

ADB Support for Infrastructure in Papua New Guinea

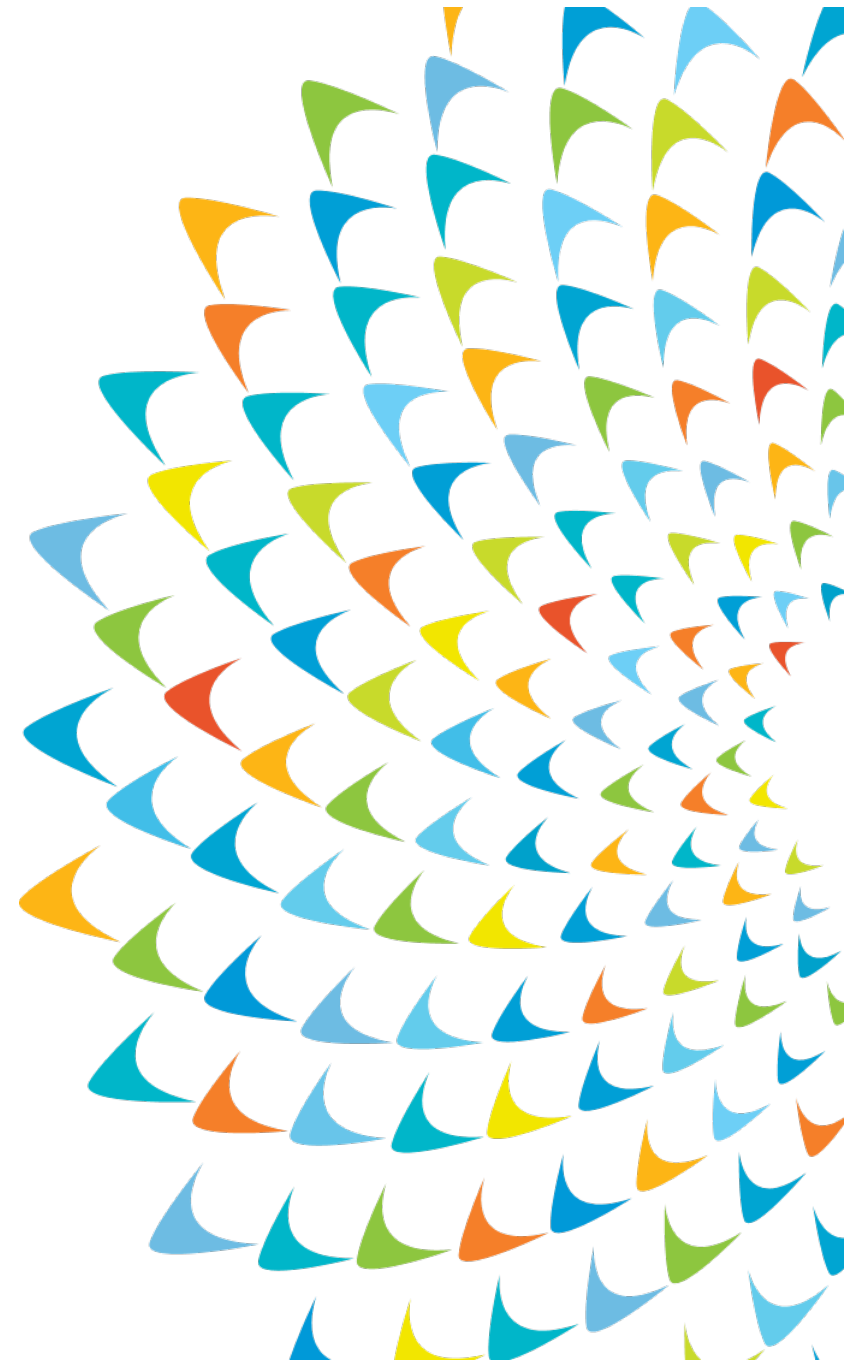
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Country Director ADB - Papua New Guinea

