

Country Assistance Policy for the Republic of Palau

September 2025

1 Purpose of Development Cooperation

(1) Palau is one of the Pacific Island nations, possessing a vast exclusive economic zone of approximately 630,000 square kilometers, and is strategically located as a security stronghold in the Pacific. Its main industry is tourism, but its economy heavily relies on aid based on the Compact of Free Association (COFA) with the United States. Relations with Japan encompass a history of over 130 years of exchange, covering the period of mandated territory, a population in which approximately one in four citizens is of Japanese descent, and geographical connection through the Kyushu-Palau Ridge. Since its independence in October 1994, Palau has supported Japan's position in the international arena, fostering strong bilateral relations. Palau has also maintained diplomatic relations with Taiwan since 1999.

(2) Despite its relatively high income level, Palau faces development challenges unique to island nations, such as vulnerability to climate change and natural disasters, a small population and economic scale, and susceptibility to international economic fluctuations. In particular, Palau's small population—approximately 17,000 (World Bank 2023), of which about 12,000 are Palauan citizens residing in the country—makes human resources a significant bottleneck for development. Basic social services, including education, health, water, and sanitation, also face issues in quality and stability, creating a need for improvements in social infrastructure, proper management, and strengthened governance within the public institutions responsible for these services. Furthermore, with the spread of COVID-19, Palau's key industry, tourism, was severely affected, leading to overall economic stagnation. Therefore, recovery and strengthening of the tourism industry, development of sectors beyond tourism, and reinforcement of the basic infrastructure that underpins them have become urgent priorities. Moreover, as a small island nation, addressing environmental challenges (including disaster risk reduction and climate change measures) remains an ongoing concern. As an oceanic nation with vast territorial waters and an exclusive economic zone, Palau must also engage in efforts to ensure a free, open, and stable ocean. Furthermore, since the country relies heavily on imports for most of its food, strengthening food security—including nutritional improvement—is another important issue.

(3) The Government of Palau has formulated the Palau Development Plan (2023–2026) and is working to improve the quality of life for its citizens through sustainable growth based on the social, cultural, environmental, economic, and governance pillars.

(4) As international organizations and other aid agencies increase their activities, Japan's cooperation in addressing Palau's development challenges will contribute to securing the country's stability and strengthening bilateral relations, while also supporting "Free and Open Indo-Pacific (FOIP)." Through frameworks such as Japan's "Pacific Islands Leaders Meeting (PALM)," it remains important to continue supporting Palau's self-reliant and sustainable development and to provide ongoing assistance to further strengthen Japan-Palau bilateral relations.

2 Basic Policy

Fostering Resilient and Sustainable Economic and Social Development

In line with Japan's Development Cooperation Charter and the principles outlined in PALM, Japan will support the Palauan government's efforts based on its Development Plan and provide assistance for resilient and sustainable economic and social development.

3 Priority Areas

(1) Strengthening Social Infrastructure

Japan's support will be directed toward the provision and appropriate management of basic social services, including education, health, and sanitation, and towards strengthening the governance of public institutions.

(2) Strengthening the Foundation for Diverse Industries

In order to stimulate economic growth, Japan will focus on revitalizing the tourism industry, which is a major contributor to the economy. Japan will also provide support for other sectors, including agriculture and fisheries, with a view to strengthening food security and improving nutrition. Additionally, Japan will provide support for economic policies such as fiscal strategies. Furthermore, Japan will leverage its advanced technological expertise to support the development and strengthening of maintenance and management capabilities for socio-economic infrastructure, including electricity, ICT, and transportation, which are vital for the development of Palau's economy.

(3) Environmental Measures (including Climate Change and Disaster Risk Reduction)

Japan will draw on its strengths to support natural environment conservation and waste management. Additionally, recognizing Palau's vulnerability to climate change, Japan will provide support for climate change countermeasures from both mitigation and adaptation perspectives.

(4) Realizing a Free, Open, and Stable Ocean

Japan will provide support to counter illegal, unreported, and unregulated (IUU)

fishing, promote the sustainable management of marine resources and fisheries, and contribute to realizing a free, open, and rules-based ocean that ensures safe navigation.

4 Key Considerations

(1) Japan will actively engage with other donors and development partners, including the United States, Australia, and Taiwan, to ensure effective and efficient aid delivery that avoids duplication and maximizes synergy.

(2) Given the limited human resources available among Palau's aid recipient organizations, Japan will consider cooperation modalities tailored to these constraints by effectively combining hardware support with software support, such as the dispatch of experts and the provision of training opportunities.

(3) Despite Palau's classification as a high-income country, Japan will continue to provide necessary cooperation, recognizing its unique vulnerabilities as a small island developing state (SIDS).

Annex: Rolling Plan