



Papua New Guinea: Lae Port Development Project - Additional Financing

Project Name	Lae Port Development Project - Additional Financing								
Project Number	40037-043								
Country / Economy	Papua New Guinea								
Project Status	Closed								
Project Type / Modality of Assistance	Loan								
Source of Funding / Amount	<table border="1"><tr><td colspan="2">Loan 2803-PNG: Lae Port Development Project (additional financing)</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 85.00 million</td></tr><tr><td colspan="2">Loan 2804-PNG: Lae Port Development Project (additional financing)</td></tr><tr><td>Asian Development Fund</td><td>US\$ 4.12 million</td></tr></table>	Loan 2803-PNG: Lae Port Development Project (additional financing)		Ordinary capital resources	US\$ 85.00 million	Loan 2804-PNG: Lae Port Development Project (additional financing)		Asian Development Fund	US\$ 4.12 million
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Ordinary capital resources	US\$ 85.00 million								
Loan 2804-PNG: Lae Port Development Project (additional financing)									
Asian Development Fund	US\$ 4.12 million								
Strategic Agendas	Inclusive economic growth								
Drivers of Change	Gender Equity and Mainstreaming								
Sector / Subsector	Transport / Water transport (non-urban)								
Gender	Some gender elements								
Description	<p>The overall project will expand the cargo handling capacity of PNG's largest sea port at Lae, the capital of Morobe province. The overall project will also help improve the livelihood of project-affected people and reduce the prevalence of HIV in Lae and surrounding localities. This involves financing (i) construction of port facilities including a tidal basin, a multipurpose berth, and terminal works; (ii) resettlement and livelihood improvement and social improvement for affected people; (iii) consulting services for project management, construction supervision, financial management, resettlement, and socioeconomic monitoring; and (iv) gender-responsive programs for HIV awareness and prevention. Current project implementation preconstruction activities are mostly complete, including the relocation of 3,200 people from the project site. As a result of input price increases, the devaluation of the US dollar against the kina, and design modifications, the total current project cost has increased from \$154.0 million at appraisal in 2007 to \$291.4 million in 2011. The current project rationale is valid and remains applicable. The current project scope has been revised to include some improvements to construction solutions. Additional financing is requested for 65% of the total overall project cost increase, the balance to be provided from government resources.</p>								
Project Rationale and Linkage to Country/Regional Strategy	<p>Development Need. Lae port is PNG's largest, busiest, and most important port. It is a gateway linking world markets with PNG and a large hinterland containing 40% of PNG's population and half of PNG's economic capacity, including hydrocarbon and mineral resources. Lae port's cargo throughput has increased by 7.8% annually since 2006. In 2011, the cargo through Lae port is estimated to reach 3.3 million revenue tons, stretching the port to the limit of its capacity. PNG Ports Corporation Limited (PPCL) is increasing the operational efficiency of Lae port, which will help cope with the existing cargo traffic. However, the need for additional berth space is now critical. A larger and more efficient Lae port will ease a nationally significant infrastructure bottleneck that is impeding economic growth. The overall project is a high priority of the Government of PNG.</p> <p>The Current Project. The overall project will expand the capacity of Lae port by building a tidal basin (700 x 400 meters [m]) northwest of the present port facilities with a dredged depth of 13 m below sea level, a multipurpose berth (240 m long and 45-50 m wide), and terminal works including all buildings, storage areas, roads, drainage, water, electricity, and sewerage services. The tidal basin and berth are designed to accommodate vessels with an overall length of 200 m, beam of 32.2 m, and fully laden draft of 12 m. The procurement of these works is at an advanced stage.</p> <p>The overall project involves the relocation and livelihood and social improvement of about 3,200 people living on the project site. The government has financed and completed the relocation, and a Japan Fund for Poverty Reduction grant is now financing the livelihood and social improvement program. To minimize the potential risk of new HIV infections, the overall project includes support for an effective and sustainable response to the HIV epidemic in and around Lae port and Morobe province. The Lae Chamber of Commerce is the implementing agency and activities include (i) developing an HIV and AIDS code of conduct for businesses; (ii) improving seafarers' facilities; (iii) strengthening clinical institutional structures; (iv) strengthening nongovernment organizations, AIDS site committees, and the Lae police; and (v) caring for people with HIV.</p>								
Impact	Enabling environment for industrial and commercial development is created								
Project Outcome									
Description of Outcome	Port bottleneck constraining trade is relieved								
Progress Toward Outcome	As at 30 November 2014, the contractor has completed 97% of the planned works (site clearance- 100% completed, wharf- 100%, excavation/dredging/reclamation-100%, slope protection- 81% complete and container terminal /yard or land works is at 100% complete). A completion ceremony for the phase one was held on 17 December 2014.								
Implementation Progress									
Description of Project Outputs	(1). New port facilities are operational. (2). Livelihood of directly and indirectly affected people is improved (3). HIV&AIDS incidence in Lae is reduced								

