

## **Agriculture Part 2**

The last INA Focus examined why agriculture, which is so crucial in providing broad-based livelihoods, has not been the success story over recent decades we might have expected, considering the extensive and (apparently) suitable land and, for the most part, relatively low population densities. Most cash crop production has been static or even reversed, and reversed in per capita terms (even if recent price revival has boosted value), whilst head of various livestock has slid back.

There have been some successes:- subsistence production has largely kept pace with population growth, oil palm output has doubled over the past 16 years, some traded fruit and vegetables have made substantial inroads into the local market, local initiatives with individual crops (such as spices/essential oils using the agro-nucleus estate model) and production booms (e.g. in vanilla) at least demonstrated considerable price responsiveness. Providing greater success for agriculture in future, and greater opportunities for the majority of the population, requires knowledge of farmers' needs and priorities and awareness of the constraints, including analysis of the conditions which make some agricultural industries, and individual farmers or groups of households, more productive than others. A few studies have been undertaken, but inadequate attention has been given over many years to understanding rural economic, social and cultural factors influencing decision-making.

### **Constraints include:**

- Poor and declining access to markets, with totally inadequate funding for rural infrastructure, leaving producers unable either to sell produce or secure the benefits from cash income
- Poor law and order adding to uncertainty, with crop theft or tribal conflict undermining commitment especially to long term investment and reducing competitive rural buying and retail outlets
- The strong kina, particularly in the past, with PNG's mining/oil driven dual economy, undermining returns from export crops or income replacement, and now the threat of future currency appreciation again
- Inadequate and inconsistent funding and poor management of agricultural and other rural services, following two poorly planned or implemented decentralisation exercises, politicisation of district funds and appointments, and constant political interference in commodity board appointments and operations, have undermined needed research, extension, plant and animal protection (including from introduced pest and diseases), interaction and knowledge of farmers' needs. This failure was reinforced by a decade of inadequate engagement by development partners with the agriculture sector and its institutions
- Poor infrastructure and law and order, combined with continued protection of state-owned monopolies (notably telecommunications) have undermined private investment in services, including rural banking and information, whilst lack of education and health facilities also pushes people to towns
- Customary land tenure which, whilst providing valuable safeguards (for food-security and from unscrupulous land-grabs), can undermine access and opportunities

for prospective younger farmers, more commercial agriculture and adaptation to changing demographics

- Other economic, social and cultural factors, imposing other pressures and demands, including the concept of a target level of income beyond which income has diminished utility, especially in remoter locations.
- Natural factors, as although there are significant pockets of highly suitable agricultural land, extensive areas of PNG suffer low agricultural productivity, notably shallow tropical soils, quickly degraded after forest removal, or subject to major seasonal constraints (such as flood or extended dry seasons – expected to worsen with climate change), requiring major remedial action or adaptation if to be used for sustainable agriculture (including on NCD's sparse hills)
- Locally high and growing population densities (in parts of the Highlands, Sepik, ENBP and peri-urban areas) are placing current agricultural systems under stress, whilst localised loss of productive segments of the population (notably from urban migration, HIV/AIDs) require adaptation and mitigating action
- Loss of rural banking and services, combined with cessation of agricultural credit; particularly since 20 hectare estates ceased, Bougainville's troubles and (initial) hybrid cocoa fiasco of the 1980s, banks have been shy of agriculture, although some rural banking and micro-finance initiatives are being developed.
- Bureaucratic impediments to private sector investment

**Positively: -**

- agricultural prices are now higher, improving farmers' returns and encouraging investment, (although imposing other social implications and combined with wider inflationary pressure). This investment requires confidence in sustained good prices, combined with other measures to maximise incentives and minimising farmer's risks.
- There's greater interest by Government in the sector (with MTDS and NADP) and renewed donor interest (for food security and broader-based development), and greater funding available for restoration/maintenance of rural roads and services, notably under DSIP and NEFC recommendations, and better recognition of the private sector role in service delivery.
- For example, recent ACIAR agricultural research consultations found strong consensus on needs and commitment to addressing them (with suitable partners) in research over the next five years, recognising that research must not be isolated. Research and extension must entail listening and ascertaining farmers' needs and priorities, not simply seeking to apply some new technology.