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2024 Papua New Guinea Investment Week

ADB





Introduction

ADB and Papua New Guinea



- It is a multilateral development bank headquartered in Manila with 69 member economies
- PNG has been an ADB member since 1971
- Papua New Guinea Resident Mission (PNRM) office established in 2003
- ADB is among PNG's largest development partner in lending terms, with portfolio of around \$1.39 billion
- Focus on, among other things, transport connectivity, energy, human capital development and public sector management



ADB Works by Optimizing Its Added-value



Finance

ADB provides own financing while also mobilizing funds from other sources.

Knowledge

ADB focuses on providing practical value tailored to local conditions, identifying lessons, and replicating good practices.

Partnership

ADB promotes dialogue and collaboration among various partners and stakeholders.

ADB operations go beyond sovereign financing...



Non-sovereign Operation

- ADB's Private Sector Operations Department (PSOD) catalyzes, structures, and provides financing to privately held and state-sponsored companies across a wide range of industry sectors throughout developing Asia.
- The emphasis is on commercially viable transactions that generate attractive financial returns while also delivering on ADB's organization-wide mission to promote environmentally sustainable and inclusive economic growth.

Public-Private Partnership

- ADB's Office of Market Development and Public-Private Partnership (OMDP) aims to enhance the role of ADB in supporting and enabling governments of its developing members to secure greater private investment and generate economic growth in the region.
- OMDP provides transaction advisory services to developing member countries such as PNG to develop bankable PPP projects. It also coordinates and supports PPP-related activities in ADB.



Sovereign Modality

Sovereign Modality



Investment Project

- Used to finance investment projects that are generally well-defined
- Fund disbursements can be direct payment on qualifying expenditures, reimbursement, or through advance fund



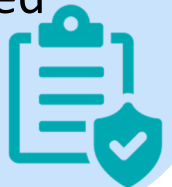
Policy-based Lending

- Provides untied financial resources to help meet a country's financing needs while supporting policy reforms
- Funds are disbursed when evidence of the fulfillment of policy actions is provided



Results-based Lending

- Finances a defined share of the government's program, with focus on results rather than on financing expenditures
- Funds are disbursed when a set of program's results, as agreed with the borrower, are achieved



