



Initial Poverty and Social Analysis

April 2020

Palau: Disaster Resilient Clean Energy Financing

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Asian Development Bank

CURRENCY EQUIVALENTS

The currency unit of Palau is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
DRCEFF	–	Disaster Resilient Clean Energy Financing Facility
FI	–	financial intermediation
GRF	–	general reserve fund
MOF	–	Ministry of Finance
NDBP	–	National Development Bank of Palau
NDRMF	–	National Disaster and Risk Management Framework
PCCP	–	Palau Climate Change Policy
PPUC	–	Palau Public Utilities Corporation

NOTES

- (i) The fiscal year (FY) of the Government of Palau and its agencies ends on 30 September. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g. FY 2020 ends on 30 September 2020.
- (ii) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Republic of Palau	Project Title:	Disaster Resilient Clean Energy Financing Facility
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Lending/Financing Modality:	Financial Intermediation (F1)	Department/Division:	PARD/PAEN
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I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposed Palau Disaster Resilient Clean Energy Financing Facility Project supports a core development priority of the 2020 Palau National Master Development Plan¹, which is “mainstreaming disaster risk reduction.” The program is aligned with the vision in the National Disaster and Risk Management Framework (NDRMF),² initially published in 2010 and amended in 2016, of “safe, resilient and prepared communities in Palau”. In 2015, the Palau government adopted the Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development (PCCP) with additional objective to mitigate global climate change by working toward low-carbon emission development, maximizing energy efficiency, protecting carbon sinks, and minimizing greenhouse gas emissions. The PCCP also advocates a proactive approach to community-level disaster risk management, to build knowledge and understanding of the hazards and risks to which communities may be exposed.

The project is also in line with the Framework for Resilient Development in the Pacific 2017–2030,³ which (i) recognizes that climate change and disaster risks increase the vulnerability of Pacific Island people, undermining the sustainable development of the Pacific region, and (ii) provides high-level strategic guidance to different stakeholder groups on how to enhance resilience to climate change and disasters, in ways that contribute to sustainable development. The proposed project in this context supports goal 1 (strengthened integrated adaptation and risk reduction to enhance resilience to climate change and disasters) and goal 3 (strengthened disaster preparedness, response, and recovery).

The project is consistent with the objectives of the Asian Development Bank (ADB) Pacific Approach, 2016–2020,⁴ which serves as the operational framework of ADB for the Pacific region and the overall country partnership strategy for the 11 smaller Pacific island countries, including Palau. The Pacific Approach emphasizes the importance of expanding ADB work in climate change and disaster risk management (DRM) to mobilize more financing for the Pacific region and to introduce innovative solutions to strengthen disaster preparedness, address vulnerability, and build resilience.

B. Poverty Targeting

☒ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☐ Non-Income MDGs (TI-M1, M2, etc.)

The proposed project does not target a specific segment of the population of Palau. It is intended to benefit the general public through improved and more effective DRM criteria and targets to reduce and manage disaster and climate risks as part of the process for identifying priority infrastructure investments and incentives for energy efficiency.

C. Poverty and Social Analysis

1. *Key issues and potential beneficiaries.* Palau has one of the highest standards of living of Pacific countries, with an FY2016 GDP of \$310.3 million, an adult literacy rate of 99.5% and life expectancy of 71. However, the island nation still relies heavily on United States foreign aid through the Compact of Free Association. The compact includes a wide range of federal programs set to continue until 2030. Hardship is persistent, especially for disadvantaged groups and populations in rural areas, fast-growing urban settlements, and outer islands. The smallness, remoteness, geographic dispersion, with among the world's highest exposure to climate change and natural hazards, and narrow economic base magnifies the effects of economic shocks. GDP growth is generally low and volatile. The program will benefit the overall population of Palau through improved DRM, and particularly the poorer and more vulnerable groups (including women) who tend to be more affected by disasters.

¹ Palau National Master Plan Task Force. 1996. Palau 2020: National Master Development Plan. Koror.

² Government of Palau. 2016. National Disaster and Risk Management Framework 2010 (Amended 2016). Koror.

³ Pacific Community. 2016. Framework for Resilient Development in the Pacific, 2017–2030. Suva.

⁴ ADB. 2016. Pacific Approach, 2016–2020. Manila.