PNG must roll back years of neglect and lack of capacity. Sadly, however, there's limited evidence yet of implementation of initiatives, notably NADP, or recognition of the processes or effective partnerships.

**The last two weeks raised doubts on government commitments and prospects: -**

- DAL's food security seminar presented little apparent recognition of the main constraints or drivers, including the role of markets, private sector, other industry players, with a former Departmental head observing "haven't we learnt anything". It

remained all about large allocations notably to enable DAL to fix problems, which on past evidence would be utterly unrealistic.

- Government failed to sign a long planned smallholder agricultural project agreement – so where’s the commitment?
- Government proclaimed the LNG project “as the greatest thing for PNG” – releasing another K300 mill to some resource owners (without questions) and making major financial commitments to its preliminary costs. Certainly LNG could provide a major positive long term contribution to PNG’s economy, but it also risks severely undermining the economy and especially the rural sector unless rigorous safeguards are set and major effort made to ensure benefits spread. With systems non-functioning now and corruption entrenched, the prospect of floods of money (from whatever source – whether materialising or not) would exacerbate rather than address governance issues. The problems must be tackled now. The effects of this “resource curse” are only too apparent in countries like Nigeria, where years of oil industry have fuelled corruption and huge benefits for the elite, but undermined wider economic prospects. It doesn’t need to be like this, and there are examples of countries managing their resource booms well (e.g. Botswana) but this requires strong commitment and wider public awareness and accountability – something barely established in PNG, where questions over Taiwan’s cheque book diplomacy resulted in stifled debate, personal threats and referrals of the messenger to the Parliamentary Privileges Committee, rather than demands for answers by Parliament. Who holds Parliament accountable (one leading citizen asked?).

**Actions needed:**

- Address the agriculture sector and its needs in totality, addressing macro and micro economic conditions necessary to ensure its viability. The constraints must not be addressed in isolation, whilst over-arching problems critical (like failed infrastructure) are set aside;
- Particular attention is required now to restrain the “Dutch Disease” associated with major (mineral/ oil-gas) booms, triggering undue currency appreciation, inflationary pressure, loss of viability of other (often more important) sectors in terms of broad-based livelihood, and governance disruption. Successful measures are known, including sanitising some income offshore in ‘future’ funds, but these can also be readily undermined (as with Nauru) unless transparent best practice is applied;
- Government must focus on core activities and perform them well, notably restoring essential and equitable infrastructure and basic services (with partnerships with private sector, churches and NGOs), and application of regulations and standards, whilst avoiding peripheral or white elephant projects (like Government jets, VIP vehicle fleets and offices, constant overseas travel, Central City). Short and long term programmes for District/LLG capacity building (staff selection, training, planning and monitoring) and local accountability, and better coordination between recurrent and development funds are essential for core funding to be utilised effectively and in a timely manner;
- Immediate Parliamentary approval/application of the NEFC recommendations to (partially) iron out inter-provincial inequity in infrastructure and service funding

