

## A2. Statistics on Economy

### Demography and Economy

Basic Socio-economic Features of 16 States in 1995

	Land Area (km <sup>2</sup> )	Population	Population Density (km <sup>2</sup> )	No. of Households	No. of Families	Average No. of Household	Employment Persons*	Unemployment Rate (%)	No. of Housing Units	Median Income of Household
Aimelik	50.69	419	8	66	62	6.35	182	8.1	74	8,250
Airal	44.80	1,481	33	245	234	6.04	693	7.0	246	12,546
Angaur	8.45	193	23	46	40	4.20	52	7.1	46	4,250
Halohobei	1.54	51	33	12	9	4.25	37	N/A	19	5,000
Kayangel	1.79	124	69	26	22	4.77	37	9.8	38	5,000
Koror	18.18	12,299	677	1,964	1,755	6.26	6,034	5.0	2,027	15,707
Melekeok	27.39	261	10	54	50	4.83	53	18.5	70	3,400
Ngardmau	45.82	162	4	40	35	4.05	51	37.0	42	5,667
Ngaraard	35.58	421	12	91	74	4.63	88	31.3	104	3,692
Ngatapang	45.06	221	5	37	31	5.97	74	14.9	41	11,250
Ngchesar	41.98	228	5	67	52	3.40	101	7.3	96	5,250
Ngarchelong	10.50	253	24	65	55	3.89	63	11.3	94	3,300
Ngaremlengui	64.00	281	4	65	59	4.32	93	17.7	66	5,500
Ngiwal	26.37	176	7	47	40	3.74	42	33.3	68	4,125
Peleliu	12.03	575	48	129	118	4.46	133	23.1	129	4,955
Sonsorol	2.30	80	35	19	14	4.21	26	3.7	23	4,000
Total	436.48	17,225	39	2,973	2,650	5.79	7,759	7.0	3,183	11,856

Source: JICA Study Team

Notes: \* Defined as civilian labor force of 16 years and over.  
Median income of households is for 1994 in current US\$.

**Normal Gross Domestic Product and Its Composition (Normal Terms)**

(Unit: \$ thousand)

Sectors/ sub-sectors	1990	1991	1992	1993	1994	1995	1996	1997	1998 (Estimation)
Agriculture	2,296	2,496	2,210	2,273	2,346	2,420	2,493	2,450	2,650
Fisheries	17,647	21,093	13,063	5,809	4,967	4,124	3,282	3,520	3,485
<b>PRIMARY SECTOR</b>	<b>19,943</b>	<b>23,589</b>	<b>15,273</b>	<b>8,082</b>	<b>7,313</b>	<b>6,544</b>	<b>5,775</b>	<b>5,970</b>	<b>6,135</b>
Mining & quarrying	N/A	N/A	528	587	444	301	158	138	145
Manufacturing	528	633	592	560	740	921	1,102	968	1,016
Electricity, gas & water	2,849	3,709	855	923	608	294	-20	-502	-427
Construction	8,522	7,015	8,394	4,535	4,869	7,903	9,258	10,006	10,006
<b>SECONDARY SECTOR</b>	<b>11,899</b>	<b>11,357</b>	<b>10,369</b>	<b>6,605</b>	<b>6,661</b>	<b>9,419</b>	<b>10,498</b>	<b>10,610</b>	<b>10,740</b>
Wholesale and retail trade	12,014	13,798	14,014	14,044	14,751	20,388	24,559	22,597	20,337
Hotels & restaurants	6,258	6,807	5,451	6,418	7,132	13,610	16,504	16,476	14,334
Transport & communications	3,371	3,397	9,313	9,980	10,476	14,429	17,355	19,855	20,649
Finance & insurance	3,112	3,175	2,404	2,044	3,245	4,446	5,647	6,573	7,231
Real estate & business services	3,313	3,735	3,233	3,646	4,118	4,589	5,061	7,791	8,571
Public administration	14,212	15,024	18,439	20,442	22,989	23,203	26,904	29,319	28,879
Other services	2,767	2,978	2,859	2,970	5,875	6,119	9,104	9,354	9,214
<b>TERTIARY SECTOR</b>	<b>45,047</b>	<b>48,914</b>	<b>55,713</b>	<b>59,544</b>	<b>68,586</b>	<b>86,784</b>	<b>105,134</b>	<b>111,965</b>	<b>109,215</b>
<b>SUB-TOTAL</b>	<b>76,889</b>	<b>83,860</b>	<b>81,355</b>	<b>74,231</b>	<b>82,560</b>	<b>102,747</b>	<b>121,407</b>	<b>128,545</b>	<b>126,090</b>
Less: Imputed bank charges	0	0	1,256	1,029	1,011	993	975	1,250	1,250
Plus: Import duties	0	0	2,351	2,707	3,082	3,457	3,832	3,842	4,410
<b>Gross Domestic Product</b>	<b>76,889</b>	<b>83,860</b>	<b>82,450</b>	<b>75,909</b>	<b>84,631</b>	<b>105,211</b>	<b>124,264</b>	<b>131,137</b>	<b>129,250</b>

Source: IMF Country Report, JICA Study Team

Notes: Data for 1992 and 1993 are from the University of Oregon and the U.S. Department of the Interior.

**Normal Gross Domestic Product and Shares of Each Sub-sector (Normal Terms)**

(Unit: Percent)

Sectors/ Sub-sectors	1990	1991	1992	1993	1994	1995	1996	1997	1998 (Estimation)
Agriculture	2.99	2.98	2.68	2.99	2.77	2.30	2.01	1.87	2.05
Fisheries	22.95	25.15	15.84	7.65	5.87	3.92	2.64	2.68	2.70
<b>PRIMARY SECTOR</b>	<b>25.94</b>	<b>28.13</b>	<b>18.52</b>	<b>10.65</b>	<b>8.64</b>	<b>6.22</b>	<b>4.65</b>	<b>4.55</b>	<b>4.75</b>
Mining & quarrying	N/A	N/A	0.64	0.77	0.52	0.29	0.13	0.11	0.11
Manufacturing	0.69	0.75	0.72	0.74	0.87	0.88	0.89	0.74	0.79
Electricity, gas & water	3.71	4.42	1.04	1.22	0.72	0.28	-0.02	-0.38	-0.33
Construction	11.08	8.37	10.18	5.97	5.75	7.51	7.45	7.63	7.74
<b>SECONDARY SECTOR</b>	<b>15.48</b>	<b>13.54</b>	<b>12.58</b>	<b>8.70</b>	<b>7.87</b>	<b>8.95</b>	<b>8.45</b>	<b>8.09</b>	<b>8.31</b>
Wholesale and retail trade	15.63	16.45	17.00	18.50	17.43	19.38	19.76	17.23	15.73
Hotels & restaurants	8.14	8.12	6.61	8.45	8.43	12.94	13.28	12.56	11.09
Transport & communications	4.38	4.05	11.30	13.15	12.38	13.71	13.97	15.14	15.98
Finance & insurance	4.05	3.79	2.92	2.69	3.83	4.23	4.54	5.01	5.59
Real estate & business services	4.31	4.45	3.92	4.80	4.87	4.36	4.07	5.94	6.63
Public administration	18.48	17.92	22.36	26.93	27.16	22.05	21.65	22.36	22.34
Other services	3.60	3.55	3.47	3.91	6.94	5.82	7.33	7.13	7.13
<b>TERTIARY SECTOR</b>	<b>58.59</b>	<b>58.33</b>	<b>67.57</b>	<b>78.44</b>	<b>81.04</b>	<b>82.49</b>	<b>84.61</b>	<b>85.38</b>	<b>84.50</b>
<b>SUB-TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>98.67</b>	<b>97.79</b>	<b>97.55</b>	<b>97.65</b>	<b>97.70</b>	<b>98.02</b>	<b>97.56</b>
Less: Imputed bank charges	0	0	1.52	1.36	1.19	0.94	0.78	0.95	0.97
Plus: Import duties	0	0	2.85	3.57	3.64	3.29	3.08	2.93	3.41
<b>Gross Domestic Product</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: IMF Country Report, JICA Study Team

Notes: Data for 1992 and 1993 are from the University of Oregon and the U.S. Department of the Interior.

**Normal Gross Domestic Product and Growth Performance (Normal Terms)**

(Unit: Percent)

Parameter	1990	1991	1992	1993	1994	1995	1996	1997	1998 (Estimation)
Agriculture	Base	8.71	-11.46	2.85	3.21	3.15	3.02	-1.72	8.16
Fisheries	Base	19.53	-38.07	-55.53	-14.49	-16.97	-20.42	7.25	-0.99
<b>PRIMARY SECTOR</b>	Base	18.28	-35.25	-47.08	-9.51	-10.52	-11.75	3.38	2.76
Mining & quarrying	Base	N/A	N/A	11.17	-24.36	-32.21	-47.51	-12.66	5.07
Manufacturing	Base	19.89	-6.48	-5.41	32.14	24.46	19.65	-12.16	4.96
Electricity, gas & water	Base	30.19	-76.95	7.95	-34.13	-51.64	-106.80	2,410.00	-14.94
Construction	Base	-17.68	19.66	-45.97	7.36	62.31	17.15	8.08	0.00
<b>SECONDARY SECTOR</b>	Base	-4.56	-8.70	-36.30	0.85	41.41	11.46	1.07	1.23
Wholesale and retail trade	Base	14.85	1.57	0.21	5.03	38.21	20.46	-7.99	-10.00
Hotels & restaurants	Base	8.77	-19.92	17.74	11.12	90.83	21.26	-0.17	-13.00
Transport & communications	Base	0.77	174.15	7.16	4.97	37.73	20.28	14.41	4.00
Finance & insurance	Base	2.02	-24.28	-14.98	58.76	37.01	27.01	16.40	10.01
Real estate & business services	Base	12.74	-13.44	12.77	12.95	11.44	10.29	53.94	10.01
Public administration	Base	5.71	22.73	10.86	12.46	0.93	15.95	8.98	-1.50
Other services	Base	7.63	-4.00	3.88	97.81	4.15	48.78	2.75	-1.50
<b>TERTIARY SECTOR</b>	Base	8.58	13.90	6.88	15.19	26.53	21.14	6.50	-2.46
<b>SUB-TOTAL</b>	Base	9.07	-2.99	-8.76	11.22	24.45	18.16	5.88	-1.91
Less: Imputed bank charges	Base	N/A	N/A	-18.07	-1.75	-1.78	-1.81	28.21	0.00
Plus: Import duties	Base	N/A	N/A	15.14	13.85	12.17	10.85	0.26	14.78
<b>Gross Domestic Product</b>	Base	9.07	-1.68	-7.93	11.49	24.32	18.11	5.53	-1.44

Source: IMF Country Report, JICA Study Team

Notes: Data for 1992 and 1993 are from the University of Oregon and the US Department of Interior

**GDP Sectoral Composition and Average (Normal Terms)**

Sectors/ Sub-sectors	Normal GDP in 1990 (\$ thousand)	Normal GDP in 1990 (%)	Normal GDP in 1998 (\$ thousand)	Normal GDP in 1998 (%)	Normal GDP 1990-1998	
					(\$ thousand)	(%)
Agriculture	2,296	2.97	2,650	2.05	2,404	2.42
Fisheries	17,647	22.79	3,485	2.70	8,554	8.62
<b>PRIMARY SECTOR</b>	<b>19,943</b>	<b>25.76</b>	<b>6,135</b>	<b>4.75</b>	<b>10,958</b>	<b>11.04</b>
Mining & quarrying (1992)	528	0.68	145	0.11	256	0.26
Manufacturing	528	0.68	1,016	0.79	784	0.79
Electricity, gas & water	2,849	3.68	-427	-0.33	921	0.93
Construction	8,522	11.01	10,006	7.74	7,834	7.89
<b>SECONDARY SECTOR</b>	<b>12,427</b>	<b>16.05</b>	<b>10,740</b>	<b>8.31</b>	<b>9,795</b>	<b>9.87</b>
Trade	12,014	15.52	20,337	15.73	17,389	17.51
Hotels & restaurants	6,258	8.08	14,334	11.09	10,332	10.41
Transport & communications	3,371	4.35	20,649	15.98	12,092	12.18
Finance & insurance	3,112	4.02	7,231	5.59	4,209	4.24
Real estate & business services	3,313	4.28	8,571	6.63	4,895	4.93
Public administration	14,212	18.36	28,879	22.34	22,157	22.32
Other services	2,767	3.57	9,214	7.13	5,693	5.73
<b>TERTIARY SECTOR</b>	<b>45,047</b>	<b>58.19</b>	<b>109,215</b>	<b>84.50</b>	<b>76,767</b>	<b>77.32</b>
<b>SUB-TOTAL</b>	<b>77,417</b>	<b>100.00</b>	<b>126,090</b>	<b>97.56</b>	<b>97,520</b>	<b>98.22</b>
Less: Imputed bank charges	0	0.00	1,250	0.97	863	0.87
Plus: Import duties	0	0.00	4,410	3.41	2,631	2.65
<b>Gross Domestic Product</b>	<b>77,417</b>	<b>100.00</b>	<b>129,250</b>	<b>100.00</b>	<b>99,288</b>	<b>100.00</b>

