

Country Assistance Policy for the Republic of Palau

April 2019

1. Significance of Development Assistance to Palau

Pacific Island Countries including Palau have development problems since their territories are spread over, domestic marketplaces are small, and they are geographically far away from international market places. The Country's National Master Plan for Development (1996-2020) places focus on sustainable economy with the objective of preservation the environment and maintaining their culture.

Maritime security including the countermeasures against illegal fishing vessels, which have been increasing their numbers in recent years, and the protection of the sea environment as an important resource are the priority issues for Palau, which is blessed with a vast Exclusive Economic Zone among Pacific Island Nations. Supporting the country, which is a neighboring country separated by the sea connected by the Kyushu-Palau Ridge, in the maritime field, does not only contribute to the development of the country, and is also important because it contributes to stability and prosperity in Pacific Ocean and strengthens its connectivity through free and open maritime order based on the rule of law.

Palau depends most of its daily necessities including food on imports and lacks any prominent industries other than tourism, so most of the workforce is employed in the public sector, which is now a huge financial burden for the government. In Palau, tourism development utilizing its rich natural environment is the main source of economic development. Though a harmony between environmental conservation and development is important, the impacts such as increasing waste disposal, deterioration of public health and climate change have been becoming serious problems. In addition, securing sustainable and clean power sources and improvement of infrastructures are important issues not only as a basis for the people's livelihood but also for development of industries such as tourism and attraction of investment from abroad for economic growth. In addition to this, the improvement of the quality of primary education is a challenge, and the limited educational opportunities (vocational education and higher education) has led to a serious shortage of human resources and the migration of excellent human resources to neighboring developed countries. Due to this problem, strengthening human resource development is essential for the country's social and economic development.

Japan and Palau have been building good bilateral relations since the independence of Palau in October 1994, but it has been pointed out that Japan's presence has relatively declined in recent years. Despite being classified as a high-income country by economic statistics, about 20% of the Palau's national revenue relies on financial support from other countries, and the future of the support provided by United States under the Freely Associated States Agreement (Compact) is uncertain after 2024. Hence, it is important that Japan will continue to support Palau in order to develop the country independently and sustainably through the framework such as Pacific Islands Leaders Meeting (PALM) and the cooperation with the United States and other related countries as needed for realizing a "Free and Open Indo-Pacific" and for maintaining the close bilateral relations between the two countries.

2. Japan's Basic Policy of Assistance: To achieve the sustainability of ocean and independent and sustainable economic growth with consideration for the environment

Japan will provide support the realization of a free and open maritime order and a sustainable ocean based on the rule of law, infrastructure development for strengthening the basis of sustainable economic growth including the promotion of tourism, human resource development, environmental protection and climate change countermeasures in order to promote Palau's self-sustaining development based on Palau's National Development Plan and the directions of Japan's overall policy for the Pacific Island Countries including the ones offered in PALM, which has been held once every 3 years since 1997.

3. Priority Areas

(1) Realization of a Sustainable Ocean

Japan will focus on the support for capacity building in the field of maritime security including maritime law enforcement in order to protect the order of the ocean, which is a very important resource for the island nation, Palau, with a vast Exclusive Economic Zone, and to conserve resources as well. We will also focus on supporting marine transport related infrastructure in accordance with international standards in order to strengthen connectivity by improving the marine transport network of the country located in a geopolitically important place. Simultaneously, we will conduct a cooperation in marine resource management, marine environment conservation and fisheries promotion.

(2) Strengthening Social Infrastructure and Industrial Development Infrastructure, Supporting Private Investment and Human Resource Development

First of all, Japan will put importance on the support towards basic infrastructure development including the improvement of facilities for stable supply of electricity and other powers, and roads in urban area in order to achieve sustainable economic growth. In addition, it is important to promote a private sector for the self-sustaining development of Palau. Therefore, we will focus on the improvement of infrastructure including the airport and strengthening connectivity contributing to the development of tourism as the main industry of Palau. Also, we will support a further improvement of social service, private investment, the improvement of health and medical condition for healthy livelihood including the development of human resource, countermeasures against lifestyle disease and school/vocational education, while helping Palau to strengthen its financial independency.

(3) Response to Climate Change, Environmental Issues and Disaster Prevention

Japan will focus on support for improvement of the surrounding environment and public health through proper waste management, and environmental preservation (including policies towards marine plastic waste) in response to the increase of the number of tourists. In order to overcome the adverse effects of climate change and vulnerability to natural disasters, Japan also will support countermeasures including the promotion of renewable energy.

4. Points to be Considered

(1) Japan will actively exchange views with other donors including the United States and Australia to avoid duplication of aid and to create synergy by effective and efficient implementation of the projects.

(2) Palau is expected to graduate from the OECD/DAC list in recent years due to the rising income level. However, in light of the vulnerability and other factors, which are unique to small island states, we will examine what kind of cooperation would be feasible after its graduation.

(3) Japan needs to pay attention to the financial independence of the Government of Palau after the possible end of the financial assistance based on the Compact with the United States.

Link: Rolling Plan