Palau is a small island developing state in the northern 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 slowdown of tourist flows prior to the coronavirus disease (COVID-19) pandemic, and the subsequent shutdown of tourism during the height of COVID-19, emphasized the need for prudent financial management and revenue alternatives.

The Pacific Approach, 2021-2025 of the Asian Development Bank (ADB) serves as 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 a programmatic approach to climate change, longer-term capacity support, procurement flexibilities, and an emphasis on gender equality. Recognizing the need for capacity support to complement physical infrastructure, ADB is helping improve utility and public sector performance alongside infrastructure works.

In 2022, ADB provided budget support loans under the Recovery through Improved Systems and Expenditure Support (RISES) Program (Subprogram 2) and Palau Public Utilities Corporation (PPUC) (Phase 2) with $30 million and $5 million, respectively. The RISES Program has assisted Palau in strengthening policy and legislative frameworks for public financial management, reducing fiscal risks linked to weak public sector asset management, and supporting private sector development. The loan to PPUC will strengthen the utility’s corporate governance and financial management to ensure sustainable service delivery.

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

### PALAU

Palau is a small island developing state in the northern 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 slowdown of tourist flows prior to the coronavirus disease (COVID-19) pandemic, and the subsequent shutdown of tourism during the height of COVID-19, emphasized the need for prudent financial management and revenue alternatives.

The Pacific Approach, 2021-2025 of the Asian Development Bank (ADB) serves as 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 a programmatic approach to climate change, longer-term capacity support, procurement flexibilities, and an emphasis on gender equality. Recognizing the need for capacity support to complement physical infrastructure, ADB is helping improve utility and public sector performance alongside infrastructure works.

In 2022, ADB provided budget support loans under the Recovery through Improved Systems and Expenditure Support (RISES) Program (Subprogram 2) and Palau Public Utilities Corporation (PPUC) (Phase 2) with $30 million and $5 million, respectively. The RISES Program has assisted Palau in strengthening policy and legislative frameworks for public financial management, reducing fiscal risks linked to weak public sector asset management, and supporting private sector development. The loan to PPUC will strengthen the utility’s corporate governance and financial management to ensure sustainable service delivery.

### Palau: 2022 Commitments ($ million)*

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>35.00</td>
<td></td>
<td>35.00</td>
</tr>
<tr>
<td>Technical Assistance¹</td>
<td>4.77</td>
<td>0.26</td>
<td>5.03</td>
</tr>
<tr>
<td>Total</td>
<td>39.77</td>
<td>0.26</td>
<td>40.03</td>
</tr>
</tbody>
</table>

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

Notes:
Commitment is the financing approved by ADB’s Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.
Grants and TA include ADB-administered cofinancing.
¹ Numbers may not sum precisely because of rounding.

### Palau: Cumulative Commitments*¹, b, c, d

<table>
<thead>
<tr>
<th>Sector</th>
<th>No.</th>
<th>Total Amount ($ million)³</th>
<th>% of Total Amount³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Natural Resources, and Rural Development</td>
<td>–</td>
<td>0.28</td>
<td>0.13</td>
</tr>
<tr>
<td>Education</td>
<td>–</td>
<td>1.35</td>
<td>0.63</td>
</tr>
<tr>
<td>Energy</td>
<td>5</td>
<td>11.38</td>
<td>5.34</td>
</tr>
<tr>
<td>Finance</td>
<td>–</td>
<td>0.29</td>
<td>0.13</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
<td>2.10</td>
<td>0.99</td>
</tr>
<tr>
<td>Industry and Trade</td>
<td>–</td>
<td>0.54</td>
<td>0.25</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>2</td>
<td>52.01</td>
<td>24.78</td>
</tr>
<tr>
<td>Multisector</td>
<td>–</td>
<td>0.20</td>
<td>0.10</td>
</tr>
<tr>
<td>Public Sector Management</td>
<td>11</td>
<td>118.70</td>
<td>55.75</td>
</tr>
<tr>
<td>Transport</td>
<td>–</td>
<td>0.31</td>
<td>0.14</td>
</tr>
<tr>
<td>Water and Other Urban Infrastructure and Services</td>
<td>8</td>
<td>52.77</td>
<td>24.78</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>212.91</td>
<td>100.00</td>
</tr>
</tbody>
</table>

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

* Grants and TA include ADB-administered cofinancing.

