The project aims to increase smallholder oil palm productivity while also improving local governance through greater community oversight, and increase overall economic activity in the project areas.

This will translate into higher incomes for smallholder oil palm producers and have a positive impact on the livelihoods of others in the project areas.

**Background**

The agricultural sector of Papua New Guinea contributes one-quarter of the country’s gross domestic product (GDP), which drives much of the rural sector economy. Palm oil is the dominant contributor to the country’s agricultural foreign exchange earnings, representing 43.2 percent of agricultural export values in 2008. In 2005, when this project was first considered, oil palm was identified as the best vehicle for an investment project to improve rural livelihoods. Considering the environmental issues associated with the development of new oil palm areas, the International Development Association limited its support to smallholders in already existing oil palm schemes, with a focus on improving productivity and rural access roads in the scheme areas.

Papua New Guinea’s palm oil industry, while representing only one percent of global production, contributes substantially to rural incomes in the country. At current prices, oil palm provides smallholders with very favorable returns on their land and labor (K2,793/ha and K130/day worked), compared to other cash crops such as cocoa (K1,136/ha and K21/day worked) and coffee (K2,058/ha and K13/day worked). The industry is second only to the public service in terms of formal employment, with around 16,000 people working for the six milling companies. Approximately 18,500 smallholders supply the mills with fruit.

**Designed to be implemented in Oro and West New Britain provinces over five years, SADP has garnered strong demand and support from oil palm smallholders in the project areas.**

**About the Project**

The Papua New Guinea Smallholder Agriculture Development Project (SADP) aims to increase, in a sustainable manner, the level of involvement of targeted communities in their local development through measures aimed at increasing oil palm revenue and local participation.

The SADP has three components: (a) smallholder productivity enhancement including: the infill planting of new smallholder village oil palm along existing access roads; upgrading of provincial access roads and establishment of sustainable financing for road maintenance; and strengthening of oil palm extension services; (b) local governance and community participation which supports the improved provision of local services and infrastructure through participatory processes; and (c) project management and institutional support for the Oil Palm Industry Corporation (OPIC), the implementing agency; and for the smallholder sector, through training, research and studies.

The SADP is designed to continue to provide economic benefits to the local population while avoiding deforestation and risks to critical habitats. Environmental and social sustainability has become a priority for the oil palm industry in Papua New Guinea; most of the industry is currently certified under the Roundtable on Sustainable Palm Oil (RSPO).

The majority of project funds (70 percent) will be invested in reconstructing existing rural roads. Better roads improve access to critical social services and markets for all smallholders—not just those involved in oil palm—enabling them to engage in a wider range of income earning activities, diversify their incomes and reduce poverty.