

AGREEMENTS WITH THE REPUBLIC OF THE
MARSHALL ISLANDS

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AGREEMENTS CONCERNING PROCEDURES FOR THE IMPLEMENTATION OF THE UNITED STATES ECONOMIC ASSISTANCE PROVIDED IN THE 2023 AMENDED COMPACT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF THE MARSHALL ISLANDS, PURSUANT TO 48 U.S.C. 1921(f); PUBLIC LAW 108-188, SEC. 101(f); (117 STAT. 2725)



DECEMBER 6, 2023.—Referred jointly to the Committees on Natural Resources and Foreign Affairs, and ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

THE WHITE HOUSE,
Washington, December 5, 2023.

Hon. MIKE JOHNSON,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Consistent with section 101(f) of title I of the Compact of Free Association Amendments Act of 2003 (Public Law 108–188), I transmit herewith 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 Republic of the Marshall Islands (2023 FPA), the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Regarding the Compact Trust Fund (2023 TFA), and the Agreement between the Government of the United States of America and the Government of the Republic of the Marshall Islands to Amend the Compact of Free Association, as Amended (2023 Amended Compact). The 2023 FPA, the 2023 TFA, and the 2023 Amended Compact (Agreements) were signed at Honolulu on October 16, 2023.

These Agreements with the Republic of the Marshall Islands (RMI) serve the important purpose of assisting in the RMI's development and maintaining our close relationship. The 2023 Amended Compact would obligate the United States to provide \$1.6 billion over 20 years in grant assistance and \$700 million in new Compact Trust Fund contributions. The 2023 FPA would maintain oversight and accountability for United States taxpayer funds provided to support essential government services. The 2023 TFA would restructure the current Compact Trust Fund in order to provide either sector support or distributions to eligible recipients. New contributions to the Compact Trust Fund would be directed to support extraordinary needs distributions for people in the RMI.

Extending such assistance is a critical component of my Administration's Indo-Pacific, Pacific Partnership, and National Security Strategies. These Agreements demonstrate our long-term commitment to and strengthen our broader bilateral relationship with the RMI, fostering economic prosperity and stability that form the foundation of our strategic interests in the Indo-Pacific region.

I transmit herewith the 2023 Amended Compact, the 2023 FPA, and the 2023 TFA for the implementation of these Agreements related to the Compact of Free Association Between the United States and the Republic of the Marshall Islands.

Sincerely,

JOSEPH R. BIDEN, Jr.

**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 Republic of the Marshall Islands**

The Government of the United States of America and the Government of the Republic of the Marshall Islands (the "Signatory Governments");

Noting the *Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact, as amended, of Free Association Between the Government of the United States of America and the Government of the Republic of the Marshall Islands*, done at Majuro on March 23, 2004, which governs certain economic assistance provided to the Government of the Republic of the Marshall Islands by the Government of the United States of America pursuant to the *Compact of Free Association, as Amended, Between the Government of the United States of America and the Government of the Republic of the Marshall Islands*, done at Majuro on April 30, 2003 (the "2003 Amended Compact");

Wishing to establish procedures for the implementation of economic assistance provided to the Government of the Republic of the Marshall Islands by the Government of the United States of America pursuant to the 2003 Amended Compact, as amended by the *Agreement between the Government of the United States of America and the Government of the Republic of the Marshall Islands to Amend the Compact of Free Association, as Amended*, done at Honolulu on October 16, 2023 (the "2023 Amended Compact");

Have agreed as follows:

Article I Definition of Terms

For purposes of this Agreement, the following terms shall have the following meanings when capitalized:

"2003 Amended Compact" means the *Compact of Free Association, as Amended Between the Government of the United States of America and the Government of the Republic of the Marshall Islands*, done at Majuro on April 30, 2003, which entered into force on May 1, 2004.

"2003 Trust Fund Agreement" means the *Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended Regarding a Trust Fund*, done at Majuro on April 30, 2003.

"2004 Fiscal Procedures Agreement" means the *Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact, as amended, of Free Association Between the Government of the United States of America and the Government of the Republic of the Marshall Islands*, done at Majuro on March 23, 2004.

"2023 Agreement to Amend" means the *Agreement between the Government of the United States of America and the Government of the Republic of the Marshall Islands to Amend the Compact of Free Association, as Amended*, done at Honolulu on October 16, 2023.

"2023 Amended Compact" means the 2003 Amended Compact, as amended by the 2023 Agreement to Amend.

"2023 Trust Fund Agreement" means the *Agreement between the Government of the United States of America and the Government of the Republic of the Marshall Islands Regarding the Compact Trust Fund*, done at Honolulu on October 16, 2023.

"Accrued Expenditures" means the charges incurred by the Government of the Republic of the Marshall Islands during a given period requiring the provision of funds for: (1) goods and other tangible property received; (2) services performed by employees, contractors, Sub-Grantees, subcontractors, and other third party non-contractors; and (3) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments.

"Allocation" means Sector Grant Allocation, Section 211(b) Allocation, U.S. Supplemental Health Fund Allocation, Climate Fund Allocation, or Kwajalein Development Plan Fund Allocation.

"Annual Financial Report" means the report required under Article VIII(1)(b)(ii) of this Agreement.

"Annual Implementation Plan" means the plan required under Article VII(3) of this Agreement.

"Annual Performance Report" means the report required under Article VIII(2)(a) of this Agreement.

"Appeal" means the right of a Grantee to request a hearing from the director of the United States Department of the Interior's Office of Hearings and Appeals regarding an adverse agency decision (43 C.F.R. Part 4). An ad hoc appeals board of two or more administrative law judges may be appointed by the director to hear the dispute at the Grantee's written request. Decisions must be in writing and signed by a majority of board members. Grantees (and their representatives) who appear before the board are governed by specific rules of practice (43 C.F.R. Part 1).

"Audit Grant" means a grant to the Government of the Republic of the Marshall Islands to conduct the annual Audits required under Article X of this Agreement.

"Audits" means financial, program, and management audits, including the determination as to whether the Government of the Republic of the Marshall Islands has met the requirements set forth in the 2023 Amended Compact, or its related agreements, regarding the purposes for which Sector Grants or other assistance are to be used; determinations as to the propriety of the financial transactions of the Government of the Republic of the Marshall Islands with respect to such Sector Grants or assistance; and the substantiation of appropriate follow-up actions by the Signatory Governments.

"Budget and Investment Framework" means the framework required under Section 261(c) of the 2023 Amended Compact.

"Climate Fund" means the fund described in Section 261(h) of the 2023 Amended Compact and Article II(4) of this Agreement.

"Climate Fund Allocation" means the amount from the Climate Fund allocated by the Committee for the uses described in Section 261(h) of the 2023 Amended Compact.

"Climate Working Group" means the group described in Section 261(h) of the 2023 Amended Compact and Article V of this Agreement.

"Closeout" means the normal process by which the awarding agency determines that all applicable administrative actions and all required work on the Grant have been completed.

"Committee" means the Joint Economic Management and Financial Accountability Committee established pursuant to Section 214 of the 2003 Amended Compact and Article III of the 2004 Fiscal Procedures Agreement.

"Contract" means a Contract funded under a Sector Grant, Section 211(b) Grant, or Sub-Grant, or by the U.S. Supplemental Health Fund, Climate Fund, or Kwajalein Development Plan Fund. It also means a sub-contract under a Contract.

"Covered Telecommunication Equipment or Services" means video surveillance and telecommunications equipment or telecommunications or video surveillance services produced or provided by an entity that the United States Secretary of Defense, in consultation with the Director of National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by or otherwise connected to, the government of a covered foreign country as defined in the United States Federal Acquisition Regulations 4.2101, or any successors.

"Disaster Assistance Emergency Fund" means the fund established by the Government of the Republic of the Marshall Islands in accordance with Section 211(e) of the 2003 Amended Compact.

"Equipment" means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

"Fiscal Year" means each one-year period beginning October 1 and ending on the following September 30. Each Fiscal Year shall be designated by the number of the calendar year in which such Fiscal Year ends. For example, "Fiscal Year 2024" means the Fiscal Year ending in calendar year 2024.

"General Fund" means the primary operating fund of the Government of the Republic of the Marshall Islands as established pursuant to the Constitution of the Republic of the Marshall Islands.

"Government of the Republic of the Marshall Islands" means the government established and organized by the Constitution of the Republic of the Marshall Islands including all the political subdivisions and entities comprising that government.

"Government of the United States of America" means the federal government of the United States of America.

"Grant" means an award of a Sector Grant, Section 211(b) Grant, Audit Grant, Infrastructure Maintenance Fund contribution, Disaster Assistance Emergency Fund contribution, U.S Supplemental Health Fund contribution, Climate Fund contribution, or Kwajalein Development Plan Fund contribution in the form of money, or property in lieu of money, by the Government of the United States of America to the Government of the Republic of the Marshall Islands under the 2023 Amended Compact. The term does not include technical assistance instead of money, or other

assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations. Acceptance of a Grant from the Government of the United States of America creates a legal duty on the part of the Government of the Republic of the Marshall Islands to use funds in accordance with the requirements of this Agreement and the terms and conditions of the Grant.

“Grantee” means the Government of the Republic of the Marshall Islands as the recipient of a Grant under the 2023 Amended Compact or this Agreement.

“Health Care Revenue Fund” means the fund established pursuant to the Marshall Islands Health Care Revenue Fund Act of 1989, or, by mutual written decision of the Signatory Governments, a successor fund.

“Infrastructure Development Plan” means the plan required under Article VII(2) of this Agreement.

“Infrastructure Grants” means Sector Grants for public infrastructure and Section 211(b) Grants for infrastructure.

“Infrastructure Maintenance Fund” means the maintenance assistance account established by the Government of the Republic of the Marshall Islands pursuant to Section 211 of the 2003 Amended Compact and Article VII of the 2004 Fiscal Procedures Agreement.

“Indirect Cost” means a cost incurred for common institution-wide or joint objectives that cannot be identified readily and specifically within a particular program or activity, such as general administration not associated with a Grant or project funded under the 2023 Amended Compact.

“Joint Health Dialogue” means the dialogue described in Section 261(g) of the 2023 Amended Compact and Article IV of this Agreement.

“Kwajalein Development Plan” means the plan adopted in March 2022 by the Government of the Republic of the Marshall Islands to facilitate resilience and healthy communities throughout Kwajalein Atoll, or, by mutual written decision of the Signatory Governments, a successor plan.

“Kwajalein Development Plan Fund Allocation” means the amount from the Kwajalein Development Plan Fund allocated by the Committee for the uses described in Section 261(i) of the 2023 Amended Compact.

“Kwajalein Development Plan Fund” means the fund described in Section 261(i) of the 2023 Amended Compact and Article IX(10) of this Agreement.

“Matching” means the value of the in-kind contributions or the portion of the costs of a project or program of the Government of the United States of America that is required to be borne by the Government of the Republic of the Marshall Islands.

“Military Use and Operating Rights Agreement” means the *Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended*, with Agreed Minutes and Annexes, done at Majuro on April 30, 2003.

“Obligations” means orders placed, Contracts and sub-contracts awarded, Sub-Grants awarded, goods and services received, and similar transactions during a given period that will require payment by the Government of the Republic of the Marshall Islands during the same or future period. Nothing in this Agreement shall be construed to mean that granted funds are unobligated for purposes of United States domestic law.

“Operational Costs” means the customary and usual direct costs associated with the operations of a Grant program that continue from a given period to a subsequent period.

“Operational Grants” means Sector Grants, Section 211(b) Grants, U.S. Supplemental Health Fund Allocations, or Climate Fund Allocations other than those for public infrastructure.

“Quarterly Financial Report” means the report required under Article VIII(1)(b)(i) of this Agreement.

“Real Property” means land, including land improvements, structures, and appurtenances thereto, excluding movable machinery and Equipment.