Source: JICA Study Team

**Adjusted Growth Pattern Analysis of GDP (Normal Terms)**

Parameter	Normal GDP Accumulation 90-98	Average of 9 years	Average Sector Share 1990-98	Adjusted & weighted Growth Rate 1990-98
Agriculture	21,634	2,404	2.42099	0.03735
Fisheries	76,990	8,554	8.61570	-1.34890
<b>PRIMARY SECTOR ***</b>	<b>98,624</b>	<b>10,958</b>	<b>11.03669</b>	<b>-1.31155</b>
Mining & quarrying *	2,301	256	0.25750	-0.04257
Manufacturing	7,060	784	0.79006	0.05746
Electricity, gas & water **	8,289	921	0.92760	-0.49855
Construction	70,508	7,834	7.89032	0.13643
<b>SECONDARY SECTOR ***</b>	<b>88,158</b>	<b>9,795</b>	<b>9.86548</b>	<b>-0.34723</b>
Wholesale and retail trade	156,502	17,389	17.51363	1.01609
Hotels & restaurants	92,990	10,332	10.40621	0.96898
Transport & communications	108,825	12,092	12.17825	2.64165
Finance & insurance	37,877	4,209	4.23869	0.40188
Real estate & business services	44,057	4,895	4.93028	0.53063
Public administration	199,411	22,157	22.31544	1.76423
Other services	51,240	5,693	5.73410	0.79374
<b>TERTIARY SECTOR ***</b>	<b>690,902</b>	<b>76,767</b>	<b>77.31661</b>	<b>8.11720</b>
<b>SUB-TOTAL</b>				
Less: Imputed bank charges *	7,764	863	0.86884	-0.00059
Plus: Import duties *	23,681	2,631	2.65006	0.24988
<b>Gross Domestic Product</b>	<b>893,601</b>	<b>99,289</b>	<b>100.00000</b>	<b>6.70771</b>

Source: JICA Study Team

Notes:

\* Excluding 1990 and 1991 due to data unavailability.

\*\* Up to an Output value of US\$1, since Output values are negative since 1996.

\*\*\* Calculated by adding individual sub-sector weights.

### Age Distribution in Selected Years

	1958	1967	1970	1973	1980	1986	1990	1995
Figures								
0 to 4 years	1,512	1,971	1,803	1,897	1,401	1,576	1,513	1,762
5 to 9 years	1,471	1,869	1,733	2,011	1,701	1,546	1,529	1,551
10 to 14 years	943	1,653	1,642	1,825	1,732	1,727	1,534	1,527
15 to 19 years	937	1,315	1,379	1,549	1,565	1,523	1,464	1,282
20 to 24 years	730	641	877	1,078	1,081	1,429	1,340	1,427
25 to 29 years	488	482	545	718	826	1,158	1,403	1,741
30 to 34 years	495	425	490	555	694	1,015	1,338	1,717
35 to 39 years	467	438	456	528	503	831	1,243	1,583
40 to 44 years	455	412	468	442	494	637	873	1,261
45 to 49 years	273	434	432	437	396	524	666	943
50 to 54 years	262	352	385	418	384	394	513	603
55 to 59 years	225	239	277	363	408	415	403	488
60 to 64 years	163	200	217	211	287	349	387	361
65 to 69 years	186	178	187	205	284	303	332	328
70 to 74 years	112	119	102	140	130	179	249	278
75 years and over	165	244	217	253	230	267	335	373
TOTAL	8,884	10,972	11,210	12,630	12,116	13,873	15,122	17,225
Median	17.8	15.0	16.5	16.9	18.8	22.0	25.6	28.1
Share								
0 to 4 years	17.02	17.96	16.08	15.02	11.56	11.36	10.01	10.23
5 to 9 years	16.56	17.03	15.46	15.92	14.04	11.14	10.11	9.00
10 to 14 years	10.61	15.07	14.65	14.45	14.30	12.45	10.14	8.87
15 to 19 years	10.55	11.99	12.30	12.26	12.92	10.98	9.68	7.44
20 to 24 years	8.22	5.84	7.82	8.54	8.92	10.30	8.86	8.28
25 to 29 years	5.49	4.39	4.86	5.68	6.82	8.35	9.28	10.11
30 to 34 years	5.57	3.87	4.37	4.39	5.73	7.32	8.85	9.97
35 to 39 years	5.26	3.99	4.07	4.18	4.15	5.99	8.22	9.19
40 to 44 years	5.12	3.76	4.17	3.50	4.08	4.59	5.77	7.32
45 to 49 years	3.07	3.96	3.85	3.46	3.27	3.78	4.40	5.47
50 to 54 years	2.95	3.21	3.43	3.31	3.17	2.84	3.39	3.50
55 to 59 years	2.53	2.18	2.47	2.87	3.37	2.99	2.66	2.83
60 to 64 years	1.83	1.82	1.94	1.67	2.37	2.52	2.56	2.10
65 to 69 years	2.09	1.62	1.67	1.62	2.34	2.18	2.20	1.90
70 to 74 years	1.26	1.08	0.91	1.11	1.07	1.29	1.65	1.61
75 years and over	1.86	2.22	1.94	2.00	1.90	1.92	2.22	2.17
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: JICA Study Team

Notes: N/A means not applicable

### Labor Force Participation by Gender

	1980			1990			1995		
	Born in Palau	Born Elsewhere	TOTAL	Born in Palau	Born Elsewhere	TOTAL	Born in Palau	Born Elsewhere	TOTAL
All									
Total 16 years and over	6,387	579	6,966	7,874	2,364	10,238	8,121	3,993	12,114
In the labor force	2,494	402	2,896	4,161	1,911	6,072	4,815	3,553	8,368
Not in labor force	3,893	177	4,070	3,713	453	4,166	3,306	440	3,746
Male									
Total 16 years and over	3,215	407	3,622	4,045	1,570	5,615	4,127	2,422	6,549
In the labor force	1,582	322	1,904	2,503	1,330	3,833	2,781	2,275	5,056
Not in labor force	1,633	85	1,718	1,542	240	1,782	1,346	147	1,493
Female									
Total 16 years and over	3,172	172	3,344	3,829	794	4,623	3,994	1,571	5,565
In the labor force	912	80	992	1,658	581	2,239	2,034	1,278	3,312
Not in labor force	2,260	92	2,352	2,171	213	2,384	1,960	293	2,253
Share of Palauans in 16 years and over									
All	91.69			76.91			67.04		
Male	88.76			72.04			63.02		
Female	94.86			82.83			71.77		
Share of Palauans in the labor force									
All	86.12			68.53			57.54		
Male	83.09			65.30			55.00		
Female	91.94			74.05			61.41		
Share of Palauans not in the labor force									
All	95.65			89.13			88.25		
Male	95.05			86.53			90.15		
Female	96.09			91.07			87.00		
Share of all labor force in 16 years and over			41.57			59.31			69.08
Share of Palauan labor force in 16 years and over			35.80			40.64			39.75
Share of Palauan labor force in total labor force			86.12			68.53			57.54

Source: Office of Planning and Statistics in 1999



**Output Per employment and Productivity Indicators 1990, 1995 and 1998**

Economic sub-sectors	Output value (\$ thousand)				Employment			
	1990	1995	1998	Average 1990/98	1990	1995	1998	Average 1990/98
Agriculture, Fishing & Mining	19,943	6,845	6,280	11,214	446	724	768	679
Construction & Manufacturing	9,080	8,824	11,022	8,619	954	1,165	1,236	1,146
Transport, Com. & Utilities	6,220	14,723	20,222	13,013	477	435	462	485
Trade, Restaurant & Hotels	18,272	33,998	34,671	27,721	800	1,448	1,537	1,287
Finance, Insurance & Real Estate	6,425	9,035	15,802	9,104	119	122	129	150
Services	2,767	6,119	9,214	5,693	687	1,573	1,669	1,338
Public Administration	14,212	23,203	28,879	22,157	2,116	2,292	2,432	2,312
<b>TOTAL</b>	<b>76,919</b>	<b>102,747</b>	<b>126,090</b>	<b>97,521</b>	<b>5,599</b>	<b>7,759</b>	<b>8,233</b>	<b>7,397</b>
Economic sub-sectors	Output Value/Employee (\$)				Rate of Changes (%)			
	1990	1995	1998	Average 1990/98	1990 to 95	1995 to 98	1990 to 98	
Agriculture, Fishing & Mining	44,715	9,454	8,177	16,515	-26.71	-4.72	-19.13	
Construction & Manufacturing	9,518	7,574	8,917	7,521	-4.47	5.59	-0.81	
Transport, Com. & Utilities	13,040	33,846	43,771	26,831	21.02	8.95	16.34	
Trade, Restaurant & Hotels	22,840	23,479	22,558	21,539	0.55	-1.33	-0.16	
Finance, Insurance & Real Estate	53,992	74,057	122,496	60,693	6.52	18.26	10.78	
Services	4,028	3,890	5,521	4,255	-0.69	12.38	4.02	
Public Administration	6,716	10,123	11,875	9,583	8.55	5.46	7.38	
<b>TOTAL</b>	<b>13,738</b>	<b>13,242</b>	<b>15,315</b>	<b>13,184</b>	<b>-0.73</b>	<b>4.97</b>	<b>1.37</b>	

Source: JICA Study Team

Note: Employment in 1998 refer to "Palau Travel & Tourism-An Economic Perspective"

### Average Gross Wages by Sub-sector

(Unit: \$ per year per worker)

