

*State of the Republic Address*

**By President Tommy E. Remengesau, Jr.  
Before the Ninth Olbiil Era Kelulau**

**April 16, 2015**

**I. Introduction**

Mr. Senate President, Mr. Speaker, Mr. Vice President, and Acting Chief Justice, I ask to join with you and all the Senators, Delegates, Ministers and Justices present here today in the people's chamber and respectfully extend our warm greetings to Ibedul, Reklai, and the Council of Chiefs, Bilung, Ebil Reklai, First Lady, and all the Mechesil Belau, Governors, Speakers, all State legislators, members of the Diplomatic Corps, students, fellow Palauans, ladies and gentlemen. Good morning and thank you for joining us at this special joint session of the Olbiil Era Kelulau as I present to the people our State of the Republic Address.

Before I begin, I would like to take this opportunity, on behalf of the People of Palau, to extend our sincere gratitude to Their Majesties, the Emperor and Empress of Japan, for visiting our small island nation last week to mark the 70<sup>th</sup> Anniversary of the end of the Battle of Peleliu. This visit of the Imperial Family was very significant in strengthening and fostering our ties and relationships between the people of Japan and the people of Palau. I would like to thank the People of Palau for coming together and making the visit of the Imperial Family a very memorable one. It was indeed an honor and privilege to host the Imperial Family and we will always be grateful for this historic and treasured visit.

I also want to use this opportunity to offer our thoughts and prayers to our brothers and sisters who suffered the loss of loved ones and damages to their properties during the most recent series of storms that devastated the South Pacific islands and our neighboring islands of Chuuk and Yap. We appreciate the generosity of our people and our leaders who contributed in-kind and monetary contributions through the Red Cross drive in addition to our Governments contributions to help with the relief and recovery efforts. It is always the right thing to lend a helping hand to those in need and we thank the good Lord for sparing our islands from such disasters.

Finally, I want to take this opportunity to recognize the good efforts of the Olbiil Era Kelulau in the past years in working with the Executive Branch in the spirit of cooperation and partnership to address many important issues and policies essential to the welfare of our people and our island nation. Despite our differences, I am happy that we are able to maintain healthy dialogues, debates and compromises to encourage good and creative ideas that serve the interests of the people. This is democracy at work. With that being said, let us continue to meet and follow through on what we have agreed and committed to in our leadership agendas.

Ladies and Gentlemen, every year brings new challenges and new opportunities. This year is no exception. One year ago, I declared to you that after years of being stuck in the doldrums, and

after repairing our mast and our main sail, we were once again ready to catch fair winds and together chart a course towards a future of economic prosperity for everyone. We came together and directly addressed our immediate challenges. We paid all of our overdue bills; we hired additional nurses and health professionals to improve delivery of healthcare services; we repaired our facilities and equipment for better service delivery; we began improvements to water systems throughout Palau as well as the Koror sewer system; we renovated our schools to enhance learning environment; we expanded our power plants capacity; and we initiated a process to make our government more transparent and efficient.

Today, we find ourselves faced with an unforeseen gust of wind from the east that is a bit too strong for our sails. To meet this squall, we must once again adjust our sails so that the wind does not overpower us and throw us off our course. We need to maintain a consistent heading and a steady speed forward toward our destination. As we have in the past, as we did with Tropical Storm Utor, as we did with Super Typhoon Bopha and as we did with Super Typhoon Haiyan, we will get through this new challenge with the full force of our own cultural strength and with a renewed determination to steady our course.

With our fragile environment and our small population base, we must maintain a path that is sustainable and in our own best interests. Our current challenge is very real, and our response will truly shape the future of our island nation. In going forward, we need to be mindful of our actions and their impact on our economy. None of our actions can be taken in a vacuum. Economy, Environment, Retirement, Infrastructure, Health, Education Tourism and Labor -- All of these issues are in interdependent of one another.

## **II. Critical Issues and Challenges**

### **Tourism**

Ladies and Gentlemen, tourism is and will continue to be Palau's primary revenue generator for both the People of Palau and for the Government for years to come. If we are going to commit ourselves and our economy to the tourism sector, we must be sure that we realize every reasonable benefit from it and that we spread this benefit around. We must ensure that tourism is of *high value* to each and every one of our citizens, and to our government. To ensure that we own the tourism industry, we cannot allow ourselves to be rushed by immediate gratification and outside pressures.

