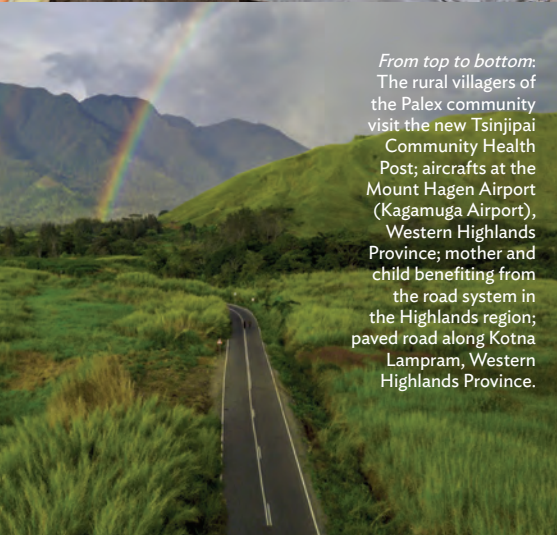




FINANCING
SUSTAINABLE
GROWTH IN
**PAPUA NEW
GUINEA**

ADB



From top to bottom: The rural villagers of the Palex community visit the new Tsinjipai Community Health Post; aircrafts at the Mount Hagen Airport (Kagamuga Airport), Western Highlands Province; mother and child benefiting from the road system in the Highlands region; paved road along Kotna Lampram, Western Highlands Province.

Papua New Guinea (PNG) is home to both the largest population and the largest economy in the Pacific. In 2017, gross domestic product reached \$23.1 billion, and the population was estimated at 8.2 million people. PNG's mineral-rich landscape covers some 462,800 square kilometers (km) spread across the main island of New Guinea and about 600 smaller islands. Although basic infrastructure and services are limited, PNG managed to record its ninth consecutive year of economic growth in 2017. The Asian Development Bank (ADB) is supporting the Government of PNG to ensure that the benefits of growth are both sustainable and inclusive.

Despite continued economic progress, much of PNG's population still lacks access to essential infrastructure and services, and only 10%–15% of the working age population participates in the formal economy. Physical isolation and limited infrastructure create significant obstacles to providing effective health care and education, while institutional barriers affect private sector growth and economic inclusion. ADB is financing transport, health, and power infrastructure to increase access to markets and goods, quality services, and jobs, and building the capacity of public sector institutions to deliver improved services to support human development and strengthen the business environment.

PNG's Development Strategic Plan 2010–2030 guides the country's growth objectives. It emphasizes distributing the benefits of national economic growth with a more effective transport and utilities network, delivering an improved quality of education and health services, and leveraging renewable energy to drive sustainable economic growth. ADB's partnership with PNG dates back to 1971, and financing for projects and technical assistance has scaled up considerably over decades of collaboration. ADB's active portfolio grew from \$350 million in 2010 to \$1.8 billion in 2018.

In line with PNG's development priorities, ADB's lending and technical assistance focus on (i) building and upgrading transport infrastructure to connect the population with essential goods and services; (ii) investing in renewable energy generation and building resilience to climate change; (iii) upgrading the network of rural health facilities and training health workers and managers to provide quality health services; and (iv) strengthening the business environment and scaling up private sector participation in the economy to drive sustainable development.



Transport and Connectivity

Intermodal transport is essential for connecting people to basic goods and services. Approximately 85% of PNG’s population lives in rural or remote areas. Existing road infrastructure is in poor condition, and requires both rehabilitation and regular maintenance. The country’s mountainous island geography requires an increased number and quality of air and sea links to connect the population to domestic and international markets.

ADB is working with the government and its development partners to refurbish and build new roads, ports, and airports, and to ensure that they are managed sustainably. Transport projects focus on delivering safer and more resilient intermodal links, while complementary technical assistance is helping ensure that domestic stakeholders have the resources and capacity to manage and maintain infrastructure. ADB is leveraging innovative financing modalities like the multitranche financing facility (MFF) to provide flexible sources of capital for long-term transport projects.

Upgrading approximately
1,400 KM OF ROADS

Supporting maintenance programs for
2,500 KM OF ROADS

21 AIRPORTS

29 BRIDGES

132 NAVIGATIONAL AIDS

The **Highlands Region Road Improvement Investment Program** and the **Sustainable Highlands Highway Investment Program** are refurbishing and reconstructing hundreds of kilometers of highways, roads, and feeder roads across the Highlands region of PNG. The two MFFs are connecting populations and resources across the mineral-rich Highlands region, and strengthening connectivity to PNG’s largest commercial seaport, Lae Port. The investment programs are also increasing road safety and improving access to formal employment opportunities.