“Reprogram” means a transfer of funds between object classes within an individual Sector Grant or an individual Section 211(b) Grant, or a transfer of funds within a U.S. Supplemental Health Fund Allocation, a Climate Fund Allocation, or Kwajalein Development Plan Fund Allocation.

“RMI Health Expenditures” means amounts spent by the Government of the Republic of the Marshall Islands from its General Fund or Health Care Revenue Fund to support healthcare programs and projects to improve health outcomes in the Republic of the Marshall Islands.

“Section 211(b) Allocation” means the amount allocated by the Committee to be granted for the uses described in Section 211(b)(1)-(3) of the 2023 Amended Compact.

“Section 211(b) Grant” means a Grant described in Section 211(b)(1)-(3) of the 2023 Amended Compact.

"Section 264 Report" means the report required under Section 264 of the 2023 Amended Compact.

"Sector Allocation" means the amount allocated by the Committee to be granted for use in a specific sector.

"Sector Grant" means a Grant described in Article II(1) of this Agreement for education, health care, public infrastructure, the environment, public sector capacity building, private sector development, enhanced reporting and accountability, Enewetak development, or other sectors as mutually decided by the Signatory Governments.

"Signatory Governments" means the Government of the United States of America and the Government of the Republic of the Marshall Islands.

"Sub-Grant" means a sub-award of a Grant, made by the Government of the Republic of the Marshall Islands to an eligible recipient, including but not limited to local governments. The Government of the Republic of the Marshall Islands, as the legal entity to which a Grant is awarded, is accountable for the use of all such funds by its Sub-Grantees.

"Sub-Grantee" means the recipient of a Sub-Grant.

"Supplies" mean all tangible personal property other than Equipment purchased or procured with a Sector Grant or Section 211(b) Grant, or with funds from the U.S. Supplemental Health Fund, Climate Fund, or Kwajalein Development Plan Fund.

"Suspension" means, depending on the context, either (1) temporary withdrawal of the authority to obligate Grant funds pending corrective action by the Government of the Republic of the Marshall Islands or its Sub-Grantee; or (2) an action taken to immediately exclude a person from participating in Grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue.

"Termination" means permanent withdrawal of the authority to obligate previously awarded Grant funds before that authority would otherwise expire. It also means the voluntary relinquishment of that authority by the Government of the Republic of the Marshall Islands or its Sub-Grantee. It does not include: (1) withdrawal of funds awarded on the basis of an underestimation of the unobligated balance in a prior period; (2) withdrawal of the unobligated balance as of the expiration of a Grant; (3) refusal to extend a Grant or award additional funds; or (4) voiding of a Grant upon determination that the award was obtained fraudulently, or was otherwise illegal or invalid from inception.

"Trust Fund" means the trust fund established pursuant to Article 2 of the 2003 Trust Fund Agreement.

“U.S. Supplemental Health Fund” means the fund described in Section 261(g) of the 2023 Amended Compact and Article II(3) of this Agreement.

“U.S. Supplemental Health Fund Allocation” means the amount from the U.S. Supplemental Health Fund allocated by the Committee for the uses described in Section 261(g) of the 2023 Amended Compact.

Article II
Direct Economic Assistance Implementation

1. Subject to this Agreement, and except as otherwise provided, the Government of the United States of America shall provide annual Sector Grants for a period of 20 years in the amounts set forth in Section 266 of the 2023 Amended Compact.

2. As set forth in this paragraph, Sector Grants shall be awarded for education, health care, public infrastructure, the environment, public sector capacity building, private sector development, enhanced reporting and accountability, Enewetak development, or for other sectors as mutually decided by the Signatory Governments. In considering allocations of Sector Grants among the sectors or other sectors as mutually decided by the Signatory Governments, and otherwise in considering assistance under this Agreement, the Committee shall give deference to the requests of the Government of the Republic of the Marshall Islands, so long as such requests meet the requirements of and are consistent with the 2023 Amended Compact and this Agreement, and are within one of the sectors discussed in this paragraph or other sectors as mutually decided by the Signatory Governments.

- (a) Sector Grants for education shall support and improve the educational system of the Republic of the Marshall Islands and develop the human and material resources necessary for the Government of the Republic of the Marshall Islands to perform these services. Emphasis should be on advancing a quality basic education system by increasing the achievement levels of students in the early childhood education, primary, and secondary education systems based on performance standards and assessments appropriate for the Republic of the Marshall Islands; providing secondary education or vocational training to qualified students; improving management and accountability within the educational system; raising the level of staff quality, including teacher training, with the ultimate aspiration of increasing the number of highly qualified teachers in the classroom; and improving the relevance of education to the needs of the economy. Sector Grants for education shall include the assistance described in Section 261(e) of the 2023 Amended Compact, which shall be used for education and job-training programs.
- (b) Sector Grants for health care shall support and improve the delivery of preventive, curative, and environmental care and develop the human and material resources necessary for the Government of the Republic of the Marshall Islands to perform these services. Priority should be given to establishing sustainable funding mechanisms for operating a community-based system with emphasis on prevention, primary care, mental health, substance abuse prevention, and the operation of hospitals to provide secondary care at appropriate levels and reduce reliance on medical referrals abroad.
- (c) Sector Grants for public infrastructure shall support specific projects of the Government of the Republic of the Marshall Islands and directly related administrative and management support to further its efforts to provide quality public infrastructure assistance. Highest priority should be given to, but not limited

to, primary and secondary education capital projects and projects that directly affect health and safety, including water and wastewater projects, solid waste disposal projects, and health care facilities. Second priority should be given to airport and seaport improvements, roads, sea walls, and energy development including renewable energy that cannot be funded through the rate structure. Unless otherwise decided by the Signatory Governments, not less than 30 percent or more than 50 percent of the annual assistance provided for Sector Grants as set forth in Section 266 of the 2023 Amended Compact shall be made available for Sector Grants for public infrastructure.

- (d) Sector Grants for environment shall support measures or activities to further a particular long-term objective of the Government of the Republic of the Marshall Islands to increase environmental protection; establish and manage conservation (sustainable use) areas; engage in environmental infrastructure planning, design, construction, and operation; and involve the citizens of the Republic of the Marshall Islands in the process of conserving their country's natural resources. Sector Grants for environment shall include the assistance described in Section 261(f) of the 2023 Amended Compact, which shall be used for environmental feasibility studies and technical assistance or future environmental programs, as applicable.
- (e) Sector Grants for public sector capacity building shall support measures and activities to further a particular long-term objective of the Government of the Republic of the Marshall Islands to build effective, accountable, and transparent national and local government and other public sector institutions and systems, including public financial institutions and authorities, such as a monetary authority. Priority should be given to improving economic planning, financial management, and financial regulation, auditing, law enforcement, immigration controls, the judiciary, and the compilation and analysis of appropriate statistical indicators with the goal of ensuring that essential functions can be carried out and that essential positions are filled with qualified personnel.
- (f) Sector Grants for private sector development shall support measures and activities to further a particular long-term objective of the Government of the Republic of the Marshall Islands to attract new foreign investment and increase indigenous business activity by vitalizing the commercial environment, ensuring fair and equitable application of the law, respecting and promoting internationally recognized fundamental rights at work, maintaining progress toward the privatization of state-owned and partially state-owned enterprises, and engaging in other reforms. Priorities should be given to advancing the private development of fisheries, tourism, and agriculture; employing new telecommunications technologies; and analyzing and developing new systems, laws, regulations, and policies to foster private sector development, to facilitate investment by potential private investors, and to develop business and entrepreneurial skills.
- (g) Sector Grants for enhanced reporting and accountability shall support the efforts of the Government of the Republic of the Marshall Islands to address the costs of

compliance inherent in implementing the 2023 Amended Compact, specifically those relating to budgeting, financial accountability, and financial and performance reporting requirements. These Sector Grants shall constitute no more than 2.5 percent of the annual amounts made available for Sector Grants as set forth in Section 266 of the 2023 Amended Compact.

- (h) Sector Grants for Enewetak development shall support measures and activities related to development programs for Enewetak, which due to its location and lack of arable land would particularly benefit from assistance with procurement, storage, transportation, administration, and provision of food items. These Sector Grants shall constitute 4.8 percent of the annual amounts made available for Sector Grants as set forth in Section 266 of the 2023 Amended Compact.

3. U.S. Supplemental Health Fund

- (a) The funds provided by the Government of the United States of America pursuant to Sections 261(g)(1) and (g)(2) of the 2023 Amended Compact for the U.S. Supplemental Health Fund shall be deposited into an account in either a bank or commercial financial institution organized in accordance with the laws of the United States of America or a State of the United States of America; or, subject to the approval of the Government of the United States of America, a bank or commercial financial institution organized in accordance with the laws of the Republic of the Marshall Islands. The funds deposited into this account shall constitute the U.S. Supplemental Health Fund.
- (b) With respect to the funds described in Section 261(g)(2) of the 2023 Amended Compact, the Government of the United States of America shall provide an amount to be deposited into the U.S. Supplemental Health Fund that is equal to the Government of the Republic of the Marshall Islands' proposed RMI Health Expenditures for the relevant Fiscal Year, as reflected in the Annual Implementation Plan, up to \$8 million each Fiscal Year, except that if the Government of the United States of America provides less than \$8 million in any Fiscal Year consistent with subparagraph (c) below, the remaining funds from that Fiscal Year may be made available in future years to be deposited into the U.S. Supplemental Health Fund to match the Government of the Republic of the Marshall Islands' proposed RMI Health Expenditures that exceed \$8 million in a future Fiscal Year.
- (c) The Government of the United States of America may decline to provide all or part of the amount described in subparagraph (b) above if:
 - i. The amount of actual RMI Health Expenditures in the previous Fiscal Year is less than the amount of proposed RMI Health Expenditures for that Fiscal Year;

- ii. The Government of the Republic of the Marshall Islands fails to include proposed or actual RMI Health Expenditures in the Annual Implementation Plan, as required under Article VII(3)(b)(vi)(g)-(h) of this Agreement;
 - iii. The Government of the United States of America determines that the Government of the Republic of the Marshall Islands' use of RMI Health Expenditures is inconsistent with Article VIII(1)(h)-(k) and (m) of this Agreement.
 - iv. There is any questioned cost in an audit that the Government of the United States of America has not accepted as satisfactorily resolved; or
 - v. The Government of the United States of America determines that the Government of the Republic of the Marshall Islands plans to use or has used assistance provided under the 2023 Amended Compact for a purpose not contemplated in this Agreement or the 2023 Amended Compact, or determines that the Government of the Republic of the Marshall Islands is otherwise in breach of this Agreement or the 2023 Amended Compact.
- (d) The U.S. Supplemental Health Fund must be used for the purposes described in Section 261(g)(1) and 261(g)(2) of the 2023 Amended Compact, as applicable, and for a specific purpose described in a U.S. Supplemental Health Fund Allocation. If the U.S. Supplemental Health Fund Allocation is to support an infrastructure project, it may only be used to support individual infrastructure projects, preliminary engineering and design of projects, or other costs of directly related to project management and administrative functions.
- (e) Disbursements from the U.S. Supplemental Health Fund may only occur following the concurrence of the Committee with a proposed U.S. Supplemental Health Fund Allocation included in an Annual Implementation Plan.
- (f) If the U.S. Supplemental Health Fund Allocation is to support an infrastructure project, disbursement of funds from the U.S. Supplemental Health Fund may only be made on the basis of Accrued Expenditures, provided the Government of the Republic of the Marshall Islands maintains procedures to minimize the time elapsing between the disbursement of funds to the Government of the Republic of the Marshall Islands and its payment of the Accrued Expenditure, and subject to approval by the Government of the United States of America. The Government of the United States of America may request the set of construction plans and specifications, a revised detailed cost estimate, and a detailed construction schedule prior to approving the disbursement.
- (g) Infrastructure projects funded by the U.S. Supplemental Health Fund shall adhere to the latest edition of the International Building Code or equivalent and shall be delivered through processes that ensure adherence to best practices and require effective, transparent, and competitive contract and project administration utilizing

qualified professionals. Documents for such projects shall be based upon the latest published edition of the family of contracts, forms, and exhibits of the American Institute of Architects.

