



# MAPPING OF PALAU'S PRIVATE SECTOR RESILIENCE BUILDING INITIATIVES



January 2024

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Picture supplied by Ledua V.

## Disclaimer

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# Abbreviations and Acronyms

<b>AE</b>	Accredited Entity
<b>AF</b>	Adaptation Fund
<b>ADB</b>	Asian Development Bank
<b>COFA</b>	Compact of Free Association
<b>CI</b>	Conservation International
<b>EIB</b>	European Investment Bank
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>FDB</b>	Fiji Development Bank
<b>FAO</b>	Food and Agriculture Organisation
<b>GCF</b>	Green Climate Fund
<b>GEF</b>	Global Environment Fund
<b>GFCR</b>	Global Fund for Coral Reefs
<b>IDA</b>	World Bank's International Development Association
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>IUCN</b>	International Union for Conservation of Nature
<b>IOM</b>	International Organization for Migration
<b>JICA</b>	Japan International Cooperation Agency
<b>MCT</b>	Micronesia Conservation Trust
<b>MSME</b>	Micro, Small, and Medium-sized Enterprise
<b>NDA</b>	National Designated Authority
<b>NDC</b>	Nationally Determined Contributions
<b>NGO</b>	Non-Governmental Organisation
<b>OCC</b>	Office of Climate Change
<b>PAF</b>	Pacific American Fund
<b>PCOC</b>	Palau Chamber of Commerce
<b>PAN</b>	Protected Areas Network
<b>SCA</b>	Save the Children Australia
<b>SCCF</b>	Special Climate Change Fund
<b>SIDS</b>	Small Island Developing States
<b>SPC</b>	Pacific Community
<b>SPREP</b>	South Pacific Regional Environment Programme
<b>TNC</b>	The Nature Conservancy
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>WFP</b>	World Food Programme
<b>WWF</b>	World Wildlife Foundation

# 1 Executive Summary

The mapping of private sector resilience building initiatives for Palau Chamber of Commerce (PCOC) was prepared under the direction of Pacific Islands Forum Secretariat (PIFS) Pacific Adaptation to Climate Change and Resilience (PACRES) Project Team, in consultation with PCOC Board and members, the national Office of Climate Change (OCC), Green Climate Fund (GCF)'s National Designated Authority (NDA), Non-Governmental Organisations (NGOs) and the private sector. It is expected this mapping exercise will provide insights into the private sector aspect of the National Adaptation Plan (NAP) that is awaiting approval under the Green Climate Fund (GCF) for Palau.

This document presents baseline information of private sector challenges and opportunities in relation to climate change initiatives, access to climate finance and public-private sector engagement. While there is a strong interest within the private sector to mobilise investments for climate change mitigation and adaptation, there is limited awareness of available funding sources and understanding of how to access them.

Key challenges identified in Palau for Micro, Small and Medium Enterprises (MSMEs) in accessing climate finance include the predicament of balancing climate action with profit margins, capacity constraints, brain drain, data limitations, the necessity for government endorsement, complex processes, and procedures, as well as the limited number of Direct Access Entities (DAEs) in the region.

Key opportunities include enhancing private sector climate knowledge and skills, understanding private sector capabilities for direct implementation of projects and in the longer term, developing a direct access pathway or private sector facility to a global climate fund. Leveraging the recognised need for private sector involvement and growing public interest for climate action, engagement can be strengthened through formalising partnerships, advocating for private sector representation in existing institutional arrangements, promoting inclusive stakeholder participation and sharing success stories to enhance collaboration and coordination.

A critical aspect of the success of these opportunities is strengthened engagement between the public and private sectors. A proactive, inclusive, and collaborative approach is essential, representing a departure from the conventional business-as-usual and underscoring the importance of innovative strategies to achieve climate resilience.

# 2 Introduction

Palau recognises the private sector's vital role in climate action and has sought assistance to conduct a private sector mapping exercise to facilitate strategic planning, inform more effective policy and identify opportunities for private sector involvement in climate finance.

This document provides a brief report of the private sector mapping exercise for Palau.

- Section 3 outlines a summary of key findings.
- Section 4 provides a summary of opportunities.
- Section 5 provides conclusions and recommendations.

The deliverables are provided in the Annexes attached.

- Annex 1 provides the questionnaire and workshop agenda.
- Annex 2 provides the climate finance record.
- Annex 3 provides a list of Public Private Partnership case studies.
- Annex 4 provides detail on current public and private sector engagement, including SWOT analysis.
- Annex 5 provides the draft Memorandum of Agreement.
- Annex 6 provides draft concept notes to inform climate financing proposals.

The target audience for this report are PCOC, OCC and PIFS.

## 2.1 Context

Palau, like many other Small Island Developing States (SIDS) in the Pacific, is highly susceptible to the adverse effects of climate change and disasters, including sea-level rise, coastal erosion, drought, and storm activity. Recognising these challenges, the Government of Palau has developed the Palau Climate Change Policy (PCCP) and Action Plan for Climate and Disaster Resilient Low Emission Development which is currently undergoing review.

Effective implementation of initiatives outlined in this policy hinges on securing access to international climate change finance, a top priority for the Government of Palau. Preliminary findings from an assessment conducted in 2017 revealed that while Palau has accessed climate finance, it is still in the lower range compared to other Pacific Island nations due to limited knowledge and awareness of climate change, its impacts, available funding sources and procedures to access. Additionally, the assessment found that Palau faces capacity constraints hindering the implementation of larger multi-sector climate and disaster risk initiatives. Opportunities identified to address these issues were to embed a capacity building component in all future project proposals.

Palau's relatively small private sector and prevalence of MSMEs is also vulnerable to economic shocks. The COVID-19 pandemic caused substantial disruptions, particularly impacting the tourism sector, which constitutes around 40% of GDP. As a crucial pillar of

the economy, the significant slowdown in tourist flows and temporary shutdown of the tourism industry had a profound impact on businesses across all sectors in Palau, of which many are still recovering.

While the Compact of Free Association (COFA) provided aid, support was designated for employees rather than employers in during COVID-19 and super storm Surigae, leaving MSME business owners to face financial challenges. This highlights the need for robust financial management and sustainable development strategies to enhance resilience against external shocks which are caused by or exacerbated by climate change.

## 2.2 Methodology

The findings and related recommendations are based on the following activities.

1. Desktop research and review.
2. Questionnaire focused on climate hazards, impacts and mitigation and adaptation action.
3. Workshop in Koror, Palau with key stakeholders.
4. Regular consultation with PCOC, OCC, PACRES team through online calls and emails.
5. Individual interviews.

## 2.3 Limitations

The study faced limitations including a general lack of publicly available documentation, which led to limited desktop research. The study was based on consultations, dependent upon input from a relatively limited group of stakeholders listed in Annex 1. The study does not represent the perspectives from all sectors. These limitations can be addressed in the formulation of Palau's first National Adaptation Plan (NAP) which will engage all country sectors, pending approval under GCF.



Picture supplied by Ledua V.

# 3 Summary of Key Findings

## Key findings identified include:

- Climate change is affecting businesses, causing significant property damage and operational disruptions.
- A relatively limited awareness of available climate finance but there is high interest in accessing them.
- Mitigation actions, notably solar panel installation, are more common than adaptation initiatives.
- There is need for broader private sector representation within existing institutional arrangements.
- No potential PPP arrangements were identified during the consultations.

## 3.1 Private sector exposure to climate change impacts

Palau’s private sector is vulnerable to the adverse impacts of climate change and disasters, particularly heavy rainfall, high winds, storms, flooding, and droughts. Businesses have experienced significant impacts affecting operations, such as power, water and internet outages, disruption of services and supply chain as well as damage to buildings and infrastructure. The table below summarises key climate hazards and impacts identified.

Table 1 Key Climate Hazards And Impacts Identified

Hazards	Impacts
<ul style="list-style-type: none"><li>• Heavy rainfall</li><li>• High winds</li><li>• Increased storms</li><li>• Storm surge</li><li>• Sea level rise</li><li>• Flood</li><li>• Drought</li><li>• Rising temperatures</li><li>• Coral bleaching</li></ul>	<ul style="list-style-type: none"><li>• Reduced continuity of services and loss of income.</li><li>• Power and internet outage due to damage to overhead powerlines.</li><li>• Water outage and disruption and rationing effecting operational hours</li><li>• Flood and water damage and reduced structural integrity of buildings.</li><li>• Infrastructure damage including torn off roofs, damage to windows.</li><li>• Employee absenteeism due to being stranded at home.</li><li>• Reduced capacity to deliver health services as climate change increases demand due to more water borne diseases etc.</li><li>• Cancelled transportation and scenic flights and limited ability to perform medical evacuation, sea search and rescue.</li><li>• Supply chain disruptions for imported parts and restaurant food supply.</li></ul>



Hazards	Impacts
<ul style="list-style-type: none"> <li>• Coastal erosion</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of assets such as floating docks.</li> <li>• Damage to equipment and machinery</li> </ul>

The 2023 National Vulnerability and Adaptation Assessment completed by OCC identified key climate change issues for Palau including increasing air temperatures, stronger storms and typhoons, ocean changes, increased rainfall, and sea level rise. The following table presents the climate change indicators and changes.

