

## REGIONAL ISSUES

### Compact of Free Association

**Agreement Between the  
UNITED STATES OF AMERICA  
and MICRONESIA**

**Amending the Agreement of  
May 14, 2003, as amended**

Signed at Palikir May 23, 2023

Entered into force March 18, 2024



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966  
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

**Agreement between the Government of the United States of America  
and the Government of the Federated States of Micronesia  
to Amend the Compact of Free Association, as Amended**

The Government of the United States of America and the Government of the Federated States of Micronesia (the "Signatory Governments") hereby agree to amend the Compact of Free Association, as Amended, between the Government of the United States of America and the Government of the Federated States of Micronesia, done at Palikir on May 14, 2003 (the "Compact, as Amended"), as follows:

**Part 1. Title Two Amendments**

1. Article I of the Compact, as Amended shall be replaced with the following:

"Article I

Grant Assistance

Section 211

- (a) Sector Grants. In order to assist the Government of the Federated States of Micronesia in its efforts to promote the economic advancement, budgetary self-reliance, and economic self-sufficiency of its people, and in recognition of the special relationship that exists between the Federated States of Micronesia and the United States, the Government of the United States shall provide assistance on a sector grant basis beginning in Fiscal Year 2004 in the amounts set forth in section 216. Such grants shall be used for assistance in the sectors of education, health care, private sector development, the environment, public sector capacity building, and public infrastructure, or for other sectors as mutually agreed, with priorities in the education and health care sectors. For each year such sector grant assistance is made available, the proposed division of this amount among these sectors shall be certified to the Government of the United States by the Government of the Federated States of Micronesia and shall be subject to the concurrence of the Government of the United States. In such case, the Government of the United States shall disburse the agreed upon amounts and monitor the use of such sector grants in accordance with the provisions of this Article and the Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact of Free Association, as amended, Between the Government of the

United States of America and the Government of the Federated States of Micronesia, done at Palikir on February 27, 2004 ("2004 Fiscal Procedures Agreement").

- (1) Education. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support and improve the educational system of the Federated States of Micronesia and develop the human, financial, and material resources necessary for the Government of the Federated States of Micronesia to perform these services. Emphasis should be placed on advancing a quality basic education system.
- (2) Health. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support and improve the delivery of preventive, curative and environmental care and develop the human, financial, and material resources necessary for the Government of the Federated States of Micronesia to perform these services.
- (3) Private Sector Development. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support the efforts of the Government of the Federated States of Micronesia to attract foreign investment and increase indigenous business activity by vitalizing the commercial environment, ensuring fair and equitable application of the law, promoting adherence to core labor standards, and maintaining progress toward privatization of state-owned and partially state-owned enterprises, and engaging in other reforms.
- (4) Capacity Building in the Public Sector. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support the efforts of the Government of the Federated States of Micronesia to build effective, accountable, and transparent national, state, and local government and other public sector institutions and systems.
- (5) Environment. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to increase environmental protection; conserve and achieve sustainable use of natural resources; and engage in environmental infrastructure planning, design, construction, and operation.



(6) Public Infrastructure.

- (i) U.S. annual grant assistance under subsection (a) of this section shall be made available in accordance with a list of specific projects included in the plan described in subsection (c) of this section to assist the Government of the Federated States of Micronesia in its efforts to provide adequate public infrastructure.
  - (ii) Infrastructure and Maintenance Fund. Five percent of the annual public infrastructure grant made available under paragraph (i) of this subsection shall be set aside, with an equal contribution from the Government of the Federated States of Micronesia, as a contribution to an Infrastructure Maintenance Fund (IMF). Administration of the Infrastructure Maintenance Fund shall be governed by the 2004 Fiscal Procedures Agreement through Fiscal Year 2023.
- (b) Humanitarian Assistance - Federated States of Micronesia Program. In recognition of the special development needs of the Federated States of Micronesia, the Government of the United States shall make available to the Government of the Federated States of Micronesia, on its request and to be deducted from the grant amount made available under subsection (a) of this section and subsection (a) of section 261, a Humanitarian Assistance - Federated States of Micronesia ("HAFSM") Program with emphasis on health, education, and infrastructure (including transportation), projects. The terms and conditions of the HAFSM shall be set forth in the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Federated States of Micronesia Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended.
- (c) Development Plan. Through Fiscal Year 2023, the Government of the Federated States of Micronesia shall prepare and maintain an official overall development plan. The plan shall be strategic in nature, shall be continuously reviewed and updated through the annual budget process, and shall make projections on a multi-year rolling basis. Each of the sectors named in subsection (a) of this section, or other sectors as mutually agreed, shall be accorded specific treatment in the plan. Insofar as grants funds are involved, the plan shall be subject to the concurrence of the Government of the United States.
- (d) Disaster Assistance Emergency Fund. Through Fiscal Year 2023, an amount of two hundred thousand dollars (\$200,000) shall be provided annually, with an equal contribution from the Government of the Federated States of Micronesia, as a contribution to a "Disaster Assistance Emergency Fund" (DAEF). Through Fiscal Year 2023, any funds from the DAEF may be used only for assistance and

rehabilitation resulting from disasters and emergencies. Through Fiscal Year 2023, the funds will be accessed upon declaration by the Government of the Federated States of Micronesia, with the concurrence of the United States Chief of Mission to the Federated States of Micronesia. Through Fiscal Year 2023, the administration of the DAEF shall be governed by the 2004 Fiscal Procedures Agreement.

#### Section 212 – Accountability

- (a) Regulations and policies normally applicable to United States financial assistance to its state and local governments, as reflected in the 2004 Fiscal Procedures Agreement, shall apply to each sector grant described in section 211, except as modified in Article IX of the Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Federated States of Micronesia, done at Palikir on May 23, 2023 (“2023 Fiscal Procedures Agreement”), and to grants administered under section 221 made before Fiscal Year 2024, except as modified in the separate agreements referred to in section 231 or by United States law. Through Fiscal Year 2023, the Government of the United States, after annual consultations with the Government of the Federated States of Micronesia, may attach reasonable terms and conditions, including annual performance indicators that are necessary to ensure effective use of United States assistance and reasonable progress toward achieving program objectives. Through Fiscal Year 2023, the Government of the United States may seek appropriate remedies for noncompliance with the terms and conditions attached to the assistance, or for failure to comply with section 234, including withholding assistance.
- (b) The Government of the United States shall, for each fiscal year of the twenty years during which assistance is to be provided on a sector grant basis under section 211, grant the Government of the Federated States of Micronesia an amount equal to the lesser of (i) one half of the reasonable, properly documented cost incurred during each fiscal year to conduct the annual audit required under Article VIII(2) of the 2004 Fiscal Procedures Agreement or (ii) \$500,000. Such amount will not be adjusted for inflation under section 217 or otherwise.

#### Section 213 – Joint Economic Management Committee

The Governments of the United States and the Federated States of Micronesia shall establish a Joint Economic Management Committee. Through Fiscal Year 2023, the Joint Economic Management Committee shall be governed as follows. The Joint Economic Committee shall be composed of a U.S. chair, two other members from the Government of the United States, and two members from the Government of the Federated States of Micronesia. The Joint Economic Management Committee shall meet at least once each

year to review the audits and reports required under Article I of this Title, evaluate the progress made by the Federated States of Micronesia in meeting the objectives identified in its plan described in subsection (c) of section 211, with particular focus on those parts of the plan dealing with the sectors identified in subsection (a) of section 211, identify problems encountered, and recommend ways to increase the effectiveness of U.S. assistance made available under this Title. The establishment and operations of the Joint Economic Management Committee shall be governed by the 2004 Fiscal Procedures Agreement.

#### Section 214 – Annual Report

Through Fiscal Year 2023, the Government of the Federated States of Micronesia shall report annually to the President of the United States on the use of United States sector grant assistance and other assistance and progress in meeting mutually agreed program and economic goals. Through Fiscal Year 2023, the Joint Economic Management Committee shall review and comment on the report and make appropriate recommendations based thereon.

#### Section 215 – Trust Fund

- (a) The Government of the United States shall contribute annually for twenty years in the amounts set forth in section 216 into a trust fund (“Trust Fund”) established in accordance with the Agreement Between the Government of the United States of America and the Government of the Federated States of Micronesia Implementing Section 215 and Section 216 of the Compact, as Amended Regarding a Trust Fund, done at Palikir on May 14, 2003 (“2003 Trust Fund Agreement”).
- (b) The United States contribution into the Trust Fund described in subsection (a) of this section is conditioned on the Government of the Federated States of Micronesia contributing to the Trust Fund at least \$30 million, prior to September 30, 2004. Any funds received by the Federated States of Micronesia under section 111 (d) of Public Law 99–239 (January 14, 1986), or successor provisions, would be contributed to the Trust Fund as a Federated States of Micronesia contribution.
- (c) The terms regarding the investment and management of funds and use of the income of the Trust Fund shall be set forth in the 2003 Trust Fund Agreement and shall apply for the duration of that agreement. Through Fiscal Year 2023, funds derived from United States investment shall not be subject to Federal or state taxes in the United States or the Federated States of Micronesia. The 2003 Trust Fund Agreement shall also provide for annual reports to the Government of the United States and to the Government of the Federated States of Micronesia. The 2003 Trust Fund Agreement shall provide for appropriate distributions of Trust Fund proceeds

to the Federated States of Micronesia and for appropriate remedies for the failure of the Federated States of Micronesia to use income of the Trust Fund for the annual grant purposes set forth in section 211. These remedies may include the return to the Government of the United States of the present market value of its contributions to the Trust Fund and the present market value of any undistributed income on the contributions of the Government of the United States.

#### Section 216 – Sector Grant Funding and Trust Fund Contributions

The funds described in sections 211, 212(b), and 215 shall be made available as follows:

(In millions of U.S. dollars)				
Fiscal year	Annual Grants Section 211	Audit Grant Section 212(b) (amount up to)	Trust Fund Section 215	Total
2004	76.2	.5	16	92.7
..... 2005	76.2	.5	16	92.7
..... 2006	76.2	.5	16	92.7
..... 2007	75.4	.5	16.8	92.7
..... 2008	74.6	.5	17.6	92.7
..... 2009	73.8	.5	18.4	92.7
..... 2010	73	.5	19.2	92.7
..... 2011	72.2	.5	20	92.7
..... 2012	71.4	.5	20.8	92.7
..... 2013	70.6	.5	21.6	92.7
..... 2014	69.8	.5	22.4	92.7
..... 2015	69	.5	23.2	92.7
..... 2016	68.2	.5	24	92.7
.....				



2017	67.4	.5	24.8	92.7
.....				
2018	66.6	.5	25.6	92.7
.....				
2019	65.8	.5	26.4	92.7
.....				
2020	65	.5	27.2	92.7
.....				
2021	64.2	.5	28	92.7
.....				
2022	63.4	.5	28.8	92.7
.....				
2023	62.6	.5	29.6	92.7
.....				

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#### Section 217 – Inflation Adjustment

Except for the amounts provided for audits under section 212(b), the amounts stated in Article I of this Title shall be adjusted for each United States Fiscal Year by the percent that equals two-thirds of the percent change in the United States Gross Domestic Product Implicit Price Deflator, or 5 percent, whichever is less in any one year, using the beginning of Fiscal Year 2004 as a base.

#### Section 218 – Carry-Over of Unused Funds

If in any year the funds made available by the Government of the United States for that year pursuant to this Article are not completely obligated by the Government of the Federated States of Micronesia, the unobligated balances shall remain available in addition to the funds to be provided in subsequent years. Beginning in Fiscal Year 2024, the carry-over of funds provided under this Article shall be governed by Article IX of the 2023 Fiscal Procedures Agreement.”

2. Article II of the Compact, as Amended shall be replaced with the following:

“Article II

Services and Program Assistance

Section 221

(a) Services. The Government of the United States shall make available to the Government of the Federated States of Micronesia, in accordance with and to the extent provided in the Federal Programs and Services Agreement referred to in section 231, the services and related programs of:

- (1) the United States Weather Service;
- (2) the United States Postal Service;
- (3) the United States Federal Aviation Administration;
- (4) the United States Department of Transportation;
- (5) the Federal Deposit Insurance Corporation; and
- (6) the Federal Emergency Management Agency of the Department of Homeland Security and the United States Agency for International Development.

The United States departments and agencies named or having responsibility to provide these services and related programs shall have the authority to implement the relevant provisions of the Federal Programs and Services Agreement referred to in section 231.

(b) Programs.

- (1) With the exception of the services and programs covered by subsection (a) of this section, and unless the Congress of the United States provides otherwise, the Government of the United States shall make available to the Government of the Federated States of Micronesia the services and programs that were available to the Government of the Federated States of Micronesia on June 25, 2004, to the extent that such services and programs continue to be available to State and local governments of the United States. Sector grants provided under this Title shall be considered to be local

revenues of the Government of the Federated States of Micronesia when used as the local share required to obtain Federal programs and services.

- (2) Unless provided otherwise by United States law, the services and programs described in paragraph (1) of this subsection shall be extended in accordance with the terms of the Federal Programs and Services Agreement referred to in section 231.
- (c) The Government of the United States shall have and exercise such authority as is necessary to carry out its responsibilities under this Title and the separate agreement referred to in section 231, including the authority to monitor and administer all service and program assistance provided by the Government of the United States to the Government of the Federated States of Micronesia.
- (d) Except as provided elsewhere in this Compact, as amended, under any separate agreement entered into under this Compact, as amended, or otherwise under United States law, all Federal domestic programs extended to or operating in the Federated States of Micronesia shall be subject to all applicable criteria, standards, reporting requirements, auditing procedures, and other rules and regulations applicable to such programs and services when operating in the United States.
- (e) The Government of the United States may make available to the Government of the Federated States of Micronesia alternate energy development projects, studies, and conservation measures to the extent provided for the Freely Associated States in the laws of the United States.

## Section 222

The Government of the United States and the Government of the Federated States of Micronesia may decide from time to time to extend to the Government of the Federated States of Micronesia additional United States grant assistance, services, and programs, as provided under the laws of the United States. Unless inconsistent with such laws, or otherwise specifically precluded by the Government of the United States at the time such additional grant assistance, services, or programs are extended, the Federal Programs and Services Agreement referred to in section 231 shall apply to any such assistance, services, or programs.

## Section 223

The Government of the Federated States of Micronesia shall make available to the Government of the United States facilities and areas in the Federated States of Micronesia as may be necessary for the operations of the services and programs provided pursuant to this Article and set forth in the Federal Programs and Services Agreement referred to in section 231, or as may be mutually agreed thereafter.

## Section 224

The Government of the Federated States of Micronesia may request, from time to time, technical assistance from the Federal agencies and institutions of the Government of the United States, which are authorized to grant such technical assistance in accordance with United States laws. If technical assistance is granted pursuant to such a request, the Government of the United States shall provide the technical assistance in a manner which gives priority consideration to the Federated States of Micronesia over other recipients not a part of the United States, its territories or possessions, and equivalent consideration to the Federated States of Micronesia with respect to other states in Free Association with the United States. Such assistance shall be made available on a reimbursable or non-reimbursable basis to the extent provided by United States law.”

3. Article III of the Compact, as Amended shall be replaced with the following:

### “Article III

#### Administrative Provisions

## Section 231

The specific nature, extent, and contractual arrangements of the services and programs provided for in section 221 of this Compact, as amended, as well as the legal status of agencies of the Government of the United States, their civilian employees and contractors, and the dependents of such personnel while present in the Federated States of Micronesia, and other arrangements in connection with the assistance, services, or programs furnished by the Government of the United States, are set forth in a Federal Programs and Services Agreement.



## Section 232

The Government of the United States, in consultation with the Government of the Federated States of Micronesia, shall determine and implement procedures for audits, as appropriate, of all grants and other assistance made under Article I and Article VI of this Title and of all funds expended for the services and programs provided under Article II of this Title.

## Section 233

Approval of this Compact, as amended, by the Government of the United States, in accordance with its constitutional processes, shall constitute a pledge by the Government of the United States that the sums and amounts specified as sector grants in section 211 and section 261 of this Compact, as amended, shall be appropriated and paid to the Government of the Federated States of Micronesia for such period as those provisions of this Compact, as amended, remain in force, subject to the terms and conditions of this Title and related subsidiary agreements.

## Section 234

The Government of the Federated States of Micronesia pledges to cooperate with, permit, and assist if reasonably requested, designated and authorized representatives of the Government of the United States charged with investigating whether Compact funds, or any other assistance authorized under this Compact, as amended, have been, or are being, used for purposes other than those set forth in this Compact, as amended, or its subsidiary agreements. In carrying out this investigative authority, such United States Government representatives may request that the Government of the Federated States of Micronesia subpoena documents and records and compel testimony in accordance with the laws and Constitution of the Federated States of Micronesia. Such assistance by the Government of the Federated States of Micronesia to the Government of the United States shall not be unreasonably withheld. The obligation of the Government of the Federated States of Micronesia to fulfill its pledge herein is a condition to its receiving payment of such funds or other assistance authorized under this Compact, as amended. The Government of the United States shall pay any reasonable costs for extraordinary services executed by the Government of the Federated States of Micronesia in carrying out the provisions of this section.

## Section 235

The provision of any United States assistance under this Compact, as amended or any subsidiary agreement to this Compact, as amended, shall constitute “a particular distribution . . . required by the terms or special nature of the assistance” for purposes of Article XII, section 1(b) of the Constitution of the Federated States of Micronesia.

4. A new Article VI shall be added at the end of Title Two of the Compact, as Amended and shall read as follows:

“Article VI

Continued Economic Assistance and Accountability

Section 261 – Grants

- (a) Sector Grants. The Government of the United States shall provide assistance on a sector grant basis as set forth in section 266, subject to the provisions of the 2023 Fiscal Procedures Agreement. These sector grants shall be used for assistance in the sectors of education, health care, private sector development, the environment, public sector capacity building, public infrastructure, and enhanced reporting and accountability, or for other sectors as mutually decided. The Government of the United States shall monitor the use of such sector grants in accordance with the provisions of this Article and the 2023 Fiscal Procedures Agreement.
- (1) Education. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support and improve the educational system of the Federated States of Micronesia and develop the human, financial, and material resources necessary for the Government of the Federated States of Micronesia to perform these services. Emphasis should be placed on advancing a quality basic education system.
- (2) Health. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support and improve the delivery of preventive, curative, and environmental care and to develop the human, financial, and material resources necessary for the Government of the Federated States of Micronesia to perform these services.
- (3) Private Sector Development. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support the efforts of the Government of the Federated States of Micronesia to attract foreign investment and increase indigenous business activity by vitalizing the commercial environment, ensuring fair and equitable application of the law, promoting adherence to core labor standards, maintaining progress toward privatization of state-owned and partially state-owned enterprises, and engaging in other reforms.

- (4) Capacity Building in the Public Sector. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support the efforts of the Government of the Federated States of Micronesia to build effective, accountable, and transparent national, state, and local government and other public sector institutions and systems.
  - (5) Environment. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to increase environmental protection; conserve and achieve sustainable use of natural resources; address climate change; and engage in environmental infrastructure planning, design, construction, and operation.
  - (6) Public Infrastructure. United States annual grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section and for projects included in the plan described in Article V(2) of the 2023 Fiscal Procedures Agreement to assist the Government of the Federated States of Micronesia in its efforts to provide adequate public infrastructure.
  - (7) Enhanced Reporting and Accountability. United States grant assistance under subsection (a) of this section shall be made available in accordance with the plan described in subsection (c) of this section to support the efforts of the Government of the Federated States of Micronesia to address the costs of compliance inherent in implementing its obligations with respect to sector grant assistance.
- (b) Infrastructure Maintenance Fund. Beginning in Fiscal Year 2024, contributions to and administration of the Infrastructure Maintenance Fund shall be governed by the 2023 Fiscal Procedures Agreement.
  - (c) Development Plan. Beginning in the Fiscal Year after which the 2023 Fiscal Procedures Agreement enters into force, the Government of the Federated States of Micronesia shall prepare and maintain an official overall development plan. The plan shall be strategic in nature, shall be continuously reviewed and updated through the annual budget process, and shall make projections on a multi-year rolling basis. Each of the sectors named in subsection (a) of this section, or other sectors as mutually decided, shall be accorded specific treatment in the plan. Insofar as sector grant funds are involved, the plan shall be subject to the concurrence of the Joint Economic Management Committee, as set forth in the 2023 Fiscal Procedures Agreement.

- (d) Disaster Assistance Emergency Fund. Beginning in Fiscal Year 2024, the Government of the United States and the Government of the Federated States of Micronesia shall provide amounts to the DAEF to the extent provided in the Federal Programs and Services Agreement referred to in section 231. Beginning in Fiscal Year 2024, any funds from the DAEF may be used only for assistance and rehabilitation resulting from disasters and emergencies, or for disaster preparedness activities. Beginning in Fiscal Year 2024, the DAEF shall be subject to relevant provisions of the 2023 Fiscal Procedures Agreement and the Federal Programs and Services Agreement referred to in section 231.

#### Section 262 – Accountability

- (a) The 2023 Fiscal Procedures Agreement shall apply to each grant described in section 261 and section 266, and to grants administered under section 221 made in Fiscal Year 2024 or later, except as modified in the separate agreement referred to in section 231 or by United States law. Beginning in Fiscal Year 2024, and consistent with the 2023 Fiscal Procedures Agreement, the Government of the United States may attach reasonable terms and conditions to any United States assistance provided under this Article and may seek appropriate remedies for noncompliance with such terms and conditions or for failure to comply with section 234, including the withholding of such assistance.
- (b) The cost of the annual audit required under Article VIII(2) of the 2023 Fiscal Procedures Agreement shall be borne by the Government of the Federated States of Micronesia and may be paid for from the amounts made available for sector grants described in section 261(a).

#### Section 263 – Joint Economic Management Committee

Beginning in Fiscal Year 2024, the Joint Economic Management Committee shall be governed by the 2023 Fiscal Procedures Agreement and shall be composed of a U.S. chairperson, two other members from the Government of the United States, and three members from the Government of the Federated States of Micronesia.

#### Section 264 – Biennial Report

Beginning in Fiscal Year 2024 and every two years thereafter until two years after all sector grants provided under section 261(a) are closed out, the Government of the Federated States of Micronesia shall report to the President of the United States on the use of United States sector grant assistance and other assistance provided by the Government of the United States during the previous two Fiscal Years, and on the progress of the Government of the Federated States of Micronesia in meeting program and economic



goals. The Joint Economic Management Committee shall review and comment on the report and make appropriate recommendations based thereon.

#### Section 265 – Trust Fund

- (a) The Government of the United States shall contribute the amounts set forth in section 266 to the Trust Fund to be used in the sectors described in section 261(a) and in accordance with the Agreement Between the Government of the United States of America and the Government of the Federated States of Micronesia Regarding the Compact Trust Fund, done at Palikir on May 23, 2023 (“2023 Trust Fund Agreement”).
- (b) The 2023 Trust Fund Agreement, and any successor agreements, shall govern the Trust Fund and all contributions made pursuant to this Title and shall provide for:
  - (1) Exemption from federal and state taxes in the United States and the Federated States of Micronesia of all funds derived from the United States investment;
  - (2) Annual reports to the Government of the United States and the Government of the Federated States of Micronesia;
  - (3) Distributions from the Trust Fund to provide an ongoing source of support for certain needs of the Federated States of Micronesia while protecting the sustainability of the Trust Fund;
  - (4) Fiscal procedures that are sufficient to provide oversight of the Trust Fund, including for expending of and accounting for distributions, and to ensure that distributions are used for the purposes described in section 261(a);
  - (5) A Joint Trust Fund Committee composed of three voting members appointed by the Government of the United States, to include the chair of the Joint Trust Fund Committee, and three voting members appointed by the Government of the Federated States of Micronesia; and
  - (6) Appropriate remedies for the gross failure of the Government of the Federated States of Micronesia to use Trust Fund distributions in accordance with the 2023 Trust Fund Agreement, to include the return to the Government of the United States of the present market value of its contributions to the Trust Fund and the present market value of any undistributed income derived therefrom.

- (c) If this Compact, as amended, is terminated, the provisions of sections 451 through 453 of this Compact, as amended, shall govern treatment of any United States contributions to the Trust Fund and any undistributed income derived therefrom.

#### Section 266 – Sector Grant Funding and Trust Fund Contributions

The funds described in sections 261(a) and 265 shall be made available as follows:

(In millions of U.S. dollars)			
Fiscal year	Sector Grants (Section 261(a))	Trust Fund (Section 265)	Total
2024	140	250	390
.....			
2025	140	250	390
.....			
2026	140	--	140
.....			
2027	140	--	140
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2028	140	--	140
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2029	140	--	140
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2030	140	--	140
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2031	140	--	140
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2032	140	--	140
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2033	140	--	140
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2034	140	--	140
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2035	140	--	140
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2036	140	--	140
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2037	140	--	140
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2038	140	--	140
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2039	140	--	140

..... 2040	140	--	140
..... 2041	140	--	140
..... 2042	140	--	140
..... 2043	140	--	140
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#### Section 267 – Carry-Over of Unused Funds

All funds made available under this Article shall be available until expended. The carry-over of unused funds made available under this Article shall be governed by Article IX of the 2023 Fiscal Procedures Agreement.”

#### **Part 2. Title Four Amendments**

Article V of Title Four of the Compact, as Amended shall be amended as follows:

- a. The word “twentieth” shall be replaced with the word “fortieth”;
- b. “Trust Fund Agreement” shall be replaced with “2023 Trust Fund Agreement”;
- c. In Sections 451(b), 452(b), and 453(c), “section 215” shall be replaced with “section 265”; and
- d. In Sections 451(c), 452(c), and 453(d), “section 215” shall be replaced with “section 215 and section 265”.

### **Part 3. Final Provisions**

1. This Agreement shall enter into force on the date of the later note in an exchange of notes between the Signatory Governments indicating that each Signatory Government has completed its internal procedures for entry into force.

2. The Signatory Governments may mutually agree to continue the provision of sector grants, trust fund contributions, and federal programs and services beyond fiscal year 2043 at similar favorable levels and subject to similar favorable terms identified in the amendments described in Part 1 of this Agreement, the 2023 Fiscal Procedures Agreement, and the 2023 Trust Fund Agreement.

**IN WITNESS WHEREOF**, the undersigned, being duly authorized by their respective governments, have signed this Agreement.

**DONE at Palikir on May 23, 2023.**



FOR THE GOVERNMENT OF  
THE UNITED STATES OF  
AMERICA:

Alissa M. Bibb



FOR THE GOVERNMENT OF THE  
FEDERATED STATES OF  
MICRONESIA:

