



State of the Republic Address

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

April 30, 2020

Good morning, Mr. Senate President, Mr. Speaker, Mr. Vice President, and Acting Chief Justice. Please join me in extending our warmest welcome to Ibedul, Reklai, the Council of Chiefs, Bilung, Ebil Reklai, the First Lady, and all the Mechesil Belau, Governors, Speakers, all State Legislators, members of the Diplomatic Corps, students, and fellow Palauans. Good morning everyone and thank you for joining us today at this joint session of the Olbiil Era Kelulau as we present to the people the 2020 State of the Republic Address.

My friends, it is truly an honor to stand before all of you and deliver my last State of the Republic Address. I had intended to make my final annual address a statement of thanks, of celebration, of recollection, and of hope for the future. And we will move in that direction after we discuss, as a Palauan family, as neighbors, and as members of the global community, the

Coronavirus that has so recently, and so extremely, impacted the world over these past few months.

Ladies and Gentlemen, these are unusually hard times, not only in Palau, but for populations and families throughout the world. At the outset, let me say that the government is doing everything that we possibly can to keep our Palauan citizens and residents safe. And let me add that the best way to eliminate the Coronavirus is to keep it out in the first place. As of today, our island nation is blessed by the fact that we have not identified a single case of COVID-19 within our borders.

The absence of the virus is in large part due to the dedicated efforts of our frontline workers, particularly the Public Health and medical personnel, Immigration, Customs, and our port officials working together with our National Emergency Committee. Let us take this time to offer them our sincere appreciation and applaud them for their tireless efforts and continued work.

Despite the absence of COVID-19 in our Republic, we must continue to take common-sense preventive measures, and make preparations to deal with infections if they do appear. Only by doing this will we be prepared if the worst possible scenario arrives on our shores.

My friends, just three months ago, when the World Health Organization published its first Coronavirus Situation Report on January 21st, there were only 282 reported cases in the entire world, specifically in China, Japan, Korea, and Thailand. At that time there were no deaths. Today, there are

more than 3 million confirmed cases around the world, in 210 countries and territories, and more than 200,000 people have died from this virus. These statistics alone make it clear that we have a high-level emergency. Palau is one of only 15 countries without a positive test for the Coronavirus to date.

From the moment we became aware of the COVID-19 Pandemic, we have sought to mobilize and respond with immediacy, efficiency, and practicality. In all of our efforts we have monitored the advice of the WHO, the U.S. Centers for Disease Control and Prevention, and the activities of other countries faced with rapid acceleration of the virus. While taking the cautious approach, we maintained an awareness of Palau's unique size and issues. Taking all of these factors into account we quickly suspended flights from the People's Republic of China, Hong Kong, and Macau to Palau, and later extended these suspensions and expanded entry prohibitions to include cruise ships. We also immediately established Response, Quarantine and Preventive Measures by Executive Order. The Ministry of Health worked simultaneously to prepare mass quarantine and isolation plans, and to establish alternative care sites and protocols.

Recognizing the growing health care needs and associated economic issues related to the virus, the OEK appropriated funds to the Hospital Trust Fund and authorized reserve funding to maintain government operations. We also closed our schools, initially until April and then later until the end of May.

Acknowledging our lack of sufficient equipment for a pandemic like COVID-19, we worked diligently with many partners and identified multiple avenues to gain testing equipment and expertise; we were able to undertake testing by

April 14th. We received our first negative test results on April 17th and continue to test as we speak.

In addition to these preparatory measures, we continue to look into numerous potential actions that will respond to the virus on a day-to-day basis, including potential flights into Palau for citizens and residents only. We have developed quarantine sites, including the Palau Gymnasium and certain hotels for 14-day passenger quarantines. Our testing facility is up and running at the hospital. All measures are subject to change during this crisis.

Ladies and Gentlemen, as with many countries around the world, we are experiencing an economic emergency due to this Pandemic that may last for some time. To respond to the fiscal issues that our country will face over the next 24 months, we established a COVID-19 Impact Mitigation Working Group, which worked with our Ministry of Finance and the U.S. Graduate School to assess the economic impact and to identify appropriate response measures. Their analysis showed startling projections that require an all-hands-on-deck approach with our national leadership and the assistance of our development partners.