Sub-sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	Av. Worker 1998
Agriculture	4,777	1,815	3,552	3,171	3,335	2,809	2,908	3,089	3,136	76
Fishing	3,562	5,085	5,583	5,540	5,460	4,805	4,117	4,683	4,983	127
PRIMARY	4,170	3,450	4,568	4,356	4,398	3,807	3,513	3,886	4,060	203
Mining & Quarrying	0	0	0	0	0	0	0	0	0	0
Manufacturing	4,248	3,459	3,718	4,015	4,827	3,303	1,942	5,646	5,483	36
Utilities	6,353	6,144	6,383	5,479	6,679	4,797	5,022	9,509	9,126	187
Construction	4,076	3,834	4,470	4,793	4,131	4,860	5,033	5,143	4,976	36
SECONDARY	4,892	4,479	4,857	4,762	5,212	4,320	3,999	6,766	6,528	259
Wholesale Trade	4,875	5,571	6,018	6,037	6,628	6,710	7,357	8,236	6,112	83
Merchandise Retail	4,491	4,847	5,177	5,256	5,587	5,411	5,465	5,766	6,044	1,075
Food Stores	3,982	2,780	3,196	3,730	3,812	3,898	3,850	4,080	4,202	133
Other Retail	5,387	6,666	6,746	5,236	3,508	4,641	5,192	5,873	5,781	43
Trade & Retail	4,684	4,966	5,284	5,065	4,884	5,165	5,466	5,989	5,535	1,334
Hotels, Motels & Apt.	4,964	5,454	6,008	6,047	5,509	6,249	6,315	5,123	6,548	761
Restaurants/Bars	3,395	2,257	3,884	4,119	5,145	4,343	4,079	4,562	4,122	428
Hotels & Restaurants	4,180	3,856	4,946	5,083	5,327	5,296	5,197	4,843	5,335	1,189
Land Transport	5,586	5,024	5,158	5,469	6,193	5,487	5,394	5,444	5,574	215
Water Transport	8,218	8,061	8,791	7,910	6,643	6,482	6,794	7,682	7,882	118
Air Transportation	10,377	8,119	9,237	10,656	9,254	10,164	9,839	10,723	9,678	48
Transport (excluding communication)	8,060	7,068	7,729	8,012	7,363	7,378	7,342	7,950	7,711	381
Banking	10,459	10,684	11,523	12,805	13,564	13,727	13,640	14,312	14,797	88
Credit Unions, etc.	5,438	4,813	5,516	5,959	9,639	8,568	10,027	10,392	9,813	7
Insurance Agents	9,207	10,922	10,680	9,916	11,296	11,611	12,070	11,683	13,392	15
Finance & Insurance	8,368	8,806	9,240	9,560	11,500	11,302	11,912	12,129	12,667	110
Public Administration	7,678	8,658	8,951	8,836	9,681	10,249	10,488	11,294	11,185	2,961
Tourist Services	6,114	5,977	3,656	6,121	7,143	7,685	6,903	6,483	7,306	206
Auto. & Other Service	3,963	3,755	4,564	4,673	4,391	4,522	4,824	5,362	4,772	193
Legal Services	10,184	8,099	9,769	9,388	9,143	8,571	10,417	11,476	13,095	52
Private Households	2,533	1,596	1,906	1,930	1,412	1,361	1,456	1,658	1,623	194
Other Services	4,097	3,942	5,229	4,737	4,454	4,929	5,229	5,434	5,849	563
Religious Organ.	5,058	5,181	4,310	5,128	5,312	5,470	6,012	5,969	5,788	51
Non-profit Organ.	3,592	3,253	3,320	3,790	4,881	5,003	5,403	4,514	5,709	107
Other Services	5,077	4,543	4,679	5,110	5,248	5,363	5,749	5,842	6,306	1,366
TERTIARY	6,341	6,316	6,805	6,944	7,334	7,459	7,692	8,008	8,123	7,341
Average of total economy	5,134	4,748	5,410	5,354	5,648	5,195	5,068	6,220	6,237	7,803

Source: Republic of Palau, Economic Report by Bank of Hawaii in February 2000

Note: There are no data on the "mining & quarrying" sub-sector.

**Population, Employment & Income of 16 States in 1995**

	Total Population	Employee	Employee in total population	Population Growth (%)			Per capita income in 1994
				1973 to 1995	1986 to 1995	1990 to 1995	
Aimelik	419	182	43.4	1.439	4.457	-0.928	1,542
Airal	1,481	693	46.8	3.217	4.219	3.717	2,504
Angaur	193	52	26.9	-1.629	-1.141	-1.295	1,012
Hatohobei	51	37	72.5	0.276	4.272	18.312	1,176
Kayangel	124	37	29.8	-1.208	0.841	-1.974	1,048
Koror	12,299	6,034	49.1	2.170	2.981	3.211	3,098
Melekeok	261	53	20.3	-0.851	0.303	1.356	704
Ngardmau	162	51	31.5	-4.310	0.349	1.687	1,399
Ngaraard	421	88	20.9	-2.440	-1.169	6.312	1,080
Ngatapang	221	74	33.5	-2.514	0.101	28.944	2,091
Ngchesar	228	101	44.3	4.369	-1.901	-4.498	1,544
Ngarchelong	253	63	24.9	-1.348	-1.002	-6.497	848
Ngaremlengui	281	93	33.1	1.421	-0.761	0.000	1,273
Ngiwal	176	42	23.9	-1.344	-2.350	-5.538	1,103
Pelielu	575	133	23.1	-0.604	0.597	-0.881	1,111
Sonsorol	80	26	32.5	-0.432	7.422	5.573	973
<b>Total</b>	<b>17,225</b>	<b>7,759</b>	<b>45.0</b>	<b>1.405</b>	<b>2.434</b>	<b>2.638</b>	<b>2,440</b>

Source: 1995 Census

**Per Capita Output Analysis (Normal Terms)**

Sectors/sub-sectors	Unit	1990	1995	1998
Population Size (mid-year)	No.	15,207	17,037	18,110
Normal GDP	\$ thousand	76,889	105,211	129,250
Implied Per Capita Income	\$	5,056	6,175	7,137
Total Employment	No.	5,599	7,759	8,233
Per Capita Sector Output	US\$			
Agriculture		151.0	142.0	146.3
Fisheries		1,160.5	242.1	192.4
PRIMARY		1,311.4	384.1	338.8
Mining & quarrying		N/A	17.7	8.0
Manufacturing		34.7	54.1	56.1
Utilities		187.4	17.3	-23.6
Construction		560.4	463.9	552.5
SECONDARY		782.5	552.9	593.0
Trade		790.0	1,196.7	1,123.0
Hotels & restaurants		411.5	798.9	791.5
Transport & communication		221.7	846.9	1,140.2
Real estate		217.9	269.4	473.3
Public administration		934.6	1,361.9	1,561.5
Other services		182.0	359.2	508.8
TERTIARY		2,962.3	5,093.9	6,030.7
Bank charges		N/A	58.3	69.0
Import duty		N/A	202.9	243.5
GDP Per Capita		5,056.2	6,175.4	7,136.9
Employment by Major Sector				
Agriculture, fisheries & mining	No.	446	724	784
Implied output value/employee	US\$	44,715.2	9,454.0	7,825.4
Construction	No.	861	1,087	N/A
Implied output value/employee	US\$	9,898.0	9,205.0	N/A
Manufacturing	No.	93	78	N/A
Implied output value/employee	US\$	5,677.0	11,808.0	N/A
Transport, storage, communication and public utilities	No.	477	435	471
Implied output value/employee	US\$	13,040.0	33,846.0	43,840.8
Wholesale, retail, restaurant & hotels	No.	800	1,448	1,567
Implied output value/employee	US\$	7,823.0	9,399.0	9,147.4
Finance, insurance, real estate	No.	119	122	132
Implied output value/employee	US\$	53,992.0	74,057.0	64,931.8
Services *	No.	687	1,573	1,703
Implied output value/employee	US\$	4,028.0	3,890.0	5,410.5
Public administration	No.	2,116	2,292	2,481
Implied output value/employee	US\$	6,716.0	10,123.0	11,640.1

Source: JICA Study Team

Notes: Tourism includes only the categories tourist & business entry purposes. Excluded are the entry purposes of "employment" and "others".

\* Include business, repair, personal, entertainment & recreation, health, education and social services.

## Balance of Payment and Trade

### Balance of Payments (Normal Terms)

(Unit: \$ thousand)

Items	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Exports f.o.b.	17,739	12,582	13,868	13,907	11,814	11,095	10,994
Imports f.o.b. <sup>*1</sup>	-42,209	-44,240	-60,438	-72,424	-72,894	-63,222	-63,258
TRADE BALANCE	-24,470	-31,658	-46,570	-58,517	-61,080	-52,127	-52,264
SERVICES ACCOUNT	5,890	17,023	23,958	34,447	41,204	40,292	36,254
Receipts	17,698	29,429	40,554	54,213	61,220	58,003	53,476
Travel <sup>*2</sup>	17,698	29,429	40,554	54,213	61,220	58,003	53,476
Payments	-11,808	-12,406	-16,596	-19,766	-20,016	-17,711	-17,222
F. & i. <sup>*3</sup>	-10,552	-11,060	-15,109	-18,106	-18,223	-15,805	-15,369
Travel	-1,256	-1,346	-1,487	-1,660	-1,793	-1,906	-1,853
INCOME	3,202	-177	10,458	10,159	17,857	6,619	7,590
Investment income	3,202	-177	10,458	10,159	17,857	6,619	7,590
Interest payment	0	0	0	0	0	0	0
CURRENT TRANSFERS	23,621	23,031	80,499	26,557	23,680	22,383	16,383
Private	-4,826	-5,745	-4,818	-5,408	-6,404	-6,061	-6,030
Inflows	736	797	880	983	1,062	1,129	1,164
Outflows	-5,562	-6,542	-5,698	-6,391	-7,466	-7,190	-7,194
Official	28,447	28,776	85,317	31,965	30,084	28,444	22,413
Fishing rights	855	931	1,001	1,000	867	800	825
Grants	27,592	27,845	84,643	31,060	29,598	28,435	21,969
Other <sup>*4</sup>	0	0	-327	-95	-381	-791	-381
CURRENT ACCOUNT (including official grants)	8,243	8,219	68,345	12,646	21,661	17,167	7,963
CURRENT ACCOUNT (excluding official grants)	-19,349	-19,626	-16,298	-18,414	-7,937	-11,268	-14,006
CAPITAL & FINANCIAL ACCOUNT	3,792	12,671	57,129	4,974	171	-2,054	-1,921
Capital grants <sup>*5</sup>	3,792	12,671	61,629	7,974	3,571	1,546	2,149
Loan repayment <sup>*6</sup>	0	0	-4,500	-3,000	-3,400	-3,600	-4,070
ERRORS & OMISSIONS	-12,273	-21,270	-29,165	-29,838	-24,917	-11,017	-25,352
OVERALL BALANCE <sup>*7</sup>	-238	-380	96,309	-12,218	-3,085	4,096	-19,310

Source: IMF Country Report, Office of Planning and Statistics

Notes: <sup>\*1</sup> Includes Government and tax exempt imports.

<sup>\*2</sup> Estimated on the basis of official data on the number of visitors to Palau, and data on average length of stay and average daily spending

<sup>\*3</sup> Estimated by the IMF at 25% of the f.o.b. value of imports.

<sup>\*4</sup> Contributions to regional and international organizations.

<sup>\*5</sup> Grants received for capital improvements.

<sup>\*6</sup> Principal payment on external debts.

<sup>\*7</sup> Reflects the changes in the financial holdings of the GOP, excluding COMPACT Section 211(f) Trust Fund.

### Imports by Product Category 1994 to 1997

(Unit: \$ thousands, f.o.b.)

Items	1994	1995	1996	1997	1998	Average 1994 to 1997
Value						
Food & live animals	6,647	9,164	9,317	10,987	8,462	9,029
Beverages & tobacco	3,816	5,002	5,428	6,165	5,531	5,103
Crude materials, in edible except fuel	33	187	118	199	172	134
Mineral fuels, lubricants & rel. minerals	19,882	15,057	20,886	8,341	14,761	16,041
Animal & vegetable oils, fats & waxes	112	234	204	268	235	204
Chemicals & related products	1,147	2,306	1,949	2,818	2,396	2,055
Manufactured Goods	3,546	4,765	4,930	5,713	5,090	4,738
Machinery & transport equipment	5,936	13,246	23,846	17,599	18,045	15,157
Misc. Manu. Articles	7,100	12,567	12,758	17,148	11,037	12,393
Commodities & Transactions n.e.c.	363	191	199	51	147	201
<b>Total Import</b>	<b>48,582</b>	<b>62,719</b>	<b>79,636</b>	<b>69,289</b>	<b>65,876</b>	<b>65,057</b>
Share						
Food & live animals	13.68	14.61	11.70	15.86	12.84	13.88
Beverages & tobacco	7.85	7.98	6.82	8.90	8.40	7.84
Crude materials, in edible except fuel	0.07	0.30	0.15	0.29	0.26	0.21
Mineral fuels, lubricants & rel. minerals	40.92	24.01	26.23	12.04	22.41	24.66
Animal & vegetable oils, fats & waxes	0.23	0.37	0.26	0.39	0.36	0.31
Chemicals & related products	2.36	3.68	2.45	4.07	3.64	3.16
Manufactured Goods	7.30	7.60	6.19	8.25	7.73	7.28
Machinery & transport equipment	12.22	21.12	29.94	25.40	27.39	23.30
Misc. Manu. Articles	14.61	20.04	16.02	24.75	16.75	19.05
Commodities & Transactions n.e.c.	0.75	0.30	0.25	0.07	0.22	0.31