2. *Impact channels and expected systemic changes.* Palau has no dedicated financing available for disaster resilient clean energy or disaster response, early recovery, and reconstruction so a key government development priority is to diversify the existing energy generation mix to include more indigenous, renewable energy resources. The project thus is expected to create a conducive environment through the National Development Bank of Palau (NDBP) and the Palau Public Utilities Corporation (PPUC) to enable disaster resilient clean energy financing to address concerns on (i) lack of financing for disaster resilient energy infrastructure under ongoing and future housing commitments and (ii) unmet demand among female borrowers for longer-term loans, in particular in the rural areas to finance preventive measures mitigating impact of disasters caused by natural hazards.

3. *Focus of (and resources allocated in) the PPTA or due diligence.* Due diligence will look to enhance NDBP's and PPUC's ability to provide affordable financing to low income and women customers for disaster resilient clean energy projects. Assessment will essentially improve the disaster resilient clean energy financing criteria for eligible borrowers, as well as improve accessibility to disaster resilient clean energy loans for eligible women borrowers.

4. *Specific analysis for policy-based lending.* The focus is to provide capacity building support to (i) NDBP, primarily in the areas of risk management, internal audit, product compliance, establishing a tracking system for performance (borrowers and disbursement) and streamlining of credit processes; and (ii) PPUC to develop operations and maintenance service for disaster resilient energy facilities.

II. GENDER AND DEVELOPMENT

1. *What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?*

As women are the primary carers and household managers, they are disproportionately impacted by challenges in accessing affordable and disaster resilient energy. The average electricity bill is about 35% of disposable income (due to a number of factors include the high cost of imported fuel, lack of awareness of energy efficient approaches, old appliances etc.). Even with knowledge of energy efficient and disaster resilient approaches, households are not incentivized to pay upfront for more energy efficient appliances or retrofit homes to make them more efficient and disaster resilient. There are barriers to women accessing finance for these activities; lending products are mainly aimed at higher income groups; even where financial products target women they continue to be unaffordable for most women; and the collateral required for obtaining loans is not feasible for most women. This is particularly true for female headed households. The 2014 census notes that about a third of all households are headed by women and they are more likely to be below the basic needs poverty line.

2. *Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?*

☒ Yes ☐ No Please explain. A gender action plan will be prepared during due diligence.

3. *Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?*

☐ Yes ☒ No

The project will contribute to improved DRM which will benefit both men and women.

4. *Indicate the intended gender mainstreaming category:*

☐ GEN (gender equity) ☒ EGM (effective gender mainstreaming)
☐ SGE (some gender elements) ☐ NGE (no gender elements)

The program will explore design measures to benefit women such as; development of new financial products to increase women's access to disaster resilient financing; support to NDBP to adopt gender inclusive policies and practices (including collection of sex disaggregated data; outreach programs to raise awareness of disaster resilient clean energy finance products; loans for solar generation targeted to female headed households; and gender sensitive training for households on energy efficiency and household decision making.

III. PARTICIPATION AND EMPOWERMENT

1. *Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.*

The main stakeholders are the Ministry of Finance, the NDBP and the PPUC responsible for the administration and on-lending the proceeds of the ADB grant. The ultimate beneficiaries will be the people of Palau. The main stakeholders will participate in the project design through consultation and focus group discussion. The project objectives are aligned with the 2020 Palau National Master Development Plan, and the vision of the National Disaster and Risk Management Framework which was consulted within Palau.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

Information will be shared with the public as appropriate. Through consultations with nongovernment organizations, potentially excluded and vulnerable groups will be identified to enable their effective participation in DRM plans and activities.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

☒ Information generation and sharing ☒ Consultation ☐ Collaboration ☐ Partnership

Low level of NGOC participation

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? ☒ Yes ☐ No

The project design requires participation of the poor and excluded groups specifically to enable their effective participation in DRM plans and activities.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category ☐ A ☐ B ☒ C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No

The project will only provide selection criteria for financing and not involve civil works and result in any involuntary resettlement impacts.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix
☐ Environmental and social management system arrangement ☒ None

B. Indigenous Peoples Category ☐ A ☐ B ☒ C ☐ FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Social Impact matrix
☐ Environmental and social management system arrangement ☒ None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design? NA

☐ Creating decent jobs and employment ☐ Adhering to core labor standards ☐ Labor retrenchment
☐ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☐ Affordability
☐ Increase in unplanned migration ☐ Increase in vulnerability to disasters ☐ Creating political instability
☐ Creating internal social conflicts ☐ Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? NA

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?

☒ Yes ☐ No If no, please explain why

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence?