

FIB BASIC REQUIREMENTS FOR ESTABLISHING BUSINESS IN PALAU

The following information is a summary of the requirements to apply for a Foreign Investment Approval Certificate. It is provided as a convenience only and is not to be construed as legal advice. Certain businesses may require additional information. Applicants are encouraged to consult with an attorney to assist with their application.

Before submitting an application for an FIAC, all corporations, joint ventures and partnerships must obtain a charter for the Registrar of Corporations located at the Office of the Attorney General. Applicants should consult with the Registrar on specific filing requirements, but in general an applicant will need to submit an original plus two copies of the following to the Registrar:

- Corporations: Articles of Incorporation, Corporate Bylaws and Affidavit of Stocks;
- Joint Ventures and Partnerships: Joint Venture or Partnership Agreement.

CONTENTS OF FIAC APPLICATION:

Sole proprietorships and entities that have already obtained a charter from the Registrar may submit an application for an FIAC to FIB. Each application should include 15 copies of the following documents:

Applications should include:

1. Non-refundable application filing fee (\$2,500 for a hotel or other short term lodging facility, or \$500 for all other businesses);
2. Name of the applicant's business;
3. Proposed principal office in the Republic;
4. Form of business organization;
5. Detailed description of proposed business activities;
6. Names and personal information about each of the investors, including:
 - a. Copy of Passport;
 - b. Police Clearance from country of residence;
 - c. Personal Financial Statement of each shareholder;
 - d. Resume;
7. Applicants required to register with the Registrar must also include:
 - a. Copies of Articles of Incorporation, Bylaws and Stock Affidavit;
 - b. Copy of Corporate Charter;
 - c. Proposed capitalization structure
8. Description of any programs for management participation to be allowed citizens of the Republic and provisions for the creation of labor-management boards to represent the views of employees at meetings of the Board of Directors and with management on matters affecting employees;
9. Financial prospectus including:

- a. Listing of investment for each of the first five years after receipt of the business permit, and sources of all capital;
 - b. Detailed investment analysis for each of the first three years of business showing:
 - i. Anticipated gross revenues and gross expenditures;
 - ii. Anticipated and proposed marketing schemes
10. The number of employees in the proposed business, the levels of skills required for the operation of the business and the nationalities of any non-Palauans;
11. Specific economic and social programs the applicant intends to implement for the Republic to:
- a. develop and conserve the land and marine resources; and
 - b. provide community-related social services such as beautification programs and libraries.
12. Other information the Applicant deems necessary to answer the following questions:
- a. the economic need for the proposed activity in the Republic;
 - b. the extent of its current availability in the Republic;
 - c. the likely impact on same or similar activities currently being carried on by citizens;
 - d. the overall benefit to the national economy;
 - e. the bona fides, financial capacity, experience and expertise of the applicant;
 - f. the technical and economic viability of the proposed project;
 - g. the overall contributions to the national economy;
 - h. the extent of direct and indirect employment generation;
 - i. the extent of import earnings or import savings;
 - j. the extent of utilization of domestic raw materials and natural resources, including the benefits or adverse impact of such utilization;
 - k. the extent of transfer of managerial and technical skills to citizens, including well-defined training programs for achieving such transfer;
 - l. the size of the foreign investment as well as the total investment required for the project;
 - m. the impact of the proposed activity upon the social and cultural values and the environmental integrity of the Republic; and
 - n. whether the capital investment and technical and managerial skills required for a business activity are such as to be within the capacity of citizens.

Please note the following business activities are reserved exclusively for Palauan citizens: See 28 PNC §105 (b).

- (1) wholesale or retail sale of goods;
- (2) all land transportation services, including but not limited to, bus services, taxi services, and car rentals;
- (3) any form of water transportation services, including rentals of any water transportation vehicle;
- (4) travel and tour agencies and land-based and water-based tour service providers, including but not limited to dive shops, chartered fishing operations and surfing businesses;
- (5) commercial fishing for other than highly migratory species, with the exception of fishing for farm-raised fish and maricultured species;

Business activities which require local ownership:

- (1) handicraft and gift shops; provided, however, that handicraft or gift shops located on the premises of hotels or at the Palau International Airport shall be exempt from the prohibition of this section;
- (2) bakeries;
- (3) bar services not associated and contained within a restaurant or hotel complex. For purposes of this subsection, hotel complex means any lodging facility having at least fifty (50) rooms for the accommodation of guests;
- (4) operations manufacturing products already being produced by wholly Palauan-owned manufacturing enterprises;
- (5) equipment rentals for both land and water usage within the Republic, including equipment for purpose of tourism, but not including rentals of land or water transportation vehicles;
- (6) raising and harvesting farm-raised fish and maricultured species.

FOR MORE INFORMATION PLEASE CONTACT THE FIB OFFICE AT
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