

Review of mainstreaming of climate change into national plans and policies:

Palau

November 2013

This summary is based on a consultancy report by **Planning 4 Sustainable Development**, and **The Four Assist network of Experts** commissioned by the Secretariat of the Pacific Community (SPC) through the Global Climate Change Alliance: Pacific Small Island States (GCCA:PSIS) project, funded by the European Union.

Executive Summary

The purpose of this report is to summarise a review of the degree to which climate change has so far been mainstreamed in national strategic plans, policies and budgets, and – in a sectoral case study (presented in Annex 1) – the extent to which mainstreaming has translated to implementation.

Table 1 shows the criteria used in this review to assess the degree of mainstreaming of climate change, as well as some general remarks in relation to the review’s findings for Palau.

Table 1. Criteria for mainstreaming and general findings of this assessment

Criteria	Overall assessment
<p>Objectives related to climate change are present in national development and environment policies, as well as in key sectoral policies</p>	<p>Climate change is not comprehensively addressed in national and sector plans. A climate change policy is under preparation, and various other plans note risks associated with climate change although without identifying responses and actions. Energy appears to be the only sector with a concrete action plan related to climate change, despite the country’s First National Communication to the UNFCCC highlighting agriculture, forestry and coastal and marine systems as priorities.</p>
<p>Responsibilities for responding to climate change are clearly defined within government</p>	<p>Roles and responsibilities are defined in individual sector plans and strategies, but it is not clear how the various national committees relate to each other.</p>
<p>Specific climate-related activities are outlined and planned for in these documents</p>	<p>Policies and plans contain broad statements of intent, rather than activities and few measurable outcomes or targets, with the exception of the energy policy. Many of the current policies refer only to the development of implementation plans and focus on strengthening management and institutional structures.</p>
<p>Budgets are clearly allocated for the above activities</p>	<p>The lack of outcomes and targets relating to climate change make it difficult to allocate resources accordingly. It is not clear how resources for climate change are prioritised, given the lack of sector plans and weak medium term budgeting framework.</p>
<p>Monitoring and evaluation frameworks are in place for following up on delivery of climate objectives and implementation of activities</p>	<p>The policies and plans lack implementation detail and there are no identified processes for monitoring and review.</p>
<p>The various policies and plans are coherent on the issue of climate change</p>	<p>Links between national plans are relatively weak.</p>
<p>The climate-related goals in these policies and plans have the</p>	<p>Community engagement is being developed through programs such as IWRM, and raising community</p>

buy-in of different stakeholders , meaning they are accepted, supported and promoted across government and within civil society and, ultimately, local communities	awareness is included as a strategy in several national/sector plans.
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Mainstreaming of climate change is one of the key criteria set by the EU that must be met before countries might be able to access climate finance through the modality of budget support. Other important criteria relate to public financial management, specifically that countries have a stable macro-economic framework, a public finance reform process underway, and a clear and transparent budget process. Annex 3 of this report therefore also very briefly discusses the status of, and expected milestones for, Palau’s public financial management roadmap.

Recommendations

The following actions would improve mainstreaming efforts:

1. Finalisation of a national climate change policy and action plan, linked to existing national and sector plans;
2. Preparation of implementation plans for existing national and sector policies that contain clear outcomes, targets and costed activities in relation to climate change priorities;
3. Development of sector plans that capture Palau’s adaptation priorities as expressed in the First National Communication to the UNFCCC;
4. Development of a framework for policy and plan monitoring and evaluation;
5. Establishment of a program of legislative review relating to climate change;
6. Identification of climate change expenditure within departmental budgets, and alignment of donor climate change funds with sector plans and capital and recurrent budgets; and
7. Develop a program of activities to be funded through the Climate Change Fund.

1. Assessment of climate change mainstreaming

This profile examines how climate change has been mainstreamed in national and sector policies, plans and strategies in Palau. It explores the extent to which climate change objectives have been achieved, linkages between policies and climate change financing, and the extent to which policies are supported by institutional arrangements and financial and budget processes. It is based on publicly available reports and information that was availed by both regional and country representatives.