The Working Group projected a decline of 52% in tourist arrivals in 2020 and 92% in 2021, resulting in a large drop in our Gross Domestic Product for both years of 23%, totaling over \$60 million. Over 2,600 jobs are expected to be directly affected, representing approximately 38% of our private sector. For 2020 and 2021, a -\$45 million fiscal impact is anticipated, not taking into account emergency health response or economic relief measures.

In order to respond to these very serious projections, the Olbiil Era Kelulau has passed the “Coronavirus Relief One Stop Shop Act,” or CROSS Act, which provides for temporary measures to address the many hardships that will be faced by our people, our businesses, and our local communities. I will briefly review exactly what the law will accomplish.

- **One critical aspect of this bill is that it authorizes the following relief measures for our private sector businesses and employees:**
 - **Deferred tax payments,**
 - **unemployment benefits for those who do not qualify for other assistance,**
 - **assistance with Social Security and National Health Insurance contributions and taxes,**
 - **funding for temporary job programs, and**
 - **concessionary or interest-free loans to affected businesses;**
- **temporary employment and transfer of employment for nonresident workers; and**
- **expanded access to Lifeline Electric, Water, and Sewer Subsidies;**
- **These steps are made possible by an authorization to borrow up to \$60 million to mitigate the economic and social impacts of COVIC-19.**
- **Of that total, \$20 million will be used to fund the private sector relief measures I just mentioned.**
- **Another \$21 million of that total will be used to cover our local revenue shortfall and maintain government services, with \$10 million**

of this coming initially from our General Reserve Fund and \$11 million coming from loan financing.

- States revenues have also been supplemented via State Block Grants to help offset reduced tourism revenues.
- Non-Public Schools are receiving assistance to help offset tuition losses.
- The Civil Service Pension Plan is receiving an increase of over \$800,000 to replace lost funding.
- Finally, supplemental funding is being provided for Non-Governmental Organizations.

All of the measures taken in this new law are based upon our assumptions about how the Coronavirus will progress globally, regionally, and nationally. As these assumptions change, based on available data, our leadership will work to adopt our budget adjustment and mitigation plan to best respond to new developments.

The measures thus far taken are intended to minimize exposure and to provide the economic assistance necessary to survive this crisis as one people and as one nation.

But at the end of the day, it is up to everyone in Palau to make sure that these measures bring success through their own and their family's actions. And we must all be aware that older people and those with pre-existing medical conditions (such as cardiovascular disease, chronic respiratory disease, or diabetes) are at the greatest risk for the most severe symptoms. Remember that every action we take may save the life of one that we love.

These relief measures will not be meaningful or enough if we do not take care of ourselves and each other, so it is important that we follow the basic safety measures recommended by the Ministry of Health including –

- **Practicing preventive personal measures such as proper hand washing and respiratory etiquette like covering your mouth and nose when coughing or sneezing;**
- **Exercising self-quarantine when sick;**
- **Contacting the hospital emergency room if showing symptoms including fever, cough, sore throat, and shortness of breath; and**
- **Observing all Ministry of Health alerts, advisories, information releases, and technical guidance.**

These safety measures and others, especially including the avoidance of mass gatherings and the use of protective face masks, will become much more important down the road when we begin to see a resumption of international visitors. For now, however, we do not expect any international arrivals until after the high school graduation season. Today’s joint session, and the upcoming graduations our students have been working for their whole school lives, would not be possible in most countries. Let’s be very thankful for the successful prevention measures that have allowed us to hold these events safely, and let’s try to enjoy these events and others like them, while we safely can.

My fellow Palauans, we will survive this global health emergency. In the past 20 years we have been faced with and successfully confronted many

emergencies and global disasters. In the first half of 2001, we faced a major dengue fever outbreak and then in the second half, we were forced to rebuild after Tropical Storm Utor. More significantly, we then had to immediately respond to the impact of the attacks on the World Trade Center in New York City, now known to most as “9/11”. Immediately after this event, we suffered a 26% reduction in tourism and a corresponding drop in revenues. This was, of course, followed by the wars in Afghanistan and Iraq, which continued to adversely impact tourism throughout the world for a long time. After this we faced the impacts of the Enron and WorldCom collapse followed by the California Dock Workers’ Strike and Typhoon Ponsanga in Guam, which disrupted the shipment of goods to Palau. We were then hit by the world-wide SARS epidemic, which eventually required that we close our borders to the Republic of China, Taiwan. The impact of this action was quite severe on our tourism industry, and once again on our national revenue stream. Then, in 2008, we were hit by the World Financial Crisis; in 2012 we faced Super Typhoon Bopha, followed by Super Typhoon Haiyan in 2013, , which devastated Kayangel. In 2016 we suffered from a major drought and declared a state of emergency.