Let's take a brief look at our tourism numbers. In 2007, we had 87,000 tourists. In 2013, we had 108,037 tourists. Last year we had 140,177 tourists. And in the last quarter of 2014, our tourism numbers doubled over the prior year quarter. At this spiraling rate, we are now projecting 180,000 tourists in 2015 and, with projected new hotel rooms, nearly 200,000 tourists in 2016. This is an anticipated increase of approximately 130% in only nine years and an increase of 67% in just the last two years. Of great significance, the bulk of this recent increase in tourists has been comprised of low-value tourists who have arrived on recently opened charter flights from Hong Kong and Macao that travel on vertically integrated package tours. What is vertically integrated package tour? It is a package tour where the plane ticket, hotel, restaurant, ground

transportation and tour arrangements are all or partially paid off-shore. The end result is that a high percentage of revenues remain off-shore and thus the required taxes will be difficult to realize. Likewise, most employees in these chains of businesses are foreigners, so most of the benefits go to foreign workers. Does this sound like a good deal to you?

If we look at the financial numbers, we will see that our revenues to the National Government have increased over the past two quarters, by 16% and 6% respectively, as expected with increased numbers. However, a closer look shows that our per-tourist revenues have actually decreased by 13% and 9% over these same two quarters. The bottom line is that the value of each tourist to our economy is rapidly diminishing. We are effectively replacing high value visitors with low value visitors.

With this rapid increase in tourists, we have found congestion at our airport, our streets overcrowded, our sewer and water system stressed beyond capacity, higher prices on commodities across the board, lack of products at the market, higher housing and rent prices and the displacement of residents from their apartments and homes to accommodate more tourists.

Let's step back and ask the important questions before we give in to this gold rush.

- Who is really benefitting from these increases?
- Are our lives improving from these increases?
- Can our environment withstand these increases?
- How can we better plan for these increases so that we ensure that the benefits flow to our people and our country and that our lives and the lives of our children will improve?

With low-end, vertically integrated tourism, our limited carrying capacity becomes overstressed. In addition, the pressure on our resources degrades the tourism experience and ultimately diminishes the value of the goose that lays the golden egg, our pristine environment.

The businesses that benefit from this new influx of tourists are generally not our existing businesses, but rather new businesses that have recently been created to cater to these new tourists. Contrary to what has been said by some, these new tourists are not necessarily the ones hiring local taxis, chartering local boats, eating at locally owned restaurants or buying souvenirs at the local stores. Even if they do, it will only be on a temporary basis. That is why we recently reduced the number of charter flights to allow us to take a deep breath and consider our next steps. We did not eliminate all charter flights -- We limited them. The intent in limiting charter flights is to balance our tourism markets so we don't put all our eggs in one basket. Putting all our eggs in one basket will not only limit our ability to maintain diversity but also makes our economy vulnerable to changes in market conditions.

This decision was recommended by the Economic Advisory Group, with membership from the private and public sector, including the Chamber of Commerce, the Belau Tourism Association and the Palau Visitors Authority. In our recent leadership meetings, we brought up this very issue and asked the OEK to explore potential measures to maximize benefits from packaged tours, because not all package tours are necessarily bad. As recommended by some of the stakeholders, we have also created a Charter Flight Review Committee to allow a clear

opportunity and voice to those who have expressed concern regarding this reduction of charter flights. The Committee has met and members with a vested interest continue to oppose the moratorium, without offering any new information to warrant a change in position. At the end of the day, we want to find the right balance for our economic development, one that is sustainable, manageable, and most of all beneficial to all of our people, not to just a select few.

### **Palau National Marine Sanctuary**

My fellow Palauans, overall, the key to our development efforts is to find Balance – Balance between the immediate and the long-term. Our decisions relating to tourism directly impact our environment. Our decisions relating to tourism and the environment directly impact our revenue stream.

The creation of the Palau National Marine Sanctuary is an important part of our efforts to create this balance between our economic development objectives and our environment. Specifically, the Sanctuary will protect our marine resources from unsustainable harvesting practices. Any fisherman you talk to will tell you that our in-shore and off-shore fish stock have been rapidly declining for the past two decades. This is because our resources have been overfished by foreign interests who have only one consideration in mind, their financial bottom line. It is of little concern to them if tomorrow we do not have fish to feed our children.

The proposed National Marine Sanctuary responds to this overfishing. Ultimately, over a relatively short period of time, a well-run sanctuary will lead to expanded fish stocks and, as a result, increased local fishing. In fact, it is the action plan of the Sanctuary to establish a domestic fishing zone that will provide fish for not only our local market, but for the growing tourism market as well. Think of it, fish, caught by Palauans for Palauans and their guests with 100% of the value going to Palauans. This sounds better than the miniscule 4% that we are currently receiving.

The Sanctuary will also increase the availability and variety of fish to the tourism market. Our hotels and restaurants frequently fight over the few fish that are available on the local market while tons of fish are exported to foreign markets. It is not right that our hotels and restaurants are forced to use imported fish while they are located in one of the richest fishing zones in the world.