Table 2 Palau climate change indicators

Indicator	How has it changed? (1952 to 2018)	Projected change by 2023
Hot days (90° F and above)	↑	↑
Cool nights	↓	↓
Average air temperature	↑	↑
Tropical cyclone frequency	No change	?
Tropical cyclone intensity	No change	↑
Average rainfall	No change	↑
Extreme rainfall frequency	No change	↑
Frequency of drought	No change	↓
Duration of drought	No change	↓
Sea level	↑	↑
Tidal flood frequency	↑	↑



Figures 1, 2 and 3 illustrate the effects of super storm Surigae on businesses in Palau in 2021.

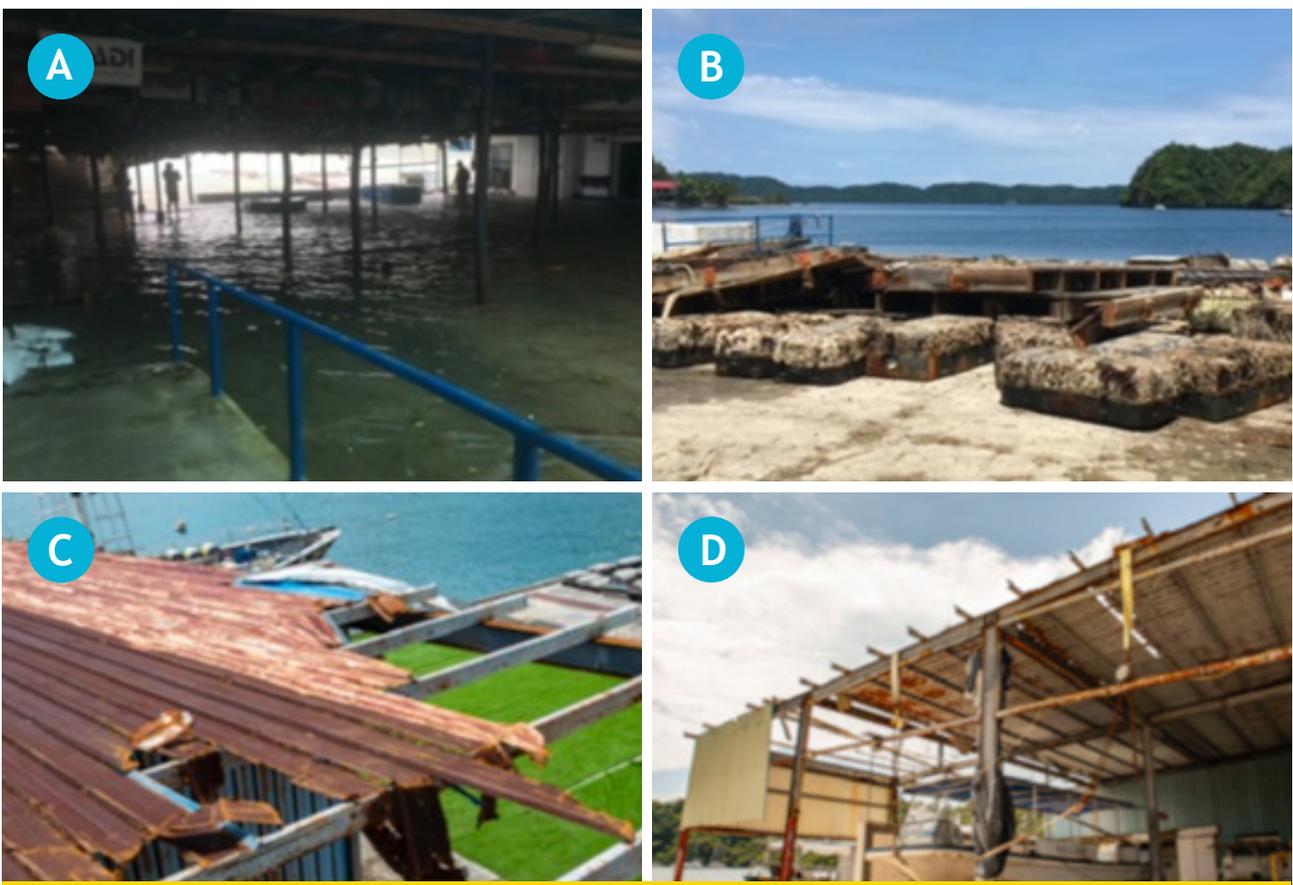


Figure 1: Sam's Tours super storm Surigae damage; a) inside the dive shop; b) dock floats; c) roof damage; d) building damage; 2021, photos by Sam Scott



Figure 2: MT Fishing super storm Surigae damage; a) collapsed building; b) building debris; c) collapsed roof; 2021, photos provided by PCOC.



**Figure 3:** Riptide Bar and Grill super storm Surigae damage; a) roof damage; b) covered walkway damage; 2021, photos provided by PCOC.

Figures 4 to 7 illustrate the effects of high sea level, flood, heavy rainfall, and landslide in Palau in 2021.



**Figure 4:** T-Dock 2021, photo by Lynna Thomas



**Figure 5:** Gnerikil 2021, photo by Terra Nabeyama

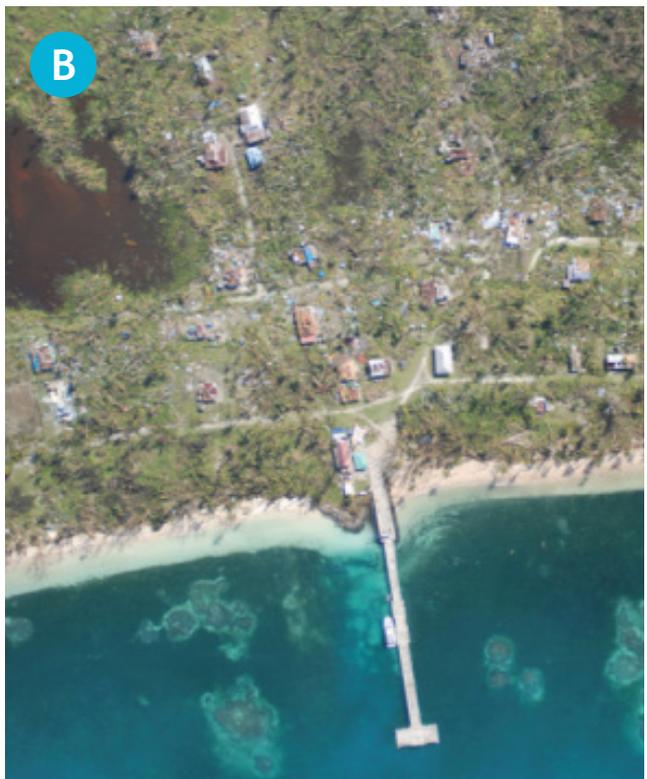
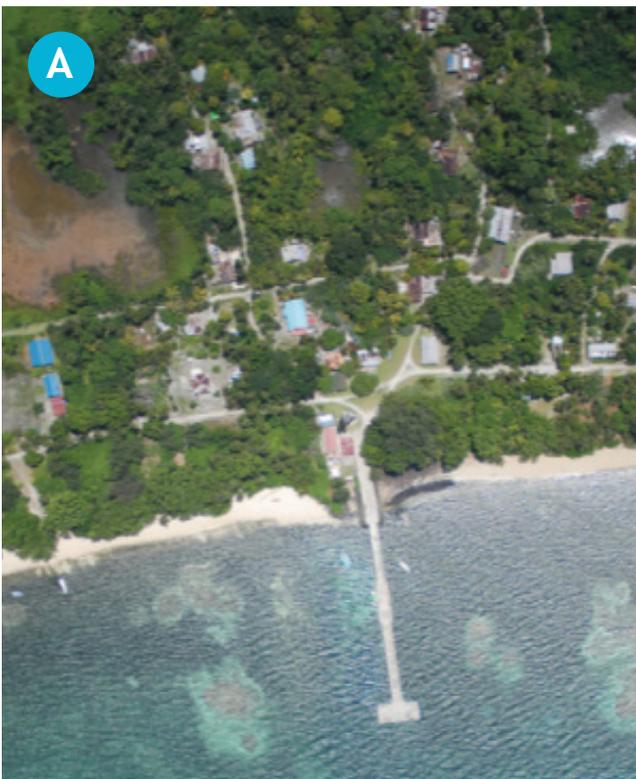


**Figure 6:** Aimeliik 2021, photo by Terra Nabeyama



**Figure 7:** Morisong 2021, photo by OCC

The following figure illustrates severe damage from Super Typhoon Haiyan in the Kayangel Island primary area of taro production in 2013.