Through all of these adversities, we Palauans have stood tall and together to take whatever actions were necessary to survive the disaster and to persevere into the future and for our children. I guarantee you today that we will once again endure and come out of this crisis more resilient and better prepared going forward.

My fellow Palauans, it is important to remember where we came from just 20 years ago to comprehend the vibrancy of our nation and of our people. When

I gave my first Inauguration Speech in 2001, I warned that we were entering a ‘non-payday weekend’. I said that Palau would need to run on ‘E’. Not ‘E’ for Empty, but ‘E’ for Efficiency, ‘E’ for Effectiveness and ‘E’ for Excellence. This was because in the 90’s we were riding high and spending more than we brought in. We had depleted our cash reserves, and it was necessary to establish a new model of government and governance in Palau – a model of careful planning, a model of fiscal prudence, a model of institution building, and a model of self-reliance – all to ensure a brighter future for our children.

At the beginning of the New Millennium in Palau, it was evident that we could no longer continue to spend more than what we brought in. From 1995 to 2000, we had the luxury of a number of Compact and other revenue resources that allowed us to increase local expenditures for operations by 20%. These funding resources included upfront Compact payments such as the Energy Production, the Capital Account, the KB Bridge Settlement, and the UMDA stock sale proceeds. By 2000, these funding resources were either fully expended or committed and it was apparent that the high expenditure rate after the implementation of the Compact could no longer be sustained. In order to ensure that government services continued to be responsive to the needs of our people, it was imperative that we started living within our means.

Faced with this stark economic reality from day one, it was not easy to follow through on my commitment to “Preserve the Best; and Improve the Rest.” But I believe that, twenty years later, we will leave this government much stronger than we found it. We have preserved much that is dear to us, and while we have done much, work continues to improve the rest.

We responded to our fiscal deficiencies by setting in place a planning regime that ensured that we could assess the problem and follow through on the solution. We adopted the Management Action Plan with six simple Guiding Principles to stabilize our country.

- 1. To Improve the quality of life of the People of Palau;**
- 2. To focus on quality Services while aiming to Reduce Costs;**
- 3. To Ensure Accountability of Representatives and Staff;**
- 4. To Create a Viable Organizational Structure;**
- 5. To Ensure Fair and Considerate Management of Employee Impacts;
and**
- 6. To foster a strong sense of Community While Ensuring ongoing
communication during the process of change –**

With these simple standards, we rolled up our sleeves and went to work to stabilize our economy and to establish the strong foundations for our future. In 2002, I suggested that Palau was at a crossroads. In 2004, I stated that there were dynamic new signs of growth. In 2005 I declared that our economy was emerging, in 2006, I indicated that our future was promising and in 2007, I affirmed that we were back on track.

In these early years, we focused on establishing strong governmental institutions that would withstand the test of time. We began our journey looking first to strengthen our Public Financial Management framework. We gained passage of the Budget Reform Act and introduced performance budgeting to Palau. We streamlined government structures aimed at improving services and upgraded our financial management system to

improve accounting of our revenues and expenditures. We then implemented a Cost Reduction Plan to help contain the cost of government. We outsourced government services and implemented policies to help strengthen the private sector. We also eventually gained the passage of a Statistics Act so that we could evaluate the effectiveness of policy actions in progressing our development objectives. And in order to involve all sectors of our society in our development planning process, we encouraged and organized collaboration and cooperation with traditional, community, and state leadership as exemplified by the National/State Leadership Symposium.

The result of all of our efforts was a viable government structure with enhanced fiscal management and infrastructure planning capacity, and a strengthened private sector. These results were so evident that, by the end of our first eight years in office, in 2008, Stephen McGann, the head of the U.S. group entering into negotiations on the Compact of Free Association Review stated that, “Australia and New Zealand aside, Palau is the best run country in the Pacific.”

