



## Media Release

by

### Minister for Treasury

Hon. Don P. Polye CMG, BE (Civil) MBA, MIEPNG, (reg.), MP  
on the signing of

Loan Agreement Between the

Government of Papua New Guinea & the Asian Development Bank for the

**PORT MORESBY GRID DEVELOPMENT PROJECT**

1 May 2013

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The Treasurer Hon. Don Pomb Polye today signed two loan agreements for the Port Moresby Grid Development Project with the new President of the Asian Development Bank, Mr. Takehiko Nakao, in Delhi during the 46<sup>th</sup> Annual Meeting of the Asian Development Bank which is currently taking place in Delhi, India.

The total project cost is estimated to be US\$82.6 million. The Asian Development Bank is providing a total of **US\$66.8 million** comprising two loans – US\$52.1 million (Ordinary Capital Resources) and US\$14.7 million (Asian Development Fund). The balance of US\$15.8 million will be from the Government and PNG Power Limited (PPL).

Minister Polye expressed delight at officiating at this signing ceremony for a project which is very important to the social and economic development of PNG and its people, particularly for the growing electricity needs of Port Moresby City.

The Government's long-term Vision 2050, its Development Strategic Plan (PNGDSP 2010-2030), the Medium Term Development Plan (MTDP 2011-2015) aim to

transform, among other things, the provision of reliable and affordable electricity to the people of Papua New Guinea.

The Port Moresby Grid Development project is in line with the PNG Government's development policies; the PNGDSP 2010-2020 and the MTDP 2011-2015, which clearly prioritize energy as a key area for support to improving power supply in the country. The recently approved Electricity Industry Policy (EIP) recognizes the (i) low level of electricity access, (ii) unreliability of electricity supply and subsequent economic impacts, (iii) high costs for private sector in terms of cost of power as well as unreliability of service, and (iv) difficulties faced by PNG Power Limited in raising capital for infrastructure investments.

The proposed development of the PNG power sector, including the Port Moresby grid is also consistent with the PPL's 15-year Power Development Plan (PDP). The proposed sub-projects to be supported by the project are included in the PPL 5 year business plan.

Current power supply to Port Moresby City is inefficient and costly with infrastructure that is quite old. The City has been facing regular power outages recently as a result of old infrastructure that is unable to efficiently supply the electricity needs of Port Moresby's fast growing population and industry.

The Government, in its bid to address access to reliable supply of power for Port Moresby City approached the Asian Development Bank for assistance. Today's signing marks the culmination of efforts of both ADB and the PNG Government to address these needs.

Minister Polye said the project will address four (4) key output areas that have been identified under this project:

- (i) **Hydropower upgrade and rehabilitation**, consisting of (a) upgrade of Rouna 1 hydropower plant (6MW), and (b) rehabilitation and upgrade of Sirinumu Toe-of-dam hydropower plant (1.6MW).

**(ii) Upgraded distribution grid**, including (a) extension of the grid to an estimated additional 3,000 households, (b) upgrade of the existing distribution grid (11 kV) and, (c) implementation of a loss reduction program.

**(iii) Upgraded substation capacity**, consisting of construction of (a) one new Kilakila substation, (b) 6.1km transmission line (66kV), and (c) retrofits to existing substations.

He assured the ADB that the PNG Government is committed to improving electricity supply not only to Port Moresby city but to the rest of the country over time by increasing its own resources to the sector, undertake necessary reforms and ensure structural and other improvements to make electricity efficient and affordable to the masses as well as to industries for economic activities.

The ADB is also funding the Town Electrification Improvement project (TEIP), which is currently under implementation.

Minister Polye said that this project will greatly increase the coverage and quality of electricity supply in Port Moresby and the surrounding communities.

Minister Polye took the opportunity to thank the Bank on behalf of the people and the Government of Papua New Guinea for its continued support in complementing the ongoing development efforts of our country.

These are the first loan agreements signed by the new ADB President Mr. Takehiko Nakao for a member country since taking office on 29 April 2013.