

PRESIDENT'S 2009 PROGRESS REPORT

Text of President Johnson Toribiong's 2009 Progress Report Delivered to the
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PRESIDENT JOHNSON TORIBIONG'S 2009 PROGRESS REPORT

Good morning. Reklai, Ibedul, Mr. President, Mr. Speaker, Honorable Members of the Eighth Olbiil Era Kelulau, Honored guests, my fellow Palauans, Ladies and Gentlemen. Thank you for attending this morning.

My fellow Palauans, I stand proudly before you today in the Olbiil Era Kelulau, the People's House, the sanctuary of our Palauan democracy, a democracy that came into being over 28 years ago on January 1, 1981, when our Palau Constitution, the Supreme Law of our island Nation, became effective.

We are in the 15th year of our independence under the Compact of Free Association with the United States of America. And I, like you the members of the Eighth Olbiil Era Kelulau, am in the 95th day of my term in office, having been inaugurated on January 15, 2009.

As the President of Palau, I have a Constitutional duty to make an annual report to the Olbiil Era Kelulau on the progress of my Administration. It is not only my duty, but my honor to do so.

The Presidential Progress Report I deliver to you today is not an annual report, as my Administration only began about three months ago. Article VIII, Section 13, of the Palau Constitution mandates that the President deliver an annual report to the Olbiil era Kelulau to assure that the citizens of Palau are fully aware of the accomplishments and plans of their National Government. It is the right of our citizens to know what their National Government is doing to ensure that their fundamental rights as citizens of Palau are being fully promoted and protected by their elected leaders.

If I were to wait for the end of the first full year of my Administration to report to you, then you would have had no report of your National Government's actions and plans for almost two full years, since the last State of the Republic Address in April of 2008. This is not acceptable in our democracy.

So the Presidential Progress Report I deliver to you today is at best only a three-month report on the progress of my Administration, not an annual report as mandated by our Constitution. As such, this Report will be short. Although my Administration has since discovered that there were many problems with the National Government on the day I was inaugurated, by highlighting only the most significant of them, by telling you what my Administration has accomplished since I took office, and by advising you what my Administration plans to do going forward, hopefully I will bring you up-to-date on what has occurred since January 15, 2009.

Equally important, my Report to you today will establish a benchmark by which you can measure the performance of my Administration when I stand before you next year to deliver a full year's Presidential Progress Report.

I want to emphasize that this quarterly Progress Report is not intended to be negative in any respect. It is intended to be truthful. The People of Palau have the right to know the truth.

Also, I believe that in order to formulate strategies and develop a plan of action for the future of our Nation, we must first take stock of the problems and our resources before dealing

with the problems. Issues must first be identified and defined before the right solutions can be properly made. It is in this context that I make my Progress Report today.

My fellow citizens, as I stand before you today I must report that the state of our Republic is precarious, but under the firm hand of my Administration is on the way to full recovery. I am optimistic for the future of our Republic.

On January 15th, the National Government had no budget for this Fiscal Year, and pursuant to a continuing resolution, the National Government could only expend funds for the purposes and at the levels provided in the Fiscal Year 2008 budget.

On January 15th, despite the limitations of the continuing resolution, my Administration discovered that since October of last year, the National Government had paid out over \$4.1 Million to retire prior years' debts; debts that had been incurred, accumulated and gone unpaid going as far back as Fiscal Year 2002. This has left my Administration with the completely unnecessary and certainly unwelcome challenge of dealing with a massive shortfall in funding for the rest of this Fiscal Year.

On January 15th, despite the National Government having spent significant sums of money, no meaningful progress towards achieving a review of our Compact with the United States had been accomplished. The Compact funding that our Republic has been receiving for the last 15 years is scheduled to expire on September 30th of this year. Thus, on the day I was inaugurated, my Administration was left with the additional challenge of having to find an additional \$15 to \$20 Million for next year's budget to replace the Compact funding.

Compounding the problem that would be caused by the loss of direct Compact funding was the fact that on January 15th the Compact Trust Fund had lost over \$60 Million of its value. The Compact Trust Fund at one point had increased to almost \$170 Million, but was worth about \$110 Million when I took office. This loss was caused by the severe global economic downturn.