Source: IMF Country Report

**Imports by Origin 1996 and 1997**  
(Unit: \$ thousand, f.o.b.)

	1996	1997
Value		
United States	27,010	27,872
Guam	12,473	12,223
Japan	9051	9348
Singapore	23,412	9,047
Taiwan	2,391	3,465
China	42	1,685
Hong Kong	1,070	1,245
Philippines	1,053	1,221
Australia	1,463	994
Saipan	440	690
New Zealand	238	590
Korea	570	517
Other countries	423	391
Total Import	79,636	69,289
Share		
United States	33.92	40.23
Guam	15.66	17.64
Japan	11.37	13.49
Singapore	29.40	13.06
Taiwan	3.00	5.00
China	0.05	2.43
Hong Kong	1.34	1.80
Philippines	1.32	1.76
Australia	1.84	1.43
Saipan	0.55	1.00
New Zealand	0.88	2.12
Korea	4.57	4.23
Other countries	4.67	4.18

Source: IMF Country Report

Governmental budget

Budget Operations of the National Government (Normal Terms)

(Unit: \$ thousand)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Total revenue & grants	49,408	49,619	166,176	65,960	72,270	73,366	64,545
Tax revenue	11,269	12,712	13,351	15,637	16,829	19,037	18,924
Salaries & wages	3,060	3,455	3,822	4,096	4,620	4,720	5,152
Import tax	2,707	3,258	3,136	3,298	3,850	4,410	4,972
Gross revenue tax	4,194	4,753	4,774	6,068	6,260	6,260	5,615
Other	1,308	1,246	1,619	2,175	2,099	3,647	3,185
Non-tax revenue	6,755	6,050	9,808	12,872	22,269	24,348	21,682
Fishery rights income	224	198	230	210	130	120	137
Fees & charges	3,394	3,824	1,247	1,195	1,158	1,440	3,072
Other	2,696	1,549	1,043	1,713	2,088	15,288	1,633
Local Trust Fund	441	479	1,082	1,574	1,786	2,696	2,377
Investment income	N/A	N/A	6,206	8,180	17,107	4,804	14,463
Compact	N/A	N/A	6,206	8,180	14,055	4,804	14,463
Other	N/A	N/A	N/A	N/A	3,052	0	0
Grants	31,384	30,857	143,017	37,451	33,172	29,981	23,939
Compact	N/A	N/A	126,467	23,522	22,356	21,220	13,570
Other grants <sup>*1</sup>	31,384	30,857	16,550	13,929	10,816	8,761	10,369
Total expenditures	46,576	50,383	65,168	75,148	76,542	64,617	71,488
Current expenditures	42,784	47,371	56,639	58,145	58,252	54,761	63,775
Wages & salaries	20,442	22,989	23,203	25,820	27,777	27,355	29,016
Purchase goods/service	21,985	21,958	23,627	19,896	25,298	22,982	27,244
Interest payments	0	0	0	0	0	0	0
Subsidies/Other current transfers <sup>*2</sup>	357	2,424	9,809	12,429	5,177	4,424	7,515
Public enterprises	207	266	5,543	7,889	3,037	1,964	6,685
Other	150	2,158	4,266	4,540	2,140	2,460	830
Capital expenditures	3,792	3,012	8,529	17,003	18,290	9,856	7,713
Errors & Omissions							
Accounts Payable/Receivable	-2,592	1,143	-115	-29	4,590	-1,053	-7,103
OVERALL BALANCE	240	379	100,893	-9,217	318	7,696	-14,046
Financing	239	380	-100,810	9,217	-318	-7,696	14,046
Net long-term borrowing	0	0	-4,500	-3,000	-3,400	-3,600	-4,067
New borrowing	0	0	0	0	0	0	0
Principal repayments	0	0	4,500	3,000	3,400	3,600	4,067
Other (-) equal increasing assets <sup>*3</sup>	239	380	-96,310	12,217	3,082	-4,096	18,113

Source: JICA Study Team based on IMF data.

Notes: <sup>\*1</sup> Reflects DOI grants for operation, DOI grants for CIP, Non DOI capital projects, grants from U.S. grantor agencies and other countries' grants.

<sup>\*2</sup> including subsidies & transfers for current operations.

<sup>\*3</sup> Excluding Trust Fund.



### Summary of Tax Structure (1/2)

Type of Tax	Nature of Tax	Exemptions & Deductions	Rate Structure
Wages & salaries tax	<p>The wages &amp; salaries tax is payable on the gross income from wages and salaries of all individuals, who work in the ROP. This includes Palauans, U.S. citizens, and other expatriates who work under contracts.</p> <p>The wages &amp; salaries tax is payable to the National Treasury within 30 days after making disbursement of wages &amp; salaries to the employee</p> <p>This is applicable to all citizens and non-citizens. U.S. embassy personnel are not subject to the tax.</p>	There is annual exemption of \$ 2,000.	<p>6 percent (\$0 to \$ 8,000 p.a.)</p> <p>12 percent over \$ 8,000 p.a.</p>
Gross revenue tax	<p>Business taxes are payable on gross receipts and are applicable to sole ownership, partnerships, and corporations.</p> <p>The gross revenue tax is payable on or before the 30th day following the close of each quarter.</p>	100 percent of wages and salaries of citizens and 50 percent of wages and salaries of non-citizens are allowable deductions.	4 percent on the total after allowable deductions.
Net income tax	<p>Financial institutions.</p> <p>The net income tax is payable on or before the 30th day following the close of each quarter.</p>	<p>100 percent of wages and salaries of citizens and 50 percent of wages and salaries of non-citizens</p> <p>Interest or discounts paid, ordinary operating expenses such as supplies, utility services, insurance premiums, other than life insurance, provided that any deductible insurance expenses shall be allowable only to the extent that such a premium is applicable to the tax period against which it is claimed, loans or obligations charged against reserves then in existence, losses other than loan losses, such as those occasioned by fire or other casualty, theft, embezzlement, and the like, but only to the extent not covered by proceeds collected, transfers from earnings to reserve for bad debts or other contingencies provided for, miscellaneous direct expenses such as legal, advertising, auditing, and the like, loss on property sold and depreciation on property owned.</p>	

### Summary of Tax Structure (2/2)

Type of Tax	Nature of Tax	Exemptions & Deductions	Rate Structure
Import tax.	<p>Every person who imports products in the ROP for commercial purposes shall pay import taxes.</p> <p>Cigarettes Tobacco products other than cigarettes. Perfumery, cosmetics, including cologne and other toilet waters, articles of perfumery, and all preparations to the hair and skin, except soap, toothpaste, shampoo, and the like, lipsticks, pomades, powders, and other toilet preparations not having medicinal properties. Carbonated soft drinks. Beer Liquor Wine Wine coolers Liquid fuel Vehicles  All other imported products</p>	<p>Medicines, medical supplies, foodstuffs for human consumption products for government and for personal use are exempt, except for vehicles.</p>	<p>\$ 0.50 per 20 sticks. 150 percent ad valorem. 25 percent ad valorem.</p> <p>\$ 0.10 per 12 oz. \$ 0.03 per oz. \$ 0.30 per oz. \$ 0.20 per oz. \$ 0.05 per oz. \$ 0.05 per gal 5 percent ad valorem and \$ 250.00 per vehicle. 3 percent ad valorem.</p>
Hotel/Motel room tax.	<p>Every hotel and motel business is required to collect room tax from guests and hold in trust and pay over to the National Treasury. The room tax is payable on or before the 15th of every month.</p>		10 percent of net room charge.
Amusement device tax.	<p>Every person who, at any time during the tax year, owns a coin activated amusement device for business shall pay an amusement device tax. The tax is payable within 30 days of its purchase or on or before the 31st day of January.</p>		\$ 200.00 per device.
Travelers head tax.	<p>Every person departing from the ROP whether by aircraft or by vessel shall pay a departure tax.</p>	<p>Palauan students, children under the age of 3 and masters, pilots and other crewmembers of aircraft or vessels are exempt.</p>	\$ 20.00 per person.
Road use tax.	<p>Every person who owns a motor vehicle shall pay annual road use tax. Road use tax is based on motor vehicle weight. The tax is payable at the time of registration.</p>	<p>National government and public corporations owned motor vehicles are exempt.</p>	<p>\$ 50.00 (0- 2,000 lbs.) \$ 75.00 (2,000 - 4,000 lbs.) \$ 150.00 for over 4,000 lbs.</p>
Foreign water vessel tax.	<p>Every non-resident-owned water vessel entering the ROP shall be assessed and levied a tax. A nonresident-owned water vessel present in the ROP for more than one year shall be assessed and levied annual tax.</p>	<p>U.S. military and common carrier-owned vessels are exempt.</p>	<p>\$ 50.00 per entry. \$ 250.00 annual tax.</p>
Fish export tax	<p>Every person exporting any species of tuna or billfish in any form for commercial purposes shall pay tax.</p>		\$ 0.25 per kg.
Vessel cabin tax	<p>A tax levied against paying passengers taking overnight cabin accommodations on ships or water vessels owned or operated by persons or business entities licensed to do business in the ROP.</p>		10 percent of cabin charge or \$ 10.00 per day or fraction thereof whichever is greater

Source: IMF Country Report

### Grants from United States

(Unit: \$ thousand)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Basic grants	21,227	18,622	18,856	19,220	11,762	12,294	12,450	12,605	12,761
Operations	14,948	12,781	12,781	12,781	7,781	7,781	7,781	7,781	7,781
Inflation adjustment	6,279	5,841	6,075	6,439	3,981	4,513	4,669	4,824	4,980
Energy-Section 211(b)	28,000	0	0	0	0	0	0	0	0
Inflation adjustment	12,880	0	0	0	0	0	0	0	0
Trust Fund 211(f)	66,000	0	4,000	0	0	0	0	0	0
Capital improvements	36,000	0	0	0	0	0	0	0	0
Inflation adjustment	16,560	0	0	0	0	0	0	0	0
Military Options	5,500	0	0	0	0	0	0	0	0
Special program assistance	6,300	4,900	3,500	2,000	2,000	2,000	2,000	2,000	2,000
<b>TOTAL DIRECT PAYMENTS</b>	<b>192,467</b>	<b>23,522</b>	<b>26,356</b>	<b>21,220</b>	<b>13,762</b>	<b>14,294</b>	<b>14,450</b>	<b>14,605</b>	<b>14,761</b>
Federal services									
Road system construction	53,000	0	96,000	0	0	0	0	0	0
Weather, post, aviation	1,340	1,490	1,640	1,790	1,940	2,090	2,240	2,390	2,540
<b>TOTAL FEDERAL SERVICES</b>	<b>54,340</b>	<b>1,490</b>	<b>97,640</b>	<b>1,790</b>	<b>1,940</b>	<b>2,090</b>	<b>2,240</b>	<b>2,390</b>	<b>2,540</b>
<b>TOTAL COMPACT AID</b>	<b>246,807</b>	<b>25,012</b>	<b>123,996</b>	<b>23,010</b>	<b>15,702</b>	<b>16,384</b>	<b>16,690</b>	<b>16,995</b>	<b>17,301</b>
Other US assistance *	16,245	13,360	10,586	8,172	9,558	7,646	6,117	4,894	3,915
<b>TOTAL US GRANTS</b>	<b>263,052</b>	<b>38,372</b>	<b>134,582</b>	<b>31,182</b>	<b>25,260</b>	<b>24,030</b>	<b>22,807</b>	<b>21,889</b>	<b>21,216</b>

Source: IMF Country Report

Note: \* Other U.S. assistance is received based on the proposals submitted to each grantor agency.

Scheduled phasing out is 25 percent reduction of grant authorization for each FY. However, there are available old and new programs for which the ROP is eligible.