The following national plans and strategies were examined for this review:

- Actions for Palau’s Future The Medium-Term Development Strategy 2009 to 2014;
- National Disaster Risk Management Framework (NDRMF) 2010;
- Environmental and Natural Resources Development Action Plan 2008;
- National Action Program to Combat Land Degradation 2004;
- Energy Efficiency Action Plan 2008;
- Strategic Action Plan Energy Sector 2009 (ESSAP);
- National Biodiversity Strategy and Action Plan (undated);
- Palau National Invasive Species Strategy 2004;
- Draft National Energy Policy 2009

The *National Disaster Risk Management Framework Implementation Plan* and the *National Water Policy 2012* were unavailable for review.

The summary below provides an overview of the degree to which climate change has been mainstreamed in these key documents, while further details are given in Annex 2.

1.1 Incorporation of climate change into national policy objectives

Climate change is not comprehensively addressed in national and sector plans. A climate change policy is under preparation, and various other plans note risks associated with climate change although without identifying responses and actions. Energy appears to be the only sector with a concrete action plan related to climate change, despite the country’s First National Communication to the UNFCCC highlighting agriculture, forestry and coastal and marine systems as priorities.

There is currently no climate change policy, but one is now under preparation. While there have been various climate-related activities taking place in Palau over recent years, there has not been a coordinated national framework guiding these various initiatives and activities across multiple sectors and organisations. Development of a national climate change framework is intended to provide guidance to better streamline and coordinate effort.

Insofar as hazard risks are climate-related climate change, the Disaster Risk Management Framework currently represents the most relevant climate change policy in Palau. The *National Disaster Risk Management Framework* establishes an institutional and procedural framework for DRM but does not contain any outcomes or targets. There are no stated linkages to climate change activities, apart from requiring relevant committees to work together.

Palau’s *Medium Term Development Strategy 2009-2014* (MTDS) refers to climate change as an environmental threat. One of its strategies is to review and strengthen environmental legislation (including completing existing draft laws, such as on climate change), establish minimum environmental standards for resources other than water, and “address previously unforeseen risks including climate change and bio-security”. It includes an action to incorporate environmental management (and CRMA) in sector plans, which is accorded a high priority. The MTDS also explicitly links the development of an energy policy with climate change policy.

The *Environmental and Natural Resources Development Action Plan* (ENRDAP) notes that a draft climate change adaptation policy put before the House in 2007 is still pending. It repeats the intention

of the MTDS to revise EIS regulations to address the impacts of climate change on projects (as well as the impacts of the projects themselves), and reproduces the MTDS actions. There are no outcomes or targets, or reference to any program of legislative review.

The *Energy Policy* and associated sector and energy efficiency action plans are important mitigation strategies. The Energy Policy contains targets of a 20% contribution by renewable energy to the energy mix by 2020 and a 30% reduction in energy consumption through energy efficiency and conservation efforts.

The *National Biodiversity Strategy and Action Plan* refers to the need for more research on climate change and the National Invasive Species Strategy notes that climate change is a contributing factor in the establishment of invasive species.

1.2 Defined responsibilities for climate objectives

Roles and responsibilities are defined in individual sector plans and strategies, but it is not clear how the various national committees relate to each other.

The Office of Environmental Response and Coordination (OERC), established in 2001, is responsible for coordinating climate change activities, and the National Emergency Management Office oversees disaster risk management.

There are a number of national coordinating committees, such as

- The Hazard Mitigation Sub-committee (HMSC) of the National Emergency Committee (NEC) is the central mechanism to ensure the incorporation of DRM in development planning and decision-making;
- The Environmental Quality Protection Board oversees regulations regarding earthmoving, marine and freshwater quality, pesticides, Environmental Impact Statements (EIS), and air pollution control and is the clearing-house for all physical development activities within Palau.
- A multi-sectoral National Environmental Protection Council (NEPC) was created in 2002 to provide coordinated planning and staffing for climate change, biodiversity management and land degradation.

