



Report and Recommendation of the President to the Board of Directors

Project Number: 52018-001
September 2018

Proposed Policy-Based Loan Republic of Palau: Disaster Resilience 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
DRM	–	disaster risk management
GDP	–	gross domestic product
GFR	–	General Fund Reserve
MOF	–	Ministry of Finance
NDRMF	–	National Disaster and Risk Management Framework
NEC	–	National Emergency Committee
NEMO	–	National Emergency Management Office
PAN	–	Protected Areas Network
PBL	–	policy-based loan
PCCP	–	Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015
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., FY2018 ends on 30 September 2018.
- (ii) In this report, "\$" refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 52018-001	
Project Name	Disaster Resilience Program	Department/Division	PARD/PAUS
Country	Palau	Executing Agency	Ministry of Finance
Borrower	Government of Palau		
2. Sector		Subsector(s)	
✓ Public sector management	Public expenditure and fiscal management		ADB Financing (\$ million)
			15.00
		Total	15.00
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive		Climate Change Information
Environmentally sustainable growth (ESG)	Disaster risk management Global and regional transboundary environmental concerns		Climate Change impact on the Project
			Low
			ADB Financing
		Adaptation (\$ million)	1.50
4. Drivers of Change		Components	
Governance and capacity development (GCD)	Institutional development Public financial governance		Gender Equity and Mainstreaming
			Effective gender mainstreaming (EGM) ✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG13		
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		15.00	
Sovereign Program (Regular Loan): Ordinary capital resources		15.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		15.00	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed policy-based loan to the Republic of Palau for the Disaster Resilience Program.¹

2. Palau is at high risk from natural hazards. It is taking important steps to improve disaster and climate risk management—to reduce risks from, better plan for, respond to, and recover from disasters. The proposed program will provide the Government of Palau with rapid access to financing if a significant disaster caused by any type of natural hazard affects the country.² A single-tranche, stand-alone, policy-based loan (PBL) from the regular ordinary capital resources of the Asian Development Bank (ADB) is proposed to provide Palau with a source of contingent financing for immediate disaster response, early recovery, and reconstruction.³ To establish eligibility to access the contingent financing, the government has undertaken policy actions that (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. The actual withdrawal of funds will be deferred until the President of Palau declares a state of emergency because a disaster caused by a natural hazard has occurred. Program monitoring will ensure continued progress toward the overall goals.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Development context.** Palau consists of about 370 islands covering 466 square kilometers and has a population of around 21,500 (2016). Palau's free association with the United States has contributed to its relative affluence—its per capita gross domestic product (GDP) of \$17,096 (FY2017) is one of the highest in the Pacific. However, Palau depends heavily on grants, which accounted for 18.5% of GDP and 43.7% of total revenue during FY2011–FY2017.⁴ The economy is narrowly based, and tourism receipts generally contribute 45%–55% of annual GDP.

4. Palau experiences frequent natural hazards (mainly typhoons, droughts, and tidal surges), which can result in human casualties, disrupt economic activity, lead to loss of livelihoods, divert fiscal resources, and undermine development priorities. Although not all disasters are caused by climate change, the country's vulnerability to climate change will heighten disaster risks because extreme weather events are likely to increase in the future.⁵ Analysis undertaken under the Pacific Catastrophe Risk Assessment and Financing Initiative indicates that Palau faces an average annual loss of \$2.7 million from typhoons, earthquakes, and tsunamis, with probable maximum losses of \$16.8 million from a 1-in-50-year event, \$46.7 million from a 1-in-100-year event, and

¹ The design and monitoring framework is in Appendix 1. The proposed program is included in Asian Development Bank (ADB). 2017. *Country Operations Business Plan: 11 Small Pacific Island Countries 2018–2020*. Manila. It aligns with the Pacific Approach, 2016–2020, which serves as the country partnership strategy for Palau. ADB. 2016. *Pacific Approach, 2016–2020*. Manila. The concept paper was circulated to the ADB Board of Directors on 25 April 2018.

² ADB has approved contingent financing for disasters in the Cook Islands in 2016 and in Samoa, Tonga, and Tuvalu in 2017. ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to the Cook Islands for the Disaster Resilience Program*. Manila; and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans, Policy-Based Grants, and Technical Assistance Grant for the Pacific Disaster Resilience Program*. Manila.

³ The PBL modality was selected because it is the only instrument available to ADB that allows financing to be put in place before a disaster. The program design is based on the World Bank's catastrophe deferred drawdown option.

⁴ Macroeconomic Assessment Summary (accessible from the list of linked documents in Appendix 2).

⁵ Australian Bureau of Meteorology, and Commonwealth Scientific and Industrial Research Organisation. 2011. *Climate Change in the Pacific: Scientific Assessment and New Research. Volume 2: Country Reports*. Canberra.

\$146.0 million from a 1-in-250-years event.⁶ This excludes losses from droughts, and possible downturns in economic growth due to reduced tourism.

5. **Financial impacts.** Palau has suffered three major disasters caused by natural hazards since 2012, leading to significant financial stress. In 2012, Typhoon Bopha caused about \$5.9 million in initial damages (2.7% of GDP), but the final damage estimate was raised to \$15 million–\$20 million (7.0%–9.3% of GDP).⁷ In 2013, initial damage from Typhoon Haiyan was assessed to be \$6.3 million (2.8% of GDP), with the final damage estimated at \$9.7 million (4.3% of GDP).⁸ In 2016, severe drought associated with El Niño weather conditions led to water shortages across Palau, and generated significant sanitation and hygiene risks. Government estimates placed financing needs at \$3.2 million (1.1% of GDP) in FY2016, mainly for water acquisition and distribution. Drought conditions persisted into 2017, leading to continued water rationing. The drought also led to the closure of Jellyfish Lake, a major tourist attraction. Consequently, real GDP growth is estimated to have fallen to –3.7% in FY2017 as tourist arrivals declined. Tourism receipts fell from a peak of \$138.9 million in FY2015 to \$115.7 million in FY2017.

6. **Key constraints.** Insufficient fiscal resources constrained disaster response, recovery, and reconstruction.⁹ In the absence of dedicated resources to finance post-disaster needs, the government relied largely on budget reallocations, which redirected funds away from development priorities and fell short of the initially assessed damages. Short-term post-typhoon needs were financed by emergency appropriations from internal revenue, authorized through legislation approved by the President. The government authorized \$10 million but appropriated \$5 million under the Super Typhoon Bopha Emergency Funding Act in 2012, financed from internal revenue.¹⁰ Almost \$1.5 million was appropriated under the Super Typhoon Haiyan Emergency Funding Act in 2013, also financed from internal revenue.¹¹ The government appropriated \$2 million in emergency funding for severe drought relief under the Extreme Drought Emergency Funding Act in 2016, of which about \$1.65 million was drawn from the General Fund Reserve (GFR) (para. 15).¹² Palau received support from development partners following the typhoons,¹³ and longer-term reconstruction activities were also funded under the government budget.

7. Inadequate community-based planning and preparedness (including coping mechanisms, public awareness, and emergency response capacity) affected disaster response and recovery (footnotes 7 and 8). Weaknesses in institutional arrangements and donor coordination¹⁴ also exacerbated the indirect economic and social costs of disasters.

8. **Fiscal situation.** Despite these development challenges, Palau has largely maintained macroeconomic stability. External public debt, estimated at 34.2% of GDP in FY2017, is sustainable over the medium term as the government pursues fiscal consolidation measures

⁶ Pacific Catastrophe Risk Assessment and Financing Initiative. 2011. *Country Risk Profile: Palau*. <http://pcrafi.spc.int/documents/46/download>. Losses refer to the direct costs to repair or replace damaged assets plus the emergency costs that governments may sustain as a result of providing necessary relief and recovery efforts.

⁷ Government of Palau. 2013. *Super Typhoon Haiyan: Immediate Response and Recovery Plan*. Koror: National Emergency Committee (NEC).

⁸ Government of Palau. 2013. *Palau Typhoon Bopha Recovery Plan*. Koror: NEC.

⁹ Sector Assessment (Summary): Public Sector Management (accessible from the list of linked documents in Appendix 2) presents additional details on the funding and institutional arrangements for disaster response.

¹⁰ Republic of Palau Public Law No. 8-52. 2012. *Super Typhoon Bopha Emergency Funding Act*. Koror.

¹¹ Republic of Palau Public Law No. 9-16. 2013. *Super Typhoon Haiyan Emergency Funding Act*. Koror.

¹² Republic of Palau Public Law No. 9-59. 2016. *Extreme Drought Emergency Funding Act*. Koror.

¹³ Development partners (e.g., Australia; Japan; Taipei, China; New Zealand; the United States; and various United Nations agencies) provided assistance estimated at about \$1 million after each of the two typhoons.

¹⁴ Development Coordination (accessible from the list of linked documents in Appendix 2).

(footnote 4). However, the debt situation remains highly sensitive to real GDP growth shocks, such as those that Palau could experience if affected by a major disaster. The International Monetary Fund recommends that Palau boost its resilience to disasters and climate change.¹⁵

B. Policy Reform and ADB's Value Addition

9. **Government vision.** The Government of Palau is committed to managing disaster risks. The National Disaster and Risk Management Framework 2010 (NDRMF)¹⁶ sets out a vision of “safe, resilient and prepared communities in Palau.” The key objectives of the NDRMF are to (i) establish organizational arrangements that maximize the use of available resources to strengthen mitigation, preparedness, response, and relief and recovery planning for natural hazards; (ii) promote integrated planning and collaboration for disaster risk management (DRM) across all levels of government, departments, sectors, and communities; and (iii) integrate climate change adaptation and disaster management into national and sectoral planning and strategy. The NDRMF draws special attention to women in livelihood recovery and to strengthening DRM for local communities.

10. The NDRMF outlines the institutional arrangements for its implementation. The highest authority is the Disaster Executive Council, which is convened and chaired by the President of Palau, with all ministers as members. The second tier is the National Emergency Committee (NEC), convened by the vice president, comprising 28 members from various ministries, bureaus, divisions, and agencies. The NEC provides oversight, coordination, and guidance on DRM activities. The National Emergency Management Office (NEMO) acts as the secretariat for the NEC, and is involved in all aspects of NDRMF implementation.

11. In 2015, the government adopted the Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015 (PCCP) to lay out its overarching vision.¹⁷ The PCCP objectives reiterate and expand on those in the NDRMF. Its main objective is to build the resilience of Palau to climate change and disasters. Additional objectives are to (i) enhance adaptation and resilience to the expected impacts of global climate change across sectors; (ii) improve Palau's ability to manage unexpected disasters and minimize disaster risk; and (iii) mitigate global climate change by working toward low-carbon emission development, maximizing energy efficiency, protecting carbon sinks, and minimizing greenhouse gas emissions. The PCCP advocates a proactive approach to community-level DRM, to build knowledge and understanding of the hazards and risks to which communities may be exposed.

12. The PCCP sets out an ambitious 5-year action plan for implementation. It covers interventions across four strategic priorities: (i) climate change adaptation, (ii) DRM, (iii) mitigation and low-emission development, and (iv) institutional strengthening for effective policy implementation. It also outlines individual reform actions to be undertaken under the broader interventions. The Office of Climate Change in the Ministry of Finance (MOF) coordinates PCCP implementation and monitoring.

13. **Declaration of emergency.** The President of Palau may declare a state of emergency in the event of war, external aggression, civil rebellion, or natural catastrophe threatening the lives or property of a significant number of people in Palau, in accordance with Article VIII, Section 14

¹⁵ International Monetary Fund. 2016. *Republic of Palau—2016 Article IV Consultation. IMF Country Report No. 16/328*. Washington, DC.

¹⁶ Government of Palau. 2010. *National Disaster Risk Management Framework 2010*. Koror.

¹⁷ Government of Palau. 2015. *Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015*. Koror.

of the Palau Constitution.¹⁸ The NDRMF clarifies the declaration procedure in the event of a disaster triggered by a natural catastrophe. The NEC can recommend to the President, through the Disaster Executive Council, to declare a state of emergency in all or part of the affected or potentially affected areas. The recommendation is based on reliable information received from a verifiable source such as the weather service, an aerial reconnaissance, and/or significant emergency impact reports. The declaration has to be confirmed by the Palau National Congress within 10 days if it is to continue beyond the initial 10-day period.¹⁹ In the event of an emergency, NEMO coordinates disaster response and recovery, acting under the oversight of the NEC, in all or part of the affected or potentially affected areas of Palau. Also, state governors can declare a state of emergency covering only their state.

14. The President of Palau has declared three states of emergency due to natural hazards since 2012—after Typhoon Bopha in 2012, Typhoon Haiyan in 2013, and the drought in 2016 (para. 5). In addition, the governor of Koror has twice declared a state of emergency in Koror.²⁰

15. **Disaster risk financing.** Palau has no dedicated financing available for immediate disaster response, early recovery, and reconstruction, relying instead on reallocation of internal revenues and drawdown from the permanent GFR. The permanent GFR was established in FY2014 following the experience of the two typhoons (para. 5).²¹ The minimum annual allocation for the GFR is set at 2% of unrestricted local revenue collections from the preceding fiscal year.²² Unspent amounts from previous fiscal years accumulate in the GFR, and the Palau National Congress can also allocate additional amounts towards it. The available balance in the GFR as of June 2018 is \$14.4 million. The GFR may be tapped after a disaster in the absence of alternative financing, but is not exclusive for post-disaster financing needs, and may also be accessed for other purposes.²³ Budget realignment to finance all types of post-disaster needs is generally undertaken in practice, but is not well-documented in budget laws and papers.