4. Climate Fund

- (a) The funds provided by the Government of the United States of America pursuant to Section 261(h) of the 2023 Amended Compact shall be deposited into an account in either a bank or commercial financial institution organized in accordance with the laws of the United States of America or a State of the United States of America; or, subject to the approval of the Government of the United States of America, a bank or commercial financial institution organized in accordance with the laws of the Republic of the Marshall Islands. The funds deposited into this account shall constitute the Climate Fund.
- (b) The Climate Fund must be used for the purposes described in Section 261(h) of the 2023 Amended Compact and for a specific purpose described in a Climate Fund Allocation.
- (c) Disbursements from the Climate Fund may only occur following the concurrence of the Committee with a proposed Climate Fund Allocation included in an Annual Implementation Plan.

5. Subject to this Agreement and the Military Use and Operating Rights Agreement, and except as otherwise provided, the Government of the United States of America shall provide Section 211(b) Grants in the amounts described in Section 211(b) of the 2023 Amended Compact.

- (a) Grants for assistance described in Section 211(b)(1) of the 2023 Amended Compact shall be awarded for the sectors described in Section 211(a) of the 2023 Amended Compact to support the special needs of the community at Ebeye, Kwajalein Atoll and other Marshallese communities within Kwajalein Atoll as specified in Section 211(b)(1) of the 2023 Amended Compact.
- (b) Grants for assistance described in Section 211(b)(2) of the 2023 Amended Compact shall be awarded to address the special needs of the community at Ebeye, Kwajalein Atoll and other Marshallese communities within the Kwajalein Atoll with the emphasis on the Kwajalein landowners most impacted by the United States presence on Kwajalein Atoll. This assistance shall be used for purposes of affordable lower- and middle-income owner-occupied housing through a local, qualified financial institution, educational and general health improvements, and other general living condition improvements for the community at Ebeye, Kwajalein Atoll.

6. As set forth in Section 211(c) of the 2023 Amended Compact, amounts made available for the Humanitarian Assistance – Republic of the Marshall Islands Program are deducted from amounts made available for Sector Grants.

7. Funds provided under Section 261 of the 2023 Amended Compact shall be considered to be local revenues of the Government of the Republic of the Marshall Islands when used as the local share required to obtain federal programs and services that enhance its ability to meet stated performance goals.

8. The Government of the Republic of the Marshall Islands shall not issue negotiable or transferable obligations evidencing indebtedness or encumbrance of funds received under Section 261 of the 2023 Amended Compact.

9. The Signatory Governments may mutually decide on unallowed uses of Grants.

Article III
Joint Economic Management

1. The Joint Economic Management and Financial Accountability Committee (the "Committee") shall be responsible for oversight and accountability with regard to assistance provided under the 2003 Amended Compact and the 2023 Amended Compact, and to promote the effective use of funding provided thereunder.
2. Decisions of the Committee, including with regard to past grant allocations and their special conditions, shall be binding. The Signatory Governments may each propose within four months of entry into force of this Agreement specific Committee decisions made under the 2004 Fiscal Procedures Agreement for review by the Committee, along with an explanation as to why each proposed decision should be reconsidered. The Committee shall complete its review within one year of receiving any such proposal and shall decide by majority vote whether to amend or rescind those decisions that the Committee determines are no longer applicable or necessary.
3. The Committee shall be composed of four members, two of whom shall be from the Government of the United States of America and two from the Government of the Republic of the Marshall Islands.
4. The chairperson of the Committee shall be from the Government of the United States of America. The Government of the United States of America shall consult with the Government of the Republic of the Marshall Islands when making the appointment, and the Government of the Republic of the Marshall Islands shall have an opportunity to present its views which shall be considered.
5. Appointments by the Government of the United States of America and the Government of the Republic of the Marshall Islands shall be made no later than 90 days after entry into force of this Agreement. The chairperson and members of the Committee shall, at the pleasure of their respective governments, serve a term of two years and may be reappointed.
6. The Signatory Governments intend that the Committee make decisions by consensus. With the exception of the duties described in paragraph 7(k) of this Article, in the event consensus cannot be reached, the chairperson may call a vote. In such instances, decisions may be made by majority vote. In cases where there are an equal number of votes, the vote of the chairperson of the Committee shall be the deciding vote.
7. The duties of the Committee shall be to:
 - (a) Review and concur with those portions of the Budget and Investment Framework that address use of Sector Grants, Section 211(b) Grants, the U.S. Supplemental Health Fund, the Climate Fund, the Infrastructure Maintenance Fund, and the Kwajalein Development Plan Fund within 60 days of its submission. The Committee may only reject those portions of the Budget and Investment

Framework relating to the use of Sector Grants, Section 211(b) Grants, the U.S. Supplemental Health Fund, the Climate Fund, and the Kwajalein Development Plan Fund that the Committee determines do not meet the requirements of Section 261(c) of the 2023 Amended Compact or Article VII(1) of this Agreement;

- (b) Review and concur with those portions of the Infrastructure Development Plan that address the use of Sector Grants, Section 211(b) Grants, the U.S. Supplemental Health Fund, and the Kwajalein Development Plan Fund within 60 days of its submission. The Committee may only reject those portions of the Infrastructure Development Plan relating to the use of Sector Grants, Section 211(b) Grants, the U.S. Supplemental Health Fund, and the Kwajalein Development Plan Fund that the Committee determines do not meet the requirements of Article VII(2) of this Agreement;
- (c) Review and concur with the Annual Implementation Plan, including proposed Allocations, within 60 days of its submission. The Committee may reject those portions of the Annual Implementation Plan, including proposed Allocations or a portion thereof, that the Committee determines do not meet the requirements of Article VII(3) of this Agreement. The Committee may also reject a proposed Allocation, or a portion thereof, if:
 - i. The Government of the Republic of the Marshall Islands fails to submit the Budget and Investment Framework, Infrastructure Development Plan, Annual Implementation Plan, Section 264 Report, Quarterly Financial Report, Annual Financial Report, or Annual Performance Report by the required deadlines;
 - ii. The proposed Allocation is associated with a portion of the Budget and Investment Framework, Infrastructure Development Plan, or Annual Implementation Plan the Committee has rejected; or
 - iii. The Section 264 Report, Quarterly Financial Report, Annual Financial Report, or Annual Performance Report does not meet the requirements of Section 264 of the 2023 Amended Compact or Articles VIII(1)(b)(i), VIII(1)(b)(ii), or VIII(2)(a) of this Agreement, as applicable;
- (d) Review within 30 days of submission the Section 264 Report, Annual Financial Report, and Annual Performance Report;
- (e) Monitor the use of development assistance from all sources as it relates to Grants;
- (f) Review Audits required under Article X of this Agreement and actions taken or being taken to reconcile questioned costs, deficiencies, and qualified findings;
- (g) Review performance outcomes and other reported data in relation to the previous year's Allocations;

- (h) Evaluate progress, management problems, and any shifts in priorities in each sector, and identify ways to increase the effectiveness of United States assistance;
- (i) Review annual trust fund investment reports;
- (j) Review progress in achieving the goals and broad strategies outlined in the Budget and Investment Framework; and
- (k) By unanimous decision, stipulate, amend, or rescind special conditions attached to any and all Allocations or past grant allocations to improve program performance and fiscal accountability, and to ensure progress toward macroeconomic goals.

8. Before withholding concurrence on a Budget and Investment Framework, Infrastructure Development Plan, or Annual Implementation Plan pursuant to paragraphs 7(a), (b), or (c) of this Article, the Committee shall consult with and provide the Government of the Republic of the Marshall Islands an adequate opportunity to address the Committee's concerns.

9. The Committee shall meet at least once annually but no later than 15 days before the beginning of each Fiscal Year.

10. Each of the Signatory Governments shall provide the necessary staff support to its representatives on the Committee, to enable the Signatory Governments to monitor closely the use of assistance under the 2023 Amended Compact. No United States Government funding shall be used to support the travel or honoraria of Committee members or staff from the Government of the Republic of the Marshall Islands, or any special salaries paid for serving as members of the Committee.

Article IV
Joint Health Dialogue

1. The Signatory Governments shall establish, as soon as practicable after this Agreement enters into force, a Joint Health Dialogue.

2. The purpose of the Joint Health Dialogue is to provide recommendations to the Government of the Republic of the Marshall Islands for health programs or projects, including those to be supported by the U.S. Supplemental Health Fund.

3. The Joint Health Dialogue shall, on a periodic basis to be determined by the members of the Joint Health Dialogue, provide to the Signatory Governments and the Committee:

- (a) Recommendations for health programs or projects, in order of priority, including those that may be supported by the U.S. Supplemental Health Fund;
- (b) A description of how each recommended health program or project would be consistent with one or more of the multi-year objectives of the health sector as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework; and
- (c) Recommended objectives, specific performance indicators, and assessment methods for each recommended program.

4. The Joint Health Dialogue shall be composed of eight (8) members. Each Signatory Government shall designate one member in each of the following four categories of expertise: (1) communicable diseases; (2) non-communicable diseases; (3) mental health; and (4) environmental or occupational health. At least one member designated by each Signatory Government must be an official, employee, or contractor of that Signatory Government. Any member shall possess sufficient qualifications in healthcare or research in the area of expertise for which they are being designated. In making their designations, the Signatory Government shall give consideration to individuals who are institution-based research specialists, practicing clinicians, clinical investigators, and public health professionals. Members of the Joint Health Dialogue shall be designated for a term of three years and may be redesignated for multiple terms. The Signatory Governments may replace their respective designated members at any time. Each Signatory Government is expected to provide the necessary support for its designated members of the Joint Health Dialogue.

5. The Joint Health Dialogue shall meet at least once a year, until the Signatory Governments mutually decide in writing that such meetings are no longer needed, and shall consider:

- (a) Potential health programs and projects to recommend;
- (b) The status of any recommended health program or project being implemented; and

(c) The outcome of any recommended health program or project that has been completed.

6. The Government of the Republic of the Marshall Islands shall provide for technical and administrative assistance for the Joint Health Dialogue and shall provide all other support necessary for the Joint Health Dialogue to accomplish its purpose.

Article V
Climate Working Group

1. The Signatory Governments shall establish, as soon as practicable after this Agreement enters into force, a Climate Working Group.
2. The purpose of the Climate Working Group is to provide technical assistance and expertise to the Government of the Republic of the Marshall Islands to support the Government of the Republic of the Marshall Islands in (i) obtaining additional assistance for climate needs and (ii) implementing climate projects and programs.
3. The Climate Working Group shall, on a periodic basis to be determined by the members of the Climate Working Group, provide to the Signatory Governments and the Committee:
 - (a) Potential ways for the Government of the Republic of the Marshall Islands to use the Climate Fund to obtain additional assistance for climate needs;
 - (b) A description of how each identified use of the Climate Fund to obtain additional assistance for climate needs would be consistent with one or more of the multi-year objectives of the environment sector as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework; and
 - (c) Proposed objectives, specific performance indicators, and assessment methods for each identified use of the Climate Fund to obtain additional assistance for climate needs.
4. The Climate Working Group shall provide technical assistance and expertise to the Government of the Republic of the Marshall Islands to help enable the Republic of the Marshall Islands to cope with challenges from climate impacts, including sea-level rise and other environmental challenges that could threaten the existence of the Republic of the Marshall Islands. This shall include the Climate Working Group supporting the Government of the Republic of the Marshall Islands' efforts to obtain additional assistance for climate needs and to implement climate projects or programs.
5. The Climate Working Group shall be composed of eight (8) members. Each Signatory Government shall designate four (4) members. At least one member designated by each Signatory Government must be an official, employee, or contractor of that Signatory Government. Each member shall possess sufficient qualifications in an area of expertise relevant to the purposes of the Climate Working Group. Members of the Climate Working Group shall be designated for a term of three years and may be redesignated. The Signatory Governments may replace their respective designated members at any time. Each Signatory Government is expected to provide the necessary support for its designated members of the Climate Working Group.

