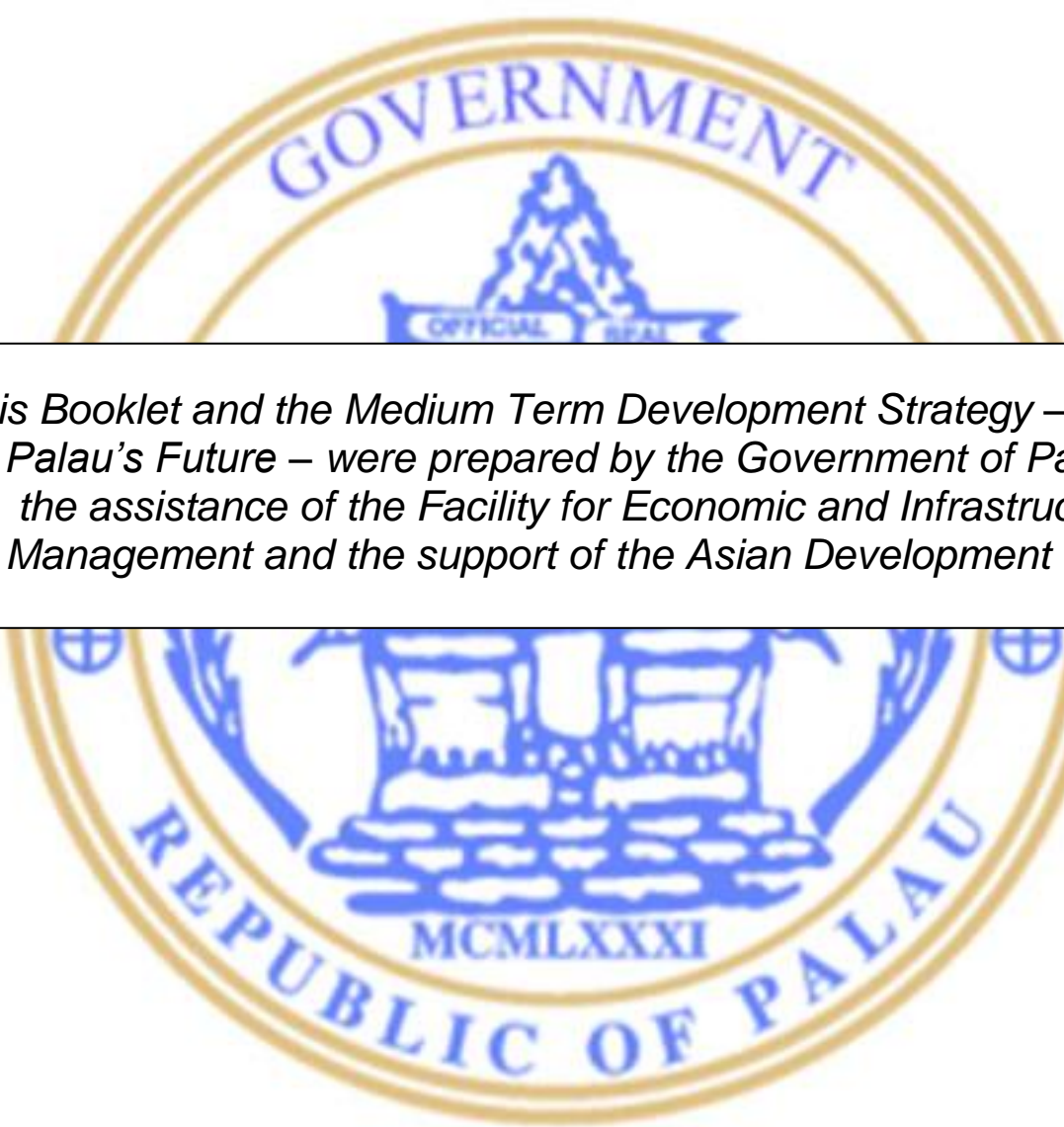


Explanatory Booklet

*Actions for Palau's
Future*

2009-2014

The Medium Term
Development
Strategy

The seal of the Government of Palau is a circular emblem. The outer ring contains the text "GOVERNMENT" at the top and "REPUBLIC OF PALAU" at the bottom. Inside the ring, there is a central figure of a person standing on a base, with the words "OFFICIAL SEAL" below it. The Roman numeral "MCMLXXXI" is positioned at the bottom center of the seal.

This Booklet and the Medium Term Development Strategy – Actions for Palau’s Future – were prepared by the Government of Palau with the assistance of the Facility for Economic and Infrastructure Management and the support of the Asian Development Bank

CONTENTS

	Page
1 The Medium Term Development Strategy	5
1.1 Role and Context of the Medium Term Development Strategy	5
1.2 Link to the National Master Development Plan – Palau 2020	5
1.3 Role of This Explanatory Booklet	6
2 Overall Goal, Strategic Priorities and Overarching Strategies	7
2.1 Overall Goal	7
2.2 Strategic Priorities	7
2.3 Overarching Strategies	8
2.4 Policy and Project Priorities	8
2.5 Expected Outcomes	9
3 Economic Policies and Institutions	10
3.1 Approach and Issues	10
3.2 Goal, Strategies and Actions	11
3.3 Expected Outcomes	14
4 Reform of Government and Public Enterprises	15
4.1 Approach and Issues	15
4.2 Goal, Strategies and Actions – Overarching Action Plan for the Public Sector	15
4.3 Goal, Strategies and Actions – Action Plan for Reform of Public Enterprises	16
4.4 Expected Outcomes	17
5 Environment	18
5.1 Approach and Issues	18
5.2 Goal, Strategies and Actions	18
5.3 Expected Outcomes	21
6 Tourism	22
6.1 Approach and Issues	22
6.2 Goal, Strategies and Actions	22
6.3 Expected Outcomes	24

7	Aquaculture and Fisheries	25
7.1	Approach and Issues	25
7.2	Goal, Strategies and Actions	25
7.3	Expected Outcomes	27
8	Agriculture and Forestry	28
8.1	Approach and Issues	28
8.2	Goal, Strategies and Actions	28
8.3	Expected Outcomes	30
9	Infrastructure	31
9.1	Approach and Issues	31
9.2	Goal, Strategies and Actions	31
9.3	Expected Outcomes	32
10	Financing Education	33
10.1	Approach and Issues	33
10.2	Goal, Strategies and Actions	33
10.3	Expected Outcomes	34
11	Financing Health	35
11.1	Approach and Issue	35
11.2	Goal, Strategies and Actions	35
11.3	Expected Outcomes	37
12	Social Services for Vulnerable People	38
12.1	Approach and Issues	38
12.2	Goal, Strategies and Actions	38
12.3	Expected Outcomes	40
13	Responding to Community Concerns	41
13.1	Introduction	41
13.2	Peoples Concerns About Development Policies	41
14	Links Between the NMDP and the MTDS	45
14.1	Introduction	45
14.2	NMDP Development Strategies and Links to MTDS	45

1 The Medium Term Development Strategy

1.1 Role and Context of the Medium Term Development Strategy

The overall goal of the MTDS is: *A sustained and widespread improvement in general standards of living while preserving cultural and environmental values*

Actions for Palau's Future sets out the *key goals strategies and actions for economic development over the period 2009-2014*

The medium term development strategy (MTDS) – described as “Actions for Palau’s Future” – sets out the key strategies and actions to help achieve economic, social, environmental and cultural goals over the 5 year period 2009 to 2014.

The MTDS establishes meaningful priorities and recommends credible policies and practical actions to address those priorities. It has been designed to be flexible in addressing changing priorities as they emerge.

The goals, strategies and actions that have been developed have built on existing plans that have involved extensive consultations with many stakeholders. This includes the consultations in formulating the 2020 National Master Development Plan in 1996, the Japan International Cooperation Agency 2000 Economic Development Report, the National-State Leadership Symposium in 2006, the Compact Review Commission National Economic Symposium in 2007, the Governors Economic Symposium in April 2008, a Public Forum on the Medium Term Development Strategy in June 2008 and a Public forum on Public Enterprise Reform in October 2008. In addition, consultation was undertaken with many affected stakeholders in key areas.

It is also important to recognize that the MTDS is essentially about developing and implementing policy actions to gain the maximum benefits from the resources that are available to Palau. It is not about preparing a “wish list” of projects or additional funding beyond historical levels to support economic development. Indeed many of the recommendations in the MTDS are about “doing more with less”.

1.2 Link to the National Master Development Plan – Palau 2020

Actions for Palau's Future has been designed to build on and prioritize the strategies in Palau 2020

Palau has a comprehensive National Master Development Plan (NMDP) – known as “Palau 2020” – that was finalized in April 1996, following two years of consultation and analysis. It was formally approved by the Olbiil Era Kelulau in that year. The NMDP is very comprehensive covering virtually all sectors, institutions and policies in Palau that were relevant at the time. Since then there have been numerous other plans and policies that have been formulated but nothing as comprehensive as the NMDP.

However, an important limitation of the NMDP, from a practical perspective, is that it provides limited guidance on priorities to reach Palau’s long term goals. Given these characteristics, very few sectors in government make effective use of the NMDP.

