

# **ASIAN DEVELOPMENT BANK**

## **COUNTRY STRATEGY AND PROGRAM UPDATE 2005–2006**

### **PAPUA NEW GUINEA**

**September 2005**

## **CURRENCY EQUIVALENTS**

(as of 31 August 2005)

Currency Unit	–	kina (K)
K1.00	=	US\$0.3235
US\$1.00	=	K3.0912
US\$1.00	=	A\$1.3357
A\$1.00	=	US\$0.7487

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AusAID	–	Australian Agency for International Development
CSPU	–	country strategy and program update
ECP	–	Enhanced Cooperation Program
GDP	–	gross domestic product
HIV/AIDS	–	human immunodeficiency virus/acquired immunodeficiency syndrome
IDA	–	International Development Agency
IMF	–	International Monetary Fund
MDG	–	Millennium Development Goal
OCR	–	ordinary capital resources
PNG	–	Papua New Guinea
SPC	--	Secretariat of the Pacific Community
TA	–	technical assistance
UNDP	–	United Nations Development Programme

## CONTENTS

	<b>Page</b>
I. SUMMARY OF STRATEGY	1
II. CURRENT DEVELOPMENT TRENDS AND ISSUES	1
A. Recent Political and Social Developments	1
B. Economic Assessment and Outlook	3
C. Implications for Country Strategy and Program	4
III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM	5
A. Progress in Poverty Reduction	5
B. Progress in the Country Strategy and Program Focus Areas	6
C. Highlights in Coordination of External Funding and Partnership Arrangements	8
IV. PORTFOLIO MANAGEMENT ISSUES	9
A. Portfolio Performance	9
B. Performance Monitoring and Evaluation	9
V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS	10
A. Proposed Lending Level	10
B. Nonlending Program	10
C. Summary of Changes to Lending and Nonlending Program	10
<b>APPENDIXES</b>	
1. Country and Portfolio Indicators, and Assistance Pipeline	11
Table A1.1: Progress Toward the Millennium Development Goals and Targets	11
Table A1.2: Country Economic Indicators	14
Table A1.3: Country Poverty and Social Indicators	15
Table A1.4: Country Environment Indicators	17
Table A1.5: Development Coordination Matrix	18
Table A1.6: Portfolio Indicators—Portfolio Amounts and Ratings	21
Table A1.7: Portfolio Indicators—Disbursements and Net Transfers of Resources	22
Table A1.8: Portfolio Indicators—Evaluation Rating by Sector	23
Table A1.9: Portfolio Implementation Status	24
Table A1.10: Assistance Pipeline for Lending Products, 2006	25
Table A1.11: Assistance Pipeline for Nonlending Products and Services, 2006	26
2. Concept Papers for Lending Products	27
3. Concept Papers for Nonlending Products and Services	36
4. Assistance Program for 2005	49
Table A4.1: Assistance Program for Lending Products, 2005	49
Table A4.2: Assistance Program for Nonlending Products and Services, 2005	53
5. Concept Papers for Possible Additional Nonlending Products and Services for 2005-2006	65

## I. SUMMARY OF STRATEGY

1. With the overarching objective of reducing poverty, the Asian Development Bank (ADB) strategy for Papua New Guinea (PNG) focuses on strengthening governance, supporting private sector development, and improving social conditions. PNG displays characteristics of ADB's *Weakly Performing Developing Member Countries*, underlying the difficult operating environment for ADB and other development partners.<sup>1</sup> Weak public sector management and ineffective public services remain the main development problems. ADB's short-term priorities will be: consolidation (focusing on relationships with the Government and development partners), policy dialogue in key sectors, administration and implementation of existing projects and very selective identification of operations to deliver clear results. Based on lessons learned, e.g., in supporting private sector development, ADB will explore alternative channels for the delivery of assistance to achieve development objectives.

2. ADB will continue to assist in strengthening public sector management, particularly in the areas of fiscal and financial management and public service reform. For private sector development, ADB has been helping improve sector policy and institutional frameworks (agriculture and fisheries), enhance factor productivity (skills development and microfinance services), and improve market access through selected transport infrastructure investments, especially in rural areas. ADB will expand its support to private sector development by helping to bring about critical change where the public goods that provide the foundation for private sector activity are weak or nonexistent. In the social sectors, ADB will continue to assist in policy development (health) and to support infrastructure investments (water and sanitation), and service delivery. To help address the growing HIV/AIDS pandemic, ADB will expand its efforts, using the new Asian Development Fund (ADF) grant facility.

3. Preparation of a planned joint country strategy (with Australian Agency for International Development and World Bank) was stalled for several reasons, primarily due to the reluctance of Government to engage with what is perceived as a joint assistance front. As a result, ADB, Australia, and World Bank have decided to prepare individual strategy documents that are coordinated and based on the fundamental diagnostics from earlier work for the joint country strategy. This country strategy and program update (CSPU), which has been developed in dialogue with the Government, should be viewed as a transitional document in anticipation of a full country strategy and program to be prepared in 2006.

## II. CURRENT DEVELOPMENT TRENDS AND ISSUES

### A. Recent Political and Social Developments

4. The political situation in PNG remains highly volatile. Internal stability and corruption are major concerns. The next elections in 2007 will use a system of preferential voting, designed to induce politicians to reach out to more of the electorate. This will likely improve the current situation, where many parliamentarians have been elected by less than 20% of their constituents.

5. The Government's national poverty reduction strategy provided the basis for formulation of its Medium-Term Development Strategy.<sup>2</sup> The development strategy, with its strong poverty focus, was a foundation for dialogue with the Government on CSPU development. The Government's Green Revolution Policy<sup>3</sup> places agriculture as the cornerstone of the country's

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<sup>1</sup> ADB. 2004. *ADB's Approach to Weakly Performing Developing Member Countries*. Manila.

<sup>2</sup> In part contributed through ADB technical assistance and ongoing policy dialogue, which has helped the Government analyze poverty and develop a strategic program to reduce it.

<sup>3</sup> PNG. *Government's Green Revolution Policy*. Papua New Guinea.

export drive. The policy aims to encourage greater private sector participation in agriculture and expand commercial and smallholder production. In a 12 July 2005 speech on the state of the economy and budget, the Minister for Finance and Treasury highlighted three main elements as critical to achieving a strong economy: (i) creating a stable investment climate; (ii) providing an efficient, effective, and affordable public sector; and (iii) creating a competitive and dynamic private sector. The Government has stated its intention to introduce measures to address problems with inefficient public utilities and investment regulations.

6. The Government acknowledges the need for reform, as evidenced by public discussions, statements of policy and intent, and passage of significant legislation. However, the champions of reform appear unable to translate these intentions into concrete and consistent actions. Corruption is a critical problem, and is publicly acknowledged by Government leaders and the general public. As the Government itself notes, country conditions include chronic political instability, weak management capacity in Government, a corrupt civil service, an internal system of patronage, social conflicts and poor security, and small and isolated markets.<sup>4</sup> Implementation of external assistance, particularly operations involving major reforms or policy actions, has been difficult. A generic issue has been the governance arrangements related to exploitation of natural resources. In March 2005, the Public Service Program loan<sup>5</sup> was closed without release of the second tranche. In May 2005, the World Bank's Forestry and Conservation Project was cancelled due to failure to agree on loan covenants and alleged breach of PNG legislation related to the award of forest concessions. Similar governance issues have been raised by ADB with respect to the issuance of fishing licenses by the National Fisheries Authority.

7. In late 2003, at the Government's request, the Australian government initiated its Enhanced Cooperation Program (ECP) with PNG. Under ECP, Australian civil servants were placed in both advisory and line positions in core government agencies, and Australian police deployed. In May 2005, the Supreme Court declared the ECP Act unconstitutional, resulting in the departure of Australian police from PNG. Discussions are ongoing and the expected resolution is that a reduced number of Australian police will return, in purely advisory and mentoring roles (and no longer 'on the beat'), and that the advisors in core agencies will remain in position, bolstering the Government's reform and anti-corruption efforts.

8. The private sector is constrained by, among other things, insecurity of land tenure, inefficient financial markets, insufficient physical infrastructure, inappropriate legal infrastructure (including regulation of industries), crowding-out in certain sectors of the private sector by the state, and crime and lawlessness. Although the country is rich in natural resources, its economic development is hindered by very low population densities, rugged terrain, complex customary land tenure systems, and poor human resource development. Degradation of natural resources in rural areas and poor water quality in urban and peri-urban areas contribute significantly to the incidence of poverty and constrain the country's ability to achieve both environmental and health-related MDGs. Recent increased mineral exploration, development of some small new mines and the decision to proceed with the front-end engineering design for the PNG-Australia gas pipeline may yield growth in mineral and hydrocarbon income by the end of the decade.

9. Access to basic services is poor. Literacy is low, particularly among women. Health service performance is declining at all levels of service delivery. Basic services infrastructure is deteriorating, particularly aid posts. Disease control is inadequate, with low immunization

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<sup>4</sup> The World Bank now classifies PNG as a non-core low income country under stress, characterized by weak government and institutions, coupled with high levels of poverty.

<sup>5</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Papua New Guinea for the Public Service Program*. Manila.

coverage, increasing number of tuberculosis patients, and increasing HIV<sup>6</sup> prevalence currently estimated at 1.6% among the 15 to 49 age group. The HIV/AIDS<sup>7</sup> epidemic continues to grow unabated, with prevalence estimated at up to 4% in urban areas and 1% in rural areas. The response to the HIV/AIDS epidemic has thus far been weak and ineffective. Unless its spread is constrained, the disease will have negative implications for economic growth and the fight against poverty. The country has performed poorly in areas related to gender and development such as (i) political and economic empowerment of women; (ii) protection or provision of property rights; and (iii) elimination of violence and discrimination (see table 1, goal 3).

10. General development continues to be hampered by the poor national peace and order situation. The highlands region remains unstable, and security in urban areas appears to have worsened. However, the Bougainville secessionist conflict has ended and autonomy arrangements recently finalized. Appendix 1, Table A1.1 indicates PNG's progress toward the Millennium Development Goals (MDGs) and targets.

## **B. Economic Assessment and Outlook**

11. Over the past 5 years, economic growth has barely kept pace with population growth. Gross domestic product (GDP) increased by 2.6% in 2004, slightly down from 2.8% in 2003. Subject to the vagaries of weather, commodity prices, and natural resource discoveries, GDP growth is forecast to be 2.4% during 2005–2007, on the assumptions that global economic growth will slow in the medium term, that commodity prices generally will weaken from the historic highs of 2004, and that the Government's economic and public sector reform strategies will be implemented successfully within a stable macroeconomic and political environment.

12. It is now estimated that the final result for the 2004 budget was a surplus of 1.1% of GDP, compared with an original budget target of a 1.5% deficit. Total revenues and grants exceeded projections by 11.6%, largely because of unexpectedly high mining and petroleum tax and dividend receipts. A decline in receipts from log export duties was partly offset by greater than anticipated revenues from the temporary 1% import levy introduced in the 2004 budget. On the expenditure side, although development spending exceeded the budgeted level by 7.0%, recurrent spending was kept in line with the budget. In aggregate, total expenditures and net lending exceeded the original budget estimate by only 2.4%. This improvement in expenditure control at the macro-level was a significant accomplishment.

13. Inflation in 2004 fell sharply to 1.5%, compared with 11.8% in 2003. This drop was largely attributable to the lagged effects of currency appreciation in late 2003, and the combined effect in 2004 of higher commodity prices and tighter fiscal management, causing the exchange rate to appreciate further. The strengthening of the kina prompted Standard and Poor's to raise its country rating from stable to positive at year end. The drop in inflation encouraged the Bank of PNG to ease monetary policy, leading to a sharp lowering of official interest rates in 2004.

14. The main risks to the growth forecasts are that the macroeconomic policies, public sector reform plans, and development strategies of the incumbent administration will not be implemented for political reasons, or will not elicit the expected response from the private sector. The ECP offers some insurance against economic mismanagement and further deterioration in the peace and order situation, but cannot by itself guarantee the private investment that underpins sustained and broad-based economic growth.

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<sup>6</sup> Human immunodeficiency virus.

<sup>7</sup> Human immunodeficiency virus/acquired immunodeficiency syndrome.

### **C. Implications for Country Strategy and Program**

15. This CSPU, which has been developed in dialogue with the Government, should be viewed as a transitional document in anticipation of a full country strategy and program that will be prepared in 2006. As such, this interim strategy and program covers only 2005 and 2006. The continuing political uncertainties and country characteristics that underlie weak states impede general policy dialogue, development of an agreed medium-term strategy of assistance (beyond this CSPU), and implementation of specific projects. The difficult country circumstances provide an opportunity for targeted assistance. ADB needs to reach beyond the government bureaucracy and communicate better with politicians, private sector, and civil society. The objectives and expected outcomes of ADB's strategy (and those of other donor partners) should be modest.

16. The short-term priority should be consolidation, focusing on the implementation of existing projects, exploration of alternative channels and partnerships with key donors for the delivery of assistance to achieve development objectives, and very selective identification of new lending and grant operations to deliver clear results. Transport infrastructure will continue to be an important focus of operations. Based on recent experience, the implications for ADB are: (i) to be flexible in adapting to difficult and changing circumstances, accommodating changes and capitalizing on opportunities when they arise; (ii) to operate through appropriate counterpart agencies based on their strategic position, absorptive capacity, expertise, and ownership of the development agenda; (iii) to explore modalities of working jointly with other development partners and with champions both inside the public sector and beyond; (iv) to support accountable and effective project management structures, including front-end capacity in the financial management of projects, and, to this end, redesigning existing projects, if necessary; (v) to focus on identifying and cultivating management capacity within public organizations that ADB is supporting; (vi) to ensure comprehensive stakeholder constituency-building and ownership, as well as exit strategies; and (vii) to align projects with government programs that are directed to the same development priorities. The new ADF grant facilities provide a strategic opportunity for targeted ADB support in addressing the HIV/AIDS pandemic.

17. ADB needs to continue to support public sector reform. Coordination with the ECP should be explicit, even though the role of the deployed ECP staff continues to evolve. The short-term priority is to tackle fundamental governance issues. Fiscal discipline needs to be sustained so that public resources can be targeted to protect existing investments in the social sectors and key infrastructure, requiring sharp focus for lending and grants. ADB's ongoing involvement in improving the machinery of fiscal management needs to continue.

18. The challenge of promoting an enabling environment for the private sector requires bringing about critical changes to reduce obstacles to private sector activities and promote their expansion. The public goods that provide the foundation for private sector activities are weak or nonexistent. Private sector development (both private sector operations and public-private partnerships) can be encouraged on several fronts: (i) sound government policy and regulatory framework, (ii) physical infrastructure, and (iii) private-sector-based initiatives. ADB will work with chambers of commerce and other private sector organizations to increase demand for reform and to strengthen the quality of dialogue between the private sector and Government. Private sector operations to be explored include support for financial sector operations and for the PNG-Australian gas pipeline.

### III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

#### A. Progress in Poverty Reduction

19. PNG's human development index of the United Nations Development Programme (UNDP) has improved since the mid-1970s, but only very slowly. PNG's international ranking on the index is only 132<sup>nd</sup>, reflecting alarming economic and social intracountry disparities. On the UNDP poverty index, PNG is 61<sup>st</sup> among developing countries. PNG ranks last among Pacific developing member countries on both indexes. PNG clearly faces formidable tasks and challenges in achieving the MDGs.