**Figure 8:** Kayangel Island village centre and dock; a) 18 Sep 2013 (before); b) 8 Nov 2013 (after); photo by Patrick Colin, Coral Reef Research Foundation



## 3.2 Private sector engagement in climate mitigation and adaptation

Consultations revealed a low level of climate finance awareness among businesses in Palau, the low response rate of the questionnaire and workshop further suggested lack of engagement in climate action. The literature review also supported this, highlighting the limited opportunities for private sector participation. Despite the relatively low awareness, there appears to be a strong interest to understand and access climate finance.

Current private sector climate action is being undertaken in varying degrees. Climate mitigation actions are more prevalent than adaptation initiatives, with solar panel installation being a prominent example. Additional mitigation efforts include improved energy efficiency, minimised energy requirements and improved waste management. In terms of adaptation, some businesses are building resilience and improving ability to withstand sea level rise, coastal erosion, storms and high winds through improved building design, sea walls and situation of assets well above sea level. The private sector has expressed interest in coastal adaptation projects.

The detailed record of businesses consulted with a brief explanation of climate mitigation and adaptation activities, and indicative costs when available can be found in Annex 1.

## 3.3 Private sector challenges in responding to climate change

The private sector, particularly MSMEs, face challenges in responding to climate change, including:

- Limited knowledge about climate change, its impacts and potential mitigation and adaptation measures.
- Having to choose between profit margin and implementing climate action.
- Generally high costs associated and limited financial capital to absorb climate-related expenses.
- Lack of accessible and affordable climate insurance and insufficient funds to access small loans.
- Historical absence of government funding, such as the Compact of Free Association, for employers in the aftermath of disasters.

These challenges are compounded by additional factors such as tax reforms, interest rates, ongoing post-COVID-19 recovery, and the migration of skilled personnel.

### 3.4 Private sector challenges to accessing climate finance

In consideration to these challenges, the importance of securing funding and establishing effective engagement between the public and private sectors is critical to build resilience. Yet, there are further private sector challenges to accessing climate finance including:

- Current absence of a National Adaptation Plan (NAP).
- Small and unique character of the private sector such as unique and remote geography, prevalence of MSMEs, markets too small to enable economies of scale.
- Need for national government endorsement to access climate grants and funds.
- Constrained resources, capacity, and expertise, leads to reliance on donor organisations and NGOs for project implementation which accelerates short term progress, but hampers long-term sustainability.
- Data limitations to develop proposals, particularly adaptation proposals that require significantly more data to prove climate vulnerability.
- Complexities in accessing global climate funds, limited Direct Access Entities (DAEs) and understanding of available funding sources.
- Limited role to participate in large scale PPPs, due to limited knowledge, technical and financial capacity.

These challenges should be considered in future private sector financing projects in Palau. The record of current climate finance related projects and funding sources involving the private sector and relevant GCF and AF Accredited Entities can be found in Annex 3. The list of PPP case studies in Palau can be found in Annex 4.



Picture supplied by Ledua V.

# 4 Summary of Opportunities

Opportunities identified include:

- Establish a formal engagement agreement between the government and the private sector to enhance climate resilience, mitigation, and access to climate finance in Palau.
- Develop business knowledge and skills in climate change, disaster preparedness, climate and disaster risks, mitigation and adaptation and raising awareness of potential cost savings.
- Build inclusive private sector engagement, involving all sectors and locations, especially in decisions affecting the private sector.
- Enhance adaptation efforts, particularly in response to the challenges posed by sea level rise, typhoons, and storm surge.
- Streamline and simplify processes to facilitate easier access climate finance opportunities.
- Share updated climate assessments to support making in adaptation, loss and damage.

## 4.1 Opportunities for strengthened engagement

Strengthened engagement between the public and private sectors is key to enhancing private sector access to climate finance to build Palau's resilience, support country-led initiatives and meet national priority targets. An assessment of Strengths, Weaknesses, Opportunities and Threats (SWOT) to existing engagement was conducted in consultation with key stakeholders. Several opportunities were identified including:

- **Formalize engagement:** Formalize current partnerships and engagement to solidify commitment and collaboration, address climate challenges more effectively and support tangible action.
- **Promote inclusive stakeholder participation:** Actively involve the private sector, ensuring representation in discussions directly affecting their interests, fostering progress and diverse perspectives from all sectors.
- **Utilize existing plans and assessments:** Leverage existing development plans for climate action, addressing previous inaction.
- **Information exchange:** Share updated climate assessments to support decision making in adaptation and loss and damage.
- **Share successful action:** Highlight success stories, and best practices and well as improving awareness and understanding of cost-saving benefits associated with climate action.
- **Documented actions:** Record ongoing public-private engagement efforts and past actions in a single accessible source to prevent duplication and facilitate access to information.



With consideration to this analysis, a Memorandum of Agreement (MoA) has been drafted which aims to form an effective and tangible relationship between the government and the private sector in Palau to build resilience of Palau and support national climate targets. A partnership agreement typically evolves over time, often in response to challenges faced. Given Palau is in the early stages of its partnership arrangement, the drafted MoA emphasises enabling, creating and promoting engagement. As partnerships are strengthened, the framework may shift its focus.

The SWOT analysis can be found in Annex 5 and the MoA can be found in Annex 6.

## 4.2 Opportunities for private sector climate finance

Effective private sector engagement in climate action hinges on securing access to climate change finance. The following projects have been identified for consideration to meet the climate challenges and financing needs of Palau's private sector.

- **Climate knowledge and skills for business** - Provide training, mentorship, and knowledge exchange to empower businesses in understanding climate projections and effectively assess and manage disaster and climate risks. This program, led by PCOC with support from OCC and other relevant agencies, could include an assessment of private sector capabilities to implement climate activities as well as a peer-to-peer exchange nationally or regionally across complementary sectors.
- **Disaster preparedness plans and funding windows** - Develop disaster preparedness plans and strengthen emergency planning, particularly within the tourism sector. Plans should be tailored by sector with necessary steps to return to the market quickly after a disaster, enhance business continuity and identify suitable funding windows for implementing actions. These funding avenues may build on existing NDBP or government subsidy programs providing support packages based on business size and context, catering to MSMEs.
- **Working Group** - Establish a Working Group, led by PCOC and comprised of representatives from all sectors, NGOs, and government to support, coordinate and strengthen engagement of the private sector in disaster risk reduction, emergency preparedness, response and recovery, climate change adaptation and mitigation. This Working Group could function at a national or North-Pacific regional level, operating as independent private sector initiative and form partnerships with well-established organisations to enhance access to climate finance. Alternatively, this initiative could serve to enhance private sector representation within the existing designated National Climate Change Coordination Committee (NC4). In the longer term, this Working Group could become an Accredited Entity.

- **Insurance mechanism for climate change and disasters** - Identify and utilize appropriate climate insurance mechanism to respond to the growing need for improved financial preparedness and resilience towards natural disasters. Mechanisms should target MSMEs in sectors like tourism, agriculture, fisheries, and retail. This could be established through the NDBP.
- **Private sector facility** - Establish a dedicated facility for MSME access to climate finance, streamlining processes and making investments in climate-resilient initiatives more attractive. This facility could leverage and build upon existing loan products provided by the National Development Bank of Palau (NDBP) such as the Agri-Aqua Low Interest Loan Program.
- **Climate adaptation** - Evaluate the long-term sustainability and cost benefit of retrofitting or building coastal protections and climate resilient infrastructure, verses retreating and relocating businesses. A suitable solution for each business would be contingent on individual circumstances. This initiative could also include the development of a national building code that integrates climate resilience with structural needs.

These project concepts can be considered to inform climate financing proposals. Annex 7 provides drafted concept notes for Climate Knowledge and Skills for Business and Malakal Western Bay Climate Infrastructure.



Picture supplied by Ledua V.

# 5 Conclusion and Recommendations

It is evident that private sector climate finance remains limited compared to government funding, which is particularly prominent amongst SIDS. MSMEs in Palau continue to face various challenges in accessing climate finance, not only within Palau but also across the Pacific and globally. While the private sector in Palau expresses a high level of interest in accessing climate finance, there is a relatively low level of awareness and understanding of available mechanisms, terms, and conditions for access. Jointly led national initiatives involving the private sector will support a holistic country-led approach to building the resilience of Palau and meeting national targets.

The increasing frequency and severity of natural disasters negatively impacts the private sector and the broader economy. Whilst the Compact of Free Association provides rehabilitation grants to Palau, businesses historically have not accessed this funding. As a result, there is growing interest from the private sector to engage in climate action, improve disaster risk business continuity planning and adapt to a changing climate. This includes strengthening private sector climate knowledge and skills, promoting inclusive private sector representation, formalising partnerships, and strengthening institutional capacities.

Key recommendations are proposed to enhance climate awareness, build resilience, and strengthen engagement.