Status of Implementation
Progress (Outputs, Activities, and Issues)

PROCUREMENT OF MAJOR CONTRACT PACKAGES:

(I) CONSTRUCTION SUPERVISION CONSULTANCY:

The National Executive Council approved the awarding of contract to Korea Engineering Consultants Corp. (KECC) on 7 July 2011. The contract was signed on 29 Dec 2011 and consultants mobilised in late March 2012.

PORT FACILITIES: The major civil works involving dredging and the construction of the wharf and the terminal was grouped into one contract package to attract international bidders. Bids were issued on 19 Jan 2011 and closed 21 April 2011. The EA awarded the contract (K734 million) on 26 March 2012 to China Harbour Engineering Company Ltd. The contractor commenced work on 30 June 2012.

The Phase one construction work has been completed in line with the construction schedule. As at 30 November 2014, the contractor has completed 97% of the planned works (site clearance- 100% completed, wharf- 100%, excavation/dredging/reclamation-100%, slope protection- 81% complete and container terminal /yard or land works is at 100% complete).

A completion ceremony for the phase one was held on 17 December 2014.

(III) ADDITIONAL FINANCING: Due to costs increase, additional financing of \$89.12 million was approved by ADB on 10 Nov 2011, the Loan and Project Agreements were signed on 30 April 2012 and the loans were declared effective on 21 June 2012.

Disbursements from additional financing loans commenced in August 2013 and have been fully utilized as at the completion of phase one.

Livelihood improvement programs and social infrastructure works is being procured and works commenced in Qtr 1 2012. Japanese Government on 13 Dec 2011 approved EA's request to extend closing date from 11 June 2011 to 11 June 2013. This has been further extended to 11 June 2014 and then further extended again to 31 October 2014 for disbursement purposes.

The JFPR funded Livelihood and Social Improvement Program was targeted to benefit the affected people (APs) and indirectly affected people (Labu). Progress achieved to date include: (i) a program of civil works for improving social infrastructure and services for the poor communities and refurbishment of 11 schools where project affected children study and eight health centres where project affected people have resettled.

Improvement on all eleven (11) schools and eight (8) health centers have been completed with the delivery of water tanks school and medical supplies to health centers as additional works, (ii) Program for APs and Labu. Four service providers were engaged to implement the livelihood activities under the project and these activities have been completed.

The Morobe Provincial Administration engaged Nationwide Microbank Ltd to facilitate this activity. After BK's contract was terminated, MPA negaged new service providers to support this program.

To be assessed after completion

To be assessed after project completion.

Geographical Location	Lae
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Safeguard Categories

Environment	B
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Hill, David J.
Responsible ADB Department	Pacific Department
Responsible ADB Division	Papua New Guinea Resident Mission (PNRM)
Executing Agencies	Independent Public Business Corporation(IPBC)

Timetable

Concept Clearance	19 Jul 2012
Fact Finding	18 Jul 2011 to 12 Aug 2011
MRM	12 Sep 2011
Approval	10 Nov 2011
Last Review Mission	-
Last PDS Update	23 Sep 2015

Loan 2803-PNG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
10 Nov 2011	30 Apr 2012	21 Jun 2012	31 Dec 2014	31 Dec 2015	30 Jun 2016

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	85.00	Cumulative Contract Awards			
ADB	85.00	17 Jun 2022	84.98	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	84.98	0.00	100%

Loan 2804-PNG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
10 Nov 2011	30 Apr 2012	21 Jun 2012	31 Dec 2014	31 Dec 2015	30 Jun 2016

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	4.12	Cumulative Contract Awards			
ADB	4.12	17 Jun 2022	4.06	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	4.06	0.00	100%

Project Page	https://www.adb.org/projects/40037-043/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=40037-043
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