

Remarks of

Surangel S. Whipps Given Before the Governor's Association Special Economic Forum

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I. Introduction

Good morning. Thank you for this opportunity to share with the state governors, our visions and aspirations for the various states of the Republic of Palau as Presidential Candidates. It is indeed most appropriate and I believe this type of meeting should continue to take place in the future on a regular basis.

The Governors are at the forefront of their respective states and are fully aware of the issues they face and so it is important that leadership at the national level maintain a good line of communication with them. This is especially true if we are to effectively deal with the needs of the states and the nation as a whole.

Palau has gone from a 'non-payday' economy to a moving forward economy. Tourism has grown from 44,000 to 84,000 in the last 8 years. Investment in infrastructure has been an unprecedented 150 million on the compact road and 210 million in roads, bridges, airports, water systems, buildings and more. Palau has also become a world leader on the environment.

However, the basic question I still hear from our people is, "Where are the jobs?" and "I don't have enough money to pay my power/gas/kerosene, fuel for my car, and my hospital bills", etc.

The challenge that faces the states, and Palau as a whole, is how do we attain sustainable development? How do we make sure that every Palauan benefits from economic growth? And how do we ensure that all the states share in the prosperity?

Before we begin to look at what the states can do to address the issue of sustainable growth and development, it is important that we recognize the constraints and opportunities that the states face. Some of the key constraints include a small population, a large government, limited infrastructure capacity, inadequate laws and regulatory framework. All of these factors are limiting revenue options and growth opportunities. The states simply do not have the number of people to do the work or to provide a consistent source of revenue stream. The under-developed infrastructure including the lack of appropriate laws are not encouraging business investments that would also contribute reliable revenue streams to the states.

However, states have abundant land and marine biodiversity, rich historical and cultural assets, and large areas of land available for development. More importantly, states own the natural resources of Palau – not the National Government. Palau's National Master Development Plan also recognized the potential of

states to support sustainable economic development for the Nation as a whole and it is the standing policy of the National Government to encourage economic development opportunities to the states. The construction of the New Capital and the Compact Road are examples of specific measures intended to facilitate economic development to Babeldaob in support of this policy.

Altogether, these assets and policy support present tremendous opportunities for economic growth and development for the states. I am confident that if the states exercise patience and assume a wider perspective and long-term view of economic development initiatives, the states can achieve real economic independence and reduce their reliance on the National Government.

II. Promoting State Economic Development

So, what steps can the states take in order to realize sustained economic growth and development? Given their natural resources and support at the national level, I believe that the States need to make themselves attractive to private investments. What is recommended at the national level can also be applied at the state level.

First, the states need to establish the required laws and regulations to promote private sector growth and for the protection of the environment. I do not believe that it is so much the existence of certain laws that are limiting the growth potential of the states, but rather the lack of appropriate laws. Land use planning and zoning laws should be prioritized. This set of laws support proper planning to ensure that growth is manageable.

Second, the states must continue to invest in their infrastructures within a proper planning framework. The states should also consider alternative private financing options including 'build, operate and transfer' or BOT where applicable.

Third, the states should look to develop those economic sectors that have the most potential to contribute to sustained economic growth and development. Such efforts should focus on those areas where that state has a competitive advantage whether it is resort development or farming. The states should also consider joint ventures or incentive packages to promote private investments in the selected areas.

Some areas of development that have potential for the states to lead in include eco-tourism, agriculture, aquaculture, and in small-scale marketing of local produce, value-added food products and handicrafts. The states should seize these opportunities, and with the support of the National Government through appropriate legislations as necessary, encourage the development of local businesses in these areas to take full advantage of the booming tourism industry.

The Reefs and Mangrove areas can be used for Aqua culture development, fishing, sports fishing, diving, snorkeling, and kayaking. The national Government has already begun with developing aquaculture in Ngatpang. Koror has put mooring buoys at all its dive sites. This needs to be continued in other states that show potential and we need to make sure that these industries do not adversely affect our environment. We need to make sure that our marine resources are not exploited by foreigners such as the fishing activities in Kayangel and we should always ask ourselves, how does economic activity benefit to our people?

Tourism attractions need to be improved and discovered. The national government must assist the states in developing tourism attractions (Ngardmau Waterfall) and the collection of fees will further develop the sites and maintain them. The National Government should work with the States to identify a historical village and support development of this site as tourist attraction that highlights our unique traditions and culture. The States must work together in promoting their respective attractions with a unified marketing plan.

