



# Papua New Guinea: Transport Sector Preparatory Project

Project Name	Transport Sector Preparatory Project	
Project Number	53325-001	
Country	Papua New Guinea	
Project Status	Approved	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan 6032-PNG: Transport Sector Preparatory Project	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 31.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships	
Sector / Subsector	Transport - Transport policies and institutional development	
Gender Equity and Mainstreaming	No gender elements	
Description	The proposed project readiness loan will finance the preparation of the feasibility study and the detailed engineering design including bidding documents and procurement support for the: (i) Northern region road corridor (Mamose international highway) between Wutung and Angoram, and (ii) Highlands Region Road Improvement Investment Program Phase 2, including approximately 150 km of roads on the Highlands core network to be defined later, and (iii) Northern region road corridor Wau-Bulolo highway between Lae and Malaluwa.	

**Project Rationale and Linkage to Country/Regional Strategy**

Papua New Guinea (PNG) faces a unique set of challenges in transport sector development. The country's geography is largely mountainous with 63% of total land area covered in dense jungle and rainforest. High levels of precipitation and volcanic activity also make the country prone to natural disasters. PNG's urbanization rate stands at 13%, with most of the population being not part of the formal economy and remaining rural-based and widely distributed.

The Northern Coastal Region (NCR), including East and West Sepik and Madang provinces, remains one of the least accessible in the country. The NCR has a challenging terrain including large rivers with extensive coastal deltas. It is remote and isolated from PNG's major population and growth centers and is only accessible by air and coastal shipping. Accessibility within the provinces is limited. The NCR suffers from lack of delivery of social services including education and health services due to insufficient transport accessibility. The NCR is richly endowed with mineral, fishery, forest, agriculture and tourism resources. Its exports include liquefied natural gas, gold, copper, nickel, cobalt, timber, sugar, vanilla, cocoa and palm oil. Despite its abundant natural resources, the economy is underdeveloped due to weak industrial foundation, inadequate infrastructure and lack of funds.

The PNG transport network comprises three main transport modes: the road system, ports, and airports. The existing infrastructure network meets the bulk of PNG's transport demands but transport costs are high across all three major modes of transport and a lack of connectivity presents a serious challenge to doing business especially in the NCR. The government continues to play an important role in managing transport systems.

The northern region road corridor starts from Indonesian border in the proximity of Vanimo (capital of West Sepik Province) extending southeast along the Northern coast to Wewak (capital of East Sepik Province) and Madang (capital of Madang Province) extending then further south via Lae (capital of Morobe Province) and finally to Kerema (capital of Gulf Province) at the south coast of the New Guinea island. The total length of the northern region corridor is 1,457 km and it connects the ports of Vanimo, Wewak, Madang and Lae to the southern region and the Highlands highway corridors. The existing northern region road is largely in very poor condition. Significant parts are unpaved earth roads and many of them are single lanes that need to be widened to two lanes. The route also includes three missing links, namely: (i) Vanimo-Aitape (82 km), (ii) Bogia-Angoram (116 km), and (iii) Wau-Malalaua (133 km). To complete the entire route will be very challenging given the total length of the route and the swampy terrain condition in the Sepik region and mountainous terrain in Morobe and Gulf provinces.

The PNG's long-term transport development goals are encapsulated in the country's National Strategic Plan (Vision 2050) as an economic development framework. Vision 2050 identified service delivery, development of human capital and wealth creation as top priorities of the country with the expansion of transport services underscoring all of these goals. The PNG Development Strategic Plan (DSP) 2010-2030 aims to increase the country's share of national roads in good condition from 33% in 2010 to 100% by 2030, in addition to tripling the network's length to 25,000 km. This strategy recognizes the northern region road corridor as one of the most critical economic corridors in PNG. Improving the corridor is also in line with the National Transport Strategy (NTS, 2014-2030) which is the government's roadmap for transport sector development.

The Medium-Term Development Plan III (MTDP III, 2018-2022) serves as the national policy framework to deliver the key development outcomes with a rolling five-year investment plan. The overall goal of MTDP III is securing our future through inclusive sustainable economic growth' and guides the government to: (i) focus on key economic, infrastructure, social, law and justice development outcomes; (ii) adopt a medium and long-term view to development planning, implementation and monitoring; (iii) align all development plans over the medium term towards achieving Vision 2050 targets; and (iv) identify and prioritize resourcing of the sector programs and projects in the 5 years. The program is identified as a priority investment in both the MTDP III and the PNG National Road Network Strategy (2018-2037).