- is essential, but should be complemented by similar needs-based (rather than flat rate) allocation of District funding (DSIP);
- (Ongoing) monitoring and addressing the needs both of major agricultural investors and smallholders (including removing key impediments) is necessary.
  - Losing touch with sector needs by government, donors and even researchers, was unacceptable, as other institutional priorities were allowed to take precedence. Large and smallholder farmers' needs are largely consistent or complementary, with agro-nucleus enterprises supporting outgrower (production, processing and marketing) needs, although specific research, extension/information attention must also be specifically targeted at needs of village subsistence and cash crop producers;
  - Successful initiatives (in PNG and overseas) should be examined and (where possible) replicated or extended, particularly entailing sustainable private sector (and NGO) partnerships, for research, multiplication and distribution of planting material, information/extension, processing, marketing, project development and training (e.g. Pacific Spices/essential oils and Paradise Spices, NBPOL, contract farming as in organic coffee, other marketing allegiances and quality premiums e.g. Konga Coffee, local food production/processing, Sogeri pineapples, Fly River Rubber -cooperative, contracted service providers, etc). This development of models should embrace suitable wider farming systems, including genuine agro-forestry and fish farming.
  - Some rationalisation and improved coordination between agricultural institutions, retaining a small but more professional Agriculture and Livestock Department (or renewable resource Department. merging policy/planning of different land use agencies) with strong planning, coordination, sector analysis and market intelligence and communications capacity, working with and supporting (not controlling) Provincial/District, industry/commodity- research- extension capacity, which require greater and reliable operational funding and capacity, and transparent appointments and accountability to producers. International support for capacity building is needed for this (as under the ASSP in the 1980s), and now commenced with "NARS" institutions, but must be available also for DAL, District services and private sector partnerships.
  - Commitment to transport infrastructure maintenance and restoration is the highest priority for the rural sector, together with addressing lawlessness, through better policing (notably through application of the police review recommendations), enhanced national and local level justice capacity and dispute resolution, and clear cut rules on compensation. This also entails restoration of rural ports, airstrips, government air and sea charters, and access to rural banking.
  - A much more determined Government commitment is required (in partnership with the private sector and wider society) to good governance and tackling corruption, which has seen hundreds of millions of kina squandered and stolen over recent years, imposing the second greatest impediment to business after poor law and order in the INA's 2007 private sector survey.
  - Ensuring the private sector provides commercial supplies and core services competitively, notably transport and telecommunications. The State must cease handicapping the development of ICT and affordable information interaction

- around PNG and beyond, and undermining prospective associated opportunities for rural communities (including mobile banking), for agriculture, education and other essential services;
- Upgrade core fresh produce and wholesale market infrastructure, run by councils and the private sector, with adequate client facilities and users (i.e. largely women) overseeing their management;
  - Eliminate bureaucratic investment bottlenecks for compliant businesses, avoiding continued delays in needed work permits/visas, which are restraining economic development, including for non-boom businesses as skilled staff (e.g. engineers) are sucked overseas or into local boom industries. This requires increased, technically competent staffing or contracting out services;
  - Minimise risks, notably through effective and adequately resourced quarantine and inspection services (for alien pest/diseases, toxins etc), and quality control/standards (including organic certification);
  - Building up agricultural and life skills training at schools, vocational schools and tertiary colleges, including business, processing and marketing skills, to encourage enhanced opportunities and produce quality; working especially with churches and NGOs;
  - Transparent voluntary registration of selected customary land (including in peri-urban areas) to address locally determined needs and priorities, including recognised resource title for potential carbon trading (notably under adapted forestry legislation), whilst enabling access to productive land/employment and training for young people;
  - Full recognition be given to the predominant role of women in agriculture in PNG, and the need for women to be empowered in rural decision-making and share the benefits, including to ensure benefits extent throughout their households, and to enable youth greater participation in sustaining their own livelihood on the land and accessing economic opportunity; and
  - Strive much harder towards achieving the Millennium Development Goals (MDGs) by 2015, encourage wider improvements to the health and lifestyle in rural areas, including improved access to potable water supplies and sanitation, universal primary education and literacy, rural electrification for priority village needs (including through the private sector and IPPs).

Agriculture will continue to provide the wherewithal for the majority well into the future, but if opportunities and services (including health and education) continue to fail in rural areas and the apparent lure of town and boom sectors (like LNG) is too strong, the drift to cities will swell, with limited rural prospects leading to increased frustration and law and order problems and a huge missed opportunity. With reduced unit costs of service provision (e.g. ICT) there's no reason to keep rural areas backward and deprived. Government and the privileged urban community must be less complacent and seriously address the needs of our disadvantaged rural communities, who are entitled Constitutionally to similar benefits from Independence and this nation's resources and opportunities.

**Paul Barker**, 2<sup>nd</sup> June 2008