20. Poverty estimates have not been updated since the last household survey in 1996. However, the World Bank<sup>8</sup> has projected poverty levels using information on the rate and sector patterns of output and employment growth. According to the projections, poverty has increased at an alarming rate in recent years. The proportion of poor living under the national poverty line was estimated to be about 53.5% in 2003, compared with 37.5% in the benchmark year of 1996. The proportion of the population living on less than US\$1 a day is estimated to have increased from 24.6% in 1996 to 39.1% in 2003.

21. Many health indicators have deteriorated in recent years, including the availability and performance of health facilities. Immunization and infant mortality rates have deteriorated since 1990. The increase in reported HIV/AIDS cases is alarming. According to the 2004 Pacific Islands Regional Millennium Development Goals Report,<sup>9</sup> PNG is the only Pacific island country currently considered to have a generalized epidemic of HIV.<sup>10</sup> An HIV/AIDS consensus workshop was held in November 2004, and the estimated number of HIV infections in the 15–45 age group was between 45,000 and 75,000. The workshop consensus was that the number of cases would double every 2 years.

22. The Government and ADB agree that one focus of ADB assistance will be to help achieve the health-related MDGs (goals 4–6: child and maternal mortality, HIV/AIDS, malaria, and other diseases). In support of achieving the MDGs, the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria was established.<sup>11</sup> PNG submitted a US\$6.4 million proposal for the second disbursement round of the fund, but this was rejected by the Global Fund Technical Review Panel. It noted that the proposal made no mention of HIV treatment, and much of the budget was to be allocated to government spending. Nevertheless, the Government was strongly encouraged to resubmit. A new proposal in May 2003 was approved. The GFATM grant for HIV/AIDS was approved end June 2005 following resolution of issues pertaining to the capacity of the principal recipient. The first disbursement of funds occurred in August 2005.

<sup>8</sup> World Bank. 2005. *Papua New Guinea: Interim Strategy Note*. Washington.

<sup>9</sup> Secretariat of the Pacific Community and United Nations Development Programme. 2004. *Pacific Islands Regional Millennium Development Goals*. Fiji Islands.

<sup>10</sup> HIV epidemics are defined as follows: (i) generalized epidemic: HIV prevalence over 1% of the general population; (ii) concentrated epidemics among specific groups: HIV prevalence is over 5% in any subpopulation exhibiting high-risk behavior; and (iii) low level or emerging epidemics: HIV prevalence below 1%.

<sup>11</sup> The purpose of the fund is to attract, manage, and disburse additional resources through a new public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness, and death; thereby mitigating the impact caused by HIV/AIDS, tuberculosis, and malaria in countries in need, and contributing to poverty reduction as part of the MDGs.

## **B. Progress in the Country Strategy and Program Focus Areas**

### **1. Economic Management and Public Sector Performance**

23. As identified by the Government, poor governance and inadequate public sector management are key development problems. Sound fiscal management and control is the most critical requirement. ADB will continue to assist through the ongoing Financial Management Project,<sup>12</sup> which is also addressing governance issues. The project is making good progress in difficult circumstances. The Government has an ongoing public expenditure and rationalization initiative. ADB has offered to provide support, through technical assistance (TA), for implementing the recommendations arising from that initiative, if required. ADB will continue to work with Government to support its reform agenda.

24. ADB support for economic and social statistics aims to strengthen the capacity of the National Statistical Office for collecting and compiling economic and social statistics, including national accounts and the consumer price index, on a sustainable basis. ADB support is envisaged to support and strengthen the capacity for reviewing the consumer price index, providing basic data for direct estimation of private consumption expenditure in the national accounts, and conducting poverty analysis.

### **2. Protecting the Vulnerable and Improving Services**

25. To improve the understanding of poverty, ADB assisted in conducting participatory poverty assessments and will help with quantitative assessments of poverty. ADB has been instrumental in undertaking policy support and providing assistance for developing the national poverty reduction strategy. In addition to generally targeting poverty, where possible and desirable, ADB projects are designed to maximize employment and other benefits to local poor populations. To improve basic service delivery, ADB has been helping strengthen the performance orientation of management and addressing procedural bottlenecks to service delivery. ADB is also collaborating, together with World Bank and Australian Agency for International Development, in the development of a broad human development strategy.

26. ADB will continue to provide health sector support, addressing core issues of management failure and loss of health infrastructure in rural areas. ADB is providing assistance in establishing hospital-based HIV/AIDS care centers, both public and private, in the worst affected urban areas. This strategy will be extended to support rural “hot spots” peripheral to development enclaves. Prevention through behavior change will be the higher priority as the principle care centers become operational. A small-scale TA in 2005 will prepare for the proposed 2006 Asian Development Fund (ADF) grant of US\$15 million for HIV/AIDS. A project preparatory TA will prepare the Health Sector Development Program (HSDP) II to focus on sector-wide approach (SWAp) arrangements, working with Australia, New Zealand, European Union, and the United Nations agencies. An additional TA will help implement the sector program.

27. The ongoing Provincial Towns Water Supply and Sanitation Project<sup>13</sup> focuses on meeting the needs of the poor in urban and peri-urban areas, complementing a European Union project addressing the needs of the rural poor. ADB assistance in improving the capacity of the Water Board has benefited the other agencies responsible for rural water. ADB regional TA to develop the Pacific Water Resources Management Action Plan has led the Government to develop its own action plan and to coordinate improvements in the water sector nationwide.

<sup>12</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Papua New Guinea on Financial Management Project*. Manila.

<sup>13</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Papua New Guinea for the Provincial Towns Water Supply and Sanitation Project*. Manila.

28. In close coordination with the Australian Agency for International Development and other development partners involved in education, ADB is supporting skills development and plans to support adult literacy training. As with health, ADB has been in close dialogue with the Government to ensure that resources for education are maintained to the extent feasible. At present, the resources allocated for health and education are controlled primarily by the provinces. However, intergovernmental fiscal relations are under review, and are likely to soon be changed to improve allocations to health, education, and other service delivery for the poor.

29. A new program of assistance is envisaged to enhance formulation and monitoring of social development strategies, including progress toward MDG targets 4, 5, and 6. The purpose is to generate and disseminate reliable demographic and health data in PNG in comparison with other developing countries in the Pacific region.

### **3. Strengthening the Preconditions for Pro-Poor Growth**

30. ADB envisages expanding the nature and scope of its support for private sector development. Any reform process is likely to be protracted, with time needed to design and implement with due consideration to stakeholders and the local context. Government action can alleviate impediments to economic growth by providing the public goods necessary to promote private sector development. Sector institutional development will continue to be provided, including for road and water transport, and fisheries; and support will be provided to identify options for addressing land tenure systems. Support will continue to agriculture, rural development, and the financial sector. Private sector operations will be explored, possibly through the innovative use of the Trade Finance Facilitation Program to support the finance sector; through partial credit and political risk guarantee arrangements to help mobilize external resources needed to support health, energy, and other targeted sectors. The Government is expected to invite ADB to participate in project preparation and financing of the PNG-Australia gas pipeline, using a combination of loans and guarantee support, which would require further project preparation inputs. In anticipation of a formal request for ADB assistance, a project concept paper for the gas pipeline project is in Table A5.1.

31. To help promote the implementation of Government reform measures, the first step will be to help increase mutual understanding between the private sector and Government on issues related to development constraints. The process will involve an update of the Private Sector Assessment<sup>14</sup> conducted in 2003, and revival of policy dialogue with decision makers and civil society, leading to a private sector development reform road map prioritizing reform measures. To this end, partnerships will be explored with local agencies such as chambers of commerce, which promote the interests of the private sector. Such partnerships will help empower the private sector and instill best practices in private sector development.

32. In parallel, initiatives to be implemented with local communities and organizations will be explored. In agriculture, ADB will build on the results of promising ongoing activities (a smallholder support services project and a TA loan to support feasibility studies for nucleus agroenterprises). In recognition of weak project administration and inadequate project design, alternative institutional options for sustained support to agricultural development will be explored. To this end, partnership with PNG Sustainable Development Program Ltd.<sup>15</sup> will be explored to

<sup>14</sup> ADB. 2003. *Private Sector Assessment*. Manila.

<sup>15</sup> This is a private company incorporated in Singapore, established by BHP Billiton and the Government of PNG, and funded by dividends from the Ok Tedi mine. The company's mission is to "promote development that meets the needs of the present generation and establishes the foundation for continuing progress for future generations of Papua New Guineans."

complement the company's substantial investment capital with TA that could help it prepare, finance, and implement development projects, particularly in agriculture. In the financial sector, ADB ongoing support for microfinance development aims to help deepen and extend financial intermediation to more remote areas. To support the development of efficient financial intermediation, ADB will work with the Microfinance Competence Center to provide TA to selected financial institutions in rolling out services that target poorer customer segments.

33. To improve access to markets and services, transport will remain a leading priority for ADB. ADB is participating in the ongoing overall transport sector review. For roads, the highest priority is to redress the deteriorating existing road system, especially feeder roads and the key Highlands Highway. ADB is providing analytical and advisory services in developing the road asset management system, which has greatly improved the targeting of maintenance expenditure. ADB is supporting the establishment of a road authority, together with a road fund to be financed through improved cost recovery, to manage and finance road maintenance, with the Department of Works responsible for physical works. Maintenance, however, remains highly insufficient. An agreement is needed with the Government on overall institutional and management concepts for the sector, realizing that results will only be gradual. An envisioned TA for Road Reform Support will help build capacity for sustainable maintenance.

34. Through the Road Maintenance and Upgrading Sector Project<sup>16</sup>, ADB is helping rehabilitate and maintain roads in five highlands provinces, including sections of the Highlands Highway. A supplementary loan is envisaged to finance additional portions of the road network of the highlands region, together with lending for rehabilitating the Highlands Highway. The Government has also informally requested ADB funding for expansion and rehabilitation of Lae Port, and a formal request is expected shortly. As a key point of access to domestic and international markets for the agricultural and mineral products of the hinterland where most of the population lives, and linking to the Highlands Highway, improved facilities at Lae Port would contribute to increased trade and prosperity, by promoting rural agricultural activities and primary industry production. In anticipation of a formal request for ADB assistance, a project concept paper for the Lae Port expansion project is in Table A5.2. PNG may also participate in the Pacific Aviation Safety Office (PASO) project as outlined in the Pacific Regional Cooperation Strategy and Program. PASO would ensure that air transport operations comply with internationally recognized safety regulation and oversight standards. Supplementary financing for Loan 1754-PNG: Rehabilitation of Maritime Navigation Aids System may also be considered due to cost increases.

35. Given the importance of sea and inland waterway transport, especially for the poor, ADB is helping restore the system of maritime navigation aids and establish a sustainable institutional framework for marine transport. Another project will help to reestablish a network of local shipping routes.

### **C. Highlights in Coordination of External Funding and Partnership Arrangements**

36. PNG's largest donor partner is Australia, which provides about A\$330 million each year in direct development assistance, now all in project assistance. In addition, in early 2004 the Australian ECP began providing Australian public servants and police officers; with the reduction in the police component (see para.9), the cost of ECP will be smaller than the original estimate of A\$800 million over 5 years. Japan also is a significant source of bilateral assistance. The World Bank and European Union are the major multilateral financiers (with the latter expected to step up its assistance program), together with ADB. The World Bank's relations with the Government have been strained with the suspension and cancellation of the Forestry and Conservation

<sup>16</sup> ADB. 1999. Report and Recommendation of the President to the Board of Director on the Proposed Loan on *Road Maintenance and Upgrading (Sector) Project (Papua New Guinea)*. Manila.

Project. While work on the joint country strategy has stalled, efforts continue to enable a more strategic and coherent approach to ensure that assistance is more effective, leveraging past joint diagnostic work and the expertise of the development partners to ensure that the agencies work more effectively together in particular in the areas of health and transportation (roads). The recent upgrading of the World Bank presence in PNG, together with the new ADB resident mission, has facilitated coordination and dialogue. Appendix 1, Table A1.6 summarizes external assistance to PNG.

#### **IV. PORTFOLIO MANAGEMENT ISSUES**

##### **A. Portfolio Performance**

37. From the point where PNG joined ADB in 1971 through end-2004, ADB provided 57 loans totaling US\$874 million (of which US\$411.3 million were from the ADF), and 131 TAs totaling US\$42.9 million. At end-2004, outstanding loans totaled US\$481.8 million (US\$173.8 million ordinary capital resources [OCR] and US\$308 million ADF). Taking ADF and OCR loans together, the net resource transfer (disbursements less repayments, interest, and other charges) to PNG has been negative in 6 of the last 10 years (1994–2004), and in 4 of the last 5 years. For ADF resources alone, the net resource transfer turned negative in 2000. The OCR net resource flows reflect the disbursement of program loans. The underlying overall real resource transfers (disbursements less repayments) were negative in 2000 and 2003, resulting in lower balances outstanding. Program loan disbursements resulted in a positive transfer in 2001.

38. As of 31 December 2004, the portfolio comprised 11 loans and 11 TAs. Portfolio performance improved marginally in 2004. At the end of 2004, two projects were classified as “at risk.” Contract awards in 2004 totaled US\$23.4 million. The contract award ratio is 14.7%, well below the ADB average of 17.4%. Disbursements during 2004 totaled US\$19.2 million, yielding a disbursement ratio of 9.4%; also well below the ADB average of 17.7%. Details of portfolio performance are in Appendix 1, Tables A1.9.

39. Many factors underlie the inadequate portfolio performance. In the past, shortfalls in counterpart funding have been particularly difficult. Weak project administration and oversight lead to a lack of internal control, which hampers project implementation. Bureaucratic delays in starting projects, notwithstanding extensive preparatory actions, have also been problematic. Delays in hiring consultants and in procurement, due to weak legal capacity, are contributory factors. Audit problems have been extensive, although progress is being made. ADB is working with the Government to improve performance. Bureaucratic obstacles are being addressed, and the State Solicitor's Office and the Auditor General's Office are being strengthened through ADB and other development partners' programs.

##### **B. Performance Monitoring and Evaluation**

40. The Government acknowledges the need to improve performance monitoring and evaluation, and has placed improving performance at the center of its public service reforms. ADB is helping the Government to improve monitoring of performance, at both aggregate and sector levels, through loan and TA projects, in terms both of the performance monitoring frameworks of the projects themselves and by developing the Government's statistical base. An ongoing TA is helping to develop local capacities to generate basic economic and social development indicators. A proposed 2006 TA will help to finance a demographic and health survey that will provide the basic data to guide planners and policy makers in the social sectors.

## **V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS**

### **A. Proposed Lending Level**

#### **1. Asian Development Fund**

41. PNG is classified in category B2, with access to some ADF loans. Since the 2000 review, per capita incomes have continued to decline, which would argue for a move to category B1. The situation is being reviewed in the context of the ADB review of country classifications. In 2002, the World Bank Group decided to allow PNG access to International Development Agency resources, which is the only form of lending envisaged over the medium term.

42. The level of ADF funds allocated to PNG is linked to its performance with respect to fiscal management (outturns versus appropriations, deficit), public sector management (turnover of agency heads), sector management (road maintenance, fisheries and forestry governance, health and education nonsalary expenditures per capita, HIV/AIDS program), and portfolio management. In addition to loans, ADF resources can now be used for grants related to HIV/AIDS. The ADF resources available for PNG for 2005–2006 total US\$33.1 million.

#### **2. Overall**

43. PNG's absorptive capacity is limited and its external debt ratios are high. PNG has access to other sources of external assistance, in particular to grants. ADF lending is envisaged to total US\$18 million for roads, in addition to a \$15 million ADF grant for HIV/AIDS. In addition, a loan for health is included in 2006, on a standby basis. Application of OCR resources will be highly selective, and is foreseen at US\$42 million directed at the road subsector. Any ADB involvement in the gas pipeline would be in addition to this OCR lending pipeline.