- 1 Execution of the MoA between PCOC and OCC and delivery of the action plan.
- 2 Strengthen private sector representation in the designated National Climate Change Coordination Committee (NC4) and Ministry of Finance's biannual Development Forum to synchronise efforts on climate change and engagement in climate finance.
- 3 Develop disaster preparedness plans with suitable funding windows to implement the necessary steps to return to the market quickly after a disaster, particularly for the tourism sector.
- 4 Identify and utilize appropriate climate insurance mechanisms to respond to the growing need for improved financial preparedness and resilience for MSMEs.
- 5 Assess skills and capabilities of the private sector to be directly involved in the implementation of climate mitigation and adaptation projects.
- 6 In the longer term, the development of a direct access pathway to GCF or AF can be considered for greater access to climate finance for Palau's private sector.

These recommendations help address the need for a proactive, inclusive, and collaborative approach to empower Palau's private sector in addressing climate change and strengthening engagement in a national climate change and disaster related initiatives. This represents a departure from the conventional business-as-usual and underscores the importance of innovative strategies to achieve climate resilience.

# 6 Key Sources Consulted

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# Annexes



# Annex 1: Questionnaire and workshop agenda

## A. Questionnaire

In August 2023, a questionnaire was distributed to PCOC members, 8 private sector representatives from the tourism, hospitality, health, and critical infrastructure sectors responded. The key findings were:

- 75% of respondents said climate change will affect their business. Those that said climate change would not affect their business skipped most questions, suggesting a potential lack of understanding or awareness.
- Half of respondents indicated that their business had already experienced damage to property and assets due to climate change including water damage in buildings, storm damage to roofs and windows and loss of assets such as docks.
- 62.5% of respondents are currently undertaking mitigation activities which is being done at varying degrees. 62.5% also have plans to implement mitigation activities, all of which include the installation of solar power.
- A quarter of survey respondents said they have the capacity to respond to climate change impacts, and just 12.5% have plans to implement adaptation activities.
- No survey respondents have accessed climate finance in the form of a loan or grant for adaptation or mitigation activities or have not found any available.

The questionnaire is below.

### 1. Business contact details

- a. Primary contact
- b. Business name
- c. Island
- d. Village
- e. Email address
- f. Phone number

### 2. Primary industry sector

### 3. Is your business registered with the Palau Chamber of Commerce?

Climate Change Impacts:

4. Do you think climate change impacts will affect your business?
5. What are your key concerns with regards to climate change impacts?
6. Has climate change damaged your business' property and assets?
7. Has climate change impacted your ability to source goods and services?
8. Has climate change impacted the availability of raw materials, natural resources, or other sources of income for your business?
9. Does your business have the capacity to respond to climate change impacts?

## Climate Change Mitigation:

10. What mitigation (carbon emission reducing) activities are you currently undertaking? (this may include solar power, e-vehicles, energy efficiency etc.)
11. What is the approximate value of the investment in this activity?
12. What mitigation actions do you have in existing plans but are not yet implemented?
13. What is the approximate anticipated cost of this (if known)?
14. What are some effective mitigation activities that you are aware of but are not part of your existing plans?
15. What is the approximate anticipated cost of this (if known)?
16. Has your business accessed climate mitigation funding?

## Climate Change Mitigation:

17. What adaptation (building resilience and preparations) activities are you currently undertaking? (this may include strengthening infrastructure, diversifying investments, putting coastal protections in place, water management etc.)
18. What is the approximate value of the investment in this activity?
19. What adaptation actions do you have in existing plans but are not yet implemented?
20. What is the approximate anticipated cost of this (if known)?
21. What are some effective adaptation activities that you are aware of but are not part of your existing plans?
22. What is the approximate anticipated cost of this (if known)?
23. Has your business accessed climate adaptation funding?
24. Is there anything else you would like to add?



## B. Workshop Concept Note Agenda

### **Background**

Palau, like any other small island state in the Pacific region, is vulnerable to the adverse impacts of climate change and disasters. The direct impacts are likely to involve high tides, coastal erosion, sea-level rise, increase in drought and storm activity, increase in sea-surface temperature and coral bleaching, all of which are related to climate change.

Due to these challenges faced by Palau's private sector, the EU-funded PACRES Project is supporting the Palau Chamber of Commerce (PCOC) and the Government of Palau to conduct a mapping of private sector activities relevant to climate change adaptation and mitigation.

### **Purpose**

The purpose of this workshop is to consult the private sector (formal and informal) to understand current mitigation and adaptation actions being undertaken, identify climate change needs, aspirations, challenges, and opportunities. Baseline information aims to assist PCOC and the Government of Palau with strategic planning and resourcing activities related to resilient development for the private sector.

### **Objectives**

The objectives of this workshop are to:

1. Gather adaptation and mitigation actions being taken by the private sector.
2. Gauge private sector needs and aspirations in relation to climate change.
3. Identify private sector challenges and potential opportunities.
4. Analyse strengths, weaknesses, opportunities, and threats to improved public and private sector engagement.

The expected outputs of this workshop are:

1. List of private sector adaptation and mitigation actions.
2. Identification of private sector climate change needs and aspirations.
3. List of current challenges and potential opportunities.
4. SWOT analysis for improved engagement between the public and private sectors in climate change and resilience.

## Workshop Agenda

Date: 1st September 2023

Time: 8:00am to 12:15pm

Location: Palasia Hotel

Table 3 Workshop agenda related to resilient development for the private sector.

Time	Agenda	Activity	Facilitator/ Speaker
8:00 - 8:30	Registration		Chamber of Commerce Assistant
8:30 - 9:00	Welcome and project introduction	Welcoming remarks  Opening prayer  High level overview of project, objectives, and workshop outcomes  Introductions to the team	Chamber of Commerce  TBC  Pacific Islands Forum Secretariat (virtual)  Chamber of Commerce
9:00 - 9:30	Climate change impacts	Presentation on climate change, hazards and impacts to the private sector	Xavier E. Matsutaro
9:30 - 10:15	Climate mitigation and adaptation actions	Climate mitigation and adaptation and overview of current actions	Cress Consulting
		Case study and Q&A	Palau Pacific Resort
		Breakout activity to validate and further identify current and future mitigation and adaptation actions and challenges	Cress Consulting
10:15 - 10:30	Working break	Continue breakout activity	

<b>Time</b>	<b>Agenda</b>	<b>Activity</b>	<b>Facilitator/ Speaker</b>
<b>10:30 - 11:00</b>	Existing public-private engagement channels	Public-private engagement in climate change resilience  Breakout activity to map current public-private engagement channels or informal networks	Cress Consulting
<b>11:00 - 11:45</b>	Public-private engagement opportunities	SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis overview  Breakout activity to complete a SWOT analysis aimed at improving engagement between public and private sector.	Cress Consulting
<b>11:45 - 12:00</b>	Workshop conclusion and recap	Workshop conclusion  Recap of insights	Chamber of Commerce  Cress Consulting
<b>12:00 - 12:15</b>	Next Steps and Closing Remarks	Project next steps  Next steps for the National Government  Closing remarks	Cress Consulting  Xavier E. Matsutaro  Chamber of Commerce

# Annex 2: Record of current climate finance related projects and funding sources involving the private sector and relevant GCF and AF Accredited Entities

## A. Current access to climate finance

Several development partners have committed to increasing climate financing for adaptation and mitigation, presenting an opportunity for the private sector to transition to a low-carbon and resilient economy. There are currently several projects involving Palau's private sector in climate resilience activities with funding from various agencies. There are no publicly available records of projects directly utilising the private sector as delivery partners, but there are several existing projects targeting towards or indirectly involving the private sector. The list below outlines current projects by funding source and may not be exhaustive.

- The **Green Climate Fund (GCF)** is currently funding two regional projects including the North Pacific Eco-System Based Adaptation (EbA) Project which has been approved to establish small-grant facilities, valued at USD \$9.9m, as well as the Enhancing Climate Information and Knowledge Services Project which is currently under implementation to support climate-resilient sustainable development of 100,000 beneficiaries across five SIDS expected to be completed by 2026, valued at USD \$49.9m.
- The **Global Environment Fund (GEF)** is currently funding projects under the GEF-6 Ministry of Agriculture, Fisheries and Environment (MAFE) Palau Biodiversity Project, delivered through UNDP and valued at USD \$4.23m grant. Projects include the Biodiversity Friendly Local Product Showcase event organized by MAFE and PCOC, in partnership with 25 project partners, including Palau Visitors Authority (PVO) and Belau National Museum (BNM), to connect small-scale producers to the local market and private sector. Other projects include the Managing Coastal Aquifer Project (MCAP) expected to be completed 2024, and the Master & Land Use Planning, and Housing project which involves with state partners and local farmers to integrate climate into master planning and sharing best practice such as planting saltwater tolerant taro varieties.
- The **Asian Development Bank (ADB)** has funded several projects, primarily to the public sector, with private sector development being part of the future focus. Projects include Promoting Climate-Resilient and Sustainable Blue Economies valued at USD \$2.6m to support the agriculture, natural resources, and rural development sectors across 15 Pacific nations. The Pacific Disaster Resilience Program, Phase 3 provides USD \$3.77m in disaster-contingent financing for recovery and reconstruction following future natural hazards across 10 Pacific nations. The COVID-19 Response for Affected Poor and Vulnerable Groups Project valued at USD \$3.77m is to assist smallholder agriculture producers and boost food security and resilience to climate change through taro seed distribution, seed grant, built taro mill food processing centre through partnership with Palau Visitors Authority (PVA), Bureau of Agriculture (BOA), Ministry

of Human Resources, Culture, Tourism and Development (MHRCTD) and Ministry of Agriculture, Fisheries, and the Environment (MFE).

