



## Asian Development Bank & Papua New Guinea

### FACT SHEET

**Table 1. Papua New Guinea: Development Indicators**

Non-MDG	
Population in millions	6.52 (2008)
Annual population growth rate (%)	3.4 (2006–2008)
Adult literacy rate (%)	57.8 (2007)
Percent of population in urban areas	12.6 (2007)
MDG	
Percent of population living on less than \$1.25 a day	35.8 (1996)
Percent of population living below the national poverty line	37.5 (1996)
Under-5 mortality rate per 1,000 live births	65 (2007)
Percent of population using an improved drinking water source	40 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.  
UNESCO. 2009. Institute for Statistics Data Centre.  
World Bank. 2009. World Development Indicators Online.

Papua New Guinea's (PNG) mineral-rich economy has been growing at its strongest rate in over a decade, resulting in increased business confidence, high employment growth, stronger investment, and better business profits. This improved growth trend stems from a combination of firm international commodity prices, improved political stability, prudent macroeconomic and fiscal policies, and low interest and inflation rates. The global recession and the subsequent ending of the commodity price boom will significantly impact the PNG economy. It is crucial that recent gains are consolidated over the medium term, and expenditures carefully prioritized which, in turn, will reinforce the importance of structural reform and the need to prioritize and address constraints to private sector-led economic growth.

Although rich in natural resources, PNG faces significant development constraints, including challenging geography, extreme ethnic diversity, and a rapidly growing, widely dispersed population. Increased development investment is essential to meet these challenges and reduce poverty in PNG, where infrastructure investment is critically needed and much of the population still lacks access to basic services.

The Government's Medium-Term Development Strategy (MTDS) emphasizes three broad development goals: (i) convert natural resource rents into sustainable development outcomes, (ii) broaden the base of the economy and the basis for economic growth, and (iii) discuss poor indicators of human and social development. Ensuring good governance, encouraging export-driven economic growth, and fostering rural development and human resources will help improve living standards.

### Relationship with ADB

Since joining the Asian Development Bank (ADB) in 1971, and is the largest borrower in the Pacific for the public sector. Within the private sector, ADB has made investments in two private equity funds—Kula Fund I and Kula Fund II Limited—aggregating to \$8 million. Kula Fund I provides venture capital assistance to new and existing enterprises in ADB's Pacific developing member countries in the form of equity and equity-linked instruments (such as preferred shares and convertible bonds) while Kula Fund II Limited provides long-term equity and quasi-equity finance for small- and medium-sized enterprises in Pacific developing member countries. Both funds are diversified across a variety of industries and sectors.

A Country Program Strategy Mid-Term Review (CPSMTR), concluded in December 2008, confirmed the rationale and validity of the Country Strategy and Program (CSP) for 2006–2010, approved in June 2006, which focuses on key strategic areas, including public financial management, private sector development, the transport sector, and health and HIV/AIDS. In addition, reforming public sector enterprises remains a key issue. The CSP recognized that creating good governance is at the core of PNG's development challenge. Strengthening public financial management was assessed as a key governance intervention that could drive broader public sector reform and the Government's MTDS implementation. Support for the transport

sector reflected the pivotal role played by the sector in achieving economic growth and improved social service delivery—especially in the rural areas. The focus on private sector development was to help the Government address its economic growth objectives and increase the participation of Papua New Guineans in the economy. The CSP responded to pressures in the health sector by tasking ADB to contribute new ideas and models for effective health service delivery and HIV/AIDS prevention.

Beginning in 2001, PNG's borrowing from ADB was lower than that in earlier years, with only four new loan projects approved from 2001 to 2004 and none in 2005. Borrowing has since picked up, with two loans approved in 2006 for supplementary financing of a road project, and another two loans in 2007 for a port project, one of which is complemented by a \$1.5 million Japan Fund for Poverty Reduction (JFPR) project. In 2008, ADB approved a Highlands Region Road Improvement Investment Program of \$100 million with a loan from the Asian Development Fund (ADF) resources. As of 31 December 2008, 10 ongoing loan projects cover the areas of road and water transport, microfinance, and public sector financial management.

Although there are no ongoing health sector loans, ADB has long been a key partner for PNG in health, and support resumed in 2006 with a \$15 million grant from ADF resources (with a further \$7.0 million cofinancing) for HIV/AIDS protection and treatment in rural development enclaves.

Recognizing the critical role of private sector development in overall growth, ADB is actively involved in the following private sector development activities: (i) Design of a National Public–Private Partnership Policy; (ii) Secured Transactions Framework Reform; (iii) Support for the Independent Consumer Competition Commission (ICCC) and PNG's Medical Supply Distribution System; (iv) Increasing Access to Finance through Mobile Banking; and (v) Public Information and Private Sector Advocacy Activities.