### **B. Nonlending Program**

44. In addition to the proposed US\$15 million ADF grant for HIV/AIDS, the TA pipeline, amounting to about \$2.0 million each year, and proposed economic, thematic, and sector work program (Appendix 1, Table A1.11) are designed (i) to support project preparation and (ii) to address key financial management and sectoral reforms. If required, TA to support the public expenditure review and rationalization agenda will be flexibly scheduled. In the social sectors, the TA program focuses on improving social conditions, especially related to health and HIV/AIDS, on helping to monitor social sector performance through support for statistical capacity and surveys, and on reducing poverty and improving governance through policy development and institution building. Private sector development is a central emphasis. On the basis of lessons learned, ADB TA will work with private sector agencies. The chambers of commerce will be counterparts to support the reform agenda. For agriculture, ADB will work with a development-oriented private organization, PNG Sustainable Development Program Ltd.

### **C. Summary of Changes to Lending and Nonlending Program**

45. The envisaged program is an evolution from earlier plans, reflecting the more pessimistic assessment of the base case, with the changes primarily affecting timing. The most significant changes are an increased focus on private sector development and implementing agencies outside government; and very selective OCR and ADF lending, reflecting reduced absorptive capacity and resource availability.

46. For reference, the 2005 Assistance Program for Lending Products and Nonlending Products and Services is provided in Appendix 4.

## COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

**Table A1.1: Progress Toward the Millennium Development Goals and Targets**

Goals and Targets	1990	1996	Latest Year	
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>				
<b>Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015</b>				
Proportion of population below US\$1 per day (PPP-values) (%)	23.7	24.6	39.6	(2005)
Poverty gap ratio (%)				
National poverty line	—	13.8	23.4	(2005)
International poverty line (US\$1 per day)	—	7.3	14.5	(2005)
Share of poorest quintile in national consumption (%)	—	4.5	—	
<b>Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015</b>				
Prevalence of child malnutrition (% of children under 5)	36.0	29.0	24.9	(2000)
Proportion of population below minimum level of dietary energy consumption (%)	15.0 (1990–1992)	30.2	14.0	(2000– 2002)
<b>Goal 2. Achieve Universal Primary Education</b>				
<b>Target 3: Attain 100% primary school enrolment by 2015</b>				
Net enrollment ratio in primary education (%)				
Total	66.0	51.4	73.0	(2001)
Male	70.9	54.4	76.8	
Female	60.8	47.7	68.9	
Proportion of pupils starting Grade 1 who reach Grade 5	59.1	59.2 (1995)	59.8	(2001)
Literacy rate of 15–24 year olds (%)	68.6	72.2 (1995)	78.8	(2005)
<b>Goal 3. Promote Gender Equality and Empower Women</b>				
<b>Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015</b>				
Ratio of girls to boys in (%)				
Primary education	94.0	93.0 (1998)	90.0	(2001)
Secondary education	72.0	75.0 (1998)	77.0	(2001)
Ratio of young literate females to males (% of age group 15–24)	83.9	86.7 (1995)	90.2	(2002)
Share of women in wage employment in the nonagriculture sector	20.3	27.3	35.4	(2003)
Proportion of seats held by women in national parliament	0.0	0.0 (1997)	0.9	(2005)
<b>Goal 4. Reduce Child Mortality</b>				
<b>Target 5: Reduce infant and child mortality by two-thirds from 1990 to 2015</b>				
Under-5 mortality rate (per '000 live births)	101.0	100.0	93.0	(2003)
Infant mortality rate (per '000 live births)	82.0	77.3	69.0	(2003)
Proportion of 1-year-old children immunized against measles	67.0	46.0	49.0	(2003)

Goals and Targets	1990	1996	Latest Year
<b>Goal 5. Improve Maternal Health</b>			
<b>Target 6: Reduce maternal mortality rate by three-quarters between 1990 and 2015</b>			
Maternal mortality ratio (per 100,000 live births)	345.0	370.0	328.0 (2000)
Births attended by skilled health staff (% of live births)	20.0 (1985–1990)	53.2	39.0 (2001)
<b>Goal 6. Combat HIV/AIDS, Malaria and Other Diseases</b>			
<b>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS</b>			
HIV prevalence rate (%) among:			
Pregnant women (15–24)	0.00 (1993)	0.24	0.84 (2002)
Adults (15–49)	—	0.19 (1998)	0.60 (2003)
Contraceptive prevalence rate (%)			
All women aged 15–49	—	19.8	—
married women aged 15–49	—	25.9	—
Number of children orphaned by HIV/AIDS (cumulative)	—	1,300 (1997)	4,200 (2001)
<b>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases</b>			
Malaria:			
Prevalence rate (per 100,000 people)	2,132 (1992) 13.0 (1992)	—	1,430 (2002)
Death rate (per 100,000 people)	—	—	12.5 (2002)
Proportion of population in malaria risk areas using effective malaria prevention and treatment measures	—	—	—
Tuberculosis (TB):			
Prevalence rate (per 100,000 people)	744.0	115.6 (1996)	527.0 (2003)
Death rate (per 100,000 people)	56.0	4.0 (1994)	47.0 (2003)
Proportion of tuberculosis cases:			
Detected under DOTS (%)	—	4.0 (1996)	15.0 (2003)
Cured under DOTS (%)	—	60.0 (1995)	53.0 (2003)
<b>Goal 7. Ensure Environmental Sustainability</b>			
<b>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources</b>			
Forest area (% of total land area)	70.1	81.6	84.9 (1996-2003)
Nationally protected areas (% of total land area)	—	0.0	0.0 (2004)
GDP per unit of energy use (PPP US\$ per kg oil equivalent)	—	—	—
Carbon dioxide emissions (per capita metric tons)	0.6	0.5	0.4 (2002)

Goals and Targets	1990	1996	Latest Year
<b>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water</b>			
Access to an improved water source (% of population)			
Total			
Urban	42.0	42.0	39.0 (2002)
Rural	88.0	88.0	88.0
	32.0	32.0	32.0
<b>Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers</b>			
Access to improved sanitation (% of population)			
Total	82.0	82.5	45.0 (2002)
Urban	92.0	93.2	67.0
Rural	80.0	80.4	41.0
Access to secure tenure (slum population as % of urban population [secure tenure index])	19.0	—	19.0 (2001)

— = no data available; DOTS = directly observed treatment short course; GDP = gross domestic product; kg = kilogram; HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome; PPP = purchasing power parity.

Sources: Joint United Nations Programme on HIV/AIDS (UNAIDS)/World Health Organization (WHO) Working Group on Global HIV/AIDS. Various updates (1998, 2000, 2002, 2004). *Epidemiological Fact Sheets on HIV/AIDS and Sexually Transmitted Infections* (On-line). Available. [http://www.childinfo.org/eddb/hiv\\_aids/factsheets.htm](http://www.childinfo.org/eddb/hiv_aids/factsheets.htm); National Statistical Office (NSO). 1997. *Papua New Guinea Demographic and Health Survey 1996*. Port Moresby: NSO; Secretariat of the Pacific Community (SPC). 2004. *Statistical Annex to Pacific Islands Regional Millennium Development Goals Report 2004* (On-line). Available. <http://www.spc.int/mdgs>; United Nations Development Programme (UNDP). Various years (1994-2004). *Human Development Report*. New York: Oxford University Press; UNDP/Government of Papua New Guinea. 1999. *Papua New Guinea Human Development Report 1998*. Port Moresby: Office of National Planning; United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2002. *Economic and Social Survey of Asia and the Pacific*. Bangkok: UNESCAP; UNESCAP/UNDP. 2003. *Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction* (On-line). Available. <http://www.unescap.org/LDC&Poverty/MDG.asp>; United Nations Educational, Scientific and Cultural Organization (UNESCO). 2004. *Education for All Global Monitoring Report 2003/4* (On-line). Available. <http://www.efareport.unesco.org>; UNESCO, Institute for Statistics (UIS) website at <http://portal.unesco.org/uis>; United Nations Statistics Division (UNSD). 2003. *Millennium Indicators Database* (On-line). Available. <http://unstats.un.org/unsd/mi>; World Bank. 2005. *Papua New Guinea: (Draft) Interim Strategy Note (21-Feb-05)*. East Asia and Pacific Region, Papua New Guinea, Pacific Islands and Timor-Leste Country Unit, Washington, DC; World Bank. 1999. *Papua New Guinea Poverty and Access to Public Services*. Washington, DC: World Bank; World Bank. 2004. *Papua New Guinea: (Draft) Poverty Assessment (30-Jun-04)*. East Asia and Pacific Region, Papua New Guinea, Pacific Islands and Timor-Leste Country Unit, Washington, DC; World Bank. Various years (2000-2005). *The Little Green Data Book*. Washington, DC: World Bank; World Bank. 2005. Database (as of April 2005) to *World Development Indicators*. Washington, DC: World Bank; WHO/United Nations Children's Fund (UNICEF). 2001. *Joint Monitoring Programme for Water Supply and Sanitation Coverage Estimates 1980-2000* (On-line). Available. <http://www.unicef.org/programme/wes>; WHO/UNICEF/Water Supply and Sanitation Collaborative Council. 2000. *Global Water Supply and Sanitation Assessment 2000 Report*. Geneva: WHO/UNICEF.

Table A1.2: Country Economic Indicators

Item	Fiscal Year <sup>a</sup>				
	2000	2001	2002	2003	2004
<b>A. Income and Growth</b>					
1. GDP per Capita (US\$, current)	760.5	666.8	559.9	658.3	731.9
2. GDP Growth (% , in constant prices)	0.0	2.7	(13.2)	2.8	2.6
a. Agriculture	2.1	(4.7)	(4.1)	3.5	3.0
b. Industry	(0.5)	8.3	(25.1)	18.5	2.1
c. Services	(1.6)	5.7	(17.3)	(0.1)	2.0
<b>B. Saving and Investment</b> (current and market prices, % of GDP)					
1. Gross Domestic Investment	21.3	21.8	22.5	—	—
2. Gross National Saving	—	—	—	—	—
<b>C. Money and Inflation</b> (annual % change)					
1. Consumer Price Index <sup>b</sup>	15.6	9.3	11.8	14.7	2.9
2. Total Liquidity (M2)	7.1	4.2	9.4	(0.9)	17.7
<b>D. Government Finance</b> (% of GDP)					
1. Revenue and Grants	28.0	27.1	27.9	28.2	31.2
2. Expenditure and Onlending	29.8	30.2	31.8	29.2	30.1
3. Overall Fiscal Surplus (Deficit)	(1.8)	(3.1)	(3.8)	(1.0)	1.1
<b>E. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	28.2	25.0	18.3	27.9	28.0
2. Current Account Balance (% of GDP)	9.1	8.0	(4.3)	3.8	3.7
3. Merchandise Export (US\$) Growth (annual % change)	8.3	(13.3)	(9.6)	35.1	12.7
4. Merchandise Import (US\$) Growth (annual % change)	(6.1)	(6.0)	15.5	10.1	10.7
<b>F. External Payments Indicators</b>					
1. Gross International Reserves (US\$ million)	304	440	361	499	589
2. External Debt Service (% of exports of goods and services)	6.8	8.0	7.9	7.3	8.0
3. Total External Debt (% of GDP)	35.2	41.6	46.7	35.5	32.1
<b>G. Memorandum Items</b>					
1. GDP (current prices, US\$ million)	3,947.6	3,564.9	3,083.6	3,734.2	4,276.1
2. Exchange Rate (kina/US\$, average)	2.7	3.3	3.8	3.5	3.2
3. Population (million)	5.2	5.3	5.5	5.7	5.8

— = not available; GDP = gross domestic product.

<sup>a</sup> Fiscal year ends 31 December.

<sup>b</sup> Average of period.

Source: Asian Development Bank. 2005. *Asian Development Outlook 2005*. Manila.

Table A1.3: Country Poverty and Social Indicators

Item	Period		
	1990	1996	Latest Year
<b>A. Population Indicators</b>			
1. Total Population (million)	3.76	4.38	5.70 (2004)
2. Annual Population Growth Rate (% change)	2.2 (1980–1990)	2.6 (1990–1996)	2.3 (2000–2004)
<b>B. Social Indicators</b>			
1. Total Fertility Rate (births/woman)	5.1	4.8	4.0 (2003)
Maternal Mortality Rate (per 100,000 live births)	345.0	370.0	328.0 (2000)
Infant Mortality Rate (below 1 year/1,000 live births)	82.0	77.3	69.0 (2003)
4. Life Expectancy at Birth (years)	51.7 (1991)	54.0	60.0 (2003)
a. Female	51.4 (1991)	53.5	62.0 (2003)
b. Male	52.2 (1991)	54.6	59.0 (2003)
5. Adult Literacy (% of population 10 and above)	45.1	50.5	56.2 (2000)
a. Female	40.3	43.1	50.9 (2000)
b. Male	49.5	57.3	61.2 (2000)
6. Primary School Gross Enrollment (%)	68.6	80.0	83.8 (1999/2000)
7. Secondary School Gross Enrollment (%)	12.8	14.0	21.1 (1999/2000)
8. Child Malnutrition (% below age 5)	38.1 (1982)	29.0	24.9 (2000)
9. Population with Access to Safe Water (%)	42.0	42.0	39.0 (2002)
10. Population with Access to Sanitation (%)	82.0	82.5	45.0 (2002)
11. Public Health Expenditure (% of GDP)	2.8	1.3	1.3 (2002)
12. Public Education Expenditure (% of GDP)	—	3.8	2.3 (2002)
13. Human Development Index (Pacific)	—	0.138 (1994)	0.314 (1999)
Pacific Rank/number of PDMCs	—	12/12	14/14
14. Human Development Index (Global)	0.482	0.522 (1995)	0.542 (2002)
Rank/number of countries	—	—	133/177
15. Gender-Related Development Index	—	0.494 (1995)	0.536 (2002)
Rank/number of countries	—	119/163	106/144
<b>C. Poverty Indicators</b>			
1. Poverty Line (US\$ per capita per month)	—	93.2	64.3 (2005)
2. Poverty Incidence (headcount index [%])	73.0 (1980-90)	37.5	53.8 (2005)
3. Poverty Gap (%)	—	13.8	23.4 (2005)
4. Poverty Severity Index (%)	—	6.7	12.8 (2005)
5. Inequality (Gini coefficient)	—	0.48	0.48 (2005)
6. Human Poverty Index (Pacific)	—	—	52.2 (1999)
Pacific Rank/number of PDMCs	—	—	14/14
7. Human Poverty Index (Global)	—	32.0 (1995)	37.0 (2002)
Rank/number of developing countries	—	42/78	62/95

— = not available; GDP = gross domestic product; PDMCs = Pacific developing member countries.