- The **Nature Conservancy (TNC)** has several projects underway including the Dmakeiukl Partnership, signed in 2022 for 3 years to work with governors, 16 spokespeople, 83 pelagic fishers in the north, 25 fishers in the west, 45 women nearshore fishers and 18 rangers to build resilience, adapt to climate impacts and support fishers on decline by targeting vulnerable species such as mud clams, sea cucumbers and giant clams, as well as addressing challenges through the revival of native practices and building a network to establish an accessible market.
- The **International Union for Conservation of Nature (IUCN)** through the KIWA Initiative is restoring sea cucumbers wild stock and improving women fisheries in Palau. The project is valued at €100,000 and began in July 2022, with the expected finish in July 2024.
- The **National Development Bank of Palau (NDBP)** offers the Agri-Aqua Low Interest Loan Program providing \$500 - \$100,000 for term of up to 10 years to fund eligible activities including pigs, poultry, plant-based food products, aqua farming including clams, fish, crabs. The loan can be used to purchase seeds/grains/plants, fertilisers, animal feeds, livestock, diversification, property improvements, plant and equipment, capital stock and used for the development and production of crustaceans, molluscs, and other aquatic marine animals. Bureau of Agriculture or Bureau of Marine Research will assess your farm and assist in the development of a business plan to take to NDBP.
- The **United States Agency for International Development (USAID)** has several projects primarily in relation to disaster assistance. The Climate Ready Pacific Regional Project worked with PCOC to achieve climate adaptation and resilience through a grant in 2019 to train trainers in Business Continuity Planning. The Palau Protected Areas Network (PAN) and Palau Office of the International Organization for Migration (IOM) Disaster Recovery grant of USD \$150,000 each is supporting communities in recovery from Typhoon Surigae in 2021. The Reviving Traditional Croplands to Improve Community Climate Resilience Taro project aims to implement priority actions to promote traditional wetland taro farming.
- The **Australian Department of Foreign Affairs (DFAT)** has a Direct Aid Program which is supporting the development of sustainable farming systems to increase the production of locally grown food in Palau and reduce dependence of imported food, building climate resilience.

## B. Climate finance pipeline

Table 4 Climate finance pipeline

Sector	Project	Funding Source	Indicative cost
All	Small scale solar power plants for commercial facilities in island states	ADB	Not publicly available
Energy and Finance	Regional Initiative on Accelerated Energy Transition for the Pacific Small Island Developing States	ADB	USD \$1m
Tourism and agriculture	GCF Readiness & Preparatory Support Programme: Climate Resilient Recovery Rapid Readiness Support in Palau	GCF	USD \$299,994
All	GCF Readiness & Preparatory Support Programme: Support for Formulation of Palau's First National Adaptation Plan (NAP)	GCF	USD \$1.7m
Fisheries (& reef positive businesses)	Livelihood and Accelerator Fund	Global Fund for Coral Reefs (GFCR)	Not publicly available
Fisheries	Restoring Sea Cucumbers Wild Stock and Improving Women Fisheries	IUCN (KIWA Initiative)	Not publicly available

## C. General funding criteria

Large scale climate change adaptation and mitigation projects invite interest from Accredited Entities (AEs) such as the World Bank/IFC, ADB and UNDP which are all active in the Pacific and have committed billions to the region. Accessing climate finance through these large international AEs such as World Bank, ADB or UNDP has been the most successful avenue to date in terms of size and speed of financing<sup>1</sup>. Smaller scale projects are likely to be supported by other multilateral and bilateral donors, particularly Australia, New Zealand, United States, India, Korea, and Japan as well as smaller aid organisations. Each multilateral climate fund has its own funding criteria, however generally the following is required and should be considered in the future development of climate financing proposals:

- Co-financing by other funders which could be public or private,
- Project objectives align with the country's climate strategy, NDCs and national adaptation plans,
- Project must have a significant measurable impact (i.e., emissions reduced, reduction in losses of assets),
- Implementing entities must have capacity to carry out project activities,
- Project should help the fund achieve sustainable development through replicability and scalability,
- Projects should be developed in consultation with community and NDAs,
- There is an absence of alternative sources of financing.

<sup>1</sup> International Monetary Fund, 2021, Unlocking Access to Climate Finance for Pacific Island Countries

## D. List of relevant GCF and AF Accredited Entities

The following list of Accredited Entities should remain dynamic and subject to updates as necessary.

### **Asian Development Bank (ADB)<sup>2</sup>**

ADB is an international organisation whose main goal is to reduce poverty in Asia and the Pacific through environmentally sustainable growth through loans, technical assistance, grants, guarantees and equity investments. As of December 2022, in Palau there was sovereign co-financing of USD \$28.45m for three investment projects and USD \$1.5m for one technical assistance project since 2015. The future direction of the ADB is focusing on improving Palau's public sector performance and promote private sector development to reinvigorate the tourism sector. ADB will complement this through financing key infrastructure projects that deliver inclusive social and economic benefits. ADB is implementing a new private sector strategy that focuses on renewable energy, financial institutions, tourism, and fisheries.

### **Conservation International (CI)<sup>3</sup>**

CI has worked in the Pacific Islands region for more than 20 years engage across the entire region from Cooks Islands to Palau. Conservation International works across industries to change the way the world does business, helping companies take steps towards sustainability that benefit people, the planet and their bottom lines.

### **European Investment Bank (EIB)<sup>4</sup>**

EIB is an international financial entity whose main objective in developing countries is to provide finance and expertise for sound and sustainable investment projects, in both the private and the public sector, provide social and economic infrastructure, and address climate change, among others. In 2021, SME financing represented €45b out of the EIB Group's total lending of €94.9b and continues to actively support development in the Pacific.

### **European Bank for Reconstruction and Development (EBRD)<sup>5</sup>**

ERBD is an international entity with the mandate to promote transition towards a sustainable, open market economy and to foster innovation. The areas of investment for mitigation activities are energy efficiency, infrastructure, the power sector, renewable energy, sustainable energy financing facilities and carbon market development. The work of EBRD is strongly focused on the private sector and micro, small and medium-sized enterprises, however, it prioritises support for countries in Central and West Asia, and North Africa.

### **Fiji Development Bank (FDB)<sup>6</sup>**

The Fiji Development Bank (FDB) is a national public sector entity and Government-owned development bank based in Fiji. FDB's main objectives are to facilitate and stimulate the promotion and development of natural resources, transportation and other industries and enterprises and give special consideration and priority to the economic development of the rural and agricultural sectors of the economy, however, support is limited to Fiji.

<sup>2</sup> Asian Development Bank, <https://www.adb.org/>

<sup>3</sup> Conservation International, <https://www.conservation.org/>

<sup>4</sup> European Investment Bank, <https://www.eib.org/en/index>

<sup>5</sup> European Bank for Reconstruction and Development, <https://www.ebrd.com/home>

<sup>6</sup> Fiji Development Bank, <https://www.fdb.com.fj/>

### **Food and Agriculture Organisation (FAO)<sup>7</sup>**

FAO is an international organization whose main goals are the eradication of hunger, food insecurity and malnutrition; the elimination of poverty and the driving forward of economic and social progress for all; and the sustainable management and utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations. While the FAO has collaborated with SMEs and small-scale actors to promote sustainable agrifood systems, there is no documented evidence of such initiatives in the Pacific region.

### **Global Environment Fund (GEF)<sup>8</sup>**

GEF is a group of funds dedicated to confronting biodiversity loss, climate change, pollution, and strains on land and ocean health, supporting developing countries to address environmental priorities and adhere to international conventions and agreements. The GEF Small Grants Programme (SGP) is specifically designed to support grassroots activities by communities, implemented and administered by the UNDP, the program is decentralized, and country driven, while activities must be aligned with GEF 6 Focal areas and national initiatives. The program does not fund government, individuals or businesses directly, it funds Non-Government Organisations (NGOs), Civil Society Organisations (CSO), Community Based Organisations (CBO) where there is specific inclusion of the entire community. The GEF Special Climate Change Fund (SCCF) strategy focuses on supporting the adaptation needs of SIDS and strengthening technology transfer, innovation and private sector engagement.

### **International Bank for Reconstruction and Development (IRBD) (World Bank)<sup>9</sup>**

IRBD (World Bank) is an international organization with a mandate to reduce poverty by promoting sustainable economic development. It has supported SIDS in climate change adaptation by financing projects in disaster risk reduction and ecosystem services in sectors such as fisheries and water resources management. The International Development Association (IDA) also provides interest-free loans and grants.