16. The government sees a further need to build resources for immediate disaster response, early recovery, and reconstruction instead of relying on (i) budget reallocations from internal revenue which can take time to secure (partly due to government approval procedures), fall short of requirements, and redirect funds away from development priorities, and (ii) GFR reserves, which are not intended exclusively for financing post-disaster needs. The PCCP envisions the establishment of a \$25 million disaster contingency fund to respond in times of emergency and an \$11 million National Disaster Recovery Fund and Insurance Program, neither of which is in place. The government is considering typhoon insurance cover through the Pacific Catastrophe Risk Insurance Company for the 2018–19 typhoon season, for low-frequency high-impact events.

¹⁸ Government of Palau. 1979. *Constitution of the Republic of Palau*. Koror.

¹⁹ Streamlined procurement procedures can be applied following a declaration of a state of emergency. At this time, the government (through its authorized officials) can engage directly in negotiations with potential companies without going through regular tendering procedures. All procurement decisions are recorded for review and scrutiny.

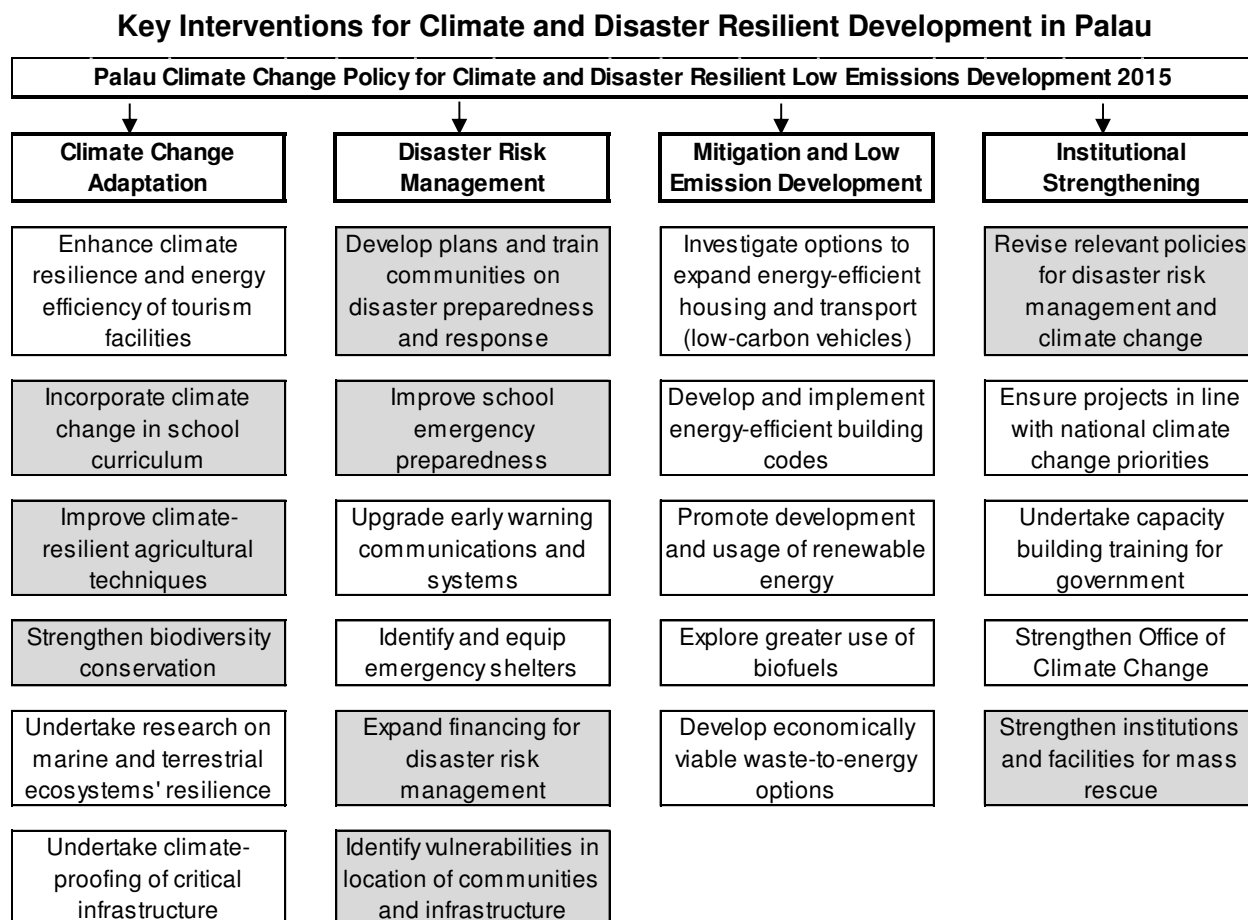
²⁰ The first state of emergency declared by the Governor of Koror for Koror was in response to Typhoon Bopha in 2012 several hours before the national state of emergency was declared, and the second followed the end of the national state of emergency in response to the 2016 drought.

²¹ As part of the FY2014 budget, the government approved the establishment of a permanent GFR, to create a buffer reserve fund to support government operations through periods of shortfall of resources, and thus avoid deficit funding through running up short-term debt as happened subsequent to the 2008–2009 financial crisis.

²² Appropriations during FY2014–FY2016 fell short of 2% of unrestricted local revenue collections from the preceding year by 15%–20% each year, but the FY2017 appropriation was 18% more than 2% of unrestricted local revenue collections from the preceding year.

²³ Until 2024, when US Compact funds are due to expire, the GFR may be drawn down when any state of emergency is declared, if other funds are unavailable. The GFR can also be accessed if local revenues drop by more than 5% of projected revenues of the previous year. After the expiration of the Compact funding period, the GFR may be utilized to fund any lawful purpose.

17. **Ongoing reforms.** The government is implementing several reforms across the four PCCP priorities (para. 12). The key ongoing interventions are summarized in the figure.



Note: In some cases, overlapping or closely related interventions, as presented in the Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015, were combined into one box in the figure for simplicity and ease of presentation. Policy actions included in the proposed program (para. 21) are part of broader interventions presented in the shaded boxes.

Source: Asian Development Bank.

18. Several reform actions (contributing to the broader PCCP interventions presented in the figure) are underway, although the pace of progress varies depending on implementation agency capacity and available funding (footnote 9). In 2016, the President endorsed a policy framework for responsible tourism that integrates climate resilience into tourism development and adds a focus on eco-tourism in outer islands to ease the pressure of tourism in Koror.²⁴ Proposals are under consideration to provide tax relief to hotels that invest in water catchment plants (to help ensure water supply for tourists during droughts) and install solar panels to promote renewable energy for tourism. To enhance mitigation, funding to improve the energy efficiency of housing and transport is being sought, and energy-efficient building codes are under development. Support in the amount of \$1.2 million was allocated to integrate climate change actions into existing Protected Areas Network (PAN) frameworks and management plans.²⁵

²⁴ Government of Palau, Ministry of Natural Resources, Environment and Tourism, Bureau of Tourism. 2016. *Responsible Tourism Policy Framework*. Koror.