Sources: Abbott, D. and S. Pollard. 2004. *Hardship and Poverty in the Pacific*. Manila: Asian Development Bank; National Statistical Office (NSO). 2002. *Papua New Guinea 2000 Census Final Figures*. Port Moresby: NSO; NSO. 1997. *Papua New Guinea Demographic and Health Survey 1996*. Port Moresby: NSO; NSO. 1992. *Papua New Guinea Demographic and Household Survey 1991*. Port Moresby: NSO; NSO. 1994. *Report on the 1990 National Population and Housing Census in Papua New Guinea*. Port Moresby: NSO; Secretariat of the Pacific Community (SPC). 2004a. Pacific Island Populations 2004 poster (On-line). Available. <http://www.spc.int/demog>; SPC. 2004b. Statistical Annex to *Pacific Islands Regional Millennium Development Goals Report 2004* (On-line). Available. <http://www.spc.int/mdgs>; SPC. 2005. Pacific Regional Information System (PRISM) website at (<http://www.spc.int/PRISM>); United Nations Development Programme (UNDP). Various years (1994–2004). *Human Development Report*. New York: Oxford University Press; UNDP, Various Years (1994, 1999). *Pacific Human Development Report*. Suva, Fiji: UNDP; UNDP/Government of Papua New Guinea. 1999. *Papua New Guinea Human Development Report 1998*. Port Moresby: Office of National Planning; United Nations Educational, Scientific and Cultural Organization (UNESCO). 2004. *Education for All Global Monitoring Report 2003/4* (On-line). Available. <http://www.efareport.unesco.org>; UNESCO. 2000. Country tables in Appendix III to *World Education Report 2000* (On-line). Available. <http://www.unesco.org/education/information/wer>; United Nations Statistics Division (UNSD). Various years (1995–2001). *Demographic Yearbook* (On-line). Available. <http://unstats.un.org/unsd/demographic/products/dyb/dyb2001.htm>; UNSD. 2003. Millennium Indicators Database (On-line). Available. <http://unstats.un.org/unsd/mi>; World Bank. 1999.

*Papua New Guinea Poverty and Access to Public Services*. Washington, DC: World Bank; World Bank. 2004. Papua New Guinea: (Draft) Poverty Assessment (30-Jun-04). East Asia and Pacific Region, Papua New Guinea, Pacific Islands and Timor-Leste Country Unit, Washington, DC; World Health Organization (WHO). Various years (2000-2005). *The World Health Report*. Geneva: WHO; WHO Western Pacific Regional Office (WPRO). Various revisions (2001, 2002, 2004). Western Pacific Region Health Databank (On-line). Available. <http://www.wpro.who.int>; WHO/United Nations Children's Fund (UNICEF). 2001. *Joint Monitoring Programme for Water Supply and Sanitation Coverage Estimates 1980-2000* (On-line). Available. <http://www.unicef.org/programme/wes>; WHO/UNICEF/Water Supply and Sanitation Collaborative Council. 2000. *Global Water Supply and Sanitation Assessment 2000 Report*. Geneva: WHO/UNICEF.

Table A1.4: Country Environment Indicators

Indicator	1990	Latest Year
<b>A. Energy Efficiency of Emissions</b>		
1. GDP/Unit of Energy Use (PPP\$/kgoe)	—	—
2. Traditional Fuel Use (% of total energy use)	65.4 (1980)	68.6 (2001)
3. Carbon Dioxide Emissions		
a. Tons ('000)	2,433	2,482 (2002)
b. Tons per Capita	0.6	0.4 (2002)
<b>B. Water Pollution: Water and Sanitation</b>		
1. % Urban Population with Access to Safe Water	88.0	88.0 (2002)
2. % Rural Population with Access to Safe Water	32.0	32.0 (2002)
3. % Urban Population with Access to Sanitation	92.0	67.0 (2002)
<b>C. Land Use and Deforestation</b>		
1. Forest Area, total ('000 km <sup>2</sup> )	317.5	306.0 (2000)
2. Average Annual Deforestation		
a. Square kilometers	—	—
b. % change (total forest area) <sup>a</sup>	(0.1) (1980–1990)	0.4 (1990–2000)
3. Rural Population Density (people/km <sup>2</sup> of arable land)	787 (1996)	2,007 (2002)
4. Arable Land (% of total land)	0.4	0.5 (2002)
5. Permanent Cropland (% of total land)	1.3	1.4 (2002)
<b>D. Biodiversity and Protected Areas</b>		
1. Nationally Protected Area		
a. Square kilometers ('000)	43.5 (1994)	44.0 (2004)
b. % of total land	0.0 (1994)	0.0 (2004)
2. Mammals (number of threatened species)	4	58 (2004)
3. Birds (number of threatened species)	25	32 (2004)
4. Higher Plants (number of threatened species)	90 (1993)	142 (2003)
5. Reptiles (number of threatened species)	10 (1996)	9 (2004)
6. Amphibians (number of threatened species)	0 (1996)	10 (2004)
<b>E. Urban Areas</b>		
1. Urban Population		
a. '000 (citizens only)	554.8	686.3 (2000)
b. % of total population (citizens only)	15.5	13.3 (2000)
2. Per Capita Water Use (liters/day)	68.5	76.7 (1987-97)
3. Wastewater Treated (%)	—	—
4. Solid Waste Generated per Capita (kg/day)	—	—

— = no data available; GDP = gross domestic product; kg = kilogram; kgoe = kilogram oil equivalent; km<sup>2</sup> = square kilometer; PPP = purchasing power parity.

<sup>a</sup> A positive number indicates a loss of forest area, a negative number a gain.

Sources: Food and Agriculture Organization of the United Nations. 2005. Statistical Databases (FAOSTAT) (On-line). Available. <http://faostat.fao.org>; International Union for Conservation of Nature and Natural Resources (IUCN). Various years (1996, 1997, 2003, 2004). *The IUCN Red List of Threatened Species* (On-line). Available. <http://www.iucnredlist.org>; Secretariat of the Pacific Community (SPC). 2005. Pacific Regional Information System (On-line). Available. <http://www.spc.int/PRISM>; United Nations Development Programme (UNDP). Various years (2000-2004). *Human Development Report*. New York: Oxford University Press; United Nations Environment Programme (UNEP). 2004. *Environmental Indicators South Pacific*. Pathumthani, Thailand: UNEP Regional Resource Centre for Asia and the Pacific; United Nations Statistics Division (UNSD). 2003. Millennium Indicators Database (On-line). Available. <http://millenniumindicators.un.org>; World Bank. Various years (2000-2005). *The Little Green Data Book*. Washington, DC: World Bank; World Health Organization (WHO)/United Nations Children's Fund (UNICEF)/Water Supply and Sanitation Collaborative Council. 2000. *Global Water Supply and Sanitation Assessment 2000 Report*. Geneva: WHO/UNICEF; World Resources Institute (WRI). 2003. *Earth Trends* (On-line). Available. <http://earthtrends.wri.org>.

**Table A1.5: Development Coordination Matrix**

Sector/Thematic/ Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Economic and Public Sector Reform	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Strengthen public sector financial management</li> <li>• Focus on public service program (build performance orientation, reorient personnel management, strengthen probity organizations, strengthen public service delivery)</li> <li>• Strengthen management of public service and delivery of basic services</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Improve public sector management and service delivery at the subnational level</li> <li>• Strengthen economic statistics capacities</li> <li>• Review public expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• Structural adjustment (Australia, EU, Japan, World Bank)</li> <li>• Strengthen provincial public sector financial management (Australia, UNDP)</li> <li>• In-line public sector advisers (Australia)</li> <li>• Technical assistance for public sector reform (Australia)</li> <li>• Electoral capacity building (Australia)</li> <li>• Strengthening of national and decentralized planning (Australia, UNDP)</li> <li>• Support for census and statistical capacity strengthening (Australia)</li> <li>• Support for various agencies for management and service delivery (Australia)</li> <li>• High-level economic policy advice and staff exchanges (Australia)</li> </ul>
B. Private Sector Development	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Microfinance</li> <li>• Nucleus Agroenterprise Development</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Policy dialogue and selected reform initiatives</li> <li>• Secured transactions reforms</li> <li>• Land tenure and management</li> <li>• Development of agricultural enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Structural adjustment policy support (Australia, World Bank)</li> <li>• Microfinance (Australia, UNDP, IFC, PNG Sustainable Development Program Ltd.)</li> <li>• Business advisory and support services (Australia, UNDP)</li> <li>• Training of company directors (Australia)</li> </ul>
C. Education	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Skills development (contracting out)</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Education media (Japan)</li> <li>• Miscellaneous projects (infrastructure and supplies) (Japan)</li> <li>• Strengthening of the Department of Education (Australia)</li> <li>• Community development (Australia, Japan)</li> <li>• Strengthening of the trade testing system (Australia)</li> <li>• Elementary school teacher training (Australia)</li> <li>• Provincial high school project (Australia)</li> <li>• Basic education infrastructure and curriculum materials (Australia, New Zealand)</li> <li>• Short-term training (Australia, New Zealand)</li> <li>• Scholarships (secondary and tertiary) (Australia, New Zealand)</li> <li>• Teacher education (Australia, New Zealand)</li> </ul>

Sector/Thematic/ Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> <li>• Education commodity assistance (Australia)</li> <li>• Curriculum reform and teacher training (Australia)</li> <li>• Education quality initiatives (Australia)</li> <li>• Training awards (Australia)</li> <li>• Education capacity building (Australia)</li> </ul>
D. Health	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Health sector development project to support health in rural areas</li> <li>• Human resource development</li> <li>• Sector policy support</li> <li>• Sector review</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Comprehensive response to the HIV/AIDS epidemic focusing on establishing operational partnerships to restructure rural health services associated with development enclaves</li> <li>• Assist the Government with transition from unsupported public rural health services to a privatized network of village-based private health practitioners</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment (Australia, Japan)</li> <li>• Communications equipment (Japan)</li> <li>• Civil works (Japan)</li> <li>• Training of health personnel (Australia)</li> <li>• Research (Australia)</li> <li>• Women and children health services (Australia, Japan)</li> <li>• Medical equipment management (Australia)</li> </ul>
E. Gender/Youth	<p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Gender and development (New Zealand)</li> </ul>
F. Infrastructure a. Transport and Communication	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Road maintenance and upgrading (Highlands and southern regions)</li> <li>• Road asset management system (whole country)</li> <li>• Road authority</li> <li>• Road fund</li> <li>• Maritime navigational aids</li> <li>• Maritime transport management</li> <li>• Maritime Safety Authority</li> <li>• Community water transport</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• Road management reform</li> <li>• Highlands Highway rehabilitation</li> <li>• Supplementary road maintenance and upgrading</li> </ul>	<ul style="list-style-type: none"> <li>• Road construction and improvement (Japan)</li> <li>• Road maintenance and upgrading (various, whole country) (Australia, Japan)</li> <li>• Highlands Highway rehabilitation/upgrading (Australia)</li> <li>• Highlands Highway bridges (Australia, Japan)</li> <li>• Lae city roads (Australia)</li> <li>• Bridge projects (Australia, Japan)</li> <li>• Airport development (Port Moresby) (Japan)</li> <li>• Air transport project (airport maintenance, sector management) (Australia)</li> </ul>
b. Water Supply and Sanitation	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Provincial towns water supply and sanitation</li> </ul> <p><b>Programmed</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Maritime transport institutional reform (Australia)</li> <li>• Maritime navigational aids (Australia)</li> <li>• Transport sector support program (equipment and training) (Australia)</li> <li>• Gazelle reconstruction (Australia, World Bank)</li> <li>• Bougainville roads (Australia)</li> <li>• Communications sector support (television) (Australia)</li> </ul>

Sector/Thematic/ Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> <li>• Groundwater development study (Japan)</li> <li>• Lae city water supply (Australia)</li> <li>• Town water supply (Japan)</li> <li>• Countrywide water supply project (EU)</li> <li>• Port Moresby sewage system upgrading (Japan)</li> </ul>
G. Environment	<b>Ongoing</b> <ul style="list-style-type: none"> <li>• Coastal area management</li> </ul>	<ul style="list-style-type: none"> <li>• Milne Bay maritime environment</li> <li>• NGO environment projects</li> </ul>
H. Agriculture, Forestry, and Fisheries	<b>Ongoing</b> <ul style="list-style-type: none"> <li>• Smallholder support services through contracting out</li> </ul> <b>Programmed</b> <ul style="list-style-type: none"> <li>• Sector policy review</li> <li>• Agriculture and rural development</li> </ul>	<ul style="list-style-type: none"> <li>• Agricultural research (Australia)</li> <li>• Strengthening of research institutions (Australia, New Zealand)</li> <li>• Quarantine (Australia)</li> <li>• Cocoa rehabilitation (Bougainville) (Australia, EU)</li> <li>• Forestry policy, institutional strengthening, forestry training (Australia)</li> <li>• Strengthening fisheries training (Australia)</li> <li>• Agricultural marketing (New Zealand)</li> <li>• Agriculture policy (World Bank)</li> <li>• Miscellaneous small projects (Australia, Japan, New Zealand)</li> </ul>

EU = European Union, HIV/AIDS = Human immunodeficiency virus/acquired immunodeficiency syndrome, NGO = nongovernment organization, UNDP = United Nations Development Programme.

**Table A1.6: Portfolio Indicators— Portfolio Amounts and Ratings**

(public sector loans, as of 31 March 2005)

Sector	Net Loan Amount		Total		Rating <sup>a</sup>									
	(\$ million)	(%)	(No.)	(%)	Highly Satisfactory	Satisfactory	Partly Satisfactory	Unsatisfactory	Potential Problem <sup>b</sup>	At Risk <sup>c</sup>				
					(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
Agriculture and Natural Resources	20.9	8.9	3	27.3			2	66.7	1	33.3			1	33.3
Education	21.3	9.1	1	9.1			1	100.0						
Finance	10.9	4.7	1	9.1			1	100.0						
Law, Economic Management and Public Policy	60.7	25.9	2	18.2			1	50.0	1	50.0			1	50.0
Transport and Communication	102.2	43.6	3	27.3			3	100.0						
Water Supply, Sanitation and Waste Management	18.1	7.7	1	9.1			1	100.0						
<b>Total</b>	<b>234.1</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>			<b>9</b>	<b>81.8</b>	<b>2</b>	<b>18.2</b>			<b>2</b>	<b>18.2</b>

<sup>a</sup> One rating for implementation progress and development objectives, based on the lower rating of either.

<sup>b</sup> Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>c</sup> A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Source: Asian Development Bank estimates.

**Table A1.7: Portfolio Indicators—Disbursements and Net Transfers of Resources**  
(public sector loans, as of 31 March 2005)

<b>Disbursements and Transfers</b>	<b>OCR</b>	<b>ADF</b>	<b>Total</b>
<b>Disbursements</b>			
Total Funds Available for Withdrawal (\$ million)	151.1	83.0	234.1
Disbursed Amount (\$ million, cumulative)	67.6	18.7	86.3
Percent Disbursed (disbursed amount/total available)	44.7	22.6	36.9
Disbursements (\$ million, latest year)	2.296	0.517	2.813
Disbursement Ratio (%) <sup>a</sup>	2.68	0.78	1.85
<b>Net Transfer of Resources (\$ million)</b>			
2000	(15.1)	(2.5)	(17.6)
2001	19.0	(5.7)	13.3
2002	(13.0)	(4.0)	(17.0)
2003	(13.1)	(4.6)	(17.7)
2004	(14.6)	(0.1)	(14.7)
31 March 2005	(2.9)	(1.7)	(4.7)

( ) = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Operations Evaluation Department.

**Table A1.8: Portfolio Indicators—Evaluation Rating by Sector**  
(1996–2004)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	% <sup>a</sup>
Agriculture and Natural Resources	0	0.00	0	0.00	2	100.00	0	0.00	0	0.00	2	33.33
Education	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Energy	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Finance	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Health, Nutrition, and Social Protection	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Industry and Trade	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Law and Public Sector Management	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Multisector	2	100.00	0	0.00	0	0.00	0	0.00	0	0.00	2	33.33
Transport and Communications	0	0.00	1	50.00	1	50.00	0	0.00	0	0.00	2	33.33
Water Supply, Sanitation, and Waste Management	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>2</b>	<b>33.33</b>	<b>1</b>	<b>16.67</b>	<b>3</b>	<b>50.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>6</b>	<b>100.00</b>

<sup>a</sup> Proportion of sector to Total.