¹ Includes loans, grants, and TA.
² Using primary sector in the reporting of commitments.
³ From 2020, financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.
⁴ Numbers may not sum precisely because of rounding.

Updated as of February 2024
To date, ADB has committed 26 public sector loans, grants, and technical assistance totaling $202.5 million to Palau. Cumulative loan and grant disbursements to Palau amount to $167.79 million. These were financed by regular and concessional ordinary capital resources, the Asian Development Fund and other special funds. ADB’s ongoing sovereign portfolio in Palau includes 6 loans and 1 grant worth $100 million.1

ADB has provided $115 million in loans and nearly $4 million in grants and technical assistance to address challenges related to COVID–19, including a $770,000 grant that is currently supporting affected vulnerable groups. To prepare for future shocks, Phase 3 of ADB’s Pacific Disaster Resilience Program will provide $20 million in disaster-contingent financing for recovery and reconstruction following future natural hazards or health emergencies.

The Pacific Region 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. Other ongoing projects in Palau are in information and communication technology, sanitation, and energy.

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.

Limited project implementation capacity remains a significant barrier in Palau, and the Government of Palau must work to ensure that long-term capacity constraints are addressed to ensure that infrastructure improvements from recent investments are sustainable. For example, implementation of a sanitation project in Koror–Airai has been delayed due to a number of factors, including 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.

---

1 Sovereign portfolio consists of loans, grants, equity investment, and sovereign guarantee committed and not financially closed. Regional projects with loans/grants to multiple countries are reported separately.
KNOWLEDGE WORK

ADB brings added value beyond its role in project financing and 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.

ADB publishes knowledge products on macroeconomic forecasting and public sector management in its Asian Development Outlook and Pacific Economic Monitor. Recent publications discuss the effects of rising fuel prices on public service, commodity and transport costs, and how Pacific governments have provided public relief measures in response to these issues. ADB is also conducting assessments on the tourism industry, and on the potential economic impacts of the cessation of current Compact assistance in fiscal year 2024.

FINANCING PARTNERSHIPS

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

Cumulative cofinancing commitments in Palau:

• Sovereign cofinancing: $28.45 for 3 investment projects and $1.5 million for 1 technical assistance project since 2015

A summary of projects with cofinancing from 1 January 2018 to 31 December 2022 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 to reinvigorate the tourism sector. 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 strengthening capacity 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.

Palau: Regional Cooperation Strategy

To support sustainable recovery from the COVID-19 pandemic and to support the implementation of the Regional Cooperation Strategy, ADB is focusing its assistance in Palau on improving public sector performance and promoting private sector development to reinvigorate the tourism sector.

ADB will continue to 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 strengthening capacity 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.

Palau: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2021–2022

<table>
<thead>
<tr>
<th>No. of Ongoing Loans (as of 31 Dec 2022)</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Awardsb, c</td>
<td>0.16</td>
</tr>
<tr>
<td>Disbursementsb</td>
<td>33.26</td>
</tr>
<tr>
<td>No. of Ongoing Grants (as of 31 Dec 2022)</td>
<td>1</td>
</tr>
<tr>
<td>Contract Awardsb, c, d</td>
<td>1.30</td>
</tr>
<tr>
<td>Disbursementsb, d</td>
<td>–</td>
</tr>
</tbody>
</table>

At Risk Projects (%) (as of 31 Dec 2022) –

Note: Totals may not add up because of rounding.

b Based on commitments.
c Includes closed loans/grants that had contract awards or disbursements during the year.


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

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 2012 to 30 June 2022. See evaluations related to Palau.

Source: IED success rate database.

Palau: Projects Cofinanced, 1 January 2018–31 December 2022

<table>
<thead>
<tr>
<th>Cofinancing</th>
<th>No. of Projects</th>
<th>Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>3</td>
<td>7.45</td>
</tr>
<tr>
<td>Grants</td>
<td>2</td>
<td>5.95</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>1</td>
<td>1.50</td>
</tr>
</tbody>
</table>
**ADB AT A GLANCE**

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 3,775 staff from 66 members as of 31 December 2022.

