

MCA Criteria to Aid Prioritization of Capital Expenditure

There are 27 projects to be assessed for potential development impact. These are energy projects, environment, ICT, public safety, sanitation, and water.

What do you think could be the likely impact of each project on your PDP development pillar (Social, Cultural, Environmental, Governance, the Economy)?

For example:

- An education or health project would be expected to have a high, positive impact on progressing the quality of peoples' lives (social pillar), scoring 3, but it may also have a lesser positive impact on the culture pillar (2), with possibly no impact on the environment (0) and on governance (0) and possibly a negative impact on the economy (-1) if subsidies are required for project operation.
- A public safety project may have a high positive impact on governance (3) and a lesser but positive impact on society (2), culture, and the economy in terms of making Palau a safer destination for tourists (1) but possibly no, or minimal impact on the environment (0).
- An environment project would be expected to have a high positive impact on the environment pillar (3). It may also have a lesser but positive impact on culture (2), no impact on society (0) but a negative impact on the economy if private sector investments are deterred (-1).
- Utility projects (energy, ICT, sanitation, and water) may all have beneficial impacts on the social pillar (2 or 3), though at some cost to the economy if the policy of the government is to continue to subsidize utility SOEs (-1). They may alternatively have a positive impact on the economy by improving the environment for private investment. They may also have a negative impact on governance (-1) if they postpone policy reform in favor of sustainable services. However, if improved ICT leads to improved public service delivery and public finance management then the project's impact on the governance pillar could be positive.
- Social, cultural, environmental, and governance projects could lead to some positive economic gains and positive scores where the project leads to some increase in taxable private or government revenues or reduction in subsidies.

Impact Criteria (This is the PDP Outputs)	Rating Description Examples	Rating Value
<p>1. Progress the quality of peoples' lives. A healthy, educated, and productive people who live in a social, cultural, economic, and environmental setting that attracts Palauans to remain in (or return to) Palau. There are ample opportunities for the pursuit of livelihoods and the cost of living is affordable. Good quality and affordable basic services are accessible to all and there is a system of social protection in place to assist the vulnerable and those who fall into hardship.</p>	<p>High impact – hospitals, childcare centers, clinics, schools, training facilities, public housing, welfare centers and women’s shelters that either cover the full life cycle net cost or are assessed as cost-effective or produce a reasonable (compared with other Pacific Island Countries) cost per person served and address identified gender needs. High impact could also derive from cultural, economic, and environmental nonsocial sector projects that improve the (broadly defined) standard of living.</p>	3
	<p>Medium impact - hospitals, childcare centers, clinics, schools, training facilities, public housing, welfare centers, and women’s shelters that provide services at a higher than comparable cost per person served but additional costs can be justified. Medium impact could derive from nonsocial projects that improve the standard of living, though at a net cost per beneficiary.</p>	2
	<p>Low or only indirect impact - hospitals, clinics, childcare centers, schools, training facilities, public housing, welfare centers, women’s shelters, and other projects that provide services at a much higher than comparable cost per person.</p>	1
	<p>No impact or unknown impact- where project cost recovery is unknown or unlikely and at to a high cost per person served that may not be sustainable.</p>	0
	<p>Possible negative impact foreseen</p>	-1
<p>2. Nourish Palauan culture and identity. More Palauans speak their language and revere their culture. Cultural adaptation to economic growth and migration.</p>	<p>High impacts – such as the restoration of cultural centers, implementation of cultural programs, construction of a cultural festival center, culture recording studio, construction of a Bai or traditional sailing vessel, or museum. Also, investments in government buildings that promote Palauan sovereignty or national identity. High impact, non-culture projects could also be education institutions that promote the Palauan language, or natural resource projects that promote traditional practices.</p>	3
	<p>Medium impact – such as a tourism promotion center that partly focuses on traditions. Also, investments in government buildings that partly promote Palauan sovereignty or national identity.</p>	2
	<p>Low or indirect impacts – such as tourist investments that incidentally reference traditions and cultural programs. Also, investments in government buildings that incidentally promote Palauan sovereignty or national identity.</p>	1
	<p>No impact or unknown impact</p>	0
	<p>Possible negative impact foreseen where projects promote foreign cultures or are likely to destroy historic sites and artifacts.</p>	-1
<p>3. Maintain the environment and counter climate change. Investments that accommodate the environment and climate change. Climate change and disasters are managed, and loss and damage are assessed. Well-managed energy, water, and sewerage. Minimized pollution, degradation, and other impacts.</p>	<p>High impact Where the project or investment greatly enhances the natural environment such as through a land or marine reserve, the conservation of biodiversity, or reforestation or renewable energy investment that displaces diesel consumption. Where the project or investment is fully adapted to anticipated climate change. Other high impact projects could be environmental tourism, natural resources conservation, improved solid waste management, and improved water and sanitation that protect the environment.</p>	3