6. The Climate Working Group shall meet at least once a year, until the Signatory Governments mutually decide in writing that such meetings are no longer needed, and shall consider:

- (a) Potential uses of the Climate Fund to obtain additional assistance for climate needs;
- (b) The status of any use of the Climate Fund to obtain additional assistance for climate needs that is being implemented;
- (c) The results of any use of the Climate Fund to obtain additional assistance for climate needs that has been completed in the last year; and
- (d) Ways that the Republic of the Marshall Islands might cope with challenges from climate impacts, including sea-level rise and other environmental challenges that could threaten the existence of the Republic of the Marshall Islands, including through climate projects or programs.

7. The Government of the Republic of the Marshall Islands shall provide for technical and administrative assistance for the Climate Working Group and shall provide all other support necessary for the Climate Working Group to accomplish its purpose.

Article VI
Grant Administration

1. Grant funds may not be used for any purpose other than that for which they are awarded.
2. The Government of the Republic of the Marshall Islands shall ensure compliance with the terms and conditions of the Grants by Sub-Grantees.
3. The President of the Republic of the Marshall Islands, or the President's designee, acting on behalf of the national and local governments of the Republic of the Marshall Islands, shall be responsible for all certifications to the Government of the United States of America pursuant to this Agreement.
4. Terms and Conditions
 - (a) The Government of the United States of America may attach terms and conditions to Sector Grants and Section 211(b) Grants to ensure conformance with the requirements of this Agreement. Those terms and conditions shall only be attached to the extent necessary to facilitate the implementation of the plans, strategies, and budgets of the Government of the Republic of the Marshall Islands, and to ensure compliance with project specifications, architectural and engineering specifications, performance standards, and other criteria developed by the Government of the Republic of the Marshall Islands.
 - (b) After consultation with the Government of the Republic of the Marshall Islands, the Government of the United States of America may impose additional administrative terms and conditions on Sector Grants and Section 211(b) Grants that were not included under subparagraph (a) above and that are subsequently determined by the Government of the United States of America to be necessary to ensure compliance with this Agreement. The Government of the United States of America shall notify the Government of the Republic of the Marshall Islands in writing of its intent to impose these terms and conditions. The notification shall include a description of:
 - i. The text of the terms and conditions;
 - ii. How the terms and conditions are administrative in nature and would not have a substantive impact on the use of the funds; and
 - iii. The method by which the Government of the Republic of the Marshall Islands may request reconsideration of the terms and conditions imposed.

5. Payment Procedures

(a) Establishment of Account. The Government of the Republic of the Marshall Islands shall establish an account with a bank or commercial financial institution organized in accordance with the laws of the United States of America or a State of the United States of America; or, subject to the approval of the Government of the United States of America, a bank or commercial financial institution organized in accordance with the laws of the Republic of the Marshall Islands, in either case for the purpose of receiving payments of Grant funds. The Government of the Republic of the Marshall Islands shall provide the Government of the United States of America with wiring instructions with respect to such account.

(b) Payments

- i. Periodic Payments. For Operational Grants, payments shall be made as soon as practicable after the first business day of each fiscal quarter to fund financial requirements of that fiscal quarter. In general, the amounts of the payments should match the percentage of the Fiscal Year to be completed during the advance period or may be based on an outlay analysis performed by the Government of the Republic of the Marshall Islands and concurred with by the Government of the United States of America.
- ii. Advances for Accrued Expenditures. Infrastructure Grants shall be paid on the basis of Accrued Expenditures, provided the Government of the Republic of the Marshall Islands maintains procedures to minimize the time elapsing between the disbursement of funds to the Government of the Republic of the Marshall Islands and its payment of the Accrued Expenditure. The Government of the United States of America may request the set of construction plans and specifications, a revised detailed cost estimate, and a detailed construction schedule prior to disbursing funds.

(c) Breach of this Agreement and Grant Terms and Conditions

- i. Withholding of Payments. The Government of the United States of America may withhold payments with respect to any Grant if the Government of the Republic of the Marshall Islands is in breach of Title Two of the 2023 Amended Compact, this Agreement with respect to such Grant, or the terms and conditions of the Grant, or is indebted to the Government of the United States of America with respect to such Grant. The amount of the withholding shall be proportional to the breach. Payments withheld shall be released upon subsequent compliance. If the Government of the Republic of the Marshall Islands disputes the withholding of payments with respect to a Grant, it may submit an appeal in writing to the Government of the United States of America unless the dispute can be resolved through consultations. That Appeal must be initiated within 30 days of the receipt of notice of withholding of payment. In such case, the Appeal must be handled in accordance with established

administrative procedures of the Government of the United States of America. Cash withheld for failure to comply with Grant terms and conditions shall be released upon subsequent compliance, provided that such Grant has not been revoked pursuant to any applicable Appeal or dispute resolution proceeding.

- ii. Suspension. Notwithstanding any other provision of this Agreement, the Government of the United States of America may suspend payment with respect to any or all Sector Grants and Section 211(b) Grants in the event that the Government of the United States of America reasonably determines that the Government of the Republic of the Marshall Islands has engaged in gross negligence, willful misconduct, or material breach of the Grant terms and conditions or this Agreement with respect to a Sector Grant or Section 211(b) Grant. Such suspension may be with respect to: a particular project, program, or part of a Sector Grant or Section 211(b) Grant; a Sector Grant or Section 211(b) Grant; or all Sector Grants or Section 211(b) Grants as appropriate. If the Government of the Republic of the Marshall Islands disputes the Suspension of a Sector Grant or Section 211(b) Grant under this subsection, it may seek to resolve the matter through the conference and dispute resolution procedures set forth in Article II of Title Four of the 2023 Amended Compact unless the dispute can be resolved through consultations. The Suspension of payment shall stand unless otherwise determined through the conference and dispute resolution process described in Article II of Title Four of the 2023 Amended Compact.
- iii. Before taking any action to withhold or suspend any payments under this subparagraph, the Government of the United States of America shall provide the Government of the Republic of the Marshall Islands 30 days to address United States concerns and to engage in consultations to avoid withholding or suspension.

Article VII
Pre-Award Requirements

1. Budget and Investment Framework

- (a) No later than March 31 of the Fiscal Year after the Fiscal Year in which this Agreement enters into force, and thereafter at appropriate intervals, the Government of the Republic of the Marshall Islands shall provide to the Government of the United States of America and the Committee the Budget and Investment Framework. Those portions of the Budget and Investment Framework that contemplate use of Sector Grants, Section 211(b) Grants, the U.S. Supplemental Health Fund, the Climate Fund, the Infrastructure Maintenance Fund, and the Kwajalein Development Plan Fund require the concurrence of the Committee.
- (b) The Budget and Investment Framework must include, in addition to the requirements of Section 261(c) of the 2023 Amended Compact:
 - i. The goals and broad strategies of the Government of the Republic of the Marshall Islands to promote economic advancement, macro-economic goals, budgetary self-reliance, and economic self-reliance;
 - ii. Specific multi-year objectives for each of the sectors described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments, and the potential funding sources of each identified objective;
 - iii. Specific multi-year objectives for each of the types of assistance described in Section 211(b) of the 2023 Amended Compact and the potential funding sources of each identified objective; and
 - iv. A certification that the Budget and Investment Framework has been formally adopted according to the processes of the Government of the Republic of the Marshall Islands.
- (c) Each multi-year objective must reasonably further one or more of the goals and broad strategies outlined in the Budget and Investment Framework and must reasonably further the purposes of the sector to which it relates, as described in Section 261(a) of the 2023 Amended Compact and Article II of this Agreement, or the purposes of the Section 211(b) Grant to which it relates, as described in Section 211(b) of the 2023 Amended Compact, as applicable.
- (d) The Budget and Investment Framework must be consistent with the 2023 Amended Compact and Article XII(6)(b) of this Agreement.

2. Infrastructure Development Plan

- (a) No later than March 31 of the Fiscal Year after the Fiscal Year in which this Agreement enters into force, and thereafter at appropriate intervals, the Government of the Republic of the Marshall Islands shall provide to the Government of the United States of America and the Committee a national Infrastructure Development Plan. Those portions of the Infrastructure Development Plan that contemplate use of Infrastructure Grants, the U.S. Supplemental Health Fund, or the Kwajalein Development Plan Fund require the concurrence of the Committee.
- (b) The Infrastructure Development Plan must include:
 - i. A single, integrated list of projects for new and reconstructed capital infrastructure to be funded with Infrastructure Grants or from the U.S. Supplemental Health Fund or the Kwajalein Development Plan Fund; and
 - ii. For each project, a preliminary cost estimate, scope of work, and implementation schedule.
- (c) The Infrastructure Development Plan may only include proposed infrastructure projects and directly related administrative and management support. Each proposed infrastructure project must reasonably further one or more of the goals and broad strategies outlined in the Budget and Investment Framework.
- (d) The Infrastructure Development Plan must be consistent with the 2023 Amended Compact and Article XII(6)(b) of this Agreement.

3. Annual Implementation Plan

- (a) No later than July 15 of each year, the Government of the Republic of the Marshall Islands shall develop in conjunction with its budget process and provide to the Government of the United States of America and the Committee an Annual Implementation Plan compiling and detailing proposed uses and expenditures of Sector Grants, Section 211(b) Grants, the U.S. Supplemental Health Fund, the Climate Fund, and the Kwajalein Development Plan Fund. The Annual Implementation Plan requires the concurrence of the Committee.
- (b) The Annual Implementation Plan must include the following:
 - i. Proposed Sector Allocations, reflecting the proposed division of annual Sector Grants among the sectors described in Section 261(a) of the 2023 Amended Compact or other sectors as mutually decided by the Signatory Governments.
 - ii. Proposed Section 211(b) Allocations.

- iii. Proposed U.S. Supplemental Health Fund Allocations.
- iv. Proposed Climate Fund Allocations.
- v. Proposed Kwajalein Development Plan Fund Allocations.
- vi. An annual budget that specifies:
 - a. Actual expenditures in the most recently completed Fiscal Year;
 - b. Appropriated Sector Grant, Section 211(b) Grant, U.S. Supplemental Health Fund, Climate Fund, and Kwajalein Development Plan Fund amounts and estimated expenditures in the current Fiscal Year;
 - c. Proposed expenditures for the upcoming Fiscal Year by program and ministry portfolio, including a detailed breakdown of object classes as defined under the laws of the Republic of the Marshall Islands;
 - d. Objectives, specific performance indicators, and assessment methods for each sector, proposed U.S. Supplemental Health Fund Allocation, and proposed Climate Fund Allocation;
 - e. Funds provided to each sector in the current and upcoming Fiscal Years by United States federal programs and other United States sources, and by international donors and the Government of the Republic of the Marshall Islands;
 - f. Proposed expenditures for the upcoming Fiscal Year for technical and administrative assistance and other support necessary for the Joint Health Dialogue and the Climate Working Group;
 - g. Proposed RMI Health Expenditures for the upcoming Fiscal Year; and
 - h. Actual RMI Health Expenditures in the most recently completed Fiscal Year.
- vii. For any infrastructure project that is to be funded by an Infrastructure Grant, the U.S. Supplemental Health Fund, the Climate Fund, or the Kwajalein Development Plan Fund, the following documents:
 - a. Evidence of title, leasehold agreement, or other legal authority for use of the land upon which a capital improvement project is to be constructed;
 - b. A detailed preliminary project budget for each capital development project, signed by a certified professional engineer or architect. The budget must include a breakdown of costs (in-house and contracts) for planning,

engineering and design, real estate costs, supervision and administration, construction, and construction management inspection. The Signatory Governments shall mutually decide the format of this submission; and