Source: Asian Development Bank project (program) audit reports.

**Table A1.9: Portfolio Implementation Status**  
(public sector loans, as of 31 March 2005)

No.	Sector	Loan No.	Title	Net Loan Amount		Closing Date		Progress (%) completed)	Cumulative Contracts/ Commitments (\$ million)	Cumulative Disbursements (\$ million)	Rating		Potential Problem <sup>a</sup>	At Risk <sup>b</sup>		
				OCR (\$ million)	ADF (\$ million)	Approval Date	Effectivity Date				Original	Revised			IP	DO
1	AG	1652	Smallholder Support Service Pilot Project	7.60		10 Dec 98	21 Dec 99	31 Dec 04	31 Dec 06	63	2.6	3.4	S	S	No	No
2	LW	1703	Financial Management Project	25.80		21 Oct 99	27 Oct 99	30 Jun 05	31 Dec 06	65	15.8	13.9	S	S	No	No
3	ED	1706	Employment-Oriented Skills Development Project		21.27	28 Oct 99	26 Jun 00	30 Jun 06	31 Dec 07	39	11.7	11.3	S	S	No	No
4	TC	1709	Road Maintenance and Upgrading Sector Project	63.00		16 Nov 99	15 Feb 00	30 Jun 06	30 Jun 08	35	19.0	12.7	S	S	No	No
5	TC	1754	Rehabilitation of the Maritime Navigation Aids System	19.80		12 Sep 00	16 May 01	30 Apr 06	30 Apr 06	18	5.2	2.6	S	S	No	No
6	FI	1768	Microfinance and Employment Project		10.94	19 Oct 00	29 Sep 01	31 Dec 06	31 Dec 06	53	3.5	2.4	S	S	No	No
7	WS	1812	Provincial Towns Water Supply and Sanitation Project		18.07	14 Dec 00	31 May 02	30 Sep 06	31 Sep 05	15	5.2	1.8	S	S	No	No
8	LW	1875	Public Service Program	34.91		12 Dec 01	13 Dec 01	31 Mar 03	31 Mar 05		34.0	34.9	PS	S	No	Yes
9	AG	1889	Nucleus Agro-Enterprises		6.91	18 Dec 01	2 Aug 02	30 Jun 04	1 Dec 05	31	1.8	1.4	PS	S	Yes	Yes
10	AG	1925	Coastal Fisheries Management and Development Project		6.43	24 Oct 02	22 Jul 03	28 Feb 08	28 Feb 08	18	3.2	1.8	S	S	No	No
11	TC	2079	Community Water Transport Project		19.38	25 Mar 04	23 Nov 04	30 Jun 12	30 Jun 12	0	0.0	0.0	S	S	No	No
<b>Total</b>				<b>151.10</b>	<b>83.00</b>						<b>101.90</b>	<b>86.30</b>				

ADF = Asian Development Fund, AGR = agriculture and natural resources, DO = development objectives, ED = education, FIN = finance, HS = highly satisfactory, IP = implementation progress, LW = law, economic management and public policy, no. = number, OCR = ordinary capital resources, PS = partly satisfactory, S = satisfactory, Seg = segment (pertaining to loans with more than one withdrawal authority), TC = transport and communications, U = unsatisfactory, WS = water supply, sanitation and waste management.

<sup>a</sup> "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>b</sup> A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

**Table A1.10: Assistance Pipeline for Lending Products, 2006**

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)					
						OCR	ADB		Total	Gov't.	Co- financing
							ADF				
							Loans	Grants			
<b>2006 Firm Loans</b>											
<b>Transport and Communications</b>											
Highlands Highway Rehabilitation Project	TI	ISD	PAHQ	2001	60.00	22.00	18.00	40.00	10.00	10.00	
Road Maintenance and Upgrading (Sector)											
Project II (Supplementary Loan)	TI	ISD	PAHQ		30.00	20.00	00.00	20.00	10.00	00.00	
<b>Subtotal</b>					<b>90.00</b>	<b>42.00</b>	<b>18.00</b>	<b>60.00</b>	<b>20.00</b>	<b>10.00</b>	
<b>2006 Standby Loan</b>											
<b>Health, Nutrition and Social Protection</b>											
Health Sector Support	TI	ISD/GOV	PAHQ	2005	20.00	00.00	13.00	13.00	02.00	05.00	
<b>Subtotal</b>					<b>20.00</b>	<b>00.00</b>	<b>13.00</b>	<b>13.00</b>	<b>02.00</b>	<b>05.00</b>	
<b>Total</b>					<b>110.00</b>	<b>42.00</b>	<b>31.00</b>	<b>73.00</b>	<b>22.00</b>	<b>15.00</b>	

ADB = Asian Development Bank, ADF = Asian Development Fund, ISD = Inclusive Social Development, PAHQ = Pacific Operations Division, TI = Targeted Intervention.

Note: Amounts shown for non-ADB financing are only indicative.

Source: Project Processing Information System.

Table A1.11: Assistance Pipeline for Nonlending Products and Services, 2006

Sector Assistance Name	Responsible Division	Assistance Type <sup>a</sup>	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
<b>2006</b>							
<b>Private Sector Development</b>							
1. Secured Transactions Reforms	PAHQ	ID		600.00		0.00	600.00
2. Agricultural Enterprise Development	PAHQ	ID		300.00		0.00	300.00
<b>Subtotal</b>				<b>900.00</b>		<b>0.00</b>	<b>900.00</b>
<b>Health, Nutrition and Social Protection</b>							
1. Health Sector Capacity Building	PAHQ	ID		300.00		0.00	300.00
<b>Subtotal</b>				<b>300.00</b>		<b>0.00</b>	<b>300.00</b>
<b>Transport and Communications</b>							
1. Road Reform Support	PAHQ	ID		350.00		0.00	350.00
<b>Subtotal</b>				<b>350.00</b>		<b>0.00</b>	<b>350.00</b>
<b>Multisector</b>							
1. Demographic and Health Survey Plus HIV/aids	PAHQ	ETSW		250.00		0.00	250.00
<b>Subtotal</b>				<b>250.00</b>		<b>0.00</b>	<b>250.00</b>
<b>Total</b>				<b>1800.00</b>		<b>0.00</b>	<b>1800.00</b>

ADB = Asian Development Bank; ETSW = economic, thematic and sector work; ID = advisory technical assistance; PAHQ = Pacific Operations Division; PPTA = project preparatory technical assistance.

<sup>a</sup> ID, ETSW.

Source: Project Processing Information System.

## **CONCEPT PAPERS FOR LENDING PRODUCTS**

This appendix contains the concept papers for the following lending products:

- (i) Table A2.1: Highlands Highways Rehabilitation Project
- (ii) Table A2.2: Road Maintenance and Upgrading (Sector) Project II  
(Supplementary Loan)
- (iii) Table A2.3: Health Sector Support

**Table A2.1: Highlands Highway Rehabilitation Project  
Concept Paper**

**Date: 14 July 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and communications Subsector: Road and road transport</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subtheme: Human development</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> Marcelo J. Minc, Principal Infrastructure Specialist</p>								
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> For roads, the highest priority is to address the deterioration of the existing road system, especially feeder roads and the Highlands Highway. The Project will be an extension of previous support to the sector. Mining and petroleum provide 70% of the country's export income, and are relied upon to improve export performance. The primary production for these is the highlands region. The Project is to rehabilitate portions of the Highlands Highway to(i) provide more reliable transport service that is more comfortable and faster; (ii) provide greater mobility, especially for rural and disadvantaged people; and (iii) reduce operating costs for vehicles, making them increasingly available and cheaper.</p> <p><b>b. Goal and purpose:</b> The Project will support the Government's road sector investment goals, and improve the now poor condition of the Highlands Highway, which constrain development and poverty reduction.</p>								

**c. Components and outputs:** The outputs will be determined during a fact-finding mission that could be fielded in September 2005. A sector approach will be used to finance selected subprojects from the list specified in the SMEC review funded by the World Bank.

**d. Expected results and deliverables:** To be determined by the Fact-Finding Mission.

**e. Social or environmental issues or concerns:** The Project has environmental classification B, and indigenous peoples' concerns will be considered.

**f. Plans for disseminating results/deliverables:** To be determined by the Fact-Finding Mission.

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**7. Proposed executing/implementing agency or agencies:** Department of Works

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**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
The Project has been discussed within the Government with the National Executive Council, Central Agency Coordination Committee, Department of Works, and Department of Transport.

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**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005

b. Expected date of submission for approval  
Lending: April 2006

c. Period and duration of assistance  
Lending: to be determined

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**10. Financing Plan**

a. For lending

Ordinary capital resources: US\$22 million

Asian Development Fund: US\$18 million

Other:

If cofinancing is required, indicate amount and sources sought: US\$10 million (possibly AusAID).  
If known, provide cost estimates and financing arrangements.

Source	Amount (US\$ million)
ADB Financing	40.00
Government Financing	10.00
Other Financing	10.00
<b>Total Cost</b>	<b>60.00</b>

Source: Asian Development Bank estimates.

b. For nonlending

No resources required, other than ADB staff

ADB's administrative budget:

Grant TA funds

Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A2.2: Road Maintenance and Upgrading (Sector) Project II  
Supplementary Loan  
Concept Paper**

**Date: 7 July 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Project loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p style="padding-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="padding-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="padding-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="padding-left: 40px;"><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Education Subsector: Tertiary education</p> <p>b. Targeting classification</p> <p style="padding-left: 20px;"><input type="checkbox"/> Targeted intervention</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input type="checkbox"/> Sustainable economic growth</td> <td style="width: 50%;"><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p style="text-align: center;">Subtheme: Human development</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division, Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> Marcelo J. Minc, Principal Infrastructure Specialist</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Road Maintenance and Upgrading Sector Project (Loan 1709-PNG) was approved on 28 October 1999 and became effective on 15 February 2000. The original closing date of 30 June 2006 was extended by 2 years to 30 June 2008 mainly due to delays in award of contracts for various civil works. The original project cost of US\$115 million equivalent is financed by an ADB loan of US\$63 million, and the national and provincial governments' counterpart resources of US\$52 million. In September 2003, ADB approved the revision of the cost-sharing ratio under the civil works component from 48% to 70%. With no change in the loan amount of US\$63 million, the change in the project cost share ratio resulted in a reduction of the total project cost to US\$90 million from the original US\$115 million, and reduced the scope.</p>								

The original project objective is to upgrade about 220 kilometers (km) and rehabilitate about 450 km of roads. As of 31 May 2005, ADB approved 13 subprojects to upgrade about 202 km and rehabilitate about 125 km of roads, 92% and 28% respectively of the original objective, totaling US\$35.4 million against the revised allocation for civil works of US\$37.4 million.

On 27 June 2005, the Government asked ADB to process a supplementary loan to finance additional rehabilitation of 515 km and upgrading of 187 km roads in the 5 highlands provinces to meet the original project objective. Financing of the roads proposed under the Supplementary Loan will be prioritized based on the subproject readiness, availability of counterpart funds, detailed engineering designs, and other criteria provided under paras. 10–12, Schedule 5 of the Loan Agreement of Loan 1709-PNG.

**b. Goal and purpose:** The Project aims to finance additional road network in the five highlands provinces to complement the existing civil works financed under Loan 1709-PNG.

**c. Components and outputs:** The same outputs from Loan 1709-PNG will be applied. A sector approach will be used to finance selected subprojects from many specified in the Government's request.

**d. Expected results and deliverables:** The expected result and deliverables will be determined by the Fact-Finding Mission.

**e. Social or environmental issues or concerns:** The Project is environment classification B; indigenous peoples' concerns will be considered.

**g. Plans for disseminating results/deliverables:** Through progress reports, project performance reports, memorandum of understanding of the Fact-Finding Mission.

**7. Proposed executing/implementing agency or agencies:** Department of Works

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The Project has been discussed with the Government via the National Executive Council, Central Agency Coordination Committee, Department of Works, and Department of Transport.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval  
Lending: November 2005
- c. Period and duration of assistance  
Lending: January 2006–December 2009

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: US\$20 million
  - Asian Development Fund:
  - Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.  
If known, provide cost estimates and financing arrangements.

Source	Amount (US\$ million)
Asian Development Bank Financing	20.00
Government Financing	10.00
Other Financing	00.00
<b>Total Cost</b>	<b>30.00</b>

Source: Asian Development Bank estimates.

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds
  - Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.  
 If known, provide cost estimates and financing arrangements.

<b>Source</b>	<b>Amount (US\$)</b>
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

### Table A2.3: Health Sector Support Concept Paper

Date: 5 June 2005

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input checked="" type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> ADF grant-financed</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Health, nutrition, and social protection Subsectors: Health systems; health programs</p> <p>b. Targeting classification</p> <p><input checked="" type="checkbox"/> Targeted intervention</p> <p><input type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Human development; public governance; privatization</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> J. Izard, Project Specialist (Health)</p>								
<p><b>6. Description of assistances</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> With the overarching objective of reducing poverty, the Asian Development Bank (ADB) strategy for Papua New Guinea (PNG) focuses on strengthening governance, supporting private sector development, and improving social conditions. Weak public sector management and ineffective public services continue to be the main development problems. The Government acknowledges the need for reform, as evidenced by public discussions, statements of policy and intent, and the recent passage of significant legislation. However, the champions of reform appear unable to translate these intentions into concrete</p>								

and consistent actions. Corruption is a critical problem, and is publicly acknowledged by government leaders as well as the general public. In the social sector, health service performance is declining at all levels of service delivery. The loss of basic services infrastructure is increasing, particularly of aid posts. Disease control is inadequate, with low immunization coverage, increasing numbers of tuberculosis patients, and increasing HIV prevalence (currently estimated at 1.6% among the 15–49 age group).

**b. Goal and purpose:** The goal is to assist the Government in meeting all health-related Millennium Development Goals, specifically:

- (i) Goal 4: Reduce child mortality  
Target 5: Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate
- (ii) Goal 5: Improve maternal health  
Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
- (iii) Goal 6: Combat HIV/AIDS, malaria, and other diseases  
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS  
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

The objective will be to support and strengthen the efforts of the Government in developing comprehensive responses to the loss of primary health care infrastructure - aid posts - across the country.

**c. Components and outputs:** Working with both the Department of Personnel Management and the Department of Health, a policy discussion will be engaged to establish the causes and possible solutions for the continued decline in rural primary health care services provided by aid posts. The policy development will include the provincial and district governments as well as communities.

The expected output will be a program loan designed to assist the Government to move from unsupported public rural health services to a privatized network of village-based private health practitioners.

**d. Expected results and deliverables:** Agreement across central Government agencies to undertake essential public sector reform to replace a nonperforming but costly rural health services network of mostly closed aid posts with a network of skilled private health practitioners operating in a market environment. The program loan will address all necessary policy issues, inputs, and activities to effect the transition in an orderly and timely manner.

**e. Social or environmental issues or concerns:** Initial resistance from the current cadre of aid-post staff who have grown accustomed to remunerated nonperformance can be expected. However, they will be offered participation in the privatization program.

**f. Plans for disseminating results/deliverables:**

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including www.adb.org
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** Executing Agency: Department of Personnel Management; Implementing Agency: Department of Health

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

Initial discussions have been held with senior members of government. Many more discussions are needed as broad government support will be required to obtain endorsement and an acceptable probability for successful implementation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval  
Lending: 2006  
Nonlending (project preparatory): August 2005

Nonlending (other than project preparatory):

- c. Period and duration of assistances  
 Lending: 2006–2009, 4 years  
 Nonlending: 2005/06, 6 months

#### 10. Financing Plan

- a. For lending  
 Ordinary capital resources:  
 Asian Development Fund (loan): US\$13 million  
 Asian Development Fund (grant):  
 Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (US\$ million)
ADB Financing	13.00
Government Financing	02.00
Other Financing	05.00
<b>Total Cost</b>	<b>20.00</b>

Source: Asian Development Bank estimates.