### **International Finance Corporation (IFC)<sup>10</sup>**

IFC is an international organization with a strong global presence and focus on development, primarily in the private sector. IFC works in over 100 developing countries through the private sector, with a special focus on infrastructure, manufacturing, agribusiness, services and financial markets.

### **International Fund for Agricultural Development (IFAD)<sup>11</sup>**

IFAD is an international organization whose objective is to improve agricultural development and livelihoods in developing countries, including SIDS. IFAD assists vulnerable groups such as smallholder farmers, pastoralists, foresters, fishers and small-scale entrepreneurs in rural areas by providing, among others, access to weather information, disaster preparedness, social learning and technology transfer that enables farmers to feed growing populations and increase the climate resilience of rural farming systems.

<sup>7</sup> Food and Agriculture Organisation, <https://www.fao.org/home/en>

<sup>8</sup> Global Environment Fund, <https://www.thegef.org/>

<sup>9</sup> World Bank, <https://www.worldbank.org/en/who-we-are/ibrd>

<sup>10</sup> International Finance Corporation, <https://www.ifc.org/en/home>

<sup>11</sup> International Fund for Agricultural Development, <https://www.ifad.org/en/>

### **International Union for Conservation of Nature (IUCN)<sup>12</sup>**

IUCN is a non-profit organisation that operates internationally in over 150 countries with a wide range of members and partners, including States and government agencies, non-governmental organisations (NGOs), scientists and experts to find practical solutions to environment conservation and sustainable development challenges. It has a strong presence in small island developing states.

### **Japan International Cooperation Agency (JICA)<sup>13</sup>**

JICA has been providing financial and technical support to climate change mitigation and adaptation projects, focusing on energy efficiency, renewable energy, public transport systems, stable water supply, climate-resilient agriculture, sustainable forest management, disaster risk reduction and coastal protection. Building upon international best practices, JICA aims to make the best use of Japanese knowledge, experience and technologies in driving a paradigm shift towards a low-carbon and climate-resilient society in developing countries.

### **Micronesian Conservation Trust (MCT)<sup>14</sup>**

MCT supports biodiversity conservation and related sustainable development for the people of Micronesia, including Palau, providing grants and strengthening organisation leadership capability. MCT is the AE for the Ecosystem-based Adaptation (EbA) project supporting FSM, Marshall Islands and Palau.

### **Pacific Community (SPC)<sup>15</sup>**

SPC is a regional entity serving as the principal scientific and technical organisation to support Pacific development. With its vision for a region of peace, harmony, security, social inclusion and prosperity and for all Pacific people to lead free, healthy and productive lives, SPC has been focused on sustainable economic development, empowered and resilient Pacific communities and enhanced health and livelihoods of Pacific people with a view to achieving its members' development goals.

### **Save the Children Australia (SCA)<sup>16</sup>**

SCA, based in Australia operates internationally managing various programs related to climate change adaptation, disaster risk reduction, education, health and nutrition, and urban and humanitarian areas, among others. SCA is implementing a climate resilience project in Vanuatu, focusing on agriculture and fisheries sectors. Key activities include establishing local disaster risk reduction committees, protecting and restoring 11,600 hectares of agricultural and fisheries site, and training smallholder farmers in climate-resilient agriculture techniques and fishers in effective coastal resource management.

<sup>12</sup> International Union for Conservation of Nature, <https://www.iucn.org/>

<sup>13</sup> Japan International Cooperation Agency, <https://www.jica.go.jp/english/>

<sup>14</sup> Micronesian Conservation Trust, <https://ourmicronesia.org/>

<sup>15</sup> Pacific Community, <https://www.spc.int/>

<sup>16</sup> Save the Children Australia, <https://www.savethechildren.net/>

### **Secretariat of the Pacific Regional Environment Programme (SPREP)<sup>17</sup>**

SPREP is the regional organisation established to protect and manage the environment and natural resources of the Pacific. SPREP supports action on climate change in the key areas of adaptation, mitigation, policy and science. SPREP intends to apply GCF resources towards SIDS-focused adaptation and mitigation projects and programs.

### **The Nature Conservancy (TNC)<sup>18</sup>**

TNC is a global conservation organisation dedicated to conserving the lands and waters on which all life depends, creating innovative, on-the-ground solutions. Working in 72 countries and territories, it uses a collaborative approach that engages local communities, governments, the private sector, and other partners. TNC is currently supporting MSME fisheries in Palau to build climate resilience.

### **United Nations Development Programmes (UNDP)<sup>19</sup>**

UNDP, an international organization, has a strong portfolio in SIDS with a focus on sustainable development, climate change and disaster resilience, and governance. UNDP works in partnership with entities to support the coordinated delivery of financing to achieve transformational impact in the areas of mitigation and adaptation.

### **United Nations Environment Programme (UNEP)<sup>20</sup>**

UNEP, an international entity, whose mandate is to promote sustainable development and prudent use of the global environment. UNEP supports resilient, low-emission pathways through its flagship programmes in adaptation, forestry, energy efficiency and transition to sustainable development.

### **World Food Programme (WFP)<sup>21</sup>**

WFP is an international entity whose mandate is to fight hunger worldwide by supporting national, local and regional food security and nutrition plans and programs. It has built strong relationships with international organizations, non-governmental organizations, civil society and the private sector to enable people, communities and countries to meet their own food needs.

### **World Wildlife Fund (WWF)<sup>22</sup>**

WWF, an international non-governmental organisation, has evolved its work from saving species and landscapes to addressing the larger global environmental threats and forces that impact them, with people at the center of its work. WWF is working with MSMEs in adopting cleaner production practices.

<sup>17</sup> Secretariat of the Pacific Regional Environment Programme, <https://www.sprep.org/>

<sup>18</sup> The Nature Conservancy, <https://www.nature.org/en-us/>

<sup>19</sup> United Nations Development Programmes, <https://www.undp.org/>

<sup>20</sup> United Nations Environment Programmes <https://www.unep.org/>

<sup>21</sup> World Food Programme, <https://www.wfp.org/>

<sup>22</sup> World Wildlife Fund, <https://www.worldwildlife.org/>

# Annex 3: List of PPP case studies in Palau

## Introduction

Public-private partnership has the potential to support climate adaptation and mitigation action. A list of PPP case studies in Palau including the names of public and private entities, the sector and relevant climate change field, duration, volume and key achievements has been provided in this document.

## Methodology

Cress conducted a desktop review and consultations with Palau Chamber of Commerce and Office of Climate Change to provide a list of case studies on successful existing and past public private partnerships of relevance in Palau's climate change context.

## Public-private partnerships (PPPs) in Palau

Public-private partnership (PPP) is an arrangement between a government or public sector entity and a private sector company, wherein they collaborate to jointly finance, develop, and operate public infrastructure projects or deliver public services, sharing risks and responsibilities.

To date, three PPPs have been developed in Palau, two of which are relevant to climate resilience<sup>23</sup>:

- The government formed a PPP with EarthX, GridMarket, and the Global Island Partnership (GLISPA) in July 2018 to develop renewable energy in the country.
- Palau Nature Works (PNW), the subsidiary of Guam Nature Works (GNW), and Aimeliik State Government signed a PPP Agreement to build integrated greenhouses for both agriculture and aquaculture farm operation in Aimeliik, Palau (year unknown). In the PPP Agreement, PNW obtained a 30-year lease of 50-acres (200,000 sqm) from Aimeliik State, to be used for both farming and tourism industry. The initial investment for the construction facilities, marketing and farm operation is \$3 million. A United States Department of Agriculture (USDA) rural development guaranteed loan will provide \$2.4 million of the required funds.<sup>24</sup>

There is limited publicly available information regarding insight into the success of these PPPs.

## Future PPPs

There was no indication to potential PPP arrangement for the future or any pipeline projects that can be regarded as PPP project. None were identified during the consultations.

## Next steps

Further stakeholder consultation is required to gauge impact of past PPPs and provide insights into the successes, challenges, and potential areas for improvement in shaping future partnerships. Furthermore, an assessment of PPPs not only in Palau but across the broader Pacific region could offer valuable insights for the next phases of this project, enhancing understanding of effective partnerships in addressing climate challenges.

<sup>23</sup> [https://www.theprif.org/sites/default/files/documents/PRIF\\_PalauNIIP-2021\\_Web\\_0.pdf](https://www.theprif.org/sites/default/files/documents/PRIF_PalauNIIP-2021_Web_0.pdf)

<sup>24</sup> <https://www2.guamnatureworks.com/2018/07/24/palau/>

## Annex 4: Public and private sector engagement

### A. Current public-private sector engagement channels

The table below presents the current public-private engagement channels identified during the workshop.

