



Palau Blue Prosperity Plan: *provide and protect*

April 2022

The Opportunity

Palau is a recognized as a global leader in environmental stewardship, protecting 20% of its forests, 30% of its coral reefs, and 80% of its pelagic waters in no-take reserves.

The twin pressures of COVID-driven tourism reductions and Palau National Marine Sanctuary-related loss of locally-based fishing vessels has put significant pressures on Palau's government budget, which faces major deficits that impact education, public safety, healthcare and other vital government services.

Further, the loss of the locally-based fleet had the unintended consequence of reducing local tuna supplies, raising tuna prices and, in turn, will increase consumption of already over-taxed reef fishes.

To address these challenges, we are charting a course to achieve 100% management of Palau's ocean, balancing protection of Palau's precious marine resources with sustainable use of those resources for the benefit of all Palauan people "A Kot a Rechad er Belau".

To achieve this vision, we have developed a Blue Prosperity Plan, which includes several key programmatic elements (described herein) including:

- An inclusive, and locally-led marine spatial planning (MSP) process to implement a science-based zoning and management plan that secures at least a minimum 30% of Palau's EEZ under no-take protections;
- A vessel day buy-back scheme that fills critical budget gaps during the MSP process, freezes the 2021 longline fishery footprint (spatial & effort), and catalyzes a sustainable fisheries development program to establish a world-class pelagic fishery that returns more value to Palau and minimizes impacts to its resources;
- A further set of innovative blue economy development programs backed by a long-term financing plan to support protection and production for the entire jurisdiction.

To achieve this vision, Palau needs meaningful support from its international bilateral and NGO partners.

Our vision will set a new benchmark for conservation that enhance benefit to the people of Palau demonstrating that we can balance protection and production and charter a course that others in the region and globally can follow.

Plan overview

Taking a holistic approach to building Palau's future



Protection

Systematic approach to marine spatial planning, ongoing operational support for ocean management, and other efforts to protect Palau's marine resources



Sustainable economic development

Comprehensive business plan including fisheries, aquaculture, ecotourism, and other innovative blue economy opportunities



Enabling environment

Broad consideration of the infrastructure and policy support needed to enable Palau's blue economy

A message from
Palau's Ministry of
Agriculture,
Fisheries, and
Environment
(MAFE): In ensuring
that the path we set
benefits the people
of Palau, MAFE will
uphold these four
core values: people,
environment,
science, and service
(pess), to ensure
meaningful impact
reaches our triple
bottom line: People,
Palau, and
Prosperity



Palau has a long history of leadership in environmental stewardship

Key sustainability milestones



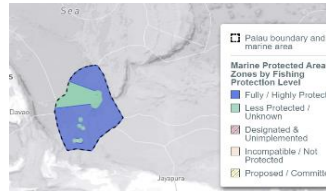
Marine Protection is a traditional and customary practice in Palau; the 2003 Protected Areas Network (PAN) Act set the framework for community-led conservation



The first official sanctuary (the size of France) was declared in 2009 to protect 135 species of endangered sharks and rays



In 2012 Palau's Rock Islands Southern Lagoon was named a UNESCO World Heritage site



In 2015, Palau announced the PNMS to designate 80% of its EEZ as a no-take zone, with a target completion date of 2020



Palau has a range of other conservation commitments, including bans on bottom trawling, use of drifting FADs and deep seabed mining



Because of these commitments, Palau is appropriately seen as a global leader in ocean conservation efforts

The last few years have presented challenges that have caused economic and environmental stresses

Key recent events...



COVID-19 drove tourism to a standstill overnight

The global pandemic led to a complete standstill of international tourism of ~100,000 tourists visiting Palau each year



A locally-based longline fleet withdrew from Palau's water

The implementation of the PNMS led to the withdrawal of locally-based Taiwanese longline fleet

These have created economic and environmental stresses



Government revenues from tourism and fisheries declined significantly

Apart from revenues from tourism, the Government has foregone \$2.6 million per year from fisheries due to unsold long line vessel day fees, export taxes, and other taxes and economic impact from vessel provisioning



The health of Palauan inshore fisheries and reefs will be impacted

The withdrawal of the longline fleet has led to shortages of affordable tuna and other pelagic species to supply the local market, will create further pressure on inshore fisheries and further impact health of reefs



Palau has an overall budget shortfall of **\$8M** for 2022 which includes needs for critical education and healthcare services

The budget shortfall from foregone fisheries-related revenue is **\$2.6M**

A new vision for Palau

Palau's commitment



100% sustainable management of Palau's EEZ

Our goal is to achieve 100% durable ocean management that balances protection and sustainable use of our precious marine resources for the benefit of all Palauan people.