Of course, I do not need to tell you that the Trust Fund was and is Palau's hope for some degree of economic self-sufficiency at the end of the first 15 years of the Compact. At current levels, however, the Trust Fund is entirely insufficient for its intended purpose.

On January 15th, the National Government was experiencing a significant reduction in its local tax revenues; a reduction that is unparalleled in the short history of our Republic. Like the rest of the world, our island Nation was suffering from a severe economic downturn. Projected local revenues for this Fiscal Year are expected to be approximately \$4 Million less than the local revenues collected in Fiscal Year 2008; yet another challenge for my Administration.

On January 15th, as has become apparent in the last month, our Republic was suffering from years of inept and inefficient management of its Public Utilities Corporation. The lack of maintenance and the operational problems that were allowed to accumulate over the last several years have resulted in the inadequate supply of electricity and the blackouts that our Nation is suffering from today.

On January 15th, our National Government had failed to pay almost \$400 Thousand to the various international organizations to which the Republic belongs; organizations like the United Nations where, to my astonishment, I discovered that Palau's right to vote had been suspended because of our failure to pay our dues.

The National Government's failure to pay the dues and other financial obligations owed to these organizations has tarnished the Republic's reputation and jeopardized our entitlement to the benefits offered by these organizations.

On January 15th, our National Government had, for frivolous and unrelated purposes, diverted half of the \$300 Thousand granted to our Nation by the Republic of Turkey to pay for the preparation of the Palau's claim for an extended continental shelf; a claim that if successful, could potentially mean tens, if not hundreds, of millions of dollars in future revenues to our Nation. The diversion of the grant funds has jeopardized our Nation's ability to timely file its claim for an extended continental shelf.

On January 15th, our National government had defaulted on our loan payments to the Mega Bank of Taiwan in the sum of about \$2 Million. The principal of that loan was \$28 Million. The default threatens the continued availability of the grants that our Nation has been receiving from the government of Taiwan.

On January 15th, with the exception of one civil service employee, there was no permanent staff left in the Office of the President. Virtually all of the employees in the President's Office were contract employees whose contracts expired on the last day of the prior Administration. The overuse of contract employees by the National Government over the last few years significantly increases the National Government's payroll and is unfair to the regular civil service employees.

Despite all the problems my Administration faced on the day I took office, I am pleased to be able to report to you today that not all is as bleak as it was on January 15, 2009. My Administration has made significant progress over the last three months towards identifying the problems faced by our National Government and, if not already having fixed the problems, at least starting down the road to finding a solution for them.

The progress I report to you may at times seem insignificant. But again I emphasize to you that my Administration has only been in office for three months. The problems our National Government faces have in many cases been completely ignored, or if recognized, allowed to develop unchecked, for many years now. Some of the problems have existed since the birth of our young Republic.

Rome wasn't built in a day and my Administration cannot fix all of the problems overnight. Indeed, I expect that my Administration has not even found all of the problems yet; that some problems are so deeply hidden away that only time and a crisis will reveal that they exist.

I am pleased to announce that since January 15th, working hand-in-hand with both chambers of the Eighth Olbiil Era Kelulau, a budget for our National Government was passed and signed into law on March 27th. This is a significant achievement. The Republic has not had a budget since RPPL 7-37 was signed into law in December of 2007.

While the appropriations in this year's budget are largely based on plans that were made and things that occurred before I took office, the budget at least firmly establishes in law the fiscal guidelines my Administration has to follow for the rest of this year. This permits my Administration to go about planning how to survive the rest of this Fiscal Year in light of the massive shortfalls in funding I previously described to you.

Since January 15th, I have appointed all of my Ministers and, thanks to the Senate, all of them have been swiftly approved. My Administration is in place and functioning.

The massive shortfalls in funding that my Administration faces need to be understood for what they are. They are truly a crisis, a threat to the public health, welfare, and safety of Palau.