²⁵ PAN is an initiative of state governments in Palau, whereby traditional leaders can independently designate protected areas within their boundaries that have environmental or ecological significance. All sites that join the PAN are eligible

19. Palau has made good progress on reform actions to strengthen community-level planning, capacity, and response, as envisaged in the PCCP (para. 11). NEMO has developed a community-based disaster risk reduction toolkit in 2016 to guide communities in responding to disasters. NEMO has also conducted climate change vulnerability assessments in eight states. Measures to improve food security in the face of frequent droughts include support for a sustainable piggery and rehabilitation of taro patches (which were damaged during the typhoons). Evacuation shelters have been identified in each of Palau's 16 states to accommodate community members in times of disasters, and are being disaster-proofed. The government is developing a comprehensive geographic information system database, which will help identify structures impacted by wave inundation and sea-level rise, and vulnerable to typhoons and tsunamis, to improve community-level planning and response. Work is underway to identify vulnerable areas, so that communities can be relocated to safer locations as needed.²⁶ The government is also developing a work program to strengthen equipment and capacity for the rapid and fully functional dissemination of early disaster warnings to all affected communities.²⁷

20. **Proposed program.** The PBL is aligned with the following development objective: safety, resilience, and preparedness of communities in Palau enhanced (footnote 16). It will provide Palau with a source of contingent financing for immediate disaster response, early recovery, and reconstruction. To establish eligibility to access the contingent financing, the government has completed nine policy actions to strengthen disaster and climate risk management.

21. **Reform areas.** The nine policy actions are based on the government's ongoing reforms to achieve the PCCP objectives, and were completed between July 2017 to June 2018.²⁸ They were prioritized in consultation with the government, help advance broader interventions to strengthen climate and disaster-resilient development (as presented in the figure), and indicate government commitment to PCCP implementation. The policy actions serve 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. The actions are outlined below.

- (i) **Strengthening policies and institutions for disaster and climate resilience.**
The MOF has approved a midterm review of the PCCP, prepared by the Office of Climate Change (para. 12), which includes an update on the implementation of adaptation, mitigation, DRM, and institutional strengthening measures since 2015. NEMO has finalized a Mass Rescue Operations Contingency Plan that clarifies institutional roles and responsibilities of government agencies for a coordinated operational response in the event of large-scale disasters, which the NEC has approved.
- (ii) **Improving capacity and planning for disaster and climate risk management.**
In order to strengthen community planning and capacity as envisioned in the PCCP, NEMO has finalized a community disaster plan template for hamlets that details a community's emergency response organizations and assigns responsibilities for various tasks in the event of a disaster. NEMO has also completed training workshops on developing the community disaster plan based on the disaster risk reduction toolkit (para. 19) in 12 (of 16) states. The Ministry of Education has

to apply for designated PAN funds, which will be used by each PAN site to manage its own resources in accordance with system-wide goals and objectives for conservation and sustainable development.

²⁶ Melekeok State has developed a plan to relocate its coastal community, which is at risk of floods, to higher ground.

²⁷ A radio tower that could broadcast in amplitude modulation was destroyed during Typhoon Bopha in 2012 and is still awaiting reconstruction. Therefore, for early warning, the government has to rely on frequency modulation broadcasting systems with a more limited range.

²⁸ The Policy Matrix is in Appendix 4, and details the nine completed policy actions.

approved updated school emergency management plans for 15 (of 18) public schools as guides for the principal, staff, and teachers, who will be responsible for ensuring the safety of students during emergencies.²⁹ The Ministry of Education has also incorporated climate change and DRM into the public school science curriculum for grades 7–8, and provided support to teachers through climate science training based on the new science curriculum framework. In view of frequent droughts and the destruction of crops during the recent typhoons, the Ministry of Agriculture has finalized training manuals for horticulture and livestock producers that include climate resilience measures, and approved their rollout for training. The MOF, through the Office of Palau Automated Land and Resource Information System, has completed geographic information system layers for households, businesses, farms, roads, utilities, and major infrastructure, including information on construction materials and storey height, which are key in assessing disaster risks and losses (para. 19).

- (iii) **Expanding financing for disaster and climate risk management.** The government has continued efforts to enhance funding from its own resources. For FY2018, it has appropriated \$1.265 million for the GFR (para. 15), which can be tapped in the event of a disaster caused by natural hazards. The government has started implementing a \$100 per person Pristine Paradise Environmental Fee for tourists, replacing the \$50 per person green fee. This fee will help finance biodiversity conservation efforts in marine protected areas and the PAN, including community adaptation and DRM priorities in PAN sites (para. 18).

22. **Program monitoring framework.** In addition, a program monitoring framework (footnote 28) identifies how the government plans to broadly continue reforms in the three program reform areas through 2021. The PCCP will be updated based on its midterm review, to rationalize reform actions. NEMO will secure community endorsement and approval of at least 16 community disaster plans at the hamlet-level based on the new template (para. 21), as well as approval for 16 state-level Disaster Risk Reduction Action and Evacuation Plans. Suitable school buildings will be identified, and climate/disaster proofed adequately to serve as evacuation shelters. Training on climate- and disaster-resilient horticulture and livestock farming will be rolled out, based on the new training manuals (para. 21). Palau's equipment for the rapid, fully functional dissemination of disaster early warnings to all affected communities and the capacity of communities to respond appropriately will be strengthened, based on a proposal to improve the typhoon early warning system that is under preparation. High resolution topographical maps for the main inhabited areas of Babeldaob and Koror (covering more than 90% of the population of Palau) will be prepared to improve local planning and response efforts. The government will continue to annually appropriate at least 2% of local revenue collections from the preceding fiscal year for the GFR. Disaster recovery planning and post-disaster budget execution capabilities will be further strengthened.

23. **ADB's value addition.** The most cost-effective way of financing disaster response is through various tools in a common framework to minimize different layers of risk, as no single instrument is optimal for responding to all disaster events, which range from frequent, small-scale events to rare catastrophic events.³⁰ The government recognizes that contingent financing can be effective in minimizing risks from disaster events that would exhaust funds available for

²⁹ The remaining three schools are in the outer islands, and have fewer than 30 students each, and will update their plans later in 2018.

³⁰ Disaster Risk Financing Tools and Approaches (accessible from the list of linked documents in Appendix 2) presents details on existing ADB instruments and different options available to Palau to address different layers of risks arising from disasters caused by natural hazards.

immediate response, early recovery, and reconstruction under the GFR, but are too frequent to be covered cost-effectively through insurance. The PBL will address this critical financing gap. Among ADB's existing instruments to respond to post-disaster financing needs, emergency assistance loans can take more than 3 months to process, while reconstruction loans under normal lending modalities can take even longer.³¹ The PBL will enable financing to be in place before a disaster, and provide Palau with immediate access to resources for timely response, early recovery, and reconstruction in the event of a qualifying disaster. ADB will also add value through technical assistance (TA) under the program monitoring framework.