There have been comments made that the creation of the Marine Sanctuary will negatively impact our current marine surveillance capacity. My friends, the very opposite is true. Through the creation of the Sanctuary, we will greatly expand our partnerships and our financial capacity to monitor our Exclusive Economic Zone (EEZ). In addition, our EEZ will be easier to monitor due to the fact that any foreign ship in our waters, other than our domestic fleet, will be presumed to be illegally fishing. The law also greatly increases the penalties for illegal fishing and eases the rules for prosecution.

This week, a group of surveillance and enforcement experts from the U.S., Australia and Japan are attending a workshop in Palau at my request to assist our Marine Law Enforcement personnel to develop a comprehensive strategic plan to ensure that our EEZ and our Sanctuary are

protected against illegal fishing and other crimes. Cooperation with partners works, as we saw in January when Chief Tutii and the Remeliik detained an illegal vessel full of our tuna and sharks. Palau fined this vessel \$100,000 dollars. Under the proposed sanctuary legislation, the fine could have been \$500,000 to \$1 million dollars.

Recently, I signed a memorandum of understanding with the Nippon Foundation of Japan that will ensure Palau has the tools to arrest future illegal fishing in our waters. This new plan will provide Palau with two new patrol vessels, fuel, a new training facility, salaries for up to thirty additional marine surveillance officers and other equipment and resources that will turn the tide on illegal foreign fishermen who steal our fish for their own profit.

Finally, the Sanctuary will define Palau as a high value tourism destination to the rest of the world. My friends, the math is simple. By protecting our marine environment with the National Marine Sanctuary we will attract more high value tourists. Creating a domestic fishing zone will not only keep the fish in Palau but the profits also. With an expanded green fee and more high value tourists, we are projected to generate more than 10 times the current revenues from fisheries on an annual basis. The States are receiving declining fishing rights revenues every year. Isn't it better then to stop foreign fishing in Palauan waters and receive more revenues under the Sanctuary Plan than to receive declining revenues through continued foreign fishing?

I would remind our leadership that in our last leadership meeting, we agreed to an April deadline to finalize the Marine Sanctuary Legislation. The people would anticipate that we will meet this deadline.

The proposed legislation for the Sanctuary is currently before the Senate and it is my great hope that the OEK will pass it this month, as agreed. The level of State revenues currently received from foreign fishing is completely protected in the proposed law. In fact, over the initial five-year transition period, these revenues are expected to double.

With this sanctuary, Palau will remain a solid partner with our Pacific neighbors and will continue participation in the Parties to the Nauru Agreement (PNA), the Forum Fisheries Agency and the Pacific Islands Forum, in building sustainable regional fisheries in the Pacific. This means that Palau will continue to partner in regional marine surveillance activities. We will also continue to partner in, and receive the benefits from the current Purse Seine Vessel Day Scheme and the evolving Long Liner Day Scheme.

My friends, the International Community is beginning to recognize the value of the Bul. They are looking to partner with Palau because we are committing 80% of our Exclusive Economic Zone to protection, not just 10 percent. Already we have commitments of assistance from many international organizations, countries and NGO's who agree that large scale protected areas are a key element to saving our oceans. We have commitments of assistance from Italy, Oceans 5, the PEW Foundation, and The Nature Conservancy. We are certain that once the legislation is passed, this stream of contribution will greatly expand.

In addition, we already have signatures of support from close to 5,000 Palauans and growing. We also have support resolutions from 13 state legislatures (Ngardmau, Angaur, Airai,

Ngarchelong, Sonsoral, Ngiwal, Ngeremlengui, Melekeok, Ngaraard, Aimeliik, and Ngatpang, Koror and Peleliu). In addition, we have support letters from the Governors' Association, the Council of Chiefs and the Speakers Association. Finally, we have support letters from over 30 international organizations, such as the National Geographic Society, Ocean Elders, the Micronesia Conservation Trust, the Waitt Foundation and the Sylvia Earle Alliance.

Clearly we have seen an overwhelming support from our State, National and Traditional leadership, as well as the People of Palau that the Bul is the right thing to do. If we, as leaders, fail to listen to the wishes of our People, a Referendum may then be the only way for them to ensure that their voices are heard. The Sanctuary is Palau's tradition and the Bul is Palau's proven success story. Time is of the essence. We need to act now. We must not wait until there are no more fish. The Bul is an action you take before you run out of fish.

Mr. Speaker, Senate President, a return to our traditional ways will allow us to implement a clean and healthy high value eco-tourism based economy that will support sustainable fishing while enhancing our ability to support our local industries. Now is the time to implement the *Bul* across the entire Republic.

