Palau is a small island developing state in the North Pacific. Tourism accounts for about 40% of the economy, and assistance under its Compact of Free Association with the United States (the Compact) will provide about $120 million in grants through 2024. The collapse of tourism due to the coronavirus disease (COVID-19) pandemic emphasized the need for prudent financial management and revenue alternatives.

The Pacific Approach, 2021-2025 of the Asian Development Bank (ADB) is the country partnership strategy for Palau, and focuses on building resilience against economic shocks, delivering sustainable services, and promoting inclusive and sustainable growth. It introduces new priorities for (i) a programmatic approach to climate change, (ii) longer-term capacity support, (iii) procurement flexibilities, and (iv) an emphasis on gender equality.

In 2021, ADB provided $25 million in budget support loans under a systems and expenditure support program to assist Palau in strengthening policy and legislative frameworks for public financial management, reducing fiscal risks from weak public sector asset management, and supporting private sector development. ADB also committed a $3.7 million grant for COVID-19 assistance to support affected vulnerable groups in Palau including the elderly and persons with disabilities, enhance food security, and address gender-based violence.

To date, ADB has committed 24 public sector loans, grants, and technical assistance totaling $164.3 million to Palau. Cumulative loan and grant disbursements to Palau amount to $130.6 million. These were financed by regular and concessional ordinary capital resources, and other special funds. ADB’s ongoing sovereign portfolio in Palau includes 5 loans and 2 grants worth $75.3 million.1

---

### Palau: 2021 Commitments ($ million)*

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
<th>Total</th>
<th>COVID-19 Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>25.00</td>
<td>–</td>
<td>25.00</td>
<td>25.00</td>
</tr>
<tr>
<td>Grants</td>
<td>3.72</td>
<td>–</td>
<td>3.72</td>
<td>3.72</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>2.34</td>
<td>0.24</td>
<td>2.58</td>
<td>0.05</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31.05</strong></td>
<td><strong>0.24</strong></td>
<td><strong>31.30</strong></td>
<td><strong>28.77</strong></td>
</tr>
</tbody>
</table>

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

Notes:
- Commitment is the financing approved by ADB’s Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.
- Grants and TA include ADB-administered cofinancing.
- Numbers may not sum precisely because of rounding.

### Palau: Cumulative Commitments b, c, d

<table>
<thead>
<tr>
<th>Sector</th>
<th>No.</th>
<th>Total Amount ($ million)</th>
<th>% of Total Amount</th>
<th>COVID-19 Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Natural Resources, and Rural Development</td>
<td>–</td>
<td>0.03</td>
<td>0.01</td>
<td>–</td>
</tr>
<tr>
<td>Education</td>
<td>–</td>
<td>1.24</td>
<td>0.72</td>
<td>–</td>
</tr>
<tr>
<td>Energy</td>
<td>5</td>
<td>9.19</td>
<td>5.32</td>
<td>–</td>
</tr>
<tr>
<td>Finance</td>
<td>–</td>
<td>0.29</td>
<td>0.17</td>
<td>–</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
<td>2.10</td>
<td>1.22</td>
<td>1.50</td>
</tr>
<tr>
<td>Industry and Trade</td>
<td>–</td>
<td>0.32</td>
<td>0.18</td>
<td>–</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>2</td>
<td>24.97</td>
<td>14.44</td>
<td>–</td>
</tr>
<tr>
<td>Multisector</td>
<td>–</td>
<td>0.13</td>
<td>0.08</td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Management</td>
<td>10</td>
<td>86.65</td>
<td>50.12</td>
<td>0.00</td>
</tr>
<tr>
<td>Transport</td>
<td>–</td>
<td>0.26</td>
<td>0.15</td>
<td>–</td>
</tr>
<tr>
<td>Water and Other Urban Infrastructure and Services</td>
<td>7</td>
<td>47.72</td>
<td>27.60</td>
<td>0.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>122.88</strong></td>
<td><strong>100.00</strong></td>
<td><strong>70.75</strong></td>
</tr>
</tbody>
</table>

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

b Grants and TA include ADB-administered cofinancing.

c Includes loans, grants, and TA.

d Using primary sector in the reporting of commitments.