“Actions for Palau’s Future” has been formulated to address these weaknesses. It has been formulated to be consistent with all the main strategies and policies documented in the NMDP 2020 but with updates to take account of changes in circumstances and legislative and policy developments.

The last section of this booklet summarizes the development strategies in the NMDP 2020 and the links to The Medium Term Development Strategy – “Actions for Palau’s Future”.

1.3 Role of This Explanatory Booklet

It is recognized that the MTDS needs to be well understood by the community and that community acceptance is an important pre-condition for ensuring the success of the MTDS.

Hence this booklet is one aspect of trying to explain and seek community acceptance for the MTDS. The booklet outlines key features of Palau’s MTDS. A much more comprehensive and detailed report on the MTDS is available along with many separate papers on various sectors and key issues that were prepared in developing the MTDS. These are available on request from the Facility for Economic and Infrastructure Management at the Ministry of Finance.

This booklet is one aspect of explaining and seeking *community acceptance* of the Medium Term Development Strategy – Actions for Palau’s Future

2 Overall Goal, Strategic Priorities and Overarching Strategies

2.1 Overall Goal

The overall goal of the MTDS is: *A sustained and widespread improvement in general standards of living while preserving cultural and environmental values*

The overall goal of sustainable national development is defined in the Medium Term Development Strategy (MTDS) as:

A sustained and widespread improvement in general standards of living while preserving cultural and environmental values for the people of Palau.

2.2 Strategic Priorities

The strategic priorities in the MTDS can be thought of as key strengths, constraints and issues that need to be recognized or addressed in formulating an effective medium term development strategy.

The following strategic priorities have been identified to be an essential part of an effective medium term development framework:

➤ *Preserving key values and advantages which are:*

- *The environment.*
- *Cultural values.*
- *Political stability.*
- *Public security and civil order.*
- *Effective relationships with development partners.*

➤ *Achieving consensus for change through:*

- *Transparency and opportunities for consultation.*

➤ *Addressing binding constraints to economic development which are:*

- *The expectation that someone else should pay for a wide array of government services, reflected in a 'lack of willingness to pay, work productively and support effective policies'.*
- *Conflicts of interest that make it difficult to gain acceptance for and to implement effective governance arrangements and policies for the benefit of the community as a whole.*

Essential strategic priorities are: *preserving key values and advantages; achieving consensus for change and addressing binding constraints*

Overall Goal, Strategic Priorities and Overarching Strategies

2.3 Overarching Strategies

There are three overarching (or thematic) strategies that cut across sectors and issues and that encapsulate a wide range of more specific strategies and actions, as follows:

The overarching or thematic strategies are: paying the right price; ensuring conservation and cost reduction and generating income opportunities

- *Paying the 'right price' (cost recovery and well defined, targeted, transparent subsidies).*
- *Reducing costs and ensuring conservation.*
- *Generating income opportunities.*

Key aspects of the supporting strategies and actions are set out in the rest of this booklet and in more detail in the separate comprehensive report on "Actions for Our Future".

2.4 Policy and Project Priorities

Success in implementing "Actions for Palau's Future" requires there to be meaningful policy and project priorities. Lessons from many other countries, in their efforts to improve economic and social conditions, emphasize the need to have focus and commitment on a few key policy and institutional reforms. This means that it is important not to spread scarce management and leadership resources too thinly and it is important to make sure that priorities are well resourced in terms of budget allocations and managerial capacity.

Success in implementing the MTDS requires there to be meaningful policy and project priorities

Actions for Palau's Future contains Action Plans for all sectors and the major policies and institutions of government. The Action Plans are generally consistent with the existing NMDP and can be implemented by the responsible managers irrespective of the high level priorities that are established by government but subject to the resources that they have available. However, to ensure meaningful focus and effective commitment there is a need to identify the key policy and project priorities that will be emphasized over the medium term.

Overall Goal, Strategic Priorities and Overarching Strategies

The **Priority Policy Actions** that have been identified as reflected in the details of *Actions for Palau's Future* are as follows:

Five Priority Policy Actions have been identified in *Actions for Palau's Future* to ensure **meaningful focus and effective commitment**

- *Agriculture and Fisheries – Foster sustainable agricultural and fisheries income opportunities.*
- *Tourism – Position Palau as the island of choice for environmentally conscious visitors and realize higher returns to the nation from tourism.*
- *Infrastructure – Make critical investments in sanitation, water and power and prioritize maintenance.*
- *Private Sector Development – Refine foreign investment and foreign worker policies to generate maximum sustainable benefits for Palau.*
- *Sustainable Government – Undertake reforms to ensure a cost conscious and highly productive government.*

2.5 Expected Outcomes

Expected outcomes relate to progress towards the overall goal of sustainable national development and its various dimensions

The expected outcomes from effective implementation of the MTDS essentially relate to the various dimensions in which progress is made in terms of the overall goal for sustainable national development. This includes the preservation of each of Palau's key values and advantages, and the more specific goals for individual sectors.

Key elements include:

- *Improvements in general standards of living.*
- *Private sector development.*
- *Greater self reliance.*
- *Preservation of culture and the environment.*
- *Social and political stability.*
- *Looking after the vulnerable.*

3 Economic Policies and Institutions

3.1 Approach and Issues

The Action Plan for Economic Policies and Institutions *builds on previous and recent consultations* and are designed to improve the economy of Palau

The proposals in the Action Plan have the potential to lead to widespread *improvements in living standards.*

Key issues to be addressed are: fiscal sustainability; access to land; labor market distortions; a restrictive foreign investment regime; financial system stability; gaps in the commercial legal framework; and national-state relationships

The work undertaken in formulating strategies and actions for improving Economic Policies and Institutions takes into account Palau’s economic performance since independence and its aspirations for self sufficiency. Various proposals for policy and institutional changes have been developed that build on previous and recent consultations.

The proposals have the potential to improve the economic environment of Palau if embraced by the community, supported by the legislature and effectively implemented by the government. Improvements in the economic environment are important for encouraging investment and economic activity which in turn means better and more jobs and widespread improvements in living standards.

It is important to realize that the policies presented are tools that can be used but that as a nation, Palau needs to commit to its goals and priorities and then utilize such tools. This will require further consultation and communication to gain understanding and acceptance of proposed policies as well as guidance in setting priorities for both policies and development objectives.

The key issues for economic policies and institutions are:

- i. fiscal sustainability;
- ii. access and fair compensation for the use of land;
- iii. the labor market needs to function well from a business perspective while preserving cultural and environmental values;
- iv. the foreign investment regime is too restrictive and open to abuse;
- v. a well functioning and stable financial system is needed;
- vi. gaps in the commercial legal framework need to be addressed;
- vii. there is a need for more effective cooperation with respect to National and State relationships to support economic development.

The Action Plan Goal for economic policies and institutions and details of key strategies and priority actions to achieve the Goal over the next five years are set out below.

3.2 Goal, Strategies and Actions

The Goal is to establish an *enabling environment* for private sector development

The medium term fiscal strategy is to *focus on being more self reliant*

Land use plans and zoning laws and fair compensation for land are critical for sustainable economic development

Key actions in the labor market include limiting the number of foreign workers through a *uniform foreign worker fee* and *strengthening vocational skills* of Palauans

The **Goal for Economic Policies and Institutions** is:

To establish an enabling environment to support sustained and widespread private sector development.

1. Fiscal Sustainability

Strategy: The strategy is to focus on being more self reliant with respect to financing government expenditure.

Actions:

- *Undertake comprehensive, effective and fair tax reform.*
- *Reduce the level of current government expenditure significantly.*
- *Improve the efficiency of government.*

2. Land Market

Strategy: Improve access to land for economic development while preserving environmental and social values.

Actions:

- *Put in place and enforce suitable land use plans and zoning laws.*
- *Support a community awareness program for people to understand the value of their land and how to realize its potential.*

3. Labor Market

Strategy: Ensure a well functioning labor market while preserving cultural and social values.

Actions:

- *Monitor and manage the number of foreign workers through the use of a uniform foreign worker fee set at an appropriate level.*
- *Strengthen vocational skills of Palauans.*
- *Remove restrictions on foreign workers other than the overall limit on numbers.*

4. Foreign Investment

The strategy for investment is to liberalize the foreign investment regime and implement appropriate complementary policies

Strategy: Liberalize the Foreign Investment Regime and put in place complementary policies to address concerns about foreign domination or illegal activity.

Actions:

- *Liberalize the foreign investment regime as much as possible, including no reserve list of businesses.*
- *Improve the capacity and powers to investigate and prohibit money laundering activities.*
- *Limit the total number of foreigners and their skill mix, compatible with economic benefits and socio-cultural concerns through uniform foreign worker fees.*
- *Ensure transparent, fair, secure and speedy leasing and effective tax arrangements so that foreign investment provides appropriate benefits to Palau.*
- *Continue to emphasize education to ensure Palauans have the capacity to be involved in successful business activities.*
- *Continue to support business advisory services provided by the Small Business Development Center.*
- *Put in place legislation to establish specific presumptions for determining if a business enterprise is effectively set up as a “front business” and penalties based on civil liability.*

5. Financial Sector

The strategy for the financial sector is to work towards ensuring a stable and efficient financial sector

Strategy: Work towards ensuring a stable and efficient financial sector.

