2-4 pts Less than 2 years or Not Established = 0-1 pt. | 5 | |
| 1.2 Does the lead partner have a sound track record, over at least two years, for managing contracts and activities of the scope and nature identified in the partnership proposal? Negative experiences such as defaults or bankruptcy can be scored negatively up to -5 points | 5 | |
| 1.3 How cost-effectively will services be delivered (i.e. extension and skill enhancement) to smallholder farmers? | 5 | |
| 1.4 Is there a well-defined project management plan? | 2 | |
| 2. Scope | 10 | |
| How many smallholder farmers are involved and will benefit from the productive partnership? (20-50 farmers = 2 points; 50-100 farmers = 4 points; 100-300 farmers = 6 points; 300-500 farmers = 8 points, more than 500 farmers = 10 points) | 10 | |
| 3. Social and economic benefits | 25 | |
| 3.1 How significant are the estimated economic benefits for smallholder farmers' production (applies both to benefits per farmer and combined benefits)? | 10 | |
| 3.3 What specific features does the proposal have to provide women with opportunities for improving skills and getting value and how practical are these measures in the context of the target communities? | 7 | |
| 3.2 How significant is the estimated impact on the farmer organization or surrounding community in terms of developing organizational capacity and associative processes? | 8 | |
| 4. Environmental | 8 | |
| How well are environmental aspects reflected in the business idea regarding sustainable management of natural resources, soil improvement, use of chemicals, etc.? | 8 | |

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| Potential negative impacts can be scored negatively up to -10 points | | |
| 5. Technical and Marketing | 15 | |
| 5.1 Are the proposed activities appropriate, practical, and technically sound? Potential inappropriate activities can be scored negatively up to -5 points | 5 | |
| 5.2 How will the proposed activities enhance transparency and market access for smallholder producers so as to deliver them improved value over the long term? | 10 | |
| 6. Sustainability of the partnership | 15 | |
| Assess measures that are designed to ensure that the proposed partnership and mutual benefits of all partners will be sustained beyond the period of project support? | 15 | |
| 7. Partnerships and Risk | 10 | |
| 7.1 Assess how well the proposal builds linkages with other organizations or programs that can help enhance the sustainability of the activities undertaken | 5 | |
| 7.2 Degree to which proposals demonstrate an appreciation of the risks that may occur during implementation of the partnership agreement | 5 | |
| Total score | 100 | |

Appendix F PPAP Draft Partnership Reporting Framework

The following format is designed to facilitate the reporting of progress for your Productive Partnership under the requirements of the Agreement with the PPAP and to standardise the responses given by various partners for administrative purposes. Please delete the text in italics - which is provided to assist you in compiling the report - prior to submitting the report.

Cover page:

| | | | | |
|-------------------------------------------------------------------------------|------------------------------|------------------------------|---------------|--------------------------------|
| Date of submission: | | | | |
| Reporting period: | | | | |
| Submission number <i>Secretariat use</i> | | | | |
| Name of partnership: | | | | |
| Location of the partnership: <i>province(s), district(s), villages</i> | | | | |
| Total duration of the project: <i>months</i> | | | | |
| Partner 1 (Lead Partner) | | | | |
| Partner 2 (smallholders) | | | | |
| Partner 3 (If required) | | | | |
| Partner 4 (If required) | | | | |
| Total cost of the business plan | Contribution of lead partner | Contribution of smallholders | Third partner | Amount requested from the PPAP |
| (Kina) | (Kina) | (Kina) | (Kina) | (Kina) |
| Contact details for this Proposal: | | | | |
| Contact person for the partnership: | | | | |
| Postal address: | | | | |
| Telephone number: | | | | |
| Fax number: | | | | |
| Email: | | | | |

1. Brief description:*(Please summarise the original partnership agreement.)***2. Current project context:***(Please summarise the current situation in terms of activities and achievement for the reporting period.)***3. Degree to which objectives have been achieved, as shown by the indicators:****Project objective:****Result 1:**

| Indicators | Achievement of indicators, and corresponding activities conducted so far |
|------------|--------------------------------------------------------------------------|
| | |
| | |

Result 2:

| Indicators | Achievement of indicators, and corresponding activities conducted so far |
|------------|--------------------------------------------------------------------------|
| | |
| | |

Result 3:

| Indicators | Achievement of indicators, and corresponding activities conducted so far |
|------------|--------------------------------------------------------------------------|
| | |
| | |