The CSP can be found at [www.adb.org/Documents/CSPs/PNG/2006/default.asp](http://www.adb.org/Documents/CSPs/PNG/2006/default.asp).

**Table 2. Papua New Guinea: Economic Indicators, 2004–2008**

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	570	680	730	850	...
GDP growth (% change per year)	2.7	3.6	2.6	6.5	7.2
CPI (% change per year)	2.1	1.8	2.4	0.9	10.8
Unemployment rate (%)	...	...	...	...	...
Fiscal balance (% of GDP)	1.6	0.1	3.1	2.5	0.0
Export growth (% change per year)	18.1	26.5	26.8	11.5	22.9
Import growth (% change per year)	22.0	4.4	30.5	32.1	13.7
Current account balance (% of GDP)	3.1	12.4	7.3	2.0	8.7
External debt (% of GNI)	64.2	50.0	48.0	40.2	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.

ADB staff estimates.

World Bank. 2009. World Development Indicators Online.

**Table 3. Papua New Guinea: 2008 Loan, TA, and Grant Approvals (\$ million)**

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
100.0	–	3.0	–	103.0

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$1,127.0 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$710.6 million

## Impact of Assistance

In December 2008, ADB provided additional funding for rehabilitating and upgrading feeder roads in the Highlands Region, where much of the population lives. Deteriorating road infrastructure, especially in the mountains, is proving to be a significant impediment to development. Recognizing the importance of good road transport, the Government has made restoring transport infrastructure a top priority. The project will benefit local communities by providing greater access to markets for produce and services.

ADB's technical assistance to develop a National Public–Private Partnership Policy for PNG has been well received, and the Policy enjoys the highest political support. The National Executive Council approved the new Public–Private Partnership Policy in 2008 and will provide the basis for strengthening private sector participation.

ADB efforts in the health and HIV/AIDS sector have been very successful in creating a functioning public–private partnership that has considerably improved and extended health services in rural development enclaves. Outcomes, to date, suggest that the development impact of the enclave's operators is likely to be sustainable.

**Table 4. Papua New Guinea: Cumulative ADB Lending as of 31 December 2008**

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	9	150.45	13.35
Education	4	55.90	4.96
Energy	5	43.03	3.82
Finance	4	32.10	2.85
Health, Nutrition, and Social Protection	8	114.01	10.12
Industry and Trade	1	8.40	0.75
Law, Economic Management, and Public Policy	2	95.80	8.50
Multisector	7	55.90	4.96
Transport and Communications	19	525.86	46.66
Water Supply, Sanitation, and Waste Management	4	45.55	4.04
<b>Total</b>	<b>63</b>	<b>1,126.99</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

**Table 5. Papua New Guinea: Project Success Rates**

By Sector	Percentage <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	16.7	6
Education	0.0	3
Energy	0.0	2
Finance	0.0	3
Health, Nutrition, and Social Protection	0.0	5
Industry and Trade	0.0	1
Law, Economic Management, and Public Policy	0.0	1
Multisector	75.0	4
Transport and Communications	71.4	7
Water Supply, Sanitation, and Waste Management	66.7	3
<b>Total</b>	<b>31.4</b>	<b>35</b>
By Year of Approval		
1970s	37.5	8
1980s	38.5	13
1990s	25.0	12
2000s	0.0	2

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

## Future Directions

ADB's operational strategy for PNG continues to align with the MTDS. The emphasis continues to be on public financial management, private sector development, transport, and HIV/AIDS and health. In the event that the Government elevates power as a national priority, then ADB stands ready to support power sector development. ADB also sees the potential to broaden its infrastructure support to include civil aviation. ADB is of the view that increased development investment is essential to reduce poverty in PNG, where infrastructure is deteriorating and majority of the people lack access to basic services. There is scope to expand ADB's lending program within the limitations of the Government's Medium-Term Fiscal Strategy and the Fiscal Responsibility Act 2006.

Following the CPSMTR, ADB is moving toward even greater involvement in the transport sector through assistance toward the rehabilitation, maintenance, and development of transport infrastructure. ADB will work with the Government and other partners to establish sector-wide development and financing mechanisms, but in the meantime, ADB will consider financing requests from Government for high priority and/or urgent transport projects. ADB is well placed to help rehabilitate and improve PNG's civil aviation infrastructure. Preparations will begin for a deeper engagement in the transport sector that is oriented to meeting the sector's own assessment of its investment requirements and financing plans. Support for transport would continue to seek to maximize the involvement of the private sector.

Efforts to improve government systems and processes will continue over the remainder of the CSP through support for public financial management. This support is to be provided through government-wide initiatives led by the Departments of Finance and Treasury, through

**Table 6. Papua New Guinea: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008**

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		10
Contract Awards/Commitments	38.9	16.1
Disbursements	27.4	19.9
Loans at Risk (%)	21.4	–

– = nil.

**Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>**

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

sector-specific efforts as part of infrastructure projects, and by support for an improved supervisory regime for state-owned enterprises.

ADB envisages an increased role for the private sector in its activities, and this is to be pursued in infrastructure and by efforts to bring alternative service providers into the delivery of rural health services. This increased role for the private sector will be achieved through continued work to improve the investment climate for the private sector, including facilitating access to finance. The Public–Private Partnership Policy is emerging as a cornerstone of an expanded role for the private sector in the economy, and its development will be actively supported over the remainder of the CSP.

## Partnership

Consistent with the Paris Declaration objectives of increasing aid effectiveness, continued cooperation with development partners through Government-led processes has become a key feature of ADB's work in PNG. Furthermore, consistent with ADB's development results action plan to improve its effectiveness in reducing poverty and promoting development in the Asia and Pacific region, ADB will continue to support the Government's work of developing its own results-management framework and adopts the Government's performance targets and indicators in the draft country operations and business plan for PNG.

As PNG's key external partner, Australia has provided generous development assistance since PNG's Independence. ADB works closely with Australia in developing and implementing ADB's program.

**Table 8. Papua New Guinea: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008**

Contractor/Supplier	Sector	Contract Amount (\$ million)
Covec (PNG), Ltd.	Transport and Communications	17.19
Skills Development Trust Fund	Education	8.50
Nawae Construction and Australian Maritime	Transport and Communications	5.41
MMK Transport, Ltd.	Transport and Communications	4.93
Civpac Contractors Pacific, Ltd.	Transport and Communications	4.53
Tiong Seng Contractors	Transport and Communications	3.83
Shorncliffe	Transport and Communications	3.66
Daltronic Electronics, Ltd.	Law, Economic Management, and Public Policy	3.43
Global Construction	Transport and Communications	3.01
CMSS (PNG), Ltd.	Transport and Communications	2.70

**Table 9. Papua New Guinea: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Papua New Guinea*	43	1.86
QCPP/Central Drillers/Watersearch	1	0.64
Morobe Service Providers Association	1	0.01
Diwai Pacific, Ltd.	1	0.01

\* Consultant may have one or more contracts within the period covered.

**Table 10. Papua New Guinea: Top individual consultants involved in ADB technical assistance projects, 1 January 2004–31 December 2008**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Deloitte Touche Tohmatsu	1	0.30
KPMG Papua New Guinea	1	0.21
Individual Consultants from Papua New Guinea*	10	0.17
Institute of National Affairs (INA)	1	0.03

\* Consultant may have one or more contracts within the period covered.

To maximize the effectiveness of its operations, ADB has developed strong partnerships in key sectors and thematic areas, including health, financial management, transport, and procurement.

ADB also works closely with other development partners, including the World Bank, the European Commission, Government of New Zealand, and United Nations agencies.

ADB cooperates with civil society organizations in PNG to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, through the Employment-Oriented Skills Development Project, ADB supported the nongovernment organization, HOPE Worldwide PNG, to train unemployed youths in urban market gardening. The organization established business linkages with supermarkets and restaurants, and supported young farming entrepreneurs to join forces in providing a regular supply of high-quality vegetables.

## Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The

additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for Papua New Guinea amounted to \$64.8 million for nine investment projects, and \$4.4 million for seven technical assistance projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at [www.adb.org/Documents/Fact\\_Sheets/PapuaNewGuinea/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/PapuaNewGuinea/cofinancing.asp).

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 168 contracts were awarded to consultants from PNG worth \$13.3 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which 37 contracts were awarded to consultants from PNG worth \$2.4 million.

A summary of procurement contracts awarded to companies and consultants from PNG for goods and works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/PapuaNewGuinea/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/PapuaNewGuinea/procurement.asp).

## About Papua New Guinea and ADB

Papua New Guinea is the 28<sup>th</sup> largest shareholder among regional members and the 36<sup>th</sup> largest shareholder overall.

### ADB Membership

Joined	1971
Shares held	3,320 (0.09%)
Votes	16,552 (0.37%)

**Kyung-Hoh Kim** is the Executive Director and **James Tsuen-Hua Shih** is the Alternate Executive Director representing Papua New Guinea on the ADB Board of Directors.

**Charles Andrews** is the Country Director for Papua New Guinea. The Papua New Guinea Resident Mission (PNRM) was opened in 2003 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. PNRM engages in policy dialogue and acts 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 (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/papuanewguinea](http://www.adb.org/papuanewguinea)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2009/PNG.pdf](http://www.adb.org/Documents/Books/ADO/2009/PNG.pdf)

Annual Report  
[www.adb.org/Documents/reports/annual\\_report/2008/](http://www.adb.org/Documents/reports/annual_report/2008/)