Actions:

- *Continue to use the US dollar as the currency.*
- *Ensure the Financial Institutions Commission continues to have appropriate powers and sufficient resources.*
- *Take meaningful steps to ensure the Civil Service Pension Plan and Social Security Fund are fully funded over the longer term.*

6. Commercial Law

A number of gaps in the commercial law framework need to be addressed to facilitate business in the interests of the community

Strategy: Ensure appropriate commercial laws.

Actions:

- *Put in place legislation and supporting administrative capacity so that there are clearer property rights for collateral for loans.*
- *Put in place bankruptcy legislation to facilitate the closure of unsuccessful businesses.*
- *Establish a low cost procedure for commercial arbitration.*

7. National and State Cooperation

There is a need for more effective cooperation and coordination between the national and state governments

Strategy: Address key National-State economic development issues.

Actions:

- *Fund adequate environmental, engineering and land survey expertise to assist with complying with EQPB requirements.*
- *Modify the role, responsibilities and requirements of the Environmental Quality Protection Board (EQPB) to simplify and streamline requirements for development purposes.*
- *Modify the role of Bureau of Arts and Culture to simplify and streamline requirements for development purposes.*
- *Establish a regular formal forum to facilitate National-State cooperation on key policies that affect States and the Nation.*

8. Planning, Monitoring, Evaluation, and Implementation

Planning, monitoring, evaluation and implementation will be improved by integrating plans and assessments into the annual budget

Strategy: Improve planning, monitoring, evaluation and implementation by integrating plans into the annual budget in a transparent manner.

Actions:

- *Implement an effective monitoring and evaluation system that is transparently integrated into the annual budget process.*
- *Modify current institutional arrangements and legislation to ensure that conflicts of interest are effectively addressed.*
- *Establish a facility to provide independent, transparent evaluations and advice to the executive, legislative and public interest groups, with evaluations to be made available to the public.*

3.3 Expected Outcomes

The *expected outcomes* from acceptance and effective implementation of the economic policy and institutional reforms are essentially:

Expected outcomes are: a *stronger* and more self reliant *economy* and *greater control* and *benefits* for Palauans

- *A stronger and more self reliant economy.*
- *Palauans being in a better position to manage and benefit from foreign involvement in the economy.*



4 Reform of Government and Public Enterprises

4.1 Approach and Issues

There is a need to improve the performance of government in general and the performance of public enterprises

The government and public enterprises dominate the economy and generally the role and functions of government and public enterprises need to be reviewed and reforms implemented to improve performance.

There are two key areas of government services that need to be part of the Medium Term Development Strategy. The first relates to *improving the performance of government* in general. The second relates to *improving the performance of public utilities and other public services that have a business aspect* (often referred to as public enterprises).

Further detailed work is needed on the first of these aspects, as proposed in the following section on the Overarching Action Plan for the Public Sector.

In relation to the second aspect, extensive consultation has been undertaken in the formulation of a comprehensive Action Plan, including a public forum on four major public enterprises in October 2008. The key strategies and actions for reform of public enterprises are set out in a summary Action Plan below. More details for the reforms of Public Enterprises are provided in the separate paper: "Corporatization and Privatization of Public Utilities and Other Public Services; as well as a number of separate Working Papers on key public enterprises and government business functions available from the Facility for Economic and Infrastructure Management at the Ministry of Finance.

4.2 Goal, Strategies and Actions – Overarching Action Plan for the Public Sector

The overarching strategies are to lower the cost and improve the performance of core government functions and pursue opportunities for reform of government business activities and public enterprises

The **Goal for Reform of Government and Public Enterprises** is: *To lower the cost and improve the performance of government, government business services and public enterprises.*

Strategy for Government Functions: Lower the cost and improve the performance of core government functions

Actions:

- *Review the role, functions and activities of government departments and implement recommendations for the 'right size' of government and for streamlining employment and procurement requirements.*

Reform of Government and Public Enterprises

Strategy for Public Enterprises: Pursue opportunities for reform of government business activities and public utilities.

Actions

- *Prioritize and implement the Action plans on Corporatization and Privatization of Public Utilities and Other Public Services.*

4.3 Goal, Strategies and Actions – Action Plan for Reform of Public Enterprises

The Overarching **Goal for Reform of Public Enterprises** is: *To improve the quality of governance of public enterprises.*

The overarching goal for reform of public enterprises is to improve the *quality of governance* of public enterprises

Strategies:

- *Strengthen oversight of public enterprises.*
- *Improve the annual planning cycle.*
- *Create environment for successful private sector participation.*
- *Remove the constraints on improvements in government services.*

Actions

Key actions relate to: *performance monitoring; effective arrangements for regulatory objectives and community service obligations and addressing specific constraints to productivity improvements*

There are a range of actions including:

- *Establish effective performance monitoring arrangements.*
- *Establish effective regulatory arrangements and policies for community service obligations.*
- *Ensure a more commercial focus for public enterprise.*
- *Addressing specific constraints on improved productivity.*

Action plans have been prepared for the following:

Action plans have been prepared for all *the major public enterprises and business functions of government*

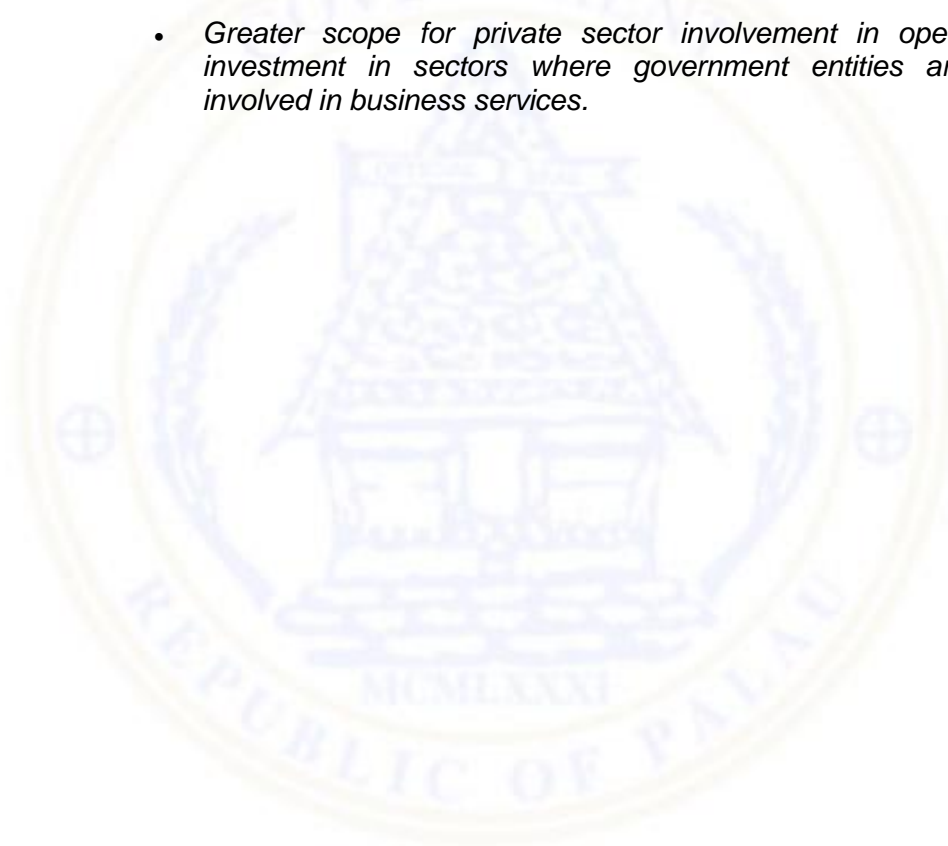
- *Bureau of Public Works*
- *Palau International Airport*
- *Palau National Communications Corporation*
- *Palau Public Utilities Corporation*

4.4 Expected Outcomes

Expected outcomes include: *improved government services at lower cost, improved performance of public enterprises and greater scope to facilitate private sector development*

The *expected outcomes* from acceptance and effective implementation of the Action Plans for the Reform of Government and Public Enterprises are essentially:

- *A more streamlined, better focused and more efficient government structure delivering improved services at a lower cost.*
- *Public enterprises characterized by: clear, non-conflicting objectives, improved accountability, well defined regulatory arrangements and community service obligations and improved productivity.*
- *Greater scope for private sector involvement in operations and investment in sectors where government entities are currently involved in business services.*



5 Environment

5.1 Approach and Issues

Preserving *environmental values* while also *enabling development* to occur is a major challenge for Palau

Key issues to be addressed are: the need for an *overarching policy framework*, a *cumbersome regulatory framework*; *conflicting mandates*, *insufficient funding* and *national-state relationships*

Palau has a unique and diverse environment with great potential for tourism development. Preserving environmental values while also enabling development to occur is a major challenge for Palau.

The key issues facing the environment and natural resources sector are:

- i. the lack of an overarching policy framework;
- ii. an outdated, inappropriate and cumbersome regulatory framework;
- iii. over-lapping and conflicting mandates and functions;
- iv. insufficient funding leading to difficulties in undertaking evaluation, review, monitoring, compliance, and enforcement activities; and
- v. ongoing tensions between state and national governments as to land and resource ownership and management and EQPB requirements.