### **Foreign Investment Reform**

In 2010 our Foreign Investment Regulations were amended to limit certain protections to our local businesses. We must reinstitute those protections. We must also ensure that our FIB reviews of proposed foreign projects are in line with our vision of a Pristine Paradise Palau. That is why I have requested that the Board exercise due diligence in reviewing proposed applications for development projects to ensure that applications are in line with this high value tourism development strategy. In addition, we must work with the OEK to modernize and improve our FIB policies and procedures to allow the Board to support projects that meet this vision. Such policies should allow for appropriate tax incentives that will encourage high value investments that incorporate basic infrastructure expansion into their project plans.

### **Pension Plan Funding**

We will continue to work with the Olbiil Era Kelulau to overhaul our Civil Service Pension Plan, including a cost-of-living allowance adjustment, and possibly inclusion of private sector participation. It is a priority that our Civil Service Pension Plan be overhauled in order to support a basic standard of living for our retirees.

Next year, the Government Accounting Standards Board, which accounting standard is applied in Palau, will require the inclusion of the Pension unfunded liability in our National Government financial statements. Our projected liability of \$100 million could very well adversely impact our financial standing and future financing options. It is therefore crucial that we determine a substantive and immediate plan for reducing this unfunded liability.

A very significant proposal before the OEK to respond to this unfunded liability is the \$25 per tourist fee proposed in the Palau National Marine Sanctuary legislation. If we assume 120,000 tourists per year, this fee would supplement the Pension fund with \$3 million per year.

Approaches such as this are prudent and realistic and minimize the burden of providing the financing requirements of this plan.

In addition to working to strengthen our pension plan, with the partnership of the OEK, we have passed a minimum wage law. Through legislation, we have also implemented a Cost of Living adjustment for Public Service System employees. We have also looked to strengthen the income of our senior citizens by ensuring that Pension Plan, Social Security and Health Care funding payments are made to ensure benefits and services are not compromised. And we have amended the Social Security laws to increase benefits to retirees. Having accomplished all of these, we can surely address the funding issues faced by the Pension Fund and ensure enhanced benefits to our retirees who deserve them.

### **III. Making Our Tomorrow Better**

#### **Improving our Health and Education**

As I have said so often in the past, improving our people's standard of living depends upon the enhancement of educational opportunities and improvement of health services.

Education. To strengthen education, we must continue to improve and implement our Education Master Plan, improve our instructional materials, upgrade our school infrastructure, and expand vocational and trade programs at PCC and at the Palau High School. To improve vocational skills, we have passed the Palauan Skilled Workforce Investment Act and have promulgated regulations. We must now work to encourage the participation of our young people in this program. At the same time we must encourage employers to employ these young Palauans who attain their vocational skills through training in order to build a stronger local workforce. College is not and should not be the only career course in a diverse society. When our own people do not have the capacity to fix a car or build a road, we are obliged to hire workers from overseas. Let's train and hire Palauans first.

A number of scholarship opportunities exist for our Palauan Youth as well and we must work harder to increase participation in these opportunities. To provide this encouragement, the Minister of State and the Minister of Education have been tasked to visit schools to talk to students and to encourage them to take advantage of the available opportunities for higher learning. School officials and teachers are also being asked to help identify and target students with high academic achievements as potential candidates for these scholarship opportunities. We thank our development partners and organizations for their sponsorships of such scholarship opportunities.

We are, in cooperation with Palau Community College, in the process of developing a program to provide free education for students at PCC.

Overall, the Ministry of Education has worked to expand educational opportunities and improve educational services to our youth. We have acquired \$3.64 million in additional external funding to address critical need areas such as special education, teacher training, instructional

improvement, college preparation and access. Through Executive Order 370 and RPPL 9-34, we have also improved the wage structure for teachers. We have implemented over \$1 million worth of much needed school facilities improvements, including enhanced learning tools like the distribution of Android Tablets to all students in Public Schools, grades 1 through 8. We have established baseline data to improve monitoring and evaluation of teacher and student performance and achievements. To ensure expanded educational opportunities, we also worked with the OEK to increase scholarship funding by earmarking 50% of FIAC fees (for non-resident workers) to the scholarship fund. And to improve our curriculum, we have aligned Math & English Grades 1-8 Curriculum Frameworks with US Common Core State Standards and have trained 80% of teachers on curriculum implementation.

Health. To improve the health of our people, we must recognize that good health starts at home. Unlike our forefathers, we are now prone to eating imported processed food. The result is an epidemic of non-communicable diseases (NCD's) that have been recognized by the Pacific Officers Association and the Pacific Islands Forum as a health crisis. We must return to our roots and to our natural food products, both marine and agricultural. We must also focus our available resources on community based preventive health care to promote better health, reduced health care costs and a higher quality of life.

Within this context, we must consider important measures to change our lifestyles, mainly to shape our behaviors, particularly associated with the use of alcohol and tobacco. Studies have shown that such abusive use of these products have led to unprecedented cases of non-communicable diseases amongst our population. To combat NCD's the MOH has developed a comprehensive strategic plan. We have also launched 'The Prevention Unit' in the Division of Behavioral Health.

