



# PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

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## PART I: PROJECT INFORMATION

Project Title:	Advancing sustainable resource management to improve livelihoods and protect biodiversity in Palau		
Country(ies):	Palau	GEF Project ID: <sup>1</sup>	5208
GEF Agency(ies):	UNEP (select) (select)	GEF Agency Project ID:	0934
Other Executing Partner(s):	Government of Palau (Office of Environmental Response and Coordination)	Submission Date:	2013-12-19
		Resubmission date:	2014-01-31
GEF Focal Area (s):	Multi-focal Areas	Project Duration (Months)	48
Name of parent program (if applicable):	UNDP Pacific Islands Ridge-to-Reef National Priorities – Integrated Water, Land, Forest and Coastal Management to Preserve Biodiversity, Ecosystem Services, Store Carbon, Improve Climate Resilience and Sustain Livelihoods 5395	Project Agency Fee (\$):	337,294
• For SFM/REDD+ <input checked="" type="checkbox"/>			
• For SGP <input type="checkbox"/>			
• For PPP <input type="checkbox"/>			

### A. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK<sup>2</sup>:

Focal Area Objectives	Trust Fund	Indicative Grant Amount (\$)	Indicative Co-financing (\$)
(select) BD-1	GEFTF	1,376,147	6,139,002
(select) BD-2	GEFTF	1,055,046	6,313,600
(select) LD-3	GEFTF	412,844	1,247,167
(select) SFM/REDD-1	GEFTF	743,119	1,330,146
IW-1 (select)	GEFTF	160,550	700,000
(select) (select)	(select)		
(select) (select)	(select)		
(select) (select)	(select)		
(select) (select)	(select)		
Total Project Cost		3,747,706	15,729,915

### B. INDICATIVE PROJECT DESCRIPTION SUMMARY

<b>Project Objective: To effectively conserve and sustainably use biodiversity and maintain ecosystem goods and services in Palau by building institutional capacity to integrate the Palau Protected Area Network (PAN) with the Sustainable Land (SLM) initiative, and fostering a ridge-to reef approach across and within these initiatives.</b>						
Project Component	Grant Type <sup>3</sup>	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Cofinancing (\$)
1.Improving Palau's Protected Area Network	TA	PAN National Strategy under implementation with all 16 States engaged in PAN (baseline is 9)  PAN management capacity and coordination improved	1.1 PAN National Strategy completed and endorsed and including outputs: 1.1.1 Gap analysis of PAN coverage of important biodiversity/ecosystem services with coverage	GEFTF	1,583,944	7,644,501

<sup>1</sup> Project ID number will be assigned by GEFSEC.

<sup>2</sup> Refer to the reference attached on the [Focal Area Results Framework and LDCF/SCCF Framework](#) when completing Table A.

<sup>3</sup> TA includes capacity building, and research and development.

		<p>at all levels (site, state, national) and long-term sustainability and management effectiveness of PAN sites (new or existing) measurably improved, including adding not less than 4 protected areas to help ensure ecological representativeness .</p> <p>States and local communities are measurably more aware and involved in PAN and are active in management and monitoring processes.</p> <p>PAN Sustainable Financing needs reviewed, planned and programmed and monitored in implementation.</p> <p>Palau closer to meeting Micronesia Challenge Endowment TF 2020 target goal.</p>	<p>(ha) of unprotected ecosystems and unprotected threatened species identified. Gap analysis will assess the use and opportunities for a ridge to reef approach for existing and new PAN sites.</p> <p>1.1.2 METT: agree 3 sets of harmonized national and state level PAN site monitoring and evaluation tools (marine, terrestrial, socioeconomic) which are aligned with METT, with full trial and evaluation of Palau METT tool by project end.</p> <p>1.1.3 SITE MANAGEMENT: at least 4 PAN sites meet a minimum METT score, and at least 5 other sites show increasing trends, towards effective conservation (e.g. reduction in over/illegal harvesting)</p> <p>1.1.4 OUTREACH programme reaching at least 80% of stakeholders in 8 states designed, trialed and integrated to ensure community stakeholder buy-in and support community engagement.</p> <p>1.1.5 SLM LINKS: National PAN Strategy makes demonstrable functional linkages with National SLM Action Plan in at least 4 areas (IAS, climate change, SFM, ridge-to-reef planning).</p> <p>1.1.6 NEW SITES: four (4) new sites added to the PAN, adding at least 95,000 ha marine area and 6300 ha terrestrial area, significantly</p>			
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			<p>increasing the amount of area currently protected in the PAN (11,000ha marine and 2,100ha terrestrial)</p> <p>1.2 Ongoing implementation of Palau PAN SUSTAINABLE FINANCE PLAN and commitment to the Micronesia Challenge</p> <p>1.2.1 Sustainable financing needs for PAN sites reflected in their State's management plans.</p> <p>1.2.2 PAN revenue generation assessment from local and non local sources at project inception (baseline) and project end show increasing financial support.</p>			
2. Effective implementation of Palau's Sustainable Land Management (SLM/SFM) Policy	TA	<p>Effective implementation of National SLU Policy.</p> <p>Enhanced and effective national coordination of SLM/SFM across all sectors and levels of government (state, national).</p> <p>Recognition, integration and complementarity of the National PAN Strategy with the wider National SLM Action Plan.</p> <p>Institutional infrastructure (land use plans) in place to enable reduced land-based pollution from land based activities.</p>	<p>2.1 National SLM Action Plan designed and agreed and cognizant of a ridge to reef approach and including outputs of:</p> <p>2.1.1 COORDINATION: agreement for a national coordinating mechanism and body for SLM with representatives from at least 6 sectors (government, NGO, Academia, business, community, PAN), with associated capacity building and resourcing to ensure its function.</p> <p>2.1.2 STATE SLM PLANS for at least 8 of Palau's 16 states completed, including development and testing of evaluation measures.</p> <p>2.1.3 RIDGE TO REEF – national guidelines completed and agreed for a) local food production and</p>	GEFTF	1,016,115	5,990,913

			<p>security; b) protection of water sources; c) safe wastewater and solid waste systems; d) maintenance of historic and cultural sites and biodiversity; e) fair and realistic access to resources and services; f) mitigating the threat from invasive alien species; and g) improving climate change adaptation), h) improving sustainable forest management, and inclusion of guidelines in the 8 State SLM Plans</p> <p>2.1.4 PAN linkages: National SLM Action Plan will recognize, integrate and complement the National PAN Strategy.</p> <p>2.1.5 DEMONSTRATION CATCHMENTS: active management in at least 1 catchment demonstrating use of guidance from the National SLM/ Action Plan, a R to R approach, consistency with their respective State SLU Plan, integration with a PAN site's management and measurable change in key SLU indicators eg reduction in sedimentation.</p>			
<p>3. Integrated Coordination, Mainstreaming &amp; Project Management: integrated knowledge management, outreach design, coordination, lessons learned dissemination, regional and international engagement, programme management,</p>	TA	<p>Effective integrated EA role by the Office of Environmental Response and Coordination (OERC) for component outcomes ensuring cross sectoral mainstreaming of investments, implementation and results.</p>	<p>3.1 Effective EA management and technical support role of OERC including:</p> <p>3.1.1 Midterm and final evaluation conducted.</p> <p>3.1.2 Project-related "lessons learned" published with at least one document highlighting R to R lessons and shared</p>	GEFTF	969,185	1,994,501

<p>monitoring and evaluation.</p> <p>Component ensures complementary processes and frameworks between PAN and SLM/SFM for cross sectoral issues (invasive species, endangered species, sustainable forest use, 'ridge to reef', climate change and local capacity building)</p>		<p>Two –way peer learning approach fostered through participation in regional initiatives (Micronesia Challenge, R to R, IW etc)</p> <p>Effective national and state coordination of PAN, SLM, and associated cross-sector issues including:</p> <ul style="list-style-type: none"> <li>- harmonized IAS policy implementation resulting in improved biosecurity</li> <li>-streamlined forest management across sectors, government levels, and within watersheds with at least one-third (1/3) of native forest under protection and sustainable management (2100 ha in PAN sites) and an additional 6000 ha in SFM catchments).</li> <li>- reduced vulnerability to impacts from climate change in PAN sites and wider catchment</li> <li>-increased effective local capacity in Palau for SLM and PAN management</li> </ul>	<p>regionally.</p> <p>3.1.3 Webpage to share information and lessons learned and foster stakeholder feedback and access.</p> <p>3.1.4 Lessons learned from integrated PAN and SLM/.SFM catchment management approach shared nationally and regionally.</p> <p>3.1.5 Demonstrated use of lessons learnt inside and outside of Palau including providing experience and capacity in the work of the Micronesia Challenge, R to R and related project initiatives in the region.</p> <p>3.2 Effective cross sectoral coordination by OERC including:</p> <p>3.2.1 Coordinating mechanism between PAN and SLM functioning at all levels and ensuring cross-sectoral alignment suggestions (particularly in SFM, CC adaptation, IAS, ridge-to-reef approaches) and evident in 100% of all documents reviewed.</p> <p>3.2.2 A national biosecurity policy agreed with legislation drafted and with at least 2 IAS risk reduction or eradications achieved that demonstrates a harmonized approach by PAN and SLM.</p> <p>3.2.3 At least 4 states have SLM and PAN plans aligned with climate change adaptation plans.</p> <p>3.7 Monitoring and evaluation of local</p>			
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			capacity at project inception, mid term and project end to implement work under Components 1, 2 and 3 within PAN and SLM showing improving trends.			
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
		Subtotal			3,569,244	15,629,915
		Project Management Cost (PMC) <sup>4</sup>		GEFTF	178,462	100,000
		Total Project Cost			3,747,706	15,729,915

