



Australian Government

Department of Foreign Affairs and Trade



Aid Investment Plan

Republic of Palau

2016–17 to 2018–19

Strategic priorities and rationale

Australia implements an integrated set of foreign, trade and development policies to advance its interests in Palau. It is in Australia's interest to support Palau's development and strengthen its economic and environmental resilience.

This Aid Investment Plan (AIP) sets out the strategic framework for the provision of official development assistance administered by the Department of Foreign Affairs and Trade (DFAT) provided to the Government of Palau. It focuses predominately on bilateral assistance and includes Australian contributions to key Pacific regional organisations and initiatives that benefit Palau. Other Australian Government agencies also provide strategic input to policy development and oversee specific programs in particular sectors in consultation with DFAT.

The purpose of this AIP is to inform discussions between the Government of Palau and the Government of Australia to develop an Aid Partnership Arrangement. This AIP will be updated to reflect the finalisation and signing of the Aid Partnership Arrangement where appropriate.

Palau is a small island developing state in the north Pacific made up of a tightly clustered archipelago of more than 250 islands. The resident population of some 21,000 people occupy just eight of the islands. Palau is an independent country in a Compact of Free Association with the United States. Compact grants from the US are due to expire in 2024, after which fiscal expenditure is expected to be drawn from the Palau Compact Trust Fund. Palau has one of the highest standards of living in the Pacific Islands thanks to a strong tourism industry, an active private sector and US support. Fisheries and small scale agriculture are also important for employment and the economy.

The physical spread of Palau's islands and their small, scattered populations present development challenges. Transport and communication costs are high and the skill base is limited, particularly outside the capital. In recent years, Palau has succeeded in progressing important health and education reforms and is making progress with removing the threat of explosive remnants of war. Australia will build on these achievements and re-focus its development assistance to deliver outcomes in line with Palau's *2020 National Master Development Plan* and Australia's aid policy ***Australian aid: promoting prosperity, reducing poverty, enhancing stability***.

Australia's bilateral aid program will focus on **two strategic objectives**: improving economic growth through upgraded telecommunications and internet coverage; and achieving gender equality and enhancing women's empowerment.

In seeking to contribute to inclusive economic growth (and deliver a social dividend to the people of Palau), Australia will provide targeted and specialised technical assistance to support **ICT sector reform** as part of the larger *North Pacific Regional Connectivity Investment Project* being delivered by the Government of Palau, the Asian Development Bank and the World Bank. This project seeks to improve access to affordable and reliable ICT infrastructure by establishing a submarine fibre-optic cable system linking Palau to an internet hub in Guam. It will benefit the people of Palau by helping to support business development, improve access to banking and improve access to health and education information and services. It will help support a more mobile workforce, assisting interaction between islands and communities, and enabling access to job opportunities.

Australia will work with the World Bank and the Palauan Ministry of Public Infrastructure, Industries and Commerce (MPIIC) to complete preparatory activities needed for the landing of the submarine cable system in Palau, including the development of requisite legislative, regulatory and governance frameworks.

Through the *Pacific Women Shaping Pacific Development Palau Country Plan 2015–18*, Australia will help **improve economic and social opportunities for women** in Palau. Australia will progressively

implement activities to support the Government of Palau’s Gender Mainstreaming Policy, strengthen the national response to violence against women, increase and enhance support services available to survivors of violence, and improve women’s employment, career development and income generation opportunities.

To assist governments in the region implement the Paris Agreement (UN Framework Convention on Climate Change), Australia will consolidate and build upon existing bilateral, regional and global **climate support** initiatives. In Palau, this will include building climate resilience into all development projects, and prioritising Direct Aid Program grants to support community projects that focus on climate adaptation, resilience and disaster preparedness.

Australia will continue to support leadership and access to higher education, primarily through its Australia Awards programs. Through regional programs, and those delivered by other Australian government departments, Australia will also support fisheries management, enhance skill development, improve disaster resilience, and strengthen governance and accountability, including through its support for the Forum Fisheries Agency, the Pacific Islands Centre for Public Administration, the Pacific Financial Technical Assistance Centre, the Australia-Pacific Technical College and the IMF Pacific Regional Audit Initiative. Australia will also look to contribute to disaster response efforts, where a state of emergency has been declared and our assistance formally requested.

Implementation approaches

Australia will work with the Government of Palau, the private sector, other development partners and regional organisations to deliver the aid program. We will undertake risk management measures and due diligence assessments and apply safeguards on environmental protection, resettlement and child protection.

Australia will support improved coordination among development partners, greater coordination of development policies and programs with the Government of Palau and the promotion of gender and disability inclusive development. We will continue to encourage multilateral partners and regional organisations to increase their presence in Palau.

Australia will increasingly link its funding to the achievement of results. It will improve synergies between bilateral and regional investments and between investments supported by DFAT and other Australian government departments.

Performance benchmarks

Australia proposes the following performance benchmarks to be used to assess progress towards the strategic objectives of the AIP. Australia will report on progress against these benchmarks through annual assessments. Future year performance benchmarks will be determined annually.

Strategic Objective	2016–17 Benchmark
Support ICT sector reform	<p>The funding agreement for technical assistance to support the landing of the Palau-Guam submarine cable is finalised and work commenced.</p> <p>Technical assistance is on track regarding: (a) repositioning Palau’s ownership interests in the state-owned Palau National Communications Corporation (PNCC) and Belau Submarine Cable Corporation (BSCC); (b) additional infrastructure needs and financing; (c) operationalising BSCC; (d) mechanisms to increase competition and minimise regulatory burden; and (e) drafting instruments to provide for the repositioning of PNCC and BSCC.</p>

<p>Improve economic and social opportunities for women</p>	<p>Priority initiatives under <i>Pacific Women Shaping Pacific Development Palau Country Plan 2015–18</i> commenced.</p> <p>Progress is on track towards: (a) the development and implementation by Palau of a Gender Mainstreaming Strategy; (b) the provision of equitable access to business development services; (c) development and implementation of a Family Protection Act implementation plan; and (d) establishment of a referral system and handling protocols for cases of family violence.</p>
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Mutual obligations

Australia and Palau will agree on a set of mutual obligations for the aid program, to be confirmed through discussions about an Aid Partnership Arrangement. Australia will deliver effective and predictable development assistance in line with the strategic objectives of this AIP.

Australia and Palau jointly commit to maintaining a zero-tolerance approach to fraudulent and corrupt actions against Australia’s aid program in Palau.

Monitoring, review and evaluation

In consultation with the Government of Palau, DFAT will develop benchmarks to underpin the Aid Partnership Arrangement. Progress towards bilateral and regional investment results will be monitored against agreed performance benchmarks through internal annual reviews (informed by programs’ monitoring and evaluation frameworks), independent evaluations and regular dialogue with government and development partners.