It is not clear how these bodies relate to each other or how they contribute to achieving the MTDP's development priorities.

UNISDR (2012)¹ notes that Palau's states have special responsibilities for environmental protection, resource management, land-use planning, health and welfare and so could be expected to play a major role in implementing adaptation to climate change. However, apart from Koror, the States lack significant administrative and operation systems independent of the national government. Moreover, traditional governance systems are embedded in the country's modern governance structures. For these reasons, implementation of adaptation initiatives has not proceeded at a pace that might have been expected.

The national congress passed a House Joint Resolution No. 8-68-13 in June 2012 which provides for the creation of a Ministerial Climate Change Committee to establish a clear policy and framework of action regarding climate change issues. Development of a National Climate Change Policy Framework will be through a specially designated multi-disciplinary team, which will report on progress to the recently reformed National Environment Protection Council.

¹ UNISDR (2012). Disaster Risk Reduction and Climate Change Adaptation in the Pacific: An Institutional and Policy Analysis.

1.3 Specific climate-related activities defined and planned for

The policies and plans contain broad statements of intent, rather than activities. There are few measurable outcomes or targets, with the exception of the energy policy. Many of the current policies refer only to the development of implementation plans and focus on strengthening management and institutional structures.

The NDRMF calls for an annual meeting of the Hazard Management Sub Committee to coincide with Palau's budget planning cycle to plan and identify risk mitigation activities (and resources for their implementation). Risk reduction activities are to be factored into annual business and action plans of responsible agencies.

The *Environmental and Natural Resources Development Action Plan* suggests a number of general activities that could be supported by the Climate Change Fund, but there is no proposed program of project development.

Palau's *Medium Term Development Strategy 2009-2014* (MTDS) contains a number of relevant actions, described above.

In the energy sector, the *Energy Efficiency Action Plan* contains a list of projects with costings and timeframes, but makes no reference to climate change or national energy policy, national development priorities, or sector plans. The ESSAP contains strategies and actions, with costings and timeframes. Its main reference to climate change is that, given the likelihood of an increase in frequency of such events in the future, energy technology employed in Palau has to be cyclone proof.

Many of Palau's plans and policies were developed through technical assistance, including the MTDS (Facility for Economic and Infrastructure Management, ADB), the NDRMF (SOPAC), ENRDAP (Facility for Economic and Infrastructure Management, ADB) and Energy Efficiency Action Plan (EU, REP 5). This is an example of how funded projects can tend to take an ad hoc approach, with a lack of alignment with national and sector priorities.

According to the Adaptation Partnership (2011),² there is a low level of adaptation action in Palau at the project and program level. It identified a number of actions at the regional level, including involvement in three large regional projects relating to policy integration. Projects identified addressed needs in coastal and marine resources, agriculture, water, forestry and tourism. The Asian Development Bank (ADB), Global Environment Facility (GEF), Special Climate Change Fund (SCCF), and the governments of Australia, Canada, Germany, Japan and the United States are active in the implementation of Palau's adaptation projects.

1.4 Budgets for implementation of climate objectives

The lack of outcomes and targets relating to climate change make it difficult to allocate resources accordingly. It is not clear how resources for climate change are prioritised, given the lack of sector plans and weak medium term budgeting framework.

The only reference to budgets and resource allocation is in the NDRMF. It states that the Bureau of Budget and Planning (BoBP) under the Ministry of Finance will receive from the NEC programs/projects or sector plans with strategies and actions requiring funding assistance for implementation. The NEC is to ensure that these programs/projects/plans have been subjected to a thorough disaster risk assessment process by the Hazard Mitigation Subcommittee, in conjunction with other relevant agencies such as the Environmental Quality Protection Board, before they are submitted to BoBP.

² Adaptation Partnership (2011). Review of Current and Planned Adaptation Action: The Pacific – Palau

1.5 Frameworks for monitoring and reporting on implementation

The policies and plans lack implementation detail and there are no identified processes for monitoring and review.

