

ASIAN DEVELOPMENT BANK MEMBER FACT SHEET

Papua New Guinea: 2017 Committed Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
611.45	-	1.50	29.39	642.35

- = nil.

Notes:

Commitment is the financing approved by the ADB Board of Directors or Management for which the investment agreement has been signed by the borrower, recipient, or the investee company and ADB.

Grants and technical assistance include ADB-administered cofinancing.

Papua New Guinea: Cumulative Lending, Grant, and Technical Assistance Commitments^{a, b, c}

Sector	No.	Total Amount (\$ million) ^d	% ^d
Agriculture, Natural Resources, and Rural Development	42	202.13	7.12
Education	11	63.29	2.23
Energy	28	245.27	8.64
Finance	15	56.86	2.00
Health	34	228.03	8.03
Industry and Trade	13	38.97	1.37
Multisector	3	15.91	0.56
Public Sector Management	29	132.46	4.66
Transport	76	1,806.20	63.59
Water and Other Urban Infrastructure and Services	13	51.07	1.80
Total	264	2,840.18	100.00

^a Grants and technical assistance include ADB-administered cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Using primary sector in reporting of commitments.

^d Numbers may not sum precisely because of rounding.

Papua New Guinea: Ordinary Capital Resources Nonsovereign Commitments by Product, 2007–2017

No. of Transactions Signed	Amount (\$ million)
Loans	18.00
Equity Investments	-
Guarantees	-
Total	18.00

- = nil.

ADB has worked with Papua New Guinea since 1971 and is the country's largest multilateral development partner.

PAPUA NEW GUINEA

The economy of Papua New Guinea (PNG) is dominated by labor-intensive agriculture and capital-intensive extraction of oil and gas, gold, copper, and silver. Mining and petrochemicals now account for over 25% of PNG's gross domestic product and over 80% of its exports. The country continues to face significant challenges in making economic growth more inclusive and sustainable. Many areas of service delivery—such as health, education, transport, energy, and water—remain weak, particularly in rural areas.

The Asian Development Bank (ADB) has been working with PNG since 1971 and is the country's largest multilateral development partner. ADB's active portfolio in PNG totals \$1.47 billion, comprising 22 loans (including a loan from another source), 10 grants from the Asian Development Fund and other sources, 4 technical assistance projects, and 2 loans and equity operations in the private sector.

The ADB country partnership strategy, 2016–2020 for PNG is aligned with the Government of PNG's Development

Strategic Plan 2010–2030 and the National Strategy for Responsible Sustainable Development.

Cumulative disbursements to PNG for lending and grants financed by ordinary capital resources (OCR), the Asian Development Fund, and other special funds amount to \$1.53 billion, as of 31 December 2017.

ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB priorities in PNG have recently focused on developing transport infrastructure, promoting renewable energy, expanding access to finance, and improving health services.

In June 2017, ADB approved \$680 million for the Sustainable Highlands



Highway Investment Program. The highway is the lifeline for the Highlands region, connecting 1,800 kilometers (km) of regional and feeder roads as well as servicing 3 million people in the rural hinterland. The program will rehabilitate and sustainably maintain 430 km of the highway, improve road safety, help establish logistics platforms and services for agricultural production, and support transport sector reforms.

ADB is also providing \$400 million for the Highlands Region Road Improvement Investment Program. Under the first two phases of the program, ADB has invested \$209 million to reconstruct 233 km of priority roads. Under the third phase, ADB will provide \$129.3 million, including cofinancing of \$19.99 million from the European Union, to rebuild four road sections totaling 114 km.

ADB has committed \$90 million (cofinanced by \$58 million from the European Investment Bank) to replace 30 single-lane bridges with permanent two-lane bridges along five national highways. ADB is also funding the \$480 million Civil Aviation Development Investment Program to help provide safe, reliable, sustainable, and affordable aviation services across PNG, with 21

national airports being improved under the program.

In the energy sector, ADB has funded the Town Electrification Investment Program, with the first two phases (totaling \$150 million) scheduled for completion in June 2018 and June 2020, respectively. ADB is also supporting the Port Moresby Power Grid Development Project, set for completion in July 2019. Both these projects are helping to expand renewable energy supply through hydropower generation, distribution, and transmission. A separate grant, provided by the governments of Japan and New Zealand, is helping connect households to the new electricity services.

An ADB-supported microfinance project continues to expand access to credit and financial services for rural communities in some of PNG's poorest and most isolated regions. The project aims to make about 120,000 rural residents more financially literate.

The Rural Primary Health Services Delivery Project, cofinanced by the Government of Australia and the OPEC Fund for International Development, is constructing up to 32 new rural health posts and continues to train health workers to provide better primary health care in rural PNG.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector transactions in the form of direct loans, equity investments, guarantees, B loans, and trade finance. In 2017, \$3.17 billion of financing for 29 nonsovereign transactions funded by ADB's own resources were approved. Total commitments achieved in 2017 amounted to \$2.29 billion for 27 transactions. Both OCR approvals and commitments were at record highs in 2017. Around \$5.9 billion of cofinancing from commercial and official sources were mobilized. Total OCR outstanding balances and commitments of ADB's nonsovereign transactions as of 31 December 2017 amounted to \$10.9 billion.

ADB's Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through partner banks in support of trade. Since 2009, ADB's TFP has supported more than 12,000 small and medium-sized businesses across developing Asia—through over 16,500 transactions valued at over \$30 billion—in sectors ranging from commodities and capital goods, to medical supplies and consumer goods. In 2017, the TFP supported approximately \$4.5 billion

Papua New Guinea: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2007	0.0	1
2008	0.0	1
2009	33.3	3
2010	100.0	1
2011	0.0	2
2012	100.0	1
2014	0.0	1
2015	0.0	1
2017	33.3	3
Total	28.6	14

Note: "Year" refers to the circulation year of the project completion report (PCR). Compared with the numbers in previous years' *Fact Sheet*, the success rate reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and does not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2017.

Papua New Guinea: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2016–2017

No. of Ongoing Loans ^a (as of 31 Dec 2017)	2016 (\$ million)		2017 (\$ million)	
	2016 (\$ million)	2017 (\$ million)	2016 (\$ million)	2017 (\$ million)
Contract Awards ^{b,c}	59.50	169.15		
Disbursements ^b	115.34	102.03		
No. of Ongoing Grants ^a (as of 31 Dec 2017)	-		-	
Contract Awards ^{b,c}	-	-		
Disbursements ^{b,d}	0.07	-		
Actual Problem Projects (%) (as of 31 Dec 2017)			13	

- = nil.

^a Based on commitments.

^b Includes closed loans/grants that had contract awards or disbursements during the year.

^c Excludes policy-based lending/grants.

^d Includes only Asian Development Fund and other ADB special funds.

Papua New Guinea: Projects Cofinanced, 1 January 2013–31 December 2017

Cofinancing	No. of Projects	Amount (\$ million)
Projects ^a	8	151.15
Grants	7	83.75
Official loans	2	67.40
Technical Assistance Grants	1	0.95

^a A project with more than one source of cofinancing is counted once.

Papua New Guinea: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2016		2017		Cumulative (as of 31 Dec 2017)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	37.25	0.33	10.57	0.10	681.81	0.40
Consulting Services	2.79	0.45	2.42	0.33	41.42	0.34
Total Procurement	40.05	0.34	13.00	0.12	723.23	0.40

Top 5 Contractors/Suppliers from Papua New Guinea Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2013–31 December 2017

Contractor/Supplier	Sector	Contract Amount (\$ million)
Global Constructions Ltd.	TRA	14.06
AG Investment Ltd. & Hunan Lishui Hydro and Power Co. Ltd. (JV)	ENE	12.44
China Overseas Engineering Group Co. Ltd. (PNG)	TRA	11.72
Shorncliffe (PNG) Ltd.	TRA	7.71
Pacific Development Contractors Ltd.	HLT	5.16
Others		40.85
Total		91.95

ENE = energy, HLT = health, TRA = transport.

Top 5 Consultants from Papua New Guinea Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2013–31 December 2017

Consultant	Sector	Contract Amount (\$ million)
UPNG Remote Sensing Centre	HLT	3.94
K1 Association Inc.	FIN	1.04
Pricewaterhousecoopers	HLT, TRA	0.80
National Road Safety Council	TRA	0.73
Marie Stopes Papua New Guinea Ltd.	HLT	0.61
Individual Consultants		4.18
Others		5.18
Total		16.48

FIN = finance, HLT = health, TRA = transport.

in trade through approximately 3,500 transactions.

COFINANCING

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's TFP and Supply Chain Finance Program.

