

Ex-Ante Evaluation (for Japanese ODA Loan)

Private Sector Investment Finance Division
Private Sector Partnership and Finance Department
Japan International Cooperation Agency (JICA)

1. Name of the Project

Country : The Republic of Palau

Project : Renovation, Expansion and Management of Palau International Airport

Loan Agreement : March 29, 2019

Borrower : Palau International Airport Corporation

2. Background and Necessity of the Project

(1) Current State and Issues of the Airport Sector in the Republic of Palau

In the Republic of Palau (hereinafter “Palau”), tourism is the key industry that accounts for about 75% of GDP, 80% of foreign currency earnings and 40% of employment. With the increasing number of tourists visiting Palau, the number of users of Palau International Airport, the country’s only international airport, has increased by an average of 4.3% annually during the 17 years since 2000. As of 2017, the number of annual users has reached 276,000. As the capacity of the airport is 230,000 passengers per year, people stand in long queues waiting for the immigration process and check-in during peak periods, which apparently indicates that the airport is taking on far too much. Accordingly, expanding the airport facility is an urgent issue.

The Palau Government has included the construction of airport infrastructure, which is economically efficient, accessible to international society, and able to meet projected future demand, as one of the strategic objectives in the Palau 2020 National Master Development Plan (PNMDP), a long-term plan for 2020 formulated in 1996. The airport master plan formulated in 2012 based on PNMDP calls for expansion of the terminal building in order to improve the airport’s processing abilities and to expand its capacity. This project is in line with these policies.

(2) Japan and JICA’s Cooperation for the airport sector in the Republic of Palau

“Country Assistance Policy for the Republic of Palau (April 2012)” sets “Strengthening the foundation of economic growth for the purpose of overcoming vulnerabilities” as its development subject, intending to provide “assistance to vitalize the private sector focused on the further development of tourism, the country’s main industry, because the private sector still needs to acquire even more sufficient experience and technical capabilities.” This project is in line with this policy. This project is also consistent with the priority area, “Strengthening the foundation of economic growth,” which is stipulated by the JICA Country Analysis Paper on the Pacific Region including Palau (December 2014). In addition, the “Leaders’ Declaration” adopted by the Eighth Pacific Islands Leaders Meeting (PALM8) held in Fukushima in May 2018 confirms the importance of strengthening the foundation for robust and sustainable development, and indicates its intention to assist with the

development of tourism and other industries in the Pacific islands, and promotion of trade and investment between Japan and those countries as part of its assistance measures. This project is consistent with this policy. In the past, JICA conducted grant aid “the Project for Improvement of Terminal Building at Palau International Airport” (E/N in May 2001: 1,692 million yen). This project is designed to refurbish part of the existing terminal building constructed using grant aid cooperation and to newly construct an adjacent terminal building.

3. Project Description

(1) Project Objectives

The objective of the Project is to meet an increasing number of passengers through renovation, expansion and management of passenger terminal building of Palau International Airport, thereby promoting tourism industry development.

(2) Project Site/Target Area

Airai State, Babeldaob Island, Palau

(3) Project Components

This project covers the renovation, expansion and management of passenger terminal building of Palau International Airport in Airai State of Palau based on a 20-year concession agreement.

(4) Schedule

Commencement of work in April, 2019

Scheduled work completion in November, 2020

(5) Project Implementation Structure

1) Borrower: Palau International Airport Corporation

2) Executing Agency: Same as above

3) Operation and Maintenance Agency: Same as above

(6) Collaboration and Division of Roles with Other Projects and Donors

1) Japan’s assistance activities

Conducted Grant Aid “The Project for Improvement of Terminal Building at Palau International Airport” (E/N in May 2001: 1,692 million yen).

2) Other development partners’ assistance activities

None

(7) Environmental and Social Considerations/Cross-cutting Issues/Gender Classification

1) Environmental and Social Consideration

① Category: B

② Reason for categorization: The project is not considered to be a large-scale airport project, is not located in a sensitive area, and nor has the sensitive characteristics under the JICA guidelines for environmental and social considerations (April 2010), it is not likely to have a significant adverse impact on the environment.

- ③ Environmental Permit: The Environmental Impact Assessment concerning this project was approved by the Environmental Quality Protection Board (EQPB) in March 2019.
 - ④ Anti-Pollution Measures: For air quality, water quality, and waste during the construction work, the impact is expected to be minimized by taking measures such as water sprinkling, installation of sand sedimentation tanks, and disposal at designated waste disposal sites. The impacts of drainage from the terminal buildings in service are expected to be minimized by taking measures such as installing sewage treatment facilities in accordance with EQPB provisions.
 - ⑤ Natural Environment: The project target area does not fall under the category of sensitive areas such as national parks or their vicinity, and the negative impacts on the natural environment are assumed to be minimal.
 - ⑥ Social Environment: This project does not involve the acquisition of land or relocation of residents because the project is conducted within the existing airport site.
 - ⑦ Other/Monitoring: Air quality, water quality, and waste during the construction work are monitored by the contractor, and water quality during service is monitored by the terminal facility operator.
- 2) Cross-cutting Issues: None
- 3) Gender Classification: [Not applicable] ■ Not applicable to gender classification
- <Description of activities and reason for classification>
- The nature of the project makes it difficult to include gender initiatives.
- (8) Other Important Issues: None

4. Targeted Outcomes

As quantitative effects, the number of terminal users per year will be measured. As qualitative effects, improved airport management and improved satisfaction of airport users are expected.

5. Lessons Learned from Past Projects and Application to the Project

An ex-post evaluation of Bishkek-Manas International Airport Modernization Project in Kyrgyz suggests that it is necessary to strengthen organizational management, human resources, technology, and finance in order for the operating body of an airport to operate airport facilities sustainably and independently.

In this project, Sojitz and JATCO, the Japanese sponsors, will dispatch personnel to strengthen airport management (including human resource development).

6. Evaluation Results

This project is in line with Palau's development challenges and development policies, as well as Japan's and JICA's cooperation policies. There is a high need for JICA to support implementation of this project in order to contribute to SDGs Goals 9 (Infrastructure) and 17 (Partnerships).

7. Plan for Future Evaluation

(1) Indicators to be Used

Same as 4

(2) Timing: Two years after the completion of the expansion works (2022)
(Scheduled)

END