The Environmental Management Action Plan identifies the goal for the environment and details key strategies and priority actions to achieve that goal over the next five years. It has been formulated following an extensive consultation process with major stakeholders.

5.2 Goal, Strategies and Actions

The **Goal for Environmental and Natural Resource Management** is: *To protect, conserve and manage the environment and natural resources of Palau, for present and future generations of Palauans, while providing for sustainable social, cultural and economic development.*

1. Legislation

Strategy: Update, streamline and improve legislation and regulations

Actions

- Review and where appropriate amend the EQPA and Regulations.
- Simplify procedures for permit applications and environmental assessments.
- Support states in establishing zoning regulations and building codes.

Legislation and regulations will be *streamlined* and improved

2. Environmental Management Framework

Strategy: Develop and strengthen the environmental management framework.

An overarching and consistent policy framework will be put in place

Actions:

- Complete the national policy and regulatory framework, clarify policies for each of the key sectors, and ensure integration of environmental management across all sectors.
- Implement land use management plans and zoning laws.
- Establish a plan for environmental response linked to the Disaster Management Plan.

3. Environmental Management Structure

Strategy: Clarify, simplify and strengthen the national environmental management structure.

The environmental management structure will be simplified and strengthened

Actions:

- Clearly define roles and responsibilities of the different environmental functions within the Ministry of Natural Resources, Environment and Tourism, to avoid overlap.
- Review and revise the role, objectives, functions, governance, regulatory requirements and procedures of the EQPB to simplify and streamline requirements.
- Ensure appropriate staffing for key government agencies.

4. State-level Resource Management

Strategy: Improve state capacity for environmental management and facilitate better communication between national and state governments.

State capacity problems will be addressed

Actions:

- Clearly define the role of, and support states in environmental management taking account of the capacity of each state.
- Fund adequate environmental compliance, engineering and land expertise as a shared resource for the states.
- Encourage states to work together with respect to transboundary resources such as with the Babeldaob Watershed Alliance.

- Establish a regular formal forum for national and state governments for resource management and other policy issues.

5. Enforcement and compliance

Strategy: Improve enforcement, compliance and cooperation.

Actions:

- Retain independent process and agency (EQPB) with mandate for monitoring, compliance and enforcement.
- Strengthen enforcement capabilities.
- Improve cooperation between agencies and state government.
- Support Endangered Species programs.

6. Infrastructure and the Environment

Strategy: Improve infrastructure planning, management and maintenance to ensure sound environmental practices and conservation.

Actions:

- Complete and implement energy policy including a comprehensive energy conservation program for all government facilities.
- Implement solid waste management strategy and identify areas at risk from climate change.
- Establish a comprehensive water conservation program.

7. Capacity and Funding

Strategy: Streamline functions, improve general capacity at all levels, ensure adequate funding and improve monitoring and evaluation.

Actions:

- Revising legislation, clarifying responsibilities, improving coordination and conservation measures as outlined in other strategies will help ease capacity and funding constraints.
- Support a community awareness program.

Enforcement and compliance issues will be addressed

Environmental management policies will be integrated into the plans and strategies of the infrastructure sector

Capacity and funding constraints will be addressed by a range of measures in the Environmental Management Action Plan

- Allow EQPB to charge for water testing, inspections and other functions and retain the revenue.
- Ensure adequate funding for key agencies.
- Improve evaluation and monitoring of environmental impacts.
- EQPB to engage other agencies in the Environmental Assessment process.

8. Monitoring and Evaluation

Strategy: Improve collation of data and monitoring and evaluation capacity.

Actions

- Improve evaluation, prioritization and monitoring techniques for environmental impacts in the evaluation of major investments.
- Ensure sector plans include appropriate environmental targets.
- EQPB to develop and implement procedures that involve other appropriate government agencies in the Environmental Assessment or Environmental Impact Statement review process.
- Establish relevant data bases and coordinate information flows.

Capacity and funding constraints will be addressed by a range of measures in the Environmental Management Action Plan

5.3 Expected Outcomes

The expected outcomes are more integrated environmental, infrastructure and natural resource management and environmental laws more conducive to sustainable development

The *expected outcomes* from acceptance and effective implementation of the environmental policy and institutional reforms are essentially:

- *A more integrated approach to environmental management and infrastructure and natural resource development and use.*
- *More appropriate, more streamlined environmental laws, regulations and development requirements.*

6 Tourism

6.1 Approach and Issues

Tourism has great potential but is vulnerable

The Tourism Action Plan in Actions for Our Future has been formulated by a cooperative and consultative approach led by the joint efforts of the Palau Visitors Authority, Belau Tourism Association and the Chamber of Commerce. These three organizations have formed a co-ordination group known as the “Tri-Org” and a Tourism Action Plan Committee.

Within Palau it is widely acknowledged that tourism offers great potential to support sustainable economic growth and provide opportunities for employment for Palauans. However, the industry is vulnerable.

The key issues facing the tourism sector include:

Issues include preserving the environment, ensuring a high quality product offering and ensuring Palauan involvement

- i. the need for careful environmental management of natural resources;
- ii. a general industry trend to a lower quality product, associated with a rise in budget group packages;
- iii. predominance of charter flights rather than regular scheduled services;
- iv. a rise in adverse social and cultural impacts including prostitution;
- v. lack of infrastructure for cruise ships and visiting private vessels; and
- vi. difficulties in attracting and retaining Palauans in the industry.

The Tourism Action Plan identifies the goal for tourism and details key strategies and priority actions to achieve that goal over the next five years.

6.2 Goal, Strategies and Actions

The goal for tourism is to upgrade the image of Palau as a quality destination for environmentally conscious visitors

The **Goal for Tourism** is: *To upgrade the image of Palau as a tourist destination and position Palau as the island of choice for environmentally conscious visitors. This will involve ensuring quality visitor experiences and high financial and other benefits to Palau on a sustainable basis.*

1. Enabling Environment

Strategy: clarify organizational roles; align the agendas of government agencies to tourism’s goals; and create partnerships for solving key issues.

Creating an *enabling environment* will involve clarifying organizational roles, and developing relevant policies in a partnership approach

Actions:

- *The Tri-Org will continue to ensure awareness and coordination amongst key decision makers and relevant organizations.*
- *Partnerships will be created in key areas relevant to achieving the Goal for Tourism development.*

2. Markets and Marketing

Strategy: refocus the national tourism product and properly fund destination marketing.

Actions:

- *Re-establish Palau's quality position for diving.*
- *Reform taxes paid by tourists to fund marketing of Palau and incorporate the exit fee in the price of air tickets.*
- *Target marketing activities to encourage low volume, high spending visitors.*

3. Access and Transport

Strategy: amend bilateral air service agreement to improve air access.

Actions:

- *Review air service agreements with a view to encouraging additional carriers and increasing scheduled flights.*

4. Products and Attractions

Strategy: improve existing products and develop new attractions to match rebranding.

Actions:

- *Prepare a thematic tourism development plan for Babeldaob in cooperation with the Governors Association.*
- *Develop a training program to assist States to foster "ecotourism, Palauan-style".*
- *Advocate enhancing the tourist appeal of Malakal, Koror, Ngerkebesang and Airai.*
- *Address constraints to tourist cruise visits.*
- *Pool market information and develop appropriate strategies.*

The focus of marketing will be on re-establishing Palau's *quality position as a World Class dive site*

Air service agreements will be reviewed to encourage *regular scheduled flights*

The product base will be improved consistent with the goal of achieving higher quality

5. Accommodation

Quality accommodation investments and upgrades will also be encouraged

Strategy: attract new investment and encourage upgrading of existing operations.

Actions:

- *Encourage investment in quality, high-end accommodation.*
- *Promote quality upgrades of product offerings through implementation of a rating system, awards and promotional material.*

6. Human Resources

Vocational training and “AliiHost” training programs will be developed to ensure quality and friendly service

Strategy: improve vocational and in-service training and showcasing of Palauan hospitality.

Actions:

- *Develop vocational training in the skills of tourism.*
- *Implement an “AliiHost” hospitality training concept for front-line staff to help visitors feel welcome.*

6.3 Expected Outcomes

The expected outcomes are: an image of Palau as a quality destination with unique environmental assets and increased income and employment for Palauans

The expected outcomes from acceptance and effective implementation of the tourism action plan are essentially:

- *The image of Palau as a quality destination for environmentally conscious visitors.*
- *Preservation of Palau’s unique environmental assets.*
- *Increased income and employment for Palauans from tourism.*

7 Aquaculture and Fisheries

7.1 Approach and Issues

Aquaculture and fisheries have great *potential* but concerted efforts need to be made with respect to finalization of policy and legislative frameworks and improved implementation and enforcement

The marine resources of Palau are an extremely important asset for the nation. The marine resources of Palau can provide sustainable long term economic development opportunities. However, to ensure success, compliance with national and state regulations must be achieved.