Result 4:

| Indicators | Achievement of indicators, and corresponding activities conducted so far |
|------------|--------------------------------------------------------------------------|
| | |
| | |

4. Major impact*(Please describe the progress made regarding the main indicators on improved crop husbandry practices, productivity, costs, quality of the commodity (cocoa or coffee) and sales volumes.)*

5. Major deviations from the original results/indicators

(If there have been any effects (either positive or negative) on the objectives / results / indicators, please give details of the reasons behind them. If there is a need for action, e.g. an alteration to the existing business plan and the MoU (term, cost sharing, etc.), please refer readers to section 7 of the report and explain it there.)

6. Evaluation of achievement of objectives

(Please give a brief summary and a critical evaluation of what can be derived from the achievement of results and indicators. If there are any particular risks that have emerged during the past 6 months (or are ongoing), they should also be noted here. If there is a need for action, please refer readers to section 7 of the report and explain it there as specifically as possible.)

7. Partner contributions / contributions by third parties / contributions by the project

(Please list the contributions by the different partners involved (agribusiness, farmer groups, third party credits and other support, matching grant from the project) and compare this to the original business plan. Explain briefly in case of major deviations.)

8. Need for action by the agribusiness, the farmer group and / or the project

(Please give details of proposed actions derived from earlier sections or from other findings. Your proposals may relate to specific recommendations regarding activities, provision of funds / reallocations or other changes to the contract).

9. Financial Reporting

(Please attach to this report - or if submitting electronically advises the reference of the Financial Report - a six-monthly Financial Report that covers the categories specified in the Partnership Agreement for the reporting period.)

10. Social and Environmental Reporting

(Please attach to this report a progress report on the environmental and social management plan included in the Partnership Agreement).

Appendix G PPAP Draft Partnership Agreement Format

[Insert project logo and CIC/CB/DAL logos]

PNG [Cocoa Board] / [Coffee Industry Corporation Limited]

Productive Partnerships in Agriculture Project (PPAP)

Partnership Agreement

between PNG [Cocoa Board] / [Coffee Industry Corporation Limited] and [Insert name of partners]

Partnership No: [Insert reference number]

[Insert name of partnership proposal]

[Insert date and place]

Introduction

The Government of Papua New Guinea, through the Department of Agriculture and Livestock (DAL), the Coffee Industry Corporation Limited (CIC) and the Cocoa Board, is implementing the Productive Partnerships in Agriculture Project (PPAP) with partial financing from IDA Credit [insert credit number] and from IFAD Loan [insert loan number]. The objective of the PPAP is to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and the sustainability of value chains in cocoa- and coffee-producing areas.

Key outcomes would be that: (i) smallholder farmers adopt efficient, market responsive and sustainable production practices leading to an improvement in their income; (ii) demand-driven productive partnerships are scaled-up and sustained; and (iii) key infrastructure bottlenecks in the targeted value chains are addressed.

Under the second component of the project (Productive Partnerships), the project aims at increasing the integration of smallholder producers in performing and remunerative value chains, by developing and implementing productive alliances between smallholders and the private sector aiming at improving market linkages in the project areas. In each sub-sector, strategic priorities have been identified as follows:

- In the cocoa sector, activities which support CPB management such as training on good farming practices; the production of improved planting material (nurseries and budwood gardens) to increase their availability for replanting; the promotion of and support for rotational replanting and cocoa garden rejuvenation; market-driven diversification of cocoa-farming system; and management of quality through the adoption of more efficient and environmentally-friendly post-harvest and processing technology;
- In the coffee sector, activities which support the adoption of sustainability practices and the expansion of the production of differentiated coffees; training on good farming practices; the production of improved planting material to increase their availability for replanting; replanting and coffee garden rejuvenation programs; market-driven diversification of coffee-farming systems; and management of quality through the adoption of more efficient and environmentally-friendly post-harvest and processing technology.

From [insert date] to [insert date], the [CIC]/[Cocoa Board] issued a call for proposals for Productive Partnerships in the [cocoa]/[coffee]-producing areas of [insert name of provinces or area]. The proposal for [insert name of Partnership] was received on [insert date]. Following the appraisal and

selection process, the [cocoa]/[coffee] Industry Coordination Committee approved the proposed support to the [insert name of partnership] on [insert date of ICC approval], in the amount of [insert approved amount of financing from PPAP] equivalent to [insert percent] of the total investment cost of the proposed Partnership.

