

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Republic of Palau	Program Title:	Disaster Resilience Program
Lending/Financing Modality:	Policy-based loan	Department/Division:	Pacific Department Urban, Social Development and Public Management Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: general intervention
<p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy, and Country Partnership Strategy</p> <p>The Palau Disaster Resilience Program supports a core development priority of the 2020 Palau National Master Development Plan:^a mainstreaming disaster risk reduction. The program is aligned with the National Disaster Risk Management Framework (NDRMF)^b vision of “safe, resilient and prepared communities in Palau.” It is also in line with the Framework for Resilient Development in the Pacific 2017–2030,^c which (i) recognizes that climate change and disaster risks increase the vulnerability of Pacific Island people, undermining the sustainable development of the Pacific region; and (ii) provides high-level strategic guidance to different stakeholder groups on how to enhance resilience to climate change and disasters in ways that contribute to sustainable development. The program supports goal 1 (strengthened integrated adaptation and risk reduction to enhance resilience to climate change and disasters) and goal 3 (strengthened disaster preparedness, response, and recovery).</p> <p>The Government of Palau has limited financial arrangements in place to mitigate the impacts of disasters. The government has to rely on drawdowns from its General Fund Reserve, and budget reallocations from other priorities, to deal with the immediate effects of a disaster. Accordingly, the government recognizes that contingent financing can be particularly effective in managing risks pertaining to events that would exhaust the funds available for disaster response under the General Fund Reserve, but are too frequent to be covered cost-effectively through insurance. The government envisions the establishment of a \$25 million disaster contingency fund to respond in times of emergency. However, this measure has not yet been put in place, and the program will help reduce this financing gap by providing a contingent credit line of \$15 million.</p> <p>The program is also consistent with the objectives of the Pacific Approach, 2016–2020 of the Asian Development Bank (ADB),^d which serves as ADB’s operational framework for the Pacific region and the overall country partnership strategy for the 11 smaller Pacific island countries, including Palau. The Pacific Approach emphasizes the importance of expanding ADB work in climate change and disaster risk management (DRM) to mobilize more financing for the Pacific region and to introduce innovative solutions to strengthen disaster preparedness, address vulnerability, and build resilience.</p>
<p>B. Results from the Poverty and Social Analysis during Project Preparation or Due Diligence</p> <p>1. Key poverty and social issues. Palau has one of the highest standards of living of Pacific countries, with an FY2017 per capita gross domestic product (GDP) of \$17,096, an adult literacy rate of 99.5%, and a life expectancy of 71 years. However, the island nation still relies on United States foreign aid through the Compact of Free Association. The Compact includes several federal programs, and grants are set to continue until FY2024. Hardship is persistent, especially for disadvantaged groups in rural areas, fast-growing urban settlements, and outer islands. The smallness, remoteness, geographic dispersion, significant exposure to climate change and natural hazards, and the narrow economic base magnify the effects of economic shocks. GDP growth is generally low and volatile.</p> <p>2. Beneficiaries. The program will benefit the overall population of Palau through improved DRM, and particularly the poorer and more vulnerable groups (including women) who tend to be more affected by disasters. Rapid access to resources provided through the program in the event of a disaster will enable the government to mitigate the potential negative socioeconomic impacts of physical damage. Resources can be rapidly channeled to affected households and areas with the greatest need.</p> <p>3. Impact channels. The program is expected to contribute directly to the improvement of the government’s fiscal resilience and, indirectly, to the support for vulnerable households in times of disaster by improving resilience to disaster risk and climate change through government programs and policies.</p> <p>4. Other social and poverty issues. The program will not directly mitigate the various social and poverty issues in Palau. Nevertheless, improving resilience to disaster risk and climate change and providing an immediate financial response will help prevent poverty and social issues from worsening.</p> <p>5. Design features. In addition to providing quick financing for disaster response, the program will establish a framework and capacity development to strengthen DRM in Palau in the longer-term. The program policy actions are expected to contribute to improved resilience of vulnerable households by making available the resources necessary to meet the immediate needs of affected communities in the aftermath of disasters, and continuing to implement the government’s 2015 Palau Climate Change Policy,^e including at the community-level.</p>