### National Government Expenditures by Budget Category

(Unit: US\$ thousand)

Expenditure Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Office of the President	1,013	1,221	1,251	985	1,408	1,645	1,879
Office of the Vice-President	330	346	390	410	437	507	442
<b>Ministries</b>							
State	1,116	1,234	1,627	1,846	1,731	1,859	2,244
Administration	2,752	1,578	1,618	2,204	1,953	1,911	2,587
Health	0	5,833	7,608	8,030	9,704	9,147	9,536
Education	0	9,741	11,204	8,844	9,173	8,833	9,735
Community & Cultural Affairs	0	920	1,010	726	654	815	748
Social Services	15,055	0	0	0	0	0	0
Justice	1,565	2,030	2,308	2,458	2,973	2,970	3,870
Resources & Development	0	8,274	4,736	3,931	4,830	5,534	7,719
Commerce & Trade	0	407	810	914	1,559	1,753	1,386
Natural Resources	9,597	0	0	0	0	0	0
Boards, Community & Authorities	465	598	1,208	835	791	454	335
Office of the Public Auditor	344	378	391	527	608	566	779
Office of the Special Prosecutor	175	156	136	188	117	62	213
O.E.K. (Congress)	2,597	3,227	3,470	3,261	3,651	3,384	3,394
Grants to State Governments	3,266	3,484	3,268	1,747	4,682	4,612	4,514
Judiciary	1,390	1,464	1,618	1,793	1,915	2,045	2,206
Other	2,748	4,056	4,260	7,018	6,890	5,204	4,174
Capital expenditures	3,792	3,012	8,529	17,003	18,290	9,856	7,713
Interest payments	14	0	0	0	0	0	0
Operating transfers *	357	2,424	9,809	12,429	5,176	3,460	4,066
Public enterprises	207	266	5,543	7,889	3,036	1,000	2,121
Other	150	2,158	4,266	4,540	2,140	2,460	1,945
<b>TOTAL</b>	<b>46,576</b>	<b>50,383</b>	<b>65,251</b>	<b>75,149</b>	<b>76,542</b>	<b>64,617</b>	<b>67,542</b>

Source: The Audit of Financial Statements, Office of Planning and Statistics.

Notes: \* Includes subsidies and other transfers for current operations.

### Operating Accounts of the State Governments

Items	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
<b>Revenues</b>	<b>3,857</b>	<b>3,832</b>	<b>1,768</b>	<b>6,687</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Grant from National Government	2,704	2,612	1,303	4,960	3,940	4,067	4,514
Fishing right fees	669	885	346	847	874	875	912
Interest income	3	2	5	27	N/A	N/A	N/A
Others	481	333	114	853	N/A	N/A	N/A
<b>Expenditures</b>	<b>3,550</b>	<b>4,072</b>	<b>1,830</b>	<b>5,889</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Salaries & wages	650	654	334	1,451	N/A	N/A	N/A
Capital expenditure	637	1,023	399	2,815	1,275	1,139	3,388
Others	2,263	2,395	1,097	1,623	N/A	N/A	N/A
Net collection (deficit)	306	-239	-62	799	N/A	N/A	N/A
Fund balance (beginning of the year)	384	690	451	390	N/A	N/A	N/A
Fund balance (end of the year)	690	451	390	1,189	N/A	N/A	N/A

Source: IMF Country Report

Note: State Government Audit Report for 1997, 1998 and 1999 has not been published

### Financial Position of the COMPACT Section 211(f) Trust Fund

(Unit: \$ thousand)

Expenditure Item	1994/95	1995/96	1996/97	1997/98	1998/1999
Total receipts	71,034	6,961	28,861	17,599	35,628
Compact grants	66,000	0	4,000	0	0
Investment gains & interest income	5,034	6,961	24,861	17,599	35,628
Total expenditures	255	564	502	773	797
Investment fees	255	564	502	773	797
OVERALL BALANCE	70,779	6,397	28,359	16,826	34,831
Fund balance (end of year)	70,779	77,176	105,536	122,362	165,478

Source: IMF Country Report

Note: Covers operations of the COMPACT Section 211(f) Trust Fund, starting 1994/95.  
Market value of COFA trust fund as of June 30 2000 is \$158,125,849.

### Financial Position of the Social Security Fund

(Unit: \$ thousand)

Expenditure Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Revenues	4,268	3,349	5,727	4,930	5,328	5,503	5,613
Contributions	2,889	3,383	3,615	4,014	5,310	5,487	5,588
Government	1,534	1,853	1,948	2,011	2,681	2,644	2,748
Private	1,345	1,517	1,649	1,983	2,599	2,805	2,838
Penalties & interest	10	13	18	20	30	38	1
Investment & other income	1,379	-34	2,112	916	18	16	25
Expenditures							
Total benefit payout *	1,947	2,192	2,304	2,420	2,616	2,278	2,990
Administrative fees **	365	347	321	451	489	574	724
Net collection (deficit)	1,956	810	3,102	2,059	2,223	2,651	1,899
Fund balance (end of year)	8,666	9,477	12,579	14,639	19,817	23,254	29,818

Note: \* Total benefit payout includes retirements, survivors, disability, and lump sum, payments.

\*\* Including administrative and investment management expenses and fees.

Source: IMF Country Report

### Financial Position of the Civil Service Pension Fund

(Unit: \$ thousand)

Items	1987/88	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	As of Mar. 2000
Revenues			4,201	2,715	7,221	5,688	7,068	5,108	12,185	10,057
Contributions from Government employees			2,228	2,708	2,851	3,125	3,285	3,309	3,438	1,680
Investment gains (losses)			982	-359	1,827	653	3,305	1,201	3,882	6,520
Investment interest income			159	164	227	290	346	456	455	267
Other income			672	52	86	120	132	142	110	70
Transfers from National government	275	160	150	150	2,230	1,500	0	0	4,300	1,500
Expenditures			2,032	1,640	2,305	2,536	3,025	3,115	3,481	1,841
Total benefit payout *			1,416	1,557	1,980	2,078	2,545	2,703	3,008	1,807
Administrative fees **			616	283	325	458	480	413	483	134
Net collection			2,169	875	4,916	3,152	4,043	1,992	8,694	8,116
Fund balance (end of year)			7,422	8,297	13,213	16,365	20,408	22,400	31,094	39,210
Unfunded Accurate Liability										24,064

Source: Civil Pension Fund, IMF Country Report.

Note: \* includes lump-sum benefits, refunds, and disability benefits.

\*\* Including investment management expenses and fees.

**Operating Accounts of the Palau Utilities Corporation**

(Unit: \$ thousand)

Items	1994/95	1995/96	1996/97	1997/98	1998/99
Operating Revenues	4,508	5,418	6,231	8,055	7,797
Energy Charges	4,507	5,295	6,129	7,812	7,642
Other	1	123	102	243	155
Operating Expenses	6,555	7,718	9,956	9,761	8,393
Salaries, goods, & services	6,538	7,640	9,011	7,859	6,280
Depreciation	17	78	945	1,902	2,113
Gross operating profit (loss)	-2,047	-2,300	-3,725	-1,706	-596
Capital expenditures	946	3,176	7,890	9,245	196
<b>TOTAL PROFIT (LOSS)</b>	<b>-2,993</b>	<b>-5,476</b>	<b>-11,615</b>	<b>N/A</b>	<b>N/A</b>
Subsidies from government & foreign grants	6,876	7,230	2,239	8,953	6,336
Net total profit (loss)	3,883	1,754	-9,376	-1,998	5,544
Long-term borrowing	0	90	0	0	0
Change in fund balances (decreases)	3,900	1,922	-8,431	-2,541*	-749*
Memorandum items:					
Cash balance (beginning of year)	-2,294	-3,759	6,386	4,040	1,499
Plus: Change in fund balance (decrease -)	3,900	1,922	-8,431	N/A	N/A
Minus: Change in WC (decrease-)	-2,153	-705	761	N/A	N/A
Equals: Cash balance (end of year)	3,759	6,386	-2,806	1,499	750

Source: IMF Country Report

Note: \* Change in cash

### Operating Accounts of the Palau Housing Authority

(Unit: \$ thousand)

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Revenues	296	232	239	474	389	270	201
Federal contributions	256	201	188	428	332	223	139
Interests	30	20	38	19	13	24	40
Others	0	1	3	17	19	8	7
Transfers from national government	10	10	10	10	25	15	15
Expenditures	325	253	191	440	398	258	227
Wages & salaries	34	36	44	45	27	48	47
Depreciation	14	16	16	14	15	14	14
Interest expense	10	7	6	5	4	2	N/A
Others	267	194	125	376	352	194	166
Change in equity during the year	-28	-21	48	59	23	41	-26
Fund equity (beginning of the year)	-325	-353	-374	-326	-268	-245	-20
Fund equity (end-of-year)	-353	-374	-326	-268	-245	-205	-231

Source: IMF Country Report

### Operating Accounts of the Palau National Communications Corporation

(Unit: \$ thousand)

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Operating Revenues	3,979	4,426	4,668	5,458	5,835	6,382	6,412
Sales of good & services	3,979	4,426	4,668	5,458	5,835	6,382	6,412
Operating Expenses	2,344	2,608	2,785	3,131	4,496	5,632	6,206
Salaries, goods & services	1,922	2,192	2,303	2,370	3,332	2,846	2,418
Depreciation	320	363	469	637	1,065	2,786	4,788
Others	102	53	13	124	99	-	-
Other income (expenses)	6	-89	249	151	-511	-1,153	-1,911
Change in equity during year	1,641	1,728	2,132	2,478	828	-403	-1,705
Fund equity (beginning of the year)	5,131	6,772	8,500	10,633	13,111	13,939	13,536
Fund equity (end-of-year)	6,772	8,500	10,633	13,111	13,939	13,536	11,831

Source: IMF Country Report, Office of Planning and Statistics

### Operating Accounts of the National Development Bank of Palau

(Unit: \$ thousand)

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Revenues	423	535	2,674	1,875	872	820	728
Loan fees	304	370	397	547	746	770	635
Other	11	20	58	52	126	50	93
Transfer from national government	58	95	219	276	0	0	0
Contribution from other countries	50	50	2,000	1,000	0	0	0
Expenditures	256	435	493	569	602	256	571
Wages & salaries	103	117	107	138	136	123	148
Depreciation	11	13	23	19	16	13	15
Interest	32	33	36	17	0	5	0
Other	110	272	327	395	450	115	408
Net income (losses)	169	100	2,182	1,305	270	564	157
Fund equity (beginning of the year)	836	1,004	1,104	3,287	4,592	4,862	6,752
Fund equity (end-of-year)	1,004	1,104	3,287	4,592	4,862	5,426	6,729

Source: IMF Country Report

**Assets & Liabilities of the National Development Bank of Palau**

(Unit: \$ thousand)

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Total Assets	3,063	3,325	5,046	6,140	6,400	6,547	6,739
Cash	537	707	1,775	1,146	33	113	37
Time certificates of deposit	0	100	500	600	606	1,339	2,294
Loans	2,519	2,487	2,721	4,356	5,728	5,049	4,181
Fixed assets	7	31	50	38	33	46	16
Other							211
Total liabilities	3,107	3,384	5,098	6,176	6,424	6,580	6,739
Accounts payable	88	28	18	23	1	8	10
Bonds payable	0	253	0	0	0	0	N/A
Loans payable	900	885	680	407	407	0	N/A
Bank capital	2,119	2,218	4,400	5,746	6,016	6,572	6,729

Source: IMF Country Report

**Credit Allocation of the National Development Bank of Palau**

(Unit: \$ thousand)

Item	1992	1993	1994	1995	1996	1997	1998	1998
Agriculture	56.9	23.4	47.3	54.6	65.0	45.0	7.0	273.0
Fisheries	237.8	270.9	239.4	201.6	359.0	164.0	16.0	112.0
Tourism	910.2	867.3	1,259.1	1,257.8	348.0	265.0	0.0	523.0
Forestry	4.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	91.5	1.8	1.7	0.0	48.3	0.0	0.0	0.0
Commerce & construction	1,411.9	1,640.5	1,353.8	1,789.6	2,469.0	1,685.0	70.0	4,391.0
<b>TOTAL LOANS</b>	<b>2,712.7</b>	<b>2,804.1</b>	<b>2,901.3</b>	<b>3,303.6</b>	<b>3,289.3</b>	<b>2,159.0</b>	<b>93.0</b>	<b>5,299.0</b>

Source: IMF Country Report



## Financial Institutions

### Structure of Interest Rates, Bank of Hawaii

(Unit: percent)

Item	May 1997	May 1998	May 1999
Deposit rates			
Checking account (with minimum balance)	0.00-4.50	0.00-4.51	0.00-4.52
Savings account	2.25-5.00	2.50	2.00
Time savings account			
30 days	3.00-5.00	2.70-3.00	2.30-2.45
One year	4.50-6.00	4.50-4.75	3.40-3.50
Certificates of deposit			
Six months	5.00	3.75-4.45	3.10-3.20
One year	6.00	4.50-4.75	3.40-3.50
Two years	7.00	4.70-4.90	3.70-3.80
Three years	8.00	4.90-5.05	3.85-3.95
Consumer loans	15.00-18.00	15.00	15.00
Commercial loans (one year)*	9.50-12.50	PLR+4%	PLR+4%
Residential housing loans			
30-years fixed	12.00	12.00	12.00
15-years-fixed	12.00	12.00	12.00

Source: IMF Country Report

Note: Commercial loan rates follow the highest New York Prime Lending Rate plus 4 percent.