From 1981 to the end of 2017, cumulative direct value-added official cofinancing commitments for PNG amounted to \$259.74 million for 19 investment projects, and \$6.89 million for 11 technical assistance projects. Cumulative direct value-added commercial cofinancing for PNG amounted to \$152.64 million for one investment project.

In 2017, Papua New Guinea received a \$29.39 million grant cofinancing from the Government of Australia for three investment projects.

A summary of projects with cofinancing from 1 January 2013 to 31 December 2017 is available at www.adb.org/countries/papua-new-guinea/cofinancing.

PARTNERSHIPS

ADB is working to enhance how international aid responds to PNG's development challenges. Projects supported by ADB use government

procurement systems and processes, and project implementation is progressively being delegated to the ADB resident mission in PNG.

ADB intends to intensify its partnerships with subnational provincial governments—which have emerged as important stakeholders—to implement infrastructure projects.

ADB also partners with nongovernment agencies, including for the promotion of a legislative framework for successful public–private partnerships, and harnesses the expertise of civil society organizations to deliver rural health services.

ADB will continue to participate in International Monetary Fund missions and collaborate with other development partners such as Australia, the European Union, Japan, and New Zealand.

PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries; and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Share of ADB's Procurement Contracts

Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$11.28 billion in 2016

and \$10.43 billion in 2017. Cumulative procurement since 1966 was \$169.12 billion covering 211,316 contracts.

In Papua New Guinea, 2,634 contracts worth \$681.81 million were awarded to contractors and suppliers since 1971.

Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$627.79 million in 2016 and \$741.84 million in 2017. Cumulative procurement since 1966 was \$12.02 billion covering 55,420 contracts.

In Papua New Guinea, 396 contracts worth \$41.42 million were awarded to consultants since 1971.

OPERATIONAL CHALLENGES

The 2016 review mission of the ADB portfolio in PNG highlighted that, although the government has progressed in resolving some implementation bottlenecks, the following issues remain a significant risk: (i) tardy submission of audited project accounts and financial statements, (ii) delays in procurement processes and the associated awarding of contracts, (iii) insufficient counterpart funding, and (iv) low capacity of executing agencies to manage social and environmental safeguard issues to ADB standards.

To manage the key risks associated with an expanded lending pipeline, ADB will focus on improving project readiness and introduce risk-based procurement measures.

FUTURE DIRECTIONS

To respond to PNG's development needs, ADB will increase its total financing for development projects (lending, nonlending, and cofinancing) to approximately \$1.67 billion across 2017–2019. The current programming period includes new infrastructure projects, particularly in the transport

sector, that will benefit the poorest and most remote parts of PNG. The proposed projects will help drive inclusive economic growth, improve the delivery of basic services, increase regional connectivity, and build resilience to climate change.

At the request of the government, ADB has included a standby policy-based

lending option for 2018 to safeguard critical social outlays. ADB will work with the Government of Australia, the European Union, the International Money Fund, the World Bank, and other donor partners to develop a coordinated response to economic downturn in PNG and increase the country's resilience to external shocks.



ABOUT PAPUA NEW GUINEA AND ADB

ADB Membership

Joined 1971

Shareholding and Voting Power

Number of shares held:	9,960 (0.094% of total shares)
Votes:	49,567 (0.374% of total membership, 0.573% of total regional membership)
Overall capital subscription:	\$141.84 million
Paid-in capital subscription:	\$7.08 million

In-chang Song is the Director and **Bobur Khodjaev** is the Alternate Director representing Papua New Guinea on the ADB Board of Directors.

David Hill is the ADB Country Director for Papua New Guinea. The Papua New Guinea Resident Mission was opened in 2003 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Papua New Guinea.

The Papua New Guinea government agency handling ADB affairs is the Department of National Planning and Monitoring, with the Department of Treasury responsible for loans.

ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2017, lending volume was \$18.72 billion (111 projects), with technical assistance at \$200.53 million (246 projects) and grant-financed projects at \$597.49 million (24 projects). In addition, \$11.92 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2013 to 31 December 2017, ADB's annual lending volume averaged \$14.55 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$617.74 million and \$166.28 million over the same period. As of 31 December 2017, the cumulative totals excluding cofinancing were \$255.14 billion in loans for 2,955 projects in 44 countries, \$8.36 billion in 328 grants, and \$4.27 billion in technical assistance grants, including regional technical assistance grants.

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Useful ADB websites

Asian Development Bank
www.adb.org

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

Annual Report
www.adb.org/documents/series/adb-annual-reports

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