24. Proposed technical assistance. The PBL marks ADB's initial engagement on DRM and climate change reforms in Palau, and will pave the way for more systematic interventions. The program monitoring framework (para. 22) will serve as the basis for ADB's continued engagement with Palau to support longer-term reforms.³² Based on the availability of resources, ADB—in consultation with the government and other partners—will explore the provision of TA to (i) strengthen disaster recovery planning and post-disaster budget execution capabilities, ensuring that available post-disaster financing can be used quickly and effectively; (ii) undertake disaster and climate vulnerability and risk assessments of priority critical infrastructure (potentially, Belau National Hospital, Meyungs Causeway, and Minato-bashi Bridge);³³ and (iii) continue to prepare and implement community disaster plans.

25. ADB experience. ADB has provided significant loans, grants, and TA for post-disaster response, early recovery, and reconstruction in the Pacific (footnote 30).³⁴ It piloted similar contingent financing in the Cook Islands in 2016 through a stand-alone, single-tranche PBL from ordinary capital resources to support timely disaster response (footnote 2).³⁵ This approach is also reflected in the 2017 regional program for Samoa, Tonga, and Tuvalu, from ADB's concessional resources (footnote 2). Following extensive damage from Cyclone Gita in Tonga in February 2018, ADB released \$6 million from the regional program within 24 hours of receiving the Government of Tonga's request, demonstrating the benefits of this approach. The regional program provides \$2 million in TA to further expand ADB engagement in DRM reforms.

26. Lessons learned. Several lessons from ADB's support for DRM in the Pacific were incorporated in the program: (i) as evidenced in the case of Tonga, the primary benefit of a deferred drawdown is that it is quick disbursing, providing the government with an immediate source of bridge financing after a disaster; (ii) for the government to fully benefit from the quick-disbursing nature of contingent financing, it has been ensured that institutional arrangements are in place in Palau to enable the post-disaster submission of a withdrawal request for funds to ADB; (iii) since the policy matrix includes reforms across different sectors, dialogue with the various line agencies was initiated early during program preparation, and continued through ADB's

³¹ ADB provides dedicated funding to its concessional assistance-only countries through the Asian Development Fund 12 Disaster Response Facility. Palau is not eligible since it has access to ordinary capital resources. Also, grants of up to \$3 million per event may be provided for humanitarian relief under the Asia Pacific Disaster Response Fund.

³² Under the program monitoring framework, ADB expects to provide targeted support from regional TA funds. ADB. 2015. *Technical Assistance for Strengthening Climate and Disaster Resilience of Investments in the Pacific*. Manila (TA 8961-REG).

³³ Meyungs Causeway links the country's only public hospital, Belau National Hospital on Southwest Islanders Village, to Koror Island. The Minato-bashi Bridge carries the main sewage trunk line from Koror to the sanitation plant, and also links several major hotels to Koror and the airport, and is thus particularly important for tourism. All three structures face high disaster risk, according to the Ministry of Public Infrastructure, Industries and Commerce.

³⁴ In 2013, ADB provided Palau with \$200,000 from the Asia Pacific Disaster Response Fund after Typhoon Haiyan.

³⁵ The Government of the Cook Islands undertook reforms to strengthen DRM policies and institutions, improve the disaster resilience of physical assets, and expand disaster risk financing. The program includes provision of TA, depending on government demand. DRM issues are regularly discussed during country consultation missions.

Development Coordination Office in Koror to ensure timely completion of actions; (iv) the PBL provides the opportunity to elevate DRM issues to the MOF level, and the provision of TA to support the reform areas in the program monitoring framework (para. 24) is expected to facilitate substantive policy dialogue and effective implementation even if the loan is fully disbursed.

C. Impacts of the Reform

27. It will only be possible to quantify the full economic impact of the program after a disaster, as the benefits (or costs avoided) will be determined by the scale and nature of the specific event. The PBL will allow the government to finance post-disaster needs in a timely manner, and avoid opportunity costs associated with budget or aid reallocations, and/or any financial costs associated with additional commercial or concessional borrowing that may be needed for immediate response, early recovery, and reconstruction. Direct economic benefits include faster restoration of essential services, facilitation of medical support that can minimize loss of lives, containment of the emergency situation, and less risk of negative post-disaster health impacts.

28. In addition, the policy actions to establish eligibility to access the contingent financing will improve Palau's ability to withstand and cope with the short- and longer-term impacts of disasters and climate change. They will encourage reforms that ultimately result in beneficial economic impacts, such as (i) reduced loss of lives and property reflecting improved disaster planning, response, preparation, and public training; (ii) less destruction of property resulting from better mapping and location of critical public infrastructure and assets; and (iii) lower damage to crops through the adoption of better and more climate-resilient cropping techniques.

D. Development Financing Needs and Budget Support

29. The government has requested a single-tranche, stand-alone loan of \$15 million from ADB's ordinary capital resources to help finance immediate disaster response, early recovery, and reconstruction. The loan will have a 15-year term, including a grace period of 3 years, with repayments calculated based on a disbursement-linked amortization schedule, an annual interest rate determined in accordance with ADB's London interbank offered rate-based lending facility, a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan agreement. There is no maturity premium payable to ADB.

30. Post-disaster financing needs are determined based on the likely fiscal impact of medium- to high-impact disasters, taking into account the resources likely available from domestic and international sources, and the need to ensure that Palau maintains a sustainable level of debt (footnote 4). As the proposed loan funds are for contingent financing to support additional public spending associated with immediate disaster response, early recovery, and reconstruction, the loan amount is not directly correlated with the cost of policy reforms.

E. Implementation Arrangements

31. The MOF will be the executing agency, responsible for coordinating and monitoring program implementation. The implementing agencies will include the Ministry of Education; the Ministry of Natural Resources, Environment, and Tourism; the Ministry of Public Infrastructure, Industries, and Commerce; and NEMO—which are responsible for reforms presented in the policy matrix, together with MOF. The program period will be from approval to 31 December 2021.

32. Eligibility to withdraw from the loan is based on the achievement of the nine policy actions (para. 21). Actual withdrawal will be deferred until the occurrence of a disaster triggered by a

natural hazard that results in the official declaration of a state of emergency by the President of Palau in accordance with Article VIII, Section 14 the 1979 Constitution (para. 13), covering all or part of Palau, within the program period.³⁶ The government can withdraw the loan proceeds partially or entirely, depending on its assessment of the disaster's severity and resultant need, and after the government and ADB have agreed on the withdrawal amount. Loan proceeds will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

33. A specific repayment schedule based on the size of the drawdown and the remaining unutilized funds will be calculated. Funds will be spent through national budget processes. During loan effectiveness, ADB will monitor the implementation of reforms according to the program monitoring framework (para. 22). If no state of emergency is declared within the program period, loan proceeds will not be withdrawn. If a new disaster resilience program is processed after 2021, progress will be reviewed against the program monitoring framework.

