Pacific Opportunities

Business Opportunities Forum March 2019

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Asian Development Bank

- 68 member countries
  - 49 regional (including Australia and NZ) and 19 non-regional members
  - Niue joined in 2019

- Active portfolio end 2018 – USD 90 billion

- Financing approvals in 2018 – Record USD 35.6 billion
  - $21.6bn own resources, $14.0bn cofinancing

- Contracts by executing agencies (borrowers) in 2018
  - 4,000 contracts of good and works worth $10 billion
  - 3,000 consulting services contracts worth $700 million dollars
  - 2,000 ADB hired TA consultancies worth $250 million
ADB Financing Instruments

• **Sovereign financing**
  
  • Non-concessional (“OCR”).
    • Use our AAA rating to borrow in the market and on-lend.
    • Middle income countries like Fiji
    • Current USD rate about 3.5%

  • Concessional and grant financing (ADF)
    • Lower income countries and small and vulnerable Pacific islands
    • Replenishments by shareholders every 4 years

  • Cofinancing from partners (like Australia)

• **Non-sovereign financing** to private companies for investment in developing members
  
  • Equity and debt investments
  • Generally commercial terms, although some opportunities to “blend” concessional resources
  • Guarantees and other credit enhancement instruments
ADB and Australia

• Australia is 5th largest shareholder (after Japan, US, China, India) with 5.8% of shares

• Australian firms won USD 1.6 billion of business since 1966
  • Growing: USD 101m in 2016 and USD 157m in 2017
  • Australia gets about 10% of total consulting services, but lower on goods/works (outside Pacific)

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>Cumulative (as of 31 Dec 2017)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Amount ($million)</td>
<td>% of Total</td>
<td>Amount ($million)</td>
</tr>
<tr>
<td>Goods, Works, and Related Services</td>
<td>50.07</td>
<td>0.44</td>
<td>12.83</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>51.03</td>
<td>8.13</td>
<td>144.07</td>
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<tr>
<td>Total Procurement</td>
<td>101.10</td>
<td>0.85</td>
<td>156.89</td>
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ADB and New Zealand

• NZ is 16th largest shareholder with 1.5% of shares ($230m paid in, plus $196m since 1966 in special funds)

• Australian firms won USD 590 million of business since 1966
  • NZ procurement averaging about $30m/year
  • Beat Australia on goods/works in 2017

### New Zealand’s Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

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<td>Amount ($ million)</td>
<td>% of Total</td>
<td>Amount ($ million)</td>
</tr>
<tr>
<td>Goods, Works, and Related Services</td>
<td>19.82</td>
<td>0.18</td>
<td>19.16</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>15.46</td>
<td>2.46</td>
<td>9.06</td>
</tr>
<tr>
<td>Total Procurement</td>
<td>35.29</td>
<td>0.30</td>
<td>28.22</td>
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Opportunities from Growing Pacific Program

ADB Pacific: Active Loans and Grants
(Projected Financing Amount and Number of Projects by Year end)

Contract awards currently $450m+/ year and increasing

- TIM
- PNG
- FIJ
- Other Pacific Countries
- Annual Commitments (ADB only)
- Project Count

Financing Amount $ million


| Year | Project Count
|------|---------------|
| 2005 | 55
| 2006 | 65
| 2007 | 141
| 2008 | 268
| 2009 | 282
| 2010 | 1,023
| 2011 | 1,132
| 2012 | 1,320
| 2013 | 1,486
| 2014 | 1,858
| 2015 | 1,958
| 2016 | 2,291
| 2017 | 2,862
| 2018 | 3,240
| 2019 | 4,290
| 2020 | 4,497
| 2021 | 131

Projected

Number of Projects

Financing Amount $ million


| Year | Financing Amount $ million
|------|---------------------|
| 2005 | 30
| 2006 | 32
| 2007 | 35
| 2008 | 32
| 2009 | 39
| 2010 | 41
| 2011 | 43
| 2012 | 54
| 2013 | 67
| 2014 | 61
| 2015 | 63
| 2016 | 65
| 2017 | 70
| 2018 | 101
| 2019 | 4,119
| 2020 | 4,497
| 2021 | 131

