



Papua New Guinea: Town Electrification Investment Program, Tranche 1 (Additional Financing)

Project Name	Town Electrification Investment Program, Tranche 1 (Additional Financing)	
Project Number	41504-026	
Country	Papua New Guinea	
Project Status	Approved	
Project Type / Modality of Assistance	Grant	
Source of Funding / Amount	Grant 0469-PNG: Town Electrification Investment Program, Tranche 1 (additional financing)	
	New Zealand Grant	US\$ 4.80 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Energy - Energy sector development and institutional reform	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	<p>On 6 December 2010, the Board of Directors of the Asian Development Bank approved loan financing of \$120 million from Asian Development Fund (ADF) and Ordinary Capital Resources (OCR) for the Multitranche Financing Facility (MFF) Town Electrification Investment Program. The Government of Papua New Guinea provided \$30 million bringing total program cost to \$150 million. At the same time, the Board of Directors of ADB approved Tranche 1 of TEIP, consisting of (i) \$16.4 million ADF, (ii) \$40.9 million OCR, and (iii) \$14.3 million Government counterpart financing for a total Tranche 1 cost of \$71.6 million. Tranche 1 includes (i) Divune Hydropower Plant, consisting of a 3 MW run-of-river hydropower plant, located in Northern Province, (ii) Lake Hargy Interconnection, consisting of an approximately 150 km, 66 kV transmission line connecting Bialla to Kimbe, West New Britain, accessing approximately 1 MW of spare generation capacity from the Lake Hargy Hydropower Plant, and connecting about 3 MW of biomass power (methane recovery) from palm oil plantations along the alignment, and (iii) Ramazon Hydropower Plant, consisting of a 3 MW run-of-river hydropower plant, located in Autonomous Region of Bougainville. The proposed Tranche 2 will support the objectives of the investment program by financing distribution grid extensions to households in peri-urban provincial areas along the transmission alignments constructed under Tranche 1. When combined with renewable energy investments under Tranche 1, Tranche 2 will improve utilization of reliable, clean power in the provincial urban and peri-urban centers.</p>	

Project Rationale and Linkage to Country/Regional Strategy	The proposed additional financing will complement and scale up Tranche 1 subprojects. At the request of the Government of Papua New Guinea, the Government of New Zealand has agreed to provide a grant not exceeding \$5 million (8.7% of the TEIP Tranche 1 loan amount) to reach more households and deliver greater benefits. The additional financing is integral to implementation of Tranche 1 subprojects; complementarity would be lost if deferred to Tranche 2. The proposed grant will be administered by ADB as part of the overall project implementation. The existing TEIP Tranche 1 Project Management Unit (PMU) will be responsible for project implementation. The proposed additional financing will include (i) extension of the three distribution grids, and (ii) rehabilitation of the Lake Hargy Hydropower Plant. The distribution grid extension will connect an additional 2,500 households in three provinces (i) West New Britain (1,200 households), (ii) Northern Province (700 households), and (iii) Autonomous Region of Bougainville (600 households). Rehabilitation of the Lake Hargy Hydropower Plant will include minor refurbishment of the power plant control systems and mechanical equipment to increase generation capacity from 600kW to 1,500 kW in order increase generation capacity to supply the proposed additional connections. The proposed additional financing will therefore expand the social and economic benefit of TEIP Tranche 1 and scale up the project benefits in new geographical areas to additional beneficiaries. These sites are proposed based on (i) potential to connect the largest number of households to the grid at the least cost, (ii) their technical and economic feasibility, and (iii) the readiness of ADB project processing. Affordability for poor households will be supported through supply of prepayment meters which improve household budget management and avoid issues related to disconnections. The rehabilitation works and distribution extensions will be constructed in parallel with transmission lines as they are constructed in the three provinces under TEIP Tranche 1 financing. The implementing agency (PNG Power Ltd) has been assessed as having sufficient capacity for operation and maintenance of the expanded distribution grid. The proposed additional financing is included as a firm 2015 project in the ADB country partnership strategy, 2015-2020 for PNG, which prioritizes energy as an area of support. The project supports (i) the PNG Development Strategic Plan, 2010 -2030, which gives priority to the improvement of power supply, and (ii) Electricity Industry Policy, 2011 which prioritizes the need to increase electricity access. The proposed development of the PNG power sector, including extensions of the distribution grid, is detailed in PNG Power Ltd (PPL) 15-year power development plan.
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Impact	improved economic condition of the population in the targeted provincial centers.
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Project Outcome

Description of Outcome	improved utilization of reliable, clean power to six provincial urban centers.
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Progress Toward Outcome	
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Implementation Progress

Description of Project Outputs	Distribution lines constructed and operated by PPL Lake Hargy Hydropower Plant rehabilitated by PPL Capacity building undertaken for implementing agency and project beneficiaries
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Status of Implementation Progress (Outputs, Activities, and Issues)	
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Geographical Location	
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Safeguard Categories

Environment	B
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	
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Involuntary Resettlement	
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Indigenous Peoples	
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Stakeholder Communication, Participation, and Consultation

During Project Design	stakeholders including governments, civil societies, donor partners were consulted during the project design stage.
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During Project Implementation	stakeholders including governments, civil societies, donor partners will be consulted during the project implementation.
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Responsible Staff

Responsible ADB Officer	Syed Hussain Haider
Responsible ADB Department	Pacific Department
Responsible ADB Division	Transport, Energy and Natural Resources Division, PARD
Executing Agencies	<i>Energy Div of the Dept of Petroleum and Energy P.O. Box 494 Waigani, NCD Papua New Guinea</i>

Timetable

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	09 Dec 2015
Last Review Mission	-
Last PDS Update	23 Dec 2015

Grant 0469-PNG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
09 Dec 2015	22 Jan 2016	15 Apr 2016	30 Jun 2017	-	-

Financing Plan			Grant Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	5.20		Cumulative Contract Awards			
ADB	0.00		09 Dec 2015	0.00	0.00	0%
Counterpart	0.40		Cumulative Disbursements			
Cofinancing	4.80		09 Dec 2015	0.00	0.00	0%

Project Page	https://www.adb.org/projects/41504-026/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=41504-026
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