In general, arrangements for reporting, monitoring and evaluation are not specified, except in very general terms. The policies and plans lack implementation detail and there are no identified processes for monitoring and review, apart from the requirement for the HMSC to hold an annual progress review in line with the budget cycle. Neither the energy nor biodiversity plan contains outcomes or targets.

1.6 Policy coherence and consistency

Links between national plans are relatively weak.

Climate change links between national plans are weak, and there are few sector plans. The ESSAP contains strategies and actions to implement the *Energy Policy* targets, but these tend to be assessments, reviews, and investigations. The climate change priorities in the First National Communication, including policy and planning, do not appear to have been captured in national or sector plans.

1.7 Stakeholder support and ownership

The government is generally committed to climate change adaptation principles and activities. However, there is a gap in the government's understanding of the anticipated impacts of climate on overall economic development, livelihood security, food security and infrastructure resilience (UNISDR, 2012).³

Community engagement is being developed through programs such as IWRM; raising community awareness is included as a strategy in several national/sector plans.

In development of the national climate change policy, several workshops, surveys, national and state-level review of relevant legislation and policies were undertaken, with a focus around two areas: Gaps and Needs Analysis and Community Engagement Strategy. These preliminary activities are intended to guide the development of the national policy framework.

³ UNISDR (2012). Disaster Risk Reduction and Climate Change Adaptation in the Pacific: An Institutional and Policy Analysis.

Annex 1

Sector Evaluation – Palau Energy Policy 2010

Palau has a number of energy policies and action plans. The *Energy Policy 2010* is designed to both guide development and provide a response to the challenges of climate change, to reduce GHG emissions and increase energy security, and therefore resilience. The Energy Sector Strategic Action Plan (ESSAP) provides the framework for implementation of the energy Policy. The Energy Efficiency Action Plan is a REP 5 project to implement specific initiatives.

There are clear targets for renewable energy development and energy efficiency, and the performance indicators attached to the ESSAP provide the means for monitoring progress. However, monitoring arrangements are not detailed in the policy and action plans, and it is unclear how progress is tracked and how the actions are operationalized at a ministry/agency level.

There are a number of donor programs funding renewable energy and energy efficiency projects, but it is difficult to say whether they are directly linked to the policy and action plans.

Table A1 below canvasses the mainstreaming elements of the Plan.

Table A1: Review of Sector Plan

Plan objectives and outcomes	
Are objectives clearly defined?	<p>The Energy Policy vision is ‘for a reliable and resilient energy sector delivering Palau sustainable, low emissions energy services’</p> <p>The Energy Efficiency Action Plan provides actions for reducing the Republic’s energy consumption, both in the public and private sector.</p>
How do the objectives relate to national CC priorities as expressed in the national climate change policy (if applicable) and the national development plan?	<p>A national climate change policy is under preparation</p> <p>Palau’s Medium Term Development Strategy includes energy as an important aspect of sound resource management, and includes an action to develop an energy policy linked to climate risk management and adaptation (CRMA).</p> <p>Climate change mitigation and adaptation are implicit in the Energy Policy.</p>
Does the plan contain CC-related outcomes, targets and/or indicators?	<p>Key targets are:</p> <p>A 30 % reduction in overall national energy consumption by 2020.</p> <p>Measurable and substantial improvement of energy efficiency by 2020, in at least 80% of households, businesses and government buildings.</p> <p>Renewable energy will provide a minimum of 20% of electrical energy generated in Palau by end 2020.</p> <p>A continuous reduction of PPUC energy losses by at least 5% per year until a level of losses consistent with industry best practice benchmarks is reached.</p> <p>The Energy Sector Strategic Action Plan (ESSAP) 2009 includes performance indicators for each action listed.</p>
Are actions prioritized, costed and sequenced?	<p>The Energy Policy contains a series of statements of intent, rather than specific actions, though there are indications these are being followed through on. For example, the Policy’s proposal that ‘innovative financing mechanisms and incentives’ be provided through the banking sector to achieve investment in energy efficiency measures has been actioned, and</p>