The main problems in the marine resources sector in Palau relate to:

- i. completion and adoption of various policies and legislation that are well advanced;
- ii. effective enforcement of legislation and regulations;
- iii. development and implementation of a nation-wide quarantine plan;
- iv. confirmation and implementation of offshore fisheries policy, with emphasis on ensuring that the offshore sector optimizes its contribution to the economy of Palau;
- v. the overstretched capacity of the Bureau of Marine Resources (BMR) and its role in commercial activities;
- vi. the need to privatize the giant clam program operated by the Palau Mariculture Demonstration Center under the BMR; and
- vii. ensuring the environmental sustainability of inshore fisheries.

The Aquaculture and Fisheries Action Plan has been formulated following an extensive consultation process with stakeholders and with the close involvement of staff from the Bureau of Marine Resources. The key elements of the Action Plan are set out below.

7.2 Goal, Strategies and Actions

The goal is to achieve *sustainable economic development* and management of the marine and coastal resources of Palau

The **Goal for Aquaculture and Fisheries** is: *To achieve sustainable economic development and management of the marine and coastal resources of Palau.*

1. Comprehensive Fisheries Policy and Legislation

Strategy: Improve policy, legislation and enforcement.

Actions:

- *Finalize and implement a comprehensive, state-of-the-art National Fisheries Policy.*
- *Implement a single piece of fisheries legislation (National and*

Key actions include the finalization of a number of plans and supporting legislation and improved enforcement

State) based on sustainable development principles.

- *Complete and implement the “National Aquaculture Strategy and Development Plan”.*
- *Finalize and implement the development policies and issues in the Tuna Fisheries Management Plan.*
- *Improve and enforce existing fishing regulations to effectively address widespread non-compliance (offshore and inshore) including the use of appropriate penalties.*
- *Evaluate shark finning and by-catch regulations.*
- *Undertake tax and fishing licence reforms to improve returns to Palau from offshore fishing.*

2. Institutional Development

The capacity of the BMR and research and extension services will be strengthened

Strategy: Develop and improve the management capacity of the BMR and extension and information services.

Actions:

- *Strengthen the capacity of BMR to collect, analyze and manage fisheries data.*
- *Develop and improve fisheries and aquaculture extension services and information.*

3. Increase Production and Sustainable Income Opportunities

The BMR will refocus its role from undertaking commercial activities to increasing sustainable income opportunities for the private sector

Strategy: Refocus the BMR on increasing sustainable income opportunities for the private sector.

Actions

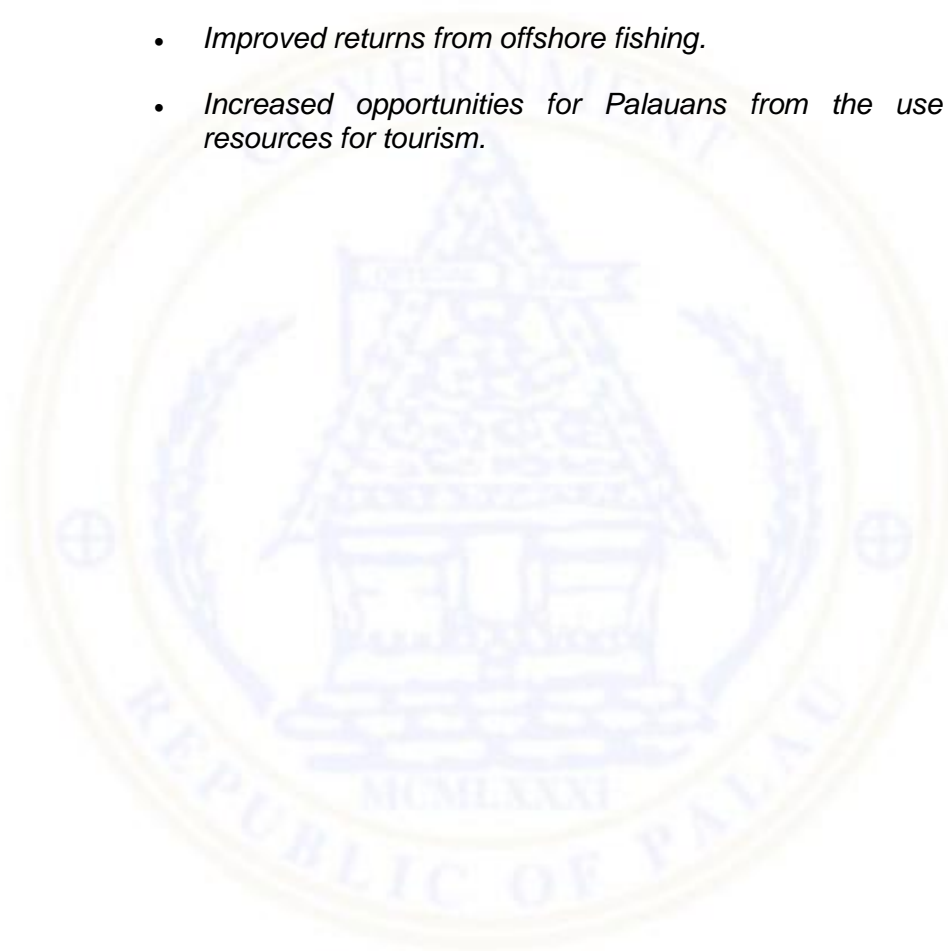
- *Focus on research and extension to ensure development and diversification.*
- *Privatize commercially viable aquaculture commodities.*
- *Develop and diversify programs for both inshore (e.g. bone fish) and offshore (marlin, sailfish, etc.) fishing.*
- *Encourage inshore fishermen to shift livelihood from inshore fishing to gain employment in the tourism sector.*

7.3 Expected Outcomes

The expected outcomes are: development of marine resource income opportunities in a sustainable manner, including improved returns from offshore fishing and tourism

The expected outcomes from acceptance and effective implementation of the Aquaculture and Fisheries Action plan are essentially:

- *Development of marine resource income opportunities in a sustainable manner.*
- *A greater role for the local private sector in aquaculture.*
- *Improved returns from offshore fishing.*
- *Increased opportunities for Palauans from the use of marine resources for tourism.*



8 Agriculture and Forestry

8.1 Approach and Issues

The Agriculture and Forestry Action Plan has been formulated following a consultation process with stakeholders in the agriculture sector and with the close involvement of staff from the Bureau of Agriculture.

Agriculture has great potential but has been neglected

Within Palau, agriculture has become neglected as a government policy priority and the country is now highly reliant on imported food. There is great potential for agriculture in Palau but a range of issues need to be addressed to encourage the production of local produce. These issues are addressed in the strategies and priority actions set out below.

There needs to be both government commitment and community effort in order for agriculture to realize its full potential. Palauans also need to understand that they need to be managers of their natural resources and their production potential. This extends to effective management of foreign workers in developing agriculture. Proposals for better managing foreign workers are set out in other parts of Actions for Our Future.

8.2 Goal, Strategies and Actions

The goal is to diversify and significantly increase the level of agricultural production

The **Goal for Agriculture** is: *To Diversify and significantly increase the level of agricultural production and develop productive forests.*

1. Market Access and Linkages

Strategy: Improve outlets for agricultural produce.

Actions:

- *Construct a central market in Koror or Airai State.*
- *Collaborative research and coordination of market chain participants.*

The construction of a central market is the centerpiece of the agriculture strategy

2. Soil Quality and Land Management

Strategy: Develop sustainable land management practices

Actions:

- *Develop sustainable land use plans and practices.*

Sustainable land use plans and practices are important for improving and maintaining agricultural potential

- *Pass Act of Congress to establish land use practices.*
- *Amend EQPA to allow penalties for foreign workers and landowners who breach pesticide law.*

3. Participation in Agriculture

Efforts will be made to *increase the participation of Palauans in agriculture*

Strategy: Increase the participation of Palauans in Agriculture.

Actions:

- *Promote benefits of traditional and subsistence farming.*
- *Run a strong public awareness program.*
- *Establish an agriculture program at Palau Community College.*

4. Business Support Services

Farmers need *business support services* to be successful

Strategy: Strengthen the Small Business Development Center (SBDC).

Actions:

- *SBDC be funded to support new business programs.*

5. Bureau of Agriculture Focus

The Bureau of Agriculture will *reorient its focus to production activities*

Strategy: Prioritize and focus on agriculture production and production opportunities for forestry.

Actions:

- *Establish an advisory council for the Bureau of Agriculture.*
- *Review Bureau of Agriculture strategic plan to identify priorities.*
- *Use sustainable management to develop productive forests.*
- *Review and amend the risk assessment of Acacia species as an invasive weed.*

6. Bureau of Agriculture Capacity

Various actions will be taken to strengthen the capacity of the Bureau of Agriculture

Strategy: Prioritize strategies and actions within budget and strengthen human resources.

Actions:

- *Appoint a suitably qualified Deputy Director in the BOA.*
- *Review existing extension systems and adopt group delivery techniques to optimize efficiency.*
- *PCC to design tailor-made courses for BOA staff.*
- *Sector-wide workshop to revise BOA strategic plan.*
- *Ensure focus of donors is relevant to BOA strategic plan.*
- *Review and strengthen quarantine capacity.*

8.3 Expected Outcomes

The expected outcomes are: *less reliance on imported food and diversification of employment and income opportunities for Palauans*

The expected outcomes from acceptance and effective implementation of the agriculture and forestry action plan are essentially:

- *Less reliance on imported food.*
- *Diversification of employment and incomes for Palauans.*

9 Infrastructure

9.1 Approach and Issues

The *agenda* for infrastructure is *potentially vast*

The issues for the infrastructure sector are wide ranging and the agenda is potentially vast. An extensive consultation and evaluation process was undertaken to establish priorities in the infrastructure sector. The consultation process and details for the infrastructure sector are set out in a separate action plan paper for infrastructure that is available on request from the Facility for Economic and Infrastructure Management in the Ministry of Finance.

The *core agenda* identifies six high priority programs and six high priority projects

Set out below is an outline of the core agenda for infrastructure that specifies **six high priority programs and six high priority projects.**

9.2 Goal, Strategies and Actions

The **Goal for Infrastructure** is to: *Provide, protect and maintain infrastructure on an efficient and equitable basis to improve access, standards, reliability and value-for-money.*

The **high priority programs** are:

The highest priority program is to improve maintenance and supervision

- i. Maintenance and supervision.
- ii. Applying building codes and land use zoning.
- iii. Appropriate pricing, reorganisation and regulation of services.
- iv. Appraising investment and maintenance choices.
- v. Setting a tourism strategy identifying implications for infrastructure.
- vi. Setting a strategy for management of environment and resources.

The **high priority projects** are:

The highest priority project is sewerage solutions for Koror and South Babeldaob

- i. Sewerage solutions for Koror and south Babeldaob.
- ii. Water system conservation, upgrading and cost recovery.
- iii. Public buildings and facilities – conservation, best uses, and schools, especially the strategy for Babeldaob.
- iv. Waste reduction, management and future landfill preparation for Aimeliik.

- v. Electricity: conservation, adequate PPUC revenues, and adequate capacity in generation, transmission and distribution.
- vi. Airport operations and business leases.

The Infrastructure Action Plan for 2009-13 will cost around \$150m for capital and maintenance

The Action Plan of 2009-13 across all infrastructure sectors (excluding telecommunications) will cost around \$150m for capital and maintenance, priced in 2008 dollars. The five year division would be around \$20m in year 1, then \$27m, \$33m, \$36m and \$38m. The lower spending in years 1 and 2 reflects the realities of small revenue, as well as the need for Palau to concentrate on reforms in institutions, regulations and conservation. The larger spending in later years reflects the works needed in sewerage, electricity, solid waste landfill and the rising maintenance.

The most urgent need is to secure an ODA commitment for short term and long term solutions in the Koror sewerage system, and the design and building of a system for Airai-Aimeliik.

9.3 Expected Outcomes

The expected outcomes are improved maintenance, lower cost solutions, improved conservation and land use

The expected outcomes from acceptance and effective implementation of the agriculture and forestry action plan are essentially:

- *Improved maintenance outcomes ensuring longer asset lives.*
- *Lower cost solutions, improved management and improved conservation.*
- *Land use and infrastructure that facilitate tourism development.*

10 Financing Education

10.1 Approach and Issues

The focus in Actions for Palau's Future is on financing the vision and goals for education in the context of budgetary pressures and the goal of self sufficiency

The focus for the education sector, in Actions for Palau's Future, is in implementing the best approach to financing education policies and strategies.

The education system in Palau relies heavily on US federal grants which are subject to ongoing review. If US funding for education were to be discontinued, the fiscal strategy for the sector would require across the board reduction of 12.5% in existing expenditures, over a five-year period. But at the same time, new programs have been suggested that need prioritization and funding so that the financing challenge of education is very demanding.

The key issues for a sustainable financing plan for education are:

- i. establishing clear priorities between and within sub- sectors;
- ii. implementing both cost saving and revenue generating measures in a realistic time frame;
- iii. implementing a communications strategy that involve stakeholders in the planning and monitoring to ensure their support.

The Action Plan for Financing Education Strategies has been formulated following an extensive consultation process with stakeholders and the close involvement of staff from the Ministry of Education.

10.2 Goal, Strategies and Actions

The goal for financing education is to ensure access to quality educational opportunities from pre-school to post-secondary level

Education is an essential component of national development. The proposed sector-wide **Vision in the Education Master Plan for 2006-2016** is: *Our students will be successful in Palauan society and the World.*

The **Goal for Financing Education** is: *To provide Palauan students with access to quality educational opportunities from preschool through to post-secondary level.*

The strategies and main actions for financing education on a sustainable basis are:

The strategies include various measures to reduce costs and increase revenues while improving key educational outcomes

- *Develop a sector-wide plan for sustainable education financing.*
- *Develop a coordinated approach among secondary education providers for expanding high school capacity and reducing drop outs.*
- *Ensure universal participation in quality pre-primary education programs.*
- *Minimize expenditures for non-instructional services, including implementation of a plan for consolidation of schools on Babeldaob.*
- *Increase revenue where it is constitutional to do so.*
- *Reduce dependency of schools on government aid.*
- *Focus on a number of smaller priority fields for vocational education.*
- *Align scholarship awards with national development priorities.*
- *Increase the efficiency of board operations.*
- *Offer courses for students in the region.*

10.3 Expected Outcomes

The expected outcomes from the Action Plan for Financing Education are essentially:

The expected outcome is a more efficient and more sustainable education system for Palauans

- *Lower costs of providing education, particularly lower costs for school buildings.*
- *Increased revenue including new sources of revenue for education.*
- *Better targeting of scholarships.*
- *A well developed and properly guided educational process from pre-primary to post secondary education levels*
- *An increase in number of graduates and less drop outs.*

11 Financing Health

11.1 Approach and Issue

The health sector has a well defined vision and set of goals in place. The focus in *Actions for Palau's Future* is on financing the vision and goals in the context of budgetary pressures and the goal of self sufficiency

The Health sector already has in place a well defined vision and set of goals. For the Health sector the focus in *Actions for Our Future* is on strategies and actions to finance these goals. The Action Plan for Financing Health has been developed with the close and effective cooperation of the Ministry of Health. Its key elements are set out below along with a high level presentation of the goals and strategies for the Health Sector as a whole.

In order to move Palau toward its stated goal of self-sufficiency and to balance the government budget, work undertaken in formulating the medium term development strategy estimates that macro-economic fiscal (i.e. government budget) adjustments valued at up to 25 percent of FY 07 government expenditures may become necessary over the life of the Medium Term Development Strategy (2009-2013). For the Ministry of Health this means adjustments to its budget valued at \$1.6m. In addition there is a need to ensure financing for existing shortfalls of \$1.2m and capital equipment costs of \$0.5 m, implying a need to cover a total financing shortfall of \$3.3m. Strategies and actions have been developed in the Action Plan for Financing Health to address this expected shortfall.

11.2 Goal, Strategies and Actions

The goal for financing health for the medium term is to implement a combination of strategies that address an expected shortfall in funding of \$3.3 m

Health is an essential component of national development. The vision for financially sustainable health services builds on the **Vision** already articulated by the Ministry of Health and is described as follows: *Healthy Palau in a healthful environment at a cost affordable to government and people.*

The **Goal for Financing Health** is: *By 2013, to implement a combination of strategies that will achieve fiscal adjustment equivalent to \$3.3 million.*

Fiscal adjustment means the need to achieve a combination of higher revenues and reduced expenditures in the context of expected availability of government funding and the objective of being self reliant with respect to financing expenditures that are of a current rather than capital nature.

1. Sustainability

There will be a focus on improving information flows to help ensure sustainability

Strategy: Strengthen the environment within the Ministry of Health in support of sustainability.

Actions:

- *Create a sustainability task force.*
- *Determine and update real costs of services.*
- *Improve public awareness of real cost of services.*
- *Ensure efficient and timely reporting of accounts receivables.*

2. Disease Preventative Measures

There will be a focus on prioritization to prevent and treat disease

Strategy: Prevent disease and complications of disease by focusing on priority problems and effectiveness of services.

Actions:

- *Prioritize services based on disease impact.*
- *Set fees by priority and monitor funding.*
- *Facilitate health promoting environments, policies and programs.*

3. Funding Challenges

Key actions to increase revenues include: revising fees in an equitable manner, insurance and higher non-patient revenues

Strategy: Increase Revenues

Actions:

- *Revise fees to better match costs in an equitable manner.*
- *Introduce an insurance or medical savings scheme.*
- *Increase non-patient revenues.*

4. Diversification

Funding sources will be diversified

Strategy: Diversify funding sources to generate new operating revenues

Actions:

- *Strengthen external relations.*
- *Develop a strategy for support from donors.*

Managerial and operational efficiency will be improved

5. Efficiency

Strategy: Commit to improve efficiency.

Actions:

- *Increase the capacity of middle managers.*
- *Increase efficiency in procurement of medical supplies.*
- *Increase reliability of medical equipment.*
- *Improve diagnostic capability.*
- *Enhance efficiency in management of U.S. Federal Grants.*
- *Selectively privatize services where it is cost effective.*
- *Consolidate health offices.*

6. High cost services

Strategy: Critically assess options that can reduce high cost services.