Table 5 Current public-private engagement

Engaging body	Objective for the private sector	Engagement type
Palau Chamber of Commerce (PCOC)	Promote and advocate for businesses and opportunities in climate mitigation and adaptation.	Regular meetings.
USAID	USAID Climate Ready Program rolls out business continuity planning workshops for business.	Share and disseminate information via emails and website.
Friends of Palau National Marine Sanctuary (PNMS)	Palau Business Pledge aims to increase the number of businesses participating in sustainable activities.	Work one-on-one with Green Champion.
Palau Community College (PCC)	Cooperative Research & Extension (PCC-CRE) to generate, develop and disseminate practical and sustainable technologies and knowledge.	Ad hoc basis as opportunity arises.
The Nature Conservancy (TNC)	Livelihood Accelerator Fund to support reef positive business	
	Dmakeiukl Partnership working with governors, spokespeople, women's group, fishers and rangers to build climate resilience of nearshore fishing species.	Weekly meetings
Bureau of Marine Resources	Increase diversity of life in ocean and activities to help reduce carbon.	Work through partnerships.
Office of Climate Change	Working directly with the private sector to mainstream the process through outreach and awareness and showcasing best practices.	

## B. Public-private sector engagement SWOT analysis

A SWOT analysis to gather strengths, weaknesses, opportunities and threats was conducted during the workshop to assess public-private engagement channels for improved collaboration in climate change and resilience.

Table 6 SWOT analysis findings

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• <b>Public interest and recognized need:</b> People are interested in climate action and recognise the need for public-private engagement to achieve this.</li> <li>• <b>Improving dialogue:</b> There is improvement in the quality and frequency of dialogue between government and private sector in addressing climate impacts.</li> <li>• <b>Acknowledged private sector contribution:</b> The role of the private sector in climate initiatives is being recognized.</li> <li>• <b>Established partnerships:</b> Partnerships are in place, fostering strong relationships and networks.</li> <li>• <b>Open collaboration:</b> Engagement approach is collaborative and open, encouraging diverse voices and perspectives for climate solutions.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inaction:</b> Climate discussions occur frequently but lack effective and active engagement, leading to limited tangible action taking place.</li> <li>• <b>Limited capability:</b> The ability to drive climate initiatives is constrained by knowledge and lack of human resources.</li> <li>• <b>Cost savings unknown:</b> Poor understanding of potential cost savings by implementing climate mitigation and adaptation action.</li> <li>• <b>Poor representation:</b> The misrepresentation or absence of private stakeholders in discussions that directly affect their interests hinders progress and leads to a lack of diverse perspectives.</li> <li>• <b>Underutilization of existing plans:</b> Existing plans for climate action are not effectively leveraged.</li> <li>• <b>Poor record of actions:</b> Existing public-private engagement actions are not properly recorded in a singular source of information.</li> <li>• <b>Lack of collaboration and coordination:</b> Insufficient sharing of knowledge and past experiences among the private sector.</li> </ul>

## Opportunities

- **Develop an action plan:**  
Support tangible effective action.
- **Formalize partnerships:**  
Formalize current partnerships to ensure commitment and collaboration.
- **Enhance collaboration & coordination:**  
Effective partnerships to address climate challenges more effectively and reduce duplication of initiatives.
- **Inclusive stakeholder participation:**  
Actively involve all private sectors in climate discussions.
- **Share successful action:**  
Highlight success stories as well as best practices.
- **Enhance cost savings understanding:**  
Improve awareness of cost-saving benefits.
- **Government representation for private sector:**  
Government position dedicated to liaising with and representing private sector interests.
- **Simplify processes:** Simplify to make it easier for businesses to participate in partnership.
- **Tax credits for climate action:**  
Provide incentives for businesses to engage in climate action.

## Threats

- **Behavioural barriers:**  
Challenging behaviours and attitudes may impede progress.
- **Competitive business culture:**  
Competition may discourage cooperation, idea sharing and collaborative engagement.
- **Turnover of key positions:**  
Frequent turnover of key personnel can result in the loss of institutional knowledge, affecting engagement continuity.
- **Brain Drain:**  
The loss of skilled individuals (brain drain) can weaken engagement initiatives by reducing talent and expertise.

# Annex 5: Draft Memorandum of Agreement

## A. Background

A Public-Private Partnership (PPP) refers to a range of possible relationships between public and private entities, primarily within the context of infrastructure and other services. An effective PPP optimally allocates tasks, obligations, and risks among the public and private partners in an optimal way. Government participation in such partnerships can involve financial investment, asset transfer, or other commitments or in-kind contributions that support the partnership. Additionally, the government can provide local knowledge, environmental awareness, social responsibility and an ability to mobilise political support. The private sector's role in the partnership is to utilise its expertise in management, commerce, operations, and innovation. Depending on the contractual arrangement, the private partner may also contribute financial capital.<sup>25</sup>

In the context of Palau, the Office of Climate Change (OCC) and Palau Chamber of Commerce (PCOC) is committed to bridging, broadening and strengthening engagement between the private sector and the government to enhance private sector engagement in resilience building, mitigation and access to climate finance. There are broad challenges in accessing climate finance particularly due to a very small private sector and the large presence of Micro, Small & Medium Enterprises (MSMEs). The private sector plays a limited role in directly addressing climate change risks and has a constrained ability to effectively participate in large scale PPPs. This is partially due to limited knowledge and awareness of climate mitigation and adaptation as well as low technical and financial capacity to expand beyond their primary business. These challenges are exacerbated by additional business burdens such as tax reforms, interest rates and post-COVID-19 business instability.

The private sector and government currently engage informally, on an ad-hoc basis. A formal partnership agreement that forms an effective and tangible relationship between the government and the private sector in Palau is critical to build resilience of Palau to climate change and disasters and to support the implementation of Palau Climate Change Policy (PCCP) actions.

A partnership agreement typically evolves over time, often in response to challenges faced. Given Palau is in the early stages of its partnership arrangement, this draft Memorandum of Agreement (MoA) emphasizes enabling, creating and promoting public and private sector engagement in climate mitigation and adaptation as well as access to climate finance. As partnerships are strengthened, the framework may shift its focus.

<sup>25</sup> ADB Public-Private Partnership Handbook

## B. Key Partnership Agreement Considerations

The partnership agreement should consider strengths, weaknesses, opportunities, and threats to strong engagement between the public and private sector for improved collaboration in climate change resilience. The private sector was consulted through a workshop on 1st September 2023 to identify these factors and the following were identified.

### **Strengths:**

- Open collaboration, established networks and ongoing improvement in the quality and frequency of dialogue between the public and private sector.  
Wide acknowledgement of the role the private sector has in climate initiatives.
- Public interest and recognized need for public-private engagement.

### **Weaknesses:**

- Existing public-private engagement and actions are not recorded in a centralized repository system.
- Climate discussions occur frequently without leading to effective engagement or tangible action.
- Private sectors are constrained by limited capability, knowledge, and human resources.
- Poor understanding of cost savings associated with climate action.
- Underutilization and implementation of existing plans and lack of coordination with insufficient sharing of past experiences and lessons learned.
- There is an absence or misrepresentation of private sector stakeholders in discussions that directly affects their interests.

### **Opportunities:**

- Develop an action plan.
- Formalize partnership between the government and PCOC as well as the broader private sector to ensure commitment.
- Collaboration to address climate challenges more effectively and reduce risk of initiative duplication.
- Actively involve private sector stakeholders in discussions encompassing representatives from all sectors, locations, and informal businesses.
- Share successful action and best practices.  
Improve awareness and understanding of cost-saving benefits.

### **Threats:**

- Behavioral barriers which may impede progress.
- Competitive business culture which may discourage cooperation and idea sharing.
- Frequent turnover of key positions and loss of institutional knowledge.
- Brain-drain leading to reduced effectiveness and continuity of initiatives.

These factors have been taken into consideration to draft a Memorandum of Agreement (MoA) and attached action plan to ensure tangible action.

# MEMORANDUM OF AGREEMENT (MoA)

DATE \_\_\_\_\_

BETWEEN REPUBLIC OF PALAU OFFICE OF CLIMATE CHANGE (hereinafter referred to as “OCC”) having its office at PO Box 6011 Ngerulmud, Melekeok, Republic of Palau 96940 represented by Xavier Erbai Matsutaro, National Climate Change Coordinator,

AND PALAU CHAMBER OF COMMERCE (hereinafter referred to as “PCOC”) having its office at PO Box 1742, Koror, Republic of Palau 96940, represented by Ltlatk Fritz, President of the PCOC Board.

OCC and PCOC are individually referred to as “the Party” and collectively referred to as “Parties”.

## 1. BACKGROUND

Palau is vulnerable to the adverse impacts of climate change and disasters. The direct impacts are likely to involve high tides, coastal erosion, sea-level rise, increase in drought and storm activity, increase in sea-surface temperature and coral bleaching, all of which are related to climate change.

The preliminary findings of a climate change finance assessment conducted in 2017 revealed that although Palau has accessed funding for climate change and disaster management initiatives, Palau’s access to funding is comparatively lower than that of other Pacific Island countries.

The Government of Palau has developed the Palau Climate Change Policy Action Plan for Climate and Disaster Resilient Low Emission Development. The main objective of the Policy is to build the resilience of Palau to the impacts of climate change and disasters. There exists an opportunity for the private sector to contribute to climate change mitigation and adaptation actions, complementing the government’s efforts.

