

# ASIAN DEVELOPMENT BANK MEMBER FACT SHEET



## Palau: 2020 Loans, Grants, Equity Investments, Technical Assistance, and Trade and Supply Chain Finance and Microfinance Program Commitments (\$ million)<sup>a</sup>

Product Type	Sovereign	Nonsovereign	Total
Loans	45.00	–	45.00
Grants	4.00	–	4.00
Technical Assistance <sup>b</sup>	3.72	0.15	3.87
<b>Total</b>	<b>52.72</b>	<b>0.15</b>	<b>52.87</b>

– = nil, DMC = developing member country, TA = technical assistance.

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

Grants and TA include ADB-administered cofinancing.

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

<sup>b</sup> Financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

## Palau: Cumulative Loans, Grants, Equity Investments, Technical Assistance, and Trade and Supply Chain Finance and Microfinance Program Commitments<sup>a, b, c, d</sup>

Sector	No.	Total Amount (\$ million) <sup>e</sup>	% of Total Amount <sup>e</sup>	COVID-19 Response (\$ million) <sup>e</sup>
Energy	5	9.13	6.45	–
Finance	–	0.29	0.20	–
Health	3	2.05	1.45	1.45
Industry and Trade	–	0.14	0.10	–
Information and Communication Technology	2	24.88	17.57	–
Multisector	–	0.13	0.09	–
Public Sector Management	5	57.74	40.78	40.43
Transport	–	0.26	0.18	–
Water and Other Urban Infrastructure and Services	7	46.96	33.17	0.10
<b>Total</b>	<b>22</b>	<b>141.58</b>	<b>100.00</b>	<b>41.98</b>

– = nil, COVID-19 = coronavirus disease, DMC = developing member country, TA = technical assistance.

<sup>a</sup> Grants and TA 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> Financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

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

To support sustainable recovery from the COVID-19 pandemic, ADB will continue to concentrate its assistance to Palau on improving public sector performance and promoting private sector development.

## PALAU

Palau is a small island developing state in the North Pacific. Its tourism industry accounts for about 40% of gross domestic product, while assistance under its Compact of Free Association with the United States (the Compact, amended in 2018) will provide more than \$120 million in grant funding through to 2024.

Despite its tourism industry and Compact assistance, Palau is exceptionally vulnerable to natural disasters, and its narrow economic base exposes it to international market volatility. The coronavirus disease (COVID-19) pandemic and associated travel restrictions severely threaten Palau's tourism-based economy—emphasizing the need for prudent financial management and deeper private sector involvement as the country pursues more inclusive and sustainable growth.

Palau joined the Asian Development Bank (ADB) in 2003 and was classified as a developing member country (DMC) in December 2005. Since then, ADB has committed loans totaling \$129.7 million, grants of \$1.2 million, technical assistance worth \$6.8 million,

and ADB-administered cofinancing of \$3.9 million for Palau. Cumulative loan and grant disbursements to Palau amount to \$97.3 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 economic value by delivering



safe water and sanitation services and developing the private sector.

In 2020, ADB committed \$41 million for COVID-19 response in Palau, comprising \$20 million from the [Health Expenditure and Livelihoods Program](#), \$20 million from Phase 3 of the [Pacific Disaster Resilience Program](#), and \$1 million from [COVID-19 Emergency Response](#).

During the year, the bank also committed \$5 million to support Phase 1 of Palau's [Public Utilities Corporation Reform Program](#) and administered \$3 million from the [Japan Fund for Poverty Reduction](#) for the [Disaster Resilient Clean Energy Financing Project](#).

Prior to the pandemic, ADB committed \$15 million under Phase 2 of the [Pacific Disaster Resilience Program](#) to help Palau mitigate immediate economic and social impacts caused by major disasters through immediate access to resources. This was fully drawn down in 2020 in response to the impacts of the COVID-19 pandemic. It also provided almost \$30 million for the [Koror–Airai Sanitation Project](#) to deliver efficient and sustainable sewage collection systems.

ADB 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.

The bank is also providing significant support to improve business conditions

in Palau. Through its [Pacific Private Sector Development Initiative \(PSDI\)](#), ADB helped prepare an updated private sector assessment and helped facilitate growth by improving business registration systems. It also provided technical assistance for new legislation on secured transactions to improve access to commercial credit. The government then launched a secured transaction registry, making it possible for banks to provide loans with greater security at reduced risk. The PSDI also provided support to improve governance in Palau's state-owned enterprises, including developing a formal policy (as well as relevant legislative measures) on these enterprises, and in completing the country's Household Income and Expenditure Survey.

## NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments in loans and equity investments from ADB's own funds in 2020 amounted to \$1.4 billion for 38 transactions in economic and social infrastructure, finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2020, ADB mobilized \$1.9 billion of long-term project cofinancing and \$3.3 billion of cofinancing through its [Trade and Supply Chain Finance Program](#) and [Microfinance Program](#). Total outstanding balances and commitments

of nonsovereign transactions funded by ADB's own resources stood at \$14.3 billion as of 31 December 2020.

## PARTNERSHIPS

ADB maintains strong partnerships with key stakeholders in Palau, initiating missions to help coordinate assistance from major bilateral donors such as the governments of Australia; Japan; Taipei, China; and the United States. It also coordinates with multilateral partners such as 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.

The PSDI, for example, is cofinanced by the governments of Australia and New Zealand, and is a key vehicle for helping strengthen the business enabling environment in Palau and other countries in the Pacific. ADB also supports Palau through the [Pacific Region Infrastructure Facility](#)—a multipartner platform that provides technical advice on infrastructure development and sustainable infrastructure management and works to enhance the coordination of development partner investments in the Pacific.

