

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PARD\PLCO

TA No., Country and Name			Amount Approved: \$1,000,000	
TA 4722-PNG: Policies for Private Sector Development			Revised Amount:	
Executing Agency: PNG Chamber of Commerce and Industry		Source of Funding: JSF	Amount Undisbursed: \$103,121.67	Amount Utilized: \$896,878.33
TA Approval Date:  09 Dec 2005	TA Signing Date:  10 Jan 2006	Date:  16 Apr 2007	Fielding of First Consultant:	TA Completion Date Original: 28 Feb 2008 Actual: 31 Dec 2009 Account Closing Date Original: 28 Feb 2008 Actual: 26 Apr 2010
<p><b>Description</b></p> <p>During the 2000-2006 period, economic growth in Papua New Guinea (PNG) barely kept pace with population growth. The health of the economy depends largely on buoyant commodity prices, and the enabling environment is not strong enough to support business development and broader economic growth benefiting the population at large. PNG suffers an inability to translate public policy for the private sector into concrete and consistent private sector development (PSD) reform action. As noted in the Government's Medium Term Development Strategy, difficult country conditions prevail, including corruption, chronic political instability, weak management capacity in the Government, an internal system of patronage, social conflicts and poor security, and small and isolated markets. Government action can alleviate impediments to economic growth by providing public goods and the enabling environment necessary to promote private sector development.</p> <p>ADB completed a private sector assessment (PSA) in 2003 which suggested measures to help the Government identify and remove the obstacles to growth of the private sector. Private sector representatives expressed support for resolving the issues raised in the PSA and provided input to the design of this technical assistance (TA), which ADB agreed to support. The Government asked ADB to provide TA support for developing and initiating private sector-related economic reforms.</p> <p><b>Expected Impact, Outcome and Outputs</b></p> <p>The TA's aim was to contribute to increased private sector activity through a better investment climate and increased awareness and knowledge about the enabling environment for the private sector. It was designed to achieve this through policy dialogue and reform measures to create a demand-driven enabling environment and increase stakeholders' awareness and knowledge of good practice in PSD. Reform activities were intended to benefit both the poor and the formal commercial sector by improving (i) the legal and regulatory business environment; (ii) financial services; and (iii) the regulation, ownership, accountability, and performance of state-owned enterprises (SOE).</p> <p><b>Delivery of Inputs and Conduct of Activities</b></p> <p>Given the difficult country conditions, the TA was designed to be opportunistic in its identification of PSD reform activities through cultivating local ownership and support. By virtue of this design, the TA proved adequately flexible in adapting to difficult and changing circumstances, accommodating changes and capitalizing on opportunities as they arose. While the TA was approved on 9 December 2005, the first consultants were not deployed until 2007; these delays were largely due to competing demands for the time of the staff overseeing the TA in 2006, and subsequent changes in ADB staff, leaving project ownership unassigned for a period of time. The TA was transferred to PLCO in late 2006. At about the same time, PLCO received approval for a regional TA (RETA) to support private sector development in the Pacific [RETA 6353: Private Sector Development Initiative (PSDI)], and the TA was managed in close coordination with this RETA to maximize synergies. A full-time, PNG-based private sector coordinator was engaged in late 2007 to facilitate TA implementation, and this proved extremely useful as dialogue with both the private sector and public sector increased as a result. A total of nine consultants were hired to support various PSD reforms, including two to serve successively as full-time PSD coordinators based in PNG. The performance of all the consultants hired under the TA was highly professional and fully met the expectations. Review missions support the view that project implementation, after the first year of inactivity, proceeded well. Given the initial delays in implementation, the TA completion date was extended from 28 February 2008 to 31 December 2009. Overall, ADB and the executing agency's performance was satisfactory.</p> <p><b>Evaluation of Outputs and Achievement of Outcome</b></p> <p>The TA produced a series of outputs in five key areas:</p>				

(i) Strengthened competition framework and implementation capacity: A series of training seminars was held for the Independent Consumer and Competition Commission (ICCC), PNG's competition regulator, to support implementation of a manual on trade practice investigations. In addition, the TA also supported the ICCC in regulating competition in the newly liberalized mobile telecommunications sector. The first private license was awarded in 2007 and a rapid expansion of the sector ensued, with reduced prices, expanded coverage and a significant impact on private sector development. The TA's inputs were highly rated by the ICCC.

