

**Remarks of the Honorable Elbuchel Sadang,  
Minister of Finance**

**North Pacific Islands Seminar  
Seizing Opportunities for Growth in a Globalizing World**

*Session III: Supporting and Fostering Private Sector Development in the Pacific Islands,  
Including Through Ensuring Adequate Infrastructure*

Mr. Chairman  
Honorable members  
Distinguished guests  
Ladies and gentlemen

Good afternoon. I hope everyone had a good lunch. I am honored to Chair this session of the North Pacific Islands Seminar. This session which looks at ensuring adequate infrastructure for supporting private sector development is particularly important because it guides all economic activities. The type of infrastructure that is developed will determine the path of development in our nations. I appreciate the opportunity to share with you Palau's efforts in this regard.

Palau has initiated its sustainable economic development strategy framework to facilitate the implementation of Agenda 21 and our commitment to the World Summit on Sustainable Development Plan of Implementation and the Millennium Development Goals.

Palau is best known for its high marine biodiversity although it is also host to a wide variety of terrestrial flora and fauna, including many endemics. For this reason, it is widely accepted that the tourism industry offers the greatest potential to support sustainable economic development for our small island country.

There have been many decisions taken at the international level to promote sustainable development. We all strive to achieve sustainable natural resources, sustainable populations, sustainable development - but striking the ideal balance between economic development and environmental health is different for every country. And the balance is a 'living' equation; it must be consistently monitored and managed.

## **Remarks of the Honorable Elbuchel Sadang, Minister of Finance NPIS, Palau, March 2004**

The key to achieving sustainable development is recognizing our own unique circumstances and developing effective management frameworks to preserve those resources over the long term while at the same time looking to enhance the lives of our people through expanded economic opportunities.

The World Summit on Sustainable Development preparatory process provided Palau with a great opportunity to review and take stock of our success and failures in achieving sustainable development.

In 1992, when the Earth Summit took place, Palau did not participate as we were still a US Trust Territory. We became an independent nation in 1995 and did not become aware of the outcomes of the Earth Summit until a short time ago. However, during our preparatory process, we found that many of the recommendations highlighted in Agenda 21 were at various stages of implementation in Palau.

The WSSD process further strengthened our initiatives and actions in finding the harmony between economic development and environmental health. It allowed us to identify our barriers thereby aiding us in finding the means to overcome them.

Palau's World Summit on Sustainable Development National Assessment Report was developed with the input of all concerned parties – government, NGOs, and the private sector. The major areas of concern that were identified by the stakeholders were:

- The current and projected impacts of climate change and sea level rise on Palau's social, economic and natural environments. Strong emphasis was put on the need to mainstream climate change trends into national development planning;
- The need to coordinate and strengthen legislative frameworks to support sustainable development planning and management at both the State and National level;
- Development of effective watershed, pollution, and waste management mechanisms to address Palau's growing population and economic activities;

## **Remarks of the Honorable Elbuchel Sadang, Minister of Finance NPIS, Palau, March 2004**

- Development of land use plans and building codes;
- Enhancement of long-term monitoring and data collection of environmental changes for national planning purposes;
- The realization of a holistic approach to the preservation of marine, terrestrial, and cultural environments; and
- Human resource capacity building to address these concerns.

Programs and activities addressing these priority areas are being incorporated into national development planning. And the adoption of Palau's economic strategy framework further strengthens sustainable development practices within both government and private sector as highlighted by our WSSD National Assessment Report.

Recognizing the critical role of the private sector in sustainable development, Palau's economic development strategy framework is aimed at developing and strengthening the private sector while at the same time protecting the environment and reducing the extent and involvement of the government in domestic economic activity. To achieve these objectives, this strategic framework is supported by fundamental economic and fiscal policy guidelines.

On the economic policy side, the first policy component is to develop the relevant economic institutions. By economic institutions, we mean effective regulatory environments that provide a 'level playing field' to facilitate strong private sector growth. Some of the key institutional areas include foreign investment, tax, banking and labor.

Second component is to continue investing in Palau's infrastructure, such as energy, water, sewer, communications and transportation, within a proper planning framework in order to permit appropriate levels of investment and development.

A crucial aspect of this proper planning framework is the institutionalization of environmental issues in national planning. In this regard, two important government entities - the Office of Environmental Response and Coordination (OERC) and the National Environmental Protection Council

**Remarks of the Honorable Elbuchel Sadang, Minister of Finance  
NPIS, Palau, March 2004**

(NEPC), have been established in order to improve the coordination of environmental initiatives and to incorporate environmental considerations into the planning process as well as overseeing and evaluating the effectiveness of environmental initiatives.

The third component is to develop sectors of the economy that have the potential to support sustainable economic growth. Comparative advantage, income potential, conservation and private sector led enterprises would be important considerations for prioritizing development initiatives. Some key areas include tourism (expanding domestic participation), fisheries (realizing greater returns), aqua-culture (domestic and export markets), agriculture (expand production to meet domestic consumption), financial services and trade (transshipment point).

And the final component is to contain the cost of government in order to minimize any adverse influence on the development of the private sector by operating within a balanced budget where actual revenues are equal to or greater than actual expenditures. The fiscal policies of the government are therefore focused on reducing operating expenditures and enhancing opportunities for revenue growth.

On the expenditure side, our goal is to keep the growth of expenditures lower than the rate of revenue growth. To achieve this, our efforts are being directed at -

- Streamlining the government structure through reorganization to eliminate duplication of services and provide clear functional direction to each governmental agency;
- Personnel restructuring through efficient human resource management accomplished through upgrading our public service system rules and regulations governing governmental procedures dealing with employee staffing, re-training, transfers, severance pay policies, and other aspects of human resource management;
- Outsourcing many of our governmental services, such as utilities, maintenance, and construction, in order to streamline government, improve its efficiency and to simultaneously strengthen and expand our private sector; and

**Remarks of the Honorable Elbuchel Sadang, Minister of Finance  
NPIS, Palau, March 2004**

- Lastly, improving accountability and productivity of expenditures through a performance-based budgeting system.

On the revenue side, our goal is to consistently identify and pursue opportunities to expand revenues. To achieve this, our efforts are also focusing on -

- Strengthening collection efforts by focusing resources on revenue generating activities and improving administrative oversight through an effective tax information system and adequate administrative authority;
- Introducing tax reform legislation that would expand our revenue base through broad-based revenue measures that equitably spreads the impact of taxes and expanded application of user fees; and
- Lastly, actively identifying and pursuing ODA opportunities by enhancing aid coordination activities and management frameworks.

By institutionalizing environmental concerns at all levels and instituting economic and fiscal policies that facilitate sound development, we hope to strike a balance between economic growth and environmental health over the long-term in Palau.

Our primary long-term goal is to “Preserve the Best, and Improve the Rest.”

Thank you and Mesulang.