



Palau: Recovery through Improved Systems and Expenditure Support Program (Subprogram 2)

Project Name	Recovery through Improved Systems and Expenditure Support Program (Subprogram 2)	
Project Number	54284-002	
Country / Economy	Palau	
Project Status	Approved	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan 4206-PAL: Recovery through Improved Systems and Expenditure Support Program (Subprogram 2)	
	Ordinary capital resources	US\$ 30.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Private sector development	
Sector / Subsector	Public sector management / Economic affairs management - Public expenditure and fiscal management	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	<p>The Recovery through Improved Systems and Expenditure Support (RISES) Program comprises two subprograms supporting public sector management reforms that will facilitate Palau's recovery from the coronavirus disease (COVID-19) crisis. Subprogram 2 deepens and implements reforms initiated under subprogram 1, which was approved on 23 April 2021. Overall, the program seeks to (i) strengthen the policy and legislative framework for public financial management; (ii) reduce fiscal risks from weak management of public revenue, expenditure, and liabilities; and (iii) support private sector development, toward restoring sustained and equitable economic growth. Under subprogram 2, ADB supports 10 prior actions, all of which have been completed. The proposed budget support amount is \$30 million (regular OCR) under subprogram 2 in FY2022, which along with the \$25 million (\$20 million COL and \$5 million OCR) approved under subprogram 1, brings ADB's total financing under this program to \$55 million.</p> <p>Although Palau demonstrated sound macro-fiscal management by maintaining annual fiscal surpluses averaging 3.0% of GDP during FY2011-FY2019, the lingering impacts of the coronavirus disease (COVID-19) pandemic have heightened fiscal risks that can constrain sustainable recovery. Recognizing these risks, the government has developed an ambitious reform agenda comprising critical policy reforms to, among others: develop an overarching fiscal responsibility legislation and a corresponding medium-term fiscal strategy; implement a comprehensive tax reform package to modernize and increase the efficiency of Palau's tax system; and strengthen the legal and institutional frameworks for international commercial arbitration, public-private partnerships, and business registrations. The RISES Program aligns with and supports government's broad-ranging reform agenda to help shift Palau's economic recovery onto a more sustainable path.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>The programmatic approach comprises two subprograms in support of public sector management reforms to bolster Palau's recovery from the COVID-19 crisis. Subprogram 2 is the final subprogram, deepening and implementing the reforms initiated under subprogram 1, which was approved and disbursed in 2021. All policy actions completed under subprogram 1 remain in effect. Subprogram 2 builds on the achievements of subprogram 1 and further supports the government to strengthen PFM, reduce fiscal risks, and promote private sector development to restore sustained and equitable economic growth. The program is aligned with Strategy 2030 of the ADB and its operational priorities of strengthening governance and institutional capacity including a differentiated approach to institutional strengthening and private sector development in small island developing states and accelerating progress in gender equality. It is consistent with the Pacific Approach 2021-2025, which prioritizes PFM improvements to achieve the strategic objective of preparing for and responding to shocks, and the broader goal of building resilience.</p>	
Impact	Quality of life for current and future generations of Palauans enhanced	
Project Outcome		
Description of Outcome	Palau's economic recovery from the COVID-19 crisis shifted toward a more sustainable fiscal path	
Progress Toward Outcome		
Implementation Progress		
Description of Project Outputs	<p>Policy and legislative framework for public financial management strengthened Fiscal risks from weak management of public revenue, expenditure, and liabilities reduced Private sector development supported</p>	
Status of Implementation Progress (Outputs, Activities, and Issues)		
Geographical Location	Nation-wide	
Safeguard Categories		
Environment	C	
Involuntary Resettlement	C	
Indigenous Peoples	C	
Summary of Environmental and Social Aspects		

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Rabanal, Rommel F.
Responsible ADB Department	Pacific Department
Responsible ADB Division	PASP
Executing Agencies	Ministry of Finance 3rd Floor, Executive Bldg, ROP Capitol Ngerulmud, Melekeok State, P.O. Box 6011 Koror, PW 96940, Republic of Palau

Timetable

Concept Clearance	-
Fact Finding	11 May 2022 to 12 May 2022
MRM	15 Jun 2022
Approval	31 Aug 2022
Last Review Mission	-
Last PDS Update	31 Aug 2022

Project Page <https://www.adb.org/projects/54284-002/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=54284-002>

Date Generated 01 September 2022

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.