Despite many critics in the beginning, Palau's Health Care Plan has been proven to work and has been rated as the #1 Health Care Plan in the Pacific. Medical referrals are an example of the Plan's success. Before the Plan, we used to refer about 50 people off-island annually. Now we are referring as many as 250 people annually. In addition, the Health Care Fund has increased revenues for the Hospital Trust Fund due to the improved collection of fees and charges at the hospital. We will continue to fine-tune the National Health Care Plan and work to broaden its scope and participation.

In order to respond to the crisis of Non-Communicable Diseases, known as NCD's, the Ministry of Health has further developed Nutritional Guidelines and incorporated them into the new NCD National Strategic Plan.

In addition, the Ministry of Health continues to actively recruit and retain medical professionals to improve health care across the board. We reorganized the MOH and reclassified nurses and other health professionals to improve their compensation and consolidated nursing policies, processes and systems and thereby enhanced the Hospital's capacity to provide quality nursing services. Our collection of an additional \$1.1 million in revenues beyond our target of \$0.9 million has helped in our efforts to maintain our stock of medical supplies and drugs. We have further improved our diagnostic and treatment capacity by upgrading some of our key medical equipment including our hemodialysis treatment center and fully operationalized the hyperbaric

chamber. In the area of dental care, we have also increased oral restorations by 38%. Finally, we have also enhanced our outpatient program to include expanded visits of medical specialists from Shin Kong Hospital in addition to Tripler Army Medical Center in Hawaii.

### **Infrastructure Development**

In our effort to map our national tourism course, we must identify just what infrastructure is critical to move in our defined direction. We are already on a strong course to improve our water and sewer capacity with the transfer of water and sewer operations into the Palau Public Utilities Corporation. We are also well on our way towards modernizing our Koror-Airai water and sewer capacity through the on-going Asian Development Bank Project and we are working with other development partners to continue expanding and improving water systems throughout the states.

With the increase in the Road Use Tax, we have established the framework to permit us to maintain a modern road system throughout the nation. With the passage of the Compact Act, additional funding will be made available for infrastructure maintenance. We continue to invest in the Babeldaob Road Network infrastructure by improving and paving compact connecting and interstate roads in order to accommodate transportation and development.

We have also placed two new power generators on line, bringing our national electrical capacity to 27 megawatts.

And we are rapidly moving forward to establish high speed internet. While I am the first to admit that the implementation of O3B has not lived up to our expectations, it has served as a stop-gap to a problem that will only be solved by bringing a submarine cable to our shore. That process, with the Partnership of the Asian Development Bank and the World Bank, is moving forward with the Federated State of Micronesia and should result in a fiber optic cable sometime in 2016. We currently have phase I legislation before the OEK to pave the way to a transparent and independent telecommunications sector with high speed internet. I ask the OEK to work with us to pass the legislation necessary to make this dream a reality.

We have also identified a new central land fill location in Babeldaob, finalized the plans and budgeted for preliminary project works, including environmental assessments, final design, road access, site clearance and preparation.

Finally, in addition to the expansion of the Terminal Apron, we have secured additional FAA funding to resurface the existing Apron to help increase the capacity of the Palau International Airport.

### **Widening Our Economic Opportunities**

While tourism will continue to be our bread and butter, we can protect our stability and expand our opportunities by strengthening our other sectors. By expanding our agricultural and aquaculture efforts we can support our tourism industry while improving our health.

In the area of agriculture, with the assistance of the Republic of China, Taiwan, we have successfully established a viable livestock production program involving pigs and chickens and have begun planning the construction of a slaughterhouse to support the program. We have also created the capacity to develop feed for poultry and pigs to support the program as well. This directly supports sustainable livelihoods at the community level, as well as food security.

Now is the time to seriously and carefully expand our aquaculture development. Our success with farming and seeding clams is a clear sign of the potential of our near-shore aquaculture resources. By farming desired marine life, we will not only improve our health, we will also protect our inland waters for traditional fishing. The Republic of China, Taiwan, has demonstrated the importance of good partners in the development of our capacity in such effort and we offer them our thanks.

Japan has also provided favorable responses regarding our request for assistance to expand our Giant Clam Center and to improve the sustainability of the Giant Clam Program. To support this effort, we have worked with the OEK to establish a Giant Clam Seed Sustainability Fund by law.

We have a commitment of approximately \$5 million to provide concessionary loans to small and medium private aquaculture and agriculture projects aimed at promoting sustainable livelihoods and food security at the community level.