**C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)**

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
National Government	Palau Public Lands Authority (PPLA) (\$501,420); Bureau of Agriculture (\$1,591,493); Palau Community College – Cooperative Research Extension (PCC-CRE) (\$1,948,00)	In-kind	4,040,913
National Government	Protected Area Network Fund (PAN-F) –sourced from Green Fee	Cash	4,900,000
Private Sector	The Nature Conservancy	Cash	600,000
Private Sector	Palau Conservation Society	In-kind	1,989,002
Private Sector	Palau International Coral Reef Centre	In-kind	4,000,000
GEF Agency	UNEP	In-kind	200,000
<b>Total Cofinancing</b>			<b>15,729,915</b>

**D. INDICATIVE TRUST FUND RESOURCES (\$) REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY<sup>1</sup>**

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (\$) (a)	Agency Fee (\$) (b) <sup>2</sup>	Total (\$) c=a+b
UNEP	GEFTF	Biodiversity	Palau	2,431,193	218,807	2,650,000
UNEP	GEFTF	Land Degradation	Palau	412,844	37,156	450,000
UNEP	GEFTF	Multi-focal Areas	Palau	743,119	66,881	810,000
UNDP	GEFTF	International Waters	Palau	160,550	14,450	175,000
(select)	(select)	(select)				0
<b>Total Grant Resources</b>				<b>3,747,706</b>	<b>337,294</b>	<b>4,085,000</b>

<sup>1</sup> In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table. PMC amount from Table B should be included proportionately to the focal area amount in this table.

<sup>2</sup> Indicate fees related to this project.

<sup>4</sup> To be calculated as percent of subtotal.

**E. PROJECT PREPARATION GRANT (PPG)<sup>5</sup>**

Please check on the appropriate box for PPG as needed for the project according to the GEF Project Grant:

	<u>Amount Requested (\$)</u>	<u>Agency Fee for PPG (\$)<sup>6</sup></u>
• No PPG required.	-- 0--	--0--
• (upto) \$50k for projects up to & including \$1 million	_____	_____
• (upto)\$100k for projects up to & including \$3 million	_____	_____
• (upto)\$150k for projects up to & including \$6 million	110,100	9,900
• (upto)\$200k for projects up to & including \$10 million	_____	_____
• (upto)\$300k for projects above \$10 million	_____	_____

**PPG AMOUNT REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES) FOR MFA AND/OR MTF PROJECT ONLY**

Trust Fund	GEF Agency	Focal Area	Country Name/ Global	(in \$)		
				PPG (a)	Agency Fee (b)	Total c = a + b
GEF TF	UNEP	Biodiversity	Palau	110,100	9,900	120,000
(select)	(select)	(select)				0
(select)	(select)	(select)				0
<b>Total PPG Amount</b>				<b>110,100</b>	<b>9,900</b>	<b>120,000</b>

MFA: Multi-focal area projects; MTF: Multi-Trust Fund projects.

<sup>5</sup> On an exceptional basis, PPG amount may differ upon detailed discussion and justification with the GEFSEC.

<sup>6</sup> PPG fee percentage follows the percentage of the GEF Project Grant amount requested.

## **PART II: PROJECT JUSTIFICATION<sup>7</sup>**

### **A. PROJECT OVERVIEW**

**A.1. PROJECT DESCRIPTION. BRIEFLY DESCRIBE THE PROJECT, INCLUDING ; 1) THE GLOBAL ENVIRONMENTAL PROBLEMS, ROOT CAUSES AND BARRIERS THAT NEED TO BE ADDRESSED; 2) THE BASELINE SCENARIO AND ANY ASSOCIATED BASELINE PROJECTS, 3) THE PROPOSED ALTERNATIVE SCENARIO, WITH A BRIEF DESCRIPTION OF EXPECTED OUTCOMES AND COMPONENTS OF THE PROJECT, 4) INCREMENTAL/ADDITIONAL COST REASONING AND EXPECTED CONTRIBUTIONS FROM THE BASELINE , THE GEFTF, LDCF/SCCF AND CO-FINANCING; 5) GLOBAL ENVIRONMENTAL BENEFITS (GEFTF, NPIF) AND/OR ADAPTATION BENEFITS (LDCF/SCCF); 6) INNOVATIVENESS, SUSTAINABILITY AND POTENTIAL FOR SCALING UP**

#### Baseline

Palau has been blessed with an exceptional array of biological diversity, both on land and in the ocean. The marine sector has an exceptional variety of marine habitats within a relatively limited area, including barrier and fringing reefs, channels, tunnels, caves, arches, and coves, as well as the highest number and density of marine lakes in the world. These habitats are home to diverse and abundant marine life, including over 1500 species of fish and over 500 species of hard and soft corals. Some of the marine life include endangered megafauna, such as the endemic Dugong dugon, the hawksbill turtle, *Eretmochelys imbricata*, the green turtle *Chelonia mydas*, along with at least 13 species of sharks and manta rays, 7 species of giant clams, the endemic *Nautilus belauensis* and over a dozen species of whales and dolphins. Palau's biodiversity is still not fully documented. Palau's marine environment and its biodiversity underpin the nation's primary economic industry - tourism. Palau's lowland forests are considered one of the most intact in the Pacific and home to over 1,353 species of plants of which at least 135 are endemic to Palau. Currently the rare endangered palm, *Ponapea palauensis* of the Rock Islands and the endangered *Parkia parvifoliola* of the volcanic island of Babeldaob are being nominated as endangered species using the IUCN criteria. At least 64 endemic plants of the volcanic islands are being nominated as vulnerable. At least 162 bird species including 111 migratory birds and 51 resident species (of which 10 are endemic) have been recorded in Palau. The endangered megapode, *Megapodius laperouse* is currently being monitored. Two bat species, 92 species of land snails, and 46 species of herpetofauna and at least 5,000 insects have been described. One of the bat species (the Microchiropteran *Embellonura palauensis*) congeneric species has gone extinct elsewhere in the Pacific adding biogeographic importance to this relatively common species in Palau.

In most locations water is sourced from free-flowing rivers and treated in local systems. Palau has high rainfall most of the year, but variable rainfall years do occur, particularly during ENSO oscillations. These cause occasional, but widespread, droughts. Soils on the largest island of Babeldaob are thin layers of highly erodable clays and silts that remain suspended in water. Palau is not in a path of annual Pacific typhoons, so strong storms have been relatively rare throughout its history.

Compared to many parts in the Asia-Pacific region, Palau has experienced relatively little human impact. This, combined with its exceptional variety of biodiversity, makes it a critical area for protection. Palauans, like other Pacific Islanders, rely heavily on locally grown produce and near-shore seafood for daily sustenance. Thus preserving healthy terrestrial and marine ecosystems is not only important to protect biological diversity and to secure the

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<sup>7</sup> Part II should not be longer than 5 pages.



country's economic base - it is also a fundamental necessary requirement towards attaining food security and livelihoods for local communities.

Natural resource (biodiversity, water, land, soil) management and conservation in Palau has a two-pronged approach: 1) the Protected Area Network (PAN), a system of state and local parks and protected areas that conserve threatened species and high biodiversity and 2) the Sustainable Land Management (SLM) initiative of all lands, waters, and natural resources based on 16 state political boundaries and natural watersheds, particularly to minimize broader impacts of land use such as degradation through pollution. The PAN is designed to protect Palau's biodiversity. The SLM initiative incorporates all lands and waters (including forests, protected areas); with a goal of ensuring that broader human activities do not degrade PAN sites or other areas in watersheds. Therefore the SLM initiative is designed to protect the quality and quantity of water and other natural resources, as well as ensure that gains for biodiversity made through the PAN are maintained. Both initiatives complement a suite of national and state laws on resource use. Palau has additional laws and regulatory frameworks in place to address broader marine issues, but these are not addressed here nor are they included in this project.

Protected areas are not isolated from the surrounding catchments and coasts, they often share species and are ecologically linked. Upland protected areas preserve water quality for downstream communities, and run-off from land uses in unprotected areas impact biodiversity and resource quality in protected areas. Therefore the PAN and SLM must be effectively linked to ensure complementary management of lands, coastal areas and the resources therein. The PAN was established in 2003 by national law but major development of regulations, protocols, and procedures were developed in 2008-2011. SLM was developed and formalized in 2010-2012. Both initiatives are still in flux. Similarly, links between initiatives are only currently being identified and addressed.