C. Poverty Impact Analysis for Policy-Based Lending

1. **Impact channels of the policy reforms.** The policy reforms will develop more effective DRM systems and encompass actions to (i) strengthen policies and institutions for disaster and climate resilience, (ii) improve capacity and planning for disaster and climate risk management, and (iii) expand financing for disaster and climate risk management. Improving the DRM response is expected to strengthen existing social protection systems, ensuring that communities and vulnerable households are able to reach safety in the event of a disaster, access sufficient relief supplies to meet their immediate needs, and receive support to rebuild their lives.

2. **Impacts of policy reform(s) on vulnerable groups.** Although the policy reforms are not directly intended for vulnerable groups, these groups stand to benefit the most because they are less resilient and unable to withstand the impacts of disasters. They are expected to benefit from the following: (i) fewer lives lost and injuries incurred during a disaster, reflecting improved disaster planning, response preparation, and public training; (ii) less damage and losses to public and personal property due to improved disaster planning, response preparation, and public training, as well as more resilient critical public infrastructure and assets; (iii) improved public safety due to faster removal of debris and hazards; (iv) faster restoration of essential services due to stronger planning, financing, and pre-contracting of specialized services, allowing for reduced public and private costs through shorter business, office, and public facility closures; (v) less risk of negative post-disaster health impacts due to a more effectively coordinated and better targeted humanitarian response providing temporary shelter, food, water, and sanitation; and (vi) reduced opportunity costs associated with government budget or aid program reallocations, and/or any financial costs associated with additional commercial or concessional borrowing that may be needed to meet post-disaster costs.

3. **Systemic changes expected from policy reform(s).** The program will help Palau build resilience to climate change and strengthen national, sector-specific, and community-based DRM. Policy actions include preparing disaster management plans, allocating greater resources for DRM, and providing training and capacity building for communities. These policy actions are expected to close the DRM gaps in Palau.

II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** The program was designed and will be implemented in collaboration with the government and relevant stakeholders. National and subnational governments and administrations, the private sector, communities, and development partners all have unique and key roles to play in addressing the challenges of climate change and disasters. Training and capacity building under the program will benefit communities in particular.

2. **Civil society organizations.** Awareness-raising activities and consultation on the delivery of policy actions by the governments will include the participation of civil society as appropriate. Community groups will be actively involved in policy actions to improve capacity and planning for disaster and climate risk management. The Palau Red Cross Society, a nonprofit nongovernment organization in Koror, is proactively involved in disaster response and relief, and was consulted during project preparation.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

Information gathering and sharing Consultation Collaboration Partnership

4. Participation plan.

Yes. No.

A low level of participation is envisaged during program implementation.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

A. Key issues. Palau has a matrilineal society. A Palau gender policy was endorsed by the President of Palau in 2018. This demonstrates the government's commitment to upholding equal rights for women, men, and other vulnerable groups, and to prioritizing gender equality in line with international human rights. While Palauan women are active in the economy and own many businesses, they face a number of challenges. The government is committed to increasing economic opportunities for women; reducing violence against women; and improving the enabling environment within government to increase gender-sensitive recruitment, policy formulation, gender analysis, planning, service provision, and the collection of gender-disaggregated data. The government recognizes that women are disproportionately affected in times of disasters, and have special needs in livelihood recovery. Women are regarded as having a special role in preparing their families to respond to disasters and adopting environmentally good practices. They are recognized to be an important part of communities in planning and preparing for disaster response, and are more likely to be affected by droughts since they account for more than 75% of all farmers in Palau.

B. Key actions. The program includes key policy actions that will benefit women. The mid-term review of the 2015 Palau Climate Change Policy includes an update on DRM actions benefiting women. The Mass Rescue Operations Contingency Plan includes sex-disaggregated tracking of evacuees and identification of their medical and special needs. The school emergency management plans include guidance on how students (disaggregated by gender) will be accounted for, through student emergency cards that also include consideration for special needs. In 2016, the