- b. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget:  
 Grant TA funds:  
 Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (US\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

### **CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES**

This appendix contains the concept papers for projected nonlending products:

- (i) Table A3.1: Secured Transactions Reforms
- (ii) Table A3.2: Agricultural Enterprise Development
- (iii) Table A3.3: Health Sector Capacity Building
- (iv) Table A3.4: Road Reform Support
- (v) Table A3.5: Demographic and Health Survey plus HIV/AIDS

**Table A3.1: Secured Transactions Reforms  
Concept Paper**

**Date: 25 May 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> ADF grant-financed</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance Subsector: Finance sector development</p> <p>b. Targeting classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Promoting economic efficiency and enabling markets; private sector investment; policy, institutional, legal, and regulatory reforms</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division, Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> Adam Bruun, Country Programs Specialist/Economist</p>								
<p><b>6. Description of assistance</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> A key objective for ADB is the promotion of economic growth. Private sector development is a strategic objective ADB's <i>Pacific Strategy 2005–2009</i><sup>1</sup> and promoting financial market development is a key result area. ADB regional private sector assessment, <i>Swimming Against the Tide</i><sup>2</sup> highlighted collateral reform as one of the key reform areas. In December 2004, ADB approved regional</p>								

<sup>1</sup> ADB. 2005. *ADB's Pacific Strategy 2005-2009*. Manila

<sup>2</sup> ADB. 2004. *Swimming Against the Tide*. Manila.

technical assistance, Diagnostic Studies for Secured Transactions Reforms in the Pacific Region in which PNG is one of four participating countries. The regional TA output will provide diagnostic and design work that will feed directly in to the proposed TA.

**b. Goal and purpose:** Improved access of the private sector to affordable credit in Pacific developing member countries.

**c. Components and outputs:** Implement the recommendations made under the regional TA Diagnostic Studies for Secured Transactions Reforms in the Pacific Region (to be determined), and promulgate an effective secured transactions system.

**d. Expected results and deliverables:** A popular, low-cost, secured transactions system.

**e. Social or environmental issues or concerns:** None foreseen.

**f. Plans for disseminating results/deliverables:** To be determined

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag  
 Publication of article(s) in external journals or books  
 External press release to news agencies, including www.adb.org  
 Internal press release in *ADB Today*  
 Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** To be determined. Possibly Institute for Business and Banking Management.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Consultations carried out in conjunction with development of the regional private sector assessment.

#### 9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP: 2005
- b. Expected date of submission for approval  
 Lending: N/A  
 Nonlending (project preparatory): N/A  
 Nonlending (other than project preparatory): February 2006
- c. Period and duration of assistance  
 Lending: N/A  
 Nonlending: 2006–2007

#### 10. Financing Plan

- a. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget:  
 Grant TA funds: US\$600,000  
 Other:

Source	Amount (US\$)
ADB Financing	600,000
Government Financing	
Other Financing	
<b>Total Cost</b>	<b>600,000</b>

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, N/A = not available, TA = technical assistance.

**Table A3.2: Agricultural Enterprise Development  
Concept Paper**

**Date: 25 May 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> ADF grant-financed</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and natural resources Subsector: Agriculture production, agroprocessing, and agribusiness</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s) {</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subtheme: Private sector investment</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> Adam Bruun, Country Programs Specialist/Economist</p>								
<p><b>6. Description of assistance</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> A key objective for ADB is the promotion of economic growth. ADB's Pacific Strategy 2005–2009 has private sector development as a strategic objective.</p> <p>b. <b>Goal and purpose:</b> Increased private sector investment in agricultural enterprises</p> <p>c. <b>Components and outputs:</b> To be determined.</p> <p>d. <b>Expected results and deliverables:</b> To be determined.</p>								

**e. Social or environmental issues or concerns:** None foreseen.

**f. Plans for disseminating results/deliverables:**  
**For TA, method(s) of TA output dissemination:**

A conference/workshop/brown bag  
 Publication of article(s) in external journals or books  
 External press release to news agencies, including www.adb.org  
 Internal press release in *ADB Today*  
 Others (specify) \_\_\_\_\_

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**7. Proposed executing/implementing agency or agencies:** To be determined. Based on lessons learned, a private sector entity would be preferred.

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**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** To be determined.

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**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP: 2005

b. Expected date of submission for approval  
 Lending:  
 Nonlending (project preparatory):  
 Nonlending (other than project preparatory): June 2006

c. Period and duration of assistance  
 Lending:  
 Nonlending: 2006–2007

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**10. Financing Plan**

a. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget:  
 Grant TA funds: \$300,000  
 Other:

Source	Amount (US\$)
ADB Financing	300,000
Government Financing	
Other Financing	
<b>Total Cost</b>	<b>300,000</b>

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, and program, N/A = not available, TA = technical assistance.

**Table A3.3: Health Sector Capacity Building  
Concept Paper**

**Date: 15 July 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> ADF grant-financed</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input checked="" type="checkbox"/> Other: TA attached to program loan</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p>    Sector: Health, nutrition, and social protection</p> <p>• Subsectors: Health systems; health programs</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>    Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>    Subthemes: Human development, public governance, privatization</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> J. Izard, Project Specialist (Health)</p>								
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> With the overarching objective of reducing poverty, the Asian Development Bank (ADB) strategy for Papua New Guinea (PNG) focuses on strengthening governance, supporting private sector development, and improving social conditions. Weak public sector management and ineffective public services continue to be the main development problems. The Government has some appreciation of the need for reform and some desire for wide-ranging reform, as addressed in the MTDS 2005–2010. However, the champions of reform appear unable to translate these intentions into concrete and consistent actions. Corruption is a critical problem, and is publicly acknowledged by government leaders as well as the general public. In the social sector, health service performance is declining at all levels of service delivery. The loss of basic service infrastructure, particularly aid-posts, is increasing. Disease control is inadequate, with low immunization coverage,</p>								

increasing number of tuberculosis patients, and increasing HIV prevalence currently estimated at 1.6% among the 15–49 age group.

**b. Goal and purpose:** The goal is to assist the Government in meeting all health-related Millennium Development Goals, specifically:

- (i) Goal 4: Reduce child mortality  
Target 5: Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate
- (ii) Goal 5: Improve maternal health  
Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
- (iii) Goal 6: Combat HIV/AIDS, malaria, and other diseases  
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS  
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

The TA to be attached to the Health Sector Development Program loan is to ensure timely implementation of the program loan and the development of monitoring and reporting mechanisms.

**c. Components and outputs:** To be determined during fact finding. The TA will support the Government with the transition from unsupported public rural health services to a privatized network of village-based private health practitioners.

**d. Expected results and deliverables:** To be determined during fact finding.

**e. Social or environmental issues or concerns:** Initial resistance from the current cadre of aid-post staff who have grown accustomed to being remunerated for nonperformance can be expected. However, they will be offered participation in the privatization program.

**f. Plans for disseminating results/deliverables:**

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including www.adb.org
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** Executing Agency: Department of Personnel Management; Implementing Agency: Department of Health

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Initial discussions have been held with senior government officials. Many more discussions are needed as broad government support will be required to obtain endorsement and an acceptable probability for successful implementation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2006
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 2006/07, 12 months

**10. Financing Plan**

- a. For lending

- Ordinary capital resources: US\$
- Asian Development Fund (loan): US\$
- Asian Development Fund (grant): US\$
- Other: US\$

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (US\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget:
- Grant TA funds: US\$300,000
- Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (US\$)
ADB Financing	300,000
Government Financing	
Other Financing	
<b>Total Cost</b>	<b>300,000</b>

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A3.4: Road Reform Support  
Concept Paper**

**Date: 15 July 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>    <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and communications Subsector: Road and road transport</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subtheme: Human development</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input checked="" type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division, Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> Marcelo J. Minc, Principal Infrastructure Specialist</p>								
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The technical assistance will complement the support provided under TA 3716-PNG: Road Authority Development to assist the Government in creating an overall strategy to strengthen regular maintenance, upgrading, and restructuring of road infrastructure; and revitalize safety conditions and standards of the road sector. The strategy calls for raising required funds directly from road users through a system of user charges including a special levy on fuel and vehicle registration and license fees placed in a road fund.</p> <p><b>b. Goal and purpose:</b> Assist the Government in developing a strategy for the road sector.</p> <p><b>c. Components and outputs:</b> To be determined during the Fact-Finding Mission.</p>								

<p><b>d. Expected results and deliverables:</b> To be determined by the Fact-Finding Mission.</p> <p><b>e. Social or environmental issues or concerns:</b> To be determined by the Fact-Finding Mission.</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined by the Fact-Finding Mission.</p>										
<p><b>7. Proposed executing/implementing agency or agencies:</b> To be determined.</p>										
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Consultations will be planned by the Fact-Finding Mission.</p>										
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP Update, RCSP, RCSP Update, or interregional work plan: 2005</p> <p>b. Expected date of submission for approval Lending: October 2006</p> <p>c. Period and duration of assistance Nonlending: 2006–2007</p>										
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input type="checkbox"/> Asian Development Fund:</p> <p><input type="checkbox"/> Other:</p> <p>a. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA Funds: US\$350,000</p> <p>If cofinancing is required, indicate amount and sources sought: to be determined</p> <table border="1"> <thead> <tr> <th>Source</th> <th>Amount (US\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td>350,000</td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td><b>350,000</b></td> </tr> </tbody> </table> <p>Source:</p>	Source	Amount (US\$)	ADB Financing	350,000	Government Financing		Other Financing		<b>Total Cost</b>	<b>350,000</b>
Source	Amount (US\$)									
ADB Financing	350,000									
Government Financing										
Other Financing										
<b>Total Cost</b>	<b>350,000</b>									

ADB = Asian Development Bank, CSP = country strategy and program, PNG = Papua New Guinea, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A3.5: Demographic and Health Survey plus HIV/AIDS  
Concept Paper**

**Date: 27 May 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Activities financed by JFICT or JFPR</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Health, Nutrition and Social Protection Subsector: Health systems; health programs</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subtheme: Human development</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> Kiyoshi Taniguchi, Economist</p>								
<p><b>6. Description of assistances</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> Socioeconomic analysis, policy making, and development planning in the Pacific region are known to be severely constrained by the limited availability of quality statistics. The South Pacific Community's <i>Pacific Islands Regional Millennium Development Goals Report 2004</i> emphasizes the need to enhance statistical collection, in order to monitor and report on countries' progress toward MDG targets and on the effectiveness of countries' policies and development strategies. Responding to the <i>Priorities</i></p>								

*of the Poor: A Pacific Strategy for the Asian Development Bank (2005–2009)* identifies improved availability and dissemination of quality data on development issues as a key result area aligned to the third strategic objective of promoting effective development processes.

According to the Pacific Financial and Technical Assistance Centre notes, “sociodemographic data represent a high priority for national authorities and development agencies for monitoring social conditions and poverty issues”. The Pacific Strategy’s second strategic objective is to enhance the supply of, and demand for, quality basic social services. Quality social statistics are essential to formulate and implement relevant and responsive social sector strategies, which is the first key result area to achievement of this second objective.

Social statistics typically are derived from censuses and household surveys, which are costly and often divert scarce resources from production of economic statistics. Financial and technical assistance on a regional basis can provide an efficient means of conducting large-scale surveys that generate high priority sociodemographic data, while alleviating pressure on, and building capacity in, national statistical agencies. ADB provided such assistance recently through TA 6157-REG: Strengthening Poverty Analysis and Strategies. The proposed TA will build on ADB’s earlier support to strengthen demographic and health statistics, and will involve close coordination with partner regional agencies.

**b. Goal and purpose:** The goal of the TA is to enhance formulation and monitoring of social development strategies, including progress toward MDG targets 4, 5, and 6. The purpose is to generate and disseminate reliable demographic and health data on a comparative basis in Papua New Guinea (PNG).

**c. Components and outputs:** The TA activity will include (i) identification of demographic and health-related data needs in PNG, (ii) design and conduct of a regional Demographic Health Survey, and (iii) capacity building in National Statistical Office.

**d. Expected results and deliverables:** It will include a report on the regional demographic health survey, which will be utilized for evidence-based policy formulation.

**e. Social or environmental issues or concerns:** No adverse social or environmental issues are foreseen.

**f. Plans for disseminating results/deliverables:** The results will be disseminated through printed reports, seminars, and websites of ADB and partner agencies.

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including [www.adb.org](http://www.adb.org)
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agencies:** Pacific Department, National Statistical Office of Papua New Guinea

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Several government and nongovernment agencies have been involved in the identification, conceptualization, and preparation of the proposed assistance including representatives of the United States Department of Interior, Australian Agency for International Development, and Secretariat of the Pacific Community.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSPU: 2005
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory):
  - Activities financed by JFICT or JFPR: 2005
- c. Period and duration of assistance
  - Lending:
  - Nonlending:
  - Activities financed by JFICT or JFPR: 2005–2007

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
  - Asian Development Fund:
  - Other:

If cofinancing is required indicate sources, and amount sought:  
 If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds: US\$250,000
  - Other:

If cofinancing is required indicate sources, and amount sought:  
 If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
- JFICT:
  - JFPR: TBD

If cofinancing is required indicate sources, and amount sought: US2 million from JFPR  
 If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

Source	Amount (US\$)
ADB Financing	250,000
Government Financing	
Other Financing	
<b>Total Cost</b>	<b>250,000</b>
Source:	

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, PAHQ = Pacific Operations Division, PARD = Pacific Department, PDMC = Pacific Developing member country, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Assistance Program for 2005**  
**Table A4.1: Assistance Program for Lending Products, 2005**

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)					
						OCR	ADB		Total	Gov't.	Co- financing
							ADF				
							Loans	Grants			
<b>2005 Firm Loan</b>											
<b>Health, Nutrition and Social Protection</b>											
HIV/AIDS Prevention and Control in Rural Development Enclaves (ADF Grant)	TI	ISD/PSD	PAHQ	2005	15.0	0.00	0.00	15.00	15.00	0.00	0.00
<b>Total</b>					<b>15.0</b>	<b>0.00</b>	<b>0.00</b>	<b>15.00</b>	<b>15.00</b>	<b>0.00</b>	<b>0.00</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, ISD = Inclusive Social Development, PAHQ = Pacific Operations Division, TI = Targeted Intervention.

Note: Amounts shown for non-ADB financing are only indicative.

Source: Project Processing Information System.