When we came back into office in 2013, we once again found ourselves with a huge budget deficit and limited financing resources. We therefore focused our efforts again on instituting prudent management and budget policies to right the ship. In this context, by prioritizing our expenditures and enhancing revenue opportunities, we were once again able, in 2016, to balance our budget. We created the General Fund Reserve, devoting 2% of our unrestricted revenues and all unspent appropriations to the fund. From these resources we have been able to build a reserve, in just four years, of

approximately \$26 million. It is out of this fund that we recently authorized \$10 million for the COVID-19 pandemic emergency.

Because we were running on empty when we came into office, with absolutely no funding from infrastructure development, we were required to be creative in our efforts to identify new funding sources and to expand the resources previously made available by our development partners. Due to the strong relationships that we have made with Japan, Taiwan, Australia, New Zealand and the European Union, we have been able to support capital projects totaling over \$400 million. We were also able to manage this onslaught of projects through the creation of the Public Sector Investment Program (PSIP), which identified and prioritized current and future projects.

In our early years, we oversaw the completion of the Compact Road, funded by the United States, which has so changed our lives and allowed many of us to move back to our families' home states. We also witnessed the completion of the National Capital, aided by low interest loans from Taiwan. This was a critical step to our long-term plan of moving our population north. When the KB Bridge collapsed, Japan stepped in and provided no cost funding for its replacement through the construction of the Japan-Palau Friendship Bridge.

Along with our Compact Road and KB Bridge projects, we also undertook to connect our island and our people with better and new roads, including the Metropolitan Road Project and the Compact Connecting Road Projects (including the Airport-Ngerikiil Connection Road and Compact-Kokusai connection Road), along with road paving projects throughout our many

states and villages in Palau. To make sure that this extensive road system survives into the future, we established a Road Maintenance Fund and earmarked the Road Use Tax to fund future road maintenance costs, as well as providing matching funds for Compact-funded infrastructure projects such as the Compact Road.

Less sexy, but just as necessary for our development, were projects for the development of the Malakal Sewage Treatment Plant; the capping of the Malakal landfill, and the development of a new landfill in Aimeliik; the Koror Airai Sewer Project; and the Koror-Airai Water Supply System Improvements.

We have also greatly strengthened our tourism sector through the construction of the New Airport Terminal Building, funded by Japan, and the current expansion of the facility with our Japanese partners in our country's first 'Public Private Partnership'. With U.S. funding, we improved our Airport runway and constructed the Aircraft Rescue and Fire Fighting (ARFF) Building and Airport Loading Bridges, along with fencing around the Airport.

In the energy sector, we purchased two new large generators to provide an additional 10 megawatts worth of more efficient and reliable energy. To help reduce our carbon footprint over the long term, we also undertook to increase our renewable energy sources by expanding solar energy applications in both the public and private sectors, including our hospital, schools, sports facilities, parks, roads, and large commercial buildings. In fact, the energy needs of Kayangel State are now 100 percent solar powered. We have secured an

additional \$3 million grant for the NDBP's Energy Efficiency Program that will help reduce the costs of power for our homes and businesses. We have also secured concessionary financing for the PPUC for capital investments in their power generation and distribution systems.

This week, PPUC announced the preferred bidders for a Solar Power generation facility that will meet our Nationally Determined Contribution to greenhouse gas reduction by achieving 45% renewable energy by 2025. This project will be the culmination of over a decade of work, from the 2010 National Energy Policy and the establishment of the Palau Energy Administration to the capacity-building work we have undertaken in these recent years. It will reduce power bills throughout the Republic, and help stabilize the finances of PPUC. I look forward to working together, as one Palauan team, to ensure the success of this critical project.

In support of our National Marine Sanctuary, we received a grant of approximately \$100 million from Japan that provided a new Japanese 40-meter Surveillance Vessel and companion smaller reef surveillance vessels; a New Marine Security Administration Building; and an enhanced PMDC Clam Hatchery Facility and wharf. In addition, Australia will soon be providing us with a brand-new Surveillance Vessel to further augment our fleet.

In order to enhance our telecommunications, we accessed financing from the Asian Development Bank to install our first fiberoptic submarine cable, which is now providing us with high speed internet. In the near future, we will enhance this greatly improved internet system with a second cable, which will

not only expand our capacity and enhance speed, but will also provide redundancy, meaning that if one of the cables is cut, service to our people will continue uninterrupted. The Belau Submarine Cable Corporation has taken the first step by securing Palau's place on a new cable from California to Indonesia, with the full support of our national leadership.

We have also enhanced our governmental and our cultural infrastructure by constructing and supporting the Cultural and Performing Arts Center, the Belau National Museum, the National Gymnasium, and the Weather Service Station. We are also currently constructing a new Corrections Facility and the One-Stop-Shop Building.

It is our plan to accelerate and expand our infrastructure investments to increase construction activities during this crisis to help raise revenues to support our economy and our people.

Ladies and Gentlemen, when I came into office in 2001, I said that 'Our Environment is our Economy'. That is because we felt it necessary to preserve and protect our goose that lays the golden egg, the natural environment that brings tourists to our shores in the first place. It was therefore necessary to put into place a comprehensive Sustainable Development Framework, which recognized the balancing act required to expand economic opportunities for all Palauans in a sustainable manner that will preserve the same opportunities for our children far into the future.

To begin this process, we created the Office of Environmental Response and Coordination, known to you as OERC. Through this Office we were able to

increase funding for and coordinate our efforts to respond to the international and regional issues of Climate Change and Biodiversity, as well as the many other international environmental issues. Our active participation and frequent international leadership in these international environmental treaties have resulted in sustained support for our domestic initiatives. We also created the National Environmental Protection Council to identify Palau's most pressing environmental issues and help plan for our national response.

Our efforts to respond to climate change and related impacts to our pristine coral reefs were greatly assisted through the creation and the work of the Palau International Coral Reef Center, which has become locally and internationally relevant, and has contributed to better informed decisions regarding the management and conservation of the region's and the world's marine resources.

With these planning processes and institutions in place, we were able to lead the effort to adopt the Micronesia Challenge in Palau, the FSM, the RMI, Guam, and the CNMI, whereby we agreed, as a region, to "effectively conserve at least 30% of near shore marine and 20% of the forest resources across Micronesia by 2020." To raise funding for this initiative, we amended the Protected Area Network Legislation and set aside traveler fees to not only fund protective measures but to also fund environmentally friendly development projects. We also gained membership in the U.S. Coral Reef Task Force and co-chaired, with Japan, the International Coral Reef Initiative, hosting meetings of both. Through these many efforts, of all of the jurisdictions involved in the Micronesia Challenge, only Palau has met its fundraising goal to achieve the Challenge's mandates.

In our second administration, we progressed these efforts forward by establishing one of the largest marine sanctuaries in the world, the ‘Palau National Marine Sanctuary’. We also led the world community in establishing an ‘Ocean’s’ Sustainable Development Goal that focuses international efforts to establish the international rules and regulations to save our degraded Oceans for our children.

We also:

- Passed legislation banning Deep Sea Bottom Trawling;**
- Passed a successful Recycling Law and companion regulations;**
- Put in place a comprehensive oil exploration regime and framework with the grant assistance of the World Bank, which led to the creation of a Task Force on the issue and the eventual passage of a Petroleum Law;**
- Established the PNMS Endowment Fund to implement the Sanctuary; and**
- Became the 2nd Country in the world to ratify the PARIS Climate Agreement.**

God willing, we are also scheduled to host the *Oceans 2020 Conference* this year in December, where we will highlight the importance of Oceans to all Island People and, through this conference, expand and enhance Ocean Initiatives worldwide. As a companion component to this Conference, we will also hold a *Pacific Ecological Security Conference* for Pacific jurisdictions and partners throughout the Pacific to foster and finance more active and better

financed efforts to prevent and eradicate the invasion of foreign marine and terrestrial species in our region.

Ladies and Gentlemen, Tourism is the key to our economy. However, we are not immune from the dark clouds of global economic tribulation. When I first came into office in 2001, tourism arrivals were around 50,000 per year. In 2004 tourism numbers began to strengthen after the global economic situation and health brightened; it reached an explosion of over 160,000 in 2015 with the increase of tourism from Mainland China. Last year, Delta Airlines' decision to exit Micronesia caused arrivals to drop back below 100,000. With the COVID-19 emergency, we can expect arrivals to hit an all-time low by the end of this year.

Through all of these years and all of these changes in tourist numbers, it is clear that no other industry can provide the sustainable economic benefits that tourism has brought to our shores. At our small scale, any industry will have its ups and downs as we ride the waves of larger economies. But with careful planning and the right brand, we can harness the ups and ride the downs of international tourism to achieve long term prosperity.