The National Government presently employs well over 2,000 of our citizens. The National Government's payroll is approximately \$35 Million a year. Unless my Administration can manage the cash flow well enough for the rest of this year to cover the \$4.1 Million withdrawn without proper legal authorization from the National Treasury the first quarter of this Fiscal Year to pay prior debts, and to cover the anticipated \$4 Million shortfall in local revenues caused by our faltering economy, our National Government employees face the potential of having their hours cut, being furloughed, or possibly being laid off. The People of Palau face the potential of a severe cut back in the services the National Government offers to or performs for them.

But again, I am proud to report that not all is as bleak as it could be. After many days and nights of tireless planning and review, my able Vice-President and very capable Minister of Administration, Kerai Mariur, assures me that he will do his very best to make sure that our National Government's expenditures for this Fiscal Year are within our means, that our loyal and hard-working employees do not suffer, and that the public receives the services they need and deserve. Thank you Vice-President Mariur.

I am pleased to report to you that significant progress has been made in connection with the Compact Review process. First, as one of my Administration's first acts, I appointed former Senator Joshua Koshiba to be my Ambassador and Chief Representative for Compact Review. And thanks to the Senate again, his appointment was quickly approved by the Eighth Olbiil Era Kelulau.

My Administration then promulgated an Executive Order forming an Advisory Group to work with Ambassador Koshiba on Compact Review issues. The Advisory Group has been meeting several times a week to formulate principles for the Compact Review.

In the meantime, because of the impending termination of the direct Compact funding, my Administration decided that Palau and the United States no longer had the luxury of time to complete the review of the Compact before the September 30th deadline. The expiration of provisions of the Compact that provide for funding and Palau's eligibility to participate in US Federal programs, coupled with the shortfall in the Compact Trust Fund, endangered Palau's economic and political accomplishments and created potential security and political issues.

With my Minister of State, Sandra Sumang Pierantozzi, and a team of advisors I traveled to Washington D.C. in mid-March to personally meet with US Secretary of State Hillary Clinton, US Secretary of Interior Ken Salazar, and with several Senators and Representatives of the US Congress.

On behalf of the Republic and its People I asked the Secretaries and the Congressmen to support an extension of the funding and programmatic provisions of the Compact for one additional year. In other words, for the United States to provide Palau with the same amount of funding for Fiscal year 2010 that Palau received this year, which was approximately \$15 to \$20 Million.

The extension of Compact funding and programs will allow my Administration to carefully review Palau's needs in light of the ever changing circumstances of the world's economy. It will also allow both countries to engage in a more careful and comprehensive review of the Compact to determine how best to address what is necessary for Palau's continued economic stability and to meet our mutual security concerns in the western Pacific.

My fellow citizens, I am proud and pleased to be able to report to you today that my trip to the United States appears to have been successful. Secretaries Clinton and Salazar and all of the members of the US Congress with whom I met indicated their support of Palau's request for an extension.

As recently as last Friday, April 17th, I received a letter from Secretary Clinton assuring me, and I quote, that "the United States is working hard to be in a position to commence the formal review called for in the Compact, and [that the United States] position on any extension of grant assistance, programs, or services will be part of that effort."

My Administration understands that legislation has been drawn up to accomplish the extension of the Compact funding and programmatic assistance for another year and that if it has not already been introduced in the US Congress, it soon will be. Palau has many friends in the United States Government and within the US Congress. On behalf of the People of Palau, thank you, friends in the United States of America!

Along the same lines, I think it is appropriate here to remind ourselves that Palau does have many friends in this world. Friends without whom we would have a very difficult time indeed getting by.

The United States, with its unwavering political and financial support of our island Nation, must be singled out in this regard. Chargé d'affaires Mark Bezner, please convey my personal thanks and the thanks of all the People of Palau to the US Government and to the People of the United States for all that they have done for us, for being our friend and our ally.

My Administration will work closely with the United States to do what is necessary to ensure our mutual security. Please assure your Government of my Administration's fundamental and enduring commitment to continue and to strengthen the relationship and the friendship between our countries even further. I will work tirelessly to accomplish that goal. Thank you!