### **Tourism Reform**

In order to reform and improve our tourism sector, we must undertake the necessary studies and discussions that will define our tourism carrying capacity. We must also define just what type of tourists we want to have in Palau. We have already begun this process by creating the Bureau of Tourism. We must now strengthen the Bureau and hire qualified people to guide its work. We must officially adopt the “Pristine Paradise. Palau” branding and marketing concept proposed by the Palau Visitors’ Authority at every level.

We must continue the process of reviewing the present aviation policy and formulate criteria for licensing. The Tri-Org, in partnership with our Economic Advisory Group (EAG) is already doing this and the private sector has been asked to provide its input. Finally, we must establish a basic set of land-use controls and management planning on a number of tourism related issue such as environmental sensitivity, community preferences, visitor experiences and community benefits. In order to do this we must establish an information system that allows us to track our tourism successes and failures and permits us to move forward, not backward.

At the state level, we must identify broader funding options to allow our states to initiate high value tourism projects and experiences for tourists. Development of Babeldaob and outlying state visitor attractions sites is critical to facilitate diversified of tourism products and income generation activities at the state level. We have secured initial funding for a pilot project and continue to work with our development partners to mobilize funding resources to develop Babeldaob attraction sites. We will also work with the PVA and the Tri-Org to coordinate these efforts.

In addition, one type of tourism program that offers tremendous potential to provide consistent revenues at the community level is the 'Home Stay'. This involves the short term rental of a home or part of a home by tourists. This program has been proven very successful in other countries. We will work with the PVA to identify similar programs in other countries, develop minimum standards for homestays, assist home owners to take advantage of this opportunity, including assistance towards the improvement of private homes to meet minimum standards, and establish an official listing of available homestays in Palau.

We must also expand our cottage industries in order to respond to the exploding opportunities provided by the expansion of tourism. There is no reason that we should import crafts items from other neighboring countries because we failed to manufacture our own at the community level. We must expand our participation in the supply chain.

### **Strengthening our Government**

One way of improving the financial strength of our people is to ensure the financial strength of our government by containing government costs and by improving government transparency and accountability. As I have so often said in the past, the way to save the People's money is to spend less than we earn. This is not always that easy when we are faced with annual crises such as Typhoons Bopha and Haiyan. We must accomplish this by once again establishing a strong budget system, ensuring transparency and mandating government efficiency.

Budgetary Initiatives. To survive such external events, our small nation must prudently put aside funds during the good years. That is why this administration worked with the OEK to create the General Reserve Fund. That is why we took the necessary measures to strengthen internal controls through the re-institution of Performance-Based Management. This budget system provides the information for our decision-makers to base their budget decisions on government performance. We simply do not have the funds necessary to pay for government agencies and projects that do not perform.

That is also why we worked with the OEK to outsource water and sewer services to the Palau Public Utilities Corporation. We continue to look for other opportunities to privatize essential services to not only reduce cost, but to also improve the quality of service.

Transparency. Ladies and gentlemen, in a democracy, the people have a right to know what their government is doing. Transparency and accountability must be a given, not a surprise. For this reason, this administration now requires that the President and the Vice President file travel vouchers. That is why we have restored the professional independence of the Office of the Attorney General and that is why this Office, in partnership with the OEK, established a law that has allowed us to appoint a temporary Special Prosecutor who will protect the rights of the people until the Senate confirms a permanent Special Prosecutor. We will continue to work with the OEK to expand funding support to key regulatory agencies such as the Financial Institutions Commission and the Ethics Commission to enhance their enforcement capacity. Finally, we have worked with the OEK to finalize the Open Government Act that will ensure the transparency of our government to the eyes of the people.

Efficiency. Along with transparency, the government must continue to move towards greater efficiency. We have therefore begun working within a Medium Term Development Strategy framework to balance our budget and ensure accountability. We have also instituted accounting procedures to ensure that the annual audit is once again prepared in a timely manner. Finally, we must continue efforts to right-size our government. We cannot provide services to the people when all of our money goes to salaries and none of it goes to equipment and office materials. In order to create this balance, we will explore ways to streamline our government structure by restructuring our personnel within the Public Service System. This means eliminating duplications, and providing re-training to employees who lose their positions. Where possible, we will seek to reorganize by attrition, and where that is not possible, we will work to develop an appropriate and fair severance program.

### **Special Considerations**

In addition, the Government must be responsive to special needs of our people, especially those who are most vulnerable, including our senior citizens. We value the contributions of our senior citizens to our culture and our way of life and they continue to be a high priority of our government. We continually look for opportunities to improve their livelihood by ensuring that they continue to keep up with the increasing cost of living.

The senior citizens discount legislation that was enacted into law during the 8<sup>th</sup> OEK was intended to ease some of the economic burden of our senior citizens. Unfortunately, as we proceeded with the implementation we encounter a number of challenges with the promulgation of appropriate rules and regulations, mainly due to the fact the law as written would not fulfill its objectives and rather lead to possible abuse and problems associated with implementation of the program. To respond to these issues, we have agreed in our leadership meeting that we will explore other means to address the needs of our senior citizens. We have proposed the idea of first repealing the discount legislation and replacing it with a new legislation that will increase Social Security benefit payments by at least 10%. This would improve their buying power and assist in paying utility expenses, customary obligations, and other important daily expenses. Senior Citizen discounts under the existing law are limited to grocery shopping, restaurants, and hotels, which are generally not priority obligations of our senior citizens. I ask that OEK expedite the passage of this legislation.

The quality of life of our people depends on many factors, not all which are tied to the means to make ends meet. We must also emphasize other things that matter, such as spending time with family and friends and enjoying the environment that we are blessed with. We also recognize the importance of tourism and the need to provide diverse opportunities. But we must not forget that our first priority is the physical and mental health of our people. To ensure this health, we must make sure that at least a portion of our paradise is available for our People as well.

With this in mind, we have begun mobilizing funding resources to develop recreational parks throughout our islands. We began in Koror with improvements to the KB Bridge Park, that when completed will have beach access, restroom facilities, showers, playgrounds for children and pavilions for recreational activities. Similar improvements are planned for Meyuns and

other states as well, including Ngaraard, Ngarchelong, Airai and Ngchesar and eventually to all the states.

## **Public Safety**

A high standard of living also requires that our citizens are safe in their houses and in the streets and that their children are free from the influences of drugs. Currently, we simply do not spend enough of our resources to make these a priority. We will therefore continue to work with the OEK to expand funding opportunities for our justice system and work towards expanding police presence and improving response time in all 16 states. In this effort, we have deputized state police officers in four states through MOU's.

Our capacity to monitor both in-shore and off-shore waters has been greatly expanded, with the assistance of the Nippon Foundation, through the acquisition of search and rescue vessels, along with fuel, maintenance and funding for five positions from the Nippon Foundation. We have also secured a new patrol boat from Japan and gained a commitment from Australia for a new patrol boat. We have also secured ship rider agreements with the U.S. and Japan with their Coast Guards to further strengthen our enforcement capacity. In addition, we have completed a new warehouse storage facility for marine surveillance activities. Our expanded surveillance has been evidenced by the capture of six Vietnamese fishing vessels and a large Taiwanese vessel.

In addition, the Bureau of Immigration has secured external funding assistance to upgrade their border protection system, which will greatly improve entry processing at both passenger ports of entry. To address traffic congestion in Koror, we have implemented new traffic management strategy, which have significantly reduced congestion during traffic rush hours. We have also made the necessary security improvements to the present jail facility and have identified the location for a new correctional facility, finalized the design and secured initial local funding for site preparation. We continue to strengthen our criminal investigations and prosecution as well as our civil litigation capacity. We are actively recruiting legal staff for the Office of the Attorney General and have increased the number of compliance officers for the Bureau of Labor to enhance our labor enforcement capacity and address labor concerns raised.

We must also continue to combat issues of human trafficking. Having been identified as a Tier 2 nation by the United States for the past two years, we must do what is necessary to improve our response in the eyes of the international community. Let's focus on improving our own performance and protect workers we bring into our country.

## **Environment**

The environment remains the foundation of our cultural heritage, of our economic development and the lifeblood of our People. Climate Change is here and threatens our way of life.

Climate Change can increase or decrease rainfall, influence agricultural crop yields, affect human health, cause changes to forests and other ecosystems, acidify our oceans and impact our energy supply.

We must therefore continue to remain committed to work within the international community to respond to the issues of mitigation and to identify funding resources for adaptation to this growing threat. We will therefore continue our involvement in the process of the United Nations Framework Climate Change Convention (UNFCCC). For this reason, just this week I appointed Olai Uludong as Palau's first Ambassador on Climate Change. By remaining involved, we will seek to improve our energy access, our food and water security, and we will seek to reduce our dependence on imported fossil fuels.

We must achieve these objectives by building our sustainable and durable partnerships, as we focused on at the Pacific Islands Forum in Palau and the SIDS Conference in Samoa.

This year, the United Nations will launch the Sustainable Development Goals: an invigorated post-2015 development agenda framework that follows the generation of Millennium Development Goals that began the process of identifying international issues and providing standards and actions to improve the living standards of our global community. It is our hope that one of the goals of this new regime will be a stand-alone Oceans Sustainable Development Goal (SDG). Our Pacific community has played a defining role in moving this goal forward globally. Through this Oceans SDG, we will work together to conserve, sustainably develop and manage marine resources and maximize returns from this great resource for our people and future generations. There is no one size fits all, but all of our efforts of sustainably managing this great Ocean must be considered parts of the whole – contributing to the sustainability of this Ocean – the very source of our life and future and a great contribution to the global community.

