



November 2016

Periodic Financing Requests for Multitranche Financing Facility Tranches, November 2016

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Asian Development Bank

**PERIODIC FINANCING REQUESTS FOR MULTITRANCHE FINANCING FACILITY
TRANCHES, NOVEMBER 2016¹**

1. Attached is the submission of periodic financing requests (PFRs) from the Pacific Department. The following PFR was received:

MFF Number and Name	Tranche Number	Date of Request
MFF0051—PNG: Town Electrification Investment Program	2	15 November 2016

2. The Central and West Asia Department, East Asia Department, South Asia Department, and Southeast Asia Department have nothing to report for this period.

3. The President will consider PFRs for approval 10 working days after their circulation to the Board.²

¹ This report is for approved multitranche financing facilities only. It excludes reporting of first tranches described in detail in the report and recommendation of the President submitted for Board consideration.

² In preparing any country partnership 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 judgment as to the legal or other status of any territory or area.

TRANCHE AT A GLANCE

1. Basic Data		Project Number: 41504-025	
Project Name	Town Electrification Investment Program - Tranche 2	Department /Division	PARD/PATE
Country Borrower	Papua New Guinea Government of Papau New Guniea	Executing Agency	Energy Division of the Department of Petroleum and Energy
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Energy	Electricity transmission and distribution		60.90
		Total	60.90
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Mitigation (\$ million)	5.00
Environmentally sustainable growth (ESG)	Eco-efficiency	CO ₂ reduction (tons per annum)	70,000
	Global and regional transboundary environmental concerns	Climate Change impact on the Project	Low
	Natural resources conservation		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Some gender elements (SGE) ✓	
	Institutional development		
	Organizational development		
Knowledge solutions (KNS)	Pilot-testing innovation and learning		
Partnerships (PAR)	Bilateral institutions (not client government)		
	Official cofinancing		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	Yes	Rural	Medium
Household Targeting	No	Urban	Medium
SDG Targeting	Yes		
SDG Goals	SDG7		
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: B Indigenous Peoples: B		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		60.90	
Sovereign MFF-Tranche (Loan): Asian Development Fund		5.00	
Sovereign MFF-Tranche (Loan): Ordinary capital resources		55.90	
Cofinancing		0.00	
None		0.00	
Counterpart		15.70	
Government		15.70	
Total		76.60	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		Yes	

TRANCHE AT A GLANCE

Date of Receipt by ADB of PFR: 15 November 2016

Tranche Number: 2

10. Country Operations Business Plan

CPS

<http://www.adb.org/documents/papua-new-guinea-country-partnership-strategy-2016-2020>

COBP

<http://www.adb.org/documents/papua-new-guinea-country-operations-business-plan-2015-2017>

11. Tranche Summary

The components proposed for financing under the requested PFR are:

Component 1: Rehabilitation of two hydropower plants: (i) Yonki Toe of Dam (YTOD) hydropower plant, and (ii) Warangoi hydropower plant, which are currently operating below their full capacities. After rehabilitation, these plants will be capable of operating at their rated capacity of 28.0 MW-18 MW YTOD, and the 10 MW Warangoi plant. Moreover, the proposed rehabilitation will extend the economic life of these plants by another 20 to 25 years and ensure that they are brought to current standards.

Component 2: Construction of Ramazon run-of-river small hydropower plant with a preliminary capacity of 3 MW. The project will include construction of a (i) concrete weir, (ii) 5 km pipeline, (iii) penstock, (iv) powerhouse, and (v) new access road from the existing road to the powerhouse and internal roads within the project area.

Impact: Improved economic condition of the population in the targeted provincial centers.

Outcome: Improved utilization of reliable, clean power to three provincial urban centers.

Outputs: (i) PNG Power Ltd (PPL) rehabilitates three aging hydropower plants to bring them back to their rated capacity of 28.0 MW, (ii) PPL constructs and connects to the grid 3.0 MW of hydropower capacity, (iii) Capacity building is undertaken for implementing agency and project beneficiaries, and (iv) The Project Management Unit renders efficient project management services.

Implementation Arrangements: Energy Division of the Department of Petroleum and Energy will be the executing agency.

Project Readiness: Tranche 1 is under implementation. Loan closing for Tranche 1 was extended from 30 June 2014 to 1 June 2016.

12. Significant Developments in the MFF and Previous Tranches

Despite initial delays due to land acquisition, TEIP Tranche 1 is now performing well in the delivery of expected outputs. As of August 2016, (i) cumulative contract awards stood at \$34 million, or 61% of ADB financing, (ii) cumulative disbursements had reached \$21 million, or 38% of ADB financing, and (iii) the physical progress of TEIP Tranche 1 stood at 15%. Consultants for design, supervision, project management and capacity building were mobilized in October 2012. A major civil works contract is currently being negotiated for construction of the Divune Hydropower Plant (\$18.5 million). Safeguard compliance has been met and quarterly monitoring is being undertaken. The project has been performing well and there are no major issues with respect to development objectives or implementation arrangements. The project is rated as "On track" in the performance rating.

13. Milestones

Estimated Approval

7 December 2016

Estimated Completion^a

31 December 2019

14. Linked Documents

	Required Document	Disclosure Date
(i) Environment	IEE - Initial Environment Examination	
Weblink:	https://www.adb.org/projects/documents/png-teip-t2-oct-2016-iee	04-OCT-2016
(ii) Involuntary Resettlement	RP - Resettlement Plan	
Weblink:	https://www.adb.org/projects/documents/png-town-electrification-investment-t1-ramazon-hydro-power-and-tl-dec-2015-rp	31-DEC-2015
(iii) Indigenous Peoples	IPP - Indigenous Peoples Plan	
Weblink:	http://www.adb.org/projects/documents/png-teip-t2-arob-aug-2016-ipp	31-AUG-2016

^a For Tranches, this refers to the financial closing date.