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PRESS STATEMENT

PPL, ADB and GoPNG sign loan agreement

The Government of Papua New Guinea (GoPNG) signed a K150m Loan Agreement today with the Asian Development Bank (ADB) to kick start a Town Electrification Investment Program (TEIP).

The ceremony also saw the signing of a Lending Agreement between PNG Power (PPL) and GoPNG to release these funds to PPL for implementation of the first phase (tranche) of TEIP.

Secretary for Department of Treasury Mr Simon Tosali said the government in its bid to address access to reliable and affordable power, had approached ADB for assistance.

“Today’s signing ceremony paves the way for ADB to disburse a total of US\$57 million or around K150 million to fund the Town Electricity Improvement project which will be implemented by PNG Power,” Mr Tosali said.

He said the government was committed to improving economic conditions in target provincial centres by increasing supply of reliable, clean power and therefore will make available K40 million as counterpart funding to the project.

ADB Officer-In-Charge for Residence Mission, Mr Allan Lee, said the ADB’s major mission was to fight poverty in Asia and Pacific region, through economic growth, environment sustainable growth and regional integration.

Mr Lee said this loan would improve the economic and social development in selected centres by improving power supply through replacement of high cost diesel power generation with sustainable renewable energy power generation.

He said the TEIP, in two tranches, will include construction of six Run-of-River hydro power plants, construction of transmission systems to connect provincial centres to generation sources, and capacity building within the power utility and communities.

PPL CEO Mr Tony Koiri said he was delighted and excited with the funding from ADB and on lending agreement with GoPNG.

He said PPL was ready to support GoPNG's goal under the Development Strategic Plan to provide 70% of PNG's population access to reliable and affordable electricity by 2030.

“This program also opens a distribution corridor which allows PNG Power to be able to supply electricity to rural areas like block holders in West New Britain, villages in the northern part of Autonomous Region of Bougainville, and to people as far inland as Kokoda in Oro Province,” Mr Koiri said.

He said PNG Power had already begun the project, with surveyors and community liaison officers currently working between Biella and Kimbe.

The TEIP will be financed under the ADB multi-tranche financing facility (MFF) modality and will be implemented in a number of tranches. Projects under tranche 1 include:

- i) Kimbe to Biella Interconnection - West New Britain Province
- ii) Divune Hydropower Plant - Northern Province
- iii) Ramazon Hydropower Plant - Autonomous Region of Bougainville

The project is expected to be completed by December 31, 2013.

The beneficiaries of TEIP will include current energy consumers in town centers particularly commercial, industry and domestic (including poor households) sectors, agro-industries including oil palm estates, and rural villages.

Under the tranche 1 project, the primary beneficiaries in the town centers will include at least 50% of an estimated 3,273 unconnected households in Popondetta town, about 50% of estimated 1,187 unconnected households in Kimbe town, and estimated 922 households in Arawa and Buka town. The connected consumers in these towns are currently experiencing regular rotating blackouts due to limited capacity and other causes and they are expected to benefit from the regular power supply after the project implementation.

Communities in the subproject sites will also benefit from the project. There are 30 affected households in the subproject site in Divune and 31 affected households in Ramazon. All these households will have power and water supply connection to be provided by PPL.

In addition, households in subproject areas will also receive various training; 400 people will get safety awareness, power and water supply maintenance, and utility budget management training, 50 people will receive business management skills, and 12 people will undergo leadership and organisational management skills. These skills will increase these people's ability to effectively participate in the project design, implementation and monitoring.

These rural subproject sites are low-income, remote and have limited access to basic social services and infrastructure. People mostly rely on subsistence and cash crops production for livelihood and income, despite poor road access to markets in town. These villages also lack piped water supply and electricity.

From the consultations and sample surveys, all communities in the affected areas are expecting fair compensation for their loss of land and assets as well as access to development benefits, particularly power supply from the project. The rural communities see the power connectivity improving their lives and they view the project as potential source of employment and income, particularly during construction.

Mr Tony Koiri
Chief Executive Officer
PNG Power Ltd