Palau has a growing and robust environmental sector, with active participants from government, nonprofit, academic, and business sectors. Political administrations have recognized the dependence of Palauans on its natural environment for direct sustenance and monetary income, and numerous environmental issues and offices have been elevated to the national level. The nation employs a National Environmental Planner who is tasked with coordinating environmental planning at all levels (protected/unprotected areas/species and national/state/local). However, despite the wide variety of environmental activities in Palau, and the growth in environmental managers and professionals in the country, there are still many gaps in coordination, understanding and capacity to engage in Palau and the region.

The 2012 SLM Policy included an estimate of baseline annual investment in natural resource management. Approximately \$13 million per annum (23% of annual government spending of \$57 million) is committed to support land management in some way, across government agencies, semi-private organizations, and nongovernmental organizations. Approximately \$3 million of that \$13 million is sourced from external grants and the remaining \$10 million is from government appropriations. If the SLM Policy (and its 10 comprehensive elements ranging from land use planning to institutional arrangements) were to be implemented fully, an estimated additional budget of \$5.4 million in startup costs and an additional \$3.6 million in annual costs would be needed. The SLM lists top priorities (national coordination and development guidelines) require \$2.1 million in startup costs and \$320,000 in recurrent annual costs. These top priorities for land management startup activities have been incorporated into the project proposed here. Although the estimates are not as well established, there is at least

an additional \$1.5 million per year spent on nearshore marine activities, from a mix of government and grant sources (not including expenses for EEZ patrolling and fisheries activities).

For protected areas alone (which includes terrestrial and marine sites), the 2013 Micronesia Challenge Business Plan estimates that current conservation area activity spending is approximately \$2.1 million annually. To meet the Micronesia Challenge goals, an additional \$1.1 million per year would be needed (for a total of \$3.2 million annually), as well as \$1 million in startup costs. Palau estimates that with existing revenue streams (grants) and the recently implemented Green Fee it can raise approximately \$2.7 million annually for conservation area activities. The Micronesia Challenge endowment, when fully financed and meeting income goals, will provide the remaining \$0.5 million in annual funds. Fundraising for the Endowment is ongoing. The project proposed here incorporates priority startup activities and will fill an important time period when the Endowment is not fully funded to generate recurrent costs needed. This is important as many of Palau's communities are engaged and wanting to start conservation activities intended to be funded by the Micronesia Challenge Endowment.

During recent years Palau has also invested many community resources into conservation areas. In 2011 the nation had set aside 45 discrete government-backed or community-based protected areas. This included 1331 km<sup>2</sup> of nearshore marine habitat (to 200 m depth) and mangrove (approximately 46% of Palau's total mangrove area) and 90 km<sup>2</sup> of terrestrial habitat (approximately 22% of Palau's total terrestrial area). The conservation sector has invested heavily in engaging with youth, reaching every single school child during the year. A significant number of Palauan students attending colleges and universities are pursuing degrees in environmental science and management.

In summary Palau has come along way in the last decade in developing and sustainably financing its PAN and in developing policies and an engaged and supportive stakeholder base in SLM. This project aims to capitalise on these gains, synergistically foster a coordinated approach for the PAN and SLM and address common issues to both eg invasive alien species in an integrated manner.

## Problems

Ecological threats and problems addressed by this project

Priority environmental problems identified in Palau are impacts from climate change, habitat loss and degradation including ridge to reef impacts from erosion and nonpoint source pollution, invasive alien species, overharvesting of forest and marine resources, and illegal harvesting of native and threatened species. The current limited cross-sector coordination and alignment across agencies and watersheds (protected and unprotected lands) of government further exacerbates the impacts of these threats. Priority threats have been identified through a variety of planning processes. Nearly all of Palau's 16 states have gone through Conservation Action Planning (CAP), a process spearheaded by nongovernmental organizations. During CAPs, a wide swath of community members and technical experts spend 3 to 5 days identifying priority targets, challenges, and investments. Community members often bring anecdotal evidence as data are often lacking. In some cases, only data for indicator species are available. The four ecological threats included in this project were identified by every community and are addressed by this project.

1. Climate change – significant impacts from changing climate are of concern including: increased frequency and prolonged duration of droughts; changing weather conditions stressing trees and native vegetation; increased erosion due to increased frequency and strength of storms, leading to landslides, road collapses, and forest damage; damage to coral reefs due to storms and sea level rise, leading to loss of biodiversity and reduction in ecosystem services such as coastal protection; seawater inundation of coastal agro-forests and farms; and loss of habitat and human habitation areas due to sea level rise. A geospatial model has been developed to examine the impacts of climate change. The model is used to generate place-specific assessments. Studies are ongoing to assess quantitative baselines for climate change impacts. There are monitoring data to show the impacts of bleaching associated with warming events. For example, a 1998 ENSO event negatively impacted over 80% of Palau's nearshore reefs. Additional studies have provided evidence that reefs can recover from bleaching when allowed to do so (i.e. local stressors are minimized such as in a MPA). It is estimated that 100% of Palau's atolls and beach and strand vegetation is at risk of being lost within the next 100 years due to sea level rise and adaptation measures now are a cost effective investment.

2. Direct stressors causing habitat loss and degradation – ridge-to-reef erosion, sedimentation, and non-point source pollution impacts marine and terrestrial areas, particularly with loss of forest, other vegetation cover, and fertile soil leading to pollution and siltation of marine habitats. Some evidence suggests fragmentation of forests impacts migration of animals (such as threatened saltwater crocodiles). Loss of forest and slow recovery times for native forest to recover is also of concern. A 2010 Statewide Assessment of Forest Resources (SWARS) estimated that the rate of forest recovery from grassland to forest occurred at a rate of approximately 0.07%/year. Over 92% of forest expansion occurred within 100m of established forest, indicating the need for close-by forest to facilitate regeneration. The current rate of habitat loss is unknown. However, population growth has been at 2% for the past two decades nationwide, and high in some states e.g. 75% in Airai, 60% in Ngatpang, and 40% in Koror. The new National Road circling Babeldaob was designed to encourage movement of the population from Koror to Babeldaob and reduce stressors on Koror State. Babeldaob areas with high population growth have had noticeable increases in construction of homes and roads with associated clearing of forest or conversion of land to farmland. Nationwide, between 1986 and 2005, the population increased by 44%, but the number of houses increased by 88%, indicating a boom in construction in Babelbaob. The majority of watersheds in which people build are on slopes are at risk of erosion if forest or other landcover is removed. For example, in Airai, 72% of the Ngerikiil watershed has slopes greater than 12% and 44% of the watershed has slopes greater than 30%. It is typical geologically to other watersheds in Palau. Additional forest loss has come from commercial agricultural development. Exact hectares of farmland conversion are unknown, however as an indicator between 1990 and 2005 the number of individuals engaged in farming, fishing, or forestry as a primary employment increased by 77%. Uncontrolled fires on Babeldaob are of particular concern: they tend to spread quickly and there is limited national capacity to fight fires. Fire management is also hampered by cross-sector management issues; fire prevention falls to communities, protected area management is the purvue of natural resource agencies, and fire fighting is under the Bureau of Public Safety, with little coordination between these sectors. The amount of land impacted by fire is unknown, however, during surveys in 2009 to 2011, every terrestrial conservation area in Ngardmau, Ngaremlengui, and Aimeliik (6 areas) had signs of recent burning within or at the edges of their borders, leading to loss of habitat and downstream pollution. Forests threatened by development include upland native forest and mangrove forest. There are few land use plans or building regulations in place and capacity of Palau's Environmental Quality Protection Board to inspect all construction for environmental impact is limited. Thus resettlement is exacerbating habitat loss and degradation. Erosion and subsequent sedimentation of marine environments is also of particular concern because of the short time-scale and scope at which it is occurring. For example, Airai Bay, which drains one of the fastest growing areas of Palau (where many new homes are being built and which used to be an important fishing area), was

silting at a rate of 150 km<sup>2</sup>/year in 2003. At that rate it was estimated that the bay would be entirely filled and above sea level in 15 years.

3. Invasive Alien Species – invasive animals and plants are currently degrading forests and pose a serious threat to biodiversity. Given that nearly all of Palau’s protected areas include endemic or endangered animals with small populations, invasive species are of particular concern to protected area management on land. Numerous alien invasive trees, particularly in the Fabaceae family, have established on Babeldaob and out-compete native vegetation. They are present in the Ngeremeskang Nature Reserve, a priority site for this project. Only one species of Fabaceae is the target of active management, due to severe limits to capacity by the national Division of Forestry. It takes a team at least a day to girdle a single tree. Invasive vines are present on every island and current effort to manage them rely heavily on community volunteers. In some places roadways are entirely lined with invasive vines. Invasive long-tailed macaques were introduced to the island of Angaur in the early 1900s. They have decimated local biodiversity (bird diversity is lower in Angaur than in any other similarly-forested area), impacted crop production, limited the economic role of women, and disrupted cultural relationships within Angaur society. Due to daily transportation of goods and people from Angaur to the rest of Palau, the spread of macaques pose a severe and immediate threat to the rest of the nation. This is despite national laws prohibiting their transportation. Rodents and feral cats are also problematic invasive alien species.

