



Completion Report

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Palau: Health Expenditure and Livelihoods Support Program

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Asian Development Bank

CURRENCY EQUIVALENTS

The currency unit of Palau is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
CARES Act	–	Coronavirus Aid, Relief, and Economic Security Act
COVID-19	–	coronavirus disease
CPRO	–	COVID-19 pandemic response option
CROSS	–	Coronavirus Relief One-Stop Shop
DMC	–	developing member country
DMF	–	design and monitoring framework
DSA	–	debt sustainability analysis
EconMAP	–	Economic Monitoring and Analysis Program
GDP	–	gross domestic product
HEALS	–	Health Expenditure and Livelihoods Support
IMF	–	International Monetary Fund
MOF	–	Ministry of Finance
MOH	–	Ministry of Health
PPUC	–	Palau Public Utilities Corporation
RISES	–	Recovery through Improved Systems and Expenditure Support
RRP	–	report and recommendation of the President
SDGs	–	Sustainable Development Goals
SOEs	–	state-owned enterprises
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Palau and its agencies ends on 30 September. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2022 ends on 30 September 2022.
- (ii) In this report, “\$” refers to United States dollars.

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BASIC DATA

A. Program Identification

1.	Program number and program title	54245-001: Health Expenditure and Livelihoods Support Program
2.	Mode of financial assistance	Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO)
3.	Country	Republic of Palau
4.	Borrower	Republic of Palau
5.	Executing agency	Ministry of Finance
6.	Products	Loan 3955-PAL

Item	Approval Number	Financing Amount (\$ million)	Financing Source	Product Modality and Nature of Activities
Loan	3955	20.0	Concessional Ordinary Capital Resources	Policy-based loan
Government	NA	NA	NA	NA
Program Total	NA	20.0	NA	NA

NA = not applicable.

B. Milestone Dates by Product

Item	Loan 1
Approval of concept clearance	
– Date started	NA
– Date completed	NA
Fact-finding mission	
– Date started	16 April 2020
– Date completed	19 June 2020
Loan negotiations	
– Date started	29 June 2020
– Date completed	29 June 2020
Date of Board approval	29 July 2020
Date of loan agreement	3 August 2020
Date of loan effectiveness	
– In loan agreement	1 November 2020
– Actual	25 August 2020
– Number of extensions	0
Program completion date	
– At approval	31 January 2021
– Actual	31 January 2021
Loan closing date	
– In loan agreement at approval	31 January 2021
– Latest revised	NA
– Number of extensions	0
Financial closing date	13 October 2020

NA = not applicable.

C. Program Cost and Financing

1. Program cost (\$ million)

Cost	Estimate at Approval	Actual
Foreign exchange cost	20.0	20.0
Local currency cost	0.0	0.0
Total	20.0	20.0

2. Financing plan and actual (\$ million)

Cost	Estimate at Approval	Actual
Implementation cost	0.0	0.0
Borrower financed	0.0	0.0
Asian Development Bank financed	20.0	20.0
Other external financing	0.0	0.0
Total implementation cost	20.0	20.0
Interest during construction costs	...	...
Borrower financed	...	...
Asian Development Bank financed	...	...
Other external financing	...	...
Total interest during construction cost	...	...

... = not available.

3. Disbursements

a. Disbursement dates by product

	First Disbursement	First Disbursement, Excluding Capitalization	Final Disbursement
Loan 1	27 August 2020	NA	27 August 2020

NA = not applicable.

b. Loan disbursed amount (\$ million)

Category	Original Allocation (1)	Increased/ (Decreased) during Implementation (2)	Canceled during Implementation (3)	Last Revised Allocation (4=1+2-3)	Amount Disbursed (5)	Undisbursed Balance (6=4-5)
Loan 1	20.0	0.0	0.0	20.0	20.0	0.0
Total	20.0	0.0	0.0	20.0	20.0	0.0

4. Terms of loan by product

- Interest rate: 2.0%
- Maturity: 25 years
- Grace period: 5 years

D. Program Implementation

1. Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members	Virtual Mission (Yes/No)
Fact-finding	16 April–19 June 2020	5	25	public sector economist, country team leader, senior country officer, operations coordination officer, counsel	Yes

I. PROGRAM DESIGN AND IMPLEMENTATION

A. Rationale

1. Palau responded rapidly to the global outbreak of the coronavirus disease (COVID-19), with the Ministry of Health (MOH) activating its Emergency Operations Centre on 22 January 2020 to implement health screening for all arrivals. On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic.¹ On 12 March 2020, Palau declared a public health emergency, with more travel precautions and social distancing guidelines.² Palau did not record any COVID-19 cases until 21 August 2021 (two border cases involving travelers from Guam), with the first community transmission in January 2022. The hospitalization and death rates have remained low.³ As of April 2022, 100% of Palau's eligible population was fully vaccinated.

2. The Palau economy is tourism driven, with a tourist–resident ratio of 9.6:1.0 in 2015, among the highest in the Pacific and globally. A pre-pandemic tourism downturn had already caused job losses, which the pandemic restrictions accentuated, and the health system was inadequate to handle the pending health crisis.⁴ The government passed two supplementary budgets for FY2020 in support of its countercyclical development expenditure program. The first, immediately after the declaration of the public health emergency, allocated an additional \$6.0 million to bridge revenue shortfalls and finance the continuation of government services and employment, along with \$0.9 million for the Hospital Trust Fund. The second, enacted in late April, allocated an additional \$22.2 million in government spending, of which \$20 million—equivalent to 8% of gross domestic product (GDP)—supported the Coronavirus Relief One-Stop Shop (CROSS) program. The CROSS program comprised a new unemployment benefit scheme, temporary subsidies for utility bills, a temporary employment scheme, and a lending scheme for the private sector.⁵ The adverse impacts of COVID-19 restrictions were projected to raise the government's financing needs to \$31.2 million (equivalent to 12.2% of GDP) in FY2020 and to \$53.4 million (23.8%) in FY2021. The government requested the Asian Development Bank (ADB) for support to help bridge these needs and resource its COVID-19 response program.⁶

3. ADB responded to the pandemic with a comprehensive package of support, to help its developing member countries (DMCs) address the crisis, including the COVID-19 Pandemic Response Option (CPRO).⁷ On 29 July 2020 ADB approved a loan of \$20.0 million to the Republic of Palau for the Health Expenditure and Livelihoods Support (HEALS) Program under the CPRO.⁸ The program was designed to provide general budgetary support to help finance the government's countercyclical development spending under its pandemic response plan. In particular, it would help maintain government services and employment, particularly in the health

¹ D. B. Taylor. 2020. [A Timeline of the Coronavirus](#). *The New York Times*. 17 March.

² Palau effectively closed its borders in April 2020, requiring a 14-day quarantine period for limited approved arrivals.

³ As of June 2022, there have been 6 COVID-19 deaths in Palau, with hospitalizations peaking at 22 in early-February.

⁴ Tourism related activities represented more than a third of GDP in FY2019.

⁵ Government of Palau. 2020. *The Coronavirus Relief One-Stop Shop Act or CROSS Act*. Republic of Palau Public Law 10-56. Koror (April). Funding of \$0.5 million was also made available for the Palau Red Cross, education aid to private schools, and consular assistance for citizens stranded abroad.

⁶ The government's formal letter to ADB, received on 3 April 2020, requests total financing of \$50 million to cover projected needs in FY2020 and FY2021.

⁷ ADB. 2020. [Policy Paper: ADB's Comprehensive Response to the COVID-19 Pandemic](#). Manila.

⁸ ADB. [Palau: Health Expenditure and Livelihoods Support Program](#). In addition to the HEALS program CPRO, the government's financing needs for FY2020 and FY2021 were addressed through ADB. [Palau: Palau Public Utilities Corporation Reform Program \(Subprogram 1\)](#), ADB. [Palau: Disaster Resilience Program](#), and follow-on policy-based operations to further support the COVID-19 response under ADB. [Palau: Recovery through Improved Systems and Expenditure Support Program \(Subprogram 1\)](#).

sector, sustain funding for social protection programs, reinforce government social assistance to the unemployed, and provide financial relief for private firms through the CROSS program.

4. The COVID-19 pandemic raised serious risks of damaging the economy and the health of the population. Palau is very vulnerable to external shocks, ranking first among 145 countries in the United Nations' Economic Vulnerability Index as of 2018.⁹ This vulnerability highlighted the crucial importance of maintaining adequate fiscal buffers and reserves to enable immediate response to disasters and other emergencies. Palau entered the pandemic on a relatively strong footing with a track record of fiscal prudence, which had led to sustained fiscal surpluses and accumulation of government reserves. The government promptly adopted measures in 2020 that immediately restricted travel and aimed to strengthen health care and mitigate the economic and social hardships of the pandemic. These restrictions, however, led to a collapse of international travel and tourism. Mitigating measures included the CROSS program.¹⁰ The economy remains highly dependent on foreign assistance from its development partners.¹¹

5. The HEALS program was prepared by ADB staff during February–June 2020. Analytical support was provided through regional technical assistance (TA) to undertake a rapid assessment of the potential extent of the social impacts of the pause in economic activity brought about by COVID-19 on vulnerable groups.¹² ADB TA also supported the government in refining its macro-fiscal framework to estimate financing needs more comprehensively for FY2020 and FY2021.¹³ Previous TA in Palau had also highlighted the need to account for potential political economy shifts that can affect delivery of support.¹⁴ Results from these TA projects informed the design of the program. The design also drew on lessons learned from ADB support in the Pacific during the 2008–2009 global financial and economic crisis. These included the critical need to support aggregate demand while protecting the fiscal position through prioritized and well-targeted public expenditure programs. The program's twin focus on supporting both private businesses and workers, as well as maintaining public service operations, would help shore up domestic demand during the COVID-19 crisis and facilitate economic recovery. Economic recovery, in turn, would drive a return to fiscal sustainability. The economic recovery support programs showed the importance of complementary TA, particularly to develop social protection programs targeting the most vulnerable. The program was developed in close coordination with the International Monetary Fund (IMF) to ensure that the program would help safeguard macroeconomic stability during the crisis. ADB also collaborated with Palau's major development partners to avoid duplication of effort, including in the delivery of assistance measures (para. 30).

6. Palau's compliance with the access criteria for the CPRO was examined at program preparation (Table 1 and Appendix 4 of the report and recommendation of the President [RRP], footnote 8). Palau was in compliance at loan approval and this continued throughout program implementation. The criteria covers (i) adverse impact of exogenous shocks, (ii) countercyclical

⁹ United Nations Department of Economic and Social Affairs. [Economic Vulnerability Index](#).

¹⁰ The government responded quickly in passing the CROSS Act in April 2020, with the first benefit payments released in May. In addition, citizens of Palau are eligible for unemployment benefits under the US Coronavirus Aid, Relief and Economic Security (CARES) Act 2020 through the Pandemic Unemployment Assistance (at least \$397 per week for up to 39 weeks through December 2020) and the Federal Pandemic Unemployment Compensation (\$600 per week during April–December 2020) programs. Up to \$19 million was available (4% of GDP). Although eligibility under the CARES Act was similarly announced in April 2020, delivery systems were only finalized by August 2020.