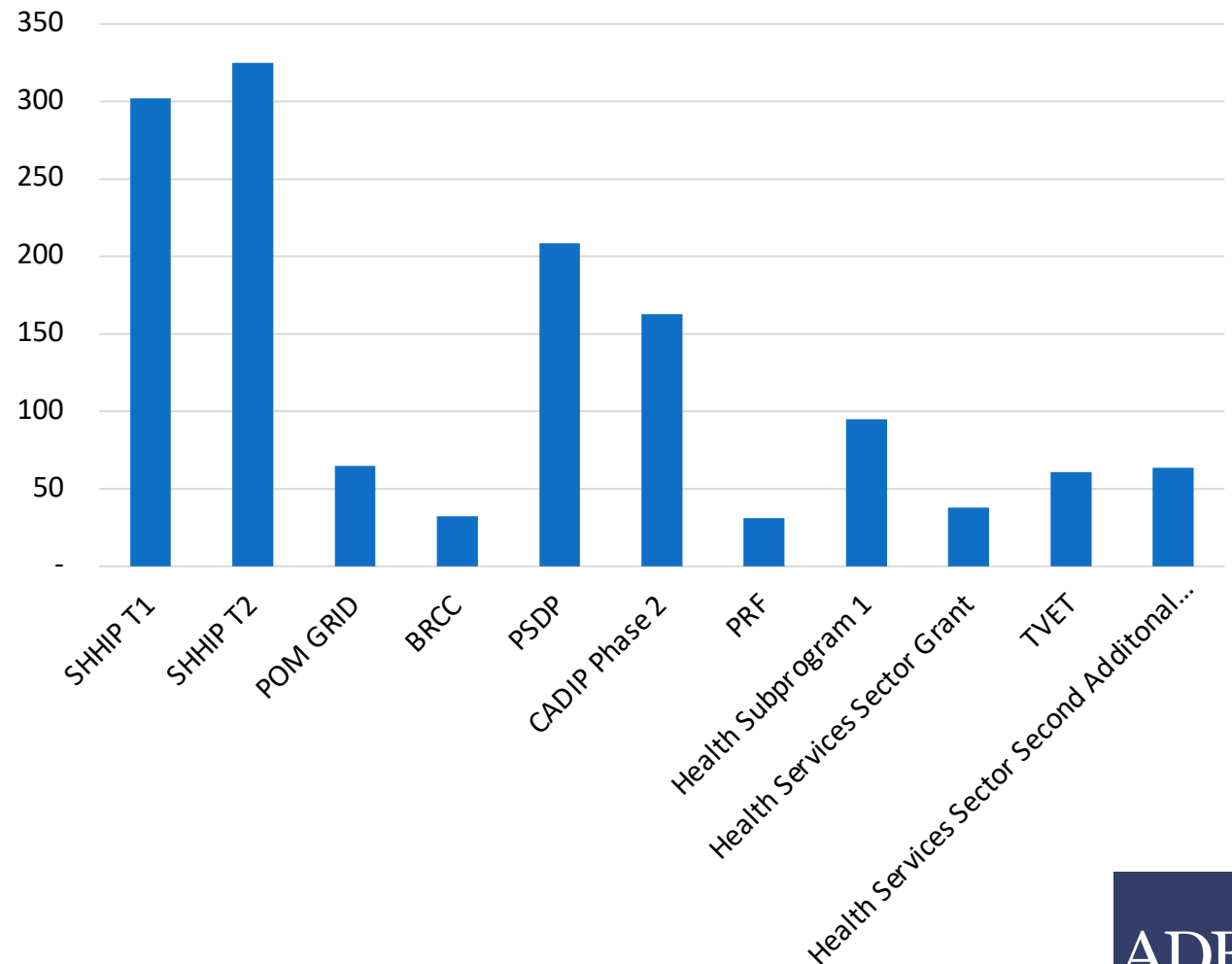
PNG active portfolio

10 Projects with total amount around \$1.39 billion



- Port Moresby Power Grid Development Project (POM GRID)
- Power Sector Development Project (PSDP)
- Sustainable Highlands Highway Investment Program (SHHIP) Tranche 1
- SHHIP Tranche 2
- Civil Aviation Development Investment Project (CADIP) Phase 2
- Project Readiness Financing (PRF)
- Health Services Sector Development Program, Subprogram 1
- Health Services Sector Development Program – Second Additional Financing
- Technical Vocational and Education Training (TVET) Project
- Building Resilience for Climate Change (BRCC) Grant

PNG Portfolio by Project, net loan \$million



ADB Sovereign Lending for 2024 and Pipeline for 2025



2024

- Sustainable Highlands Region Core Road Network Project (\$266.1 million)
- Strengthening Public Sector Management Program, Subprogram 1 (\$100 million)

2025

- Sustainable Energy Sector Development Program, Subprogram 1
- Mountainous Road Improvement and Resilience Project
- Urban Water Supply and Sanitation Security and Resilience Improvement Program (Tranche 1)
- Financial Resilience and Inclusion Sector Development Program, Subprogram 1
- Climate Resilient Transport Project Readiness Facility



ADB Support in Transport Sector

ADB Ongoing Support to Transport Sector



Project/Program Impacts

- Opportunity for equality and prosperity in rural areas increased.
- Strong economic growth and social development sustained –
- Well integrated safe, affordable and climate resilient sustainable transport systems attained.

Investment Project

Sustainable Highlands Highway Investment Program (SHHIP), Tranches 1-2

430 km of the two-lane National Highlands Highway from Lae Nadzab airport turn off to Kagamuga airport turn off in Mt. Hagen will be rehabilitated, upgraded, and effectively maintained including **71 bridges**, increased economic opportunity, improved efficiency and safe movement, and improved social outcome.

Investment Project

Civil Aviation Development Investment Program (CADIP) Phase 2

The Project will improve aviation safety, efficiency and network coverage in compliance with International Civil Aviation Organization standard and enhance air navigation and weather services with piloting of the upgrading of the selected Rural Airstrips.

Outputs

- ✓ Five national airports upgraded.
- ✓ Air Navigation and Weather Services Improved.
- ✓ Four rural airstrip upgrading piloted.
- ✓ Civil Aviation Institutions strengthened and capacity developed.

Transport Sector Preparatory Project (TSPP) (Project Readiness Financing [PRF])

Financing the preparation of feasibility studies and the detailed engineering designs, including bidding documents and procurement support for three ensuing projects in PNG's Northern region (roads and ports), Highland region (roads), and Mountainous roads.

Outputs:

- ✓ Feasibility study, including option analysis, environmental and social safeguard studies, detailed engineering design, bidding documents, and advance procurement actions for ensuing projects completed.
- ✓ Capacity of executing agencies and implementing unit for project management improved.

Technical Assistance

1. Preparing the Land and Maritime Transport Projects
2. Port Moresby Sustainable Urban Transport Mobility Approach
3. Improving Infrastructure Sustainability Through Better Asset Management Sovereign Project
4. Developing Low-Carbon Pathways for Post-Pandemic Recovery Enabled by Transport Connectivity Project

ADB Upcoming Support to Transport Sector



Sustainable Highlands Region Core Road Network Project

- Support the improvement of five district roads totaling about 120 kilometers (km) and 19 bridges in four provinces in Highlands Region (Eastern Highland, Western Highland, Simbu and Jiwaka)
- Implementation of a comprehensive social, gender, and livelihood program to (i) enhance the socioeconomic and poverty reduction benefits of improved transportation through physical and nonphysical interventions, and (ii) support climate adaptation and improvement in agriculture production and livelihood diversification for subsistence farmers living along the project roads.
- **Outputs**
 - ✓ Existing roads in Highlands Region improved
 - ✓ Women's livelihood and socioeconomic status enhanced
 - ✓ Capacity of the Department of Works and Highways and other relevant government agencies improved

Future Support to Transport Sector



Mountainous Road Improvement and Resilience Project

Continue to rehabilitate and effectively maintain the two-lane National Highways from Lae Nadzab airport to Kagamuga airport in Mt. Hagen.

Projects being designed under Transport Sector Preparatory Project (Project Readiness Financing)

- Coastal Road Improvement and Resilient Program (Northern Region Road Corridor Wutung to Wewak) 440 km + Improvement of Ports of Vaimo and Wewak
- Mountainous Road Improvement and Resilience Project 2–Bulolo/Wau Junction to Nentindo, 111 km
- Mountainous Road Improvement and Resilience Project 3 (Improvement of 12 provincial roads in the Highlands)

CADIP Phase III

Scope is in preparation/discussion.



ADB Support in Energy Sector

ADB's recent support in the energy sector



Town Electrification Investment Program (TEIP)

Program to improve power supply for provincial centers: construction of hydropower plants to replace high-cost diesel generators and extend power supply to more households.

Project components included:

- Construction of 3 MW Divune hydropower plant
- 5,000 new household connections located along the project areas
- Rehabilitation of four hydropower plants: Yonki ToD (18MW), Warrangoi (10MW), Ruu Creek (0.8MW), and Lake Hargy (1.5MW)



Divune HPP in Oro Province



Kilakila substation in Badili district

Port Moresby Power Grid Development Project (POM Grid)

Project is upgrading key elements in Port Moresby's power grid to improve power supply and reliability.