4. Over/Illegal harvesting – although there is no large-scale commercial timber harvesting, there is widespread local harvesting of upland forest and mangrove trees and many native large trees are rare. Mangrove forests are often clearcut or selectively harvested for charcoal or subsistence uses. The 2010 SWARS estimated the rate of loss for mangroves at 0.04% per year. Mangroves are the second largest forest type in Palau, with an estimated extent of 48 km<sup>2</sup> in 2010. The rate of loss is thought to be accelerating due to increased access to all parts of Babeldaob. In Melekeok, for instance, the number of homes along the coast has nearly doubled between 2000 and 2010. Roads to the Melekeok village are entirely paved. Endangered species are protected by national and state laws, but illegal harvest continues. This affects both marine and terrestrial species. At least 11 dugongs (fully protected) were known to have been killed in 2010; aerial surveys in the years prior estimated the population to have been around 200 dugong. On land, Micronesian Imperial Pigeons (IUCN: NT; in Palau totally protected by law) have steadily decreased. A study in 2005 found that the number of pigeons was 8,200, a 33% reduction from a 1991 estimate of 13,700. A 2010 study found the pigeons in only 13 of 20 sites where they had been found in 2005. In fisheries, total catch of fish and other marine products has decreased steadily since 2007, with the 2011 catch only 56% of the 2007 catch.

#### Management gaps and issues

Addressing these problems requires improvements to and addressing gaps in management within and across sectors in a coordinated fashion.

1. PAN tools and strategies are not fully developed nor formalized – monitoring tools and best practices for protected areas have been developed but not finalized or adopted for wide-scale use, and there is no overarching system to monitor all protected areas in place. Similarly, there is no PAN strategy developed to ensure that areas critical to biodiversity are targeted for protection and inclusion in PAN. There are gaps in capacity for national and state-based personnel to manage daily protected area functions and to ensure adequate long-term sustainable financing. The Constitution of Palau places all lands and waters to 12 nautical miles under the jurisdiction of Palau’s 16 states. Thus, all parks and protected areas are managed at the state level. The PAN was designed in 2003 to take the piecemeal system of local protected areas and create a national network of protected areas so that nationally and globally important biodiversity could be effectively conserved. States, which retain ownership of their protected areas, apply for admission to the PAN based on a set of legislated criteria.

The first protected areas became PAN sites in 2008. Upon admission to the PAN, they agree to manage their sites to a set of (not as of yet) nationally-approved and standardized criteria, all of which must be included in an overarching state protected area management plan. In return, the national government provides funding for management from a “Green Fee,” which is collected through a special exit tax on visitors. The PAN Self-Sustaining Financing Bill is currently in effect and distributes funds to states for the management of PAN sites on a yearly basis, although national funds do not cover entire management costs and may be required to taper in upcoming years. The Micronesia Challenge Endowment Fund was designed to meet some of these financing gaps. States are required to develop sustainable financing plans for their protected areas. National level Management and Technical Committees assist states with management plans and oversee national level planning and evaluation (although these tools have not yet been developed). An independent PAN Board makes financial decisions. Currently nine (9) of Palau’s 16 states have protected areas within the PAN. Many areas are set aside as protected areas because they protect biodiversity but also because they hold economic value and communities want to harness that value in a sustainable manner

2. National SLM Policy is endorsed but not fully developed for implementation – there is no usable guidelines and state-level SLM policies and plans are needed. Only two of Palau’s 16 states have developed SLM Master Plans or Land Use Plans. None have full implementation in place (to include plans, legislation, and best practices).

3. Sustainable Forest Management knowledge and administrative gaps – regulations to minimize overharvesting of trees are lacking and information and capacity to minimize IAS impacts are minimal. SFM is one area with particular need for alignment among all parties operating in the natural resource sector. For example, in the Lake Ngardok Nature Reserve (including Micronesia’s largest freshwater lake and Palau’s only Ramsar Site) one management activity has been to plant non-native nitrogen-fixing Acacia trees on bare, unfertile lands. However use of such non-native, potentially invasive plants is contrary to national IAS plans. In another example, states such as Melekeok have considered building seawalls to minimize the effects of sea level rise. However, seawalls would destroy beach and strand forest, which is rare in Palau and thus a priority forest type for conservation among Palau’s forestry and conservation agencies.

4. Vulnerability and Adaptation Assessments – capacity to judge the short- and long-term impacts of climate change and to include vulnerability assessments in plans is lacking and making balanced investments made in the name of climate change adaptation can compromise other values. Similar to the seawall example given above, adaptation plans are in need of coordination. In another example, the state of Ngatpang has taken steps to ensure food security for its community, particularly by establishing aquaculture. However, aquaculture ponds have destroyed habitat considered important to biodiversity and led to possible increases in water pollution further out in Ngeremeduu Bay, a Biosphere Reserve.

5. Cross-initiative measurement gaps – there are no protocols fully developed to judge the effectiveness of PAN or SLM initiatives or cross-sector linkages.

## Project Objective

The objective of this project is: to effectively conserve and sustainably use biodiversity and maintain ecosystem goods and services in Palau by building institutional capacity to integrate the Palau Protected Area Network (PAN) with the Sustainable Land Management (SLM) initiative, and fostering a ridge-to-reef approach across and within these initiatives.

Implementation of this objective will improve livelihoods and protect biodiversity primarily

through the design and initial implementation and testing of a single umbrella approach to resource management and conservation embodying an inclusive, comprehensive system that consists of fully developed and linked PAN and SLM initiatives, with complementary areas identified and efficiently managed and gaps between initiatives minimized. Given the limits (regulatory and institutional) of agencies in Palau, this project shall focus on the lands and waters of Palau out to 12 nautical miles, which are the limits of most community-based use.

To achieve this objective the project will consist of three components:

#### Component 1 Improving Palau's Protected Area Network

Component 1 focuses on activities to improve the design and implementation of the PAN. Planned outcomes focus on the completion and implementation of a PAN National Strategy with key outputs aimed to strengthen the effective management of both new and existing protected areas and the sustainable financing for the PAN. Desired Outcomes and Outputs in this Component are listed in Table B (Project Framework). Outputs within this component are focused on making the PAN fully functional and focus on completion and implementation of a PAN National Strategy and ongoing implementation of the PAN Sustainable Finance Plan.

Key outputs under the PAN National Strategy will be:

- Gap analysis of important biodiversity/ecosystem services and PAN coverage of threatened species and habitats.
- METT harmonized at national and state level, trialed and agreed for use in Palau. This will align with existing national, regional, and international tools, such as the GEF Management Effectiveness Tracking Tool (METT) with marine, terrestrial, and socioeconomic evaluation tools currently in development for Palau and Micronesia. Key stakeholders for capacity building will be public and semi-public agencies responsible for collecting reporting data. These will include national and state government personnel from natural resource divisions and, in some cases, designated community partners who have agreed to assist with management of protected areas. Capacity building exercises will be open to private business and nongovernmental agencies with demonstrated interest.
- Existing site management: effective support to at least 4 PAN sites will be reflected in METT scores with at least another 5 sites showing increasing trends towards more effective site conservation management.
- Outreach at national, state and community levels and across sectors to build understanding and support for the PAN. to improve assistance provided by the Management and Technical Committees to states on best practices and sustainable financing and to improve national-level PAN coordination and buy-in. Stakeholders targeted for educational efforts will include state Conservation Boards or Protected Area Management Committees, identified in PAN site Management Plans, with the PAN committees keeping close record of feedback.
- PAN engagement with the SLM initiative including functional linkages with the National SLM Action Plan in at least 4 common key issue based areas (IAS, ridge to reef planning, SFM, climate change adaptation).
- New sites (4) adding significant terrestrial and marine protection and using a ridge to reef approach. by targeting at least four strategic areas for inclusion in PAN. At least two key areas have already been identified; 1) The Rock Islands Southern Lagoon (~95,000ha marine, 5,200ha terrestrial), a UNESCO World Heritage Site (inscribed in 2012) containing nearly one-third (1/3) of Palau's total forests, hundreds of entire islands and sole known location of *Ponapea paluensis* (EN), and 2) The Ngeremeskang Nature Reserve (~1100ha terrestrial), a large ridge-to-reef site with numerous endangered and endemic species.

Key outputs under PAN Sustainable Financing will be:

- Building understanding and planning for sustainable financing at state level and ensuring sustainable financing needs are reflected in State management plans.
- Continuing to build and track sustainable financing at national level.
- Continuing to engage and support the Micronesia Challenge.