¹¹ Drawdowns from the Compact of Free Association Trust Fund, US federal programs, and other grants represented 37% of total revenues in FY2019.

¹² ADB. 2020. [Technical Assistance for Strengthening Social Protection in the Pacific](#). Manila.

¹³ ADB. 2019. [Technical Assistance for Pacific Economic Management \(Phase 3\)](#). Manila.

¹⁴ ADB. 2013. [Technical Assistance Completion Report: Implementing a Medium-Term Budget Framework](#). Manila.

development expenditure, (iii) pre-shock record of generally sound macroeconomic management, (iv) structural reforms, (v) debt sustainability, and (vi) coordination with the IMF.

- (i) **Criterion 1: Adverse impact of exogenous shocks.** Palau's economy was projected to contract by 9.5% in FY2020 and 12.8% in FY2021 because of global travel restrictions resulting from the COVID-19 pandemic, with a loss of more than 3,100 jobs (27% of the total workforce). The basic needs poverty rate was forecast to increase to 27.9% of households by the end of FY2021, up from 19.4% in 2014. The economy actually contracted by 9.7% in FY2020 and a further 17.1% in FY2021. During FY2020 alone, the private sector contracted by 20%, but employment declined by only 1.3% for Palauans and 5.5% for foreign workers, mainly due to the government's mitigation measures.
- (ii) **Criterion 2: Countercyclical development expenditure.** Palau passed a supplementary budget in March 2020, allocating \$6.9 million for emergency supplies, additional health screening and testing, and bridging revenue shortfalls to maintain public services. A second supplementary budget in April 2020 included a \$20 million countercyclical development expenditure program for the CROSS program, providing (i) loans to affected businesses, (ii) unemployment benefits, (iii) wage funding for temporary employment schemes by the public sector and nongovernment organizations, and (iv) expanded lifeline utility subsidies. The second supplementary budget authorized up to \$60 million in borrowing to support the continuity of public services, including health and social protection.¹⁵
- (iii) **Criterion 3: Pre-shock record of generally sound macroeconomic management.** Palau recorded fiscal surpluses (averaging 3.0% of GDP) during FY2011–FY2019. During the tourism boom, Palau saved the bulk of surpluses and built fiscal buffers equivalent to 11.3% of GDP. Prior to COVID-19, total public debt was the equivalent of about 32.5% of GDP and was rated sustainable by the IMF.
- (iv) **Criterion 4: Structural reforms.** The capacity of the public health system to deal effectively with the COVID-19 outbreak was low. Palau's rapid COVID-19 response measures included (i) activating the MOH's Emergency Operations Center, (ii) health screening all international arrivals since late-January and full border closure from 26 March 2020, (iii) issuing a certification of unavoidable public health emergency, and (iv) COVID-19 testing targeting frontline health workers and at-risk groups to effectively minimize the risk of an outbreak. Other system-strengthening measures included installing additional ventilators at Belau National Hospital, preparing alternative care sites to provide critical health services should any suspected cases be detected, paying overtime and hazard pay to frontline health workers, and activating a 24-hour COVID-19 hotline for public inquiries.
- (v) **Criterion 5: Debt sustainability.** The size of the financing envelope necessary to counter the economic and fiscal impacts of COVID-19 was expected to push Palau's public debt–GDP ratio to 46.4% in FY2020 and 66.9% in FY2021. However, the program would not add significantly to the government's annual debt service obligations, as ADB's debt sustainability analysis (DSA) showed that, with sustained recovery, the public debt–GDP ratio could revert to the pre-COVID-19 level over the medium-term. The DSA concluded that public debt would remain sustainable and fiscal vulnerabilities would be contained. The IMF's December 2021 analysis likewise concludes that debt remains sustainable (para. 27).¹⁶
- (vi) **Criterion 6: Coordination with the International Monetary Fund.** ADB

¹⁵ This was based on estimated revenue shortfalls of \$21 million in FY2020 and \$24 million in FY2021.

¹⁶ IMF. 2021. [Republic of Palau: 2021 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for the Republic of Palau](#). IMF Country Report No. 21/263. Washington, DC.

coordinated closely with the IMF on the financing envelope for Palau. The IMF's assessment letter confirmed ADB's assessments on Palau's pre-shock record of generally sound macroeconomic management, and on debt sustainability being maintained over the medium to long term. This collaboration with the IMF continues in implementing ADB's follow-on Recovery through Improved Systems and Expenditure Support (RISES) policy-based operation (footnote 8).

7. The program is aligned with ADB's Pacific Approach 2016–2020, the then country partnership strategy for the 11 smaller Pacific DMCs.¹⁷ The program is also aligned with the Strategy 2030 operational priorities of addressing remaining poverty and reducing inequality, accelerating progress in gender equality, and strengthening governance and institutional capacity.¹⁸ The program is in line with ongoing ADB operations, which support Palau's transition towards high-value sustainable tourism, including investments in water supply and sanitation and renewable energy to safeguard Palau's pristine environment. The program supports Palau's regional cooperation and integration by providing support to tourism businesses, which should enable tourism to recover more quickly from the crisis.

B. Program Impact, Outcome, and Output

8. The program's intended impact was that government services and employment would be maintained, particularly in the health sector, and the economic and social impacts of the COVID-19 pandemic on the private sector would be mitigated (footnote 5). The program's outcome would be reduced adverse impacts of COVID-19 restrictions on Palau's population and businesses.

9. The HEALS program was designed to provide general budget support to help fill gaps in the government's countercyclical development spending under its pandemic response plan (para. 3). The program supported three outputs: (i) the health system's COVID-19 response measures strengthened, (ii) social assistance compensating for economic losses borne by unemployed workers implemented, and (iii) economic relief for affected businesses delivered. Achievements are as follows, with further details in the design and monitoring framework (DMF) in Appendix 1.

- (i) **Health system's COVID-19 response measures strengthened.** A key output was maintaining the MOH's share in the FY2020 budget at no less than 8.9%, effectively ringfencing funding for essential health services. Two supplementary budgets provided additional funds for emergency supplies and additional COVID-19 screening and testing, and for the CROSS program, while the other budget allocations for MOH were maintained.¹⁹ Testing covered 100% of domestic high-risk groups (i.e., frontline health workers, the elderly, people with pre-existing conditions) with 2,083 COVID-19 tests (all with negative results) conducted during April–September 2020. Further, 203 frontline health workers were trained on the use of personal protective equipment and additional ventilators were installed. Palau has achieved universal COVID-19 vaccination coverage of eligible persons.
- (ii) **Social assistance compensating for economic losses borne by unemployed workers implemented.** During April 2020–January 2021, unemployment benefits were provided to 1,934 workers, 784 (41%) of whom were women. The temporary

¹⁷ ADB. 2015. [Pacific Approach, 2016–2020](#). Manila.

¹⁸ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

¹⁹ Of the Ministry of Community and Cultural Affairs' budget, \$1.6 million was ringfenced for critical social assistance programs specifically targeting vulnerable groups. No budget changes or reductions were made to the budget passed in September 2020 for the first 6 months of FY2021, which continued the budget for FY2020 in view of general elections in November 2021. Although no reductions were made, a substantial portion remained unused.

employment target was met, with 714 workers being given temporary jobs, of which 354 (50%) were women (end-FY2020). The target for the expansion of the Palau Public Utilities Corporation (PPUC) subsidy program to cover the utility bills of at least 2,000 additional households and businesses was not met because only 58 applied for the subsidy, of which 25 (43%) were women-headed, as of February 2021. This is partly because other mitigation programs were available, including the United States (US) Coronavirus Aid, Relief, and Economic Security (CARES) Act (footnote 10), which offered higher payouts. The government reallocated funding from the lifeline subsidy (and business loans) to extend the availability of unemployment benefits and temporary job schemes, which continued to be in high demand. Free child care support for low-income families continued as planned.

- (iii) **Economic relief for affected businesses delivered.** The target of concessional loans being provided to at least 100 private firms (with priority to businesses owned by women) was not achieved. Only 39 applications were approved, of which 13 were from women entrepreneurs, as of December 2020. Again, this is partly because other mitigation programs were available, including the CARES Act, with less documentation and no repayment requirements. The deferment program for tax payments and employer contributions for all COVID-19 affected businesses was implemented as planned. All national government workers (53% of whom are women) continued to be employed, meeting the relevant target.

C. Program Costs and Financing

10. The CPRO assistance of \$20 million to Palau—the full amount available based on the ceiling set in ADB's CPRO policy—was equivalent to 8% of nominal GDP or 100% of the government's CROSS program funding at the time of CPRO approval and completion.

D. Disbursements

11. The loan was disbursed in a single tranche on 27 August 2020, two days after the loan was declared effective, to support the CROSS program that had been running since April 2020. Proceeds were deposited in the general fund reserve for subsequent withdrawals upon use.

E. Program Schedule

12. The program was approved on 29 July 2020. The loan agreement was signed on 3 August 2020 and became effective on 25 August 2020, well in advance of the original expected date of 1 November 2020, through facilitation by ADB's country office. The program completion date of 31 January 2021 was maintained, although the financial closing date was 13 October 2020.

F. Implementation Arrangements

13. Implementation arrangements were fit-for-purpose. The Ministry of Finance (MOF) was the executing agency responsible for coordinating and monitoring program implementation, while closely coordinating with ADB and partners in addressing implementation issues. Implementing agencies included the MOH for health services, and the Ministry of Community and Cultural Affairs and the Division of Labor under the Ministry of Justice for the CROSS program, along with the MOF. Implementation capacity was supplemented through ADB regional TA (section G). To minimize additional administrative burden, particularly at a time when thin capacity was further stretched by the pandemic response demands, ADB endeavored to utilize the government's own coordinating and reporting mechanisms during implementation (paras. 18 and 38).

G. Technical Assistance

14. ADB regional TA had supported the MOF in refining its macro-fiscal framework for FY2020 and FY2021 (footnote 13), as well as in promoting social protection (footnote 12) and gender equality.²⁰ Further regional TA is helping to improve the responses to future external shocks, examining the pandemic's effects on the flow of remittances and foreign direct investment, as well as on and small and medium-sized enterprises.²¹

H. Poverty, Social, and Gender Equality

15. The program was classified as *effective gender mainstreaming*. It was anticipated that the COVID-19 crisis could exacerbate existing gender inequalities and increase the gender wage gap. Households headed by women (which earn 18% less in average monthly income than households headed by men) were more likely to face poverty, and they might be at increased risk of poverty and food insecurity during the COVID-19 crisis. Women comprise 77% of the frontline health workers, who are at increased risk of infection from COVID-19. At program completion, 13 of the 15 gender-related performance targets (87%) were achieved, while both (100%) gender-related activities were completed (Appendix 4). The program ensured that all female employers and employees would have access to support including (i) unemployment benefit for all women losing their jobs, (ii) temporary employment schemes (including tourism enhancement, environmental protection, and care for vulnerable populations), (iii) the continued employment of all public servants (of which 53% are women), and (iv) concessional or interest-free business loans that target and prioritize businesses owned by women. In addition, the PPUC expanded the lifeline utility subsidy and ensured that households headed by women were prioritized and among the first to benefit. The government committed to ringfencing funds for gender-based violence services in the FY2021 budget. Women's unpaid care burden was supported by the provision of free preschool and child daycare facilities for lower income families.

I. Safeguards

16. No adverse environmental, involuntary resettlement, or indigenous peoples impacts under ADB's Safeguard Policy Statement (2009) were identified at design and the program was thus classified as category C.²² No adverse impacts have been reported.

J. Monitoring and Reporting

17. The covenants in the loan agreement (Appendix 5) were complied with, except for the covenants on monitoring and reporting, which was only partly complied with (para. 18).

18. Schedule 4 paras. 7–8 require that the borrower regularly monitors and evaluates the achievement of targets, and reports to ADB every quarter on achievements and expenditure incurred. The CROSS monthly reports were designed to be the primary reporting mechanism for this program and were prepared and submitted to Congress on a regular basis during June to December 2020.²³ ADB tried to also use this reporting mechanism to avoid a further administrative burden. However, copies were not shared in a timely manner with ADB. A summary of May–December 2020, included in the MOF's FY2020 Economic and Fiscal Review that

²⁰ ADB. [Regional: Strengthening Gender Outcomes in Pacific COVID-19 Response and Recovery](#).

²¹ ADB. [Regional: Assessing and Improving Policy Response to Economic Shocks in the North Pacific](#).

²² Refer to the Safeguards Assessment Matrix in the RRP, which anticipated no adverse impacts.

²³ The CROSS Act requires the minister of finance to regularly inspect records for inappropriate or duplicate assistance, producing monthly reports detailing expenditures and the number of beneficiaries, disaggregated by component.

contained detailed reporting on the number of beneficiaries reached by each CROSS program component, was received in January 2021.²⁴ Beneficiaries' data were disaggregated by gender and nationality, with average values of payments received. Monthly reports covering February–July 2021 were then received in February 2022 and those for the rest of 2021 in April 2022. Delays likely reflected (i) a lack of clarity on the reporting requirements under the new CPRO modality, as previous budget support operations did not require periodic reporting on program expenditures; and (ii) fragilities in the government's capacity, particularly within the MOF, whose relatively small staff complement was stretched by pandemic response, including further coordination with ADB on follow-on assistance involving two policy-based operations and a social protection project.²⁵ Reporting was also disrupted as the bureau responsible for preparing the reports moved from MOF to the new Ministry of Human Resources, Culture, Tourism and Development, following a government reorganization after the transition in political leadership in January 2021. Coupled with the subsequent extensions to the availability of CROSS program support (para. 26), this resulted in ambiguity on reporting requirements and responsibilities and a lack of clarity as to where the final responsibility for preparing these reports now rested.

19. In view of capacity constraints (para. 13), further monitoring of the HEALS program was also undertaken through ADB's coordination with the government in developing the follow-on RISES policy-based program (footnote 8) during 2020–2021. This provided opportunities for informal periodic updates on the implementation of the HEALS program. In addition, economic and financial performance is monitored by a US-funded specialist team, who provide important advice directly to MOF under the Economic Monitoring and Analysis Program (EconMAP).²⁶

II. EVALUATION OF PERFORMANCE

A. Relevance

20. The program is rated *highly relevant* at design and at completion.²⁷ The economy and the health of the population were at severe risk because of the COVID-19 pandemic. The government had responded rapidly to the pandemic, screening all international arrivals from 22 January 2020, declaring a health emergency in March 2020, and effectively closing its borders at the beginning of April 2020. These restrictions led to the collapse of international travel and tourism. Palau had entered the pandemic on strong footing with a track record of fiscal prudence, which had led to sustained fiscal surpluses and the accumulation of government deposits.²⁸ However, Palau faced important challenges, including a health system that was inadequate to handle the pending health crisis and a reliance on tourism—a pre-pandemic tourism downturn had already caused job losses, which the pandemic restrictions accentuated. ADB's timely and appropriate response was a program aimed at supporting the government's efforts to mitigate the pandemic's negative

²⁴ The MOF's review was prepared under ADB. [Palau: Recovery through Improved Systems and Expenditure Support Program \(Subprogram 1\)](#).

²⁵ Palau's prior experience with ADB budget support includes: ADB. [Palau: Water Sector Improvement Program](#) and ADB. [Palau: Disaster Resilience Program](#). Follow-on assistance includes: ADB. [Palau: COVID-19 Response for Affected Poor and Vulnerable Groups Project](#); ADB. [Regional: Pacific Disaster Resilience Program, Phase 3](#), and ADB. [Palau: Recovery through Improved Systems and Expenditure Support Program \(Subprogram 1\)](#).

²⁶ EconMAP is managed by the Graduate School USA, funded primarily by the Department of the Interior's Office of Insular Affairs; supplemental program funding has been provided by ADB and the World Bank. EconMAP monitors economic performance and assists with annual comprehensive updates of fiscal and economic statistics in the Federated States of Micronesia and the Republic of the Marshall Islands as well as Palau.

²⁷ While HEALS did not specifically include policy reforms to improve readiness or build capacities for effective crisis response, the program rests within an overall programmatic approach for policy reforms to safeguard fiscal sustainability, which is being continued under the RISES policy-based program.

²⁸ However, the IMF 2021 Article IV report states that Palau's external position was substantially weaker than implied by fundamentals: their external sustainability model indicating a current account gap of –19.7% of GDP.

effects in the short term. It was prepared in close consultation with the IMF and other development partners and is in line with ADB's CPRO policy. At the design stage, Palau met the six access criteria outlined in ADB's CPRO policy, and this continued throughout program implementation.

21. In addition to the HEALS program, ADB's response included regional TA to conduct a rapid assessment of the potential social impacts of the decreased economic activity brought about by COVID-19 on vulnerable groups (footnote 12). The HEALS program was designed to provide general budgetary support to fill gaps in the government's financing needs to implement countercyclical spending under its pandemic response plan. As part of an overall programmatic approach to safeguard fiscal sustainability, the program provided timely budget support and opened opportunities for further policy dialogue. ADB is providing ongoing policy guidance support through the RISES policy-based program and regional TA to the three north Pacific countries (footnote 21), while EconMAP gives in-house assistance to MOF (para. 19).

22. The program's DMF was *relevant*. Its target outputs, based on the main components of the government's response—as summarized in a development policy letter dated 19 June 2020—directly resulted in the achievement of the desired outcome of reducing the adverse impacts of COVID-19. Health measures, including travel restrictions and testing for high-risk groups, helped stave off community transmission of the virus. Assistance for individuals (unemployment benefits, temporary jobs, utility subsidies) and businesses (concessional loans, tax payment deferments) through the CROSS program mitigated employment losses by allowing employers to retain workers amid the downturn. The program's gender-related performance targets and activities helped to ease the pandemic's socioeconomic impacts on women and girls by prioritizing their coverage in the provision of mitigation measures (Appendix 4). In consultation with the government, ADB identified meaningful yet realistic targets for which data would be available.²⁹

B. Effectiveness

23. The program is rated *effective*. The CPRO assistance of \$20.0 million constituted 70.9% of the government's estimated fiscal deficit of \$28.2 million in FY2020, or 28.4% of the combined deficit of FY2020 and FY2021. The government requested financing of \$50 million from ADB to meet needs in FY2020 and FY2021, comprising the HEALS program and preparation of a new contingent disaster financing instrument, and possible follow-on policy-based operations to further support the COVID-19 response (footnote 8).³⁰ The effectiveness rating is based on the government's timely budget execution and successful implementation of measures that reached the intended beneficiaries, and its compliance with the six access criteria for the CPRO support facility throughout the processing and implementation of the program (para. 6). The program achieved 13 of 15 (87%) DMF targets (Appendix 1), along with 13 of 15 gender-related targets (87%), while both (100%) gender-related activities were completed (Appendix 4).

24. **Economic growth, employment, and incomes.** Palau's economy contracted by 9.7% in FY2020, with the private sector contracting by 20%, more than twice the overall rate of economic decline. A loss in output of 39% had been projected for the private sector, but this was largely

²⁹ Recognizing uncertainties on the evolution of the pandemic and the need for flexibility in government's response, ADB applied a flexible approach to the DMF, whereby additional or alternative indicators could be identified at a later stage for a more comprehensive evaluation of the program's effectiveness. For the HEALS program, however, no alternative nor additional indicators were necessary as the government's response remained consistent throughout implementation, with only minor adjustments to extend the availability of measures that remained in high demand.

³⁰ Palau's initial contingent disaster financing instrument under [ADB. Palau Disaster Resilience Program](#) disbursed \$15 million in April 2020. Preparation of a new contingent disaster financing instrument adds to the borrowing level but does not provide immediate deficit financing.

mitigated through the government's response. Employment contracted by only 1.3% for Palauans and 5.5% for foreign workers. Earlier projections of substantial job losses were averted as the availability of unemployment assistance and temporary jobs allowed employers to shift workers to a part-time basis.³¹ From a further economic contraction of 17.1% in FY2021, the IMF projects growth in real GDP of 9.4% in FY2022 as tourism begins to recover, with an expected acceleration to 18.3% in FY2023 (footnote 16). The mitigation programs had a beneficial impact on household incomes: in FY2020 the combined impact of the CROSS and CARES Acts led to a 6.7% increase in average household incomes.³² This result provided a stimulus to the economy and averted a projected 8.5 percentage point increase in the poverty rate between 2014 and 2021.³³

25. **Health systems strengthened.** The March 2020 supplementary budget of \$6.9 million included additional funds for emergency medical supplies and additional screening, testing, and monitoring of COVID-19. Inclusive of this, MOH expended \$10.3 million (10.2%) of the \$101.1 million in total government spending during FY2020, of which \$1.9 million was for clinical services. Although the health-related restrictions imposed by the government (paras. 1 and 6(iv)) had a severe impact on tourism, no case of COVID-19 was recorded in Palau until August 2021, involving two border cases placed under quarantine. The first community transmission was recorded in January 2022, but hospitalizations remain low and there have been no deaths due to COVID-19. As of January 2022, Palau achieved full vaccination coverage of its eligible population.