**Table A4.1.1: HIV/AIDS Prevention and Control in Rural Development Enclaves  
(ADF Grant)  
Concept Paper**

**Date: 28 March 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending (including ADF grant-financed activities, if applicable, as ADF grants are governed by the same policies and procedures that apply to ADF loans)</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Project loan</li> <li><input type="checkbox"/> Program loan</li> <li><input type="checkbox"/> Sector loan</li> <li><input type="checkbox"/> Sector development program loan</li> <li><input checked="" type="checkbox"/> ADF grant-financed</li> <li><input type="checkbox"/> Other: {specify, e.g., loan-financed project preparatory, project implementation, or advisory activities}</li> </ul> <p><input type="checkbox"/> Nonlending</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Project preparatory</li> <li><input type="checkbox"/> Other than project preparatory <ul style="list-style-type: none"> <li><input type="checkbox"/> Economic, thematic, and sector work</li> <li><input type="checkbox"/> Institutional development</li> <li><input type="checkbox"/> Other: {specify, e.g., TA-financed regional activities, project implementation, or advisory activities}</li> </ul> </li> </ul>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Health, nutrition, and social protection Subsector(s): Health systems, health programs</p> <p>b. Targeting classification</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Targeted intervention</li> <li><input type="checkbox"/> General intervention</li> </ul> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Human development; public-private partnerships</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> John Izard, Project Specialist (Health)</p>								
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> In PNG, approximately 50,000 people were infected with the HIV virus in mid 2004. A generalized HIV epidemic is under way with prevalence rates in the 15–49 year age group ranging from 3% to 4% in Port Moresby, well over 2% in other urban areas, and over 1% in rural areas. However, these differential prevalence rates must be seen in the context of a population that is 83% rural. As a result, approximately 70% of all infections are in the rural population.</p> <p>PNG's Medium-Term Development Strategy, 2003–2007, focuses on export-driven growth supported by good governance, rural development, poverty reduction, and human resource development. The sectors identified as having the greatest export potential include agriculture (cocoa, coffee, copra, oil-palm, and spices), fisheries, forestry, manufacturing, mining and other nonrenewable resources (e.g., petroleum and other fuels), services, and tourism. Many of these economic sectors typically comprise discreet rural enclaves that generate local employment and a cash economy in stark contrast to surrounding populations relying on subsistence farming. These development enclaves foster the exchange of goods and cash for sex among the peripheral populations. High-risk sex behavior is</p>								

characteristically associated with the surrounding populations of rural enclave development sites.

**b. Goal and purpose:** The goal will be to assist the Government in addressing HIV/AIDS and meeting MDG 6 (Target 7); “have halted by 2015, and begun to reverse, the spread of HIV/AIDS”. The objective will be to support and strengthen the Government’s efforts to develop comprehensive responses to the HIV/AIDS epidemic with a focus on establishing operational partnerships and linkages to restructure rural health services associated with development enclaves.

**c. Components and outputs:** ADB participation in strengthening the Government’s leadership and implementation of strategies to contain the spread of HIV among rural populations will produce the following outputs:

- (i) established government leadership role;
- (ii) agreed response to HIV/AIDS by Government and development partners;
- (iii) private sector participation in partnership arrangement with Government;
- (iv) agreed inputs: medical staff, protocols, training and surveillance, and infrastructure provided;
- (v) agreed management process to implement partnership arrangements;
- (vi) behavior change programs initiated and ongoing; and
- (vii) treatment and care programs initiated and ongoing

**d. Rationale and purpose of ADF grant financing:** PNG is experiencing an alarming HIV/AIDS epidemic exacerbated by rising poverty levels, declining health and education services, and decreasing opportunities for gainful employment. PNG’s private sector is vulnerable to a complex array of social considerations fueling the epidemic. Individual enterprises require guided public assistance to enable social and behavioral modifications linked to the epidemic.

**e. Expected results and deliverables:** Private sector health services currently provided by economic operators to their staff and families will be restructured to accommodate the peripheral populations and will operate as a focal point for HIV/AIDS preventive services and day-care centers for People Living with HIV/AIDS. The public-private partnership will merge the Government’s response to HIV/AIDS with the private sector’s need to maintain a healthy, productive workforce and surrounding communities. Expected behavior change will gradually arrest the increase in HIV/AIDS and lead eventually to decreasing prevalence rates.

**f. Social or environmental issues or concerns:** Integrating the fight against HIV/AIDS in nonhealth sector operations, which are the foci in the rapid spread of the disease, is a strategy requiring cooperation and partnership arrangements between key government agencies, private industry, development partners, and civil society organizations. Prevention will be the higher strategic priority. Issues related to the vulnerability of women and youth will be addressed at the community level. Core public health strategies will not be overshadowed by the HIV/AIDS response. Improved health services extended to peripheral populations will include Extended Program for Immunisation, Maternal and Child Health services, malaria prevention, tuberculosis control, and health promotion.

**g. Plans for disseminating results/deliverables:** All private enterprise sites participating in the Project will become surveillance sites incorporated into the Government’s integrated surveillance system. Monitoring and reporting, to government and United Nations agencies, will be structured and supervised. Results will be included in all standard United Nations reports.

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including [www.adb.org](http://www.adb.org)
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** Executing Agency: Department of Planning and Rural Development; Implementing Agency: Department of Health/National AIDS Council

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The following agencies and firms have all been involved in initial discussions and provided views and opinions, which have been taken into account:

NDOH/CCM: Leadership, Implementation, and coordination  
 UNAIDS/WHO: Standards, international perspective  
 WHO/NDOH: Test and ARV procurement  
 WHO/NDOH: Training of doctors and nurses  
 NDOH: Surveillance (support and reporting)  
 NDOH/Econ: Operators contract negotiations  
 HSIP Partners: Support and funding as negotiated with NDOH  
 NDOH/HSIP: Development partner coordination (multilateral and bilateral)  
 NDOH/HSIPMU: Financial management  
 Deloitte/KPMG: Financial audit / Performance audit  
 PNG Chamber of Mines and Petroleum Participation  
 Anglican Church of PNG/Anglicare Participation

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance(s)
  - Lending: 2006 to 2009
  - Nonlending:

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements. Check more than one category, if applicable.)

- a. For lending
  - Ordinary capital resources:
  - Asian Development Fund (loan):
  - Asian Development Fund (grant): US\$10 million
  - Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (US\$ million)
Asian Development Bank Financing	15.0
Government Financing	
<b>Total</b>	<b>15.0</b>

Source: Asian Development Bank estimates.

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds
  - Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.

ADB= Asian Development Bank, CCM= Country Coordination Mechanism, CSP= country strategy and program, HSIP= Health Sector Improvement Program, HSIPMU= Health Sector Improvement Program Management Unit, KPMG= Klynveld, Peat, Marwick, Goerdeler, NDOH= National Department of Health, PNG= Papua New Guinea, RCSP= regional cooperation strategy and program, TA= technical assistance, UNAIDS= The Joint United Nations Programme on HIV/AIDS, WHO= World Health Organization.

**Table A4.2: Assistance Program for Nonlending Products and Services, 2005**

Sector Assistance Name	Responsible Division	Assistance Type <sup>a</sup>	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
<b>2005</b>							
<b>Private Sector Development</b>							
1. Policies for Private Sector Development	PAHQ	ETSW		1000.00		0.00	1000.00
<b>Subtotal</b>				<b>1000.00</b>		<b>0.00</b>	<b>1000.00</b>
<b>Health, Nutrition and Social Protection</b>							
1. HIV/AIDS Prevention and Control in Rural Development Enclaves	PAHQ	PPTA		150.00		0.00	150.00
2. Health Sector Support	PAHQ	PPTA		350.00			350.00
<b>Subtotal</b>				<b>500.00</b>		<b>0.00</b>	<b>500.00</b>
<b>Multisector</b>							
1. Public Expenditure Review and Rationalization	PAHQ	ETSW		500.00		0.00	500.00
<b>Subtotal</b>				<b>500.00</b>		<b>0.00</b>	<b>500.00</b>
<b>Total</b>				<b>2000.00</b>		<b>0.00</b>	<b>2000.00</b>

ADB = Asian Development Bank; ETSW = economic, thematic and sector work; PAHQ = Pacific Operations Division; PPTA = project preparatory technical assistance.

<sup>a</sup> ID, ETSW

Source: Project Processing Information System.

**Table A4.2.1: Policies for Private Sector Development  
Concept Paper**

**Date: 25 May 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> ADF grant-financed</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>    <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multisector Subsectors: Agribusiness, energy sector development, finance sector development, industry, trade</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Policy, institutional, legal, regulatory reforms</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division, Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> Adam Bruun, Country Programs Specialist/Economist</p>								
<p><b>6. Description of assistance</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> A key objective for ADB is the promotion of economic growth. ADB's Pacific Strategy 2005–2009, the 2005–2006 CSPU, and PNG's own Medium-Term Development Strategy<sup>1</sup> all have private sector development as strategic objectives.</p> <p>b. <b>Goal and purpose:</b> Dynamic and thriving private sector.</p>								

<sup>1</sup> ADB. 2005. *ADB's Pacific Strategy 2005–2009*. Manila.

**c. Components and outputs:** Updated and published private sector assessment with.

(i) key PSD activities identified and detailed implementation plans and terms of reference developed;

(ii) strengthened legal and regulatory business environment;

(iii) improved financial services; and

(iv) improved state-owned enterprise regulation, ownership, accountability, and performance.

**d. Expected results and deliverables:** Contribute to the creation of an environment that enables the private sector to thrive, through policy dialogue and reform measures in (i) legal and regulatory business environment, (ii) financial services; and (iii) state-owned enterprise regulation, ownership, accountability, and performance.

**e. Social or environmental issues or concerns:** None foreseen.

**f. Plans for disseminating results/deliverables:**  
**For TA, method(s) of TA output dissemination:**

A conference/workshop/brown bag

Publication of article(s) in external journals or books

External press release to news agencies, including www.adb.org

Internal press release in *ADB Today*

Others (specify) \_\_\_\_\_

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**7. Proposed executing/implementing agency or agencies:** PNG Chamber of Commerce

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**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
 Government agencies consulted: Department of National Planning and Rural Development, Department of Treasury, National Working Group on Impediments to Business and Investment, Investment Promotion Authority, PNG Chamber of Commerce and Industry, including the chapters in Port Moresby and Lae.

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**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP: 2005

b. Expected date of submission for approval  
 Lending: N/A  
 Nonlending (project preparatory): N/A  
 Nonlending (other than project preparatory): September 2005

c. Period and duration of assistance  
 Lending: N/A  
 Nonlending: 2005–2007

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**10. Financing Plan**

a. For nonlending

No resources required, other than ADB staff

ADB's administrative budget:

Grant TA funds: US\$1.0 million

Other:

If cofinancing is required, indicate amount and sources sought: US\$50,000 in kind from Chambers of Commerce and Industry.

Source	Amount (US\$ million)
ADB Financing	1.00
Government Financing	0.00
Other Financing	0.05
<b>Total Cost</b>	<b>1.05</b>

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, N/A = not available, PNG = papua new guinea, TA = technical.

**Table A4.2.2: HIV/AIDS Prevention and Control in Rural Development Enclaves  
Concept Paper**

**Date: 28 March 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> ADF grant-financed</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Non-lending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Health, Nutrition and Social Protection Sub-sector(s): Prevention, control and treatment of HIV/AIDS; HIV/AIDS programs attached to private sector enterprises; Women and youth protection</p> <p>b. Targeting classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Sub-theme(s): Human Development; Public –Private Partnerships</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Sub-regional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> J. Izard, Project Specialist (Health)</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b></p> <p>In PNG, approximately 50,000 people were infected with the HIV virus in mid 2004. A generalized HIV epidemic is underway with prevalence rates in the population 15-49 years old of between 3 and 4 percent in Port Moresby, well over 2 percent in other urban areas and over 1 percent in rural areas. However, these differential prevalence rates must be seen in the context of a population that is 83 percent rural. As a result, approximately 65 percent of all infections are in the rural population.</p>								

PNG's Medium Term Development Strategy (MTDS) 2005 – 2010, focuses on export-driven growth supported by good governance, rural development, poverty reduction and human resource development. The sectors identified as having the greatest export potential include agriculture (cocoa, coffee, copra, oil-palm, and spices), fisheries, forestry, manufacturing, mining and other nonrenewable resources (e.g., petroleum and other fuels), services and tourism. Many of these economic sectors typically comprise discreet rural enclaves which generate local employment and a cash economy in stark contrast to surrounding populations which rely on subsistence farming. These development enclaves foster the exchange of goods and cash for sex among the peripheral populations. High risk sex behavior is characteristically associated with the surrounding populations of rural enclave development sites.

**b. Goal and purpose:**

The goal will be to assist GoPNG in their fight against HIV/AIDS and their effort to meet MDG 6 (Target 7); "have halted by 2015, and begun to reverse, the spread of HIV/AIDS".

The objective will be to support and strengthen the efforts of GoPNG in developing comprehensive responses to the HIV/AIDS epidemic with a focus on establishing operational partnerships and linkages to restructure rural health services associated with development enclaves.

**c. Components and outputs:**

ADB participation in strengthening the government's leadership and implementation of strategies to contain the spread of HIV among rural populations has three basic components:

(i) Support a government leadership role to establish public-private partnerships with rural development enclaves focused on improving and extending health services to the surrounding communities of these development enclaves. Health services will include voluntary counseling and testing (VCT), treatment and care (STIs and HIV/AIDS) as well as the full range of primary health care services. The ADF grant will finance medical staff selection, training, protocol development and implementation, surveillance and infrastructure improvement and extension.

ii) Develop local civil society organizations competency to work with affected communities to address issues related to the epidemic leading to sustainable behavior change programs. Develop the social marketing of condoms specifically structured to the characteristics of individual participating development enclaves and surrounding communities.

iii) Build on the current very limited surveillance by NACS to establish a comprehensive NDOH-led surveillance system covering all provinces, initially targeting hospitals and later district health centers, NGOs and each participating development enclave. The surveillance system will produce regular updates and ensure broad dissemination of information.

**d. Rationale and purpose of ADF grant financing:**

PNG is experiencing an alarming HIV/AIDS epidemic exacerbated by rising poverty levels, declining health and education services and decreasing opportunities for gainful employment. PNG's private sector is vulnerable to a complex array of social considerations fueling the epidemic. Individual enterprises require guided public assistance to enable social and behavioral modifications linked to the epidemic.

**e. Expected results and deliverables:**

Private sector health services currently provided by economic operators to their staff and families will be restructured to accommodate the peripheral populations and will operate as a focal point for HIV/AIDS preventive services and day care centers for PLWHA. The public-private partnership will merge the Government's response to HIV/AIDS with the private sector's need to maintain a healthy, productive workforce and surrounding communities. Expected behavior change will gradually arrest the increase in HIV/AIDS and lead eventually to decreasing prevalence rates.

**f. Social or environmental issues or concerns:**

Integrating the fight against HIV/AIDS in non-health sector operations which are foci in the rapid spread of the disease is a strategy which requires cooperation and partnership arrangements between key government agencies, private industry, development partners and civil society organizations. Prevention will be the higher strategic priority. Issues related to women and youth vulnerability will be addressed at the community level. Core public health strategies will not be overshadowed by the HIV/AIDS response. Improved health services extended to peripheral populations will include EPI, MCH services, malaria prevention, TB control and health promotion.

**g. Plans for disseminating results/deliverables:**

All private enterprise sites participating in the project will become surveillance sites incorporated into the government's integrated surveillance system. Monitoring and reporting, to government and UN agencies, will be structured and supervised. Results will be included in all standard UN reports.

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag  
 Publication of article(s) in external journals or books  
 External press release to news agencies, including www.adb.org  
 Internal press release in *ADB Today*  
 Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** EA: Prime Minister's Department; IA: Department of Health / National AIDS Council

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The agencies and firms below have all been involved in initial discussions and provided views and opinions which have been taken into account.