	<p>national representatives note that this has supported one of the best-practice energy projects within the region, with regional development banks working with Palau National Development Bank to replicate the project in other countries.</p> <p>The ESSAP identifies lead agencies, timelines, cost estimates and potential funding sources for each action listed.</p> <p>The Energy Efficiency Action Plan includes a provisional implementation schedule.</p>
Consistency of donor programs with policy objectives	<p>The EU has funded mitigation projects to increase the use of renewable energy and increase energy efficiency. The Energy Efficiency Action Plan was funded through the REP 5 program. Japan has funded a solar-powered desalinization plant, which will also reduce diesel consumption and reduce GHG emissions.</p> <p>Action 1.2.2 of the ESSAP is to Coordinate donor initiatives in the energy sector and ensure compatibility of donor funded projects with the National Energy Policy and its related Strategic Action Plan.</p> <p>National representatives note that one of the major factors behind the development of a National Energy Policy and Strategic Action Plan with project pipeline is to ensure that future externally funded projects are country-driven and reflect national priorities, rather than driven by development partners.</p>
Plan development	
Which ministries were involved in the development of the plan? Was the Ministry of Finance involved?	<p>The Palau Energy Office (within the Ministry of Public Infrastructure, Industries & Commerce) was tasked to develop an National Energy Policy (made possible through funding from the European Union REP-5 Program being implemented by the Energy office). The policy was subsequently developed by a working group lead by the Palau Energy Office and including representatives from the Office of the President, the Office of Environmental Response and Coordination (OERC) and other stakeholders. It was refined through a series of consensus building workshops. Ministry of Finance was not involved.</p>
Implementation	
Is there an implementation plan? Which agency/agencies are responsible for implementation?	<p>The Energy Policy calls for an Energy Act and the establishment of a National Energy Committee (NEC). The finalisation of an Energy Sector Framework and Energy Act is currently underway (scheduled for completion end of 2013 for submission to the government), and is intended to clearly identify the roles of each stakeholder (PEO, PPUC, NEC). National representatives note the Energy Act will give more teeth to the policy and its implementing agency, with defined mandates and authority.</p> <p>The NEC has been the overseeing body of the implementation of the Policy with the chair of the committee being the Palau Energy Office (PEO). There is a Terms of Reference for this committee.</p> <p>The Energy Policy refers to the Palau Energy Conservation Strategy (PECS) as a means to promote the replacement of inefficient appliances. The PECS provides strategies and practical action plans to support the Government in its effort to reduce its energy consumption.</p> <p>The Energy Sector Strategic Action Plan 2009 provides the implementation framework for the Energy Policy, including institutional and regulatory reforms. It includes a project pipeline, with 18 projects covering energy efficiency, renewables assessments, upgrading</p>

	<p>distribution systems and education and public relations programs.</p> <p>The ESSAP notes that the Palau Public Utilities Corporation (PPUC) has been ineffective and unable to supply power continuously. A key strategy of the ESSAP is to establish a regulatory framework and tariff regime that underpins PPUC's commercial viability and ability to effectively plan and implement necessary upgrading of its assets. While PPUC's Master Plan is currently undergoing review and revision to support the National Energy Policy, a Renewable Energy Framework with several deliverables has been completed and adopted by the corporation. Further, a tariff study review was conducted (as a consultancy provided by SEDREA with GEF funding) and its recommendations adopted, in order to provide financial stability as one initiative to allow the company to move toward full cost recovery.</p> <p>The Energy Efficiency Action Plan represents a partial implementation of the Energy Policy and ESSAP (action 2.1.2).</p> <p>The Energy Policy is being implemented in a practical way through, for example, the energy loan programs being offered by the Palau Development Bank. National representatives note that the Energy Loan Program has proven a successful vehicle for mobilising key actions that will increase energy security in Palau. Examples given include: (i) Net-metering Act, and Renewable Energy Framework cover policy and regulation; (ii) The programs support domestic development of suitable technologies, with the result that there is now greater availability of affordable renewable energy and energy efficient technology on island; and (iii) Local capacity building initiatives supported by developing RE and EE courses delivered through the Palau Community College for contractors and other students.</p>
How will the actions be financed?	<p>Under the Energy Policy it will be the responsibility of the Energy Administration to pursue funding for energy initiatives within the region and globally, including the Framework for action on Energy Security in the Pacific, the Green Energy Micronesia</p> <p>(GEM) initiative and various climate change initiatives in the UNFCCC framework. Potential funding sources are identified for each of the actions of the ESSAP.</p> <p>The Energy Policy also signals the Palau Government's intention to encourage private sector investment in energy efficiency and renewable energy projects.</p> <p>The Energy Efficiency Action Plan is to be funded largely through EU donor programs.</p>
How is the plan aligned with the budget process? Is there an example of a relevant ministry operational plan?	Not specified
Is expenditure consistent with the plan?	National representatives note that this will hopefully be addressed through the forthcoming Energy Sector Framework and Energy Act
Monitoring and evaluation	
How are the outcomes monitored?	The ESSAP assumes that monitoring will be carried out on a six monthly basis by the NEC
What are the reporting arrangements?	Annual reports to the Minister of Public Infrastructure Industries and Commerce