#### Component 2 Sustainable Land Management (SLM)

Component 2 focuses on a National Action Plan and achieving enhanced and effective coordination of SLM, including sustainable forest management, and complementarity with PAN effort the project will refine, develop, and implement SLM, through a focus on completion of a National SLM Action Plan with outputs of:

- Coordination - design and confirmation of a national coordinating mechanism and body for SLM, with associated capacity building to ensure its function.
- SLM State Plans- with contracts for State Land Use Plans for at least 8 of Palau's 16 states, including development and testing of evaluation measures. The Palau Automated Land and Resources Information System (PALARIS) under the Ministry of Public Infrastructure, Industries and Commerce (MPIIC) was the national executing agency for the SLM MSP and is endorsed as a candidate for the SLM coordinating role in the national SLM Policy because it is currently a central repository on national land data. Currently only 2 of Palau's 16 states have Master Plans or Land Use Plans and none have full implementation in place.
- Ridge to Reef - national guidelines for key prioritized issues and used within the National SLM Action Plan, including technical assistance to develop guidelines to address a) local food production and security; b) protection of water sources; c) safe wastewater and solid waste systems; d) maintenance of historic and cultural sites and biodiversity; e) fair and realistic access to resources and services; f) climate change adaptation, and g) sustainable forest management.
- PAN Linkages – National SLU Action Plan and State Master Plans for SLU to explicitly reflect integration of PAN sites into each plan.
- Demonstration Catchments—the above tools, guidelines and coordination measures to be integrated, trialed and evaluated in at least one full catchment with documented decreases in ridge-to-reef impacts such as pollution or sedimentation.

#### Component 3 Integrated Coordination, Mainstreaming & Project Management

Component 3 focuses on development of national coordination to ensure that key problems (such as invasive species, over/ illegally harvested species, sustainable forest management (including harvesting and ridge-to-reef erosion/nonpoint source pollution, and climate change adaptation and mitigation) are managed in a complementary fashion through both initiatives. Many elements exist but are not yet implemented this project will pick up these pieces and network them together to create a single unified approach. The primary programmatic activity of Component 3 will be to establish a national coordinating mechanism to align PAN and SLM plans, activities, and documents. This Component will be led by Palau's Office of Environmental Response and Coordination (OERC) who will also take responsibility for overall project management and function as the Executing Agency for the Project. In aligning PAN and SLM, particular emphasis will be placed on common threats impacting protected and unprotected areas as given below. These offer opportunities for an integrated approach as part of island and coastal management.

OERC Executing Agency role will include:

- Project Management including midterm and final review.
- Documenting and sharing lessons learnt at national level and with states.
- Documenting lessons learned and sharing with the regional Ridge to Reef project and the Micronesia Challenge
- Developing and maintaining web pages to promote information on the project

OERC cross-coordination role will include: ensuring effective two-way linkages between the PAN and SLM components and ensuring cross sectoral issues are addressed well including:

- **Biosecurity:** particularly those impacting forested PAN sites. PAN sites on land protect areas of high biodiversity and endemic and endangered species and face the greatest and most immediate threats from IAS. Palau's collaboratively-drafted Forestry Health Program Strategic Action Plan 2009-2014 will be reviewed to ensure alignment with the SLM Action Plan and PAN site management plans. Although PAN sites are priorities for first defense, because of the movement of IAS, capacity building, research, and biosecurity must be inclusive beyond PAN sites. Capacity building will target government agencies such as the Divisions of Forestry and Agriculture and the Bureau of Public Safety, as well as community partners.

- **Sustainable Forest Management (SFM):** will be focused particularly on extractive uses to minimize overharvesting and includes mangrove forest. It will also consider mechanisms to stem overall forest loss and degradation from fire, and facilitate increased regeneration and reforestation. Palauan forests are used for both extractive and non-extractive uses. In protected areas uses are limited mostly to non-extractive uses such as tourism, but few measures exist to minimize impacts. Both protected and unprotected forests allow for specified extractive uses, with fewer limits in unprotected forests. There are few guidelines or limits established for extractive uses and studies show that extractive uses in unprotected forests can impact protected areas. Palau's 2010 SWARS needs alignment with other SLM and PAN plans. Capacity building to establish harvesting limits must include PAN and non-PAN site managers. In the longer term Palau envisions SFM to include participation in the global carbon market, payment for ecosystem services systems, and certification systems. However, these items are not included in this project at this time as the learning curve for these types of activities will be quite steep, and the relatively small size of Palau's forests may limit the return on any such investment.

- **Ridge to reef:** is an inclusive and umbrella term but particular emphasis will be paid to ridge-to-reef impacts from land and forest clearing, particularly erosion, nonpoint source pollution, and fragmentation. These issues impact PAN sites and non-PAN sites and encompass nearly every resource management agency in Palau. In particular enhanced coordination mechanisms between the Divisions of Forestry, Agriculture, and Marine Resources will be fostered in the Ministry of Natural Resources, Environment and Tourism, as well as public-private partnerships that minimize overall development impact and implement joint water quality monitoring will be pursued. Existing and new state master plans and protected area management plans must be aligned. Additional funds from the Regional "Ridge to Reef" project will be used to enhance private-public coordination, include high-level political figures and technical heads in regional meetings (thereby creating greater awareness and support for ridge to reef approaches), and wider sharing of activities and results across the Pacific.

- **Climate change adaptation:** is mandated in new SLM and PAN plans. However, capacity is limited and most protected area management plans, for example, include a "plan to plan for



climate change.” This issue crosses all sectors and impacts PAN and non-PAN sites. Older plans also must be updated to include climate change considerations.

In summary, the Project will directly reduce 3 of the 4 main threats (IAS, habitat loss and degradation, and over- and illegal harvesting) and indirectly minimize other threats through capacity building, coordination, and planning. This project will fill the most commonly identified strategic, management and coordination gaps. The Project will benefit Palau by enhancing the protection of its resources, biodiversity, and ecosystem services by improving the design and strengthening implementation and management of the two national strategic initiatives, Protected Areas Network (PAN) and Sustainable Land Management (SLM), and by improving cross-sector links and coordination.

Incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated global environmental benefits (GEF Trust Fund/NPIF) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

The Palau Islands, located in Western Micronesia, contain some of the most diverse and pristine ecosystems in the world. These diverse habitats are home to an extraordinarily high number of marine and terrestrial species that are essential to the culture, economy and livelihoods of the Palauan people. Many species and ecosystems are endemic or rare and conserving Palau’s resources is important globally.

Previous efforts to address these issues resulted in limited success due to challenges in coordination, inability to leverage existing or complementary efforts, limitations in scope and impact, and inadequate information management systems and networking. Thus the physical characteristics of Palau and its natural resources, the threats to them and the attempts to solve them to date have resulted in a relatively fragmented situation. Improving the two initiatives targeted by this project, PAN and SLM, and the associated capacity building and coordination needed to make them function well together, will greatly improve the situation in Palau. Funding in Palau so far has been relatively small (small grants of less than \$1,000,000) and project-based. GEF Trust Fund monies are critical for enabling coordination and integration of the two initiatives. No other funding source has been identified that will allow for such a broad approach.

Global biodiversity benefits will include protection of habitats for at least 4 globally endangered birds, 3 endangered reptiles, 2 endangered mammals, 3 endangered plants, and countless other flora and fauna. It will also result in improved management of a UNESCO World Heritage Site (Rock Islands and lands draining into a UNESCO Biosphere Reserve (Ngeremeduu Bay). In addition, is anticipated that many of the outcomes stemming from this project will “kick-start” activities which will be maintained in perpetuity by income generated by Palau’s sub-account of the Micronesia Challenge Endowment Trust Fund. This means the MC ETF effectiveness will be greatly enhanced for Palau long-term.

Regional multinational benefits include the finalization of marine and terrestrial monitoring protocols that Palau is currently developing in partnership with Micronesian partners. It is anticipated that these protocols will be adopted by the Micronesia Challenge and thus

standardizing evaluation for the MC and improving capacity in other Micronesian countries. GEF TF funding is important for enabling a coordinated approach to these two protocols; currently all funding for their development has come from separate marine and terrestrial sources. In addition, Palau was the first nation to issue forth the challenge that then became the Micronesia Challenge; Caribbean and Indian Ocean SIDS soon followed with their Challenges. It is anticipated that the evaluation measures that Palau finalizes will be shared widely and improve capacity in other SIDS as well. Participation in wider programs such as “Ridge to Reef” will expand this influence and leverage benefits for other Pacific Island countries and for SIDS globally.

The Project will also make significant contribution to sequestering carbon through improved management of existing forests. The total estimated carbon benefit of the project is an additional sequestration of 141,867 tones of CO<sub>2</sub>/year which is due to the improved management of the existing forest resources and controlling the spreading of IAS. Furthermore, the establishment of policies and improved management frameworks will assist in safeguarding and sustainably managing Palau's growing forest carbon stock, with the view of increasing the socio-economic and climate change adaptation function of this national resource and provide global benefits in doing so.

Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCF/SCCF). As a background information, read Mainstreaming Gender at the GEF.":

Socioeconomic benefits will be improved/secured through Project implementation including:

- Supporting ecosystem function through SLM and PAN fosters healthier ecosystems which provide for improved production of resources (e.g., taro, medicine & fish) for consumptive use and are linked to improved opportunities in income generation (e.g., ecotourism, agro-tourism, aqua-tourism & central markets). By improving local catchment management (SLM) and securing protected areas (PAN) an increased local agro-forestry and fishing base by communities that improves the community health index for men, women and children will result. Income generating activities that women have traditionally been engaged in will continue but will be less risky based on securing ecosystem function. This has been proven in Palau but needs a wider implementation base. For example socio-economic studies of Ebiil Conservation Area, a current PAN site, indicate that closure and improved management of protected areas between 2005 and 2010 yielded improved seafood availability and increased economic benefits.
- SLM will increase property value, contribute to food and water security, and expand the economic base and investment prospects. A key benefit will be reduced erosion going into water sources.
- Socio-economic benefits will also be realized by involvement of communities in direct project activities, particularly IAS management and evaluation, both of which are labor intensive. A recent activity in the small (~200 population) of Kayangel for IAS management over a three month period involved over 50 individuals (both women and men in various implementation and support roles) and netted the community upwards of US\$50,000 in direct shared, individual, and netted income from their work. Additional socio-economic benefits were realized by immediate improvements in crop harvests and increased visitors (by locals interested in the project and by tourists). Additionally, direct contracting of community members to assist with surveys and evaluation of protected areas has in the past netted individuals US\$10/day, often with 7-8 individuals assisting in each community (average

population ~150) for 2-3 weeks. This project will generate similar economic benefits for at least 8 communities (protected area activities) and 1 state (IAS).

- Healthier ecosystems from SLM and PAN investments will contribute towards more resilient communities by increasing their adaptive capacity to climate change and disaster risk reduction through a more secure resource base.

These impacts link up to the Ridges-to-Reef programme, inasmuch as this programme aims to enhance ecosystem services in order to reduce poverty and contribute to sustainable livelihoods.

This project will help to increase the livelihoods of the Palauan population, both men and women. In keeping with all UN funded projects equal opportunity will be policy throughout the development and implementation of the project. Every opportunity will be made to integrate gender considerations. For example, the inception workshop will include a presentation on integrating gender considerations into the implementation of the project and specific focus groups throughout (inception, evaluation) will include Palau's traditional women's groups.

A.2. Stakeholders. Identify key stakeholders (including civil society organizations, indigenous people, gender groups, and others as relevant) and describe how they will be engaged in project preparation:

This project will be led by the Office of Environmental Response and Coordination (OERC) under the Office of the President. Following precedents established in previous projects, there will be established a multi-partner/stakeholder Steering Committee to guide decisions, oversee implementation, and conduct reporting and evaluation. The Steering Committee will be comprised of at least two subcommittees, a larger advisory body and a smaller implementation body. The advisory body will include wide representation from all sectors. The implementation body will include representatives from contracted groups and select organizations with close ties to the project's objectives.

The table in Appendix 2 lists targeted groups for inclusion in Advisory or Implementation subcommittees.

A.3 Risk. Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design (table format acceptable):

Please see table in Appendix 1

A.4. Coordination. Outline the coordination with other relevant GEF financed and other initiatives:

The Project is grounded in Palau's contribution to the Micronesia Challenge and associated PAN and SLM implementation. Numerous partnerships have been developed and are functional albeit needing linking and harmonisation between initiatives as aimed for in the project. These partnerships and their respective initiatives will contribute to the implementation of this project and/or will be included in the Steering Committee overseeing the project.

At the local and state level the project will work closely with the Belau Watershed Alliance on SLM guidelines to maximize food security and existing and potential PAN sites. At the national level the Project is cognizant of partnerships established through existing climate change adaptation projects, such as the GEF 4 Pacific Adaptation to Climate Change (PACC), and will continue to be involved and their results expanded upon (e.g. Ngatpang and taro patches).

Further all partnerships with PAN offices and PALARIS established through the GEF 4 Micronesia Challenge/Palau PAN project are directly incorporated into this project. Regular updates on this project will be included on the agenda of the Palau Conservation Consortium, an informal but active group of technical experts, conservation managers and practitioners and policy makers, working to meet Palau's vision of sustainable development.

Importantly at the national level the project's SLM objectives compliment the Palau National Master Development Plan (PNMDP), which states, "Palau's future is intimately bound up with its natural resources. The fundamental resources are the soil, water and air, and these must be safeguarded. The most significant economic resource, however, is the marine environment. The important reef, near shore and inshore fisheries depend heavily on a healthy terrestrial environment. Where there is severe erosion in the uplands...then those fisheries will be threatened. This will be the situation in Palau unless corrective steps are taken to control environmental degradation (12-28)".

This appropriately sums up the "land-to-sea" and a "ridge-to-reef" concept from which Palau SLM derives its activities and which increasingly PAN effort on land and in the sea is cognizant of. The PNMDP constantly emphasizes the need for mitigation of erosion through appropriate land use planning and natural resource management in order to preserve watersheds and protect highly valued marine ecosystems. In addition, it focuses on goals to "reduce dependence on imported foodstuffs and ensuring household food security throughout Palau by promoting locally produced commodities in the diet" (9-1). According to the PNMDP, "agriculture [and marine resources are] is important to the maintenance of culture, and contributes to economic activity and the welfare of the poorer, less educated and less mobile people" (9-2). Though PNMDP provides a relatively comprehensive framework for Palau's national development, it does not account for climate change as a risk to marine or terrestrial ecosystems. Climate Change initiatives are gaining momentum in Palau through the Pacific Adaptation to Climate Change (PACC) Project, which focuses on food security and health.

Other national initiatives the project will be cognizant of and coordinate with are:

- the Palau National Action Program (NAP) developed under the United Nations Convention to Combat Desertification. The 2005 Palau NAP identifies priority issues that were contributing to land degradation in Palau. The lack of land use planning is considered to be the highest priority issue that has been contributing to sedimentation and erosion. Climate Change is also identified as an important area for immediate consideration. As a result, the Palau Sustainable Land Management Medium Sized Project (SLM MSP) was established to implement the Palau NAP by way of a \$500,000 grant through the GEF. The Palau SLM MSP is a 4 year project that was intended to address land degradation and will phase out at the end of 2011. Its mandates included 1) development of a National Land Use Policy; 2) establishment of a National Building Code; 3) assistance with state master/land use planning and 4) integration of traditional land management practices into present day Best Management Practices (BMPs).
- Cross-sectoral, cross-regional and international links are also demonstrated through collaboration on numerous projects with the Palau's Ministry of Health (MOH), Ministry of Natural Resources, Environment and Tourism (MNRET), Ministry of Public Infrastructure, Industries and Commerce (MPIIC), state governments, local communities and the private sector. The Climate Change and Health (CC&H) program through the MOH was connected to the Palau PACC project earlier this year to combine public and environmental health issues impacted by climate change. Palau PACC activities are contributing to the Protected Areas Network (PAN) program under MNRET, which is designed to assist states identify conservation sites, develop conservation management plans and receive funds from a national government instituted green

fee intended for management of these PAN sites. These PAN sites subsequently serve to meet Palau's conservation goals under the Micronesia Challenge, which is a Micronesian regional conservation initiative. Furthermore, Palau PACC's focus on food security has encouraged partnerships with local farmers and private businesses interested in ensuring sustainable food production. The United Nations (UN) Food and Agriculture Organization (FAO) is also implementing a program to address food security issues in Palau. In addition many of the same agencies that will serve on the Steering Committee for this project will also sit on the advisory and decision bodies for the Small Grants Program (SGP) ensuring greater synergy between government and organizational activities and community and individual activities, thereby meeting shared environmental objectives.

At the regional level the Project links with:

- the PACC Project through SPREP/UNDP along with the Integrated Water Resources Management (IWRM) that addresses needed watershed management. The Palau IWRM project is also funded by Global Environment Facility (GEF) and implemented by UNDP and UNEP, with the executing agency being the Applied Geoscience and Technology Division of the Secretariat of the Pacific Community (known as SOPAC). It is concerned with land degradation that has negative impacts on watersheds and therefore, water quantity and quality. The project's objectives are to develop suitable management guidelines for protecting water sources by promoting the development of comprehensive management plans that integrate appropriate mitigation measures for storm water drainage, erosion control and monitoring tools.
- the UNDP "Ridges to Reef" project, with specific allocation from this project to ensure sharing of lessons learnt and peer learning.
- the ongoing Micronesia Challenge commitment by four fellow Micronesian States (FSM, RMI, Guam, CNMI) the Pacific Capacity Development project (PIF approved and PPG SSFA underway at time of writing) will also provide support to Palau generally and for the current project with its focus on State of the Environment reporting – amalgamating systems and processes throughout the region using existing and as required new initiatives
- projects and initiatives of agencies that Palau is a member of eg SPREP, SPC, Pacific Islands Forum, USP.

## **B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:**

B.1 National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAs, NAPs, NBSAPs, national communications, TNAs, NCSAs, NIPs, PRSPs, NPFE, Biennial Update Reports, etc.:

The project will directly address five of the eight strategic themes in the Palau NBSAP, each of which has a vision, goal, and objectives. Themes addressed are: 1) Effective and inclusive protected areas; 2) Conserved and/or restored biodiversity (species level); 3) Reductions in IAS; 4) Environmentally sustainable economic development; and 5) Increased integration and awareness of biodiversity in government and community actions. In regards to reduction of IAS the project also will be guided by the National Invasive Species Policy, Strategy and Action Plan.