1 From 2020, financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

* Numbers may not sum precisely because of rounding.

**ADB’s support to Palau focuses on renewable energy and energy security, urban planning and management, water and sanitation infrastructure, public financial management, and private sector development.**

**Palau**

Palau is a small island developing state in the North Pacific. Tourism accounts for about 40% of the economy, and assistance under its Compact of Free Association with the United States (the Compact) will provide about $120 million in grants through 2024. The collapse of tourism due to the coronavirus disease (COVID-19) pandemic emphasized the need for prudent financial management and revenue alternatives.

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To date, ADB has committed 24 public sector loans, grants, and technical assistance totaling $164.3 million to Palau. Cumulative loan and grant disbursements to Palau amount to $130.6 million. These were financed by regular and concessional ordinary capital resources, and other special funds. ADB’s ongoing sovereign portfolio in Palau includes 5 loans and 2 grants worth $75.3 million.1
ADB has provided $40 million in loans and $4.7 million in grants to address COVID-19, including a $3.7 million social protection grant for vulnerable groups. Budget support under a health and livelihoods program of $20 million loan helped mitigate COVID-19 impacts on health, tourism, and social protection; while a $1 million COVID-19 emergency response grant provided life-preserving goods and services to communities affected by the pandemic. Phase 3 of ADB’s Pacific Disaster Resilience Program will provide a $20 million disaster-contingent financing grant for recovery and reconstruction following natural hazards or health emergencies.

The Pacific Regional Infrastructure Facility helped Palau finalize its National Infrastructure Investment Plan, which set priorities for investments during 2021–2030. The Pacific Private Sector Development Initiative is strengthening the business environment by supporting public-private partnerships, increased transparency, and improved access to credit.

**Operational challenges.** Palau is exceptionally vulnerable to natural hazards, and its narrow economy exposes it to international market volatility. The country continues to require support for public financial management, and key infrastructure in the energy, water and sanitation, and information and communication technology sectors.

Implementation of a sanitation project in Koror–Airai was delayed due to the pandemic. On the other hand, a regional connectivity investment project was delivered to Palau ahead of time and under budget. This illustrates that efficient implementation is possible, even with relatively large projects. However, limited project implementation capacity remains a significant barrier in Palau, and the Government of Palau must work to ensure that infrastructure improvements from recent investments are sustainable.

**KNOWLEDGE WORK**

ADB brings added value beyond its role in project financing. ADB supported the preparation of an urban development strategy and action plan, which focuses on the strategic development of Babeldaob Island in relation to Koror as the driver for economic growth. It is a timely framework that highlights state-focused goals on resilient housing and livable neighborhoods, tourism industry growth, and sustainable urban development.


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

<table>
<thead>
<tr>
<th>Item</th>
<th>Goods, Works, and Related Services</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td>36.90</td>
<td>0.16</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>30.15</td>
<td>0.19</td>
</tr>
<tr>
<td>Cumulative (as of 31 Dec 2021)</td>
<td></td>
<td>87.87</td>
<td>0.04</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Consulting Services</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td>0.05</td>
<td>0.01</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>0.68</td>
<td>0.10</td>
</tr>
<tr>
<td>Cumulative (as of 31 Dec 2021)</td>
<td></td>
<td>0.89</td>
<td>0.01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Procurement</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td>36.95</td>
<td>0.16</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>30.83</td>
<td>0.19</td>
</tr>
<tr>
<td>Cumulative (as of 31 Dec 2021)</td>
<td></td>
<td>88.76</td>
<td>0.04</td>
</tr>
</tbody>
</table>

