

PPIAF Assistance in Papua New Guinea

At 462,840 km², Papua New Guinea is the world's fifty-fifth largest country. Its population of less than 7 million is strikingly diverse, organized in small, fragmented social groups speaking over 800 distinct languages. The economy is highly dualistic, consisting of an enclave-based formal sector that focuses mainly on large-scale exports of natural resources, and an informal sector dominated by the subsistence and semi-subsistence activities of the majority rural population (although a local non-mineral small and medium enterprise sector is now emerging). Papua New Guinea is currently facing an energy crisis. To meet the growing demand in energy, large investments in generation, transmission, and distribution infrastructure are needed. The government of Papua New Guinea plans to launch major initiatives involving the development of hydropower generation projects for domestic consumption of electricity and to support new industrial and mining developments. In this context, the government requested PPIAF assistance in August 2010.

Technical Assistance for Papua New Guinea's Energy Sector

In 2010 Papua New Guinea's Department of National Planning and Monitoring requested PPIAF's assistance in developing a strategy for ownership, financing, and financial benefits-sharing in new medium and large hydropower projects.

PPIAF technical assistance consisted of a small grant to fund an option analysis report that explored private sector and public-private partnership models, and compared them to a public sector approach. This report was aimed to serve as an input to developing the country's strategy for medium and large hydropower projects. PPIAF technical assistance was part of a broader multi-stakeholder capacity-building assistance in the energy sector in Papua New Guinea, which included a two-day workshop with international experts and practitioners on hydropower in September 2010, a study tour to visit Laos' Nam Theun 2 project in October 2011, and the preparation of a technical assistance International Development Association credit, which covered the preparation of an 80 MW hydropower project.

The PPIAF-funded work was presented to the government in June 2011 and was instrumental in building capacity in Papua New Guinea around options for structuring and financing hydropower. It contributed to achieving consensus among different stakeholders in the government and utility on the idea of developing an 80 MW hydropower project under a public-private partnership arrangement. The report produced will be used a starting point for transaction advisors.

Looking forward, PPIAF is committed to continue providing technical assistance for Papua New Guinea's energy sector, in particular for the possible development of the 80 MW hydropower plant.

Results of PPIAF's Activity in Papua New Guinea's Energy Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • Options Assessment for Structuring and Financing New Hydropower in Papua New Guinea, November 2011
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Half-day meeting/workshop "Hydropower Structure and Finance" to present options for PPPs in hydropower projects, including mini-case studies, June 2011

Category	Outcomes
Capacity and awareness building	
<i>Consensus achieved</i>	<ul style="list-style-type: none">• Consensus achieved on the idea of developing an 80 MW hydropower project under a public-private partnership arrangement, 2011