A marine spatial planning process will guide key management and development decisions.



Build a Blue Economy

Recognizing that long-term, sustainable management relies on broad benefit, Palau will build a comprehensive blue economy that includes fisheries, aquaculture and innovative business models



Be a beacon for the Pacific and beyond

Palau's Blue Prosperity Plan can be replicated and adapted across the Pacific

What Palau will need to succeed

\$35 million in startup costs

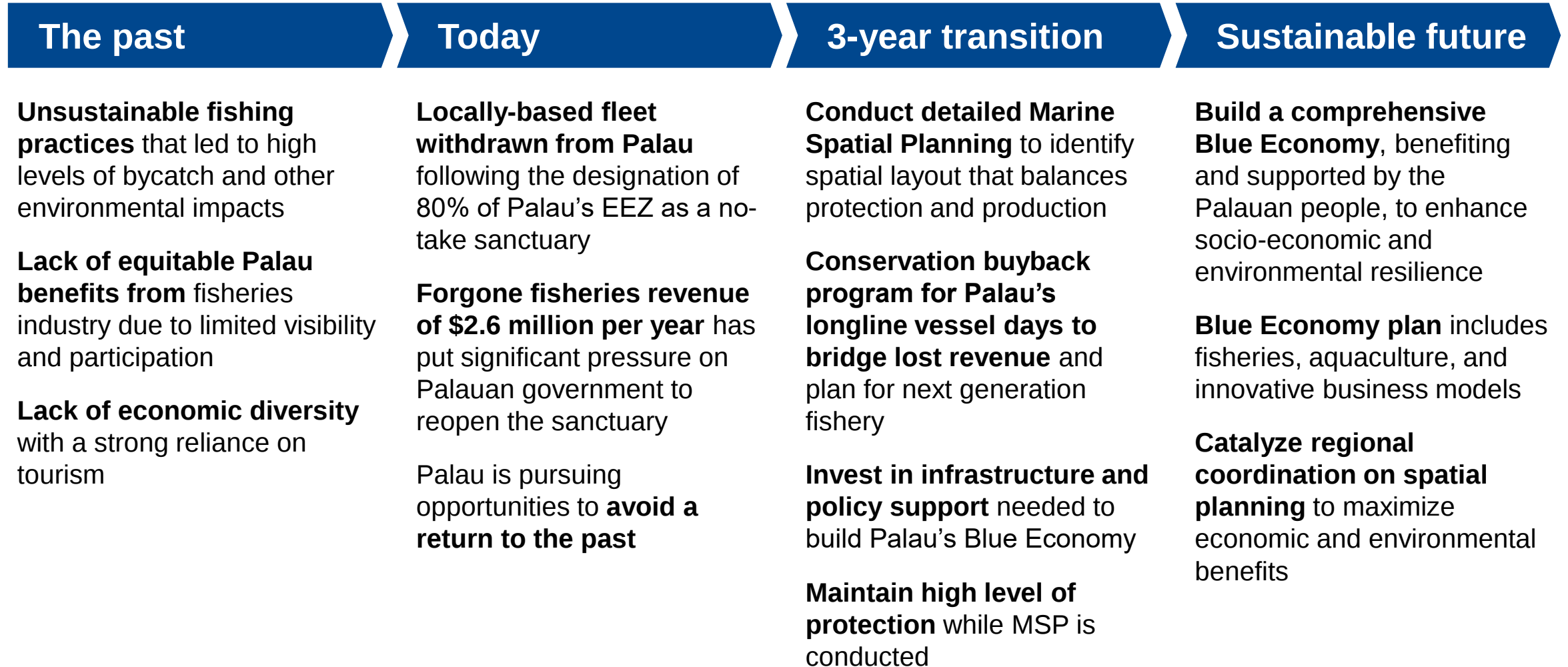
Palau will need start-up funding to bridge current budget gaps & build a Blue Economy that protects our oceans and maximizes benefits for every Palauan