**Top 5 Contractors/Suppliers from Palau Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2017–31 December 2021**

<table>
<thead>
<tr>
<th>Contractor/Supplier</th>
<th>Sector</th>
<th>Contract Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>G&amp;C Underground Services</td>
<td>ICT</td>
<td>3.87</td>
</tr>
<tr>
<td>Surangel and Sons Construction</td>
<td>ICT, WUS</td>
<td>1.23</td>
</tr>
<tr>
<td>VMJ Construction Co.</td>
<td>WUS</td>
<td>0.21</td>
</tr>
<tr>
<td>Palau National Quarry, Inc.</td>
<td>WUS</td>
<td>0.15</td>
</tr>
<tr>
<td>Williams Construction Co.</td>
<td>WUS</td>
<td>0.09</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>66.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>71.55</td>
</tr>
</tbody>
</table>

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

**Top 5 Consultants from Palau Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2017–31 December 2021**

<table>
<thead>
<tr>
<th>Consultant</th>
<th>Sector</th>
<th>Contract Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Belau Association of Non-Governmental Organizations</td>
<td>PSM</td>
<td>0.21</td>
</tr>
<tr>
<td>Individual Consultants</td>
<td></td>
<td>0.52</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>0.73</td>
</tr>
</tbody>
</table>

PSM = public sector management.
FINANCING PARTNERSHIPS

Financing partnerships enable ADB’s partner governments or their agencies, multilateral institutions, and private organizations to participate in ADB projects. The additional funds may be in the form of loans and grants, technical assistance, and nonsovereign cofinancing.

Cumulative cofinancing commitments in Palau:

- Sovereign cofinancing: $28.45 million for 3 investment projects since 2015

In 2021, Palau received a total of $2.95 million grant cofinancing from the Ireland Trust Fund for Building Climate Change and Disaster Resilience in Small Island Developing States and the Japan Fund for Poverty Reduction for the COVID-19 Response for Affected Poor and Vulnerable Groups Project.

A summary of projects with cofinancing from 1 January 2017 to 31 December 2021 is available at www.adb.org/countries/palau/cofinancing.

FUTURE DIRECTIONS

To support sustainable recovery from the COVID-19 pandemic, ADB is focusing its assistance in Palau on improving public sector performance and promoting private sector development. ADB will complement this assistance with financing for key infrastructure investments that deliver inclusive economic and social benefits. Technical support, through ADB country and regional programs, will continue to provide flexible and responsive assistance in capacity strengthening and knowledge solutions to help meet Palau’s development goals. Regional programs supported by ADB will advance reforms in public sector management, improve labor market outcomes, and advise on economic policy and private sector development. ADB will continue to encourage Palau’s involvement in regional cooperation programs, particularly in expanding access to renewable energy resources, improving energy efficiency, and responding to the impacts of climate change.

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Palau: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2020–2021

<table>
<thead>
<tr>
<th>No. of Ongoing Loans* (as of 31 Dec 2021)</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Awards‡, §</td>
<td>0.95</td>
</tr>
<tr>
<td>Disbursements‡</td>
<td>39.62</td>
</tr>
<tr>
<td>No. of Ongoing Grants‡, § (as of 31 Dec 2021)</td>
<td>2</td>
</tr>
<tr>
<td>Contract Awards‡, §</td>
<td>2020 ($ million)</td>
</tr>
<tr>
<td>Disbursements‡</td>
<td>33.26</td>
</tr>
</tbody>
</table>

At Risk Projects (%) (as of 31 Dec 2021)

- = nil.

‡ Based on commitments.

§ Includes closed loans/grants that had contract awards or disbursements during the year.

Excludes policy-based, results-based, financial intermediation/credit, CPRO (COVID-19 Pandemic Response Option), and cofinanced loans and grants.

† Includes only Asian Development Fund and other ADB special funds.

---


<table>
<thead>
<tr>
<th>Total Number of Validated and Evaluated Projects and Programs</th>
<th>Evaluation Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly successful and successful</td>
<td>Less than successful</td>
</tr>
<tr>
<td>Sovereign Operations</td>
<td>1</td>
</tr>
<tr>
<td>Nonsovereign Operations</td>
<td>–</td>
</tr>
</tbody>
</table>

- = nil, IED = Independent Evaluation Department.

