

National/State Leadership Symposium

February 7-9, 2006



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President

Purpose of Symposium

- Prioritize the major needs of Palau over the next 10 years in preparation for negotiations with the U.S. on the financial provisions of the Compact of Free Association.
- COFA seeks to **“promote the economic advancement and self-sufficiency of the people of Palau.”** – Compact preamble.
 - Inventory our performance to date within the context of the current Compact agreement.

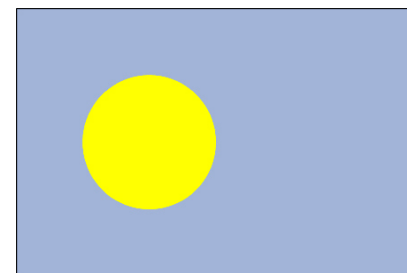


Progress to Date

- Over the past 10 years:
 - Per capita income has increased since 1990 from about \$5,000 to almost \$7,000. We accomplished this through:
 - Doubling our tourism market.
 - Expanding our construction efforts of Palauan owned businesses.
- As a result, our Human Development Index score ranks as one of the highest among Pacific island countries.



Fiscal Performance



- We have made significant achievements in our fiscal performance. During the past four years, our domestic revenues have increased from 22 to 27% of our GDP.
- This was accomplished through:
 - Reducing our budget during that time period by 8.5%.
 - Significantly declining public sector size, compared to the private sector.
 - Keeping public debt to a minimum, the lowest percentage of debt compared to GDP in the entire Pacific.

Challenge for the Future

- We still have a way to go to achieve our goals of a self-sustaining people. Only then can we be truly an independent country.
- The key challenge for us today is to build an economic foundation for sustainable growth and, in turn, the achievement of financial self-reliance.



Palau's Economy



- The recent Article IV of the International Monetary Fund reported that, despite the fact that Palau out-performed the FSM and RMI, much still needs to be accomplished.
- We must:
 - Continue to reduce our expenditures and expand our private sector,
 - Improve our foreign investment climate,
 - Expand and improve our tourism sector,
 - We must diversify our economy, and
 - Must pass laws, today, that are necessary to achieve all of these goals.

Symposium Structure

- This symposium will provide for a clearly set course – as a single people with a single future.
 - The symposium has been broken into six focus group areas.



Focus Group 1



- Focus Group 1 will concentrate on the priorities that will guide our discussions with the U.S. regarding the renewal of the financial, and other, provisions of the COFA.
 - U.S. Federal Grants.
 - Replenishment of the Compact Trust Fund.
 - Retention of immigration rights to the U.S.
 - Putting into place appropriate program and financing support to achieve our overall goal of sustainable development.

Focus Group 2

- Focus Group 2 will concern itself with laws and regulations that must be passed to meet our national goals and objectives.
 - Foreign investment.
 - Taxation.
 - Banking.
 - Land use and zoning.
 - Natural resource management and conservation.
 - Health insurance and retirement plans.



Dead mangrove

Shark finning



Focus Group 3

- Focus Group 3 will focus on the infrastructure that must be put into place for our development goals to be successful. With the Compact Road and capital near completion, we must ensure that Babeldaob can absorb the expected migration north. We must expand our infrastructure by:
 - Constructing cross-island roads,
 - Expanding water, sewer, and wastewater facilities, and
 - Augmenting Solid waste plants.
- At the national level, this will require expansion of:
 - Electrical power plant,
 - Schools, and
 - Medical facilities.



Focus Group 4

- Will concentrate on the sustainable development of our private sector. While taking into account our small domestic market, remoteness, limited natural resource base, and vulnerability to external economic shocks and natural disasters, as well as our heavy reliance on external trade and foreign assistance.
 - Tourism diversification;
 - Agriculture, aquaculture, and fisheries; and
 - International banking and corporations.



Focus Group 5

- Focus group 5 will deal with Palau's continuing efforts to develop a sustainable government system that supports the efforts of the private sector.
 - Explore new sources of revenue.
 - Effectively manage governmental expenditures.
 - Revenue generation initiatives.



Focus Group 6

- Group 6 will focus on strengthening the most important resource we have – our people.
 - Labor market institutions and regulations.
 - Education and training.
 - Health care.



Conclusion



- The outcome of this symposium would provide for a broad sketch and practical agenda for the future of Palau.
- Through our joint efforts we will find common ground on the major issues that we face, not only in the preparations for negotiations with the U.S. on our Compact, but on issues that transcend the Compact and that speak to our hopes and aspirations, as a People.

Together, we can, and we will,
make a difference.



Mesulang!