



IN PALAU, PSDI HAS WORKED TO:

- support the commercial strengthening of the state-owned National Development Bank of Palau (NDBP);
- develop a secured transactions framework;
- modernize business laws and registration processes;
- develop a state-owned enterprise (SOE) policy; and
- support reform through advocacy and analysis.

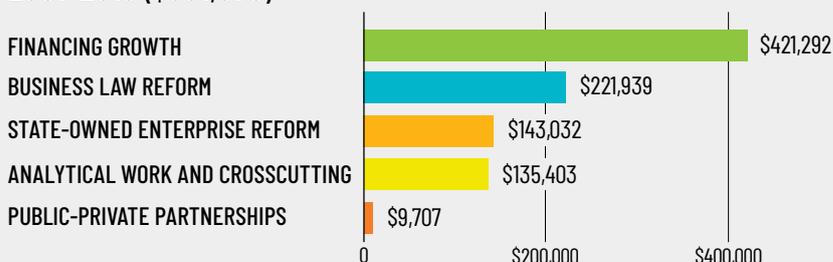
KEY PSDI ACTIVITIES AND OUTCOMES

- 2007:** *Palau: Policies for Sustainable Growth, a Private Sector Assessment* published
- 2013:** Secured transactions framework established
- 2014:** State-owned Enterprise Policy endorsed
- 2016:** Support to commercially strengthen NDBP commenced
- 2017:** *Private Sector Assessment for Palau: Policies for Sustainable Growth Revisited* published
- 2018:** New Corporations Bill delivered and passed by the House of Delegates

OVERVIEW AND SPENDING

Almost 70% of the \$931,373 committed to Palau since 2007 supported Financing growth and business law reform initiatives. This funding largely went towards secured transactions reform, which culminated in the launch of an online registry in 2013, work to strengthen the commercial orientation of the NDBP, and the development of a new Corporations Bill.

PALAU SPENDING BY FOCUS AREA 2007-2019 (\$931,373)



FINANCING GROWTH

OUTCOME, RESULTS, AND FUTURE PROJECTS:

SECURED TRANSACTIONS FRAMEWORK

PSDI has worked to increase business access to finance through the development and implementation of a secured transactions framework—which allows lenders to accept non-land (movable) assets as security—and by working with lending institutions to encourage its uptake.

This work has involved the development of a Secured Transactions Act, which was passed in May 2012, and the launch of an electronic Personal Property Securities Registry in January 2013. Although relatively small, the number of registered security interests per capita ranks Palau's secured transactions filings in the top third of those in use in the Pacific. PSDI is providing ongoing support to lenders to increase their uptake of the secured transactions framework.

STRENGTHENING THE COMMERCIAL ORIENTATION OF THE NATIONAL DEVELOPMENT BANK OF PALAU

PSDI is working to support the National Development Bank of Palau strengthen its commercial orientation.

In the 2016/2017 financial year (FY), PSDI drafted a series of policies to commercially strengthen the NDBP with the objective of raising its operational standards to those of licensed banks, increasing the amount of business credit it provides, and increasing intermediation within the Palauan financial system. Building on that foundation, in FY2017/2018 PSDI advised NDBP on how to widen its funding sources to increase its financing to Palauan businesses, especially small businesses. PSDI also advised on the legislative amendments that would be needed for the bank to take deposits.

BUSINESS LAW REFORM

OUTCOME, RESULTS, AND FUTURE PROJECTS:

NEW CORPORATIONS BILL

PSDI has worked to review and reform Palau's business law environment.

PSDI completed a diagnostic of the corporate law and the existing registry in late 2013. It found that the private sector in Palau is severely constrained by an outdated corporate law and an almost dysfunctional paper-based registry.

In 2016, the Government of Palau requested PSDI lead a reform of the corporate registry, covering drafting of a Corporations Bill (including not-for-profit entities) and development of an online registry.

The Corporations Bill was passed by the House of Delegates in June 2018 and is now being considered by the Senate Committee. PSDI will assist with its passage through the Senate, and the government has indicated it will require PSDI assistance with implementation, including the development of a registry.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

OUTCOME, RESULTS, AND FUTURE PROJECTS:

STATE-OWNED ENTERPRISE AND PUBLIC-PRIVATE PARTNERSHIP (PPP) SUPPORT

PSDI supported the development of an SOE policy, governance training and a PPP feasibility assessment for the Koror Airport.

PSDI supported the development of Palau's SOE policy, endorsed by the President in late 2014. It calls for the commercial operation of all three of Palau's SOEs, the establishment of a contracting framework for community service obligations, and the removal of elected officials from SOE boards. At the request of the government and Chamber of Commerce, in 2013 PSDI also ran a 10-month directors course focused on essential principles of corporate governance.

In FY2013/2014, PSDI also supported the government's evaluation of options for merging the power and water utility, and assisted the newly merged utility with their articles of incorporation and CEO selection process. In 2016, PSDI also provided technical support in the form of a review of options for private investment and operation of the Koror airport through a PPP mechanism.

ANALYTICAL WORK

Palau: *Policies for Sustainable Growth*, a *Private Sector Assessment* was published in 2007 and *Private Sector Assessment for Palau: Policies for Sustainable Growth Revisited* was published in 2017.



Palau also participated in PSDI's 2019 regional SOE benchmarking study, *Finding Balance 2019: Benchmarking the Performance of State-Owned Banks in the Pacific*.

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