Fourth, the State must look to establish forward-looking human resource development plans. Infrastructure maintenance and resource management should be prioritized to sustain expanded and ongoing infrastructure improvements and environmental protection and management frameworks.

Lastly, the States must also look to contain the costs of their governments. This requires exercising expenditure restraint while at the same time looking to increase revenues. On the expenditure side, I would encourage the states to look at how they may restructure their governments to reduce operating expenses so that their block grants are used primarily for social programs and capital improvement projects.

On the revenue side, the states cannot continue to be the main driver of economic activity at the state level. The private sector offers a reliable revenue base with huge growth potential and expanded revenues for the states in the long term. The states must also begin to seriously consider expanding their user fee applications. Like the National Government, the states simply cannot afford to continue to subsidize governmental services with little or no cost recovery.

Many states have large parcels of land with potential for development. The Lands may be used for residential, commercial, agricultural and public purposes. Leasing these lands can become a significant revenue source as it is for Koror State and more recently for Airai State as well.

Visitor attractions can also be an important source of revenue for the states through fees. Palau now receives 90,000 visitors and we hope to surpass 100,000 visitors soon. Every State must strive to get at least \$10.00 from every visitor that comes to their state. This \$10.00 should come from services we provide in the Public and Private sector. However, the collection of fees must be simple. Babeldoab, for instance, has many attractions on the land and sea but stopping at each state office to get a permit is troublesome and can actually discourage visitors from going in the first place. The states should partner together and have one point of collection for all the states. Then at each site you could have rangers or guides to help the visitors and the community can sell their goods and products. Similar to an entrance fee at Disneyland, you must think of Babeldoab as one big park. This will require collaboration and cooperation between the states. The end result will be increased revenues and reduced costs for the states.

We need to make Palau a premium product with the goal of making Palau one of the best places to visit in the Pacific. If we were a car we would be a Rolls Royce, a brand that is recognized world-wide for its excellence, quality, and prestige. If we want Palau to be a premium product, we have to think, act and look like a premium product. We must work together to beautify the respective states and have ongoing programs to promote beautification. We also need to zone and hide those industries that are not so pleasing visually to our visitors. This means keeping our island beautiful and clean.

I commend Airai, Ngchesar and Ngatpang for bringing the community together to clean the compact road. I commend Ngiwal for planting colorful plants along the compact road. I commend Peleliu for planting flowers on the road from Elochel to the state building. I commend all the states for participating in marine debris clean-ups.

We must continue keeping our roads clean by trimming the grass and cultivating more flowering plants and fruit trees. We need to pick up garbage when we see it and encourage others to do so. We need to have first class restrooms for our guest from the airport to designated tourist attraction areas. We need to show our guests the kind of island hospitality that makes them want to come back and also to encourage their friends and families to visit. We must assure our visitors that Palau is a safe place to visit. Our visitors must leave Palau wanting to come back.

III. Strategic Planning Priorities

To ensure that these strategic guidelines are consistently applied and evaluated, the States need to develop long term State Master Plans that would be complemented by medium term economic development strategic plans of 3-5 years intervals. To ensure that the plans are being implemented and in order to determine progress, or lack of, the states must also look to develop a cohesive and coordinated framework for economic development planning and monitoring.

The formulation of master plans and the establishment of monitoring and evaluation framework will allow the states to assess their progress in achieving their economic development objectives. However, if land ownership and boundary issues are not resolved in a timely manner, economic development will be limited. The States therefore must prioritize efforts to resolve these issues.

In addition, economic growth and expanded revenues will not occur overnight but the demand for expanded, and expectations for improved, services will continue to exceed the revenue capacity of states in the short to medium term. This is true for the National Government as well. The states therefore should actively consider innovative financing options including public-private sector partnerships in infrastructure, and incentive packages for private development activities. States cannot afford, and should not have, to wait for the National Government in order to move forward on their economic development plans.

At the national level, I see the role of the National Government as a 'facilitator' to state government efforts. The National Government must continue to encourage economic development opportunities to Babeldaob and the outlying states. In addition to the relocation of Capital and the Compact Road, the National Government should also determine what other major infrastructure or services should be relocated to further encourage economic development to Babeldaob and the outlying states. Some key infrastructure and services that should be considered for relocation include the Palau High School, the commercial seaport, the Koror prison, and the Belau National Hospital. For the outlying states, improvements to airports and the establishment of reliable passenger vessels to service residents and visitors alike should also be considered. The National Government should also explore the possibility of relocating certain government agencies to the states. Relocating some agencies can help create new job opportunities to the states. The National Government should not only continue to provide but also seek to expand the availability of technical assistance to support state government initiatives especially for resource management through both local and external sources. Ngiwal State, for example, has begun a cattle farm and has requested the assistance of the Taiwan Agricultural Mission with research. The National Government should help, not just the cattle farmers, but other state initiatives by identifying ways to further assist in increasing productivity through extension services that provide training, technology transfers and equipments. The National Government should also provide or secure assistance for marketing products including proper pricing, branding and processing.

