



Republic of Palau
Office of the President

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Tommy E. Remengesau, Jr.
President

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March 29, 2018
Serial No. 18-562

The Honorable Hokkons Baules
President of the Senate
10th Olbiil Era Kelulau
Ngerulmud, Palau National Capitol
Republic of Palau 96939

Signing Statement: HB 10-15-1, HD2, SD2, PD1 – Encouraging the Development of High-End Accommodations, and Restricting Foreign Investment to the Same

Dear President Baules:

Thank you for your attention to House Bill No. 10-15-1, HD2, SD2, PD1, instructing and empowering the Foreign Investment Board to better implement Palau's official policy of incentivizing high-value, low-impact tourism development.

I know I don't need to tell you that this is a very important bill, setting major policy for the Republic of Palau. These amendments provide clear guidance and direction to the Foreign Investment Board, letting it know exactly what kind of foreign investment should be prioritized in order to encourage and attract high quality investments into the Republic. The amendments to Section 107 of Title 28 of the Palau National Code makes this abundantly clear. In Section 107 (b) (2) (A), for instance, the law will now say that the FIB "shall promulgate rules and regulations to encourage and incentivize foreign investment in high-end facilities, including facilities which would likely qualify for the highest possible ranking (e.g., "5 stars") under reputable and independent accommodation rating systems." To drive the point home, subsection (B) of the same section states that the FIB shall also "promulgate regulations to discourage or prohibit foreign investment in low-quality facilities, budget facilities, or facilities which would likely only qualify for a low rating under reputable and independent accommodation rating systems[.]" Thus, this legislation will allow the FIB, through regulation, to refine their process and better manage the flow of foreign capital into Palau's economy while ensuring that Palau continues to attract high-end and high-value tourism.

More than just permission to accept or reject certain development proposals, this bill gives FIB the power to directly incentivize the projects we want most. This is a power that has been sorely lacking, as we work to take an active role in planning Palau's economic future. Further, the FIB will now be able to adopt and publicly endorse reputable classification and rating systems for different forms of accommodations, from luxury resort hotels to eco-lodges. This will help send a clear message to high-end investors and developers that Palau welcomes their business.

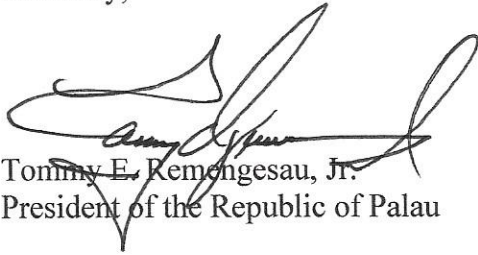


Providing a credit based on the value of the project will also help Palau's infrastructure, as it will encourage the development of rural areas and relieve the growing congestion of our existing accommodation centers.

In addition to providing guidance, this bill also clarifies the definitions of "owner," "part-owner," and "short term lodging facility," which ensures that simple language issues are clarified to ensure that the FIAC process works as intended. It also clarifies the penalties for violating the statute by explaining that in addition to any criminal penalties, violators of this law will be subject to a fine of up to \$25,000.

Thank you for your help throughout this process. It may have taken some time, but these issues are worth getting right, and worth working out together. I am glad we were able to finalize this bill in such a collaborative fashion. With the signing of these amendments, we once again show that Palau is committed to the development of high-end, high-value, low-impact tourism.

Sincerely,

A handwritten signature in black ink, appearing to read "Tommy E. Remengesau, Jr.", written over a printed name and title.

Tommy E. Remengesau, Jr.
President of the Republic of Palau



TENTH OLBIIL ERA KELULAU

SIXTH SPECIAL SESSION

MARCH 2018

HOUSE BILL NO. 10-15-1, HD2, SD2, PD1

AN ACT

SEE TITLE INSIDE

OFFERED BY ~~DELEGATE(S)~~ ROP President Tommy E. Remengesau, Jr.

ET AL,

DATE INTRODUCED January 27, 2017

HOUSE ACTION

FIRST READING: January 27, 2017
 REFERRED TO: Ways and Means
 STANDING COMMITTEE REPORT NO: 10-16
 DATE ADOPTED: April 06, 2017
 SECOND READING: April 06, 2017
 LEGAL FORMAT: Proper
 REVIEW: April 06, 2017
 THIRD READING: April 18, 2017
 FINAL ACTION: March 14, 2018

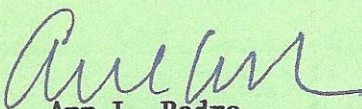
SENATE ACTION

FIRST READING: April 24, 2017
 REFERRED TO: Resource, Commerce, Trade and Development
 STANDING COMMITTEE REPORT NO: 10-104
 DATE ADOPTED: January 25, 2018
 SECOND READING: January 25, 2018
 LEGAL FORMAT: Proper
 REVIEW: January 31, 2018
 THIRD READING: January 31, 2018
 FINAL ACTION: March 14, 2018

CONFERENCE COMMITTEE ACTION

DATE: None
 COMMITTEE REPORT: None
 DATE PASSED: None


Marcello Ngirkelau
 HOUSE CLERK


Ann L. Pedro
 SENATE CLERK

AN ACT

To amend Chapter 1 of Title 24 of the Palau National Code, the Environmental Quality Protection Act, to include additional permit requirements unique to hotels and other lodging facilities; to amend Chapter 1 of Title 28 of the Palau National Code, the Foreign Investment Act, to require hotel and other short term lodging facility projects to address their infrastructure needs, including reporting their need for workers in construction or operations of new hotels, and providing increased tax incentives for such projects when they include off-site infrastructure developments; to further clarify recent amendments made to the Foreign Investment Act pursuant to RPPL 9-64; to amend Chapter 5 of Title 28 of the Palau National Code, the Tourism Reorganization Act, to create additional duties for the Palau Visitors Authority; and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIL ERA KELULAU DO ENACT AS FOLLOWS:

1 Section 1. Amendment. Section 129 of Title 24 of the Palau National Code is
2 amended to read as follows:

3 “§ 129. Powers and duties.

4 ...

5 (b) The Board shall establish and provide for the continuing administration of a
6 permit system, whereby a permit shall be required for the discharge by any person of any
7 pollutant in the air, land, or water, or for the conduct by any person of any activity,
8 including, but not limited to, the operation, construction, expansion, or alteration of any
9 installation which results in or may result in the discharge of any pollutant in the air,
10 land, or water. The Board shall also provide for the issuance, modification, suspension,
11 revocation, and termination of such permits, and for the posting of an appropriate bond.

12 (1) Where the activity for which a permit is sought under the preceding
13 clause includes the operation, construction, expansion, or alteration of a motel, hotel,
14 hotel complex, guesthouse, or other lodging facility that offers sleeping accommodations
15 to guests in exchange for remuneration, the Board shall, in addition to any other
16 generally applicable factor, consider:

17 (A) the infrastructure needs of the proposed activity, particularly
18 electricity, water, wastewater/sewage, and any need to refurbish, expand,
19 or construct new roads;

20 (B) any proposed means of mitigating the activity’s strain on

1 existing infrastructure, such as the development or utilization of renewable
2 energy sources; and

3 (C) whether the proposed activity is in line with the Republic's
4 official policy and strategy of encouraging high-end and high-value
5 tourism."

6 Section 2. Amendment. Chapter 1 of Title 28 of the Palau National Code, as
7 amended by RPPL No. 9-64, is amended to read as follows:

8 "§ 102. Definitions.

9 ...

10 (o) "Owner" or "part-owner" means any person or member of a group of persons,
11 natural or legal, that owns a business enterprise in a bona fide attempt to profit from its
12 successful operation. Elements of ownership generally include decision-making abilities
13 and first right to profit. For the purpose of this definition, "group of persons" includes
14 family members. Bare legal title or nominal ownership is not determinative of ownership
15 or part ownership.

16 ...

17 (s) "Short term lodging facility" means a hotel or other business enterprise which
18 provides sleeping or lodging accommodations averaging stays of thirty days or fewer in
19 exchange for remuneration.

20 (t) ...

21 (u) ...

22 (v) ...

23 (w) ...

24 § 103. Requirement of foreign investment approval certificate.

25 (a) No non-citizen shall be an owner or part-owner of a business enterprise, either
26 directly or indirectly, without first obtaining approval in accordance with the provisions
27 of this chapter.

28 ...