This Partnership Agreement describes the approved Partnership including the rights and obligations of all parties.

1. Chapter 1: Objectives of the partnership

- 1.1. **Specific goals of the partnerships and target outcomes/results.** [Insert description of the goals of the partnership including table of specific results to be achieved, such as product quality, price to be paid to farmers, hectares to be improved, number and location of improved processing facilities if applicable, etc, and how they will be monitored]
- 1.2. **Description of the partnership.** [insert details about each partner, including number of farmers to be involved and details of their farming systems, etc]
- 1.3. **Location of the partnership.** [insert details on location of partners and of their activities]

2. Chapter 2: The Partners

- 2.1. **Lead partner** [insert name, legal status and details about experience, activities, and who will be the legal representative for the purposes of this Agreement]
- 2.2. **The smallholder growers/Farmer association(s)/group(s)/cooperative(s).** [insert details about status of smallholder group/association/cooperative, number of farmers, gender/age, activities, objective of association/cooperative if applicable, land area, who will represent the group (s) for the purposes of this Agreement]
- 2.3. **[Other partner if applicable]**
- 2.4. **Supporting Service Provider** [if applicable, insert details about legal status, experience, role]

3. Chapter 3: Technical and Economic Aspects

- 3.1. **Business Plan and schedule of Implementation** [insert business plan including relevant tables, showing inputs, outputs, schedule of activities, results]
- 3.2. **Commitments and responsibilities of each partner** [insert detailed description of the contributions (in kind or in cash) of each partner, other commitments and responsibilities, and schedule of contributions]
- 3.3. **Quantities, prices and quality.** [insert tables of expected results in terms of quantity of coffee/cocoa produced, quality, hectares improved, and prices paid to producers, other results as relevant]

4. Chapter 4: Financing Plan for the Partnership

- 4.1. **Contributions from partners** [insert table of contributions]
- 4.2. **Contribution from PPAP**
- 4.3. **Disbursement schedule** [insert disbursement schedule with key milestones for tranches payment]
- 4.4. **Procurement Plan** [insert procurement plan prepared by the Partners, with packages, procurement method, estimated costs, schedule/time line, consistent with PPAP procurement guidelines]

5. Chapter 5: Social and Environmental Aspects

5.1. Social management plan [Describe, as relevant, measures taken to ensure compliance of the partnership with social provisions of the PPAP ESMF, and responsibilities of each partner. Attach ESMF forms to this Agreement as relevant]

5.2. Environmental management plan [Describe, as relevant, measures taken to ensure compliance of the partnership with environmental provisions of the PPAP ESMF, and responsibilities of each partner. Attach ESMF forms to this Agreement as relevant]

6. Chapter 6: Management of the Partnership

Each party to this Partnership Agreement commits to its implementation in line with the provisions of this Agreement, in order to reach the stated objectives.

6.1. Commitments of Lead Partner. The lead partner [insert name of lead partner] commits to the following:

- 6.1.1. Implementing the partnership as described in this Agreement in order to fulfil the goals and results described in this Agreement;
- 6.1.2. Taking necessary actions to ensure that all goals and results described in this Agreement are fully achieved;
- 6.1.3. Providing all inputs and contributions as described in this Agreement and as per the schedule of implementation of this Agreement;
- 6.1.4. Allowing and facilitating supervision of the implementation of this Agreement by the [CIC]/[Cocoa Board] as well as by the World Bank and IFAD, including the provision of all information related to the execution of this Agreement as periodically requested by those agencies;
- 6.1.5. Having the Partnership account audited at least once a year, and allow the agencies mentioned above to audit the Partnership bank Account at their request;
- 6.1.6. Jointly monitoring the implementation of this Agreement with other partners and providing reports on the implementation of this Agreement as per the attached format [attach format from manual] every [insert agreed frequency] and within 30 days of the completion of all activities described under this Agreement;
- 6.1.7. Keeping records of all documentation related to the implementation of this Agreement for at least one year after the completion of all activities;
- 6.1.8. Ensuring that the Social Management Plan and Environmental Management Plan, which are an integral part of this Agreement, are fully implemented;
- 6.1.9. Reimbursing to the [CIC]/[Cocoa Board], within 45 days, the funding received under this Agreement if activities described above are not completed as per the clauses of this Agreement.; and
- 6.1.10. [insert commitments specific to this Partnerships, e.g. on quantity, quality or price of products to be purchased, etc].