Project components included:

- Kilakila substation and 66 kV transmission line to improve grid reliability and stability
- Rehabilitation and upgrade of Rouna 1 (6MW) and Sirinumu (1.5MW) hydropower plants
- Upgrading 11 kV distribution system and extending new grid connections to 900 households

ADB's ongoing projects in the energy sector



Power Sector Development Project (PSDP)

(approved in 2022)

PSDP aims to improve the reliability and efficiency of PNG's major electricity grids and to lay groundwork for additional household connections. It comprises transmission and distribution infrastructure:

(i) Transmission

- Construction of 8 new substations. This includes e.g.
 - ✓ Motukea (Port Moresby) and Malahang (Lae), both allowing the connection of major businesses to the grid
 - ✓ Other stations, e.g. Gomore (Central Province) enable new household connections
- Upgrade of 3 substations and 3 new switchyards across Port Moresby, Ramu and Gazelle grids

(ii) Distribution

- Construction of over 1,185 km of medium- and 1,089 km of low-voltage lines
- 10,000 new household connections and facilitation of over 25,000 new connections covered under other programs



Map of planned distribution grid around Gomore substation

Future Pipeline – Energy Sector



Sector Strategy and Focus

- Enhancing the operational and financial sustainability of the electricity supply
- Combination of policy reforms and infrastructure investment
- Policy reforms focus:
 - Transition to a low-carbon electricity supply
 - Restoring the financial sustainability of the energy sector,
 - Strengthening PPL's operational capacity,
 - Enabling competitive private sector participation
- Infrastructure investment focused on urgent network repairs and revenue generating measures)

2025

Sustainable Energy Sector Development Program, Subprogram 1*

2026/2027

Sustainable Energy Sector Development Program, Subprogram 2*

* Combination of project investment and budget support

Proposed Sustainable Energy Sector Development Program – combining infrastructure financing and budget support



Planned signing

Policy-based loan

Infrastructure funding

1st subprogram

2025

All reference to amounts are indicative subject to approvals


\$50m budget support tied to policy reforms


- Improved sector planning
- CO2 emission reporting
- Tariff regulation
- PPA guidelines
- Code for solar PV rooftop
- Measures of PPL's financial sustainability (e.g. government arrears, commercial losses)

\$80m project component

\$50m ADB loan

- Urgent grid repairs in Ramu and Port Moresby
- Repair and upgrade of provincial networks in Wewak and Kavieng

\$10m grant JFJCM 

- Financing of efficient transmission line conductors
- €20m grant EU 
- Solar PV and BESS for hybridization of Wewak and Kavieng

2nd subprogram

2026/
2027

Scope and financing to be confirmed

\$100m budget support tied to continued policy reforms

\$100m scope to be confirmed



ADB Support in Public Sector Management

Public Sector Management and Governance



Improve public sector management to deliver strong development outcomes from scarce public resources in the most efficient and impactful manner.



Key activities in PNG

Ongoing TA on Public Financial Management

(TA strengthens capacity for macro-fiscal forecasting, public investment management and debt management)

SOE Reform Program (2020-2022)

Program improved policy and legislative frameworks, strengthened governance and transparency for SOEs, capacity building including GHG monitoring and reporting, and enhanced their financial performance.

Public Sector Strengthening Program (2024-2026)

To strengthen governance and accountability throughout the public sector



Non-Sovereign Modality

Non-Sovereign Modality



ADB's Private Sector Operation focuses on commercially viable transactions that generate attractive financial returns while also promoting environmentally sustainable and inclusive economic growth.

01

Debt

Direct loans at market-based rates, B loans, and unfunded risk participations

02

Guarantees

Protection against political and credit risks

03

Equity Investment

Direct investments in common shares, preferred stock, or convertibles; investments in private equity funds

04

Technical Assistance & Concessional Capital

Collaborative support for project implementation and institutional capacity building; attractively priced and structured financing from third-party sources

ADB Non-Sovereign Portfolio in PNG



- The use of ADB non-sovereign modality in PNG has been limited. Our non-sovereign investment include:
 - ✓ equity investment in telecommunications network that will enhance mobile, broadband, and internet services in PNG
 - ✓ equity investment in a securities firm to supporting inclusive finance through the Development of Private Sector Banking Project
 - ✓ loan for pre-delivery payment of the national air carrier. **Approved in 2024**
- ADB now has in-country international staff dedicated for private sector operations.