Note: The numbers indicate sovereign operations in the country that have been validated or evaluated by the IED and their overall performance ratings. The coverage consists of all validated or evaluated project completion reports circulated by ADB within the 10-year period from 1 July 2011 to 30 June 2021. See evaluations related to Palau.

Source: IED success rate database.

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Palau: Projects Cofinanced, 1 January 2017–31 December 2021

<table>
<thead>
<tr>
<th>Cofinancing</th>
<th>No. of Projects</th>
<th>Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>2</td>
<td>5.95</td>
</tr>
<tr>
<td>Grants</td>
<td>2</td>
<td>5.95</td>
</tr>
</tbody>
</table>

---

* On 1 September 2021, the ADB Board of Directors approved the enhanced and renamed Japan Fund for Prosperous and Resilient Asia and the Pacific to be operationalized on 1 January 2022.
ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. It has 68 members—of which 49 are from Asia and the Pacific and 19 outside. ADB headquarters is in Manila, Philippines and has 43 offices around the world, with 3,693 staff from 65 of its members as of 31 December 2021.

ADB maximizes the development impact of its assistance to its developing members by providing financing and tailored knowledge solutions through policy dialogue and advisory services, among others. It mobilizes financial resources through cofinancing from official, commercial, and export credit sources.

ADB pivoted swiftly to answer the needs of its developing members and will remain agile and responsive in the years ahead. It has started to see the shoots of a green recovery, but the long-term effects of the COVID-19 pandemic, climate change, and the outbreak of conflicts still threaten lives and prosperity. ADB will continue to work closely with members and development partners through these challenges to achieve a better future for all in Asia and the Pacific.

**ADB operations.** In 2021, ADB committed $22.8 billion in loans, grants, equity investments, private sector programs, and technical assistance both to the public and private sectors of its borrowing members. ADB bolstered its total support with cofinancing of $12.9 billion. As of 31 December 2021, ADB's cumulative commitments in 45 countries stood at $342 billion covering 4,061 loans, $11.7 billion in 521 grants, and $5.2 billion in technical assistance grants, including regional technical assistance grants. In addition to loans, grants, and technical assistance, ADB uses guarantees and equity investments to help its developing member countries.

Total commitments in nonsovereign loans and equity investments from ADB's own funds in 2021 amounted to $1.2 billion for 35 transactions in economic and social infrastructure, finance sector, and agribusiness. In 2021, ADB mobilized $1.7 billion of long-term project cofinancing and $5.8 billion of cofinancing through its Trade and Supply Chain Finance Program and Microfinance Program. Total outstanding balances and undisbursed commitments of nonsovereign transactions funded by ADB's own resources stood at $14 billion as of 31 December 2021.

### FINANCING PARTNERSHIPS

Total sovereign and nonsovereign cofinancing commitments, 2021

- $12.93 billion for 187 projects, of which:
  - $12.38 billion, 75 investment projects,
  - $134.67 million, 110 technical assistance projects,
  - $422.87 million transaction advisory services for 2 projects.

Cumulative sovereign and nonsovereign cofinancing commitments, 1970–2021

- $140.43 billion for 3,165 projects, of which:
  - $136.6 billion, 1,098 investment projects,
  - $2.8 billion, 2,061 technical assistance projects,
  - $1.07 billion transaction advisory services for 6 projects.

### PROCUREMENT

**ADB’s Procurement Contracts, 2021**

**Goods, Works, and Related Services**

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations:

- $22.93 billion in 2020
- $15.6 billion in 2021
- $232.16 billion covering 225,336 contracts, cumulative procurement since 1966

**Consulting Services**

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations:

- $730.78 million in 2020
- $697.03 million in 2021
- $14.86 billion covering 71,348 contracts, cumulative procurement since 1966

**Consulting Services**

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations:

- $232.16 billion covering 225,336 contracts, cumulative procurement since 1966
- $15.6 billion in 2021
- $22.93 billion in 2020

NOTES: (i) Figures are estimated by ADB unless otherwise stated. *(ii) Data are updated as of 31 December 2021 unless otherwise indicated.*