## **Development Partners**

As a developing nation, we depend on our regional and international developed partners for a great deal of support. With their support, we can better implement our national agenda. Throughout the process of establishing a National Marine Sanctuary, our partners have taken a stand with us to mend the health of the ocean and revitalize its marine life after years of mismanagement, over-use and environmental degradation.

Within this context, our proposed National Marine Sanctuary serves as a critical spoke in this complex wheel of responses necessary to save the Ocean for future generations. We appreciate the support of our development partners of our efforts to achieve sustainable development with a focus on environmental protections. As this year's Chair of the Pacific islands Forum, Palau will continue to work with our Pacific friends and neighbors to both strengthen our tuna fisheries through regional agreements and to expand the extent and quality of large protected areas that will allow our tuna stock, as well as other pelagic fish, to prosper.

As we have a right to direct our own path towards self-reliance, so do other nations of the world. We will continue to stand with the United States in its effort to support the institutions of democracy worldwide. We applaud the recent success of the United States and its negotiation partners from the European Union in their success in gaining an initial nuclear limitation deal with Iran. Palau also expresses its on-going support to the United States in its support for the Ukraine. We will also continue to support our international partners in the right for self-determination is universal. We applaud the United States for its efforts to normalize relations

with Cuba. We are sure that this support for the self-determination of nations will eventually carry over into the ratification of the Compact Review Agreement.

We would also like to acknowledge the significant support that we have received over the years from our close friend and ally Japan. The closeness of our relationship was clearly demonstrated this month with the visit to Palau by the Emperor and Empress of Japan. Japan's support of Palau's development agenda has been critical over the years through their Overseas Development Aid. We are thankful for this developmental support that Japan has graciously provided to the Republic. As our neighbor and our friend, we support the efforts of Japan to secure a seat on the Security Council of the United Nations.

Our thanks also go out to the Republic of China, Taiwan, for its continuing friendship and economic support. The Republic of China is another key ally in our Pacific region. As an island nation, the Republic of China has achieved much over the past decades to cement its self-determination. It is now time that the international community recognize its efforts and places it in its rightful and equal place in the international community.

We also offer our thanks to our Pacific friends and neighbors of the Pacific Islands Forum and offer our support and commitment for the new Pacific Framework for Regionalism as well as many other nations, including the members of the European community, who have become strong allies to Palau in the region and in the international fora.

## **Conclusion**

Mr. Senate President, Mr. Speaker. We are all very fortunate that we, as a people, do not face the challenge of starvation or war or civil unrest. We are simply faced with the need to recognize the value of our culture and our environment and the need to adjust our sail to find the right course and speed of our vessel to ensure our children a sustainable future.

To do this we must find the political and moral will to sometimes say no. I must respectfully disagree that we should have an open sky policy towards development. This is a very large and fast moving world in which we live and there are unlimited challenges masked as opportunities that have the potential to overwhelm our society and our culture. We must recognize the benefits and the dangers of these opportunities and carefully weigh our options before we act in the best interests of the people we have been elected to serve. Our first priority cannot be our personal or special interests. Let us not forget why we are in office.

My fellow Palauans, it is not all about money. There is much more to life than the value of money. If we make money our primary consideration, we are going to leave a lot of our people behind. To insure that no one is left behind, we must make sure that our boat is not moving too fast and that we have room for everyone.

Great majority of Palauans are supporting the Palau National Marine Sanctuary to ensure that the bare essentials, at a minimum food security and economic opportunity, are available to every man, woman and child in Palau: The ability to feed oneself and one's family is a God given right.

As I have said so often before, the mother goose must be protected so that she can feed all of us. We cannot afford to destroy our environment. It is the foundation of our rich cultural heritage and way of life.

My fellow Palauans, every issue that comes before Congress should not be a campaign issue. Some things simply go beyond politics and are just the right thing to do. Ultimately, the deciding issue for both sides of a campaign should be what is best for the people. I welcome criticism -- with options and concrete solutions. But please do not just sit idly by and do nothing because the proposal or bill came from us.

In the end, we, as a people, must not fall prey to someone else's development plan at the expense of our own plan. In simpler times, our ancestors understood what *sustainable* meant and established the 'bul' to respond to the needs of the community. This focus on the greater good through the limiting of access to certain resources, at certain times, acknowledged that our environment has limits that must be respected. Placing reasonable limitations on fisheries and limitations on tourist arrivals is the right thing to do, at this time, to allow us to define our own course. Ultimately, balance is the key to a quality life. Let us give every Palauan a right and an ability to share in our future prosperity by making the hard decisions that need to be made today. It will not be easy, but life never is. But it can be rewarding.

Thank You.