Finally, the National Government should continue to actively look to expand funding resources to state governments particularly for infrastructure expansion and maintenance from both local and external sources as well.

IV. Sustainable Economic Development

There is no quick solution to achieving sustainable development and it is important that we agree on what is sustainable development so that we may be able to evaluate our progress. To me, sustainable development is an economy that maximizes the returns it receives from its resources with minimal impact

to its environment. The economy must maximize its returns to its citizens so that its citizens are given the best education, the best health care so that they can be employed or employers in a vibrant economy. Achieving sustainable development requires that we also take care of our most precious resource, which is our human resources, our people. "A kot ar chad er Belau".

In my visits throughout the states, it is apparent that unemployment remains a major concern particularly in Babeldaob and the outlying states. Palau today has a population of 21,000 and we have 7,000 foreign workers. Foreign workers now exceed Palauans that are employed. The question is why are Palauans who want to work unemployed? When construction began in Ngarchelong on the Oketol dock, there were numerous Palauans seeking employment. Everyday Palauans apply for work at Surangel & Sons. Every year more and more of our young people leave Palau in search of opportunities elsewhere. We need to provide effective training and opportunities for Palauans in Palau.

There are those that say that hiring Palauans is expensive because we lack the necessary skills and have poor work ethics. We must work together to change this perception by making sure that Palauans have the opportunity to be properly trained so that they can be successfully employed.

One way to ensure this, particularly for vocational trades, is to license trades like plumbers, electricians, carpenters, mechanics, etc. These are the trade skills that we need to build a strong and vibrant economy, and although we have encouraged Palauan participation in them, we have not been successful in retaining these skills for the simple reason that they do not pay that much. Licensing these vocations would help raise earnings, improve quality and encourage increased Palauan participation.

We must also work together to level the playing field so that our citizens are given the same opportunities for employment. We need to pass legislation making the minimum wage law apply to everyone and also to set the foreign labor fee at a minimum of \$1,000 per employee for both public and private sector. These measures will result in increasing the cost of foreign labor thereby encouraging employment of Palauans. In addition, at \$1,000 per worker per year for the 7,000 foreign workers, this would generate \$7 million in new revenue per year to help improve our schools and provide for job training.

We also need to raise the minimum wage to offset the increasingly high cost of living. It has been 10 years since we passed the \$2.50 minimum wage law and with the rising costs of fuel, it is becoming harder and harder to meet our basic living expenses. Take commuting as an example. It is very hard for someone in Babeldoab to earn only \$2.50 and work in Koror. If you are leaving in Babeldoab and work in Koror, you should earn enough so that all your paycheck is not spent on buying fuel to commute to work. For example A person in Ngiwal would spend at least \$10 per day to come to Koror for work. This means that half of their wages go directly to fuel.

We also need to review our Foreign Investment Laws and eliminate the loopholes that allow front businesses to exist. The Foreign Investment Law was supposed to allow foreign ownership only for those businesses that Palauans cannot do and to reserve those businesses that Palauans can do for Palauans. Furthermore it was intended to promote quality investment. In reality, the foreign investment law has led to

'front businesses' that do not pay their fair share of taxes and take away from legitimate businesses. The States, the Executive branch and the OEK must continue to work together to come up with a practical way to resolve this issue.

We must make the tough choices that will ultimately benefit us in the end. We must stand strong together and commit to doing our best to ensure that all Palauans benefit from economic growth and development.

Governors, the only way to a sustainable future is to work together at the national and state levels. We must reduce waste and increase productivity. We must demand results and we must hold our leaders and everyone that receive funding support from the government accountable.

“As Palauans, we must have pride in ourselves, our people and our country. This is our country and we must work together to put the best interest of Palauans first. We must all have the opportunity to earn a share in Palau’s economic prosperity. I am confident that we can work together to achieve this and that is why I am running for President.

“ **Bo deddak el bol ta rengud e dorkedii a Klemat er Belau”**

“**Let us unite our efforts and take control of Palau’s destiny”**

Surangel S. Whipps

Candidate for President of the Republic of Palau

Surangel Whipps Remarks Governor Forum 4/17/08

1