How Can ADB Work with the Private Sector

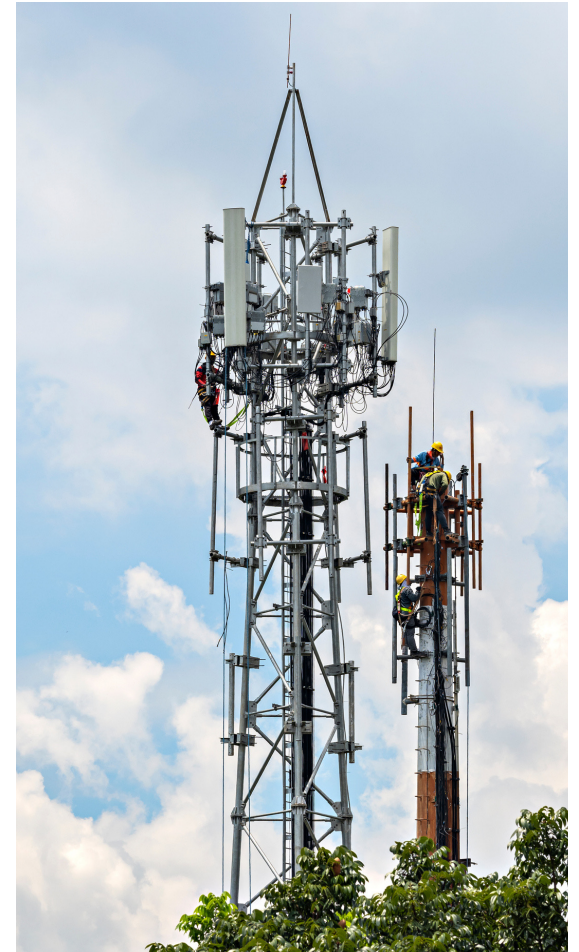


ADB can play a key role in helping to:

- Create an enabling environment
- Increase the number of bankable projects
- Crowd-in private financing

ADB can multiply the development impact of our interventions by leveraging our:

- Relationships with governments, private sector clients, and other DFIs
- Advisory for public-private partnerships and business incubation
- Capacity to mobilize more private sector capital
- Knowledge of developing member countries



Eligible Transactions

- ✓ Located in and/or directly benefits ADB's developing member countries
- ✓ ADB's target sectors (infrastructure, financial sector, agribusiness, etc.) and themes (climate change, inclusive business, etc.)
- ✓ Developmentally and commercially sound, with a clear business plan
- ✓ Financing not directly guaranteed by the government
- ✓ Clear financing or other need (safeguard support, risk coverage, etc.) from ADB
- ✓ Willing to employ professional advisors (legal, technical, environment and social, etc.)
- ✓ For equity investments, a board seat for ADB and clear exit strategy



High demonstrational value and replicability



Innovative (new technologies or ways of doing business)



Highest integrity and ethical standards



Crowding in commercial financing

ADB Additionalities

- ✓ Financial, including (i) various products from debt to equity, credit enhancement and risk mitigation, (ii) local currencies, and (iii) longer tenors and patient investor
- ✓ Non-financial, including (i) stamp of approval, (ii) country risk mitigation, neutral broker role with governments, (iii) safeguard and corporate governance expertise, and (iv) extensive knowledge of markets, sectors, and clients



Public Private Partnership

PPP Support



Upstream

Capacity Building

Enabling Environment

Raise awareness, enhance government capacity, establish policies and frameworks, identify potential projects, and provide support to facilitate PPP development