I remain utterly convinced that the keys to Palau's tourism industry are 1) planning our future, 2) diversifying our tourism portfolio, 3) focusing on high-end tourism, 4) the development of tourism products, and 5) the protection of our environment. While the current crisis has greatly injured our tourism sector, the sector, like our people and our economy, will recover.

During the high levels of 2015, we found that the bulk of tourists were comprised of low-value tourists who arrived on recently opened charter flights from Hong Kong and Macao on vertically integrated package tours. In these situations, a significant portion of the tourism revenues flow off-shore to the foreign country and their companies. As I said in 2004 regarding controlled and planned growth, “We want a voyage that will strengthen our culture, not destroy it. We want a voyage that will preserve our unique environment, not damage it for future generations. We want a voyage that will benefit all of the people of Palau, not just the few.”

My Friends, we must all remember that significant advances and numerous projects have occurred over the past twenty years to strengthen the tourism sector. In our very first year, we brought the television show ‘Survivor’ to our shores, and we later hosted a second show and similar shows from Russia and the Philippines. We worked to maximize regular flights and minimize charter flights and we will continue to do so. We passed a high-end Tourism Amendment to the Foreign Investment Law in order to develop high value Tourism facilities. To support our high value tourism, we created a new tourism logo for Palau, tied to our National Sanctuary, called “Pristine, Paradise. Palau” and supported it with the Palau Pledge. We also passed the Responsible Tourism Education Act in 2018.

It is not Palau’s tourism that has been hit by COVID-19; it is the entire world economy. Look no farther than the Las Vegas Strip or the oil and gas stocks trading on Wall Street, and you will find that this crisis impacts all industries. As hard as things are here at home, we must remember how much better we are faring than so many other countries. Careful planning and sound

management have allowed us to survive this first wave in good shape. Those same practices will help us rise back quickly.

We must remain steadfast in our efforts to bring the greatest return to the Palauan people from our foreign visitors. This will never occur by panic due to the momentary downturn in our market. Targeted, planned, and diversified growth of our tourism industry will ultimately bring us to our goal of a constant and steady tourism sector that is not easily affected by economic downturns. Palau's Responsible Tourism Framework, which adopts a high-value tourism strategy, presents the way forward to achieving a viable industry that offers the most benefits.

The COVID-19 pandemic actually presents an opportunity to reset - to align our products and services with our high-value tourism strategy. Undertaking upgrades to facilities or investing in new tourism products by taking advantage of concessionary financing that will become available during this crisis are some of the ways to do so. Having said that, we must be mindful that we cannot depend on this sector alone. We must continue to build our other sectors so that in times such as these, we have other revenue sources to depend on.

Since 2001, we have worked with the OEK to establish the legal foundation for our modern society. Most often we have succeeded. Responding to our economic structural needs when we came into Office, one of the first things we did was to work together to pass a Budget Reform Act that introduced performance reporting aimed at strengthening accountability, and introduced a Statistics Act which eventually allowed us to assess our efforts in

progressing our development agenda. We introduced and ultimately passed five laws to comprehensively reform the Banking sector, which had been largely unregulated until this reform, and then later passed upgrading amendments. We also amended the Procurement Law, passed the law creating the Reserve Fund that is so crucial in responding to our current crisis, and the law transferring Water and Sewer into PPUC.

As already mentioned, in the area of environment, we passed a Shark Finning Law, a Recycling Law, a Natural Resource District Act, and the law prohibiting deep sea bottom trawling. We later passed laws amending the Protected Areas Network Law, which financed the Micronesia Challenge, and the Palau National Marine Sanctuary Act, which created the Pristine, Paradise Environmental Fee to protect our Exclusive Economic Zone from illegal, unreported, and unregulated foreign fishing.

To improve the various sectors of our economy, we passed a comprehensive Telecommunications Law that was a companion to bringing high speed internet to Palau. We passed a 99-year Lease Law in support of our tourism sector. We passed two amendments to our Foreign Investment Act, one providing the tools to combat front businesses and one focused on encouraging high end tourism. We also passed a Responsible Tourism Act and an Aquaculture Incentives Act.