- c. A scope of work that describes the work to be performed and the schedule from planning through completion of construction, signed by a certified professional engineer or architect.
- (c) The Annual Implementation Plan must be consistent with any special condition attached by the Committee.
- (d) The Annual Implementation Plan may not propose to use funds for unallowed uses as mutually decided by the Signatory Governments.
- (e) The Annual Implementation Plan must be consistent with the 2023 Amended Compact and Article XII(6)(b) of this Agreement.
- (f) The Annual Implementation Plan may propose to use funds for an activity that has previously failed to demonstrate that it reasonably furthers a multi-year objective as described in the Budget and Investment Framework, so long as the Government of the Republic of the Marshall Islands provides a reasonable explanation as to why the objective can now be achieved.
- (g) Proposed Sector Allocations may not exceed the amounts set forth for Sector Grants in Section 266 of the 2023 Amended Compact and the amounts described in Sections 261(e) and (f) of the 2023 Amended Compact. Proposed Sector Allocations must reasonably further one or more of the multi-year objectives of the relevant sector as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework. Proposed Sector Allocations must also reasonably further the purposes of the relevant sector as described in Article II of this Agreement.
- (h) Proposed Section 211(b) Allocations may not exceed the amounts set forth in Section 211(b) of the 2023 Amended Compact. Proposed Section 211(b) Allocations must reasonably further one or more of the multi-year objectives of the relevant purpose of the Section 211(b) Grant as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework. Proposed Section 211(b) Allocations must also reasonably further the purposes of the Section 211(b) Grant to which it relates, as described in Section 211(b) of the 2023 Amended Compact and Article II(5) of this Agreement, as applicable.
- (i) Proposed U.S. Supplemental Health Fund Allocations may not exceed the unallocated amounts in the U.S. Supplemental Health Fund. Proposed U.S. Supplemental Health Fund Allocations must be consistent with the requirements

described in Article II(3) of this Agreement. Proposed U.S. Supplemental Health Fund Allocations must reasonably further one or more of the multi-year objectives of the health sector as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework.

- (j) Proposed Climate Fund Allocations may not exceed the unallocated amounts in the Climate Fund. Proposed Climate Fund Allocations must be consistent with the requirements described in Article II(4) of this Agreement. Proposed Climate Fund Allocations must reasonably further one or more of the multi-year objectives of the environment sector as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework.
- (k) Proposed Kwajalein Development Plan Fund Allocations may not exceed the unallocated amounts in the Kwajalein Development Plan Fund. Proposed Kwajalein Development Plan Fund Allocations must be consistent with the requirements described in Article IX(10) of this Agreement. Proposed Kwajalein Development Plan Fund Allocations must reasonably further one or more of the multi-year objectives of the infrastructure sector as well as one or more of the goals and broad strategies outlined in the Budget and Investment Framework.
- (l) Any infrastructure project that is to be funded by an Infrastructure Grant or the Kwajalein Development Plan Fund must be included in the Infrastructure Development Plan concurred with by the Committee.

4. The Committee may extend the due date of the Budget and Investment Framework, the Infrastructure Development Plan, or the Annual Implementation Plan upon receiving a justified request from the Government of the Republic of the Marshall Islands.

5. Notification of Grant Award and Acceptance

- (a) The Government of the United States of America shall forward official Grant award notices to the Government of the Republic of the Marshall Islands as soon as practicable after October 1 of each year. The Government of the Republic of the Marshall Islands shall signify its acceptance of Grants by accepting payments of the Grants.
- (b) Notwithstanding subparagraph (a) above, a determination by the Government of the United States of America approving or disapproving a request for a Grant award for a specific infrastructure project should be made within 30 days of the submission of the request. Where a Grant award has been approved, the Grant award should be issued within 60 days of the approval.

6. Notwithstanding paragraph 3(a) of this Article, the Government of the Republic of the Marshall Islands shall submit an Annual Implementation Plan in the Fiscal Year in which this Agreement enters into force. The Committee shall determine the due date for such submission. The Committee may waive the requirements of paragraphs 3(f) and 3(g) of this Article for the first submitted Annual Implementation Plan.

Article VIII
Post-Award Requirements

1. Financial Administration

(a) Standards for Financial Management Systems

- i. The Government of the Republic of the Marshall Islands shall expend and account for Grants, in accordance with its laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the Government of the Republic of the Marshall Islands, as well as its Sub-Grantees and cost-type contractors, shall be sufficient to:
 - a. Permit preparation of reports required by this Agreement and the 2023 Amended Compact; and
 - b. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used in compliance with the provisions of the 2023 Amended Compact and applicable agreements.
- ii. The financial management systems used by the Government of the Republic of the Marshall Islands shall meet the following standards:
 - a. Financial Reporting. Accurate, current, and complete disclosure of the financial results relating to Grants shall be in accordance with the reporting requirements of the Grant or Sub-Grant.
 - b. Accounting Records. Accounting records shall adequately identify the source and application of funds provided for all Grant activities. These records must contain information pertaining to awards and authorizations, Obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - c. Internal Control. The system shall maintain effective controls and accountability for all Grant and Sub-Grant cash, Real Property and personal property, and other assets to safeguard and ensure uses are solely for authorized purposes.
 - d. Budget Control. Actual expenditures or outlays must be compared with budgeted amounts for each Grant or Sub-Grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the Grant terms and conditions. If unit cost data are required, estimates based on available documentation shall be accepted whenever possible.

- e. Allowable Cost. Applicable cost principles and Grant terms and conditions shall be followed in determining the reasonableness and allowability of costs. An Indirect Cost rate may not be charged against Grants.
- f. Source Documentation. Accounting records shall be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, Contract and Sub-Grant award documents, and other financial data.
- g. Cash Management. Grant payments shall be made in accordance with Article VI of this Agreement. To the extent that the Government of the Republic of the Marshall Islands awards Sub-Grants to local governments or other entities, it shall establish reasonable procedures to ensure the timely receipt of reports on cash balances and cash disbursements to enable the preparation of complete and accurate cash transactions reports.
- iii. The Government of the United States of America may review the adequacy of the financial management system of any recipient of a Grant at any time.

(b) Financial Reports

- i. Quarterly Financial Report. No later than 30 days after the end of each Fiscal Year quarter, the Government of the Republic of the Marshall Islands shall submit to the Committee and the Government of the United States of America a Quarterly Financial Report comprised of the financial reports specified below. The Quarterly Financial Report shall be used to monitor the general budget and fiscal performance of the Government of the Republic of the Marshall Islands and to monitor the disbursement or outlay information for each Grant. The Committee may extend the due date of the Quarterly Financial Report upon receiving a justified request from the Government of the Republic of the Marshall Islands. The Committee may adjust the frequency of the Quarterly Financial Report submission. The Quarterly Financial Report must include:
 - a. A report containing: (1) a statement of revenues and expenditures for governmental fund types, and (2) a comparison of budget and actual expenditures by function for governmental fund types;
 - b. A report for all Operational Grants containing a budget execution report for each function and specifying major offices, cost centers, and budget activities;
 - c. A fund status report on the U.S. Supplemental Health Fund showing the previous Fiscal Year quarter's deposits and disbursements and the fund balance;

- d. A fund status report on the Climate Fund showing the previous Fiscal Year quarter's disbursements and the fund balance; and
 - e. A federal financial report for each Grant on form SF-425 or any successors thereto, as issued by the Government of the United States of America from time to time ("SF-425").
- ii. Annual Financial Report. No later than 180 days after the end of each Fiscal Year, the Government of the Republic of the Marshall Islands shall submit to the Committee and the Government of the United States of America an Annual Financial Report comprised of the financial reports specified below. The Annual Financial Report shall be used to monitor the general budget and fiscal performance of the Government of the Republic of the Marshall Islands and to monitor disbursement or outlay information for each Grant. The Committee may extend the due date of the Annual Financial Report upon receiving a justified request from the Government of the Republic of the Marshall Islands. The Annual Financial Report must include:
- a. A report containing: (1) a statement of revenues and expenditures for governmental fund types, and (2) a comparison of budget and actual expenditures by function for governmental fund types;
 - b. A report for all Operational Grants containing a budget execution report for each function and specifying major offices, cost centers, and budget activities;
 - c. A fund status report on the U.S. Supplemental Health Fund showing the previous Fiscal Year's deposits and disbursements and the fund balance;
 - d. A fund status report on the Climate Fund showing the previous Fiscal Year's disbursements and the fund balance; and
 - e. A federal financial report for each Grant on form SF-425.
- iii. Accounting Basis. The Government of the Republic of the Marshall Islands shall report on a cash or accrual basis consistent with its own policies.
- (c) Period of Availability of Grant Funds.
- i. Funding for Operational Grants shall generally be available for one year. Funding for Infrastructure Grants shall be available for obligation for the time period described in the terms and conditions of the Infrastructure Grant.
 - ii. The Government of the Republic of the Marshall Islands shall liquidate all Accrued Expenditures incurred under a Grant not later than 120 days after the

end of the funding period or as otherwise mutually decided, to inform the submission of the Annual Financial Report.

(d) Changes, Property, Sub-Grants, and Contracts

i. Reprogramming

- a. The Government of the Republic of the Marshall Islands may Reprogram funds within an Allocation. Such Reprogramming must be consistent with the Annual Implementation Plan concurred with by the Committee and must occur between October 1 and June 30 of the Fiscal Year for which the Sector Grant, Section [211(b)] Grant, U.S. Supplemental Health Fund Allocation, Climate Fund Allocation, or Kwajalein Development Plan Fund Allocation was awarded, unless Reprogramming is necessary in an emergency to protect public health and safety.
 - b. The Government of the Republic of the Marshall Islands shall notify the Government of the United States of America prior to Reprogramming within an Allocation, unless such total Reprogramming is less than 15 percent of the total Allocation or \$1,000,000, whichever is less.
 - c. The Government of the Republic of the Marshall Islands must retain sufficient documentation of any Reprogramming to fulfill all reporting and auditing requirements provided in this Agreement. As part of the Annual Financial Report, the Government of the Republic of the Marshall Islands shall provide a summary document of all Reprogramming.
- ii. Budget Changes in Grants. Except as stated in the Grant document, the Government of the Republic of the Marshall Islands shall notify the Government of the United States of America prior to any budget change in a Grant that would result in the need for additional funding over and above the original award.
- iii. Programmatic Changes. The Government of the Republic of the Marshall Islands shall notify the Government of the United States of America prior to any of the following actions:
- a. Any revision of the scope or performance objectives of the Grant; and
 - b. Any extension of the period of funding availability.

(e) Real Property

- i. Title or Long-Term Use Rights. Title or Long-Term Use Rights to Real Property acquired with Grant funds shall vest upon acquisition in the Government of the Republic of the Marshall Islands.

- ii. Use. Except as mutually decided by the Signatory Governments, Real Property acquired with Grant funds shall be used as long as needed for the purposes originally authorized in the Grant, and the Government of the Republic of the Marshall Islands shall not dispose of or encumber Real Property titles or other interests.
- iii. Disposition. When Real Property is no longer needed for the originally authorized purpose, the Government of the Republic of the Marshall Islands shall choose one of the following disposition alternatives:
 - a. Retention of Title or Long-Term Use Rights. If the Real Property will continue to be used for a public purpose, the Government of the Republic of the Marshall Islands shall retain title or long-term use rights;
 - b. Sale of Property. The Government of the Republic of the Marshall Islands may sell the property at fair market value and the proceeds from such sale may only be available for expenditure in the sector for which the original Grant was awarded; or
 - c. Transfer of Title or Long-Term Use Rights. The Government of the Republic of the Marshall Islands may transfer title or long-term use rights to a third party approved by the Government of the United States of America.

(f) Equipment

- i. Title. Subject to this Agreement, title to Equipment acquired with Grant funds shall vest upon acquisition in the Government of the Republic of the Marshall Islands.
- ii. Consistent with subsections (iii)-(v) below, the Government of the Republic of the Marshall Islands shall use, manage, and dispose of Equipment acquired with Grant funds, in accordance with its laws and procedures.
- iii. Use
 - a. Equipment shall be used in the program or project for which it was acquired as long as needed as provided for in the Grant. When no longer needed for the original purpose, the Equipment may be used in other activities currently or previously supported by an agency of the Government of the United States of America.
 - b. Equipment acquired with Grant funds may be used by other projects or programs currently or previously supported by the Government of the United States of America, provided such use does not interfere with the

work on activities funded pursuant to the 2023 Amended Compact for which such Equipment was originally acquired.

- c. Unless specifically permitted by the Grant terms and conditions, Equipment acquired with Grant funds to provide services for a fee may not be used to compete unfairly with private companies that provide equivalent services.
- iv. Management Requirements. Procedures for managing Equipment, whether acquired in whole or in part with Grant funds shall meet the following minimum requirements:
 - a. Property records shall be maintained which include: (1) a description of the property; (2) a serial number or other identification number; (3) the source of property; (4) who holds title; (5) the acquisition date and cost of the property; (6) the percentage of Grants used in the purchase; (7) the location, use, and condition of the property; and (8) any ultimate disposition data including the date of disposal and sale price;
 - b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every three years;
 - c. A control system shall be developed to ensure adequate safeguards against property loss, damage, or theft. Any loss, damage, or theft shall be investigated;
 - d. Adequate maintenance procedures shall be developed to keep the property in good condition; and
 - e. If the property is sold, proper sales procedures shall be established to ensure the highest possible return.
- v. Disposition. When Equipment acquired with Grant funds is no longer needed for the original project or program, or for other activities supported by other agencies of the Government of the United States of America, it shall be disposed as follows:
 - a. Items of Equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the Government of the United States of America; and
 - b. Items of Equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold. The Government of the Republic of the Marshall Islands may sell the property at fair market value and the proceeds from such sale may only be available for expenditure in the sector for which the original Grant was awarded.

- (g) Supplies. Title to Supplies acquired with Grant funds shall vest upon acquisition in the Government of the Republic of the Marshall Islands.
- (h) Contracts to Debarred and Suspended Parties or Foreign State-Owned Enterprises. The Government of the Republic of the Marshall Islands shall not award funds received pursuant to the 2023 Amended Compact to any party which is debarred, suspended, or otherwise excluded from and ineligible for participation in United States assistance programs. A list of those parties that are debarred, suspended, or otherwise excluded from or ineligible for participation may be found in the System for Award Management list maintained by the General Services Administration ("SAM Exclusions List"), or its successor. The Government of the Republic of the Marshall Islands shall ensure that Grants shall not go to those parties identified in the SAM Exclusions List.
- (i) No award or Contract may be made to procure or obtain Equipment, services, or systems that uses Covered Telecommunications Equipment or Services as a substantial or essential component of any system, or as critical technology as part of any system unless the Government of the United States of America waives this requirement.
- (j) No award or Contract may be made to an enterprise that has more than a fifty percent share owned by a State other than the Republic of the Marshall Islands or the United States of America, unless the Signatory Governments mutually decide to waive this prohibition.
- (k) No Grants shall be used to support the Republic of the Marshall Islands Office of the President, the Republic of the Marshall Islands legislature, or operations of the Republic of the Marshall Islands judicial branch, nor shall the monies be used for any lobbying activities.
- (l) Program Income. For the purposes of this Agreement, "Program Income" shall include: (1) earnings from the use or rental of Real Property or personal property acquired with Grant funds; (2) the sale of commodities or items fabricated under a Grant; and (3) fees assessed in the areas of public utilities, health services, and any other activities provided by government or government-owned enterprises that are supported by Grants.
- i. The Government of the Republic of the Marshall Islands shall seek opportunities to earn Program Income to defray government program costs and shall establish fees for services in the areas of public utilities, health services, and any other government-owned or operated enterprises to comply with the Grant terms and conditions.

- ii. Unless otherwise authorized by the Grant, Program Income shall remain with the programs in which they are earned, to offset Operational Costs and capital costs not covered by Grant funds.

(m) Procurement

- i. The Government of the Republic of the Marshall Islands may establish uniform criteria for procurement, whether done by government or its Sub-Grantees, provided that they meet the standards identified in subparagraph (m).
- ii. The Government of the Republic of the Marshall Islands shall maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications of their Contracts or purchase orders.
- iii. A written code of conduct shall be maintained by the Government of the Republic of the Marshall Islands to govern the performance of its employees engaged in the award and administration of Contracts. No employee, officer, or agent of the Government of the Republic of the Marshall Islands shall participate in the selection, award, or administration of a Contract supported by Grant funds if a conflict of interest, real or apparent, is involved as defined under the laws of the Republic of the Marshall Islands.
 - a. Officers, employees, or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub-agreements, except that the Government of the Republic of the Marshall Islands may set minimum rules where the financial interest is not substantial or the gift is unsolicited and of nominal intrinsic value.
 - b. To the extent permitted by the laws or regulations of the Republic of the Marshall Islands, the standards of conduct shall provide for penalties, sanctions, or other disciplinary actions for violations.
- iv. Awards shall be made only to contractors who possess the ability to perform responsibly and successfully under the terms and conditions of a proposed procurement. Selection must consider contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- v. Records shall be maintained with sufficient detail to document the history of a procurement, including but not limited to the rationale for and method of procurement, the selection of Contract type, contractor selection or rejection, and the basis for the Contract price.
- vi. The Government of the Republic of the Marshall Islands shall use time and material type Contracts only after determining that no other Contract is suitable

and if the Contract includes a ceiling price that the contractor exceeds at its own risk.

- vii. The Government of the Republic of the Marshall Islands may not use Grant funds for and shall be solely responsible for, in accordance with good administrative practice and sound business judgment, the settlement of disputes arising out of procurement or the execution of projects. Notwithstanding this limitation, the Government of the United States of America may approve a request from the Government of the Republic of the Marshall Islands for the use of Grant funds for dispute settlement on a case-by-case basis. The Government of the United States of America shall consider any such requests for approval without unnecessary delay. This prohibition on the use of Grant funds is not intended to apply to matters arising out of the ordinary course of Contract administration.
- viii. The Government of the Republic of the Marshall Islands shall have protest procedures to handle and resolve procurement disputes.

ix. Competition

- a. All procurement transactions shall be conducted in a manner providing full and open competition. Some of the situations considered to be restrictive of competition include but are not limited to: (1) placing unreasonable requirements on firms in order for them to qualify to do business; (2) requiring unnecessary experience and excessive bonding; (3) noncompetitive pricing practices between firms or between affiliated companies; (4) making noncompetitive awards to consultants on retainer; (5) organizational conflicts of interest; (6) specifying a "brand name" instead of allowing "an equal" product to be offered and describing the performance of other relevant requirements of the procurement; and (7) any arbitrary action in the procurement process.
- b. Preferences for contractors and individuals of the Republic of the Marshall Islands in procurement decisions shall be allowed only if its application leaves an appropriate number of qualified firms to compete in the Contract, and if there is no discrimination against race, religion, or national origin and it does not substantially increase the cost of the Contract.
- c. Written selection procedures shall govern procurement. These procedures shall ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurement, contain features that unduly restrict competition.
- d. The Government of the Republic of the Marshall Islands shall ensure that all pre-qualified lists of persons, firms, or products used in acquiring goods

and services are current and include enough qualified sources to ensure maximum open and free competition. Potential bidders shall not be precluded from qualifying during the solicitation period.

x. Methods of Procurement

- a. Procurement By Small Purchase Procedures. Small purchase procedures are those relatively simple and informal methods for securing services, Supplies, or other property that do not cost more than \$50,000. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- b. Procurement By Sealed Bids. Sealed bids are those bids that are publicly solicited for which a firm fixed-price Contract is awarded to the lowest responsive and responsible bidder who meets all the terms and conditions of the invitation. The sealed bid method is the preferred method for procuring construction, if the conditions of subsection (x)(c) below apply.
- c. The following conditions shall apply to sealed bidding: (1) a complete, adequate, and realistic specification or purchase description must be available; (2) two or more responsible bidders must be willing and able to compete effectively for the business; (3) the procurement must lend itself to a firm fixed-price Contract; and (4) the selection of the successful bidder can be made principally on the basis of price.
- d. The following requirements shall apply if sealed bids are used: (1) the invitation for bids shall be publicly advertised, solicited from an adequate number of known suppliers, and provide bidders with sufficient time to respond; (2) the invitation shall include any specifications and pertinent attachments, and define the items or services to allow the bidder to properly respond; (3) all bids shall be publicly opened at the time and place prescribed in the invitation for bids; and (4) a firm fixed-price Contract award shall be made in writing to the lowest responsive and responsible bidder. Any or all bids may be rejected if there is a sound documented reason.
- e. Procurement By Competitive Proposals. Competitive proposals are normally conducted when more than one source submits an offer for either a fixed-price or cost-reimbursement type Contract, and when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements shall apply: (1) requests for proposals shall be publicized and identify all evaluation factors and their relative importance; (2) proposals shall be solicited from an adequate number of qualified sources; (3) the Government of the Republic of the Marshall Islands shall have a method for conducting technical evaluations of the proposals and for selecting awardees; and (4) awards shall be made to the firm whose proposal

is most advantageous to the program. Competitive proposals may also be used when price is not a factor but only to procure architectural and engineering services. It cannot be used to purchase other types of services provided by architectural and engineering firms that are a potential source to perform the proposed effort.

- f. Procurement By Noncompetitive Proposals. Noncompetitive proposals are procurement through the solicitation of only one source or when competition is determined inadequate after soliciting a number of sources. This method shall be used only when the award of a Contract is infeasible under either procedures for small purchase, sealed bids, or competitive proposals, and when one of the following circumstances applies: (1) the item is available only from a single source; (2) public exigency or emergency will not permit a delay resulting from competitive solicitation; or (3) competition is determined to be inadequate after the solicitation of a number of sources. Cost analysis shall be required to verify the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits.
- xi. The cost plus a percentage of cost and percentage of construction cost methods of contracting shall not be used.
- xii. United States Review
 - a. The Government of the Republic of the Marshall Islands shall make available, upon request of the Government of the United States of America, technical specifications on proposed procurements.
 - b. The Government of the Republic of the Marshall Islands shall make available, upon request of the Government of the United States of America, pre-award procurement documents, including but not limited to requests for proposals or invitations for bids and independent cost estimates, when: (1) procurement procedures fail to comply with the standards set forth in subparagraph (m); (2) the procurement is expected to exceed \$100,000 and is to be awarded without competition or only one bid or offer is received in response to a solicitation; (3) the proposed award is more than \$100,000 and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or (4) a proposed Contract modification changes the scope of a Contract or increases the Contract amount by more than \$100,000.
- xiii. Bonding Requirements. For construction or facility improvement Contracts or sub-contracts exceeding \$500,000, the Government of the United States of America may accept the bonding policy and requirements of the Grantee or Sub-Grantee provided the Government of the United States of America determines that its interests are adequately protected. If such a determination has not been made, the minimum requirements shall be as follows:

- a. Bid Guarantee. Each bidder shall guarantee an equivalent of five percent of the bid price pursuant to a bid guarantee that complies with the following requirements: the bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying the bid as assurance that the bidder will, upon acceptance of a bid, execute such contractual documents as may be required within the time specified.
 - b. Performance Bond. The contractor shall execute a performance bond for one-hundred percent of the Contract price. A performance bond is one executed in connection with a Contract to secure fulfillment of all the contractor's obligations under such contract.
 - c. Payment Bond. The contractor shall execute a payment bond for one-hundred percent of the Contract price. A payment bond is one executed in connection with a Contract to assure the lawful payment of all persons supplying labor and material in the execution of the Contract.
- xiv. Contract Provisions. All Contracts paid by Grant funds shall contain the following provisions:
- a. For Contracts in excess of \$100,000: administrative, contractual, or legal remedies in instances where contractors violate or breach Contract terms, and the provision of such sanctions and penalties as appropriate;
 - b. For Contracts in excess of \$100,000: Termination for cause and for convenience by the Grantee or Sub-Grantee including the manner by which it will be effected and the basis for settlement;
 - c. Compliance with the local statutes regarding kickbacks and corrupt practices;
 - d. Access by the Government of the Republic of the Marshall Islands and its Sub-Grantees, the Government of the United States of America, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific Contract for the purpose of making audit, examination, excerpts, and transcriptions;
 - e. Retention of all required records for three years after Grantees or Sub-Grantees make final payments and all other pending matters are closed; and
 - f. Compliance with all applicable standards, orders, or requirements issued under local environmental laws.

(n) Sub-Grants

- i. The Government of the Republic of the Marshall Islands shall follow its laws and procedures when awarding and administering Sub-Grants. The Government of the Republic of the Marshall Islands shall ensure that:
 - a. Every Sub-Grant includes any clauses required by the 2023 Amended Compact, the Grant terms and conditions, and this Agreement;
 - b. Sub-Grantees are aware of requirements imposed upon them by the 2023 Amended Compact, the Grant terms and conditions, and this Agreement; and
 - c. The Sub-Grantee can meet the financial management requirements of this Agreement.

2. Program Monitoring, Performance Reports, and Records Retention(a) Monitoring and reporting Sector Grant, Section 211(b) Grant, U.S. Supplemental Health Fund Allocation, Climate Fund Allocation, and Kwajalein Development Plan Fund Allocation program performance by the Government of the Republic of the Marshall Islands

- i. The Government of the Republic of the Marshall Islands shall be responsible for the management and monitoring of the day-to-day operations of all Sector Grants, Section 211(b) Grants, U.S. Supplemental Health Fund Allocations, Climate Fund Allocations, and Kwajalein Development Plan Fund Allocations, and their activities, to assure compliance with all applicable Grant terms and conditions. Monitoring shall cover each program, function, or activity to ensure the achievement of performance goals.
- ii. The Government of the Republic of the Marshall Islands shall provide to the Government of the United States of America and the Committee an Annual Performance Report on all Sector Grants, Section 211(b) Grants, U.S. Supplemental Health Fund Allocations, Climate Fund Allocations, and Kwajalein Development Plan Fund Allocations. The report shall be due 180 days after the end of each Fiscal Year. The Committee may extend the due date of the Annual Performance Report upon receiving a justified request from the Government of the Republic of the Marshall Islands.
- iii. The Signatory Governments shall agree on a uniform format for the Annual Performance Report. The Annual Performance Report shall contain a summary of the following:
 - a. A comparison of actual accomplishments to the objectives and indicators established for the period;

- b. Any positive events that accelerate performance outcomes;
 - c. Any problems or issues encountered, reasons, and impact on Grant activities and performance measures;
 - d. A detailed project status update on each infrastructure project funded pursuant to the 2023 Amended Compact; and
 - e. Additional pertinent information including, when appropriate, an analysis and explanation of cost overruns.
- iv. The Government of the Republic of the Marshall Islands shall require an annual performance report that meets the requirements of subsections (i)-(iii) above from its Sub-Grantees.

(b) Third-Party Performance Reporting Assistance

- i. The Government of the Republic of the Marshall Islands shall retain a qualified third party to assist with submission of the Quarterly Financial Report, Annual Financial Report, and Annual Performance Report as provided for in Articles VIII(1)(b)(i), VIII(1)(b)(ii), and VIII(2)(a) of this Agreement.
- ii. The Government of the Republic of the Marshall Islands shall consult with the Government of the United States of America in choosing the third party.
- iii. The third party's responsibilities may include:
 - a. Assisting the Government of the Republic of the Marshall Islands in collecting the information necessary to formulate the reports required under this Agreement;
 - b. Assisting the Government of the Republic of the Marshall Islands in analyzing the information collected;
 - c. Assisting the Government of the Republic of the Marshall Islands in drafting the reports required under this Agreement; and
 - d. Training and capacity building in producing verifiable and reliable data relating to sector performance outcomes.

- (c) Significant Developments. Events may occur between the scheduled performance reporting dates that have significant impact upon an activity supported by a Sector Grant, Section 211(b) Grant, U.S. Supplemental Health Fund Allocation, Climate Fund Allocation, or Kwajalein Development Plan Fund Allocation. In such cases, the Government of the Republic of the Marshall Islands shall immediately inform

the Government of the United States of America when the following conditions arise:

- i. Problems, delays, or adverse conditions that will materially impair the ability of the Government of the Republic of the Marshall Islands to meet the terms and conditions of the Grant. This disclosure must include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.
 - ii. Favorable developments that enable the meeting of time schedules and objectives sooner or at less cost than anticipated, or that produce more beneficial results than anticipated.
- (d) The Government of the United States of America may make site visits as warranted by program needs.

(c) Retention and Access Requirements for Records

- i. Applicability. This subparagraph applies to all financial and programmatic records, supporting documents, statistical records, and other records of the Government of the Republic of the Marshall Islands or its Sub-Grantees which are required to be maintained by this Agreement, program regulations, or the terms and conditions of the Grant, or are otherwise considered as pertinent to program regulations or the terms and conditions of the Grant. Records of contractors or subcontractors are exempt from the requirements of this subparagraph.
- ii. Length of Retention. Except as otherwise provided, records must be retained for three years from the date the Government of the Republic of the Marshall Islands submits the final project report to the Government of the United States of America.
- iii. If any litigation, claim, negotiation, Audit, or other action involving the records has been started before the expiration of the three-year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three-year period, whichever is later.
- iv. Access to Records of the Government of the Republic of the Marshall Islands and its Sub-Grantees. The Government of the United States of America shall have the right of access to any pertinent books, documents, papers, or other records of the Government of the Republic of the Marshall Islands and its Sub-Grantees which are pertinent to the Grant, in order to make Audits, examinations, excerpts, and transcripts.

3. Enforcement

(a) Remedies for Noncompliance. If during the course of the Fiscal Year the Government of the Republic of the Marshall Islands or its Sub-Grantee materially fails to comply with the requirements relating to records retention or to Grant reporting and monitoring, as provided in this Agreement or any Grant term or condition, the Government of the United States of America may take one or more of the following actions:

- i. Temporarily withhold cash payments pending correction of the deficiency by the Government of the Republic of the Marshall Islands.
- ii. Disallow the use of Grants and disallow Matching credit for all or part of the activity or action not in compliance.
- iii. Wholly or partly suspend or terminate the current award.
- iv. Take other remedies that may be legally available.

(b) Hearings. In taking an enforcement action, the Government of the United States of America shall provide the Government of the Republic of the Marshall Islands an opportunity to a hearing, Appeal, or other administrative proceeding to which it is entitled under this Agreement.

(c) Effects of Suspension and Termination. The Government of the Republic of the Marshall Islands shall not obligate funds during a Suspension or after Termination of an award unless expressly authorized by the Government of the United States of America. Costs which are necessary and reasonably unavoidable are allowable if:

- i. The costs result from Obligations that were properly incurred before the effective date of Suspension or Termination, are not in anticipation of it, and, in the case of a Termination, are non-cancelable; or
- ii. The costs otherwise would be allowed if the award were not suspended or expired normally at the end of the funding period in which the Termination takes effect.

Article IX
Terms and Conditions of Infrastructure Assistance

1. Infrastructure Grants shall be subject to all laws and regulations governing the use of Grant funds to the extent these apply to this Agreement. Infrastructure Grants shall support individual infrastructure projects and the costs of directly related project management and administrative functions and may not be used for any purpose other than for which they are offered.
2. The intent of Infrastructure Grants is to provide quality and sustainable infrastructure. Infrastructure projects funded by Infrastructure Grants shall adhere to the latest edition of the International Building Code or equivalent and shall be delivered through processes that ensure adherence to best practices and require effective, transparent, and competitive contract and project administration utilizing qualified professionals.
3. Infrastructure project documents shall be based upon the latest published edition of the family of contracts, forms, and exhibits of the American Institute of Architects.
4. The provisions of this Article shall apply to all Infrastructure Grants.
5. Infrastructure Grants may be used for preliminary engineering and design of infrastructure projects concurred with by the Committee.
6. Requests for advance payment or reimbursement by the Government of the Republic of the Marshall Islands for actual or Accrued Expenditures shall be accomplished using a format provided by the Government of the United States of America or as mutually decided.
7. All funds for Infrastructure Grants shall remain available until the end of the period of availability as outlined in the Infrastructure Grant award.
8. Failure to comply with program objectives, terms and conditions of the Grant, or reporting requirements may result in the Suspension of any part or all of an Infrastructure Grant until the deficiency is corrected.
9. Infrastructure Maintenance Fund
 - (a) The Government of the Republic of the Marshall Islands shall make annual contributions to the Infrastructure Maintenance Fund as set forth in the table below, which starts with 5 percent of \$50 million in Fiscal Year 2024 and increases thereafter. Such contributions shall be made from local funds.

<i>Fiscal Year</i>	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<i>Thousands of USD</i>	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988
<i>Fiscal Year</i>	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
<i>Thousands of USD</i>	3,047	3,108	3,171	3,234	3,299	3,365	3,432	3,501	3,571	3,642

- (b) Upon certification by the Government of the Republic of the Marshall Islands that its annual contribution has been deposited in full, the Government of the United States of America shall make an annual contribution of the same amount. Such contributions shall be made from the annual amounts made available for Sector Grants set forth in Section 266 of the 2023 Amended Compact.
- (c) Until one year after all amounts in the Infrastructure Maintenance Fund have been disbursed, the Government of the Republic of the Marshall Islands shall provide to the Government of the United States of America an annual fund status report on the Infrastructure Maintenance Fund from the previous year showing the deposits of each of the Signatory Governments, the amount of income generated during the Fiscal Year, and the fund balance.
- (d) The Infrastructure Maintenance Fund shall be maintained and utilized pursuant to the terms and conditions of this paragraph.
- (e) The Infrastructure Maintenance Fund shall be available for use following the annual transmittal of a consolidated infrastructure maintenance plan by the Government of the Republic of the Marshall Islands to the Government of the United States of America.
- (f) The Infrastructure Maintenance Fund shall be used only for the purposes of the repair and maintenance of United States funded infrastructure within the Government of the Republic of the Marshall Islands. It may not be used to fund extensions, expansions, or repurposing of previous infrastructure projects.

- (g) Separate from any contribution made under subparagraph (a) above, the Government of the Republic of the Marshall Islands may allocate amounts from the health and education Sector Grants to fund the maintenance requirements of those sectors.