I do not need to remind you I am sure that the United States is not the only friend of Palau. In fact, I leave tomorrow on my first State Visit to the great Nation of Japan to convey my respects and to express the deeply felt gratitude of the Palauan people to the Government of Japan for all it has done for Palau over the years. We do not take your friendship lightly. Chargé d'affaires Masayuki Takashima, please assure your Government of my Administration's fundamental and enduring commitment to strengthen the historical relationship and the friendship between the People of Palau and the People of Japan.

Our newest friend on the international scene must also be recognized, the Republic of China, Taiwan. Since I was Palau's Ambassador to Taiwan for several years before becoming your President, I must say that Taiwan occupies a special place in my life and heart. In fact, I chose make my first State Visit to Taiwan to emphasize how grateful Palau is our relationship and friendship with Taiwan. Ambassador Maggie Tien, please assure your Government of my

Administration's fundamental and enduring commitment to continue and to strengthen the relationship and the friendship between our countries.

Finally, our closest neighbor, the Republic of the Philippines, must likewise be recognized. On issues of health, education, and human resources, our countries have had symbiotic relationship. For that, I would like to recognize Ambassador Ramoncito Mariño, and ask him convey our gratitude to his Government and to the people of the Philippines. Thank you!

At Ambassador Mariño's request I have invited Philippine President Gloria M. Arroyo to visit Palau sometime this year. During her visit we will discuss and hopefully resolve certain issues of mutual concern to our countries.

Indeed, words cannot adequately express how thankful we are to all of our fiends in this world!

The problem of the continuing shortfall in local tax revenues is not a problem that can be easily solved. Our economy is suffering the same problems as are the economies of every other country in the world. Because of the global slowdown, people in Japan and Taiwan, for example, have less money to travel and as a result tourism in Palau has suffered. Fewer people are coming to Palau and those who are coming to Palau are spending less. It is principally because of this that we are experiencing a slowdown in our local tax revenues.

Some people have urged me to raise taxes to increase our local revenues. I have rejected this approach. The people who are paying taxes in Palau are the very same people whose businesses are suffering or whose jobs are in jeopardy as a result of the slowdown in the economy. To raise taxes on those people would create a situation where they would be more likely to go out of business or to lose their jobs, thus decreasing local tax revenues even more. To tax those people simply to assure that the National Government can continue to operate at the same levels as it always has strikes me as being a self-defeating approach in the long run.

The emphasis of my Administration will be to emphasize and encourage the growth of Palau's private sector economy. Over the next four years my Administration's goal is to increase the efficiency of our National Government and to limit its size to sustainable levels.

My fellow citizens, the entire world is suffering from a severe economic downturn. It is for that very reason that Palau cannot continue to depend on the charity and largess of foreign governments to fund our National Government and to provide us with the style of living to which we have become accustomed. Foreign governments have their own people to think of and little money to spare for Palau.

Members of the Eighth Olbiil Era Kelulau, as the elected stewards of our National Government, we ourselves must take whatever action we can to relieve our People of the economic hardship they are suffering. We have to help ourselves.

There is an old Chinese proverb that I am sure all of us have heard. "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime."

Senators and Delegates, we have to teach our People to fish and not just give them fish. We have to take action to expand our private sector economy. We have to create more private sector jobs and business opportunities. By doing so, we can gradually steer our citizens from looking to the National Government as the employer of first choice. By doing so, we will expand our tax base and enhance the National Government's local tax revenues.

The very first legislation I submitted to the Eighth Olbiil Era Kelulau for consideration was a measure designed to accomplish all of the foregoing. On the first day of the first session of the Eighth Olbiil Era Kelulau I submitted the “Foreign Investment Act of 2009”.

I made my intentions clear in my January 15th Inaugural Address when I emphasized the need for Palau to take immediate action to grow its private sector economy and my intention to at least partially accomplish that goal by vigorously courting foreign investors. The “Foreign Investment Act of 2009” would accomplish that.

I am pleased to report that the bill was quickly reviewed and passed by the House of Delegates. Thank you Delegates! However, the bill has languished in the Senate for well over a month now. Senators, I respectfully suggest that the prudent action is for you to hold whatever hearings on the “Foreign Investment Act of 2009” you think are appropriate, to make whatever revisions to the bill you think will improve it, and to pass the bill as soon as possible.

Time is short. Palau is competing against the rest of the developing Nations in our region for foreign investment and capital. We must attract new capital into our economy by making Palau as investment friendly as possible as quickly as possible.

Let us beat the competition. Let us create an economy that is capable of providing here in Palau the jobs necessary to reverse the sad and troubling situation that has seen hundreds, if not thousands, of the sons and daughters of our soil leave Palau to seek opportunity elsewhere, perhaps never to return, because there are no jobs for them here, because the economy is bad and getting worse. Let us create an economy that give our citizens the maximum opportunity to make the most of their own lives and to achieve their ambitions here in their homeland.

The problems we have been having with electricity concern me greatly. When the most recent problems began occurring, I immediately created a task force to study the problems and to report to me and make recommendations.

The report of the task force troubled me. The report noted that the current problems were not happening as a result of some freak occurrence, but rather because of years and years of neglect. The generators that are breaking down are doing so because they have not been properly maintained.

The lack of generating capacity is compounded because the PPUC failed to timely arrange for the purchase of new generators, despite the fact that these same problems occurred in 2006 and despite the fact that Palau borrowed money to buy new generators.

The recommendations of the task force bothered me even more. The Task Force emphasized a need to make changes at the highest levels of PPUC’s management structure because the failure to anticipate and to take action to ameliorate the maintenance and operational problems stemmed from an ineffective and weak management structure.

My Administration asked the US Department of Interior for the assistance of an expert to review the situation. The US Department of Interior reacted quickly by sending an expert to Palau and even gave the Palau Government a small grant to pay the expert. The expert came, observed, and issued his report. His professional report stated that our power outages were avoidable. In short, he concurred with the Task Force’s report.

As you may have read in the local newspapers, regretfully last week I had to accept the resignations of two of the members of the PPUC Board and recommend to the remaining Board members to terminate the employment of the PPUC General Manager. I say regretfully because

these are good and well intentioned people who have done their very best I am sure. But their intentions aside, the results they produced required me to act on the recommendations I received.

I have already explained to you that as your President I have certain legal and moral obligations to protect the safety and security of everybody living in Palau. In determining how best to do so, I am faced with many difficult decisions, not the least of which is deciding who I believe wholeheartedly shares my goals and has the ability to assist me in meeting my obligations. In this case, I decided that a change was needed. Electricity is vital to the well-being of our citizens and to the health of our economy. Palau cannot afford to suffer the problems it has been suffering.

The change in PPUC management does not itself mean that the situation with the electricity will change overnight. As I said, these problems we are having now are occurring because of years of neglect and mismanagement. It will take some time to reverse the effects of that neglect and mismanagement.

I am pleased to be able to report to you today that much progress has been made in the last week on restoring electricity to all PPUC consumers on a 24 hour a day, 7 day a week basis. Parts for the damaged generators have been located and their shipment to Palau arranged. I have already nominated replacements for the PPUC Board. This week I submitted the names of former Senator Surangel Whipps, Senior, and Dr. Victor Yano to the Senate of the Eighth Olbiil Era Kelulau for its advice and consent. Senators, your prompt and favorable action on those nominations is respectfully requested.

The maintenance of Palau's infrastructure is something that has concerned me for years. Frankly, the National government does not have a good track record in this regard. Since the birth of our Republic, Palau has received hundreds of millions of dollars of foreign aid and grants to build airports, runways, roads, bridges, power lines, docks, sewers and other infrastructure. Perhaps it is because we did not pay for it with our own sweat and tears that we have neglected to maintain some of it.

Under my Administration that is going to change. I will emphasize a need to constantly monitor the state of our infrastructure and each year I will include money in the National Government's budget to perform the necessary maintenance and to purchase and maintain on hand critical parts. More importantly, I will not reprogram that money for other purposes nor will I refuse to spend it.

My fellow citizens, you can assist your National Government in this regard. If you see a problem with some of the infrastructure, I urge you to call the Ministry or agency responsible for its maintenance. If you don't know who to call or if after calling you do not see that the National Government is following up to do what is necessary, I urge to call my Ombudsman, Mr. Moses Uludong. He will follow up on the problem and make sure that it is addressed in a timely fashion.

While we are a small Nation, we do have a voice in various international organizations. For instance, we have a vote in the United Nations General Assembly, at least as long as we pay our dues. The Republic's reputation as a meaningful participant in the affairs of world community needs to be fostered and maintained. My Administration sought and received an appropriation in this year's budget to pay for some of our obligations to these organizations. The

appropriation was less than I asked for, but as soon as possible my Administration will bring all of the National Government's obligations current.

Similarly, the policy of my Administration will be to make sure that all moneys and grants received by the National Government are, to the extent possible under the terms of the grant, deposited in the National Treasury as required by our Constitution. The National Government will make sure that the receipt of all money and grants is made known to the Eighth Olbiil Era Kelulau as quickly as possible, whether or not such is required by law. My Administration will make sure that all moneys and grants received by the Republic are expended, and only expended, for the purposes for which the grants are given or sought.

Finally, as soon as time permits, I intend to establish a central clearing house for all grants sought and received by the Republic or any of its agencies. No grants will be sought unless such are approved in advance. Far too often, what may at first seem to be free and therefore good because it is paid for by someone else turns out to create obligations for the National Government that we ourselves must pay for in the long run.

One quick note, despite the diversion of some the Republic of Turkey grant funds, Palau's claim for an extended continental shelf is being prepared and is on track to be filed sometime in the next few weeks.

Finally, before sharing with you some of the specific things that each of my Ministries have been doing during the last three months, I want to address the last item I highlighted as a problem that my Administration found to exist on January 15th; the overuse of contract employees by the National Government.

As of the end of last year the National Government's records show that there were a total of over 2,000 National Government employees, including the employees of the Executive Branch, the employees of the Olbiil Era Kelulau, and other employees paid directly by grant funds.

Approximately 1,820 of the employees are employed by the Executive Branch. Of those, about 1,570 were regular civil service employees and about 160 were contract employees, a ratio of about 10 to 1. In other words, contract employees made up about 9 percent of the National Government workforce.

The Executive Branch payroll for its 1,820 employees totaled about \$23.3 Million. Of that sum, regular civil service employees received \$19.1 Million in wages and the contract employees received about \$4.1 Million in salaries, a ratio of about 4.5 to 1. In other words, contract employees, despite their much smaller number, received about 18 percent of the total Executive Branch payroll.

While I am sure that many of these contract employees are properly employed as contract employees by reason of their nationality or profession, I suspect that many were not and that they were employed as contract employees merely to avoid the limitations of the civil service law or the regular civil service pay scale.

In any event, my Administration will not permit the use of contract employees merely to avoid the limitations of the civil service law or the regular civil service pay scale. I believe that to the maximum extent possible, National Government employees should be recruited and employed pursuant to our civil service laws. I believe that the right of the National Government to employ contract employees should be used sparingly and only as appropriate. The hiring of

National Government employees must be done fairly and based on the merit system provided by our civil service laws. In the long run this will benefit the Republic by maximizing its scarce resources.

A couple of other notes regarding the National Government's employees. First, it will be the policy of my Administration to give preference to Palauan citizens in the recruiting and hiring of all contract and civil service positions. To the extent it is determined that the National Government requires the services of a non-Palauan citizen, I will look first to those non-Palauans who already live here in Palau, many of whom are married to our fellow citizens and who have children who are themselves Palauan citizens. For a long time I believe we have failed to adequately use the resources available to us close at hand. It is only when it has been determined that none of the foregoing persons are available will the National Government look off-island for its work force.

Next, the caliber of our National Government employees needs to be recognized. They are by-in-large a committed, hardworking and talented group of people. I would like to thank all my Ministers and their staffs who have labored so tirelessly above and beyond the call of duty to assist me in steering the direction of the National Government towards a brighter future.

Allow me now to briefly report to you just a few of the other things that have happened in the last three months, some of which my Administration can properly take credit for, and others of which were already in progress at the time my Administration took office, but have just recently finished. I also want to highlight some of the things that I anticipate will be happening over the next year. Finally, I also want to briefly report some of things being done by my Ministers and their Ministries.

I have appointed a Special Prosecutor and his appointment was swiftly approved by the Senate. Again, thank you Senators. This apparently is an accomplishment because the office was vacant for a long period of time following the resignation of our former Special Prosecutor. Mr. Michael Copeland is on the job and working.

I will, in the very near future, appoint a Public Auditor. This is another critical position that has gone unfilled for a lengthy period of time.

I want to remind the public that my Administration has not accomplished one thing in the last three months. We have not yet found the assault rifle that went missing from the trunk of an official government vehicle late last year. We will find that rifle. I have asked for the assistance of the US Federal Bureau of Investigation, the FBI, in locating the weapon and the people who stole it. Hopefully that assistance will be forthcoming shortly.

The road reconstruction/paving project from Malakal to the Palau International Airport has been completed. This project was totally funded by the Japanese Government.

Palau National Communications Corporation has just commenced a project to expand and improve its cell phone system, and to construct a new earth station to expand its satellite bandwidth capacity. The projects should be finished sometime later this year and Palau can expect to enjoy even better telecommunications services than it has now. The projects were made possible by and are being done in conjunction with Taiwan's premier national communications company.

The Oil and Gas Task Force is nearing the completion of a contract with a consultant to develop a legal and regulatory framework for Palau's petroleum sector. This contract will be

paid for with grant moneys received by the Republic from the World Bank and the Republic of China Taiwan.

The Palau Community College reports to me and I am pleased to report to you that the state of our higher education is good. The PCC maintains the highest level of accreditation and I urge all Palauans seeking new skills and retraining to consider enrolling at PCC. It will be the policy of my Administration to support PCC to maintain its high level of programs and services.

It will also be the policy of my Administration to support the Palau International Coral Reef Center. The Center recently celebrated its Eighth anniversary. It is a valuable resource to Palau and to the rest of the world.

Several projects are under contemplation or will be starting in the next few months. These will be funded by the Republic of China Taiwan.

For example, construction should commence sometime soon on the so-called Koksai Access Road, a road that will provide direct access to the National Capitol from the west side of Babeldaob. A Ngarchelong State road improvement project is on the agenda. The completion of the Melekeok State road rehabilitation project should commence soon. A Ngaremlengui State Compact connecting road and bridge relocation will be financed by Taiwan. Work will begin on a Ngiwal State Imekang Commercial port project. A global positioning project for Public safety and an energy saving LED light pilot project also will commence soon.

The Ministry of Administration has been working tirelessly to identify sources of funds for the National government to use to meet its budgetary obligations for the rest of this Fiscal Year, including the payment of the \$2.1 Million loan payments due to the Taiwanese bank on April 28th.

The Minister has kept in close contact with the World Bank, the International Monetary Fund and the Asian Development Bank. As I reported to you earlier, the Vice-President/Minister has assured me that he will do his best to make sure that we have enough money to last us through the end of this Fiscal Year. This in itself will be quite an achievement given the shortfalls he found when he came into office.

The Ministry of Administration has instituted a tax amnesty program designed to help struggling businesses and individuals pay the taxes they owe. Of course, it will also help to improve the National Government's cash flow. The tax amnesty will allow the Minister of Administration, as appropriate, to compromise claims, interest and penalties, provided that the taxpayer makes satisfactory arrangements to pay his or her taxes. If you are someone who might benefit from this program, I urge you to contact the Ministry of Administration and take advantage of it. Help yourself and help your country too.

Very shortly, in conjunction with the Ministry of Administration, my Administration will be promulgating regulations to make sure that persons employing non-citizens are paying the proper wage and salary tax for those employees. No person or business will be allowed to renew the permit of any of his or her non-citizen employees unless receipts can be produced showing that the proper taxes have been paid.