The **Bridge Replacement for Improved Rural Access Sector Project** complements roadwork by replacing 29 outdated Bailey bridges with larger structures, and by reassembling modular bridges in rural areas to facilitate transport for remote communities.

The **Civil Aviation Development Investment Program** is connecting people, goods, and essential services across PNG’s most challenging terrain. The program is upgrading all-weather land and air aviation infrastructure and improving safety and security in 21 national airports in PNG. It is also delivering capacity building and helping reform public sector institutions to ensure lasting impacts.

The **Lae Port Development Project** constructed new port infrastructure in PNG’s major business port to reduce congestion and increase export capacity. The project has improved port efficiency, provided capacity for an additional 160 ship calls per year, and increased the port’s capacity by approximately 2 million revenue tons per year.

The **Maritime and Waterways Safety Project** is improving safety for ship operators by replacing 99 outdated navigational aids, installing 33 new ones, and engaging local communities to maintain all units in working order. The project is also helping develop new navigation charts and provide training on maritime safety for coastal communities.

Renewable Energy Development and Access to Clean Power

280 KM OF EFFICIENT TRANSMISSION AND DISTRIBUTION LINES

7,000 NEW USERS CONNECTED TO THE GRID

32+ MEGAWATTS OF HYDROCAPACITY ADDED

Workers installing transmission lines in Kimbe, West New Britain.



A household recently connected to the grid in West New Britain Province.

Access to electricity can help create economic opportunities and support better education and health outcomes. However, only 12% of PNG's population is connected to the electricity grid, and the country's outdated transmission and distribution lines lead to frequent outages in urban centers. Scaling up renewable generation capacity and improving grid efficiency can increase access to power, reduce the cost of electricity, and help mitigate greenhouse gas emissions.

ADB is working with PNG Power to build renewable generation assets, expand transmission and distribution networks, improve grid efficiency, and connect new users to the grid. Power sector projects are supporting increased resilience to the effects of climate change, while helping level off emissions in the context of increased power demand and electricity consumption. By helping to increase access to clean and reliable electricity, ADB is supporting more inclusive and sustainable economic growth in PNG.

The **Town Electrification Investment Program** is replacing costly diesel generation units with hydropower plants in provincial centers, and building transmission lines to deliver new electricity connections. The MFF is expanding provincial grids and installing new generation assets to deliver cleaner, more reliable power. **The Improved Energy Access for Rural Communities Project**, cofinanced by the governments of Japan and New Zealand, was designed to complement the MFF by integrating approximately 5,000 additional users to the grid—connecting households, schools, and medical facilities in rural communities for the first time.

The **Port Moresby Power Grid Development Project** is refurbishing key renewable generation assets in the nation's capital. The project is also improving distribution and transmission lines to increase energy efficiency, grid reliability, load management, and building the capacity of utilities to manage the infrastructure sustainably.



Mothers with their children waiting for routine check ups at the newly refurbished health post in Tambul District, Western Highlands Province.

Effective and Resilient Health Systems

PNG has the lowest life expectancy in the Pacific region (65 years). The estimated burden of disease is dominated by chronic diseases including stroke and heart disease, but also includes conditions of poverty such as pneumonia and neonatal conditions. Due to weak information systems, there is uncertainty on the leading causes of ill health, which prevents effective priority setting. Poor health outcomes in PNG are due to limited and

declining access to services, and deteriorating quality of care. These factors are the result of volatile and unpredictable financing and weak regulatory frameworks.

ADB is supporting PNG's health system to deliver better services to the rural population. Targeted assistance is contributing to improved health outcomes, reduced health inequities, and strengthened financial protection in health.



56 HEALTH FACILITIES UPGRADED

STRENGTHENING FRONTLINE HEALTH SERVICES THROUGH IMPROVED PROVINCIAL MANAGEMENT

In partnership with the Government of PNG and the Government of Australia, ADB is upgrading health service networks across PNG and supporting the transformation of PNG’s health information system to a digital platform. To improve the quality of health services, health workers are being upskilled in essential clinical procedures. Provincial health managers are being trained in governance, leadership and management enabling provincial health authorities to make evidence based decisions on resource allocation and planning. ADB is using policy-based lending to support the Government of PNG achieve whole of government public finance management reforms that impact the health sector’s ability to perform efficiently.