Nevertheless, Palau faces broad challenges in accessing climate change finance, particularly due to the nation’s relatively small private sector. These barriers are largely related to limited information and knowledge about climate change and its impacts, including the understanding of available funding sources and how to access them for climate change and resilience related projects.

The Parties intend to collaborate and operate in accordance with the following clauses.

## **2. PURPOSE**

The purpose of this Memorandum of Agreement (MoA) (hereinafter referred to as “Agreement”) is to define the working relationship of the Parties and establish a formal engagement mechanism whereby the Parties collaborate to build resilience of Palau through private sector engagement.

## **3. GOAL AND OBJECTIVES**

This Agreement seeks to achieve the common objective of strengthening collaboration between the Parties to enhance private sector engagement in activities related to resilience building, mitigation and disaster risk reduction efforts through increasing access to climate finance with the goal of meeting Palau’s climate targets.

## **4. RESPONSIBILITIES**

The Parties recognise the need to collaborate, and each Party has specific responsibilities within this Agreement. OCC advocates for the needs of the private sector through PCOC and provides additional knowledge, awareness and support that adds to PCOC capabilities. PCOC, as the National Climate Change Coordination Committee (NC4) member for OCC, serves as the private sector focal point to effectively disseminate information and coordinate engagement opportunities with the private sector to meet national targets on climate change.

Schedule One provides an Action Plan that more specifically outlines the roles and responsibilities of each Party during the term of this agreement.

## **5. TERM**

This Agreement shall become effective upon the latter date of the signature of either Party and will have a duration of the Second Climate Change Policy implementation period. This Agreement may be extended by mutual agreement of the Parties.

## **6. AMENDMENTS**

This Agreement may be modified or amended by means of mutual written agreement between Parties.

## **7. TERMINATION**

This Agreement may be terminated by either Party at any time by giving 60 days written notice to the other Party.

## **8. NO JOINT VENTURE**

The Parties agree that they are not entering into a Legal Partnership, joint venture or other such business arrangement, nor is the purpose of the Parties to enter a commercial undertaking for monetary gain. Neither Party will refer to or treat the arrangements under this Agreement as a Legal Partnership or take any action inconsistent with such intention.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the latter date written.

**OFFICE OF CLIMATE CHANGE (OCC)**

\_\_\_\_\_  
Xavier Erbai Matsutaro  
National Climate Change Coordinator

\_\_\_\_\_  
Date

\_\_\_\_\_  
[Witness name]

\_\_\_\_\_  
Date

**PALAU CHAMBER OF COMMERCE (PCOC)**

\_\_\_\_\_  
Ltlatk Fritz  
President of the PCOC Board

\_\_\_\_\_  
Date

\_\_\_\_\_  
[Witness name]

\_\_\_\_\_  
Date

## SCHEDULE ONE: ACTION PLAN

	Action Item	Planned Execution Date
1	The Office of Climate Change (OCC) and Palau Chamber of Commerce (PCOC) will execute a Memorandum of Agreement (MOA) that establishes a formal engagement mechanism and defines responsibilities to build resilience of Palau through private sector engagement.	1st November 2023
2	The Parties will agree on the appropriate institutional arrangement including meeting frequency to effectively measure progress, coordinate, plan and manage climate activities as well as review this Action Plan. Additional meetings will be held at the request of either Party.	9th January 2024
3	The Parties will jointly establish meetings on a quarterly basis or as mutually decided to exchange information between OCC, PCOC and private sector members. Discussions may be targeted by business sector or topic. OCC will report on the latest developments in climate activities, particularly those that are relevant and useful to the private sector. PCOC will report on actions being taken by private sector in response to climate change.	9th January 2024
4	The Parties will collaborate to gather information as per the standards established in the National Communications Report. Data collected will include a record of private sector events and consultations, encompassing participant details, discussion topics and established actions being taken in relation to mitigation, adaptation, disaster risk reduction efforts and loss and damage costs to measure against the current baseline. Additional data will be reported in the event of a natural disaster.	Ongoing
5	OCC will collaborate with and involve PCOC in decision making that involves the private sector, including in the development of emerging national climate targets where the private sector has a role to play, planning future strategy and measuring private sector progress.	Ongoing
6	OCC, as the Green Climate Fund (GCF) Operational Focal Point, will advocate for the private sector involvement in climate-change initiatives, identify and share potential climate-related financing opportunities and technical support relevant to the private sector and PCOC will disseminate climate mitigation and adaptation information to the private sector.	Ongoing
7	PCOC will coordinate capacity building support to enhance private sector administrative skills in accessing climate finance proposals, implementation of support provided and reporting requirements.	Ongoing



## Annex 6: Draft concept notes to inform climate financing proposals

The following preliminary concept notes outline two potential projects that can serve as the basis for climate financing proposals.

### A. Concept Note 1: Climate knowledge and skills for business

#### **Project summary**

Lead agencies: Palau Chamber of Commerce, Office of Climate Change

Location: Koror, Palau

Objective: To conduct an annual private sector event dedicated to climate change education, skills for business and access to climate finance

Indicative cost: USD 50,000 - 100,000 per annum

Potential sources of funding: Pacific Islands Forum Secretariat

#### **Project narrative/rationale**

Climate finance for the private sector is relatively new for Palau, and there is a general lack of awareness and knowledge in relation to understanding climate change, impacts, adaptation and mitigation actions and climate finance. To bridge this gap and enhance resilience, Palau Chamber of Commerce and the national Office of Climate Change seeks to introduce an annual forum or dedicated “Climate Change Month” for the private sector in Palau. This initiative would create the foundations of an information sharing platform to enhance educational capacity of the private sector while also strengthening engagement with the government through participation. In addition, the project would help deliver on the action item within the action plan in the Memorandum of Agreement between Palau Chamber of Commerce and the national Office of Climate Change.

This initiative aims to achieve several outcomes for Palau’s private sector and its engagement in climate finance. Firstly, it seeks to enhance the private sector’s awareness and capacity in the realm of climate finance, empowering businesses with the knowledge and skills required to navigate this relatively new terrain effectively. Furthermore, the project endeavours to foster closer collaboration between the private sector and the government, facilitating an aligned approach towards climate resilience and sustainability. By improving the private sector’s ability to actively participate in climate resilience initiatives, the initiative strives to strengthen Palau’s overall climate resilience.

The event would evolve and grow each year as capacity and knowledge within the private sector are strengthened, to encompass a broader and more comprehensive range of activities, discussions and initiatives. It will serve as a platform for continuous learning, sharing of best practices, and the development of innovative strategies to address climate challenges.

## B. Concept Note 2: Climate Resilient Infrastructure for Malakal Island Western Bay

### Project summary

Lead agencies: Palau Chamber of Commerce, Office of Climate Change, Koror State Government

Location: Malakal Island Western Bay, Koror, Palau

Objective: To build a rock jetty across the bay to serve as a breakwater against typhoon storm surges in the bay.

Indicative cost: USD 700,000 - 750,000

Potential sources of funding: Asian Development Bank, Pacific Regional Infrastructure Facility

### Project narrative/rationale

The Western Bay of Malakal Island, Koror has faced repeated natural disasters, and is highly vulnerable to climate impacts such as typhoons and storm surges. The recent super typhoon Surigae caused extensive damage and resulted in associated high cost for repair to businesses in the harbor area, particularly impacting those on the west side. These climate-related events pose a significant threat to the local economy, especially the tourism sector, which is vital to Palau's GDP. Moreover, large-scale excavation activities on the opposite side of the harbor have generated excess rock with no current plans for its use, potentially exacerbating environmental concerns.

To address these challenges and enhance resilience in the Bay, this proposed project would create a protective jetty from the existing anchor point out to the channel marker. This jetty, situated on the opposite side from the excavation activities, would provide a buffer zone to mitigate the risk of storm impacts, such as surges and damage, on businesses situated along the waterfront including Sam's Tours Palau, Cruise Control Palau, Super Fish Diving, BOFI Belau Offshore Fishers Inc, Marina Café VITA, Rock Island Kayak Expedition, Paddling Palau, Bottom Time Bar and Grill and others. The businesses protected are primarily tourism companies which are vulnerable to economic shocks and impact the Palauan economy.

The project can utilize the existing launching point to create a jetty in the bay. Palau Chamber of Commerce (PCOC) would lead this initiative in collaboration with Kasuweri Pty Ltd, with endorsement from the Koror State Government. The proposed jetty project offers a holistic solution to the challenges faced by Koror Harbor. It leverages the excess rock generated by excavation activities, effectively repurposing it to create a vital protective barrier. This initiative not only safeguards businesses and the local economy from climate-related threats but also addresses environmental concerns by mitigating the negative impact of excess rock disposal on the marine ecosystem.

The project can set a precedent for future coastal protection projects in other vulnerable areas of Palau. Preliminary steps include assessing environmental, social and economic impacts to ensure the project's viability and sustainability.



*Fig 9 Proposed jetty launching point in Malakal Island Western Bay*





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Mapping of Palau's Private Sector Resilience Building Initiatives