	<p>Medium impact Where the project or investment on balance partially protects or enhances the environment such as through solar energy plant that requires land that could otherwise be used for agriculture or ecotourism. Where the investment on balance is partially adapted to climate change.</p>	2
	<p>Low impact Where the project or investment has a small, positive, or indirect impact on the environment. Where the investment on balance incorporates minimal adaptation to climate change.</p>	1
	No impact or unknown impact.	0
	Possible negative impact is foreseen.	-1
<p>4. Restore economic growth Increased and higher paying jobs. Increased government revenues. Reformed SOEs, reformed civil service pension fund, social security, and State Government finances. Increased private investment. New land and labor policies are implemented.</p>	<p>High impact on economic recovery and growth, investment, commerce, and trade For example, where the project or investment either directly and, or indirectly leads to the creation of an estimate of 100 or more new jobs (including construction and maintenance) such as for a medium size, 100 plus bedroom hotel. For example, where the investment yield is assessed at more than a 5% average annual financial return, possibly through charging tariffs or fees such as on utilities and port charges and, or through cost savings.</p>	3
	<p>Medium impact on economic recovery and growth, investment, commerce, trade, and employment. For example, where the project or investment leads to an estimated 50 to 99 new jobs. For example, where there is an anticipated positive rate of return but less than 5% Projects to improve ICT, public safety and energy, water and sanitation services may indirectly lead to positive gain to the economy by improving the environment for private investment.</p>	2
	<p>Low or indirect impact on economic recovery and growth, investment, commerce, trade, and employment. For example, where the project or investment leads to an estimated 1 to 49 new jobs. This is where the investment is expected to cover its life costs. Projects to improve ICT, public safety and energy, water and sanitation services may indirectly lead to positive gain to the economy by improving the environment for private investment.</p>	1
	<p>No or unknown impact on economic recovery and growth, investment, commerce, trade, and employment. For example, where there some government revenue is anticipated but the quantity is unknown.</p>	0
	Negative impact foreseen where there is an anticipated loss to the economy such as in the case of continued or new subsidies.	-1
<p>5. Governance for growth Partnerships are strengthened: (i) National-State relations, (ii) SOE operations, (iii) Government – Donors and, or Development Partners relations, (iv) the environment for private sector development including FDI and Core</p>	<p>High impacts on strengthened partnerships and good governance. Examples could be energy, solid waste, water, and sanitation projects that are accompanied by SOE reform leading to full operational cost recovery and other reforms that enable economic, sustainable, future services. Another example could be environment projects that lead to much strengthened National-State relations.</p>	3

The following government functions are strengthened: (i) Good Governance, (ii) Public Service Delivery and Investment, (iii) Public Finance Management, (iv) Development Policy Planning and Statistics.	Another example could be ICT investments that could greatly strengthen public service delivery, public finance management, or development policy planning.	
	Medium indirect impacts on strengthened partnerships and good governance. Examples could be energy, solid waste, water, and sanitation projects that are accompanied by SOE reforms that do not yet lead to full operational cost recovery and other reforms that enable economic, sustainable, future services. Another example could be environment projects that lead to some strengthening in National-State relations	2
	Low, indirect impacts on strengthened partnerships and good governance. Examples could be energy, solid waste, water, and sanitation projects that are accompanied by minimal SOE reforms.	1
	No or unknown impacts on strengthened partnerships and good governance.	0
	Negative impact on strengthened partnerships and good governance foreseen.	-1
Total		

ICT = Information and Communication Technology; MCA = Multi-Criteria Analysis; SOE = state-owned enterprise.
Source: PDP consultants.