6.2. Commitments of Smallholder Growers. The smallholder growers [or their association or cooperative, if applicable] commit to the following:

- 6.2.1. Implementing the partnership as described in this Agreement in order to fulfil the goals and results described in this Agreement;
- 6.2.2. Taking necessary actions to ensure that all goals and results described in this Agreement are fully achieved;
- 6.2.3. Providing all inputs and contributions as described in this Agreement and as per the schedule of implementation of this Agreement;

- 6.2.4. Allowing and facilitating supervision of the implementation of this Agreement by the [CIC]/[Cocoa Board] as well as by the World Bank and IFAD, including the provision of all information related to the execution of this Agreement as periodically requested by those agencies;
- 6.2.5. Contributing to the monitoring of the implementation of this Agreement²;
- 6.2.6. Ensuring that the Social Management Plan and Environmental Management Plan, which are an integral part of this Agreement, are fully implemented;
- 6.2.7. Reimbursing to the [CIC]/[Cocoa Board], within 45 days, the funding received under this Agreement if activities described above are not completed as per the clauses of this Agreement.; and
- 6.2.8. [insert commitments specific to this Partnerships, e.g. on quantity, quality or price of products to be purchased, etc].

6.3. Commitments of other Partners to this Agreement [adjust as needed depending on composition of the Partnership].

6.4. Commitments of [CIC]/[Cocoa Board]. The [CIC]/[Cocoa Board] commit to the following:

- 6.4.1. Providing all information required by the Partners on the procedures and guidelines applying to this Agreement and providing prompt and clear advice and guidance to all Partners on those procedures and guidelines, throughout the implementation of this Agreement;
- 6.4.2. Providing technical guidance if requested by the Partners;
- 6.4.3. Processing all payments under this Agreement in a timely manner, including the first payment within 30 days of the signature of this Agreement by all parties, and subsequent tranches within 30 days of reception of the related request supported by adequate documentation;
- 6.4.4. Supervising the implementation of this Agreement, including all technical, social, environmental, fiduciary and reporting provisions. This would include field visits to the Partnerships on a regular basis, and at least every [insert frequency], as well as before payment of subsequent tranches to the first tranche;
- 6.4.5. In the event that an unforeseen change to this Agreement becomes necessary, assessing the proposed change and submitting any change request under this Agreement for the approval of the Industry Coordination Committee. Only changes to this Agreement that would not result in a higher contribution from PPAP are allowed.

6.5. Conflict resolution

Any disagreement or conflict between Partners regarding the implementation of this Agreement, which cannot be resolved through consultations between Partners, needs to be brought to the attention of the [CIC]/[Cocoa Board] as soon as possible. The [CIC]/[Cocoa Board] through its Project Management Unit (PMU) will assess the situation and provide advice on mediation between the Partners in disagreement or conflict.

6.6. Sanctions for non compliance with this Agreement.

In the event that the Partners fail to substantially comply with the modalities of this Agreement, such as:

- Failure to comply with the technical modalities of this Partnerships;

² Specific commitments will be adjusted on the basis of the actual, approved Partnership Proposals.

- Failure to comply with the Social Management Plan and/or Environmental Management Plan;
- Failure to comply with fiduciary obligations under this Partnerships;
- Use of funding provided under this Agreement for purposes and activities other than those described in this Agreement; and
- Failure to comply with the monitoring and reporting requirements under this Agreement,

the [CIC]/[Cocoa Board] may seek the approval of the Industry Coordination Committee to take some or all of the following steps, after assessing each case and its gravity:

- Suspension of this Agreement and reimbursement by the Partners of part or all of the funding received from the PPAP, if no remedial action is taken following 30 days of written notice from the [CIC]/[Cocoa Board];
- Exclusion from future support under the PPAP;
- Formal legal action against the Partner(s) involved.

Signed in XXX, Date xxx, by:

Name 1:
Representative(s) of [Indicate smallholder group(s)]

Name 2:
Representative of [Partner no. 1]

Name 3:
Representative of [Partner no. 2,if applicable]

Name:
[CEO of Cocoa Board or his representative] / [CEO of CIC of his representative]