How are the results communicated/publicized?	Meeting Minutes and press releases were noted by national representatives
How often is the plan reviewed, and how?	5 year review (next scheduled for 2014)

Annex 2

Evaluation of policies, plans and strategies

CC specific objectives	Strategies	Outcomes/results	Implementation plan/monitoring and review	Links to other plans re CC
<p>Goals are development-oriented</p> <p>Climate change seen as a threat to the environment</p>	<p>Update and improve key legislation (EQPA and regulations)</p> <p>Strengthen the environmental management policy framework</p> <p>Strengthen and simplify environmental management structure</p> <p>Fully support States in resource management</p> <p>Improve enforcement and compliance</p> <p>Improve infrastructure to support environmental management</p> <p>Improve the general capacity for environmental management</p> <p>Ensure adequate funding for environmental management activities</p> <p>Improve environmental management monitoring and evaluation</p> <p>Improve collation and management of data</p>	<p>Establish minimum environmental standards for resource other than water; and, address previously unforeseen risks including climate change and bio-security</p> <p>Establish a national strategic plan for environmental response linked with updated Disaster Management Plan (identifying CRMA mechanisms)</p> <p>Location of Energy Office within Ministry of Natural Resources Environment and Tourism (MNRET)</p> <p>Facilitate better communication between national and state levels through regular formal forum to discuss resource management issues and CRMA</p> <p>Complete and implement energy (including renewable sources and conservation) policy linked with CRMA; develop and implement a comprehensive energy conservation program for all government facilities and ability to impose sanctions for non-compliance</p> <p>Support a community awareness function so that the community can (i) understand need for resource management, compliance and monitoring; (ii) risks such as climate change (iii) potential value of land and how to realize that land for their benefit; and (iv) understand and address any adverse impact on the environment from economic development and economic uses of land;</p> <p>Improve evaluation, prioritization and</p>	<p>Partially costed and prioritized action plan</p> <p>Total cost for environmental strategies: \$1.185 million</p>	<p>Links between energy and CRMA</p>

CC specific objectives	Strategies	Outcomes/results	Implementation plan/monitoring and review	Links to other plans re CC
		monitoring techniques through establishment of policies and plans formulated with a framework for evaluation of investments that takes into consideration environmental impacts		
The Framework outlines an institutional structure to ensure effective coordination and collaboration in preparing for and responding to, sustainable mitigation against and recovery from the impact of hazards that are of high risk to Palau	All development plans should include reports/statements on disaster risk assessments and plans on mitigation, preparedness, response and recovery	It is a procedural document rather than a plan; there are no outcomes or targets.	Implementation plan unavailable for review. The Framework sets out the roles and responsibilities of agencies and committees	The Framework makes specific reference to the 2020 Palau National Master Development Plan (PNMDP) and ‘numerous national, state and community development plans’ The Framework is intended to establish the platform from which sector policies, plans, and programs can be developed
	Revise EIS regulations to address contribution of projects/developments on factors of climate change as well as the possible impact of climate change on the proposed development and attendant mitigations required Air Pollution Regulations – revised to address the major risks in Palau (i.e. unlikely to need to address coal-fired power plants or large scale industrial factories) and point source and non-point source polluters (including emissions from motor vehicles), and link with proposals in climate change bill in respect of	None specified	Suggests a number of activities which could qualify for CCF support: i. Climate-proofing vulnerable investments (e.g. energy, transport, industry, urban and rural development); ii. Enhancing the climate resilience of key sectors (e.g. agriculture, natural resource management, water resource management), economic development planning, and/or disaster preparedness and	Repeats the CC strategies set out in the MTDS Table 3.3 (p.33) sets out the integration of the action plan with proposed CRMA Road Map Adaptation Measures (CRMA Road Map prepared in 2008 with support from

CC specific objectives	Strategies	Outcomes/results	Implementation plan/monitoring and review	Links to other plans re CC
	emissions regulations;		response; iii. Responding to special threats facing the Asia and Pacific region especially those in (i) arid, rain-fed agricultural areas; (ii) densely populated coast lowlands and deltas; and, (iii) low-lying islands; iv. Providing opportunity for leveraging and upscaling; and v. Reducing emissions from deforestation and degradation (REDD), and land use changes.	ADB)
<p>Vision: Palau will achieve sustainable development and all activities will be oriented to strengthen efficiency of sustainable land management and utilization of natural resources to meet the demand of social development at an appropriate level. Management, scientific and technological capacity will be fully developed and will work in a synchronous process with all sectors and at all levels.</p>	<p>Planned activities: Providing enabling conditions: legislative review and public awareness Land degradation inventory and monitoring Promoting agroforestry Monitoring and mitigating the impact of drought (including CC impacts) Prevention of land degradation Rehabilitation of degraded lands Improving water delivery system and increasing water conservation activities Monitoring and evaluating climatic variation Empowerment of local communities and institutions Establishment of sustainable land management plans</p>	None specified	<p>Proposed projects: Building capacity of local communities for development and management of terrestrial, coastal and mangrove protected areas on Babeldaob Island, Palau Documenting the forests of Palau Promoting agroforestry</p>	None identified
Improved institutional arrangements for energy	Development of Energy Act, National Energy Committee, including	The government expects measurable and substantial improvement of energy efficiency by	Strategic Action Plan Energy Sector 2009 includes costed	The policy states: This Energy policy

CC specific objectives	Strategies	Outcomes/results	Implementation plan/monitoring and review	Links to other plans re CC
sector management Energy efficiency and energy conservation Renewable energy Imported fuels and hydrocarbons Electric power	representation from the Parliament, government offices, NGOs and the private sector Preparation of a hydrocarbon code, model agreements, and related environmental, operational, and tax regulations Laws and regulations will be introduced to ensure security, reliability and efficiency of electricity supply. PPUC will be allowed to recover all cost associated with the supply of electricity. Private sector participation in electricity supply will be encouraged through a transparent enabling framework	2020, in at least 80% of households, businesses and government buildings Renewable energies will therefore be promoted so that such energy will provide a minimum of 20% of electrical energy generated in Palau the end of 2020	activities with performance indicators Energy Efficiency Action Plan 2008 contains a list of costed activities	is linked to government policies on economic development, sustainability, climate change; infrastructure, transport, resource management, and education, science and technology
Climate change as a threat to biodiversity	No specific climate change-related strategies or actions	None specified	No specific climate change-related strategies or actions	It also supplements the National Master Development Plan (NMDP 1996) and other sustainable development strategies, as well as Palau's strategy to deal with climate change (Climate Change report, 2000).
Notes climate change as a contributing factor to the establishment of invasive species.	No specific climate change-related strategies or actions	None specified	No specific climate change-related strategies or actions	None specified

Annex 3

Public financial management roadmap: Summary of the progress of PFM systems

In addition to mainstreaming of climate change, three other criteria are important as precursors to being considered for budget support by international development assistance partners, namely a stable macro economic framework, a public finance reform process underway, and a clear and transparent budget process. These all relate to public financial management.