Actions:

- *Strengthen Preventative care programs.*
- *Examine feasibility of “catastrophic care” insurance.*

7. Public Health Model

Strategy: Study the feasibility of applying public service utility model to health services.

Actions:

- *Establish Task Force to study the feasibility of a public utility model.*

High cost services that benefit only a few will be reduced by strengthening preventative care and appropriate insurance

The feasibility of a public service utility model for health services will be investigated

11.3 Expected Outcomes

The expected outcome is a more efficient and more sustainable health system for Palauans

The expected outcome from the Action Plan for Financing Health is essentially:

- *A more efficient and more sustainable health system for Palauans.*

12 Social Services for Vulnerable People

12.1 Approach and Issues

Several groups of people have been identified as having special needs

Consultations with service providers and the broader community confirm that several populations have been identified as having special needs due to their social or physical characteristics. These are: (a) persons with disabilities and other special health care needs; (b) adolescents; (c) women and children who are victims of abuse or (in the case of children, neglect); (d) certain other categories of women who are under stress; and (e) certain categories of elderly.

The Action Plan for Social Services for Vulnerable People report urges the need for attention on this matter. The goal, strategies, actions and expected outcomes for this Action Plan are set out below.

12.2 Goal, Strategies and Actions

The proposed vision for vulnerable people is "life with dignity"

The proposed **vision** for vulnerable people is "life with dignity". This vision is supported by three **goals**:

- *To ensure the basic needs of all residents are met.*
- *To reduce vulnerability by preserving and strengthening safety nets.*
- *To provide compassionate, timely assistance to people falling through the "safety nets".*

1. Strategy to Help Vulnerable People

A policy strategy for vulnerable people will be developed and implemented

Strategy: Develop, implement, and monitor a policy strategy for vulnerable people that addresses the needs of all vulnerable groups.

Actions:

- *Identify a policy focal point for poverty analysis and monitoring.*
- *Formalize poverty guidelines.*
- *Develop an explicit policy strategy for vulnerable people with engagement from the community.*
- *Monitor the situation of poverty and hardship.*

2. Universal Access to Basic Public Services

A key strategy will be to ensure universal access to basic public services

Strategy: Ensure universal access to basic public services.

Actions:

- *For each service, develop a subsidy system that protects access by low income households.*

3. Social and Economic Opportunities

Key actions for improving economic opportunity are improved educational and private sector development outcomes

Strategy: Ensure equitable opportunities to participate in social and economic life.

Actions:

- *Reduce the number of high school drop-outs.*
- *Increase vocational-technical training programs.*
- *Increase employment opportunities for Palauans by implementation of the reforms for economic policies and institutions that emphasize sustained and widespread private sector development.*

4. Resilience of Safety Nets

Key actions for ensuring resilient safety nets include realizing the potential value of land, addressing the issue of displaced persons and supporting culturally competent community-based social services

Strategy: Ensure continued safety nets in relation to natural resources, and the tradition of “caring and sharing” family and culture.

Actions:

- *Develop strategies to enable land owners to access the value of their land and realize its potential.*
- *Develop policies and systems to address the issue of displaced families.*
- *Develop a program that supports and provides culturally competent community-based social services.*

5. Services for Vulnerable people in Economic Hardship

A social service office will be established to take responsibility in providing services to vulnerable people

Strategy: Meet the basic needs of vulnerable people living in hardship and address specific needs of different vulnerable populations.

Actions:

- *Establish or identify a Social Service Office to take responsibility in providing services to vulnerable people in economic hardship.*
- *Strengthen services and amend or introduce relevant legislation for the disabled, seniors, and other vulnerable people.*
- *Monitor implementation of the Palau National Youth Policy.*

Services and legislation to address the specific circumstances and needs of vulnerable people will be strengthened

12.3 Expected Outcomes

The expected outcomes relate to achieving the goals of: meeting basic needs; strengthening safety nets; and ensuring appropriate and timely assistance for vulnerable people

The expected outcomes from acceptance and effective implementation of the action plan for addressing the needs of vulnerable people essentially relate to achieving the goals of:

- *Meeting basic needs.*
- *Strengthening safety nets.*
- *Ensuring appropriate and timely assistance for people who fall through the standard safety nets.*

13 Responding to Community Concerns

13.1 Introduction

It is vital to understand and respond effectively to community concerns when formulating and implementing economic, social, cultural and environmental policies. This section presents responses to the main concerns that have arisen in the course of preparing the medium term development strategy. The responses are based on the recommended policies and actions in the medium term development strategy.

13.2 Peoples Concerns About Development Policies

Concern	Response
<i>Why do we need a Medium Term Development Strategy?</i>	<p><i>There are many existing plans for economic development and in particular the National Master Development Plan “2020” that was finalized in 1996. However, there is a need to better establish priorities and a credible, action-oriented approach if we are to achieve the goal of a sustained and widespread improvement in general standards of living while preserving cultural and environmental values.</i></p> <p><i>‘Actions for Palau’s Future’ identifies the key actions that need to be taken to achieve our sustainable development goal.</i></p>
<i>When is there too much development?</i>	<p><i>The extent and nature of development are matters for Palauans to decide. Development is not just about obtaining more money and more modern conveniences but essentially it is about improving basic standards of living and many people are fundamentally concerned about that, particularly those on lower incomes or in poverty.</i></p> <p><i>It is up to Palauans to decide which dimensions of the standards of living they want improved. This entails decisions about culture, the environment and social values as well as employment and income opportunities. The MTDS provides scope for a wide choice of priorities in improving standards of living.</i></p>
<i>How do we ensure that Palau is not dominated by foreign workers?</i>	<p><i>The MTDS recommends the use of a uniform foreign worker fee to ensure the total number of foreign workers is compatible with economic, environmental and cultural objectives.</i></p> <p><i>The MTDS also recommends changes in taxation, fees and charges and lease arrangements to ensure Palauans get a fair return on their resources.</i></p> <p><i>The MTDS also highlights the importance of education, vocational training and small business support services to increase opportunities for Palauans.</i></p>

Responding to Community Concerns

<p><i>How does Palau ensure it gets the most value from foreign investors?</i></p>	<p><i>Palau is heavily dependent on foreign aid and substantial investments are needed if tourism in particular is to be developed. Foreign investment will be encouraged in Palau by creating a more liberal foreign investment regime but one which discourages the incentives for “front businesses”.</i></p> <p><i>Improved taxation and leasing arrangements will help ensure better value from foreign investment as will education and training programs for Palauans.</i></p>
<p><i>What will be done about “front businesses”?</i></p>	<p><i>A more liberal foreign investment regime will be put in place that will reduce the incentives for “front businesses” to be formed.</i></p> <p><i>Enforcement capacity and penalties will be increased to help eliminate “front businesses”.</i></p>
<p><i>How can the community ensure that government performance will improve?</i></p>	<p><i>There are no guarantees that government performance will improve and governments are ultimately held accountable at the ballot box.</i></p> <p><i>However, there are many policies and actions in the MTDS designed to improve information, improve evaluation and decision making capacity and improve transparency so that the community can have a more effective voice.</i></p>
<p><i>What will be done to reduce expenditure and waste in government?</i></p>	<p><i>The MTDS proposes a comprehensive review of the role and functions of all government departments, productivity and staff levels and procurement processes. The review is an early priority in the MTDS and will form the basis for developing and implementing a comprehensive public sector reform program.</i></p> <p><i>Detailed action plans have already been prepared to improve the performance of public utilities and government business activities and these plans will be pursued as a priority.</i></p>
<p><i>How can the community ensure good decisions are consistently made in government?</i></p>	<p><i>Performance monitoring is to be improved in all sectors with performance indicators made available to the public as part of a more transparent budget and planning process.</i></p>
<p><i>How will issues of conflicts of interest be addressed?</i></p>	<p><i>Institutional arrangements and legislation will be reviewed and modified to ensure that conflicts of interest are effectively addressed.</i></p> <p><i>A facility will be established to provide independent, transparent evaluations and advice to the executive, legislative and public interest groups.</i></p>

Responding to Community Concerns

<p><i>What will be done to ensure income and employment opportunities are improved for Palauans?</i></p>	<p><i>The Goal for the MTDS entails a sustained and widespread improvement in general standards of living.</i></p> <p><i>Although Palauans have a choice about what to emphasize, the strategy for economic policies focuses on creating an enabling environment for the private sector. This in turn envisages tourism development and foreign investment playing lead roles in creating income and employment opportunities for Palauans.</i></p>
<p><i>How can Palau's image as a tourist attraction be improved?</i></p>	<p><i>The goal of the tourism action plan is to upgrade the image of Palau as a tourist destination and position Palau as the island of choice for environmentally conscious visitors. This will involve ensuring quality visitor experiences and high financial and other benefits to Palau on a sustainable basis.</i></p> <p><i>There is also emphasis on planning and zoning laws in the MTDS which will help improve the image of Palau to visitors.</i></p>
<p><i>How can Palauans unlock the potential value of their land in a way that will benefit them?</i></p>	<p><i>Efforts will be made to explain to the community how to better realize the potential value of their land and secure more effective leases with foreign investors.</i></p> <p><i>Improvements in land use planning and zoning laws will also help provide better returns to land.</i></p>
<p><i>How can Palau improve food security and develop agriculture?</i></p>	<p><i>Agriculture has been neglected as a sector in policy and planning and this is being redressed with the MTDS.</i></p> <p><i>Construction of a central market in Koror is a key strategy along with improvements in extension and business support services for farmers. There will also be greater emphasis on facilitating production rather than on conservation activities at the Bureau of Agriculture.</i></p>
<p><i>How can Palau get better returns from its fisheries?</i></p>	<p><i>The taxation and fishing license regime for fisheries will be reformed and enforcement of legislation will be strengthened.</i></p>
<p><i>How can development proceed in a way that ensures environmentally sustainable development?</i></p>	<p><i>Environmental legislation will be streamlined but strengthened and better enforced.</i></p>
<p><i>What will be done to ensure the EQPB is reasonable in the way it specifies development approval requirements for State Governments?</i></p>	<p><i>A comprehensive review will be undertaken on the role, functions and requirements of the EQPB to ensure that the most appropriate environmental model is put in place for Palau.</i></p>