## FINANCING PARTNERSHIPS

[Financing partnerships](#) enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial

### Palau: Evaluation Results for Sovereign and Nonsovereign Operations, 2011–2020

	Total Number of Validated and Evaluated Projects and Programs	Evaluation Ratings		
		Highly successful and successful	Less than successful	Unsuccessful
Sovereign Operations	1	–	1	–
Nonsovereign Operations	–	–	–	–

– = nil, IED = [Independent Evaluation Department](#).

Note: The figures indicate the number of sovereign and nonsovereign operations in the country that have been validated or evaluated by the IED and their overall performance ratings. The coverage consists of all validated or evaluated project completion reports and extended annual review reports circulated by ADB within the 10-year period from 1 July 2010 to 30 June 2020. See [evaluations](#) related to Palau.

Source: IED success rate database (as of 31 December 2020).

### Palau: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2019–2020

	2019 (\$ million)		2020 (\$ million)
	No. of Ongoing Loans <sup>a</sup> (as of 31 Dec 2020)		
Contract Awards <sup>b, c</sup>	1.78		0.95
Disbursements <sup>b</sup>	4.81		39.62
No. of Ongoing Grants <sup>a, d</sup> (as of 31 Dec 2020)			1
Contract Awards <sup>b, c, d</sup>	–		–
Disbursements <sup>b, d</sup>	–		1.00
At Risk Projects (%) (as of 31 Dec 2020)			–

– = 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, results-based, and financial intermediation/credit loans and grants.

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

### Palau: Projects Cofinanced, 1 January 2016–31 December 2020

Cofinancing	No. of Projects	Amount (\$ million)
Sovereign	2	25.50
Loans	1	22.50
Grants	1	3.00

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

Item	2019		2020		Cumulative (as of 31 Dec 2020)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	3.33	0.02	35.89	0.16	56.00	0.03
Consulting Services	-	-	0.05	0.01	0.21	0.00
<b>Total Procurement</b>	<b>3.33</b>	<b>0.02</b>	<b>35.94</b>	<b>0.15</b>	<b>56.21</b>	<b>0.02</b>

- = nil, 0.00 = less than 0.005%.

### Top 5 Contractors/Suppliers from Palau Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2016–31 December 2020

Contractor/Supplier	Sector	Contract Amount (\$ million)
G&C Underground Services	ICT	3.02
Surangel and Sons Construction	ICT, WUS	1.41
VMJ Construction Co.	WUS	0.20
Williams Construction Co.	WUS	0.10
Others		35.00
<b>Total</b>		<b>39.73</b>

ICT = information and communication technology, WUS = water and other urban infrastructure and services.

### Top 5 Consultants from Palau Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2016–31 December 2020

Consultant	Sector	Contract Amount (\$ million)
Melekau Environmental Consulting	ICT	0.01
Individual Consultants		0.05
<b>Total</b>		<b>0.06</b>

ICT = information and communication technology.

organizations to participate in financing ADB projects. The additional funds are provided in the form of loans and grants, technical assistance, and other nonsovereign cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade and Supply Chain Finance Program and Microfinance Program.

ADB began cofinancing operations in Palau in 2015. Since then, sovereign cofinancing commitments for Palau have amounted to \$25.5 million for two investment projects.

In 2020, Palau received \$3 million grant cofinancing from the Japan Fund for Poverty Reduction for the Disaster Resilient Clean Energy Financing.

A summary of projects with cofinancing from 1 January 2016 to 31 December 2020 is available at [www.adb.org/countries/palau/cofinancing](http://www.adb.org/countries/palau/cofinancing).

## 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 all ADB members.

## 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 \$14.19 billion in 2019 and \$22.79 billion in 2020. Cumulative procurement since 1966 has been \$216.35 billion covering 222,415 contracts.

For contractors and suppliers from Palau, 17 contracts worth \$56 million have been awarded since 2003.

### Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$756.72 million in 2019 and \$732.11 million in 2020. Cumulative procurement since 1966 has been \$14.13 billion covering 67,086 contracts.

For consultants from Palau, 10 contracts worth \$0.21 million have been awarded 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

To support sustainable recovery from the COVID-19 pandemic, ADB will continue to concentrate its assistance to Palau on improving public sector performance and promoting private sector development. The bank will complement this assistance with financing 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 in capacity strengthening and knowledge for Palau's development goals. Regional programs supported by ADB will advance 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: 39,456 (0.297% of total membership,  
0.456% of total regional membership)

\*Overall capital subscription: \$4.93 million

\*Paid-in capital subscription: \$0.24 million

\*United States dollar figures are valued at rate as of 31 December 2020.

**Kaleb Udui, Jr.** is the Governor and **Casmir Remengesau** is the Alternate Governor for Palau in ADB.

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

**Emma Veve**, ADB's Deputy Director General for the Pacific Department, is the Country Director responsible for Palau. 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 Office of the Director General of the Pacific Department engages in policy dialogue, country partnership strategy development and programming, portfolio management, and knowledge-based solutions for Palau.

In January 2020, ADB opened 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 Asia and the Pacific 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 2020, lending volume was \$26.9 billion (149 projects), with technical assistance at \$293.56 million (275 projects) and grant-financed projects at \$1.08 billion (62 projects). In addition, \$16.41 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade and Supply Chain Finance Program and Microfinance Program. From 1 January 2016 to 31 December 2020, ADB's annual lending volume averaged \$19.69 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$805.5 million and \$230.81 million respectively over the same period. As of 31 December 2020, the cumulative commitments excluding cofinancing were \$323.17 billion in loans for 3,369 projects in 44 countries, \$11.3 billion in 495 grants, and \$5.01 billion in technical assistance grants, including regional technical assistance grants.

Notes:

Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars. Data are updated as of 31 December 2020 unless otherwise indicated.

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### 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)