The project supports implementation of the National Implementation Strategy from the First Communication to the Convention on Climate Change, namely: 1) Integration of climate change mitigation and adaptation into processes and plans; 2) Capacity building to understand and implement climate change science and activities; and 3) Effective management of carbon sinks. It also supports the implantation of all nine priority strategies

in Palau's National Action Program to Combat Land Degradation, which include strengthening or enhancing capacities and coordination, and comprehensive and inclusive planning. The project will also contribute to the following plans and strategies and this will be documented as part of project management; State Conservation Action Plans, State Master and Land Use Plans, the Disaster Risk Management Framework, the Energy Policy, the Tourism Action Plan, the Water Policy, the Food Security Policy, National Action Program (UNCCD), Micronesia Challenge Communications Strategy, the Sustainable Land Management Policy, the National Forest Strategy, Palau's draft Forest Policy, and the Palau National Master Development Plan. Palau has to execute all of these national strategies and plans or reports and assessments under relevant conventions. The project will help Palau with their reporting obligations under the national conventions and the execution of their national strategies, plans or reports through provision of information based on the activities involved. It will also provide an opportunity to streamline and make reporting more efficient across these plans and partners. The coordination and evaluation mechanisms established as part of this project will improve convention reporting through improved access to data and local capacity to report.

## B.2. GEF focal area and/or fund(s) strategies, eligibility criteria and priorities:

In the context of Small Island Developing States (SIDS) the Republic of Palau has consistently been at the forefront of innovative conservation with the Palau Protected Area Network (PAN), sustainable financing (Micronesia Challenge, Palau Green Fee), and by fostering marine and terrestrial protected areas suitable to local socio-cultural-economic conditions. A key to success has been the consistency in building these initiatives from a strong basis of Palauan culture. Palau has also significantly advanced sustainable land and forest management at national and local levels. It is timely that these efforts are integrated and mainstreamed well in terms of island and coastal management and embody a 'ridge to reef' and a 'community to state to national government' approach in order to secure and leverage the conservation and sustainable use of ecosystem goods and services critical for Palau and for its globally important and unique biodiversity. Investment from GEF 5 in this project addresses 4 of the 7 GEF 5 Focal Area Strategies; it further leverages results for building resilience to climate change and local capacity in Palau to take this work forward.

## CORE GEF 5 INVESTMENT FOCAL AREAS

### Strategic Focal Area: Biodiversity

The project focuses on Objectives 1 and 2 of the GEF 5 Biodiversity Results Framework and will improve Palau's ability to manage biodiversity, address threats to this biodiversity, and integrate protected area efforts more fully into overall landscape and coastal seascape management in Palau.

For Objective 1 the project builds on the gains currently being made in the GEF 4 subregional Micronesia Challenge project by adding at least 4 new sites to the Palau PAN, taking steps to improve conservation effectiveness in all sites, and realising their sustainable financing needs. Further, effort in this area will develop the METT tool for PAN sites and conduct an analysis of the coverage of unprotected ecosystems within the Palau PAN including an analysis of gaps and opportunities of using a 'ridge to reef' approach in the network. The project will significantly improve the PAN's ability to preserve and monitor critical ecosystems and threatened species.

For Objective 2 the integrated Sustainable Land Management (SLM) and Sustainable Forest Management (SFM) initiative will improve land use planning and sustainable forest management across national and state governments to ensure the conservation of Palau's biodiversity and ecosystems in a manner consistent with national development goals and reduce pressures on those natural resources. This will have a positive flow on effects to coastal areas, including marine protected areas, through improved catchment management. Ensuring mainstreaming of protected area efforts into the wider SLM/SFM initiative will benefit and protect the investment in the PAN and the Micronesia Challenge. Within this objective the project will focus renewed efforts on invasive alien species, particularly those with immediate consequences towards PAN sites.

#### Strategic Focal Area: International Waters

The project leverages from the global/regional setaside funding participation in the UNDP "Ridges to Reef" programme ("Testing the Integration of Water, Land, Forest and Coastal Management to Preserve Ecosystem Services, Store Carbon, Improve Climate Resilience and Sustain Livelihoods in Pacific Island Countries") at a value of \$175,000. The "Ridges to Reef" programme will include a number of country-based projects, including some from the Pacific sub-region. UNDP will facilitate synergies between the countries on objectives and components country projects have in common. This project is intended to be one of these "Ridges to Reef" investments for the Pacific Islands region. The goal of the Pacific Islands National Priorities Multi-Focal Area 'Ridge to Reef' programme is to maintain and enhance Pacific Island countries' ecosystem goods and services (provisioning, regulating, supporting and cultural) through integrated approaches to land, water, forest and coastal resource management that contribute to poverty reduction and sustainable livelihoods.. Specifically this project will address the "Ridges to Reef" Expected Outcomes and related Project Components 1 to 3 for Palau. It will also serve as one of the country National Multi-Focal Area Ridge to Reef Demonstrations. Using the leveraged funding the development of the 4 new Palau PAN sites will assess a 'ridge to reef' approach in their design. An assessment of gaps and opportunities for a 'ridge to reef' approach in the existing PAN sites will also be included. Integration of the Palau PAN effort with wider SLM/SFM initiatives will take the 'ridge to reef' approach beyond just protected area application to wider catchment management. Finally, Palau will share results from its ridge to reef efforts broadly across the country and the Pacific.

#### Strategic Focal Area: Land Degradation

The project focuses on Objective 3 of the GEF 5 Land Degradation Strategy through an integrated approach in the SLM/SFM initiatives and by integrating the PAN network components within this wider landscape management. The SLM initiative will provide resources, methods and training to enhance Palau's land use planning, both for environmental protection and sustainable development, especially at the state level. The PAN will provide resources and training for state-based protection and enforcement of critical ecosystems.

#### Strategic Focal Area: Sustainable Forest Management/REDD plus

The project contributes to both objectives of the SFM/REDD+ GEF 5 strategy. Reduced GHG emissions from improved and integrated SFM together with expansion of PAN to include conserving priority forest areas in new sites and improved management of existing sites will increase effective management of more than 8,000ha of Palau's forests.

#### LEVERAGE AND ADDED VALUE

It is important to note that Palau is taking a flexible approach to using its STAR allocation in the design and execution of this project and this translates to an integrated approach across PAN and SLM/SFM implementation.

The project also contributes to Palau's efforts to adapt to the impacts of climate change and in particular to Objective 5 of the GEF 5 Climate Change Mitigation Results Framework. The SLM initiative will expand upon pilot projects to identify areas most vulnerable to climate change and support community and economic development to adapt to potential impacts. Priority pilot projects include expanding on GEF 4 investments in the PACC (Pacific Adaptation to Climate Change) project in Ngatpang State in Palau to mitigate saltwater intrusion into taro patches, and implementing adaptation activities for currently identified vulnerable areas in Melekeok, Palau's capital and home to the country's sole Ramsar site. The PAN fosters effective conservation of biodiversity whose component sites are envisioned to act as resilient reservoirs of biodiversity through removal of local direct stressors and thus contribute to prevention of ecosystem degradation from climate change.

### CBD AICHI TARGETS

This project also addresses all five of the Aichi Biodiversity Strategic Goals and 12 of the 20 Targets. It will model how to tackle these over-arching targets in a SIDS context. Palau expects to contribute to achievement of the Targets in the following way:

- 1.Target 1 (Awareness): By EOP (End Of Project), at least eight states in Palau will increase awareness of biodiversity, as measured by PAN effectiveness measures.
- 2.Target 2 (Biodiversity integrated): By EOP, biodiversity values will be integrated into at least eight national or state development strategies and/or planning processes.
- 3.Target 4 (Sustainable production): By EOP, SFM integrated with SLM and PAN will demonstrate sustainable production, with involvement of Government, business, and community stakeholders.
- 4.Target 5 (Forest loss reduced): By EOP, the area of native forest under recovery will increase.
- 5.Target 7 (Sustainable agriculture): By EOP, completion and integration of the National SLM Action Plan will contribute to increasing sustainability of agriculture and forestry in Palau.
- 6.Target 8 (Pollution): By EOP, pollution (sedimentation) will be reduced or maintained at natural levels in at least four areas.
- 7.Target 9 (IAS): By EOP, IAS will have been eradicated or controlled and biosecurity measures will be in place in at least two sites.
- 8.Target 11 (% protected): By EOP, at least 20% of terrestrial land and 15% of coastal areas are conserved effectively through a well-connected system of protected areas and Palau will be on target to complete the Micronesia Challenge by 2020.
- 9.Target 14 (ecosystem services): By EOP, at least 8 communities will be implementing equitably-derived plans to safeguard ecosystem services
- 10.Target 15 (restoration): By EOP, at least one degraded ecosystem will be restored (through addressing IAS, adopting a ridge to reef approach and/or other management)
- 11.Target 18 (traditional knowledge): By EOP, at least eight national or state plans developed using community-based and inclusive participatory processes will incorporate traditional knowledge and local needs and processes.
- 12.Target 19 (science): By EOP, at least two evaluation protocols and at least one set of implementation guidelines will be developed using scientific methods and shared widely.