Responding to Community Concerns

<p><i>How will State governments be assisted in complying with EQPB requirements?</i></p>	<p><i>The National Government will ensure there are adequate shared resources available in surveying, engineering and environmental compliance advice that the State governments will have reasonable access to.</i></p>
<p><i>How can State Governments achieve a more effective voice in their relationships with the National Government?</i></p>	<p><i>A regular formal forum to address National-State issues will be put in place.</i></p>
<p><i>How can the community achieve consensus for change?</i></p>	<p><i>The MTDS and all of its supporting documents will be made publicly available for comment and an ongoing consultation process will be established.</i></p> <p><i>A facility will be established to provide independent, transparent evaluations and advice to the executive, legislative and public interest groups.</i></p> <p><i>The budget process and performance indicators for government functions will be made more transparent.</i></p> <p><i>Policies for essential public services and subsidy arrangements will be improved to achieve clarity, transparency and performance.</i></p>
<p><i>How can Palau maintain its culture?</i></p>	<p><i>This is a complex issue requiring community and government choices and action in a number of areas but controlling the pace and nature of economic development and foreign involvement can be achieved with policy options set out in the MTDS.</i></p>
<p><i>What can be expected for vulnerable people from the MTDS?</i></p>	<p><i>A strategy for vulnerable people is an important part of the MTDS and the overall goal of the MTDS is widespread and sustained improvements in the standard of living.</i></p>
<p><i>What are the key proposals for financing education?</i></p>	<p><i>Consolidation of schools on Babeldaob is critical for increasing resources available for education.</i></p>
<p><i>What are the key proposals for financing health?</i></p>	<p><i>A medical savings insurance scheme is being developed with the support of the Asian Development Bank.</i></p>
<p><i>What are the key outcomes that can be expected from the MTDS?</i></p>	<p><i>Improvements in general standards of living.</i></p> <p><i>Private sector development.</i></p> <p><i>Greater self reliance.</i></p> <p><i>Preservation of culture and the environment.</i></p> <p><i>Social and political stability.</i></p> <p><i>Looking after the vulnerable.</i></p>

14 Links Between the NMDP and the MTDS

14.1 Introduction

This section summarizes the development strategies in the existing National Master Development Plan (NMDP) – known as “Palau 2020” – that was formally accepted by the Olbiil Era Kelulau in 1996 and the links to the Medium Term Development Strategy – *Actions for Palau’s Future*.

14.2 NMDP Development Strategies and Links to MTDS

NMDP Strategy	MTDS Strategy
<i>Fiscal Policy: Achieve fiscal sustainability and increase the productivity of government</i>	<i>The Medium Term Fiscal Strategy is to focus on being more self reliant with respect to financing government expenditure. The Goal for Reform of Government is to lower the cost and improve the performance of government, government business services and public enterprises.</i>
<i>Macroeconomic environment: Establish a stable but competitive macro economic environment</i>	<i>A stable but competitive macroeconomic environment will be achieved through policies in relation to fiscal sustainability and private sector development.</i>
<i>Labor market: Manage the inflow of foreign labor to support private sector development while improving the quality of life and reducing social conflict.</i>	<i>The labor market strategy is to ensure a well functioning labor market while preserving cultural and social values.</i>
<i>Foreign Investment: promote foreign investment that is to the long term benefit of Palau.</i>	<i>The strategy for foreign investment is to liberalize the foreign investment regime and put in place complementary policies to address concerns about foreign domination and illegal activity.</i>
<i>Taxation and Charging: Raise required revenue in an efficient, equitable and professional manner.</i>	<i>The fiscal sustainability strategy includes undertaking comprehensive, effective and fair tax reform. Reforms to public enterprises will include increases in revenue in an equitable manner.</i>
<i>Financial sector: Improve the functioning and integrity of the domestic financial sector to enhance savings and support higher investment.</i>	<i>The strategy for the financial sector is to work towards ensuring a stable and efficient financial sector.</i>

Links Between the NMDP and the MTDS

<p><i>Infrastructure institutions: Provide required infrastructure funding and services on a sustainable basis and in an efficient and equitable manner to underpin the expansion of economic activity</i></p>	<p><i>The Goal for Infrastructure is to provide, protect and maintain infrastructure on an efficient and equitable basis to improve access, reliability and value for money.</i></p>
<p><i>Public Sector Investment Program: Improve the performance of public enterprises and government business services through an effective corporatization/commercialization process</i></p>	<p><i>The Overarching Goal for all public enterprises and government business services is to improve the quality of governance of public enterprises and government business services. This will involve the implementation of the best practice model for corporatization/commercialization in order to improve the performance of public enterprise and government business services.</i></p>
<p><i>Infrastructure Sector: Enhance the performance of the sector by improved evaluation and monitoring</i></p>	<p><i>One of the six high priority programs for the infrastructure sector is to improve the appraisal of investment and maintenance choices.</i></p>
<p><i>Land use planning: increase the availability of land for development through improved legislation, management and institutions.</i></p>	<p><i>Improved land use planning and zoning laws are a high priority in the MTDS.</i></p> <p><i>There will also be a focus on improving community awareness of how to better realize the potential value of land.</i></p>
<p><i>Tourism: maximize the contribution of the tourism sector to the Palauan economy on a sustainable basis.</i></p>	<p><i>The Goal for Tourism is: To upgrade the image of Palau as a tourist destination and position Palau as the island of choice for environmentally conscious visitors. This will involve ensuring quality visitor experiences and high financial and other benefits to Palau on a sustainable basis.</i></p>
<p><i>Agriculture: Diversify and significantly increase the level of agricultural production on a sustainable basis.</i></p>	<p><i>The Goal for Agriculture is: To Diversify and significantly increase the level of agricultural production and develop productive forests.</i></p>
<p><i>Forestry: Continue to emphasize watershed protection with lesser emphasis on commercial production</i></p>	<p><i>Key actions are: sustainable management to develop productive forests; and effective land use management plans.</i></p>
<p><i>Industries and Services: Provide an overall framework conducive to private sector development.</i></p>	<p><i>The Goal for Economic Policies and Institutions is: To establish an enabling environment to support sustained and widespread private sector development.</i></p>

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<p><i>Marine Resources: Achieve greater returns on a sustainable basis and increased local involvement</i></p>	<p><i>The Goal for Aquaculture and Fisheries is: To achieve sustainable economic development and management of the marine and coastal resources of Palau. Expected outcomes include a greater role for the local private sector in aquaculture and increased opportunities for Palauans from the use of marine resources for tourism.</i></p>
<p><i>Natural Environment: Improve the protection of the natural environment.</i></p>	<p><i>The Goal for Environmental and Natural Resource Management is: To protect, conserve and manage the environment and natural resources of Palau, for present and future generations of Palauans, while providing for sustainable social, cultural and economic development.</i></p>
<p><i>Public Administration: Lower the relative size of the public sector over time and increase the efficiency, integrity and effectiveness of government.</i></p>	<p><i>The Goal for Reform of Government is to lower the cost and improve the performance of government, government business services and public enterprises.</i></p> <p><i>A priority action will be to review the role, functions and activities of government departments and implement recommendations for the 'right size' of government and for streamlining employment and procurement requirements.</i></p>
<p><i>Human Resource Development: Collect and analyze information to develop appropriate policies particularly in relation to the labor market, education and health planning, disadvantaged groups and family programs.</i></p>	<p><i>A comprehensive policy for vulnerable people is part of the MTDS.</i></p> <p><i>The strategy for the labor market is to ensure a well functioning labor market while preserving cultural and social values.</i></p>
<p><i>Education and Training: In partnership with the community ensure Palauans are educated in a cost effective manner to achieve their maximum potential while preserving cultural values.</i></p>	<p><i>The Goal for Education is: To provide Palauan students with access to quality educational opportunities from pre-school through to post-secondary level.</i></p> <p><i>The focus in the MTDS is on financing education.</i></p>
<p><i>Health: Provide health services to a high standard in a cost effective and equitable manner.</i></p>	<p><i>The Vision for health is: "Healthy Palau in a healthful environment at a cost affordable to government and people."</i></p> <p><i>The focus in the MTDS is on financing health.</i></p>