To improve the welfare of all of our people we passed a Minimum Wage Law, committing to increase wages over time, a Health Care Law that is the jewel of the region, and a Cost of Living Increase. To provide for the educational needs for our youth, we passed a law guaranteeing every Palauan access to

college education at the Palau Community College. We overhauled the Social Security System and increased benefits to retirees. And when we created the Pristine Paradise Environmental Fee, we directed \$25 per visitor to fund our severely underfunded Pension Fund. We also initiated the Housing Development Program by passing a law authorizing a \$15 million concessionary loan for affordable housing. From this funding we have already approved loans of over \$4.2 million. This funding has resulted in the new construction of 48 new homes and the purchase of 8 existing homes. In addition, there are 32 subdivision homes that are planned. Our goal is to reach 100 homes approved by June. We established a United Nations Embassy in New York to better access international assistance at all levels, and supported a Constitutional Amendment to allow Palauans dual citizenship.

These laws were the joint effort of the Office of the President, the OEK, our traditional leaders, the Private Sector, and our communities. Through discussion, disagreement, community meetings, Leadership meetings, and Constitutional Conventions, we were able to move a broad agenda of modernization forward. We have not always been successful, but we have also never given up. We have not passed a modern comprehensive tax bill despite two hard fought attempts, but I tell you today that there is time for a third try. My administration will be using this economic downturn to reset and strengthen our revenue base through Tax Reform that will serve as the cornerstone for a stronger economic recovery. Our Corporate Registry, Commercial Code, Arbitration legislation, and modern Labor Laws will supplement this critical reform, and form the framework for a vibrant, attractive investment climate in Palau. We must not feel content with our

success, for a modern legal code is essential to a modern successful society. During my last nine months in office I will work to move these laws to passage. And if I fail, my successors must take the wheel of this ship.

And on that note let me remind you, we are taking advantage of our current COVID-free situation to hold a nationwide election tomorrow, May 1. The constitutional amendment proposed by the OEK will correct technical issues in our Constitution for the betterment of Palau. I urge every Palauan to vote yes, and all 4 declared presidential candidates have joined me in this sentiment. Some issues are beyond politics, and this technical amendment is a perfect example.

Ladies and Gentlemen, over these past twenty years, our economy has advanced on many different levels. Our Gross Domestic Product has increased close to 30 percent from \$224 million to \$286 million in real terms. This shows that despite our inherent vulnerability and the many global events that negatively affected us throughout these years – from natural disasters to wars to economic crisis to health pandemics – we have steadily grown our economy. Our average annual wages have increased from \$7,446 to \$11,492 with average wages for Palauans increasing from \$8,879 to \$13,717. Our annual revenues, including grants, have increased from \$65 million to \$122 million while our local revenues have increased from \$33 million to \$76 million, an increase of over 130 percent. The growth in our local revenues compared to overall revenues show that we are steadily reducing our reliance on outside funding resources. As our revenues have increased, so too have our annual expenditures, rising from \$70 million to \$109 million, an increase of 56 percent. And because our revenues have expanded faster than our

expenditures, we have been able to build a reserve for emergencies. Overall spending for the operations of our Ministries of Health, Education, and Justice have increased from \$24 million to over \$39 million, a 66 percent increase accounting for 40 percent of spending for National Government operations.

This statistical data is certainly encouraging. However, it tells an incomplete story. Until we stabilize our tourism economy through the development of our tourism infrastructure, the diversification of our guests and the development of our high value tourism systems, we will continue to be vulnerable to external shocks. At the end of the day, we will always be a small island nation that is highly vulnerable to global events. Yet we can take many actions that will minimize this vulnerability.

It should be noted that our need to finance COVID relief on top of the need to build resiliency in light of Climate Change puts us at risk of high debt distress. Our country classification as a high-income country also limits our access to grant financing and significantly constrains our ability to address our financing needs. We must therefore continue to work with our development partners, including the United Nations, World Bank, IMF and ADB to recognize our unique situation and to create an appropriate classification for Small Island developing states like Palau.

Ladies and Gentlemen. We owe many good friends throughout the world for their generous assistance over the past twenty years to our development efforts. Our country has been very fortunate over this time, and long before, to make and maintain the friendships that have allowed us to move towards

self-sufficiency and self-governance. Their friendship and support are even more critical in times like this. We have found that our planet is increasingly interdependent and that we must help one another across borders. We therefore extend our heart-felt appreciation to our development partners for their continued support and consideration during these times of trouble, and beyond.