### Structure of Interest Rates, Bank of Guam

(Unit: percent)

Items	May 1997	May 1998	May 1999
Deposit rates			
Checking account (with minimum balance)	0.00-4.50	0.00-4.51	0.00-4.25
Savings account	2.25-5.00	2.50	2.00
Time savings account			
30 days	3.00-5.00	2.70-3.00	2.30-2.45
One year	4.50-6.00	4.50-4.75	3.40-3.50
Certificates of deposit			
Six months	5.00	3.75-4.45	3.10-3.20
One year	6.00	4.50-4.75	3.40-3.50
Two years	7.00	4.70-4.90	3.70-3.80
Three years	8.00	4.90-5.05	3.85-3.95
Lending rates			
Consumer loans	15.00-18.00	15.0	15.0
Commercial loans (one year)*	9.50-12.50	PLR+4%	PLR+4%
Residential housing loans			
30-years fixed	12.00	12.00	12.00
15-years fixed	12.00	12.00	12.00

Source: JICA Study Team based on IMF data

Note: Commercial loan rates follow the highest New York Prime Lending Rate plus 4 percent.

**Overview on Banking Institutions Operating out of Palau (Status as of December 1999)**

Name of Organization	Place Chartered	Date Chartered	Registered in ROP	FIAC Required	FIAC Expiration Date	Annual Report	Comments	Interview by JICA Team
(1) Allied Boston Bank, Ltd.	ROP	Dec. 17, 1999		Yes		Not yet due		No
(2) Asia Pacific Commercial Bank, Inc.	ROP	Nov. 02, 1999		Yes		Not yet due		No
(3) Asian International Bank of Commerce Ltd.	ROP	Jul. 14, 1999		Yes		Not yet due		No
(4) Bank of Guam *	Incorporated In Guam		Mar. 06, 1972	FIAC holder	perpetual	1998	For. Corp., no RC	Yes
(5) Bank of Hawaii *	Incorporated in Hawaii			FIAC holder	perpetual	1988	For. Corp., no RC	Yes
(6) Bank of Micronesia Corporation	ROP	Apr. 15, 1992				1996		No
(7) Bank Pacific (formerly Guam Savings & Loan)	Incorporated in Guam		Jul. 11, 1995	FIAC holder	Aug. 1, 2020		Name change Aug. 10, 1999	No
(8) Euro-American Trade Bank **	ROP	Feb. 11, 1999				Not yet due		No
(9) European Credit Bank **	ROP	Feb. 11, 1999				Not yet due		No
(10.) First Commercial Bank *	Incorporated in Taiwan		Jun. 16, 1998	FIAC holder	Jun. 23, 2008	1998		Yes
(11) First Federal Banking	Incorporated in Nauru		Jan. 25, 1996	FIAC holder	Jun. 23, 2021	1998		No
(12) First International Pacific Bank	ROP	Jul. 14, 1999		FIAC require		Not yet due		No
(13) First Pacific Development Bank **	ROP	Feb. 11, 1999				Not yet due		No
(14.) First Palau Investment Bank	ROP	Jul. 18, 1997				A/R filed	No FIB require	No
(15) Melekeok Government Bank Corporation	ROP	Jul. 24, 1991				A/R filed		No
(16) National Development Bank of Palau*	ROP					1998		Yes
(17) Pacific Private Bank	ROP	Nov. 04, 1998				Not filed		No
(18) Pacific Savings Bank *	ROP	Apr. 08, 1992		FIAC holder	May 07, 2018	Filed		Yes
(19) Palau Central Bank, Inc. *	ROP	Jan. 27, 1981				1998	Name changed Apr. 21, 1999	Yes
(20) Palau Construction Bank *	ROP	Mai. 16, 1995		FIAC holder	2010	Filed		Yes
(21) Palau First National Bank, Inc.	ROP	Jun. 09, 1989				Filed		No
(22) Sunra International Bank Corp.	ROP	Oct. 07, 1999		FIAC required		Not yet due		No
(23) Sunshine Development Bank Corp.	ROP	Jan. 16, 1996		FIAC holder	Sep. 18, 2021	1996		No
(24) TKB Mosprom Bank Corp. **	ROP	Feb. 11, 1999				Not yet due		No
(25) United Eurotrade Bank **	ROP	Feb. 11, 1999				Not yet due		No
(26) United Pacific Bank **	ROP	Feb. 11, 1999				Not yet due		No
(27) Western Pacific Development Bank **	ROP	Feb. 11, 1999				Not yet due		No

Source: National Banking Review Commission, First Report to President, March 9, 2000

Notes: The banks marked green with an \* are actively engaged in banking operations and have been interviewed by the JICA Study Team.

The banks marked blue with two \*\* have just been granted charters in the ROP.

Number (26), United Pacific Bank, has been cited in a lawsuit filed in the U.S. District Court of New York to be engaged in financial transactions involving U.S. residents.

FIAC: Foreign Investment Approval Certificate.

FIB: Foreign Investment Board.

**Results of Interview survey with selected banks operating in the ROP (Key Features)**

Name of Organization	No. of Branch	Location of Branch	Employees						No. of Customers	Structure of Customer Base (in percent of total)				Customer base
			2000			1995				Private Personal	Business	Institution	Gov.	
			Prof	Cler	Total	Prof	Cler	Total						
Bank of Guam	1	Koror	3	7	10	N/A	N/A	N/A	9,000 to 10,000	50	50		Stable	
Bank of Hawaii	1	Koror	6	18	24	5	20	25	6,653	90	7	2	1	N/A
First Commercial Bank	1	Koror	2	4	6				200	95	5			Increased
Palau Construction Bank	1	Koror	3	2	5				2,000	90	10			Increased
Palau Central Bank, Inc	1	Koror	1	7	8				147	100				Increased
Pacific Savings Bank, Ltd.	2	Koror Peleliu	7	9	16	N/A	N/A	8	7,000	95		5		Increased
National Development Bank of Palau	1	Koror	6	2	8	4	0	4	135	100				Decreased
Name of Organization	Value of Total Assets (in \$ million)				Three most important banking operations		Structure of Lending Operations (in % of Lending Portfolio)				Comment			
	1994	1997	1999	2000			Private Personal	Business	Institution	Govt				
Bank of Guam	N/A	N/A	13.0	18.0	Savings Accounts Checking Accounts Time deposits		25	75			This was before the "American Savings" Bank. Bank of Guam did buy them out in 1984			
Bank of Hawaii	40.9	66.1	68.0	N/A	Lending Deposits Investment Management		49	49		2	Established in Palau in Sept. 18, 1961. BOH belongs to "Pacific Century Financial Corp."			
First Commercial Bank			3.0		Savings Accounts Checking Accounts Consumer Lending		98	2			Branch of "First Commercial Bank" Taiwan			
Palau Construction Bank		2.0	N/A	3.0	Savings Accounts Wire Transfer Housing Loans		90	10						
Palau Central Bank, Inc	2.3	3.5	N/A	6.5	Consumer Loans Business Loans		98				This was before the Bank of Palau. The Name changed in 1998.			
Pacific Savings Bank, Ltd.				10.0							The bank intends to open a third branch in Airai.			
National Development Bank of Palau	3.4	6.4	N/A	7.2	Guarantee. Loans Lending		75	25			Lending ceased due to lack of capital.			

Source: JICA Study Team

Notes: N/A indicates that the data were not made available.

An empty space may indicate that the question was not/ or improperly answered.

Ref. "Number of Customers" was sometimes answered in the meaning of number of accounts. Since one client can have more than one account, these numbers have to be interpreted with caution.

"Trend in Customer Base" means since the bank's establishment.

It has to be noted finally that Banks are not required by law to disclose certain information. Hence, the results of the interviews depended heavily on the "goodwill" of the persons interviewed. As a consequence, the Study Team cannot guarantee the accuracy of the data provided.

**Results of Interview Survey with Selected Banks operating in the ROP (Lending Features)**

Name of Organization	Distribution of Lending Portfolio	Required Security/ Collateral	Maximum Lending & Collateral Coverage Ratio	Definition & Status of "non-performing" Loans	"Engines-of-Growth" for Palauan Economy up to FY 2008/2009 (in order of Priority)	"Unimportant" Sectors of the Economy	Expected Normal GDP Growth Perform.
Bank of Guam	1. Construction sector: 50 percent of lending [new Plaza] 2. Trade sector : about 10 percent for LoC's 3. Land transport: less than 10 percent for car rental business 4. Sea transport : no lending for boats	1. Real estate 2. Tangible assets 3. Salary (allotment system)	75 to 85 percent of financing needs Collateral Coverage Ratio: 120 percent	Definition: Default of 90 days and over. Foreclosure takes about 14 months. Number of non-performing loans it over last 5 years.	1. Construction 2. Real Estate Development 3. Hotels & Restaurants 4. Transportation	Mining & quarry. Manufacturing	7.5 to 10.0 %
Bank of Hawaii	Consumer (boats, cars) & business lending. Consumer lending is overwhelmingly for "customs" Commercial lending for "Retailing sector"	1. For consumer lending "allotment" system. 2. Lending is based on cash flow, not so much asset-based			1. Construction 2. Hotels & Restaurants 3. Retailing		Over 10 %
First Commercial Bank	1. Consumer lending : about 55% of portfolio 2. Other business : about 35% of portfolio 3. 10% lending/LoC's is trade related	1. Consumer lending : None 2. Investment lending : Tangible assets	Depends on project. No maximum.	Have no non-performing loans	1. Hotels & Restaurants 2. Construction 3. Fisheries	Agriculture Mining & quarry.	5 to 7.5%
Palau Construction Bank	1. 70% of portfolio in Real Estate Development 2. 20% in Construction 3. 5% in Hotels and Restaurants 4. 5% in Agriculture	1. Consumer lending: Cars 2. Investment lending: Tangible assets	1. Capital investment: U.S. 100,000	1. Payment delayed for over 6 months 2. Number defaults increasing	1. Real Estate Development 2. Construction 3. Hotels & Restaurants	Government Manufacturing Mining & quarry.	7.5 to 10.0%
Palau Central Bank, Inc	1. Only consumer lending & no investment lending 2. Currently 484 individual loans	1. Consumer lending: Tangible assets		1. Default over 180 days 2. Presently 65 cases	1. Small hotels & boats	All sectors, except Tourism	Below 5% without ODA projects
Pacific Savings Bank, Ltd.					1. Hotels & Restaurants 2. Manufacturing		7.5 to 10.0%
National Development Bank of Palau	The NDBP did not lend over the last 18 months, due to lack of Capital	1. Guaranteeing loans 2. Direct lending	Limited to a maximum of 5% of the Bank's assets	No definition exists or is Applied	1. Agriculture 2. Hotels & Restaurants 3. Construction (homes)		5 to 7.5% (with Compact funds only)

Source: JICA Study Team

Notes: N/A indicates that the data were not made available.

An empty space may indicate that the question was not/or improperly answered.

It has to be noted finally that Banks are not required by law to disclose certain information. Hence, the results of the interviews depended heavily on the "goodwill" of the persons interviewed. As a consequence, the Study Team cannot guarantee the accuracy of the data provided.