2,500 HEALTH WORKERS TRAINED

The **Rural Primary Health Services Delivery Project** is rehabilitating rural health infrastructure to meet national health standards, upskilling health workers to safely deliver babies, developing a digital health information system to provide real time information on service delivery, and health promotion and reproductive health activities in communities.

The **Health Services Sector Development Program** will continue to support the Government of PNG to deliver quality health services and support provincial health authorities to operate effectively. The program will assist the government to implement reforms that will strengthen financial management in the health sector, and will make direct investments to support health care services. All investments will contribute to a more sustainable and efficient national health care system.



680 HEALTH FACILITIES USING DIGITAL TECHNOLOGY

From top to bottom: A staff and a family planning advocate at the rural health project in the Highlands region; A mother with her two-month old baby during a post-natal check-up; Patients receiving essential health care.

Private Sector Support and Economic Productivity

A diverse economy—and an efficient and enabling business environment—support the equitable distribution of opportunities and long-term sustainable growth. Although mineral and fuel extraction projects have enabled PNG to achieve uninterrupted economic growth for more than a decade, the country's strong economic performance has not produced benefits for the majority of its population, and the economy continues to rely on commodity exports. Small businesses lack capital to grow, international firms struggle to navigate the business environment, and families lack basic skills in financial literacy.

ADB is working with the government to diversify the economy, leverage public–private partnerships (PPPs) to drive growth, and reform institutions to strengthen the business environment. ADB is also helping increase access to finance, improve financial literacy, and develop opportunities for the workforce to engage in the formal economy.

In partnership with the governments of Australia and New Zealand, ADB's **Pacific Private Sector Development Initiative** is supporting an integrated range of initiatives to help businesses start, grow, and compete, and thereby develop PNG's economy. A broad business law reform program is improving and simplifying business formalization processes to encourage entrepreneurs to enter the formal economy, as well as identifying barriers to investment. Efforts to increase the use of a recently established secured transactions law and its associated registry are enabling more businesses to access finance using non-land assets as collateral. Work is also being undertaken to develop nontraditional access to finance for businesses such as developing peer-to-peer lending and equity crowd funding. A recently completed review of PNG's competition and consumer protection framework saw a comprehensive suite of recommendations endorsed by the Government of PNG, including agreement to progress sweeping competition law reforms and the establishment of the country's first national competition policy.



201,000

FINANCIAL LITERACY TRAINEES

INCLUDING 95,000 WOMEN



From top to bottom: Women working in subsistence fishing learn how to develop sustainable businesses; serving bank clients using an online system at MiBank, Port Moresby; women of Gaire Village, Central Province learning financial literacy.



A young girl playing at the beach during sunset in Kimbe.

The **Pacific Private Sector Development Initiative** is also encouraging appropriate state participation in the economy by providing advice on PPP frameworks and transactions, including on projects to establish solar farms in provincial centers, and on options to meet Port Moresby's future water supply needs. The initiative is also supporting a pilot project that will help women enter the fisheries sector, and will demonstrate a scalable model for establishing sustainable businesses in the formal economy.

In February 2017, ADB and the PNG National Airports Corporation signed a **transaction advisory services agreement**, leveraging a PPP to develop a new international passenger terminal and infrastructure development at Jacksons International Airport in Port Moresby. The new terminal will allow the airport to meet traffic demands over the next 30 years. The project is the first PPP transaction advisory engagement undertaken by ADB in both PNG and the Pacific as a whole. ADB is developing a bankable commercial structure to tender the project to international investors, and help the National Airports Corporation award the concession and reach financial close.

As a part of its **Trade Finance Program**, ADB signed an agreement with a domestic commercial bank, Kina Bank, which will enable ADB to provide credit guarantees of up to \$4 million annually. The credit guarantees will support local small and medium-sized enterprises to engage in international trade. The program pairs credit guarantees with workshops to build domestic knowledge surrounding trade finance products and operations.

The **Microfinance Expansion Project** is building financial literacy and increasing access to credit opportunities. Activities are supporting PNG's financial institutions to provide profitable, appropriate, reliable, and safe financial services to a growing number of customers and potential customers across the country. The project is supporting the private sector to build the national economy and create new job opportunities in the formal economy.

Cover photo: Tea and coffee grower along Kindeng-Kondipina Road. The road is part of ADB's Highlands Region Road Improvement Investment Program.
All photos are from ADB.



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