The PNG government has requested Asian Development Bank's (ADB's) support to (i) improve the northern region corridor and (ii) continue improvement of the core road network of the Highlands region. ADB will support the government through technical assistances (TA) to prepare the due diligence studies and reports for these projects. As both government and ADB are paying increasing attention to readiness of the projects to be approved and recognizing the lessons learnt from the ongoing multi-tranche financing facilities (MFFs), additional support to increase the readiness of these projects is required. Since TA cannot finance such activities, the government requested ADB to provide project readiness facility (PRF) to finance the feasibility study and detailed design and other related activities in parallel with TAs to: (i) achieve high-level readiness, (ii) ensure smooth commencement of procurement and other implementation activities and (iii) ensure timely and cost-effective achievement of the project outcomes. The PRF will support three ensuing projects to be funded by ADB: (i) Improving the existing highway and constructing the missing link of the Northern region road corridor (Mamose international highway) between Wutung and Angoram with a total length of 440 km; (ii) Improving approximately 150 km of the Highlands core network; and (iii) constructing the missing link of 140 kms between Lae and Malalaua of the Northern region road corridor. The target is to design multitranche financing facilities (MFFs) for these purposes with a target approval years of 2021 and 2022. The MFFs, PRF and TA to support the design of MFFs are included in the country operations business plan (COBP) 2020-2022 for PNG.

The PRF will also expand and complement ongoing MFFs and represent significant value added for the government's investment in the road subsector by providing further capacity support to supplement ongoing MFFs and integrate findings/lessons from the previous experiences into project designs. The PRF will focus on the northern region road corridor but provide also continuity for the ongoing development of Highlands highway corridor by financing preparation of technical design for the roads to be improved in the proposed Highlands Region Road Improvement Investment Program (HRRIP) Phase 2.

The proposed PRF is aligned with the Pacific Approach (2016-2020) by supporting the target to reduce costs by improving domestic and regional connectivity through transport infrastructure, managing risks, and enabling value creation. The PRF is also aligned with ADB's Strategy 2030 which expands focus on high-quality and innovative solutions and technologies to tackle climate change and disaster risk threats by creating better, efficient and more sustainable connectivity and access. Furthermore, the PRF reflects ADB's Strategy 2030 to tackle climate change providing a long-term solution as the proposed corridor located mainly in the coastal region will be resilient to increased risk of sea level rise, flooding, storms and heat stress. The PRF is in line with the country partnership strategy (CPS 2016-2020) supporting more efficient, safer movement of people and goods which is the one of the core areas of government sector objectives in the CPS.

Impact	
Project Outcome	
Description of Outcome	
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Business Opportunities	
Consulting Services	The government delegated the consultants' selection from the executing agencies to ADB. The executing agencies and ADB will jointly prepare the terms of reference, budget estimates, and short-listing criteria; and recommend the choice of selection method. The DOWI will negotiate the contract with the first-ranked firm; and the DOWI, Department of Transport (DOT), and consultants will sign the contracts. ADB may assist negotiations, if required. The recruitment of all consultants will follow the ADB Procurement Policy the Procurement Regulations for ADB Borrowers, and associated staff instructions. ADB has advised the borrower that approval of advance contracting does not commit ADB to finance the PRF.

Responsible ADB Officer	Kalliokoski, Ari
Responsible ADB Department	Pacific Department
Responsible ADB Division	PATC
Executing Agencies	Department of Transport Port Moresby Papua New Guinea Department of Works and Implementation P.O. Box 1108 Boroko, NCD Papua New Guinea Department of Works and Transport P.O. Box 1489, Port Moresby NCD, Papua New Guinea

Timetable	
Concept Clearance	-
Fact Finding	28 Aug 2019 to 04 Sep 2019
MRM	13 Sep 2019
Approval	07 Aug 2020
Last Review Mission	-
Last PDS Update	07 Aug 2020

## Loan 6032-PNG

	Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	34.10		Cumulative Contract Awards			
ADB	31.00	-	0.00	0.00		%
Counterpart	3.10		Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00		%

Project Page	<a href="https://www.adb.org/projects/53325-001/main">https://www.adb.org/projects/53325-001/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=53325-001">http://www.adb.org/forms/request-information-form?subject=53325-001</a>
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