ADB maximizes the development impact of its assistance to its 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 met strong demand for its assistance in 2022. It unlocked greater resources for its members through the private sector and partnerships. ADB provided financing for climate change mitigation and adaptation initiatives, education quality and access, affordable health care, and more sustainable and climate-resilient food systems. In 2022, 97% of ADB operations contributed to gender equality. ADB fostered greater regional collaboration on issues such as health threats and tax cooperation.

ADB also responded to demand for tailored knowledge solutions from its members.

**ADB operations.** In 2022, ADB committed $20.5 billion in loans, grants, equity investments, guarantees, private sector programs, and technical assistance to both the public and private sectors of its borrowing members. ADB bolstered its total support with cofinancing of $11.4 billion.

As of 31 December 2022, ADB’s cumulative commitments in 45 countries stood at $358.4 billion covering 4,189 loans, $12.6 billion in 566 grants, and $5.5 billion in technical assistance grants, including regional technical assistance grants.

In addition to loans, grants, and technical assistance, ADB uses guarantees, equity investments, and private sector programs to help its developing member countries.

Total commitments in nonsovereign loans, equity investments, and guarantees from ADB’s own funds in 2022 amounted to $11.1 billion for 37 transactions in economic and social infrastructure, finance sector, and agribusiness.

In 2022, ADB mobilized $1.7 billion of long-term project cofinancing and $5.3 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 $12.8 billion as of 31 December 2022.

**FINANCING PARTNERSHIPS**

Total sovereign and nonsovereign cofinancing commitments, 2022

- $11.39 billion for 165 projects, of which:
  - $11.2 billion, 75 investment projects,
  - $126.49 million, 87 technical assistance projects,
  - $60 million transaction advisory services mandates for 3 projects.

Cumulative sovereign and nonsovereign cofinancing commitments, 1970–2022

- $151.87 billion for 3,292 projects, of which:
  - $147.81 billion, 1,163 investment projects,
  - $2.92 billion, 2,120 technical assistance projects,
  - $11.39 billion transaction advisory services mandates for 9 projects.

**PROCUREMENT**

**ADB’s Procurement Contracts, 2022**

**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:

- $15.23 billion in 2021
- $16.19 billion in 2022
- $247.06 billion covering 228,149 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:

- $706.65 million in 2021
- $535.61 million in 2022
- $15.45 billion covering 74,995 contracts, cumulative procurement since 1966.

**MORE ABOUT PALAU AND ADB**

**Shareholding and Voting Power**

<table>
<thead>
<tr>
<th>Number of shares held</th>
<th>342 (0.003% of total shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Votes</td>
<td>39,456 (0.297% of total membership, 0.456% of total regional membership)</td>
</tr>
<tr>
<td>Overall capital subscription</td>
<td>$4.55 million</td>
</tr>
<tr>
<td>Paid-in capital subscription</td>
<td>$226,000</td>
</tr>
</tbody>
</table>

*United States dollar figures are valued at rate as of 31 December 2022.

**ADB Governor:** Kaleb Udui Jr.
**ADB Alternate Governor:** Casimir Remengesau
**ADB Director:** Rachel Thompson (Australia)
**ADB Alternate Director:** Lisa Wright (Australia)
**ADB Director’s Advisors:** Sweety Kalbesang (Palau) and Sabuhi Jafarov (Azerbaijan)

**CONTACTS**

**Palau Pacific Country Office**
**Established:** 2019
**Country Director:** Hideaki Iwasaki (Deputy Director General, PARD, based in ADB HQ in Manila)
**Senior Country Officer:** Alfonsa Koshiba
Room 209, 2nd Floor, RTFT Building Koror, Palau 96940
Tel: +680 488 4014
www.adb.org/countries/palau
www.facebook.com/adbapacific
www.twitter.com/ADB_Pacific

**ADB Headquarters**
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel: +63 2 8632 4444
Fax: +63 2 8636 2444
www.adb.org

**Ministry of Finance**
P.O. Box
Tel: 680-767-2561
Fax: 680-767-2168
mof@palaugov.org

**Useful ADB websites**

Asian Development Bank
www.adb.org

Annual Report
www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

ADB Data Library
data.adb.org

**Notes:** (i) Figures are estimated by ADB unless otherwise stated. *(ii)* Figures are estimated by ADB unless otherwise stated. *(ii)* Figures are estimated by ADB unless otherwise stated.