## International relations

### **List of International & Regional Organizations (Status as of March 17, 2000)**

United Nations Population Fund (UNFPA)  
UN-Peace Keeping Operations

United Nations Convention of the Law of the Sea (UNCLOS)  
International Tribunals for the Law of the Sea (ITLOS)  
International Seabed Authority (ISA)

United Nations Development Program (UNDP)  
United Nations Children Fund (UNICEF)  
United Nations Convention to Combat Desertification (CCD)  
United Nations Convention on Biological Diversity (CBD)  
United Nations Framework Convention on Climate Change (UNFCCC)  
Kyoto Protocol

Economic & Social Commission for Asia & the Pacific (ESCAP)  
World Health Organization (WHO)  
International Civil Aviation Organization (ICAO)  
United Nations Educational, Scientific & Cultural Organization (UNESCO)  
United Nations Food & Agriculture Organization (FAO)  
International Monetary Fund  
International Bank for Reconstruction and Development  
International Financial Corporation

South Pacific Community (SPC)  
Forum Fisheries Agency (FFA)  
South Pacific Regional Environmental Program (SPREP)  
South Pacific Forum Secretariat (Forum)  
Pacific Island Center (PIC)  
Asia-Pacific Telecommuting (APT)  
International Bureau of Expositions (BIE)

Source: Bureau of Foreign Affairs

**Implementation List of International Treaties (Status as of March 2000) (1/2)**

TREATY, CONVENTION & AGREEMENT	DATE OF SIGNATURE	DATE OF RATIFICATION AND/OR ACCESSION
GENEVA CONVENTION of August 12, 1949 and their two Additional Protocols of June 8, 1977.		November 30th, 1995
WAIGANI CONVENTION	September 16th, 1995	
AGREEMENT establishing the SOUTH PACIFIC FORUM SECRETARIAT	October 23rd, 1995	October 1995 Adoption : October 23rd, 1996
UNITED NATION LAW OF THE SEA CONVENTION (UNCLOS)	December 10th, 1982	September 9th, 1996
AGREEMENT ON THE STRADDLING FISH STOCKS & HIGHLY MIGRATORY FISH STOCKS	December 4 <sup>th</sup> , 1995	
RIGHT OF THE CHILD CONVENTION	November 20th, 1989	August 2nd, 1995
AGREEMENT ESTABLISHMENT OF SOUTH PACIFIC ENVIRONMENT PROGRAMME (SPREP Convention)	October 1994	
NUCLEAR COMPREHENSIVE TEST BAN TREATY (CTBT)		Adoption : April 11th, 1995
UNESCO	July 12th, 1999	September 20th, 1999
FAO	July 15th, 1999	July 1st, 1999
UNITED NATIONS CONVENTION	Adoption & opened for signature in	Accession: June 14th, 1999
TO COMBAT DESERTIFICATION (UNCCD)	Paris on June 17th, 1994 Adoption : July 13th, 1999	Accession : June 14th, 1999
UN CONVENTION ON BIOLOGICAL DIVERSITY (CBD)	November 2 <sup>nd</sup> , 1998	November 2nd, 1998
KYOTO PROTOCOL TO THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)	September 10th, 1999	September 10th, 1999
SINGLE CONVENTION ON NARCOTIC DRUGS, 1961 as amended by the 1972 PROTOCOL AMENDING THE SINGLE CONVENTION ON NARCOTIC DRUGS, 1961	Introduced : December 12th, 1995	
WHO's "NEW HORIZONS IN HEALTH" (a) YANUCA ISLAND DECLARATION ON HEALTH IN THE PACIFIC IN THE 21 <sup>st</sup> CENTURY (b) ALMA ATA DECLARATION	June 1995 March 1995  1978	Adoption : November 3rd, 1995 Adoption : November 3rd, 1995  Adoption : November 3rd, 1995
CHICAGO CONVENTION ON INTERNATIONAL CIVIL AVIATION	December 7 <sup>th</sup> , 1944	July 12th, 1995
INTERNATIONAL AIR SERVICES TRANSIT AGREEMENT	December 7 <sup>th</sup> , 1944	July 7th, 1995
COMPACT OF FREE ASSOCIATION (a) Investment Plan		September 1st, 1994

Source: Bureau of Foreign Affairs, ROP

**Implementation List of International Treaties (Status as of March 2000) (2/2)**

TREATY, CONVENTION & AGREEMENT	DATE OF SIGNATURE	DATE OF RATIFICATION AND/OR ACCESSION
<b>FFA CONVENTION</b>		
(a) Treaty on Fisheries between the Governments of Certain Pacific Island States and the Government of Japan	June 15th, 1988 Extended until June 14th, 2003	May 24th, 1993
(b) Agreement among Pacific Island States concerning the Implementation and Administration of U.S. Multilateral Fisheries Treaty	June 15th, 1988	
(c) Convention for the Prohibition of Fishing with Long Drift-nets in the South Pacific (WELLINGTON CONVENTION)	November 29th, 1989	March 12th, 1996 House Adoption : April 19th, 1990
(d) South Pacific Forum Fisheries Agency Regional Register of Foreign Fishing Vessels	October 1990	May 13th, 1993
(e) Niue Treat/Convention on Cooperation in Fisheries Surveillance & Law Enforcement in the South Pacific Region	July 9th, 1992	
(f) Palau Arrangement for the Management of the Western Pacific Purse Seine Fishery	May, 1993	House Adoption to Senate: April 9th, 1996
(g) FSM Arrangement for Regional Fisheries Accession	September 23rd, 1995	Adoption : November 5th, 1982
(h) Nauru Agreement		

Source: Bureau of Foreign Affairs, ROP

## Constitution

### **Key Features of the "Constitution of THE Republic of Palau"**

It is important, as is the case for any democratic state & society, to understand the fundamental features of that state's constitution. This point is highlighted in case of the Republic of Palau, since some of the constitutionally regulated relationships and/or items have become the foundation for controversy as well as litigation. It is beyond the scope of this study to discuss, from a purely legal point of view, every aspect of Palau's Constitution. What must be done, however, to draw attention to those constitutional issues, which form either the basis for on-going disputes, or which may be legal obstacles in the introduction of policy measures by the executive.

The "Constitution of the Republic of Palau" was discussed from January 28 to April 2, 1979, in Koror, Palau, by the "Palau Constitutional Convention". It went into force on January 1, 1980 marking the ROP's political independence from U.S. trusteeship. The Constitution comprises a handwritten Preamble and 15 Articles, which define the territory, sovereignty and supremacy, citizenship, fundamental rights, traditional rights, the responsibilities of the national government, suffrage, the executive, the congress (Olbiil Era Kelulau) judiciary, the state governments, Finance, general provisions, amendments, and transition. The individual items of direct relevance to this study are presented and discussed below.

#### **"TERRITORY", ARTCILE I, Section 1**

Defines Palau's jurisdiction and sovereignty and it identifies the "archipelagic baseline" for the two hundred (200) nautical miles EEZ. There are opinions that the definition of an "archipelagic" state is incorrect (i.e. the ROP is no archipelagic state) and that the Constitution's definition is in conflict with the "United Nation Law of the Sea Convention-UNCLOS". In any event, this issue is quite important in the context of defining the boundaries of the 200-mile EEZ, in particular toward the Philippines and Indonesia, with which there are now overlapping claims. The issue has a direct bearing on fishery income from access rights and problems with illegal fishing in Palau's EEZ.

#### **"TERRITORY", ARTCILE I, Section 2**

Regulates that the States have the exclusive ownership of all living & non-living resources on land and within twelve nautical miles seaward from the traditional baselines.

#### **"TERRITORY", ARTCILE I, Section 4**

Notes that nothing in Article I shall be interpreted to violate to "right of innocent passage" and the internationally recognized "Freedom of the high seas".

#### **"SOVEREIGNTY AND SUPREMACY", ARTICLE II, Section 3**

Regulates that major governmental powers, including but not limited to defense, security, or foreign affairs, may be delegated by treaty, compact or other agreement between the GOP and "another sovereign nation or international organization. Such action, however, must be approved by two-thirds of the members of each house of the OEK and by a majority of the votes cast in a nationwide referendum.

If, however, such agreement authorizes the use, testing, storage or disposal of nuclear, toxic chemical, gas or biological weapons intended for use in warfare not less than three-fourths of the votes cast in such nationwide referendum are required.

#### **"FUNDAMENTAL RIGHTS", ARTICLE IV, Section 6**

Regulates that the government shall take no action to deprive any person of property and that private property can be seized only "for a recognized public use and for just compensation in money or in kind. The Section stipulates further that "No person shall be imprisoned for debt."

#### **"FUNDAMENTAL RIGHTS", ARTICLE IV, Section 7**

Stipulates that the national Government may be held liable in a civil action for "unlawful arrest or damage to private property...".

#### **"TRADITIONAL RIGHTS", ARTICLE V, Sections 1 & 2**

In view of their strong impact on the execution of government functions, both sections are reproduced here in full.

Section 1. "The government shall take no action to prohibit or revoke the role or function of a traditional leader as recognized by custom and tradition which is not inconsistent with this Constitution, nor shall it prevent a traditional leader from being recognized, honored, or given formal or functional roles at any level of government.



Section 2. Statutes and traditional law shall be equally authoritative. In case of conflict between a statute and a traditional law, the statute shall prevail only to the extent it is not in conflict with the underlying principles of the traditional law.

**"RESPONSIBILITIES OF THE NATIONAL GOVERNMENT", ARTICLE VI**

The national government is to provide, inter alia, "free or subsidized health care" and "public education for citizens which shall be free and compulsory...".

**"OLBIIL ERA KELULAU", ARTICLE IX, Section 5**

The OEK has the powers to levy and collect taxes, duties and excises, to borrow money on the credit of the national government to finance public programs or to settle public debt, to regulate commerce with foreign nations, to establish uniform laws on the subject of bankruptcy, to provide a monetary and banking system and to create or designate a national currency, to regulate banking, insurance, and issuance and use of commercial paper and securities, and patents and copyrights.

**"STATE GOVERNMENTS", ARTICLE XI, Sections 2,3 and 4**

Section 2 stipulates that all powers not delegated expressly by the Constitution to the States, nor denied to the national government are powers of the national government.

Section 3 stipulates that state legislatures have the power to impose taxes within their state.

Section 4 states that state legislatures have the power to borrow money to finance public programs or to settle public debt.

**"FINANCE", ARTICLE XII, Sections 3, 5 and 6**

Section 3 requires that the President submit an "annual unified national budget" to the OEK.

Section 5 regulates that unless a particular distribution is required by the terms of assistance, "all block grants and foreign aid shall be shared by the national government and all the states in a fair and equitable manner based on needs and population."

Section 6 regulates that each state and the national government shall be entitled to revenues derived from the exploration and exploitation of all living and non-living resources and fines collected within their area of jurisdiction. Item (c) of Section 6 stipulates that revenues derived from licensing foreign vessels shall be divided equally between the national and state governments as determined by the OEK.

**"GENERAL PROVISIONS", ARTICLE XIII, Section 7**

Stipulates that both, the national and state governments shall have the power to "take private property for public use upon payment of just compensation". However, such power shall be used "sparingly" and "only as a final resort...".

**"GENERAL PROVISIONS", ARTICLE XIII, Section 8**

Stipulates that only citizens of Palau and corporations owned wholly by citizens of Palau may acquire title to land or waters of Palau.

**"GENERAL PROVISIONS", ARTICLE XIII, Section 9**

Stipulates that no tax shall be imposed on land.

**"GENERAL PROVISIONS", ARTICLE XIII, Section 10**

States that it is the responsibility of the national government to return, within five (5) years of the effective date of the Constitution, to the original owners or their heirs any land which became part of public land as a result of the acquisition by previous occupying powers.

**"GENERAL PROVISIONS", ARTICLE XIII, Section 11**

Stipulates that the provisional capital be located in Koror and that not later than ten (10) years after the effective date of the Constitution, the OEK shall designate a place in Babeldaob to be the permanent capital.

**"AMENDMENTS", ARTICLE XIV, Sections 1 and 2**

Regulates the way, in which amendments to the Constitution may be initiated and realized.

**"TRANSITION", ARTICLE XV, Section 3**

Stipulates that all law in force before the effective date of the Constitution "remain in force and effect until repealed, revoked, amended or until it expires by its own terms."