26. **Social assistance and economic relief for business.** The CROSS Act was signed into law on 27 April 2020, with \$20 million appropriated for a nine-month period through the end of January 2021 (the HEALS program covered this amount). By end-FY2020 only 50% of the appropriation had been utilized. This was partly due to the eligibility of Palau citizens for benefits under CARES, which reduced domestic funding requirements. The availability of CROSS assistance was extended, inclusive of an additional \$1 million from government's own funds allocated in FY2022, with funding for various relief measures being monitored to meet demand.³⁴

- (i) **Unemployment benefits.** This benefit was designed to support workers whose employment had been terminated, suspended, or reduced because of the COVID-19 pandemic.³⁵ The unemployment benefit program has been widely utilized but average payments have been running at about half of what was budgeted. At the start of the program, both Palauans and foreign workers were covered. After arrangements for accessing CARES Act benefits were finalized by August 2020, Palauans were transferred to CARES funding, ensuring complementarities in assistance measures. Beneficiary numbers for the CROSS component—which then covered mostly foreign workers, who were more vulnerable given the absence of a family safety net and inability to return home because of travel restrictions—fell from around 2,000 at the start to 1,600 by the end of 2020. The proportion of women in the program averaged 40% in the final quarter of 2020, while only 4% of total program participants were Palauans. During January–December 2021, total

³¹ The repatriation of foreign workers was modest, with 480 workers returning home compared with direct foreign workers in the tourism industry of 1,770. Repatriation of foreign workers is the responsibility of employers and most preferred to keep their work force ready to restart once the recovery took hold, rather than bear the cost of repatriation and subsequent recruitment of replacement employees at a later stage.

³² EconMAP. 2021. [The Road to Recovery: Further Updating the Economic Impact of COVID-19 and Strategies for Mitigation in the Republic of Palau](#). Technical note February 26, 2021.

³³ ADB projected that basic needs poverty can increase from 19.4% in 2014 to 27.9% of households by end-FY2021.

³⁴ As part of the response to COVID-19 community transmission in January 2022, the government also allocated a further \$200,000 to provide a one-time benefit to affected employees.

³⁵ Qualified individuals may receive \$100 (i) per week, if they are unemployed and generating no income; (ii) per two-week period, if their monthly working hours and earnings have been reduced by at least 50%; or (iii) per month, if monthly working hours and earnings are cut by more than 25% but less than 50%.

- beneficiaries stabilized at about 1,300, 43% of whom are women, with the economy's gradual reopening by July 2021 contributing to some easing in demand.
- (ii) **Temporary employment schemes.** These schemes provided wage funding for temporary jobs programs administered by the public sector and nongovernment organizations. The schemes were initially intended to provide jobs for those made unemployed by the pandemic and not eligible for the CARES program, but non-residents had limited participation in the first few months of the program. As a result, over 500 Palauans (or 74% of the total beneficiaries at the time) were placed under the schemes by the end of October. Returning Palauan students were also placed in the schemes, despite not having been laid off because of the pandemic, to augment their skills and experience while further boosting household incomes. This unintended consequence contributed favorably to program results, with female participation at 50% and over 50% of beneficiaries under 26 years of age.
 - (iii) **Concessional loans for businesses.** Through the National Development Bank of Palau, concessional lending was offered to businesses primarily to cover fixed costs (capped at \$30,000 every 3 months per employer) or improvements to tourism facilities (loans of up to \$250,000).³⁶ The government initially expected 112 employers to apply for these loans. However, as of December 2020, only 39 of 51 loan applications received (from 117 expressions of interest) were approved, of which 13 were to women business owners (33%). The drop-off from expressions of interest to applications implies that some were deterred by the documentation requirements or specific loan terms. Low demand may also be attributable to the availability of other forms of support, including through CARES, which owners could use to finance their business costs. Businesses also seemed hesitant to avail of loans during the early stages of the pandemic amid uncertainties regarding cash flows and debt repayment capabilities. These loans remain available, with demand seen to improve as full reopening and recovery approaches, not only to address additional funding requirements (e.g., for refurbishing facilities and advertising) but also with improved prospects for business activity and debt repayment.
 - (iv) **Lifeline utility subsidies.** The lifeline utility subsidy program of the PPUC for low-income households was expanded to cover those affected by COVID-19. The subsidy covers 150 kilowatt-hours of electricity and 18,927 liters each of water supply and wastewater services per household per month. The subsidy was expected to cover up to 2,000 additional households, but only 58 applications were received by February 2021. Undersubscription was likely driven by the availability of other forms of financial assistance, including through CARES. The lower value of the subsidy (about \$40 per month per household) possibly also pushed potential beneficiaries to instead prioritize applications for other forms of assistance (e.g., at least \$100 per week with the unemployment benefit). Funding was reallocated from the utility subsidy (and business loans) to extend the availability of the higher demand components (unemployment benefits and temporary jobs schemes).
 - (v) **Deferred tax payments for businesses.** The CROSS Act authorized the minister of finance to defer the tax payment obligations of businesses that had been affected by COVID-19 restrictions. The deferral program has been implemented as planned, with no taxes collected from over 100 tourism-linked businesses.
 - (vi) **No national government layoffs.** To safeguard the livelihoods of public servants, whose households' other income sources may have been reduced by COVID-19, the government implemented a no layoff policy. No civil servants were terminated.

³⁶ Loans have 10-year terms, with annual interest payments of 2% starting by the third year, and principal repayments only due from the fourth year until maturity.

27. **Fiscal policy and outturns.** Fiscal policy actions were designed to support the domestic economy by maintaining the level of government operations to support demand for the local economy, while also curtailing and rationalizing expenses where the opportunity existed. In this respect, the fiscal policy can be considered successful. The fiscal outturn for FY2020 showed a deficit of \$28.2 million, equivalent to 10.9% of GDP and close to the original projection of \$31.2 million (12.2% of GDP). The revenue effort was strong in FY2020 despite the economic slowdown, reflecting the significant impact of the supportive fiscal policy and the various mitigation programs enacted to address the pandemic. Overall revenues remained static when compared with FY2019, with a 13% reduction in taxes being offset by a significant increase in grants. Taxes on wages and imports grew in FY2020 despite the economic downturn, and only the gross revenue tax declined. Expenses grew by 22% in FY2020; an increase was anticipated to fund the mitigation programs, but it was larger than expected because of subsidies to state-owned enterprises (SOEs), transfers to the social insurance and pension sector, and funding for housing. However, the factors that drove the deficit were not fully pandemic-related, as mitigation costs came in underbudget while transfers to SOEs and other government bodies rose. Projections at program design indicated an increase in the financing gap to \$53.4 million (23.8% of GDP) in FY2021. The latest estimates by ADB and the IMF show a fiscal deficit of \$42.2 million (19.5% of GDP) in FY2021, with a further financing need of \$30.6 million (12.6% of GDP) in FY2022. Total pandemic-related financing needs for FY2020–FY2022 are expected to reach \$101.0 million

28. A second objective to mitigate the impact through funds provided under the CROSS Act had mixed results. The original legislation provided \$20 million through the end of January 2021. Applying that allocation on a proportional basis implies a resourcing need of \$11 million for FY2020, but by the end of FY2020, only \$5.1 million or 25% had been utilized. In part, the underutilization was due to the eligibility of Palau citizens for the benefits under the CARES Act. Further, the individual programs took time to build up momentum. Private sector demand for loans was lower than expected due to the uncertain outlook, which made businesses reluctant to take on loans (para. 26). Support to the private sector through the National Development Bank of Palau was only \$1.4 million out of a total funding envelope of \$5.0 million for FY2020.

C. Efficiency

29. The HEALS program is rated *highly efficient*. ADB responded rapidly to the pandemic in Palau, preparing the program during April–May 2020 following receipt of the government’s 3 April request for assistance. A memorandum of understanding was signed on 19 June 2020 following a virtual mission and the HEALS program was approved on 29 July 2020. The loan was declared effective on 25 August 2020 and full disbursement was made three days later as a single tranche.³⁷ The government implemented its program efficiently, providing supplementary budget support in March and April 2020. The timeliness of this support was crucial, following the substantial reduction in revenue caused by the drop in tourism receipts.

30. The CPRO instrument was also an efficient resource mobilization tool, as it allowed Palau to access budget support under concessional financing terms that it otherwise would have had difficulty sourcing from other partners.³⁸ Off-budget financial support was provided by the US through the CARES Act, along with regular sector budget support and infrastructure funding under

³⁷ In 2020, it took an average of 70 days (2.3 months) to process CPRO operations using One ADB teams. ADB. 2021. [2020 Development Effectiveness Review](#), Figure 2.2, page 29. Manila.

³⁸ The World Bank classifies Palau as an International Bank for Reconstruction and Development-only borrower, thereby precluding access to the International Development Association’s concessional resources pool.

its Compact of Free Association with Palau. The HEALS program complemented these with general budget support on concessional terms, which allowed for flexibility in the government's response and helped safeguard debt sustainability.³⁹ The program also complemented in-kind COVID-19 support from other development partners, including from Japan and Taipei, China.

D. Sustainability

31. Sustainability focuses on the extent to which the net benefits of the intervention continue or are likely to continue. ADB's evaluation guidelines state that for policy-based loans, "sustainability assessment should primarily consider continued political commitment and support from other stakeholders and the institutional capacity to maintain program reform outcomes."⁴⁰ As outlined in the CPRO policy, rather than medium-term structural reforms, a CPRO's objective is to help DMCs take immediate action to address the social and fiscal consequences of the pandemic during its initial stage.⁴¹ This applies to the HEALS program, where actions in the government's program were not designed to be sustained beyond the crisis and there was no expectation that the benefits would be maintained. Therefore, it is not appropriate to consider sustainability in assessing the CPRO's success. Hence, no rating is assigned for sustainability.

32. As noted in para. 21, the program is part of an overall programmatic approach to safeguard fiscal sustainability, providing budget support and policy guidance to sustain reform momentum. ADB is supporting this through the RISES program that provides the underpinning for sustained economic recovery, while a parallel social protection project signals a renewed policy focus on strengthening safety nets to protect the vulnerable in the event of adverse shocks (footnote 25).

33. The IMF estimates financing needs to average 14.4% of GDP per annum for FY2020–FY2022. The debt-to-GDP ratio is projected to peak at 90% in FY2022, and then decline to 60% by FY2026. The IMF concluded that while public debt remains sustainable, the pandemic's impacts have led to a sharp deterioration in the fiscal position and a rapid increase in public debt (footnote 16). The high share of concessional loans from multilateral partners in Palau's external debt has helped to mitigate risks. However, concessional financing could fall as Palau graduated from the OECD list of countries eligible for official development assistance on 1 January 2022. National government cash reserves plus budget support from ADB's RISES and PPUC policy-based programs should provide enough financing to support Palau through FY2021 and FY2022.

E. Development Impact

34. Assessments made by EconMAP in February 2021 reported how the government's response program, with its restrictive travel policies and priority placed on health, had served Palau well. Further, the CROSS program was successful in mitigating employment losses and in preventing widespread poverty (para. 24), with a focus on women and the poor receiving benefits (footnote 32). Temporary jobs in tourism and environmental protection contributed to Palau's long-term development objectives. Budget support from ADB helped avert any cuts to essential public spending. These measures continued throughout 2021 and has put Palau on the road to recovery. The country had remained free of COVID-19 (until January 2022) and 100% of the population was fully vaccinated. The IMF December 2021 assessment concludes that while the outlook

³⁹ ADB coordinated closely with the IMF to ensure that the program helped safeguard macroeconomic stability during the crisis. ADB also explored the possibility of cofinancing budget support with other development partners.

⁴⁰ ADB. 2016. [Guidelines for the Evaluation of Public Sector Operations](#) Manila. para. 57 (iii).

⁴¹ This is consistent with the literature on emergency budget support which outlines the "three Ts" of a good stimulus package: timely, targeted, and temporary. European Central Bank. 2009. *Monthly Bulletin March 2009*. Box 7: The effectiveness of various fiscal measures to stimulate the economy.

remains challenging, GDP is expected to rebound by 9.4% in FY2022 as tourism recovers.⁴² The program's development impact is rated *satisfactory*.

35. The RRP indicated the program's alignment with the Sustainable Development Goals (SDGs) (SDGs 1, 2, 3, 5, 8, and 10 – poverty, hunger, health, gender, growth and employment, and reducing inequality). The Palau 2020 National Master Development Plan targets increased economic growth per capita on a sustainable and equitable basis and the SDGs are incorporated in Palau's National SDG Framework.⁴³ Given the results achieved (paras. 24–28), it is reasonable to conclude that the government's program helped safeguard progress toward its SDG targets.

F. Performance of the Borrower and the Executing Agency

36. The performance of the government was *satisfactory* in preparing and implementing the HEALS program. The MOF, as the executing agency, effectively administered the loan proceeds and closely coordinated with ADB and partners in addressing implementation issues. The minister of finance led and consulted regularly with an inter-ministry working group in assessing any unmet demands and opportunities for further assistance, avoiding duplication of financial support (i.e., unemployment benefits and business loans).⁴⁴ The political transition in January 2021 did not disrupt the provision of assistance showing bipartisan support for the response. The MOF coordinated with PPUC on evaluating utility subsidy applications and allocating funding support. A separate committee led the prioritization of temporary employment programs for tourism enhancement, environmental protection, and care for the vulnerable population.⁴⁵ The MOH, through its Emergency Operations Center, led the coordination of the health response, keeping the public informed with daily situation reports, and maintaining a 24-hour hotline to respond to the public's queries relating to COVID-19. Monthly CROSS program reports were prepared by MOF and, while these were not always shared with ADB in a timely manner, close coordination between the government and ADB in developing and implementing the RISES program during 2020–2021 allowed for continuous monitoring of the HEALS program and its impacts.

G. Performance of the Asian Development Bank

37. The performance of ADB was *satisfactory*. At the onset of the outbreak, ADB was able to rapidly develop and deploy a new financing modality, the CPRO, to respond to DMC needs. ADB played a significant role in Palau, providing the necessary technical and financing support to help the government mitigate the impacts of the pandemic. There were some challenges in working remotely and complying with documentation requirements under immense time pressure. At program preparation, ADB collaborated closely with the government and Palau's major partners including Japan, Taipei, China, and the US for a coordinated and comprehensive response to the

⁴² This is consistent with ADB's April 2022 forecasts for Palau in: ADB. 2022. [Asian Development Outlook 2022: Mobilizing Taxes for Development](#). Manila.

⁴³ Palau's national strategies are set out in Palau National Master Plan Task Force. 1996. [Palau 2020: National Master Development Plan: Issues, Options, and Strategies for Palau's Development](#). Koror. Alignment with, and progress on the SDGs is covered in the 1st Voluntary National Review: Republic of Palau. 2019. [Palau's Pathway to 2030: Progressing with our Past towards a Resilient, Sustainable, and Equitable Future](#). Koror.

⁴⁴ The working group comprised representatives from the MOF's Bureau of Tax and Bureau of Budget; the Ministry of Agriculture, Fisheries, and Environment's Bureau of Labor and Human Resources; the National Development Bank of Palau; the Health Care Fund; the Social Security Administration; and the Palau Workforce Innovation and Opportunity Act office (which administers assistance under the US CARES Act).

⁴⁵ This temporary workforce coordinating committee was co-chaired by the minister of the Ministry of Community and Cultural Affairs and the chair of the Palau Visitors Authority.

COVID-19 crisis that would avoid duplication of effort.⁴⁶ ADB coordination with the IMF through regular virtual discussions to ensure alignment of macro-fiscal surveillance during the crisis.

38. ADB actively monitored program implementation and coordinated with the government in addressing bottlenecks and challenges. Some deficiencies in formal monitoring can be attributed to (i) conscious efforts to use the government's own reporting mechanisms to avoid any additional burden at a time when the public service's capacity was stretched by the pandemic response, and (ii) a shift in focus toward undertaking due diligence for follow-on COVID-19 assistance that would complement the CPRO in safeguarding the population's welfare. Discussions with the government on these other programs facilitated informal monitoring of progress on the HEALS program. Close coordination through ADB's Palau Pacific Country Office and regular meetings with key government agencies contributed to the successful delivery of the program.

H. Overall Assessment

39. The program is rated *highly successful* based on its relevance, effectiveness, and efficiency. The overall weighted average of these three core criteria is 2.67. For gender equality, the program is rated *successful* as 13 of the 15 gender-related performance targets (87%) were achieved, while both (100%) gender-related activities were completed (Appendix 4).

Overall Ratings	
Criteria	Rating
Relevance	Highly Relevant
Effectiveness	Effective
Efficiency	Highly Efficient
Sustainability	Not rated. Sustainability is not an objective of the CPRO instrument.
Overall Assessment	Highly Successful
Development impact	Satisfactory
Borrower and executing agency	Satisfactory
Performance of ADB	Satisfactory

ADB = Asian Development Bank.

Source: ADB.

III. ISSUES, LESSONS, AND RECOMMENDATIONS

A. Issues and Lessons

40. The CPRO policy and guidelines were still being developed while the HEALS program was under preparation, and managing changing internal guidance and expectations added a significant amount of pressure. Program preparation efficiency gains from the "One ADB" review mechanism were mainly from the Economic Research and Regional Cooperation Department's preparation of a DSA, while other departments appeared to be stretched and were thus limited to providing comments and suggestions to strengthen program design.

41. The program design and implementation benefited greatly from the presence in Palau of the EconMAP team in situ in MOF, analyzing economic trends and providing regular advice, and the program team's coordination with the IMF and the Pacific Financial Technical Assistance Centre team in Fiji. Given thin capacity in MOF, such support has been invaluable. ADB regional

⁴⁶ ADB also led initial discussions on the possibility of coordinated budget support with the Japan Bank for International Cooperation and the World Bank, although this did not materialize as Palau's financing needs were adequately bridged by ADB's available resources, which are also more cost-effective from the country's perspective.

TAs (footnotes 13 and 21) also provide valuable advice, with the rapid assessment of COVID-19 impacts (footnote 12) informing the design of an ensuing social protection project, which promotes the welfare vulnerable groups through community-based wellness and case management services, as well as food security through support for small agricultural producers (footnote 25).

42. The program's responsiveness was enhanced by flexibility during implementation. The government made timely adjustments to ensure complementarities between CARES and CROSS assistance, and reallocated funding from the CROSS components with lower uptake to those with higher demand. The gap in relative uptake for various components demonstrated that assistance directly addressing households' livelihoods through cash transfers or alternative employment are preferred to those with more detailed documentation and repayment requirements (i.e., business loans) or lower payouts (i.e., utility subsidies). Further, the prioritization of coverage for women and girls—including in targeting assistance measures, protecting health workers (the majority of whom are women), and sustaining social protection measures—helped safeguard their welfare.

43. Developing a monitoring system that can be effectively implemented during a pandemic when there are competing demands on the time of staff, who are already stretched, is problematic. This is accentuated when other partners impose similar reporting requirements. Coordinated or shared reporting and reliance on government's own internal systems would lessen this burden.

B. Recommendations

44. **Simpler process and reporting.** A further simplified process is needed for crisis response with clearly defined access criteria, limited or no policy conditionalities, and streamlined monitoring systems. This would allow DMC governments to access and implement programs smoothly and ADB to provide TA more effectively and efficiently. Monitoring and reporting requirements for complementary support from development partners should be harmonized.

45. **Continued support for policy reforms and preparedness for shocks.** ADB should continue to provide advisory and financial support to the reform process, currently being supported by the RISES policy-based program, until full recovery of the economy. This is in line with the IMF recommendation for continued fiscal support. The fiscal consolidation strategy should center on domestic resource mobilization and expenditure rationalization, including a reduction in subsidies to the PPUC and other SOEs. Further, ADB should sustain efforts to strengthen DMCs' preparedness for shocks, including through the continuing availability of contingent disaster financing instruments and a renewed focus in expanding social protection.

46. **Review of expenditure policies.** A focused review of expenditure policies should be undertaken for Palau. The World Bank has undertaken a public expenditure review in the Federated States of Micronesia, and one is underway in the Marshall Islands. These reviews provide an in-depth analysis of the structure of public spending and policies and address such issues as civil service reform, health and education expenditure reform to improve efficiency and effectiveness, and public financial management reforms, such as in procurement. ADB should discuss support for a public expenditure review with government and other development partners.

47. **Joint evaluations of program performance.** Since activities under the RISES program are continuing, a joint evaluation of the HEALS and RISES programs should be undertaken after 2023. Alternatively, given that similar programs have been supported in the Federated States of Micronesia and Marshall Islands, a joint evaluation across the three countries could produce interesting comparisons and lessons. Where development partners provided complementary support, joint evaluations could be both cost-effective and provide more comprehensive lessons.

DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective Government services and employment—particularly in the health sector—maintained, and the economic and social impacts of the COVID-19 pandemic on the private sector mitigated (CROSS Act) ^a		
Results Chain	Performance Indicators and Targets	Program Achievements
Effects of the Program Adverse impacts of COVID-19 restrictions on the population and business reduced	<p>By September 2021:</p> <p>a. Palau maintained record of zero community transmission of COVID-19 (baseline: no cases as of June 2020)</p> <p>b. Total employment recovered to at least 9,200 or 78% of the FY2019 level (2020 baseline: projection for end of FY2021 at 8,573; sex-disaggregated tracking)</p> <p>c. At least 84 affected businesses sustained operations, including all businesses owned by women (baseline: 112 affected businesses [18 businesses owned by women] as of May 2020)</p>	<p>a. Achieved. Palau recorded its first COVID-19 cases on 21 August 2021 (two travelers from Guam). The first community transmission was recorded in January 2022. As of August 2021, Palau had one of the highest COVID-19 vaccination rates in the world with approximately 84% of its eligible population fully vaccinated; this has risen to 100% (April 2022). From 3 January 2020 to 24 January 2022 there have been 502 confirmed cases of COVID-19, with 0 deaths.</p> <p>b. Achieved. Social security data as of February 2021 shows that a total of 9,899 employees were employed and had filed social security returns for the September quarter of 2021. Of these, 4,088 or 41.3% of employees were female, an increase from 39.8% in FY2019. Although employment in tourism-related sectors such as accommodations, food service activities, and transport fell to about 60% of their pre-pandemic levels, this was partly offset by gains in health and social work, utilities, agriculture, and other services, including through the availability of temporary employment schemes.</p> <p>c. Achieved. Based on quarterly filings of gross revenue tax returns, the number of accommodation and food service businesses that remained in operation (i.e., with non-zero filings) was 146 by the September quarter of 2021—including all women-owned businesses, which is estimated to total around 23 based on the results of the 2014 HIES—broadly stable from the 143 recorded in the June quarter of 2020. The baseline is derived from the MOF's initial expectation that at least 112 businesses will likely apply for concessional loans, which seems to imply that a small</p>

Results Chain	Performance Indicators and Targets	Program Achievements
	<p>d. At least 2,500 individuals benefitted from one or more government support programs to mitigate adverse impacts of COVID-19, with data disaggregated by type of program, sex, age, etc.</p>	<p>segment of accommodation and food services businesses may not be considered as heavily dependent on demand from international tourists. Direct measurement of women-owned businesses that remained in operation was not possible as business ownership information associated with tax filings does not yet disaggregate by gender, but results were estimated using the same HIES-based methodology employed in establishing the corresponding gender baseline.</p> <p>d. Achieved. In total, 2,507 individuals (employers, employees, household heads) benefitted from one or more government support programs. This includes, on average, 1,645 individuals, including 682 (41%) women and 59% men, received unemployment benefits during May 2020 to September 2021; a total of 774 workers, including 389 (50%) women and 50% men, supported with temporary jobs as of end-FY2021; 39 approved business loan applications, including 13 (33%) from women-owned businesses and 67% men-owned businesses (as of December 2020); and 49 households and businesses, 25 (51%) of which are women-headed and 49% men-headed households and businesses that benefited from or PPUC lifeline subsidy (as of July 2021). There was generally no duplication in beneficiaries, as ensured through regular coordination and review of assistance measures by an inter-ministry working group led by the minister of finance.</p>
<p>Outputs 1. Health system's COVID-19 response measures strengthened</p>	<p>By September 2020:</p> <p>1.1. MOH received at least 8.9% of total FY2020 budget, to continue funding for maternal and reproductive health services and health services to tackle noncommunicable diseases (baseline: FY2020 budget allocates 8.9% to MOH)</p>	<p>1.1 Achieved. No further adjustments made in allocations approved in the FY2020 supplementary budget. Based on the MOF's summary statement of appropriations and expenditures for the 4th quarter of FY2020, MOH expended \$10.3 million (10.2%) of the \$101.1 million in total government expenditures during the FY, of which \$1.9 million was allocated for clinical services, including for maternal and reproductive health.</p>

Results Chain	Performance Indicators and Targets	Program Achievements
	<p>1.2. At least 203 frontline health workers trained on the proper use of personal protective equipment (April 2020 baseline: 0)</p> <p>1.3. At least five additional ventilators installed at BNH (June 2020 baseline: 25 ventilators)</p> <p>1.4. 100% of government-identified domestic high-risk groups (i.e., frontline health workers, elderly, people with pre-existing conditions) tested for COVID-19</p>	<p>1.2 Achieved. All 203 national government frontline health workers received training on the proper use of personal protective equipment.</p> <p>1.3 Achieved. MOH reported an increase to 30 ventilators as of September 2020. However, there appears to be an error in the baseline, as BNH already had 26 ventilators in June 2020.</p> <p>1.4 Achieved. From mid-April to mid-September 2020, a total of 2,083 COVID-19 tests were conducted on priority groups including 100% of government-identified domestic high-risk groups such as first responders, frontline health workers, and the elderly, as well as those exhibiting symptoms and quarantined inbound travelers. Test results during this period were all negative.</p>
2. Social assistance compensating for economic losses borne by unemployed workers implemented	<p>By January 2021:</p> <p>2.1. Unemployment benefits of up to \$100 per week for at least 1 month provided to 1,600 private sector workers—at least 850 of whom are women—whose employment was terminated, suspended, or reduced because of COVID-19 (baseline: no unemployment benefit program)</p> <p>2.2. At least 700 newly unemployed workers as of April 2020 (50% of whom are women) supported with temporary employment programs^b for at least 1 month (May 2020 baseline: not applicable, temporary employment program not in place)</p> <p>2.3. Funding for PPUC's lifeline subsidy program expanded to cover utility bills of up to \$40 per month for at least 1 month of at</p>	<p>2.1 Achieved. On average during May 2020–January 2021, unemployment benefits were provided to 1,934 workers, at least 784 of whom are women. This is 92% of the targeted 850 women. Further, with a high number of recipients with no gender information recorded (average of 292), the target for coverage of women workers was more than likely achieved. Applying the observed share of women (41%) to the number of beneficiaries with unknown gender information would yield an additional 118 for an estimated total of 902 women beneficiaries.</p> <p>2.2 Achieved. As of end-FY2020, the total number of workers supported with temporary jobs for at least one month was 714; of which 354 (50%) are women. By end-FY2021, the total increased to 774, inclusive of 389 (50%) women.</p> <p>2.3 Not achieved. Only 58 applications for the subsidy were approved in February 2021 (likely because of availability of other mitigation programs,</p>

Results Chain	Performance Indicators and Targets	Program Achievements
	<p>least 2,000 additional households affected by COVID-19, with priority to households headed by women (baseline: not applicable^c)</p> <p>2.4. 100% of government-identified low-income families receive continuing free child care support (June 2020 baseline: 100% - 75 children from low-income families received free child care support)</p>	<p>including US CARES). Of which, 25 households provided with the expanded PPUC lifeline utility subsidy were headed by women (43%). Government reallocated funding to extend availability of unemployment benefit and temporary jobs programs. By July 2021, the total number of households and businesses benefitting from the PPUC lifeline utility subsidy stood at 49, of which 25 were women-headed (51%). Assistance to women-headed households was prioritized, as reflected in the subsidy's disproportionately high coverage relative to the overall share of women-headed households in total households in Palau, which is about 34%.</p> <p>2.4 Achieved: A December 2020 Progress Report of the Palau Community Action Agency confirms that the child care program is operating at full capacity, with 75 children enrolled, with another 24 waitlisted.</p>
3. Economic relief for affected businesses delivered	<p>By January 2021:</p> <p>3.1. Concessional loans provided to at least 100 private firms, with priority to businesses owned by women, through the NDBP (baseline: no concessional loans provided to private firms)</p>	<p>3.1 Not achieved. From 117 expressions of interest, only 51 loan applications were received, 39 of which were approved as of December 2020. A total of 13 businesses that received concessional business loans are headed by women (33%). During 2021, only one additional loan was approved, also to a woman business owner. Total loaned funds amount to \$1.4 million (some businesses appear to have forgone proceeding with business loan applications because of the availability of other mitigation programs, including US CARES). Government reallocated funding to extend availability of unemployment benefit and temporary jobs programs. Assistance to women-owned businesses was prioritized, as reflected in the relatively high proportion of women-owned businesses that received concessional loans compared with the overall share of women-owned businesses in total businesses in Palau, which is only about 16%.</p>

Results Chain	Performance Indicators and Targets	Program Achievements
	<p>3.2. Tax payments and employer contributions due deferment program implemented for all COVID-19 affected businesses (including all 18 businesses owned by women^d) (baseline: taxes payable and employer contributions are collected)</p> <p>3.3. All national government employees (53% of whom are women) continue to be employed and paid (baseline: possible layoffs of female public servants if revenue shortfalls are not filled)</p>	<p>3.2 Achieved. Tax and employer contributions deferment program for COVID-19 affected businesses implemented as planned. Based on the number of active accommodation and food service businesses during the March quarter of 2021, this program benefitted 135 businesses. This contributed to collections of GRT—which is heavily dependent on the tourism sector—falling below 12% of projections as reported in the <i>FY2020 Economic and Fiscal Review</i>. Collections of hotel room taxes and departure taxes also declined to zero by March 2020 until the gradual reopening of borders by April 2021. Although direct measurement of women-owned businesses that availed of the tax deferment program was not possible as business ownership information associated with tax filings does not yet disaggregate by gender, this is estimated to be about 22 based on 2014 household income and expenditure survey.</p> <p>3.3 Achieved. There were no government layoffs during the pandemic. The number of national government employees remained broadly stable from 2,034 at end-FY2019 to 2,020—1,071 (53%) of whom are women—in the March quarter of 2021, with the difference accounted for by retirees as the government otherwise did not discharge any of its public servants.</p>

BNH = Belau National Hospital, CARES = Coronavirus Aid, Relief, and Economic Security, COVID-19 = coronavirus disease, DMF = design and monitoring framework, FY = fiscal year, GRT = gross revenue taxes, HIES = Household income and expenditure survey, MOH = Ministry of Health, NDBP = National Development Bank of Palau, PPUC = Palau Public Utilities Corporation, RRP = report and recommendation of the President, US = United States.

^a Government of Palau. 2020. The Coronavirus One-Stop Shop (CROSS) Act. Republic of Palau Public Law 10-56. Koror.

^b Administered by government and nongovernment organizations, paying at least Palau's minimum wage of \$3.50 per hour.

^c The PPUC's lifeline subsidy program was limited to low- and fixed-income households pre-pandemic but was expanded to cover about 2,000 households that are adversely affected by COVID-19.

^d Businesses owned by women are formally defined as enterprises that are at least 51% owned, operated, and controlled on a day-to-day basis by one or more female entrepreneurs.

Source: Asian Development Bank.

PROGRAM COST AT APPROVAL AND ACTUAL
(\$ million)

Item	Estimate at Approval			Actual		
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost
Health Expenditure and Livelihoods Support Program						
1. Loan 3955	20.0	0.0	20.0	20.0	0.0	20.0
Total	20.0	0.0	20.0	20.0	0.0	20.0

Source: Asian Development Bank estimates.

DISBURSEMENT OF ADB LOAN PROCEEDS**Annual and Cumulative Disbursement of ADB Loan Proceeds**

Year	Annual Disbursement		Cumulative Disbursement	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
2020	20.0	100.0	20.0	100.0
Total	20.0	100.0		

ADB = Asian Development Bank.

Source: ADB.

ACHIEVEMENT OF GENDER-SPECIFIC TARGETS FOR CPRO

1. **Introduction.** The economic and social impacts of the coronavirus disease (COVID-19) crisis in Palau—brought on by necessary nonpharmaceutical measures, mainly travel restrictions, to minimize the pandemic’s health impact—was seen to exacerbate existing gender inequalities and risk progress made in supporting women’s economic empowerment. Women in Palau are underrepresented in formal employment with only 41% of women in paid work, compared to 60% men, and are significantly less likely to own or run businesses due to household, community, and caring responsibilities, and high time poverty. As such, the resulting economic downturn was expected to increase the gender wage gap and put additional pressure on the already limited number of women-owned small and medium enterprises. Female-headed households were more likely to face poverty and have 18% less in average monthly income than male-headed households, and they may be at an increased risk of poverty and food insecurity during the COVID-19 crisis.¹ On health outcomes, all women in Palau have access to reproductive health services but noncommunicable diseases are a leading cause of death, including for women, and it will be important to ensure essential services continue during other health emergencies such as COVID-19. Women comprise 77% of frontline health workers and are at increased risk of infection from COVID-19. One-quarter of women have experienced physical and/or sexual violence by a partner in their lifetime and prevalence and severity of gender-based violence (GBV) is likely to increase.

2. **Key objectives.** Design of Asian Development Bank’s COVID-19 Pandemic Response Option (CPRO) operation in Palau, the Health Expenditure and Livelihoods Support (HEALS) Program prioritized the provision of direct financial and economic assistance to women employers and employees by supporting the government’s Coronavirus Relief One-Stop Shop (CROSS) program, while also safeguarding women’s health and access to essential services. The program was classified as *effective gender mainstreaming* at appraisal and included 15 gender-related performance targets and 2 gender-related activities.

3. More specifically, the program aimed to ensure that all women employers and employees in Palau will have access to direct relief measures including (i) unemployment benefit for all women at-risk of losing their jobs; (ii) temporary employment schemes, including in sectors such as tourism enhancement, environmental protection and care for vulnerable populations; (iii) continued employment for all public servants, of which 53% are women; and (iv) concessional or interest-free business loans targeting and prioritizing women-owned businesses. Unemployment measures are also open to informal workers (e.g., roadside vendors) and migrant workers who are particularly vulnerable and may not have the savings, networks, or other safety nets to support them during the downturn in business. In addition, the Palau Public Utilities Corporation’s (PPUC) expansion of its lifeline utility subsidy helped ensure that female-headed households are prioritized and among the first to benefit. Further, health measures include (i) continuation of free health care including maternal and reproductive health; (ii) priority COVID-19 testing for frontline health workers; (iii) overtime and hazard pay for frontline health workers; and (iv) a telephone hotline for GBV information and referrals. In addition, the government committed to ringfencing funds for GBV services in the fiscal year (FY) 2021 budget. Finally, women’s unpaid care burden is supported by provision of free preschool and child day care facilities for lower income families.

¹ Palau Office of Planning and Statistics. 2015. *Republic of Palau 2014 Household Income and Expenditure Survey*. Melekeok.

4. **Key Achievements.** At program completion, 13 of the 15 gender-related performance targets (87%) were achieved, while both (100%) gender-related activities were completed. Only the gender targets on the number of women-headed households and businesses to be covered under the PPUC's expanded lifeline utility subsidy as well as on the number of concessional loans extended to women-owned businesses through the National Development Bank of Palau were not achieved. This reflected broader undersubscription to these components of the CROSS program, likely due to the availability of other mitigation programs, including under the Coronavirus Aid, Relief, and Economic Security Act. The government then reallocated funding from these components to extend availability of the more high demand components: the unemployment benefit and temporary jobs scheme. The program's gender-related highlights include:

- a. **Women-owned businesses sustained operations.** Based on quarterly filings of gross revenue tax returns, the number of accommodation and food service businesses that remained in operation (i.e., with non-zero filings) was 146 by the September quarter of 2021, broadly stable from the 143 recorded in the June quarter of 2020. Although more recent sex-disaggregated data on business ownership is unavailable, the number of accommodation and food service businesses owned by women likely stands at around 23, as gauged from the 2014 household income and expenditure survey (HIES) which shows that 16% of all businesses in Palau are women-owned.
- b. **Unemployment benefits provided to affected women workers.** On average during May 2020–January 2021, unemployment benefits were provided to a total of 1,934 workers. Records of the Temporary Workforce Coordinating Committee, which is co-chaired by the Minister of Community and Cultural Affairs and the Chair of the Palau Visitors Authority, confirm that 784 beneficiaries are women. Further, a high number of recipients with no gender recorded information (average of 292) strongly suggests that the target for coverage of women workers was also achieved. Applying the observed share of women (41%) to the number of beneficiaries with unknown gender information would yield an additional 118 for an estimated total of 902 women beneficiaries.
- c. **Women workers benefitted from temporary employment schemes.** As of end-FY2020, the total number of workers supported with temporary jobs was 714, of which 354 (50%) are women. By the end of FY2021, the total increased to 774, inclusive of 389 (50%) women. Most of the temporary job placements were in the public sector, to support key agencies such as the Palau Visitors Authority, Palau Community College, Ministry of Health, and state governments, among others.
- d. **Women's health, as a majority of frontline health workers, safeguarded.** All 203 national government frontline health workers—including 155 women (76.3% of total)—received training on the proper use of personal protective equipment to help minimize their risk from infection. Further, from mid-April to mid-September 2020, a total of 2,083 COVID-19 tests were conducted on priority groups including those exhibiting symptoms, first responders, frontline health workers, the elderly, and quarantined inbound travelers. Test results during this period were all negative. Of the total number of tests conducted, about 1,006 or 48% were on women belonging to domestic high-risk groups.

- e. **Overtime and hazard pay for frontline health workers.** All frontline health workers, including 155 women, continued to receive overtime and hazard pay as provided for under the Certification of an Unavoidable Public Health Emergency during FY2020 and FY2021.
- f. **Free childcare services for low-income families.** Ringfencing of funding for the government's free childcare support program allowed 100% of government-identified low-income families continued to receive free childcare support covering a total of 75 children.
- g. **Sustained availability of a gender-based violence hotline.** The Ministry of Health's 24-hour COVID-19 hotline, +680-488-0555 remains operational as of February 2022 and includes information and referral services and protocols for callers who report incidents concerning GBV.

Table A4: Gender Equality Achievements and Results

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
Outcome: Adverse impacts of COVID-19 restrictions on the population reduced			
Target 1 a. Total employment recovered to at least 9,200 or 78% of the FY2019 level (2020 Baseline: Projection for end-FY2021 at 8,573. Sex-disaggregated tracking).		Target achieved. Social security data as of February 2021 shows that a total of 9,899 employees had filed social security returns for the September quarter of 2021. Of these, 4,088 or 41.3% of employees were female, an increase from 39.8% in FY2019. Although employment in tourism-related sectors such as accommodations, food service activities, and transport fell to about 60% of their pre-pandemic levels, this was partly offset by gains in health and social work, utilities, agriculture, and other services, including through the availability of temporary employment schemes.	Social security data, as of December 2021.
Target 2 b. At least 84 affected businesses sustained operations, including all women-owned businesses (Baseline: 112 affected businesses [18 women-owned businesses] as of May 2020).		Target achieved. Based on quarterly filings of gross revenue tax returns, the number of accommodation and food service businesses that remained in operation (i.e., with non-zero filings) was 146 by the September quarter of	MOF quarterly tax returns database.

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
		<p>2021, broadly stable from the 143—including all women-owned businesses, which is estimated to total around 23 based on the results of the 2014 household income and expenditure survey—recorded in the June quarter of 2020. Direct measurement of women-owned businesses that remained in operation was not possible as business ownership information associated with tax filings does not yet disaggregate by gender, but results were estimated using the same HIES-based methodology employed in establishing the baseline.</p>	
<p>Target 3 c. At least 2,500 individuals benefitted from at least one or more government support program to mitigate adverse impacts of COVID-19, with data disaggregated by types of program, gender, age, etc. (June 2020 baseline: not applicable)</p>		<p>Target achieved. On average, 1,645 individuals, including 682 (41%) women and 59% men, received unemployment benefits during May 2020 to September 2021; total of 774 workers, including 389 (50%) women and 50% men supported with temporary jobs as of end-FY2021; only 39 business loan applications approved, including 13 (33%) from women-owned businesses (as of December 2020) and 67% men-owned businesses; only 49 households and businesses, 25 (51%) of which are women-headed and 49% men-owned households and businesses benefitted from PPUC lifeline subsidy (as of July 2021).</p>	<p>CROSS monthly reports; MOF, NDBP, and PPUC databases.</p>
Output 1: Health system's COVID-19 response measures strengthened			
<p>Target 4</p>		<p>Target achieved. Based on the MOF's summary</p>	<p>MOF summary statement of</p>

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
1.1 MOH received at least 8.9% of total FY2020 budget allocations, to continue funding for maternal and reproductive health services and health services to tackle noncommunicable diseases (Baseline: FY2020 budget allocates 8.9% to MOH)		statement of appropriations and expenditures for the 4th quarter of FY2020, MOH expended \$10.3 million (10.2%) of the \$101.1 million in total government expenditures during the fiscal year, of which \$1.9 million was allocated for clinical services, including for maternal and reproductive health.	appropriations and expenditures, as of 4 th quarter of FY2020.
Target 5 1.2 At least 203 frontline health workers trained on the proper use of personal protective equipment (April 2020 baseline: 0)		Target achieved. All 203 national government frontline health workers—including 155 women (76.3% of total)—received training on the proper use of personal protective equipment.	CROSS monthly reports; MOH database.
Target 6 1.3 100% of government-identified domestic high-risk groups (i.e., frontline health workers, elderly, people with pre-existing conditions) tested for COVID-19 (Baseline: No COVID-19 testing necessary)		Target achieved. From mid-April to mid-September 2020, a total of 2,083 COVID-19 tests were conducted on priority groups including 100% of government-identified high-risk groups such as first responders, frontline health workers, and the elderly, as well as those exhibiting symptoms and quarantined inbound travelers. Test results during this period were all negative. Of the total number of tests conducted, around 1,006 or 48% were on women belonging to domestic high-risk groups.	CROSS monthly reports; MOH database.
	Target 7 1.4 Overtime and hazard pay for 155 female frontline health workers while Certification of an Unavoidable Public Health Emergency remains in effect (Baseline: Not applicable)	Target achieved. All frontline health workers, including 155 women, received overtime and hazard pay as provided for under the Certification of an Unavoidable Public Health Emergency during FY2020 and FY2021.	CROSS monthly reports; MOH database.

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
	Target 8 1.5 Priority COVID-19 testing for health workers, including 155 female frontline health workers (Baseline: not applicable)	Target achieved. All frontline health workers, including 155 women, received priority COVID-19 testing.	CROSS monthly reports; MOH database.
	Activity 1 1.6 Telephone hotline with GBV information and referral pathways continues to be funded and operational (Baseline: not applicable)	Activity completed. The MOH 24-hour COVID-19 hotline, +680-488-0555 remains operational as of February 2022 and includes information and referral services and protocols for callers who report incidents concerning GBV.	CROSS monthly reports; MOH database.
	Activity 2 1.7 Government commitment to ringfence funding for GBV services in October 2020 budget	Activity completed. With a change in political administration in January 2021, the government operated on a continuing appropriation during FY2021 that kept budget allocations at the FY2020 level, inclusive of the \$20,000 for the Bureau of Ageing and Gender's enforcement of the Family Protection Act, even amid the transfer of the Bureau from the Ministry of Community and Cultural Affairs to MOH. Further, in July 2021, the government secured grant funding through a project administered by ADB for COVID-19 response measures targeted toward poor and vulnerable groups. This includes about \$525,000 in support of multidisciplinary responses to address family and GBV.	MOF summary statement of appropriations and expenditures (quarterly).
Output 2: Social assistance compensating for economic losses borne by unemployed workers implemented			
Target 9 2.1 Unemployment benefits of up to \$100 per week for at least 1 month provided to 1,600 private		Target achieved. On average during May 2020–January 2021, unemployment benefits were provided to 1,934	CROSS monthly reports; MOF database.