Our new Minister of State and her Ministry have been especially busy over the last three months. The Minister is reorganizing her Ministry to better serve our people. The Minister has personally traveled off-island on several occasions to attend to the business of the Republic. Our

Minister of State is well respected overseas. I could not have picked a better representative for our country. I value her counsel.

Perhaps our most important Ministry, the Ministry of Health, has also hit the ground running. Regretfully, I must report to you that the Department of Interior has recently concluded a study that reveals some major structural defects in our hospital. It may even be necessary in the not too distant future for the National Government to start planning for a new hospital.

My Administration, with the generous assistance of the Koror State Government and the Koror State Public Lands Authority, has secured the use of the old Office of the President in Meyuns for Public Health Use. Thank you, Koror State!

The Ministry of Health has developed a 5 year strategic plan for Public Health. A new hyperbaric chamber has been installed at the hospital and is now operational. The Airai Community Health Center will open in May. I extend my thanks to the Sea Bee's for their tireless efforts in connection with that project. Thank you!

Our new Minister of Education has also moved quickly to reorganize the Ministry of Education. The Minister has formulated and submitted a 10 year Education Master Plan to me and I have endorsed the same. Despite its cost, bus services have been expanded to serve more Babeldaob communities. Finally, the Ministry of Education has resumed action to consider the possibility of school consolidation. At the request of the Ministry of Education, I have issued an Executive Order forming a task force to study the issue of school consolidation at the primary and secondary school levels. The task force is to report to me by the end of this year.

Our new Ministry of Public Infrastructure, Industries and Commerce has organized itself and is now in the process of taking an inventory of its assets. This Ministry will lead my Administration's efforts to monitor and maintain our Nation's infrastructure.

Similarly, the new Ministry of Natural Resources, Environment & Tourism is also organizing itself. Minister Fritz is one of my newest Ministers and he is still in the process of familiarizing himself with all of the activities over which he will preside. I will depend upon him to help me formulate a policy to entice more tourists to come to Palau. His Ministry will work closely with the Palau Visitors Authority to coordinate and harmonize their efforts to move Palau toward a goal of being a friendly and high-end tourist destination.

My Minister of Justice reports to me that his more established Ministry has its challenges but is doing its best to accomplish the duties assigned to it. The Ministry is the recipient of a \$1.9 Million grant from Taiwan to improve the Bureau of Public Safety's communications capabilities. The Ministry of Justice has received a grant from the US Pacific Command to help construct a Police/Fire Substation in Ngardmau. Personnel from the Bureau of Public Safety have recently undergone forensics training and Emergency Medical Technicians training. The Bureau of Public Safety is now providing security at the National Capitol. To save money, my Administration terminated a costly and unnecessary contract with a private company to provide security. Similarly, my Administration has terminated a costly contract with a private company to provide ground keeping at the National Capitol. The Bureau of Immigration reports that it has obtained a grant from Taiwan to help it upgrade its current electronic system. The equipment is scheduled to arrive in May.

My Ministry of Community & Cultural Affairs has put together a National Youth Policy and begun to take action to implement the same. It has asked the various State leaders to identify

areas within their states that can be used for recreational purposes. The Minister has reported to me that Paramount Chief Reklai Ngirmang and the people of the State of Melekeok have identified a piece of land in Melekeok that the National Government can use to construct a building to properly house our National Archives. It is important to preserve the accumulated writings of our National Government. The Ministry will now look for a means to construct the building.

In closing, I ask that all of us who were elected by the People—the Vice President, the Honorable Senators and Delegates assembled here today, all of us who are being paid handsomely to perform the People’s work—to renew our oaths, our promises and our commitments to work together to improve the living standards of our People. Unless we grow our private sector economy I am afraid that in the not too distant future the level and quality of public services the National Government provides may be reduced or compromised to the detriment of our People.

Reklai and Ibedul, Honorable Senators and Delegates, Ladies and Gentlemen, this is the Progress Report of my Administration from January 15th to date. I am confident that by next year, with your cooperation and support, that the state of our Republic shall be greatly recovered and on a more secure and solid ground.

May God Bless you all and may God bless the Republic of Palau.