III. DUE DILIGENCE

34. **Governance.** Palau has limited financial arrangements in place for disaster events (para. 15). Moreover, coordinating disaster response, including the support offered by donors and civil society organizations with competing requirements and procedures, can pose significant administrative challenges, and government absorption capacities are often stretched in the aftermath of disaster events. TA will prioritize capacity development focusing on financing and budgetary issues, including post-disaster budget allocation and execution, to ensure that Palau has adequate systems in place to use program resources in an effective, accountable, and transparent manner (para. 24).

35. **Poverty and social.** The program will allow the government to maintain greater fiscal stability in the event of a disaster, and enable it to initiate relief and recovery efforts with minimum delay, mitigating the immediate adverse impacts. Implementation of the policy actions will further ensure that communities, including vulnerable households, are able to better plan and prepare for disasters. Training for households on the community-based disaster risk reduction toolkit (para. 21) involves community consultations and outreach.

36. The program is classified as *effective gender mainstreaming*. The midterm review of the PCCP includes an update on reforms benefiting women. The Mass Rescue Operations Contingency Plan includes sex-disaggregated tracking of evacuees and identification of their special needs. In 2016, NEMO finalized a community-based disaster risk reduction toolkit (para. 19), which (i) prioritizes women and other vulnerable groups for community-level DRM, (ii) recognizes the importance of partnerships with women's groups for effective DRM, and (iii) recommends the inclusion of the leader of the traditional women's group in the hamlet emergency committee. The community disaster plan template is based on this toolkit, and training workshops on the toolkit were completed by NEMO in 12 (of 16 states). Of the 182 community members who were trained, 79 were women (against a target of 40%). The horticulture and livestock training manuals and the training to be rolled out will benefit women, who make up more than 75% of farmers in Palau.³⁷ 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. The revised science curriculum for grades 7–8 incorporates the special role of women in times of disaster response.

³⁶ States of emergency declared by governors in their particular states will not qualify for withdrawal of loan proceeds.

³⁷ Government of Palau. 2015. *2015 Census of Population, Housing and Agriculture of the Republic of Palau*. Koror.

37. **Safeguards.** In accordance with ADB’s Safeguard Policy Statement (2009), the PBL has been screened and is classified category C for environment, involuntary resettlement, and indigenous peoples. Environmental and social impacts of policy actions were evaluated. Program activities are confined to policy and institutional reforms, and no policy action will result in or lead to involuntary resettlement or have adverse impacts on indigenous peoples or the environment.

38. **Risks and mitigation.** Key risks to program implementation relate to possible external shocks and capacity constraints of the government agencies, including constraints in public financial management systems. MOF has experience in executing donor-financed (including ADB-financed) projects (footnote 14), and financial management systems for externally financed projects are considered adequate (footnote 9). The remaining fiduciary risks will be managed through TA support for capacity development of government counterparts (para. 24). Major risks and mitigating measures are summarized in the table below and described in detail in the risk assessment and risk management plan.³⁸ ADB’s Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOF.

Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Repeated or major external shocks (e.g., disasters or economic downturns) hurt the economy.	Development partners help the government build buffers to improve resilience, and provide assistance in case of economic shocks. Program policy actions also help improve resilience.
Staff constraints or shifting priorities delay the strategic planning and/or implementation of reforms.	The Asian Development Bank and the executing/implementing agencies monitor reform progress regularly, and technical assistance from development partners supports selected actions.

Source: Asian Development Bank.

IV. ASSURANCES

39. The government has assured ADB that implementation of the program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the loan documents. The government has agreed with ADB on certain covenants for the program, which are set forth in the loan agreement. No disbursements of loan proceeds will be made unless the President of Palau has declared a “state of emergency” in accordance with Palau’s constitution due to the occurrence of a disaster caused by natural hazards.

V. RECOMMENDATION

40. I am satisfied that the proposed policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$15,000,000 to the Republic of Palau for the Disaster Resilience Program, from ADB’s ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB’s London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

14 September 2018

³⁸ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective			
Safety, resilience, and preparedness of communities in Palau enhanced (National Disaster Risk Management Framework 2010) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Effect of the Reform</p> <p>Disaster and climate risk management strengthened</p>	<p>By 2021:</p> <p>Available dedicated pre-disaster contingent financing increased to at least 5% of gross domestic product (2017 baseline: 0%)</p>	<p>MOF annual budget documents</p>	<p>Repeated or major external shocks (e.g., disasters or economic downturns) hurt the economy.</p>
<p>Reform Areas</p> <p>1. Policies and institutions for disaster and climate resilience</p> <p>2. Capacity and planning for disaster and climate risk management</p>	<p>Key Policy Actions By June 2018:</p> <p>1.1 Mid-term review of the action plan of the Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015, including update on actions benefiting women, approved (2017 baseline: not applicable)</p> <p>1.2 Mass Rescue Operations Contingency Plan, including sex-disaggregated tracking of evacuees and identification of their medical and special needs, approved (2017 baseline: not applicable)</p> <p>2.1 Community disaster plan template for hamlets, based on gender-responsive community-based disaster risk reduction toolkit,^b finalized (2017 baseline: not applicable)</p> <p>2.2 Training workshops on gender-responsive community-based disaster risk reduction toolkit^b completed in 12 (of 16) states, with women comprising at least 40% of trainees (2017 baseline: 0 states)</p> <p>2.3 Updated school emergency management plans, including provisions for sex-disaggregated emergency cards incorporating considerations for students with special needs, approved for 15 (of 18) public schools (2017 baseline: 0 schools)</p>	<p>1.1 Approved mid-term review document from MOF</p> <p>1.2 Approved Mass Rescue Operations Contingency Plan document from NEMO</p> <p>2.1 Final community disaster plan template certified by NEMO</p> <p>2.2 Certification of training in 12 states provided by NEMO</p> <p>2.3 Approved school emergency management plan documents from the Ministry of Education</p>	<p>Staff constraints or shifting priorities delay the strategic planning and/or implementation of reforms.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Financing for disaster and climate risk management	2.4 Training manuals for horticulture and livestock producers, including climate and disaster resilience measures (which will benefit women, who make up more than 75% of farmers in Palau, when the training is rolled out) approved (2017 baseline: not applicable)	2.4 Approved training manuals from the Ministry of Agriculture	
	2.5 GIS layers for households, businesses, farms, roads, utilities, and major infrastructure, based on the 2015 Census of Population, Housing and Agriculture in Palau, completed (2017 baseline: not applicable)	2.5 Completed GIS maps, with layers for households, businesses, farms, roads, utilities, and major infrastructure, certified by MOF	
	2.6 Revised science curriculum for grades 7–8 in public schools approved, incorporating climate change and DRM, with gender-balanced representation in curriculum materials ^c (2017 baseline: not applicable)	2.6 Approved science curriculum for grades 7–8 in public schools and supporting text books from the Ministry of Education	
	3.1 \$1.265 million appropriated for the General Fund Reserve in FY2018 (2017 baseline: 0)	3.1 FY2018 National Budget Act (Republic of Palau Public Law 10-12) document	
	3.2 Pristine Paradise Environmental Fee of \$100 per tourist implemented (2017 baseline: green fee of \$50 per tourist)	3.2 MOF annual budget documents, and Pristine Paradise Environmental Fee (Republic of Palau Public Law 10-2) document	

Budget Support

Asian Development Bank: \$15 million loan from regular ordinary capital resources

DRM = disaster risk management, FY = fiscal year, GIS = geographic information system, MOF = Ministry of Finance, NEMO = National Emergency Management Office.