### B.3 The GEF Agency's comparative advantage for implementing this project:

Indicate the co-financing amount the GEF agency is bringing to the project:

UNEP now has a large portfolio of running similar projects in the Pacific including four Biodiversity projects partially funded by the GEF PAS. Three of these are multi-country projects which means its catchment of countries involved in these projects spans the Pacific Islands region. These projects have been in development since 2006 which means its collective knowledge of the region in areas of biodiversity, sustainable land/forest management, biosafety and POP's is unsurpassed by any other Implementing Agency operating in the region. Its close ties with the UNEP/World Conservation Monitoring Centre and Secretariat for the Pacific Regional Environment Programme (cemented in a recently signed MOU guaranteeing collaboration with all projects which align with this one) means there is opportunity to leverage this project with the benefits which come with these agencies (e.g. UNEP's Pacific Office is co-located with SPREP affording maximum opportunity for liaison and cooperation). SPREP also is Executing Agency for three GEF PAS projects (two BD and one POP's/pollution) for which UNEP is Implementing Agency which also allows maximum continuity/complimentarity and mutual support between this and the existing projects. Similarly, with UNEP as IA for the Micronesia Challenge which includes Palau, the same benefits can occur. And again the outputs from this project can be incorporated into the enabling Multi-Environmental Agreement project (Africa, Caribbean and Pacific) for which UNEP is IA and SPREP is EA (noting that the second phase for this project has been signalled for May 2013 with SPREP as EA once again).

UNEP will also bring US\$200,000 to the project as co-finance which will particularly support technical capacity to the project (particularly significant given the extremely small size and capacity of Palau). In addition, the UNEP Regional Office for Asia and Pacific (UNEP ROAP) will support the country in building partnerships and mobilizing the required co-finance.

How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc) and staff capacity in the country to follow up project implementation:

UNEP's comparative advantage derives from its mandate to coordinate UN activities with regard to the environment, including its convening power, its ability to engage with different stakeholders to develop innovative solutions and its capacity to transform these into policy- and implementation-relevant tools. UNEP's comparative advantages in the GEF are aligned with its mandate, functions and Medium Term Strategy and its biennial Programme of Work (2012- 2103). The proposed project is consistent with the Ecosystem Management thematic priorities, Climate Change and the Environmental Governance thematic priorities outlined in UNEP's Medium-term Strategy. These focal areas and key foci will be met in the following way:

Climate change – adaptation to climate change – using ecosystem services to build natural resilience against the impacts of climate change.

Reducing emissions from deforestation (REDD+) – reduced emissions from deforestation and degradation (particularly the latter in this project) – providing a test case for implementing sustained forest use without degrading essential qualities such as biodiversity and ecosystem services they provide (e.g. traditional medicines, plant materials).

Disaster risk reduction – reduced impact of natural hazards and vulnerability of communities by retaining high quality forest cover.

Ecosystem Management - Restoration and management methodologies developed which will be available to the national and state governments of Palau and incorporated into planning and governance practices. These methodologies will underpin an ecosystem management approach which quantifies the value of ecosystem services and biodiversity.

Environmental Governance - Monitoring, analysis and evaluation activities will contribute to sound science (as well as technical support from the rest of the Pacific and beyond) to the business of decision making for management, policy etc.

International cooperation – as IA the UNEP will facilitate collaboration and support.

National development planning – the project will provide information for informed choices for development planning and statute/policy by state and national bodies within Palau.

UNEP's science and technical focus will bring comparative advantages as summarised in the following table: Please find table attached in Appedix 3


The UNEP is also heavily involved with the UNDAF in the Pacific, working in partnership with FAO, UNDP and UNESCO especially in order to facilitate Output Group 4 of the UNDAF (environmental management). The process is facilitated through the UN Country Team to which it belongs and actively contributes. The GEF projects effectively account for the lion's share of the UN's implementation of environmental activities under OG 4 of the UNDAF.

**PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)**

- A. **RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):** (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Mr. Sebastian Marino	GEF Focal Point	OFFICE OF THE PRESIDENT OF PALAU	09/20/2012
Ms. Charlene Mersai	GEF Focal Point	OFFICE OF THE PRESIDENT OF PALAU	08/02/2013

B. **GEF AGENCY(IES) CERTIFICATION**

<b>This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for project identification and preparation.</b>					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email
Maryam Niamir-Fuller, Director, GEF Coordination Office, UNEP		01/31/2014	Greg Sherley Task Manager	+685 7505346; +685 21929	greg.sherley@unep.org

## Appendix 1

<b>RISK</b>		<b>Risk Mitigation Strategy</b>
Delays in disbursement of funds	M	Care to create feasible timetables and ensure capacity development, processes and mechanisms are well established in advance of the planned local activities.
Limited pool of qualified individuals to lead and/or carry out aspects of specific projects.	M	As above and access through partnerships in Micronesia and regional networks where skills not available locally.
Source of sustainable finance mechanism (the Green Fee) is solely dependent on the number of visiting tourists – i.e. minimal diversification.	M	In the longer term the earnings from the Micronesia Challenge Endowment Trust Fund will be phased in for the recurrent costs of PAN sites. In other words this project should in many respects act as a stop-gap until this permanent source of funding comes on stream.
Change in policy in Green Fee could reduce the level of income from the Green Fee and thus the money available for Protected Area Networks.	M	Ensure political support for and publicise the success stories from the project to help ensure public awareness and backing of the use of the Green Fee.
Coordination between the various and large number of government and community groups will need special attention – especially given their dispersed distribution	M/H	The OERC project management team in Palau will ensure that planning and investment in a complex social network will be sufficient to meet this risk, including facilitating a multi-stakeholder steering committee.

## Appendix 2

#	Agency	Description	Role
1	Palau Conservation Society	Conservation non-government organization	Implementation, Community specialists, conservation technical assistance
2	The Nature Conservancy	International conservation NGO – Palau field office	Advisory, Conservation technical assistance
3	Palau International Coral Reef Center	Research Institution	Implementation, Technical assistance for coral reef conservation/management
4	Natural Resources Conservation Service	United States federal agency-locally based.	Advisory, Conservation Technical Assistance
6	Belau National Museum	Semi Gov't agency	Implementation, Repository for terrestrial biodiversity (herbarium and collections)
7	Palau Environmental Quality Protection Board	Environmental regulatory agency	Implementation, Technical assistance for water quality and other regulatory controls
8	Ministry of Natural Resources, Environment and Tourism (Forestry, Agriculture, and Marine Resources)	Gov't agencies	Implementation, all sectors
9	Palau Council of Chiefs	Civil Society Organization	Advisory, Facilitate community support and engagement of project
10	Palau Chamber of Commerce	Civil Society Organization	Advisory, Facilitate private sector support and engagement
11	Palau Visitors Authority	Gov't agency	Advisory, Facilitate private sector support and engagement
12	Belau Tourism Association	Membership organization	Advisory, Facilitate private sector support and engagement
13	Palau Water & Sewer Corporation	Gov't agency	Advisory, Technical assistance for water use issues
14	Palau National Communications Corporation	Semi-government agency	Advisory, Technical support for project coordination
15	Belau Watershed Alliance	Membership organization	Implementation, Facilitate state support and engagement
16	Male & Female community based groups	Civil society organization	Advisory, Facilitate community support and engagement
17	The Environment, Inc. / Island-SEAS	Local consultants	Implementation, Technical advisors

18	Palau Protected Area Office and PAN Board, Committees	Gov't office	Implementation, Technical support for PAN related activities
19	Office of the Palau Automated Land and Resources Information Systems	Gov't agency	Implementation, Provide planning and GIS support for project
20	Bureau of Land and Survey	Gov't agency	Advisory, Technical support for land resources issues.
21	Oceania Television/Roll E'm Productions	Media company	Implementation, Outlet for communication and outreach for project
22	Coral Reef Research Foundation	Non profit organization /research organization	Advisory, Provide conservation/technical assistance
23	State Governments	Political jurisdiction	Advisory, Owners, users, managers, stewards

### Appendix 3

Areas of UNEP comparative advantage in the GEF (all Focal Areas)		UNEP Thematic Priority Areas					
		Climate change	Disasters & conflicts	Ecosystems management	Environmental governance	Harmful substances & hazardous wastes	Resource efficiency
1. Sound science for national, regional and global decision-makers	Early warning and emerging issues	X		X	X		
	Science to Policy linkages	X		X	X		
	Environmental monitoring and assessment	X		X	X		
	Norms, standards, and guidelines	X	X	X	X		
	Enabling Activities for MEAs and synergies						
2. Cooperation, coordination and partnerships (regional or international)	Trans-boundary cooperation						
	Regional, or South-South cooperation	X		X	X		
	Global transformative actions						
3. Technical assistance and capacity building at country level (contribution to Bali Strategic Plan)	Technology assessment, demonstration, and innovation						
	Capacity building			X	X		
	Lifting barriers to market transformation						
4. Knowledge management, awareness raising and advocacy		X		X	X		