Projected Financing Amount and Number of Projects by Year end
MDBs the “Swing Factor” in Pacific

Official flows to the Pacific

Current

2020 Projected

USD million

ADB

World Bank

Other

USA

EU

Japan

NZ

China

Australia

Climate Funds
New ADB Funding 2019–2021: By Pacific Country

- Palau: $50m
- FSM: $20m
- Nauru: $20m
- RMI: $25m
- KIR: $50m
- Nauru: $20m
- PNG: $1,500m
- Timor: $180m
- SOL: $120m
- TUV: $20m
- SAM: $100m
- Tonga: $80m
- Cooks: $30m
- Fiji: $350m
- TONGA: $80m
- VAN: $100m
- TUV: $20m
- PNG: $1,500m
- Palau: $50m
Changing Sectoral Focus

**Current Portfolio: $2.7bn**
- Energy, $400
- Water/Urban, $150
- Public Sector, $100
- Health, $72
- ICT, $60
- Agriculture, $25
- Education, $52

**Pipeline 2019-2021: $2.6 bn**
- Transport, $1,000
- Energy, $450
- Water/Urban, $400
- Public Sector, $260
- Health, $400
- Other, $100

Transport: Major New Investments

• **ADB’s Main Sector**
  - ✓ $1.8bn current portfolio,
  - ✓ Over $1 bn expected new commitments 2019-21

• **Improved Land Transport**
  - PNG: Highland Highway ($400m, 2020),
  - Timor Leste: National roads ($25m, 2020)
  - Samoa: Cross Island Road ($25m, 2019)
  - Tonga: Nuku’alofa bridge ($40m, 2020)

• **Maritime Transport a Growing Focus**
  - PNG: Lae port (ongoing)
  - Nauru: Port ($60m, 2018)
  - Samoa: Port extension ($50m, 2019)
  - Solomons: Honiara and Noro ports ($30m, 2019)
  - Kiribati: Outer islands boat harbours ($25m, 2019)

• **Aviation**
  - PNG: Civil aviation ($500m, 2020)
  - Timor: Dili airport ($50m, 2020)
Energy

- ADB Largest Source of Financing for Energy in the Pacific
  - **Current portfolio**: $400m
  - **Pipeline 2019-2021**: $550m (plus $300m GCF/ co-financing)
  - Focus on both access (Melanesia) and increasing renewables

- Planned new investments
  - **Papua New Guinea**: Power sector expansion program ($500m, 2019 and 2021)
  - **Samoa**: Alaoa multipurpose dam ($75m, 2020)
  - **Solomon Islands**: Tina river hydro with World Bank ($200m, 2019)
  - **Tonga**: Renewable energy ($45m, 2019)
  - **FSM**: solar PV, wind generation ($40, 2019)

- Private Sector/ Non-sovereign
  - IPPs for new generation
  - Samoa Solar PV 2.2 MW: $3m investment (including $1m concessional)
Urban / Water/ Sanitation

- Rapidly growing sector
  - Current portfolio: $150m
  - Pipeline 2019-2021: $400m ADB, $300m cofinancing

- Focus:
  - Cook Islands: Sanitation ($20m, 2020)
  - Fiji: Suva urban water and sanitation phase 2 ($160m, 2019)
  - Kiribati: Tarawa Water supply ($50m, 2019)
  - Palau: Koro sanitation ($25m, 2020)
  - PNG: District towns water supply ($50m, 2019)
  - Solomons: Urban water supply and sanitation ($100m, 2019)
  - Timor: District capital and Dili water supply ($120m, 2020-2021)
  - Tonga: Nuku’alofa urban water and solid waste ($40m, 2019)
Information and Communication Technology

• Tonga
• Samoa
• Polynesia (Cooks)
• FSM-Palau
• FSM-Nauru-Kiribati

• Next step: Applications
Health

• Limited ADB engagement historically
  ✓ Current portfolio: $100 million
  ✓ Pipeline: $230 million

• Focus:
  ✓ **Vaccines**: (pneumococcal, rotavirus, HPV/cervical cancer)
    o Regional purchasing: Samoa, Tonga, Tuvalu, Vanuatu
  ✓ **PNG**: health sector support program ($200m, 2018-2020)
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