NDOH / NACS / CCM Leadership, Implementation and coordination  
 UNAIDS / WHO Standards, international perspective  
 WHO / NDOH Test and ARV procurement  
 WHO / NDOH Training of doctors and nurses  
 NDOH Surveillance (support and reporting)  
 NDOH / Econ. Operators Contract negotiations  
 HSIP Partners Support and funding as negotiated with NDOH  
 NDOH / HSIP Development partner coordination (multilateral & bilateral)  
 NDOH / HSIPMU Financial management  
 Deloitte / KPMG Financial audit / Performance audit  
 PNG Chamber of Mines and Petroleum Participation  
 Anglican Church of PNG / Anglicare Participation

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval  
 Lending:  
 Non-lending (project preparatory): 2005  
 Non-lending (other than project preparatory):
- c. Period and duration of assistance  
 Lending:  
 Non-lending: 2005

**10. Financing Plan**

- a. For lending  
 Ordinary capital resources:  
 Asian Development Fund (loan):  
 Asian Development Fund (grant):  
 Other:

If co-financing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

{If known, provide cost estimates and financing arrangements in the table below. If not known, please delete the table below.}

Source	Amount (US\$ million)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	
<p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds: \$150,000</p> <p><input type="checkbox"/> Other:</p>	
If cofinancing is required, indicate amount and sources sought: \$____, from _____.	
Source	Amount (\$)
ADB Financing	150,000
Government Financing	24,000
Other Financing	
<b>Total Cost</b>	<b>174,000</b>
Source: Asian Development Bank estimates	

ADB= Asian Development Bank, CCM= Country Coordination Mechanism, CSP= country strategy and program, HSIP= Health Sector Improvement Program, HSIPMU= Health Sector Improvement Program Management Unit, KPMG= Klynveld, Peat, Marwick, Goerdeler, NDOH= National Department of Health, PNG= Papua New Guinea, RCSP= regional cooperation strategy and program, TA= technical assistance, UNAIDS= The Joint United Nations Programme for HIV/AIDS, WHO= World Health Organization.

**Table A4.2.3: Health Sector Support  
Concept Paper**

**Date: 04 June 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> ADF grant-financed</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Health, Nutrition and Social Protection Subsector(s): Capacity building and institutional strengthening; Health administration and management; Health personnel development and management</p> <p>b. Targeting classification</p> <p>    <input checked="" type="checkbox"/> Targeted intervention</p> <p>    <input type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Human Development; Public Governance; Privatization</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> J. Izard, Project Specialist (Health)</p>								
<p><b>6. Description of assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> With the overarching objective of alleviating poverty, the Asian Development Bank (ADB) strategy for Papua New Guinea (PNG) focuses on strengthening governance, supporting private sector development, and improving social conditions. Weak public sector management and ineffective public services continue to be the main development problems. In Government, there is some appreciation of the need for reform and some appetite for wide-ranging reform, as evidenced by public discussions, by statements of policy and intent, and by recent passage of significant legislation. However, the champions of reform appear unable to translate these intentions into concrete and consistent actions on the</p>								

ground. Corruption is a critical problem, and is publicly acknowledged by government leaders as well as the general public. In the social sector, health service performance is declining at all levels of service delivery. There is a growing loss of basic services infrastructure, particularly aid-posts. Disease control is inadequate, with low immunization coverage, increasing numbers of tuberculosis patients, and increasing HIV prevalence currently estimated at 1.6% among the 15 to 49 age group.

**b. Goal and purpose:**

The goal will be to assist GoPNG in their effort to meet all health related Millennium Development Goals, specifically:

**Goal 4: Reduce child mortality**

Target 5: Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate

**Goal 5: Improve maternal health**

Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

**Goal 6: Combat HIV/AIDs, malaria, and other diseases**

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

The objective will be to support and strengthen the efforts of GoPNG in developing comprehensive responses to the loss of primary health care infrastructure - aid posts - across the country.

**c. Components and outputs:** Working with both the Department of Personnel Management (DPM) and the Department of Health (DOH), a policy discussion will be engaged to establish the causes and possible solutions for the continued decline in rural primary health care services provided by aid posts. The policy development will also include the provincial and district governments as well as communities.

The expected output will be an RRP for a program loan to assist the GoPNG to transition from unsupported public rural health services to a privatized network of village-based private health practitioners.

**d. Rationale and purpose of ADF grant financing**

**d. Expected results and deliverables:** Agreement across GoPNG central agencies to undertake essential public sector reform to replace a non-performing but costly rural health services network of mostly closed aid posts with a network of up-skilled private health practitioners operating in a market environment. An RRP will address all necessary policy issues, inputs and activities to effect the transition in an orderly and timely manner.

**e. Social or environmental issues or concerns:** Initial resistance from the current cadre of aid post staff who have grown accustomed to remunerated non-performance can be expected. However, they will be offered participation in the privatization program.

**f. Plans for disseminating results/deliverables:**

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including www.adb.org
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:**

EA: Department of Personnel Management; IA: Department of Health

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

Initial discussions have been held with senior members of government. Many more discussions are needed as broad government support will be required to obtain endorsement and an acceptable probability for successful implementation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory): August 2005
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance(s)
  - Lending: 2006 2009, 4 years
  - Nonlending: 2005/6, 6 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources:
  - Asian Development Fund (loan): \$10 million
  - Asian Development Fund (grant):
  - Other:

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (\$)
ADB Financing	10.00
Government Financing	02.00
Other Financing	
<b>Total Cost</b>	<b>12.00</b>

Source:

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds: \$350,000 (PPTA)
  - Other:

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (\$)
ADB Financing	350,000
Government Financing	
Other Financing	
<b>Total Cost</b>	<b>350,000</b>

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy program, TA = technical assistance.

### Table A4.2.4: Public Expenditure Review and Rationalization Concept Paper

Date: 4 May 2005

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multisector Subsector:</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Public governance; Financial and economic governance</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operation Division, Pacific Department</p>								
<p><b>5. Responsible ADB officer:</b> K. Taniguchi, Economist</p>								
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Poor fiscal management is a major impediment to economic growth in PNG and a priority for ADB assistance. The Government has been conducting a public expenditure review and rationalization, with development partner assistance, including ADB inputs.</p> <p><b>b. Goal and purpose:</b> The primary purpose of the TA is to assist the Government in reviewing and strengthening the process of allocation, management, and sustainability of its resources with a view to improving allocative efficiency, consistency with strategic priorities, and overall fiscal discipline. The purpose is to help achieve the necessary improvements, refining, and implementing the recommendations of the ongoing review.</p> <p><b>c. Components and outputs:</b> To be determined in consultation with the Government and funding agencies involved in the review.</p>								

- d. Expected results and deliverables:** A critical review of expenditure, together with agreed-upon areas for action.
- e. Social or environmental issues or concerns:** Indigenous people's concerns will be considered, as required by ADB's policy on indigenous people.
- f. Plans for disseminating results/deliverables:** To be determined in consultation with the Government and funding agencies involved in the review.

**7. Proposed executing/implementing agency or agencies:** Department of Treasury

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
 The Department of Treasury has identified the need for assistance to refine and implement the recommendations of the public expenditure review and rationalization study.

- 9. Timetable for assistance design, processing, and implementation**
- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
  - b. Expected date of submission for approval
    - Lending:
    - Nonlending (project preparatory):
    - Nonlending (other than project preparatory): 2005
  - c. Period and duration of assistance
    - Lending:
    - Nonlending: 2005–2006, 6 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources:
  - Asian Development Fund:
  - Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.  
 If known, provide cost estimates and financing arrangements.

Source	Amount (US\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds: \$500,000
  - Other:

If cofinancing is required, indicate amount and sources sought: US\$\_\_\_\_, from \_\_\_\_\_.  
 If known, provide cost estimates and financing arrangements.

Source	Amount (US\$)
ADB Financing:	500,000
Government Financing	
Other Financing	
<b>Total Cost</b>	<b>500,000</b>
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, PNG = papua new guinea, RCSP = regional cooperation strategy and program, TA = technical assistance.

**CONCEPT PAPERS FOR POSSIBLE ADDITIONAL NONLENDING PRODUCTS AND SERVICES FOR 2005-2006**

This appendix contains the concept papers for the following possible additional nonlending products and services:

- (i) Table A5.1: PNG-Australia Gas Pipeline
- (ii) Table A5.2: Lae Port Project

**Table A5.1: PNG-Australia Gas Pipeline  
Concept Paper**

**Date: 20 May 2005**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> ADF grant-financed</p> <p><input checked="" type="checkbox"/> Other: Possibly a Political Risk Guarantee, subject to Government counter-guarantee</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Energy Subsector(s): Gas Transmission and Distribution</p> <p>b. Targeting classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subtheme: Fostering physical infrastructure development</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> Adam Bruun, Country Programs Specialist/Economist</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> A key objective for ADB is the promotion of economic growth through infrastructure development. Furthermore, this project is expected to contribute to private sector development which is a main pillar of ADB's Pacific Strategy 2005-2009, and to leverage ADB's CSP in general.</p> <p><b>b. Goal and purpose:</b> Generate wealth and catalyze the creation of new industries in PNG.</p> <p><b>c. Components and outputs:</b> The current project scope includes facilities to produce, treat and transport gas</p>								

from the PNG Highlands to connect with the Australian sales gas pipeline system. Specifically, it would involve converting the existing Kutubu oil fields to gas production, and developing the Hides gas field. A new 600 MCFD (million cubic feet per day) or 240 petajoules per year gas conditioning facility would be integrated with an existing plant at Kutubu and a new gas pipeline system constructed from PNG to Australia. Project pipelines include a 120km Hides to Kutubu system, and a 500km sales gas pipeline to the PNG-Australia border. The project also involves building a new road from Kikori to the Highlands along the pipeline route.

**d. Rationale and purpose of ADF grant financing: N/A**

**d. Expected results and deliverables:** Under the project, the PNG plant will produce sales gas, crude oil, and condensate for sale. The project would provide important revenue for the PNG Government, and is expected to make a significant contribution to the country's balance of trade, as well as knock-on effects to the economy. Project construction would bring business opportunities and financial benefits for regional communities, including landowner groups. Ancillary benefits from the new Kikori to Highlands road would benefit isolated highland communities i.a. by facilitating market access and improve business opportunities.

**e. Social or environmental issues or concerns:** Environmental and social aspects are being scoped by the project sponsors in an on-going Front-End Engineering and Design (FEED) study (expected completion 2<sup>nd</sup> quarter 2006). While little resettlement of persons is expected, extensive landowner issues remain. The project sponsor, however, claims to have a good track record on these issues from previous construction of gas facilities in PNG.

**f. Plans for disseminating results/deliverables: (to be determined)**

**For TA, method(s) of TA output dissemination: N/A**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including www.adb.org
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** 2 special purpose vehicles, and 2 unincorporated joint ventures.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The Government of PNG has requested ADB support for its counterpart contribution to the project. The project sponsor has requested ADB financing via direct debt and political risk insurance for the project. The government has set up an extensive working group to prepare for its participation in the project, including 10 government ministries. The project sponsors are undertaking FEED which involves extensive consultation with all stakeholders, including local communities and landowners.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP Update: 2005
- b. Expected date of submission for approval
  - Lending: (following completion of FEED; to be determined)
  - Nonlending (project preparatory): 2005
- c. Period and duration of assistance
  - Lending: (to be determined)
  - Nonlending: (to be determined)

**10. Financing Plan:** A public sector loan (nature and scope to be determined) to finance the Government's participation in the deal.

- a. For lending
  - Ordinary capital resources: (amount to be determined)
  - Asian Development Fund (loan):
  - Asian Development Fund (grant):
  - Other:
- b. For nonlending

<input type="checkbox"/> No resources required, other than ADB staff
<input type="checkbox"/> ADB's administrative budget:
<input checked="" type="checkbox"/> Grant TA funds: US\$1,000,000
<input type="checkbox"/> Other:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

## Table A5.2: Lae Port Project Concept Paper

Date: 15 August 2005

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> ADF grant-financed</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other: {specify, e.g., TA-financed regional activities, project implementation, or advisory activities}</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Transport and Communications Subsector(s): Port Sector</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Targeted intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input checked="" type="checkbox"/> Sustainable economic growth</td> <td style="width: 50%;"><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p style="margin-left: 40px;">Subtheme(s): Fostering physical infrastructure development; Developing rural areas.</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>								
<p><b>5. Responsible ADB officer(s):</b> Cai Li, Project Specialist</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Papua New Guinea is a country with great development potentials. It is abundant in natural resources and is home to the world's most diversified linguistic groups. However, since independence in 1975, PNG has not been able to translate its development potentials into improved economic and social status. Its economy is highly dependent on exporting a small number of primary commodities, thus, is vulnerable to exogenous shocks and volatile. Physical and social infrastructure is deteriorating or collapsing, hampering nation building, economic growth prospect, and social service delivery. Unemployment rate is high. Laws and orders are being disobeyed. The incidence of poverty is on increase. HIV/AIDS is spreading. In terms of human development index, PNG ranks 133 out of 177 countries in 2004. Its social indicators are among the</p>								

lowest in the Pacific region.

After a long period of disappointing economic performance, PNG's economy rebounded in 2003 and 2004, with real GDP growth rate estimated at 2.8 percent, thanks to favorable commodity prices, resumption of petroleum, gold and copper production, and improved macroeconomic management. In spite of the achievements, PNG's medium term growth prospect remains uncertain, due to persistence of deep rooted structural impediments to growth, including poor transport infrastructure.

In its Medium Term Development Strategy (2005-2010), the Government defined its overarching development strategy as export-driven economic growth, rural development and poverty reduction. Ports in PNG play an important role in domestic transportation. They will play an increasing important role in realizing the Government's export-driven growth strategy by providing a cost-effective alternative transport mode, particularly for PNG's freight traffic.

ADB's Pacific Strategy (2005-2009) and CSPU for PNG (2005-2006) emphasized on supporting a conducive environment for the private sector. High transportation cost in PNG has widely been recognized as a factor impeding the private sector development. Improved port facilities and capacity expansion will provide improved access to domestic and international markets for the agricultural and mineral products of the hinterland, promoting rural agricultural activities and primary industry production. Lae is PNG's commercial 'capital'. It is a major outlet for the Highlands where most of the population lives. Increased capacity and services in Lae port, in conjunction with the improved Highlands' highways which ADB is supporting, will drive the development of the Highlands. In the 1980s, ADB assisted in rehabilitation and extension of existing facilities of Lae port. The new proposed Lae port project will likely involve expansion of the existing project.

**b. Impact and outcome:** The Project is expected to contribute to an enabling environment for the Government to pursue its export-led growth and rural development strategy through improving port transport services. The outcome will be strengthened port planning, management, and technical capacity in the port sector.

**c. Components and outputs:** The output of the Project will be the formulation of a port project in Lae suitable for ADB financing. The Project components will possibly include: (i) overall port sector study; (ii) feasibility study for the proposed Lae port project, including economic, financial, social, environmental and technical feasibility; (iii) institutional and sector governance review; and (iv) detailed design and preparation of related bidding documents, if the proposed loan project is not technically difficult.

**d. Rationale and purpose of ADF financing:**

**e. Expected results and deliverables:** An ADB loan to support PNG's Lae port development

**f. Social or environmental issues or concerns:** None.

**g. Plans for disseminating results/deliverables:**

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including www.adb.org
- Internal press release in *ADB Today*
- Others (specify): Field stakeholder consultations.

**7. Proposed executing/implementing agency or agencies:** To be determined.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The stakeholders will be involved to the extent possible at the PPTA stage through field consultations, group discussions and workshops.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan:
- b. Expected date of submission for approval
  - Grant Financing:
  - Nonlending (project preparatory): Possibly, November 2005
  - Nonlending (other than project preparatory):

- c. Period and duration of assistance:  
 Grant:  
 Nonlending: 2006

#### 10. Financing Plan

- a. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$ 500,000 for the time being
  - Other:

Source	Amount (\$)
ADB Financing (JSF)	500,000
Government Financing	0
Other Financing	0
<b>Total Cost</b>	<b>500,000</b>
Source:	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.