(ii) Private Sector Development Seminar series: The TA supported 11 seminars designed to raise awareness of PSD issues in the country. Seminars were attended by over 300 government officials, private sector representatives, civil society and other development partners. Topics ranged from telecommunications regulation, the joint launch of the 2008 PNG Private Sector Assessment prepared by the ADB and Business and Investment Environment Survey prepared by the Institute of National Affairs (INA), technical seminars on approaches to collateral reform, and public consultations on the scope and purpose of the proposed public-private partnership framework.

(iii) Public-Private Partnership (PPP) Framework: The TA supported the implementation of the National PPP Policy, developed in 2008 with TA support from ADB's PSDI RETA. Implementation of the policy involved developing a PPP law, institutional arrangements and a preliminary PPP project pipeline. Outputs included (a) a draft PPP law and regulations, (b) a business plan, budget, organizational chart and operations manual for the future PPP Centre and (c) concept notes for potential PPP projects. This work was done through a series of working sessions with an interdepartmental Task Force, which secured ownership of the proposed framework. The PSDI RETA is supporting the remaining work in 2010.

(iv) PNG Business and Investment Environment Survey: The TA supported the development of the 2007 Business and Investment Environment Survey prepared by the INA. The survey results showed that the business environment had not improved in the 5 years since 2002, and in some important areas such as the quality of infrastructure public services, had actually declined. The results of the survey, and its dissemination in tandem with the 2008 PSA, proved effective in raising awareness within the Government of the need for continuous reform to open up the economy to more competition and sustained investment in infrastructure.

(v) PNG Investment Guide: At the request of the PNG Chamber of Commerce, executing agency for the TA, the TA financed part of the costs of developing a PNG Investment Guide, for publication in both print and web media. Other co-sponsors of the publication include the Investment Promotion Authority of PNG and various private sector partners. The publication and website were launched in May 2010 and were well received.

#### **Overall Assessment and Rating**

The TA is rated successful. It was influential in diagnostic work and advocacy delivered, and through its support to the ICCC, it made a substantial contribution to expanding access to mobile telecommunications. The Minister of Treasury, in his 2008 and 2009 budget speeches, estimated that telecommunications competition alone contributed to 1-2% of GDP. In addition, the TA made a substantial contribution to creating the conditions for increasing private sector investment in infrastructure service delivery. Of the three programmed TA outputs, only output (iii)—improvement in the regulation, ownership, accountability, and performance of state-owned enterprises (SOE)—was not fully achieved. There is continued resistance to SOE reform and increased transparency in the SOE sector, and efforts to engage the Government to wholesale reforms under the TA proved unsuccessful. With support from the PSDI RETA, however, the Government has agreed to develop a community service obligation framework for SOEs in 2010, which will require increased disclosure, accountability and commercial orientation from the SOEs.

#### **Major Lessons**

One of the major lessons from the TA is the value of continued engagement, over an extended period of time, to seize reform opportunities when they arise and demobilize TA when opportunities for reform recede. The flexibility built into the TA proved critical to its success, as well as its ability to work seamlessly with the parallel PSD support provided by the PSDI RETA, also managed by PLCO.

#### **Recommendations and Follow-Up Actions**

As a result of the TA, ADB is programming a new TA in 2010 to support the launch of a PPP program and ensure that the first set of transactions can be prepared and increased private investment in infrastructure can be realized.

Prepared by: Jeremy Cleaver Designation: Private Sector Development Specialist

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.