Midstream

Project Preparation and Transaction Advisory Services (TAS)

Assist in designing, preparing and tendering PPP projects through **transaction advisory services** to ensure appropriate risk allocation, bankability and value for money for the public sector



Downstream

Project Monitoring

Provide post-commercial close support for contract management and project monitoring to ensure successful implementation of the PPP projects

Establishment of a PPP Center



- Assist Department of Treasury in the establishment and operationalization of a PPP Center
- The project is the outcome of ADB's long standing support to the PNG government with the preparation and implementation of the PPP act and regulation.
- ADB Support is provided by AP3F (Asia Pacific Project Preparation Facility) and PSDI (Private Sector Development Initiative) to design a fit-for-purpose PPP Center.

ADB support covers:

- Advisory on the role and design of the PPP Center vis-à-vis the PPP Amendment Act
- Business plan and provisional budget, including start up phase
- Processes and operations
- Preparation of job descriptions and recruitment of key staff
- Capacity building training to build pipeline and conduct initial project screening

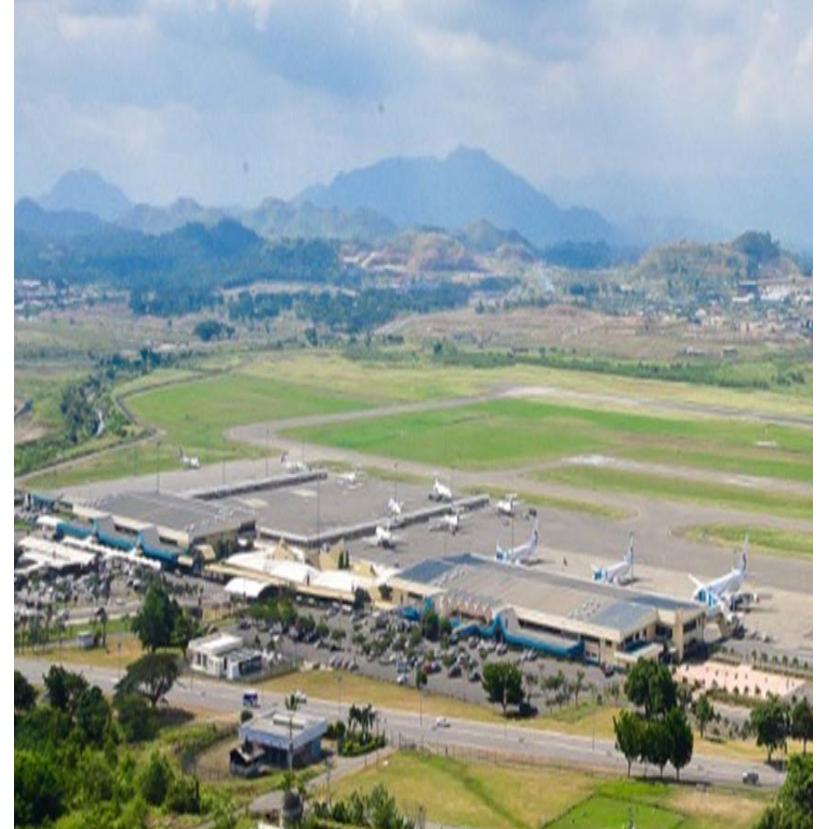
Transaction Advisory Services (TAS) for Port Moresby International Airport PPP



Client: National Airports Corporation (NAC)

Project: Refurbish, Expand, Maintain and Operate the Port Moresby airport including airside and landside

TAS: Feasibility studies, project structuring, market sounding, tender documents and contracts drafting, competitive selection process, commercial and financial close



PPP key objectives:

- Support financial sustainability of NAC and enable reinvestment to other planned regional airports
- Encourage foreign investment
- Boost Port Moresby's competitiveness, regional trade, tourism and economic growth



Thank You!

Looking forward to our collaborations!