^a Government of Palau. 2010. *National Disaster Risk Management Framework 2010*. Koror.

^b The community-based disaster risk reduction toolkit was developed in 2016 to provide clear guidance to communities in their efforts to reduce disaster risks and create effective response and recovery systems. The toolkit (i) prioritizes women and other vulnerable groups as a core guiding principle for community-based DRM, (ii) recognizes the importance of partnerships with women's groups, and (iii) recommends the inclusion of the leader of the traditional women's group as part of the hamlet emergency committee.

^c The curriculum materials incorporate the role of women in climate change and DRM at the community-level.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=52018-001-3>

1. Loan Agreement
2. Sector Assessment (Summary): Public Sector Management
3. Contribution to the ADB Results Framework
4. Development Coordination
5. Country Economic Indicators
6. International Monetary Fund Assessment Letter
7. Summary Poverty Reduction and Social Strategy
8. Risk Assessment and Risk Management Plan
9. List of Ineligible Items

Supplementary Documents

10. Macroeconomic Assessment Summary
11. Disaster Risk Financing Tools and Approaches

DEVELOPMENT POLICY LETTER**ELBUCHHEL SADANG**

Minister

July 16, 2018
Serial No. MOF-ES18-105

Mr. Takehiko Nakao
President
Asian Development Bank
Manila, Philippines

Subject: Republic of Palau Disaster Resilience Program Development Policy

Dear President Nakao:

Climate change is one of the greatest challenges ever to face the world and the island nation of Palau. With our long history of close ties to the natural environment, Palau is already feeling the acute impacts of climate change. Communities and researchers have confirmed impacts and risks such as rising sea levels and increased incidences of extreme weather.

We are vulnerable to a number of natural disasters, which could potentially have a large impact on the economy and population. We have been hit by a number of recent disasters triggered by natural hazards. In 2012, Typhoon Bopha passed to the south of the larger islands of Palau with winds as high as 250 km per hour (155 mph), damaging and destroying buildings and infrastructure in several states. In 2013, the northernmost state of Palau, Kayangel received major damage to structures and trees as a result of Typhoon Haiyan. This resulted in many destroyed homes as well as loss of power and water in Koror, Babelthuap and Kayangel. In 2016, Palau struggled with an extreme drought that was forecast to last for months. Rainfall in Koror in the four-month period preceding March 2016 was the lowest recorded in 65 years. Additionally, the city's only dam dried up, and water in the Ngerikiil River was at less than 20% capacity. This led to a drop in school attendance rates as children were hungry and dehydrated, and Palau faced a high risk of malnutrition due to crop failure, water shortages and poor sanitation.

Immediate response to and early recovery from these disasters have been financed by emergency budget appropriations from internal revenue and drawing down the General Fund Reserves. While development partners have provided valuable assistance for reconstruction, we see a need to have rapid access to critical short-term post-disaster resources to reduce emergency budget reallocations that can impede our other development priorities, and also to preserve our General Fund Reserves for other development needs. Accordingly, we seek ADB assistance through a \$15 million ordinary capital resources loan that can help us finance short-term post-disaster financing needs.

MINISTRY OF FINANCE

P.O. BOX 6011, KOROR, PW 96940

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I am proud that Palau is proactively preparing for the expected changes in climate, as well as anticipating the unexpected such as disasters. We have developed the Palau Climate Change Policy and Action Plan for Climate and Disaster Resilient Low Emission Development in 2015. This Policy outlines Palau's strategic priorities for adapting to impacts of climate change, preparing for and responding to disasters, and contributing to global efforts to reduce greenhouse gas emissions. Because climate change and disasters – whether directly caused by or exacerbated by climate change – affect all parts of society, this Policy addresses multiple sectors as well. We believe that, if implemented well, this Policy has the potential to help us realize our vision of safe, resilient and prepared communities in Palau.

We are taking important steps to implement the Policy. We have allocated funds to integrate climate change actions into existing Protected Areas Network (PAN) frameworks and management plans. We have adopted a Responsible Tourism Policy Framework to integrate climate change in tourism development. We are focusing on enhancing resilience of communities, and have developed a community-based disaster risk reduction toolkit in 2016 to guide communities in responding to disasters. Measures to improve food security in the face of frequent droughts are ongoing. A comprehensive geographic information system database has been prepared, to help identify vulnerable areas, so that communities can be relocated to safer locations as needed. We are preparing a proposal to improve the early warning systems to better prepare communities for disasters. A climate portal is under development, for better information on our climate-related activities to communities and stakeholders.

Specifically, we are pleased to confirm having undertaken the following reform actions between July 2017 and June 2018, and prior to the Asian Development Bank Board consideration of the proposed Disaster Resilience Program for the Republic of Palau. These actions should be viewed as part of our continuing commitment to the implementation of the Palau Climate Change Policy, to build climate and disaster resilience in Palau.

1. A midterm review of the Palau Climate Change Policy 2015 has been prepared by the Office of Climate Change, and approved by the Ministry of Finance.
2. The National Emergency Committee has approved a Mass Rescue Operations Contingency Plan.
3. A community disaster plan template at the hamlet level has been prepared and training on the community disaster response plan based on the community-based disaster risk reduction toolkit has been completed in 12 (of 16) states by the National Emergency Management Office.
4. The Ministry of Education has approved updated school emergency management plans for 15 (of 18) public schools
5. The Ministry of Education has also incorporated climate change and DRM into the public school science curriculum for Grades 7–8, and provided support to teachers through climate science training based on the new science curriculum framework.
6. The Ministry of Agriculture has finalized training manuals for horticulture and livestock, which include climate resilience measures.

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7. Through the Office of Palau Automated Land and Resource Information System, we have completed geographic information system layers for households, businesses, farms, roads, utilities and major infrastructure.
8. We have appropriated, for FY2018, an amount of \$1.265 million for the General Fund Reserve, which can be tapped in the event of a disaster caused by natural hazards.
9. We have started implementing a \$100 per person Pristine Paradise Environmental Fee on tourists, which will help finance conservation efforts in marine protected areas and the Protected Areas Network.

I would also like to reiterate our commitment to gender issues. Women face special vulnerabilities in times of disaster, and have particular needs in times of livelihoods recovery. Our community-based disaster risk reduction toolkit prioritizes women and other vulnerable groups for community-level disaster risk management, recognizes the importance of partnerships with women's groups, and recommends the inclusion of the leader of the traditional women's group as part of hamlet emergency committees. We do our best to incorporate attention to gender issues in our programs as appropriate, and have ensured that their needs are recognized in our policy actions wherever necessary and feasible.