The most recent IMF assessment required significant fiscal reform by the Government to enable long term financial sustainability. The Government's current fiscal policy is not yet consistent with these policy recommendations. These reforms included reductions in fiscal outlays in conjunction with comprehensive taxation reform. The combination of these measures would provide for sustainable debt management and improve resilience to external shocks through the provision of fiscal buffers.

Government policy has been to improve private sector development and it has made improvements to facilitate foreign direct investment through legislative and administrative changes. As reported earlier Climate change is not comprehensively addressed in national/sector plans or the budget. It was not possible to assess from published information the extent to which Government policy addresses investment in natural capital or the access to services in the country.

In terms of public financial management, efforts are under way to implement a medium-term budget framework in FY 2013. There is also considerable scope to further strengthen budget execution and cash management. The banking system remains sound and the Financial Institutions Commission (FIC) has made progress in strengthening banking supervision. To safeguard stability, a priority is to bring non-bank financial institutions, including the National Development Bank, under FIC's oversight. Further efforts to promote private sector development are advised (SPC, 2012).

A PEFA assessment is to be supported by PFTAC in 2013 and a Peer review was started in May 2013. The result of these assessments was not available to the consultants, however based on the 2013 budget it appeared that considerable work is required to improve budget transparency. The IMF has reported that poor budgeting, in the past, has reduced the credibility of the enacted budget and has required frequent supplementary budgets. It was not possible to determine the level of auditing or oversight of budget implementation.

Modalities

According to the ENRDAP, resources can be accessed through a Climate Change Fund (CCF) as part of a new ADB project, or as an addition to an ongoing project. The Palau Development Bank receives donor funding for three energy efficiency loan programs.

There is currently no budget support for climate change. It would appear that considerable PFM improvement would be required to enable direct budget support for climate change activities.

A summary of the progress of PEFA assessments, reviews and PFM Roadmaps is presented in the table below.

PEFA & PFM Roadmaps/status	Reviews/outcomes	Progress/proposed actions	Trust/other relevant funds
<p>No Draft or final PFM roadmap was available for review.</p> <p>PFTAC TA has achieved:</p> <ul style="list-style-type: none"> -Strengthened cash management -Groundwork for development of medium- 	<p>PEFA assessment to be supported by PFTAC in 2013</p> <p>Peer review started in May 2013</p>	<p>PFTAC Country Strategy 2012-14</p> <p>Support for ADB project to develop medium term budgeting</p> <p>Support to build capacity to produce National Accounts</p>	<p>National Development Bank of Palau est. 1982. Operates three energy loan programs:</p> <p>EESP energy efficiency home loan program (mortgage subsidy provided by Govts of Italy and Austria, managed by IUCN). Renewable Energy Subsidy Program, part funded through</p>

<p>term budgeting</p> <ul style="list-style-type: none"> -Revenue compliance strategies -Strengthened bank supervision through the adoption of regulations -Improved bank reporting -Establishment of an on-site supervision program -Methodologies for producing a broader range of national income and balance of payments statistics 		<p>and Balance of Payments statistics</p>	<p>GEF SEDREA project.</p> <p>RETROEnergy Efficient Subsidy Program, micro finance loans with subsidy provided by EU through North REP.</p> <p>Government is unable to meet the demand. Success has been achieved by building on existing systems, linking to utilities for implementation, private sector and working with government to ensure that policies that support the programs could be developed</p> <p>Protected Areas Network (PAN) fund generates approx. \$30 million per annum. Half goes to budget support and the remainder goes to the States, with some funds left for re-granting. The PAN fund board does not have strict criteria for the grants that go to the States or strong oversight for the reporting of that expenditure. Also, there is a trust fund from the US for weather services. There is a need to strengthen these services to support climate change.</p> <p>Micronesia Trust Fund exists (a regional fund) and Palau seeks to double the funding received; also complete the NIE accreditation.</p>
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