Palau would like to take this opportunity to offer our sincere thanks to the United States for its thoughtful continuation of financial assistance through the Compact of Free Association. We have a special relationship with the United States, and we look forward to concluding this year's discussions regarding our on-going financial partnership after 2024. Palau will continue to stand with the United States in its effort to support the institutions of democracy, to eliminate terrorism worldwide, to support the rules-based international order, and to advance a free, peaceful, and open Indo-Pacific Region.

Palau would also like to offer our thanks for the generous development support that we have received from our close friend and ally Japan. We look forward to continued and strengthened relations for generations through Grant Aid projects, JICA programs, and people to people exchange.

Palau is also gratified by its relationship to the Republic of China, Taiwan and for its continued friendship and developmental support. Taiwan is a strong and generous neighbor that has confirmed its position in the Pacific and therefore has gained the right to contribute as a member of the global community. Palau will continue to support Taiwan's efforts in the

international fora and will work to nurture our friendship and improve our cooperation. The COVID-19 pandemic has underscored the danger of Taiwan's unfair isolation from the international system. Neglect by the World Health Organization, among others, has wrongfully endangered not only the people of Taiwan but those of all countries in this interconnected world. We will continue to fight against this unfair exclusion.

We also offer our thanks to Australia and New Zealand for their on-going friendship and assistance and to our other Pacific friends and neighbors of the Pacific Islands Forum. We offer special thanks to Australia for its generous support to Palau and the Pacific Region's surveillance and enforcement efforts and look forward to the deployment of the new surveillance vessel this year. Our strong and growing relationship is reflected in the establishment of the Australian Embassy this year in Palau. We continue to offer our support and commitment for the new Pacific Framework for Regionalism.

We also offer our thanks to other national friendships gained over the years, including the European Union, Italy, India, Indonesia, New Zealand, Russia, Thailand, Spain, Singapore, Korea, South Africa, and many others. I would also like to thank the many public and private organizations that have offered their generous assistance to our growing nation throughout the years.

My fellow Palauans, I have taken this opportunity to demonstrate what our people are capable of during these very difficult times. Since the ancient time of our forefathers, a good life has not been handed to us or expected. We have grasped it through hard work and creative aspirations. We sailed the seas to find our current home, we fished the open seas, and settled our lands. During

these times of conception, we suffered droughts, wars and typhoons, created a strong island culture and learned to preserve our natural environment so that all our people could survive long into the future.

The lessons learned over the centuries and passed down to us today are the essence of who we are and the foundation of our future. The cultural strength that we have gained to weather the many crises of our past will hold us firm and united through the current Coronavirus emergency.

In my 2015 State of the Republic Address, I stated that “The simple truth is that the World we live in now is a very complex place and there is not a single country that does not have its share of difficulties. We must be thankful that our problems do not include civil war, terrorism, major disasters and abject poverty.” Well my friends, we are currently suffering a major disaster and we have not seen the end of it yet. We must therefore come together as never before and face this crisis together, with unity, understanding and strength. Only as a united nation will we come out of this frightening time as strong as we entered.

Fortunately, Palau is one of few jurisdictions in the World that has not had a positive test for COVID-19. Let us all pray that this fact continues. However, we must prepare for the worst with proper planning and capacity. To this end, I continue to work with the OEK, the Private Sector, our traditional leaders and our communities to respond to issues as they arise. We currently have testing capacity, thanks to the US and Taiwan and we continue to work to expand this capacity. We are also working to bring in more ventilators and are depending on an increase in international capacity over the coming weeks.

We will continue to monitor the situation in Palau, in our neighbors, and throughout the world to determine when and if, and to what degree, we can open ourselves up to economic activity and exchange. When we do make the decision to open up, it will be based on scientific and medical justifications and not for economic reasons. Our re-opening will also be gradual and will be undertaken in a staged manner and with a great deal of caution so as to ensure success. There is no room for error. We will also continue to work to bring all of our people home who wish to come home, while protecting those of us who are already here.

And while our frontline workers pit their strength against these threats to health and safety with our full support, we must fight the economic crisis just as hard. We must do so by preserving the best, and improving the rest. It is time to double-down on the policies and friendships that have brought us to the strong position we are now in, even during global crisis.

As we fight this virus together, understand that we are doing, and will do, whatever is necessary to protect the people of Palau. Together we will survive this emergency and become stronger for our effort. Let us pray that our efforts keep us and our children safe.

Thank you and may God bless us all, and may God bless the Republic of Palau.