Technical support from international partners

Palau will also need technical support from public, private and civil society partners to develop and implement the blue economy business plan

Building a future balancing protection and production

Our path to provide and protect based on a sustainable blue economy



Palau needs assistance to transition to a sustainable future

Timeline for funding need

Sources and uses for funding for Palau (USD millions)

Source		Use	Year 1	Year 2	Year 3	Total
Bilateral and international support	Philanthropy	Longline vessel days (VD)	2.6	2.6	2.6	7.8
		Marine spatial planning (MSP)	1	1	1	3.0
		Blue economy (fisheries, aquaculture, etc.)	2	2	2	6.0
		Regional scaling	0.33	0.33	0.33	1.0
		Innovation	0.33	0.33	0.33	1.0
			6.25	6.25	6.25	18.8
	Infrastructure					
	Harbor					11.0
	Aquaculture					6.0
TOTAL					34.8	

To date, philanthropic funding of \$10.8M has been committed to support vessel buy back and to initiate MSP.

Other potential partners (World Bank, Sasakawa Peace Foundation, SPC, FFA) have pledge support for MSP, capacity building, fisheries development, and blue economy development).



This plan will deliver benefits to Palau's environment and economy

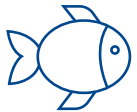
Socioeconomic benefits



Revenues from Blue Economy initiatives minimize the need for ongoing external funding support



New direct and indirect Palauan jobs secure local livelihoods



Sustainable, locally-landed pelagic fish supply increases food security and reduces pressure on reefs



Restorative aquaculture increases environmental resilience and enhances biodiversity

Other benefits

Retain and grow donor support for marine protection and sustainable economic development

Increase political durability of Palau's Blue Economy ambition

Reinforce Palau's brand as a global leader on conservation and environmental protection, building potential premium for Blue Economy products

Show regional leadership as a model for other Pacific Islands to follow

1. Not all Blue Economy opportunities are fully sized, so the benefits may in fact be larger

Balancing protection and economic development is at the heart of Palau's objective to achieve 100% sustainable management of its EEZ



Theory of change

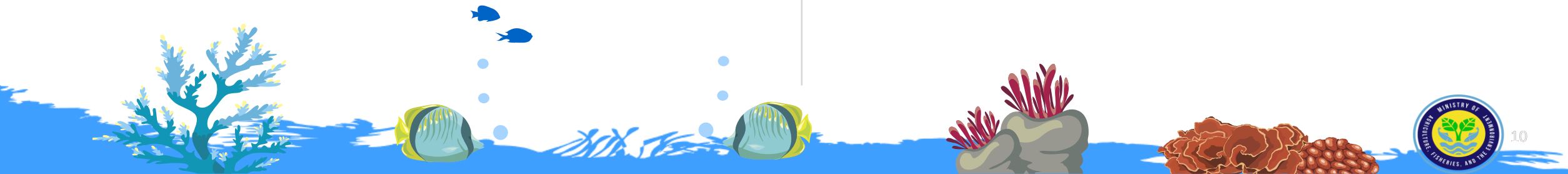
Combining efforts to protect Palau's precious ocean resources and grow Palau's Blue Economy will strengthen both protection and production.

The economy can benefit from enhanced protection and the environment can benefit from more sustainable business practices



Key initiatives

1. Marine spatial planning
2. Offshore fisheries development
3. Restorative aquaculture
4. Infrastructure
5. Innovation
6. Regional Scaling



Blue Economy Business Plan Summary (1/6)

Marine Spatial Planning

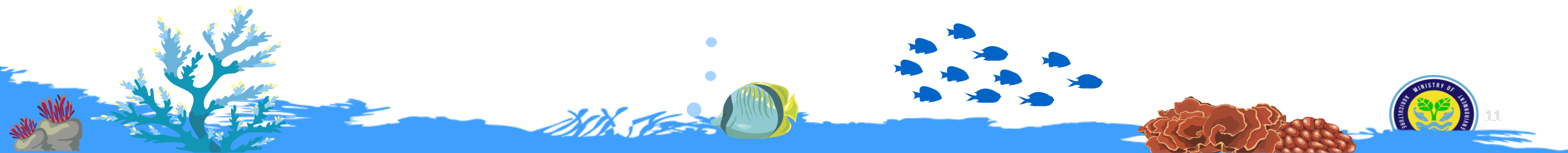
Summary

Marine spatial planning (MSP) will guide evidence-based decisions based on an inclusive and participatory process to optimize conservation and economic returns for all stakeholders

MSP will establish deep water protected areas, identify targets for additional nearshore protection and deliver complete marine spatial plan and the requisite capacity building to implement, monitor, manage and maintain support for it

Outcomes

- Ecosystem-based MSP for 100% sustainable management in Palau's waters that builds the foundation for Micronesia-wide MSP
- Minimum 30% offshore no-take marine protections
- Gap analysis informs nearshore protection targets (e.g., underrepresented features, additional %'s)
- Leverage MCS efficiencies and regional MPA connectivity opportunities
- Meet national and international biodiversity, food security, socioeconomic, and resilience targets
- Strengthen Palau's position as a premier high value ecotourism destination
- Protect marine biodiversity and enhance climate resiliency
- Retain and grow requisite financial and technical support necessary for success



Blue Economy Business Plan Summary (2/6)

Sustainable Offshore Fisheries

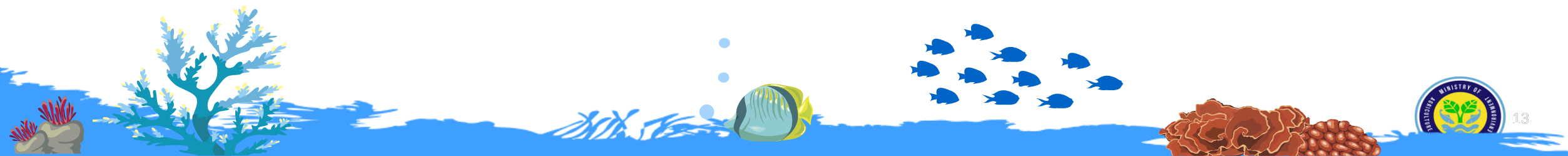
	Summary	Outcomes
Longline	Reestablish locally-based longline fleet with robust social and environmental safeguards, including 100% ER & EM, @ least 5% observer coverage, ban on transshipment & bunkering and enhanced coordination between MAFE & Marine Law. Ensure any distant water vessels fishing in Palau meet the same rigorous social and environmental standards and contribute commensurate economic benefits to locally-based fleets	Eliminate IUU fishing and reduce bycatch rates of ETP species in Palau's waters Secure consistent local supply of sustainable pelagic species that reduces pressure on reef fish Local job creation and revenues
Purse seine	Refresh Palau's PS VDS strategy Engage in PNA proceedings @ Ministerial level	Improve value capture from vessel days Increase good-standing PNA membership and influence over PNA policy
Pole & Line/ Dayboat	Implement locally-based wholly-owned Palauan Pole & Line/Dayboat fishery, including funding mechanism and data collection regime to evaluate its efficacy in delivering a consistent, accessible supply of skipjack and other pelagics for local consumption	Consistent supply of affordable pelagic species Livelihood opportunities for Palauan fishers Clarify long-term potential of pole & line and dayboat fishery to support Palau's environmental, economic and food security goals
aFADs	Implement the Palau Nationwide aFAD Program Strategic Plan 2020-2023	Improve efficiency of pole & line/dayboat fishing operations to increase potential economic viability
Choose Pelagics	Implement program to streamline market access and stabilize demand for sustainable pelagic species, including long-term public & private sector procurement	Secure stable, accessible domestic demand for pelagic fishes to increase potential economic viability of pole & line/dayboat fishing operations and reduce incentives to target reef fish



Blue Economy Business Plan Summary (3/6)

Restorative Aquaculture

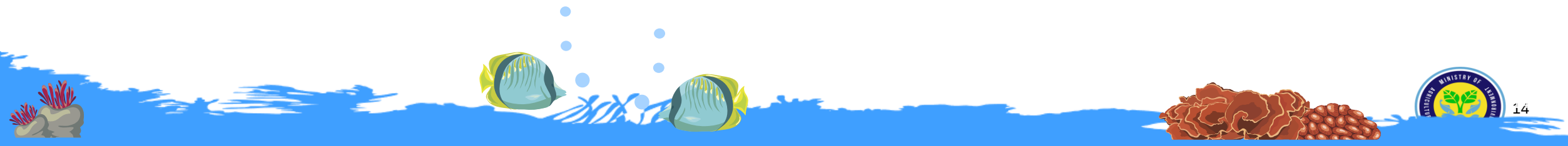
Summary		Outcomes
Policy Framework	Develop National Aquaculture Policy that includes a zoning system (e.g., finfish, shellfish) and streamlined permitting	Create a consistent, transparent, and efficient regulatory structure that supports growth and protects the environment
Giant Clams	Develop incubation program and shift hatchery species mix toward profitable aquarium species of giant clam, create a restoration offtake program to complement giant clam existing markets and pilot aquaculture loan program	Increase production of species with restoration benefits, improving nearshore ocean health Enhance food security and local livelihoods
Finfish Business Plan	Develop business plan that identifies commercial opportunities for sustainable finfish operations, including baitfish for commercial and recreational fisheries	Economically-viable finfish commercial operations that reduce pressure on wild finfish stocks and enhance food security and local livelihoods Assessment of need for enabling programs (e.g., incubators, marketing) to support viability



Blue Economy Business Plan Summary (4/6)

Infrastructure

	Summary	Outcomes
Harbor + Cold Chain	Develop basic offload & cold chain infrastructure necessary for consistent local supplies of pelagic fish	Enable stable supply of high-quality pelagic fishes for local market consumption & export
Hatcheries	Based on finfish business plan, implement new fin-fish hatchery and small-scale hatchery	Enable sustainable/restorative aquaculture enterprises
Training	Up-skilling fishers, building technical and operational capacity in government and private sector to implement and sustain programs and businesses	Build the critical human capital necessary to successfully implement, operate and adaptively manage Palau's Blue Economy



Blue Economy Business Plan Summary (5/6)

Innovation

	Summary	Outcomes
Business Models	Develop innovative business models to maximize the domestic socio-economic and environmental benefits from Palau's commercial fisheries and aquaculture harvest	This may include joining Pacific Island Tuna (PIT), adapting PIT to Palau's longline fishery and other initiatives through which Palau secures visibility into and participation in key fisheries and aquaculture value chains
Insurance	Implement an ecotourism/coastal insurance mechanism with insurance partner(s) to protect Palau's economy and resources from future disruptions	Protect Palau's economy, people, and resources from worst impacts of future crises Incentivize ongoing stewardship of Palau's environmental resources
Ecotourism	Explore potential to replicate Hawaii's Pier 38 tuna market and identify prospective implementation partners to support ecotourism Scope costs and benefits of transition to "high value, low volume" tourism model and develop implementation options	Establish Malakal Harbor or other priority locations as regional tourism hubs Maximize Palau's economic benefits from tourism while staying within carrying capacity of the environment, local infrastructure & services
Finance	Explore novel sources of funding, including PFPs, biodiversity and blue carbon credits to maximize Palau's benefits from its conservation leadership	Secure new sources of funding that compensate Palau for its conservation leadership and contribute to its socio-economic and environmental resilience
Resource management	Implement innovative management strategies with potential to improve fishery environmental and economic performance (e.g., bycatch cap and trade, harvest rights auction)	Reduced fishery environmental impacts at low/no-cost Replicable models with potential for regional adoption that maximize economic benefits and minimize environmental impacts



Blue Economy Business Plan Summary (6/6)

Regional Scaling

Summary

Regional scaling

Recognizing that Pacific Island marine ecosystems and economies are interdependent—and based on Palau’s leadership—develop political buy-in and plan for a Micronesia-scale marine spatial planning (MSP) process to guide evidence-based decisions to balance protection and production across the entire region

Efforts may include feasibility assessment, convening regional leaders and key stakeholders in a series of workshops to contribute to MSP process (potentially culminating in a larger-scale conference), and early survey and scientific research to guide and scope future work

Outcomes

- Align regional leaders and other relevant stakeholders to opportunity for a Micronesia-wide MSP process
- Develop a framework that ensures an inclusive and participatory MSP approach that works at a regional scale
- Identify key shared goals to optimize for during MSP process across protection and production
- Build momentum towards minimum 30% offshore no-take marine protections across region at the scale of ecosystem function
- Align on governance mechanisms to launch regional MSP process to meet national and international biodiversity, food security, socioeconomic, and resilience targets
- Identify and secure requisite financial and technical support necessary for success

