

# ASIAN DEVELOPMENT BANK MEMBER FACT SHEET

## Palau: 2018 Committed Loans, Grants, and Technical Assistance (\$ million)

| Loans     |              | Technical Assistance | Grants | Total |
|-----------|--------------|----------------------|--------|-------|
| Sovereign | Nonsovereign |                      |        |       |
| 15.00     | -            | -                    | -      | 15.00 |

- = nil.

Notes: Commitment is the financing approved by the ADB Board of Directors or Management for which the investment agreement has been signed by the borrower, recipient, or the investee company and ADB.

Grants and technical assistance include ADB-administered cofinancing.

## Palau: Cumulative Lending, Grant, and Technical Assistance Commitments<sup>a, b, c</sup>

| Sector  | No.       | Total Amount (\$ million) <sup>d</sup> | % <sup>d</sup> |
|---|-----------|--|----------------|
| Health  | 2         | 0.60                                   | 0.68           |
| Information and Communication Technology          | 2         | 24.80                                  | 27.95          |
| Public Sector Management                          | 3         | 16.50                                  | 18.60          |
| Water and Other Urban Infrastructure and Services | 7         | 46.81                                  | 52.77          |
| <b>Total</b>                                      | <b>14</b> | <b>88.71</b>                           | <b>100.00</b>  |

<sup>a</sup> Grants and technical assistance include ADB-administered cofinancing.

<sup>b</sup> Includes sovereign and nonsovereign loans and technical assistance.

<sup>c</sup> Using primary sector in reporting of commitments.

<sup>d</sup> Numbers may not sum precisely because of rounding.

ADB assistance to Palau concentrates on improving public sector performance and promoting private sector development in the country.

## PALAU

Drawing on Palau's exceptional natural and cultural resources, tourism underpins the country's economy. A recent downturn in economic activity, however, illustrates that Palau remains vulnerable to external economic shocks as well as climate change and other environmental and weather-related risks.

Reforms to improve and simplify Palau's business regulations are needed to promote private sector development, but slow progress on simplifying the country's tax policy has limited prospects for creating the conditions necessary for more inclusive development.

Palau receives annual grant assistance under the Compact of Free Association with the United States (the Compact). In 2018, the United States Congress authorized the 2010 Compact Review Agreement, which includes the deferred payment of over \$120 million in Compact grants. Due to the renewed economic assistance terms of the Compact, it is projected that the Compact Trust Fund will achieve its original objective of replacing Compact assistance beyond 2044.

Palau joined the Asian Development Bank (ADB) in 2003 and was classified as an ADB developing member country in December 2005. ADB has since committed loans totaling \$84.7 million, a grant of \$0.2 million, and technical assistance projects worth \$3.8 million for Palau.

Cumulative loan and grant disbursements to Palau amount to \$51.9 million. These were financed by regular and concessional ordinary capital resources, and other special funds.

### ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB's Pacific Approach, 2016–2020 serves as the country partnership strategy for Palau. The approach focuses on a three-pronged strategy to



help small island nations reduce costs, manage risks, and create economic value. The bank's development program in Palau aims to reduce costs by increasing the supply of renewable energy, manage risks by improving disaster risk financing, and create value by delivering safe water and sanitation services and developing the private sector.

In 2018, ADB approved the [Disaster Resilience Program](#), which will help Palau mitigate the immediate economic and social impacts of major disasters by providing immediate access to resources for recovery and reconstruction efforts.

ADB is working in a variety of ways to improve the standard of living for the people of Palau. The bank has committed almost \$30 million for the [Koror–Airai Sanitation Project](#), which will create efficient and sustainable sewage collection systems in Koror (home to 70% of Palau's population) and Airai. This project will ensure sewage treatment and disposal meets Palau's environmental standards, as well as making safe and hygienic public toilets available in Koror. ADB also supported Palau's involvement in the [North Pacific Regional Connectivity Investment Project](#). The project provides Palau with affordable, high-speed broadband internet access

through a submarine fiber-optic cable system, which went live in December 2017.

ADB is providing significant support to improve business conditions in Palau. The bank supported the Government of Palau with the completion of the Household Income and Expenditure Survey and with publishing the resulting analysis. It also assisted with the preparation of an updated private sector assessment and has helped facilitate growth in the sector by improving business registration systems. To improve access to commercial credit, ADB has provided technical assistance for new legislation on secured transactions. The government has since launched a secured transaction registry, making it possible for banks to provide loans with greater security and at reduced risk.

ADB has also provided technical assistance to improve governance in Palau's state-owned enterprises and develop a formal policy (including relevant legislative measures) on these enterprises.

## NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial

intermediaries. Total commitments from ADB's own funds (in equity and direct loans) in 2018 amounted to \$3.14 billion for 32 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2018, ADB mobilized \$3.17 billion of long-term cofinancing and \$3.99 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB's own resources stood at \$12.7 billion as of 31 December 2018.

## COFINANCING

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's [Trade Finance Program](#) and [Supply Chain Finance Program](#).

### Palau: Project Success Rates

| Year  | Success Rate (%) | No. of Independently Evaluated Projects and Programs |
|-------|------------------|--|
| 2017  | -                | 1  |
| Total | -                | 1  |

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2018.

### Palau: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2017–2018

| No. of Ongoing Loans <sup>a</sup> (as of 31 Dec 2018)  | 2017 (\$ million) |                   | 2018 (\$ million) |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2017 (\$ million) | 2018 (\$ million) | 2017 (\$ million) | 2018 (\$ million) |
| Contract Awards <sup>b,c</sup>                         | 10.42             | 0.09              | -                 | -                 |
| Disbursements <sup>b</sup>                             | 13.78             | 10.24             | -                 | -                 |
| No. of Ongoing Grants <sup>a</sup> (as of 31 Dec 2018) | -                 |                   |                   |                   |
| Contract Awards <sup>b,c</sup>                         | -                 | -                 | -                 | -                 |
| Disbursements <sup>b,d</sup>                           | -                 | -                 | -                 | -                 |
| Actual Problem Projects (%) (as of 31 Dec 2018)        | -                 |                   |                   |                   |

- = nil.

<sup>a</sup> Based on commitments.

<sup>b</sup> Includes closed loans/grants that had contract awards or disbursements during the year.

<sup>c</sup> Excludes policy-based lending/grants.

<sup>d</sup> Includes only Asian Development Fund and other ADB special funds.

### Palau: Projects Cofinanced, 1 January 2014–31 December 2018

| Cofinancing           | No. of Projects | Amount (\$ million) |
|-----------------------|-----------------|---------------------|
| Projects <sup>a</sup> | 1               | 22.50               |
| Official Loan         | 1               | 22.50               |

<sup>a</sup> A project with more than one source of cofinancing is counted once.

### Palau: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

| Item                               | 2017                |            | 2018                |            | Cumulative (as of 31 Dec 2018) |            |
|------------------------------------|---------------------|------------|---------------------|------------|--------------------------------|------------|
|                                    | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total | Amount (\$ million)            | % of Total |
| Goods, Works, and Related Services | 0.46                | 0.00       | -                   | -          | 16.78                          | 0.01       |
| Consulting Services                | -                   | -          | -                   | -          | 0.16                           | 0.00       |
| Total Procurement                  | 0.46                | 0.00       | -                   | -          | 16.94                          | 0.01       |

- = nil, 0.00 = less than \$50,000.

### Top 5 Contractors/Suppliers from Palau Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2014–31 December 2018

| Contractor/Supplier       | Sector | Contract Amount (\$ million) |
|---------------------------|--------|------------------------------|
| Surangel Construction Co. | ICT    | 0.51                         |
| Others                    |        | 0.20                         |
| <b>Total</b>              |        | <b>0.71</b>                  |

ICT = information and communication technology.

### Top 5 Consultants from Palau Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2014–31 December 2018

| Consultant                       | Sector | Contract Amount (\$ million) |
|----------------------------------|--------|------------------------------|
| Melekau Environmental Consulting | ICT    | 0.01                         |
| Individual Consultants           |        | 0.12                         |
| <b>Total</b>                     |        | <b>0.13</b>                  |

ICT = information and communication technology.



ADB began cofinancing operations in Palau in 2016. Since then, cumulative direct value-added official cofinancing commitments for Palau have amounted to \$22.5 million for 1 investment project.

A summary of projects with cofinancing from 1 January 2014 to 31 December 2018 is available at [www.adb.org/countries/palau/cofinancing](http://www.adb.org/countries/palau/cofinancing).

### PARTNERSHIPS

Since 2013, ADB has contributed to Palau's annual national economic summit, which facilitates discussion of critical issues and priorities of the government, the private sector, and the public.

The bank maintains strong partnerships with key stakeholders in Palau, initiating missions to help coordinate assistance from major development partners, including Australia; Japan; the United States; and Taipei, China. Missions also coordinate with the World Bank, the European Union, and the United Nations.

To encourage regional cooperation and integration efforts between Palau and its neighbors, ADB collaborates with the

Council of Regional Organisations in the Pacific.

### PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

### Share of ADB's Procurement Contracts

#### Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$10.2 billion in 2017 and \$12.55 billion in 2018. Cumulative procurement since 1966 has been \$180.86 billion covering 215,461 contracts.

In Palau, eight contracts worth \$16.78 million have been awarded to contractors and suppliers since 2003.

### Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$746.79 million in 2017 and \$696.18 million in 2018. Cumulative procurement since 1966 has been \$12.7 billion covering 59,248 contracts.

In Palau, eight contracts worth \$0.16 million have been awarded to consultants since 2003.

### OPERATIONAL CHALLENGES

Because Palau is a relatively new nation-state, ADB continues to focus on strengthening the country's institutional foundations for effective economic management. This helps ensure that wealth and prosperity generated through the successful development of tourism are broadly shared and translate into sustainable improvements in quality of life.

Implementation of the Koror–Airai Sanitation Project is progressing well, while the North Pacific Regional Connectivity Investment Project was delivered to Palau ahead of time and under budget. This illustrates that efficient implementation is possible, even with relatively large projects. However, project implementation capacity remains a significant limitation in Palau, and the government must work to ensure that improvements in implementation can be sustained by harnessing new digital applications.

### FUTURE DIRECTIONS

ADB will continue to concentrate its assistance on improving public sector performance and promoting private sector development in Palau. The bank will complement this assistance

with support for key infrastructure investments that deliver inclusive economic and social benefits. Technical support, through ADB country and regional programs, will continue to provide flexible and responsive support

for Palau's development goals. Regional activities will support reforms in public sector management, improve labor market outcomes, and advise on economic policy and private sector development. ADB will continue

to encourage Palau's involvement in regional cooperation programs, particularly in expanding access to renewable resources, improving energy efficiency, and responding to the impacts of climate change.



## ABOUT PALAU AND ADB

### ADB Membership

Joined 2003

### Shareholding and Voting Power

|                               |   |
|-------------------------------|---|
| Number of shares held:        | 342 (0.003% of total shares)  |
| Votes:                        | 40,039 (0.301% of total membership,<br>0.463% of total regional membership) |
| Overall capital subscription: | \$4.76 million  |
| Paid-in capital subscription: | \$0.24 million  |

**Tony McDonald** is the Director and **Scott Dawson** is the Alternate Director representing Palau on the ADB Board of Directors.

**James Lynch** is the ADB Country Director responsible for Palau, as well as Deputy Director General for the Pacific Department. The ADB Pacific Department provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The Pacific Department engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Palau.

In 2018, ADB approved the establishment of a country office in Palau. The office strengthens the bank's presence in the country, working to enhance the relationship between ADB and the government, improve development partner coordination, and help build local capacity in the design and implementation of ADB-supported projects.

The Palau government agency handling ADB affairs is the Ministry of Finance.

## ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 68 members, 49 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2018, lending volume was \$19.88 billion (126 projects), with technical assistance at \$241.20 million (280 projects) and grant-financed projects at \$1.42 billion (44 projects). In addition, \$14 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2014 to 31 December 2018, ADB's annual lending volume averaged \$15.99 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$583.95 million and \$184 million over the same period. As of 31 December 2018, the cumulative totals excluding cofinancing were \$275.82 billion in loans for 3,090 projects in 44 countries, \$9.38 billion in 374 grants, and \$4.52 billion in technical assistance grants, including regional technical assistance grants.

### Notes:

ADB welcomed Niue as its 68th member in March 2019.

Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars.

Data are updated as of 31 December 2018 unless otherwise indicated. Fact sheets are published annually in April.

## CONTACTS

### Palau Pacific Country Office

Room 209, PDC Building  
Koror 96940, Palau  
Tel +680 7751990

### ADB Headquarters

6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 8632 4444  
Fax +63 2 8636 2444  
(Please omit the "8" from ADB HQ numbers until  
Manila numbers change on 8 October 2019.)

### Ministry of Finance

P. O. Box 6011  
Koror PW 96940, Palau  
Tel +680 767 2501  
Fax +680 767 2168

### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Annual Report  
[www.adb.org/documents/series/adb-annual-reports](http://www.adb.org/documents/series/adb-annual-reports)

Asian Development Outlook  
[www.adb.org/publications/series/asian-development-outlook](http://www.adb.org/publications/series/asian-development-outlook)

ADB Data Library  
[data.adb.org](http://data.adb.org)