Source: JICA Study Team

## Tourism

### Total Number of Tourist Arrivals by Calendar Month

(Unit: persons)

Month	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total	Average
January	2,021	2,406	2,792	3,957	3,332	4,209	5,955	5,663	5,851	4,196	40,382	4,038
February	2,118	2,693	3,545	3,802	4,495	5,277	7,043	7,425	6,757	5,592	48,747	4,875
March	2,316	3,221	3,579	3,427	4,288	4,044	8,065	7,166	6,004	5,621	47,731	4,773
April	2,159	2,883	3,340	4,268	3,686	4,221	6,790	6,311	5,669	4,544	42,871	4,287
May	1,484	2,668	2,459	3,727	3,795	3,660	5,368	5,901	5,132	4,531	38,725	3,873
June	1,415	2,926	2,579	2,565	3,302	3,831	5,609	5,136	4,962	4,420	36,745	3,675
July	1,960	2,957	3,500	3,239	3,605	4,190	6,004	7,261	6,243	6,310	45,269	4,527
August	2,600	3,150	2,995	3,151	3,268	4,820	5,557	6,622	6,325	6,206	44,694	4,469
September	1,611	2,392	2,778	2,880	3,633	4,064	4,453	4,994	4,745	5,483	37,033	3,703
October	2,002	2,460	2,448	2,802	2,944	4,442	5,365	5,661	3,863	4,195	36,182	3,618
November	1,695	2,160	2,870	3,120	3,549	5,328	4,757	5,726	4,246	5,056	38,507	3,851
December	2,017	2,784	3,232	3,559	4,176	5,143	5,364	5,853	4,397	4,500	41,025	4,103
Total	23,398	32,700	36,117	40,497	44,073	53,229	69,330	73,719	64,194	64,901		49,792

Source: Republic of Palau, Economic Report by Bank of Hawaii in February 2000, Office of Planning and Statistics

### Total Number of Tourist Arrivals by Origin Market

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total by Source	Average Source
Number												
USA	6,440	6,411	8,032	7,861	9,700	9,846	9,955	10,481	12,487	11,714	92,927	9,293
Japan	13,212	14,529	17,021	18,554	17,493	21,052	22,619	20,507	21,571	22,151	188,709	18,871
Philippines	3,528	4,073	4,032	3,622	3,554	3,199	3,838	3,344	3,033	2,911	35,134	3,513
Europe	1,674	1,202	1,527	1,722	2,207	2,508	2,870	1,767	2,044	2,113	19,634	1,963
Taiwan	0	0	0	0	6,126	11,163	23,309	31,246	18,503	10,888	101,235	10,124
Korea	0	0	0	0	1,221	1,823	2,074	1,782	545	659	8,104	810
Others	7,992	6,485	5,505	8,738	3,772	3,638	4,665	4,592	6,011	14,465	65,863	6,586
Total	32,846	32,700	36,117	40,497	44,073	53,229	69,330	73,719	64,194	64,901		51,160
Share (%)												
USA	19.6	19.6	22.2	19.4	22.0	18.5	14.4	14.2	19.5	18.0		
Japan	40.2	44.4	47.1	45.8	39.7	39.5	32.6	27.8	33.6	34.1		
Philippines	10.7	12.5	11.2	8.9	8.1	6.0	5.5	4.5	4.7	4.5		
Europe	5.1	3.7	4.2	4.3	5.0	4.7	4.1	2.4	3.2	3.3		
Taiwan	0.0	0.0	0.0	0.0	13.9	21.0	33.6	42.4	28.8	16.8		
Korea	0.0	0.0	0.0	0.0	2.8	3.4	3.0	2.4	0.8	1.0		
Others	24.3	19.8	15.2	21.6	8.6	6.8	6.7	6.2	9.4	22.3		
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Source: Republic of Palau, Economic Report by Bank of Hawaii in February 2000, Office of Planning and Statistics

Airport

**Existing Air Transport Capacity and Capacity Utilization**

AIRLINE	FROM	TO	Stop Over	Flight Number	Frequency		TOTAL NUMBER OF SEATS							
					per 2 weeks	Per year	727	737	MD-80	757	767	per 2 weeks	per year	
							153	128	141	183	250			
Continental Micronesia Airlines	Koror	Guam	None	954	6	156	0.90	0.10					903	23,478
	Koror	Guam	Yap	864	1	26	0.90	0.10					151	3,913
	Koror	Guam	None	864	1	26	0.90	0.10					151	3,913
	Koror	Guam	Yap	952	1	26	0.90	0.10					151	3,913
	SUB-TOTAL KOROR TO GUAM												1,355	35,217
	Guam	Koror	None	953	6	156	0.90	0.10					903	23,478
	Guam	Koror	Yap	863	1	26	0.90	0.10					151	3,913
	Guam	Koror	None	863	1	26	0.90	0.10					151	3,913
	Guam	Koror	Yap	951	1	26	0.90	0.10					151	3,913
	SUB-TOTAL GUAM TO KOROR												1,355	35,217
	Koror	Manila	None		1	26	0.90	0.10					151	3,913
	Koror	Manila	None		1	26	0.90	0.10					151	3,913
	SUB-TOTAL KOROR TO MANILA												301	7,826
	Manila	Koror	None	864	1	26	0.90	0.10					151	3,913
	Manila	Koror	None	864	1	26	0.90	0.10					151	3,913
SUB-TOTAL MANILA TO KOROR												301	7,826	
<i>TOTAL Continental Micronesia Airlines</i>												3,311	86,086	
Far Eastern Airlines	Taipei	Koror	None	EF033	1	26		0.45	0.45	0.10			139	3,623
	Koror	Kaoshung	None	EF002	1	26		0.45	0.45	0.10			139	3,623
	Kaoshung	Koror	None	EF001	1	26		0.45	0.45	0.10			139	3,623
	Koror	Taipei	None	EF034	1	26		0.45	0.45	0.10			139	3,623
<i>TOTAL Far Eastern Airlines</i>												557	14,492	
Japan Airlines	Nagoya	Koror	None	3461	0.5	26					1.00		125	6,500
	Koror	Nagoya	None	3462	0.5	26					1.00		125	6,500
	Kansai	Koror	None	1945	0.5	26					1.00		125	6,500
	Koror	Kansai	None	1946	0.5	26					1.00		125	6,500
<i>TOTAL Japan Airlines</i>												500	26,000	
<b>TOTAL ALL AIRLINES</b>												<b>4,368</b>	<b>126,578</b>	

Source: Airport Office



### **A3. Environmental Cleanup Tax**

#### **ENVIRONMENTAL CLEANUP TAX**

It is proposed that an environmental cleanup tax be legislated for the purpose of financing a continuous effort to cleaning up the environment of discarded non-biodegradable containers (plastics, aluminum and metal cans, bottles, etc.) and to finance the improvement of human waste sanitation (toilet facilities) in the outlying states, and in the process, create temporary employment for students and senior citizens. How the proposed environmental cleanup tax is to be collected and the methodology for implementation of the environmental cleanup effort are explained herein below:

1. Legislation: This proposed legislation will require the assessment of a \$0.05 tax per non-biodegradable container imported into the ROP regardless of its size or volume, and whether full of contents or empty. The \$0.05 tax is collected at the commercial port, airport or at the post office upon the arrival of the merchandise, and before releasing such merchandise to the importer.

The collected revenue is to be placed in a special account (separated from the general account of the government), which shall be called the "Environmental Cleanup Fund Account" (ECFA). These funds will be used as follows:

- (a) Financing the creation and equipping of a small work unit and the designation of a work/collection site (preferably within a public dump site) for said work unit to base its operations;
- (b) The work unit will be charged with the responsibility of the operation of the collection station which includes receiving, counting/weighing, issuing receipts and processing the non-biodegradable items brought by collectors. All recyclable items such as aluminum cans will be crushed and stored in secured containers for further disposal and the appropriate size plastic bottled drink containers could be turned into traps for trapping of oriental fruit flies, while the non-recyclable items are properly disposed of in conjunction with the landfill operation. In the future, perhaps a small-scale machinery could be acquired for crushing plastic products to be sold overseas markets (possibly Japan) for further processing into fuel pellets.

Also to be included in the legislation are appropriate unit prices for aluminum cans as well as for the non-recyclable items (plastic containers and tin cans). For aluminum cans, perhaps a price of \$0.02/can is attractive in comparison to the ongoing local market price of \$0.10/pound (\$0.0067/can). The \$0.02/can price should create enthusiasm in students and senior citizens age groups to engage in collecting discarded aluminum cans and sell them for cash. For the non-recyclable items (plastic containers and tin cans), an appropriate unit price has to be legislated as well. Perhaps, a price of \$0.12/pound is fair. Bottles will be bought for \$0.05/pound. It is not anticipated that tin cans (with the exception of juice containers) from canned goods will be found discarded in the environment, as most canned goods are eaten at home, and therefore the empty tin cans are usually disposed of by way of the trash bins and eventually taken to the public dump and not commonly thrown on the side of the road or the sea as beverage and bottled water containers are by passing cars or boats; and

- (c) For funding a Sanitary Core Improvement Revolving Fund for homeowners in the outlying states to borrow money from said fund to improve their toilet facilities (western type bathroom with attendant septic tank and leaching field).
2. Cleaning Up the Environment: As alluded to above, only students and senior citizens will be allowed to sell discarded non-biodegradable items to the government. The work unit management will regulate how the collected non-biodegradable items should be sorted (each type of container - aluminum, plastic, tin cans, etc. - should be precounted and bagged) by the collector prior to delivery to collection station. At the station, the contents of each bag are either counted and/or weighed by the workers to verify the quantity before receipt is made and issued. The collector can then take the invoice and bring it to finance department for payment.
3. Processing the Collected Containers: The collection station should be located at the public dumpsite. Recyclable items such as aluminum cans are crushed and stored in secured containers to be sold at overseas market or to local buyers, whichever the government could get the most profit for the least effort. On the other hand, the non-recyclable items such as plastic, tin cans and bottles will be properly disposed off in conjunction with the landfill operations. Appropriate size plastic bottled drink containers could be turned into traps for the oriental fruit fly eradication program, which could be distributed to households, farmers, and state governments for deployment.

For the work unit to be functional, initial funding from OEK is needed for hiring personnel and purchasing of needed equipment and facilities (crushing machine, containers, etc.).

In Japan, waste plastic products are being processed into fuel pellets. The viability of a small-scale facility for processing waste plastic materials as raw materials for fuel pellets needs to be investigated.

4. Revolving Fund: As mentioned earlier, homeowners at the outlying states, where there is no waterborne sewer system, resort to using outhouses (benjos) for disposal of human waste. Creating this revolving fund will enable homeowners to finance modern toilet facilities (10'x10' separate sanitary core building containing a water closet, shower stall, lavatory, slop sink and a space for washing machine). Such building will cost approximately \$5,000 and together with a septic tank and leaching field will cost approximately \$9,000. A homeowner can borrow the \$5,000 from the revolving fund to finance the sanitary core building whereas the Government can contribute the \$4,000 to build the attendant septic tank and leaching field. Repayment for the loan to finance the sanitary core building can be paid for in a period of up to five years. The monthly repayments from all borrowers can keep the fund solvent for other homeowners to borrow. The end result is that over time, all the outhouses throughout Palau could be phased out and every home where there is piped water will enjoy a more sanitary and modern toilet facility.

Preliminary statistics indicate that in FY 1999, close to 9,000,000 cans (only beer and carbonated drinks) were imported to Palau. At \$0.05/can, this translates to \$450,000. Assuming that 90% of these 9 million cans (8,100,000 cans) are aluminum cans, which has resale value of \$0.10 per 15 cans locally (\$54,000) could be sold locally for additional revenue.

Alternatively, a market outside of Palau with a better price offer could be found for the aluminum cans, to maximize revenue. If a tax of \$0.05/per container of the non-recyclable items (tin cans, plastics, bottles, etc.), in addition to the tax on aluminum cans is collected, more revenues could be realized. It is possible that the Government may net at least \$400,000 per year, if each legislation-specified non-biodegradable items imported into Palau is taxed at \$0.05/container.











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