The nine reform actions outlined above form part our broader disaster and climate risk management efforts that we seek to build on in future years. We remain firmly committed to the program presented in the policy matrix to further strengthen efforts to minimize the impacts of climate change, and will build a more resilient and prepared nation that can thrive even in a changing world. We look forward to continued active engagement by the Asian Development Bank in supporting Palau's efforts to improve disaster and climate risk management.

Yours sincerely,



Eluchel Sallang
Minister of Finance

MINISTRY OF FINANCE

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POLICY MATRIX

All policy actions completed from July 2017–June 2018 presented in the matrix below fulfil eligibility conditions to access contingent financing under the program.

Objective	Policy Actions Completed, July 2017–June 2018	Indicative Program Monitoring Framework
Policies and institutions for disaster and climate resilience		
Strengthen national policies and institutional arrangements for effective disaster and climate resilience	Ministry of Finance has approved a midterm review of the <i>Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015</i> , prepared by the Office of Climate Change, which includes an update on (i) implementation progress of adaptation, mitigation, and disaster risk management measures; and (ii) institutional strengthening measures to effectively mainstream the <i>Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development, 2015</i> . The Review includes an update on actions benefiting women.	Update the <i>Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development 2015</i> (based on midterm review findings), including provisions to benefit women and take into account their special needs in case of disasters caused by natural hazards
	The National Emergency Committee has approved a Mass Rescue Operations Contingency Plan prepared by National Emergency Management Office (which acts as the Secretariat for the National Emergency Committee), setting out the institutional roles and responsibilities of government agencies to facilitate a coordinated mass rescue operational response in the event of large-scale disasters. The Plan includes sex-disaggregated tracking of evacuees and identification of their medical and special needs.	Follow Mass Rescue Operations Contingency Plan effectively (in case of a post-disaster situation requiring mass rescue), and update it based on lessons learned.
Capacity and planning for disaster and climate risk management		
Improve capacity and planning for disaster and climate risk management, with focus on the community-level	Ministry of Education has finalized and approved updated school emergency management plans for 15 (of 18) public schools as guides for the principal, staff and teachers who will be responsible for ensuring safety of the students during natural disasters. The plans include provisions for sex-disaggregated student emergency cards incorporating consideration for students with special needs.	Identify, equip and climate/disaster proof suitable school buildings adequately to serve as evacuation shelters, with attention to special needs of women. Install water catchment and storage systems in suitable schools and health facilities.
	Ministry of Agriculture has (i) finalized and approved training manuals for horticulture (which include climate resilience and disaster resilience measures for cultivation) and livestock producers (which incorporates measures to enhance safety	Roll out horticulture and livestock training across Palau, with women comprising at least 75% of trainees.

Objective	Policy Actions Completed, July 2017–June 2018	Indicative Program Monitoring Framework
	<p>of livestock during a disaster caused by natural hazards), and (ii) approved the commencement of the horticultural and livestock training to farmers. When the training is rolled out, the manuals will benefit women who make up more than 75% of farmers in Palau.</p>	
	<p>National Emergency Management Office has (i) finalized the community disaster plan template at the hamlet-level that will designate a community's emergency response organizations and assign responsibilities for various tasks in the event of a disaster, and (ii) completed training workshops on the gender-responsive community-based disaster risk reduction toolkit in 12 (of 16) states (with women comprising more than 43% of trainees against a target of 40%) in order to provide clear guidance to local communities in their efforts to reduce the risks of disasters and create an effective disaster response and recovery systems.</p>	<p>Secure approval of at least 16 community disaster plans, including gender considerations.</p> <p>Secure approval of recently revised state disaster plans for all 16 states, including gender considerations.</p> <p>Strengthen the country's equipment and capacity for the rapid, fully functional dissemination of disaster early warnings (based on proposal to improve typhoon early warning system that is under preparation) to all affected communities, and the capacity of communities to respond (with attention to special needs of women as appropriate).</p>
	<p>Ministry of Finance, through Office of the Palau Automated Land and Resource Information System, has completed geographic information system layers for households, businesses, farms, roads, utilities and major infrastructure, which will help to identify structures impacted by wave inundation and sea level rise and structures that are vulnerable to typhoons and tsunamis and enable the preparation of relocation plans for affected communities.</p>	<p>Complete high resolution topographical maps for main inhabited areas of Babeldaob and Koror (covering more than 90% of the population of Palau).</p> <p>Carry out vulnerability and risk assessments for selected critical infrastructure, with gender considerations as appropriate.</p>
	<p>Ministry of Education has (i) incorporated climate change and disaster risk management into the science curriculum for grades 7 and 8 in public schools, with gender-balanced representation in the curriculum materials (incorporating the role of women in climate change and disaster risk management at the community-level), and (ii) provided support to teachers through climate science training based on the new science curriculum.</p>	<p>Continue to strengthen climate change and disaster risk management training at the school-level.</p>

Objective	Policy Actions Completed, July 2017–June 2018	Indicative Program Monitoring Framework
Financing for disaster and climate risk management		
Expand the availability of financial resources for disaster and climate risk management	Government of Palau has appropriated \$1.265 million for General Fund Reserve in FY2018, increasing the government's own resources available for immediate disaster response. ^a	<p>Continue to appropriate annual allocation for the General Fund Reserve of at least 2% of local revenue collections from the preceding fiscal year.</p> <p>Develop and approve an Investment Plan for the General Fund Reserve, with minimum liquidity requirements to address immediate disaster response needs.</p> <p>Strengthen disaster recovery planning and post-disaster budget execution capabilities.</p>
	Government of Palau has implemented the Pristine Paradise Environmental Fee of \$100 per tourist, which will provide resources for community-level disaster risk management and conservation efforts in Protected Area Network sites. ^b	Continue to implement Pristine Paradise Environmental Fee.

Source: Asian Development Bank, Government of Palau.

^a As part of the FY2014 budget, the government approved the establishment of a permanent General Fund Reserve to provide for emergencies declared as a state of national emergency, and instances when local revenues fall by more than 5% of projected revenues of the previous year. This is in accordance with the need for a buffer reserve Fund to support government operations through periods of shortfall of resources, and thus avoid deficit funding through running up short-term debt as happened subsequent to the 2008–2009 financial crisis.

^b The Protected Areas Network (PAN) is an initiative of state governments in Palau, whereby traditional leaders, and individuals have independently designated protected areas within their boundaries that have environmental or ecological significance. The national government of Palau supports the states' efforts to protect their lands and waters and encourages sustainable development of state lands. All sites that join the PAN are eligible to apply for designated PAN funds, which will be used by each PAN site to manage its own resources in accordance with system wide goals and objectives for conservation and sustainable development. Sites that join the PAN are not controlled by the national government; the state governments continue to have ownership and governance of the PAN sites within their boundaries.