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
sector workers—at least 850 of whom are women—whose employment was terminated, suspended, or reduced due to COVID-19 (Baseline: no unemployment benefit program)		workers, at least 784 (41%) of whom are women. Further, with a high number of recipients with no recorded gender information (average of 292), the target for coverage of women workers was more than likely achieved. Applying the observed share of women (41%) to the number of beneficiaries with unknown gender information would yield an additional 118 for an estimated total of 902 women beneficiaries.	
Target 10 2.2 At least 700 newly unemployed workers as of April 2020 (50% of whom are women) supported with temporary employment programs ^a for at least 1 month. (May 2020 baseline: not applicable, temporary employment program not in place)		Target achieved. As of end-FY2020, the total number of workers supported with temporary jobs for at least one month was 714; of which 354 (50%) are women. By the end of FY2021, the total increased to 774, inclusive of 389 (50%) women. Most of the temporary job placements were in the public sector, to support key agencies such as the Palau Visitors Authority, Palau Community College, MOH, and state governments, among others.	CROSS monthly reports; MOF database.
Target 11 2.3 Funding for PPUC's lifeline subsidy program expanded to cover utility bills of up to \$40 per month for at least 1 month of at least 2,000 additional households affected by COVID-19, with priority to female-headed households (Baseline: not applicable ^b)		Target not achieved. Only 58 applications for the subsidy were approved in February 2021. Of which, 25 households provided with the expanded PPUC lifeline utility subsidy were headed by women (likely because of availability of other mitigation programs, including US CARES). Government reallocated funding to extend availability of unemployment benefit and temporary jobs programs.	CROSS monthly reports; MOF and PPUC databases.

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
		Assistance to women-headed households was prioritized, as reflected in the subsidy's disproportionately high coverage relative to the overall share of women-headed households in total households in Palau, which is about 34%. Thus, although the overall target was not met due to lower-than-expected demand, the key gender objective of mitigating the negative impact on women-headed households has generally been achieved.	
Target 12 2.4 100% of government-identified low-income families receive continuing free childcare support. (June 2020 baseline: 100% [75 children from low-income] families received free childcare support)		Target achieved. A December 2020 Progress Report of the Palau Community Action Agency confirms that the child care program is operating at full capacity, with 75 children enrolled, with another 24 waitlisted.	Palau Community Action Agency December 2020 Progress Report.
Output 3: Economic relief for affected businesses delivered			
Target 13 3.1 Concessional loans provided to at least 100 private firms, with priority to women-owned businesses, through the NDBP ^c (Baseline: no concessional loans provided to private firms)	3.1.1 Targeted information and training provided to women and women-owned businesses on credit available	Target not achieved. Of the 117 loan applications received, only 39 were approved as of December 2020, with no further approvals since. Total loaned funds amount to \$1.4 million (low demand likely because of availability of other mitigation programs, including US CARES). A total of 13 businesses that received concessional business loans are headed by women. During 2021, only one additional loan was approved, also to a woman business owner. Further, targeted information and training topics such as accounting and business plan preparation remains available for prospective	CROSS monthly reports; NDBP database.

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
		<p>entrepreneurs through the NDBP's partnership with the Palau Small Business Development Center, with an estimated 119 women receiving assistance annually. NDBP also estimates that more than 60 women have received specific information on their financial products during the past 12 months. Government reallocated funding to extend availability of unemployment benefit and temporary jobs programs. Assistance to women-owned businesses was prioritized, as reflected in the relatively high proportion of women-owned businesses that received concessional loans compared with the overall share of women-owned businesses in total businesses in Palau, which is only about 16%. Thus, although the overall target was not met due to lower-than-expected demand, the key gender objective of mitigating the negative impact on women-owned businesses has generally been achieved.</p>	
<p>Target 14 3.2 Tax payments and employer contributions due deferment program implemented for all COVID-19 affected businesses (including all 18 women-owned businesses) (Baseline: taxes payable and employer contributions are collected)</p>		<p>Target achieved. Tax and employer contributions deferment program for COVID-19 affected businesses implemented as planned. This contributed to collections of GRT—which is heavily dependent on the tourism sector—falling below 12% of projections as reported in the <i>FY2020 Economic and Fiscal Review</i>. Collections of hotel room taxes and departure taxes also declined to zero by</p>	<p>CROSS monthly reports; MOF quarterly tax returns database; FY2020 Economic and Fiscal Review.</p>

DMF Performance Indicators	Additional tracking targets and actions	Achievement at Program Completion	Data Sources
		March 2020 until the gradual reopening of borders by April 2021. Based on the number of active accommodation and food service businesses during the March quarter of 2021, this program benefitted 135 businesses. Although direct measurement of women-owned businesses that availed of the tax deferment program was not possible as business ownership information associated with tax filings does not yet disaggregate by gender, this is estimated to be about 22 based on 2014 HIES.	
Target 15 3.3 All national government employees (53% of whom are women) continue to be employed and paid. (Baseline: possible layoffs of women public servants if revenue shortfalls are not filled)		Target achieved. There were no government layoffs during the pandemic. The number of national government employees remained broadly stable from 2,034 at end-FY2019 to 2,020—1,071 (53%) of whom are women—in the March quarter of 2021, with the difference accounted for by retirees as the government otherwise did not discharge any of its public servants.	CROSS monthly reports; Social security data.

ADB = Asian Development Bank, CARES = Coronavirus Aid, Relief, and Economic Security, COVID-19 = coronavirus disease, CROSS = Coronavirus Relief One-Stop Shop, FY = fiscal year, GBV = gender-based violence, GRT = gross revenue taxes, HIES = Household income and expenditure survey, MOF = Ministry of Finance, MOH = Ministry of Health, NDBP = National Development Bank of Palau, PPUC = Palau Public Utilities Corporation, US = United States.

^a Administered by government and nongovernment organizations, paying at least Palau's minimum wage of \$3.50 per hour.

^b The PPUC's lifeline subsidy program was limited to low- and fixed-income households pre-pandemic but was expanded to cover about 2,000 households that are adversely affected by COVID-19.

^c Businesses owned by women are formally defined as enterprises that are at least 51% owned, operated, and controlled on a day-to-day basis by one or more female entrepreneurs.

Source: ADB.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
Use of proceeds of the loan		
The borrower shall cause the proceeds of the loan to be applied to the financing of expenditures on the program in accordance with the provisions of the loan agreement	Article III Section 3.01	Complied with. No items from the negative list were financed.
The proceeds of the loan shall be withdrawn in accordance with the provisions of Schedule 3 to the loan agreement, as such schedule may be amended from time to time by agreement between the borrower and ADB	Article III Section 3.02	Complied with. Loan drawn down in one installment 3 days after loan effectivity.
The loan closing date for the purpose of Section 8.02 of the loan regulations shall be 31 January 2021 or such other date as may from time to time be agreed between the borrower and ADB	Article III Section 3.03	Complied with. Loan was closed on 13 October 2020, ahead of the scheduled loan closing date.
Particular Covenants		
As part of the reports and information referred to in Section 6.05 of the loan regulations, the borrower shall furnish, or cause to be furnished, to ADB all reports and information as ADB shall reasonably request concerning: (a) the Counterpart Funds and the use thereof, and (b) the implementation of the Program including the accomplishment of the targets and carrying out the actions set out in the Policy Letter	Article IV Section 4.02	Complied with. All information requested by ADB has been provided.
Schedule 4: Program Implementation and Other Matters		
The borrower, through the program executing agency, shall oversee, coordinate, and regularly monitor the progress and timely implementation of the program.	Implementation Arrangements	Complied with.
The borrower shall ensure that the program executing agency and program Implementing Agencies are adequately staffed and provided with the necessary financial, technical, and other resources to efficiently perform their functions and responsibilities under the program.	Implementation Arrangements	Complied with.
The borrower shall (a) promptly inform ADB about any issues or constraints encountered during the implementation of the program; and (b) proactively engage with ADB to adopt appropriate measures to address and mitigate such issues or constraints.	Policy Dialogue	Complied with.
The borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The borrower shall take into account ADB's views before finalizing and implementing any such proposal.	Policy Dialogue	Complied with.

Covenant	Reference in Loan Agreement	Status of Compliance
The borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the program.	Use of Counterpart Funds	Complied with. In practice, the government used funding under the CARES Act (mostly for Palauans) to complement assistance measures provided under the CROSS program (mostly to foreign workers).
The borrower, the project executing agency and program Implementing Agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	Governance and Anticorruption	Complied with. There have been no indications nor reports of misuse of CROSS program funds. On the contrary, the government has been flexible in extending the availability of assistance and reallocating funds toward high demand components (e.g., unemployment benefit, temporary jobs scheme).
The borrower shall (a) monitor and evaluate achievement of the targets, including gender targets based on periodically collected sex-disaggregated data, and objectives of the program; and (b) until 6 months after the loan closing date, provide quarterly reports to ADB within forty-five (45) days after the end of each quarter on the progress achieved and the expenditures incurred during that period on the response measures stipulated under Program.	Monitoring and Review, and Reporting	Partly complied with. The CROSS monthly reports were meant to be the reporting mechanism for regular monitoring and evaluation of achievement of targets—in place of quarterly monitoring to avoid additional administrative burden on government—but ADB has not received these reports on a regular basis.
The borrower shall, in particular, monitor, evaluate and report to ADB on areas including (a) developments in its macroeconomic and fiscal conditions, including budget execution, expenditure and flow of funds to support the program; (b) impacts of the program on poor and vulnerable groups, disaggregated by sex, including the number of beneficiaries under its social assistance programs; and (c) implementation of the program.	Monitoring and Review, and Reporting	Partly complied with. The CROSS monthly reports were meant to be the reporting mechanism for regular monitoring and evaluation of achievement of targets—in place of quarterly monitoring to avoid additional administrative burden on government—but ADB has not received these reports on a regular basis.
Within 6 months of the loan closing date, the Borrower shall submit to ADB the program completion report.	Monitoring and Review, and Reporting	Partly complied with. There have been some ongoing delays amid various pressing demands for government response during the pandemic, but the FY2020 Economic and Fiscal Review (submitted in January 2021) did include detailed reporting beneficiaries reached by each CROSS component. Further updates are expected in the forthcoming FY2021 Economic and Fiscal Review.

ADB = Asian Development Bank; CARES = Coronavirus Aid, Relief, and Economic Security; CROSS = Coronavirus Relief One-Stop Shop; FY = fiscal year.

Source: ADB.