10. Kwajalein Development Plan Fund

- (a) The funds provided by the Government of the United States of America pursuant to Section 261(i) of the 2023 Amended Compact shall be deposited into an interest-bearing account in either a bank or commercial financial institution organized in accordance with the laws of the United States of America or a State of the United States of America; or, subject to the approval of the Government of the United States of America, a bank or commercial financial institution organized in accordance with the laws of the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands may invest part or all of the Kwajalein Development Plan Fund in low-risk instruments such as insured certificates of deposit, money market funds, and United States Treasury bills and notes, provided asset liquidity is not compromised. The funds deposited into this account, any interest accrued thereon, and any earning from investments shall constitute the Kwajalein Development Plan Fund.
- (b) The Kwajalein Development Plan Fund shall only be used for the purposes described in Section 261(i) of the 2023 Amended Compact and shall only be used to support individual infrastructure projects, preliminary engineering and design of projects, or the costs of directly related project management and administrative functions. The Kwajalein Development Plan Fund may not be used for any other purpose other than that for which they have been allocated.
- (c) Disbursements from the Kwajalein Development Plan Fund may only occur following the concurrence of the Committee with a proposed Kwajalein Development Plan Fund Allocation included in an Annual Implementation Plan.
- (d) Disbursement of funds from the Kwajalein Development Plan Fund may only be made on the basis of Accrued Expenditures, provided the Government of the Republic of the Marshall Islands maintains procedures to minimize the time elapsing between the disbursement of funds to the Government of the Republic of the Marshall Islands and its payment of the Accrued Expenditure, and subject to approval by the Government of the United States of America. The Government of the United States of America may request the set of construction plans and specifications, a revised detailed cost estimate, and a detailed construction schedule prior to approving the disbursement.
- (e) Infrastructure projects funded by the Kwajalein Development Plan Fund shall adhere to the latest edition of the International Building Code or equivalent and shall be delivered through processes that ensure adherence to best practices and require effective, transparent, and competitive contract and project administration

utilizing qualified professionals. Documents for such projects shall be based upon the latest published edition of the family of contracts, forms, and exhibits of the American Institute of Architects.

- (f) Until one year after all amounts in the Kwajalein Development Plan Fund have been disbursed, the Government of the Republic of the Marshall Islands shall provide to the Government of the United States of America a quarterly fund status report on the Kwajalein Development Plan Fund from the previous Fiscal Year quarter showing the amount of income generated, any disbursements, and the fund balance.

11. Reporting Requirements. An SF-425 shall be prepared annually and submitted within 180 days after the end of the Fiscal Year to which it applies. The report shall include accounting information and a status of progress for each project funded by the Grant.

Article X
Audit

1. Standards and Scope of Audit Authority of the Government of the United States of America. Audit officials or agents of the Government of the United States of America, acting consistent with Section 232 of the 2023 Amended Compact, may perform Audits on the use of all Grants. The Government of the United States of America is responsible for all costs attendant to the discharge of this authority.
2. Audit Responsibility of the Government of the Republic of the Marshall Islands
 - (a) A financial and compliance Audit, within the meaning of the Single Audit Act, as amended (31 U.S.C. 7501 et seq.), or any successors, of the uses of Grants by the Government of the Republic of the Marshall Islands shall be performed annually from Fiscal Year 2024 through Fiscal Year 2043. The results of these Audits shall be available no later than the end of the third fiscal quarter following the end of the Fiscal Year under review.
 - (b) For purposes of these Audits, the laws and regulations of the United States of America shall apply which are relevant to the 2023 Amended Compact, related agreements, and such other instruments as may be made expressly applicable by mutual decision of the Signatory Governments. The applicable laws and regulations of the Republic of the Marshall Islands are those promulgated under the authority, and at the discretion, of the Government of the Republic of the Marshall Islands and which relate in a material, substantial, or direct way to that Government's financial statements and operations.
 - (c) The authority of the Government of the United States of America set forth in this Article shall continue for at least three years after the last Grant or element of assistance by the Government of the United States of America has been provided and expended.
3. Audit Officials
 - (a) Audit officials from the Government of the United States of America are the officials and employees of the Government of the United States of America who are responsible for the discharge of its audit responsibilities, including those of the Comptroller General of the United States of America ("Comptroller General") and any Inspector General of an agency of the Government of the United States of America with programs operating in or otherwise serving the Republic of the Marshall Islands. While present in the Republic of the Marshall Islands for the purposes of this Agreement, audit officials from the Government of the United States of America shall be immune from civil and criminal process relating to words spoken or written and all acts performed by them in their official capacity and falling within their functions, except insofar as such immunity may be expressly waived by the Government of the United States of America. The Comptroller

General and his duly authorized representatives, and other audit officials from the Government of the United States of America, shall not be liable to arrest or detention pending trial, except in the case of a grave crime and pursuant to a decision by a competent judicial authority, and such persons shall enjoy immunity from seizure of personal property, immigration restrictions, and laws relating to alien registration, fingerprinting, and the registration of foreign agents. Such persons shall enjoy the same taxation exemptions as are set forth in Article 34 of the Vienna Convention on Diplomatic Relations. The privileges, exemptions, and immunities accorded under this paragraph are not for the personal benefit of the individuals concerned but are to safeguard the independent exercise of their official functions. Without prejudice to those privileges, exemptions, and immunities, it is the duty of all such persons to respect the laws and regulations of the Republic of the Marshall Islands.

- (b) Audit officials from the Government of the United States of America shall provide the Government of the Republic of the Marshall Islands with advance notice of the specific dates and nature of their visits prior to entering the Republic of the Marshall Islands and shall show verifiable identification to officials of the Government of the Republic of the Marshall Islands when seeking access to records. In the performance of their responsibilities under this Agreement, audit officials from the Government of the United States of America shall have due regard for the laws of the Republic of the Marshall Islands and the duties and responsibilities of the officials of the Government of the Republic of the Marshall Islands. Officials of the Government of the Republic of the Marshall Islands shall cooperate fully to the extent practicable with the United States audit officials to enable the full discharge of their responsibilities. Questions with respect to the identity or authorization of United States audit officials shall be referred for resolution to the United States Representative referred to in Article V of Title One of the 2023 Amended Compact.
- (c) The Comptroller General, and officials of the United States General Accounting Office acting on the Comptroller General's behalf, shall have coextensive authority with the executive branch of the Government of the United States of America as provided in this Article. The audit officials from the executive branch of the Government of the United States of America shall avoid duplication between their audit programs and those of the United States General Accounting Office. The Government of the Republic of the Marshall Islands shall cooperate fully to the extent practicable with the Comptroller General in the conduct of such Audits as the Comptroller General determines necessary in accordance with this Article to enable the full discharge of the Comptroller General's responsibilities.

4. Access to Records

- (a) The Government of the Republic of the Marshall Islands shall provide audit officials from the Government of the United States of America with access, without cost and during normal working hours, to all records, documents, working papers, automated data, and files which are relevant to the uses of funding received

pursuant to the 2023 Amended Compact by the Government of the Republic of the Marshall Islands. To the extent that such information is contained in confidential official documents, the Government of the Republic of the Marshall Islands shall undertake to extract information that is not of a confidential nature and make it available to the audit officials from the Government of the United States of America in the same manner as other relevant information or to provide such information from other sources.

- (b) In order to reduce the level of interference in the daily operation of the activities of the Government of the Republic of the Marshall Islands, audit officials from the Government of the United States of America shall, to the extent practicable, inform the Government of the Republic of the Marshall Islands of their need for information, including the type of information and its relation to their annual audit schedule. To the extent practicable, the Government of the Republic of the Marshall Islands shall make available the information requested by audit officials from the Government of the United States of America relevant to Audits and available in a manner consistent with generally accepted accounting procedures that allows for the distinction of the Grants, assistance, and payments provided by the Government of the United States of America from any other funds of the Government of the Republic of the Marshall Islands. Such information shall be used and returned as quickly as accurate audit testing and surveying allow.

- (c) The Government of the Republic of the Marshall Islands shall maintain records, documents, working papers, automated data, files, and other information regarding each such Grant or other assistance for at least three years after such Grant or assistance was provided.

5. Review of Audits. Audit organizations and officials from the Government of the United States of America, including the Comptroller General and the Comptroller General's duly authorized representatives, shall provide the Government of the Republic of the Marshall Islands with at least 45 days to review and comment on draft audit reports prior to the release of the reports. The comments of the Government of the Republic of the Marshall Islands shall be included, in full, in the final audit reports. Should a draft audit report be revised based on the comments of the Government of the Republic of the Marshall Islands, the Government of the Republic of the Marshall Islands shall have an additional period to review and comment on the report prior to its release.

Article XI
Annual Reconciliation and End-of-Grant Requirements

1. The Government of the United States of America shall reconcile Operational Grants at least annually and evaluate the Annual Performance Report and the Annual Financial Report to determine work progress, outcomes, and compliance with Grant terms and conditions.
2. The Government of the United States of America shall close out each award at the end of each Fiscal Year once it determines that all applicable administrative actions and required work has been completed or if all Grant funds have been expended.
 - (a) Within 90 days after receipt of the Annual Financial Report, the Government of the United States of America shall make upward or downward adjustments to the allowable reimbursable costs.
 - (b) The Government of the Republic of the Marshall Islands shall immediately refund any balance of cash not authorized to be retained. The refunded balance shall be available for use consistent with this Article.
 - (c) The Government of the United States of America may disallow costs and recover funds on the basis of a later audit or other review. The closeout of a Grant does not affect the obligation of the Government of the Republic of the Marshall Islands to return any funds paid in excess of the amount to which it is finally determined to be entitled under the terms of the Grant. Such an amount shall be deemed to constitute a debt to the Government of the United States of America. If the amount owed is not repaid within a reasonable period, the Government of the United States of America may reduce the debt by:
 - i. Making an administrative offset against other requests for reimbursement;
 - ii. Withholding advance payments otherwise due to the Government of the Republic of the Marshall Islands; or
 - iii. Taking other action described in this Agreement or as otherwise permitted by law.
3. All funds provided for the purposes specified in Section 211(a) and (d) of the 2003 Amended Compact shall be governed as follows, notwithstanding any relevant provisions of the 2003 Amended Compact or the 2004 Fiscal Procedures Agreement:
 - (a) Funds that have been allocated by the Committee for sectors other than public infrastructure and:

- i. Have not been granted by the Government of the United States of America at the end of Fiscal Year 2023 shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.
- ii. Have been granted by the Government of the United States of America at the end of Fiscal Year 2023 shall remain available to be obligated by the Government of the Republic of the Marshall Islands until the end of Fiscal Year 2024, during which time such funds shall continue to be governed by the 2004 Fiscal Procedures Agreement. Any such funds that are not obligated by the Government of the Republic of the Marshall Islands at the end of Fiscal Year 2024 shall be returned to the Government of the United States of America after the Grant is closed and shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.
- iii. Have been granted by the Government of the United States of America and obligated by the Government of the Republic of the Marshall Islands and are on an active Grant at the end of Fiscal Year 2023 shall remain active on the Grant, consistent with the terms and conditions of the Grant, and such funds shall be governed by the 2004 Fiscal Procedures Agreement.
- iv. Have been returned to the Government of the United States of America following closeout of a Grant shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.

(b) Funds that have been allocated by the Committee for the public infrastructure sector and:

- i. Have not been granted by the Government of the United States of America at the end of Fiscal Year 2023 shall remain available through Fiscal Year 2043 to be granted in accordance with the Committee's Sector Allocation. Such funds shall be governed by this Agreement upon its entry into force, except that if any such funds have not been granted at the end of Fiscal Year 2043, such funds shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.
- ii. Have been granted by the Government of United States of America at the end of Fiscal Year 2023, regardless of whether such funds have been obligated by the Government of the Republic of the Marshall Islands, shall remain active on the Grant, consistent with the terms and conditions of the Grant, and such funds shall be governed by the 2004 Fiscal Procedures Agreement.
- iii. Have been returned to the Government of the United States of America following closeout of such Grant shall remain available for the public infrastructure sector through Fiscal Year 2043, after which any such funds that

are not on an active Grant or that are later returned shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.

4. For all funds specified in Sections 261(a), 261(e), and 261(f) of the 2023 Amended Compact:

- (a) At the end of each Fiscal Year beginning in Fiscal Year 2025, any funds from the prior Fiscal Year as set forth in Section 266 of the 2023 Amended Compact shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands if such funds have either:
 - i. not been allocated by the Committee; or
 - ii. have been allocated by the Committee for a sector other than public infrastructure and have not been granted by the Government of the United States of America or have not been obligated by the Government of the Republic of the Marshall Islands.
- (b) Any funds that have been allocated by the Committee for the public infrastructure sector and have not been granted by the Government of the United States of America shall remain available through Fiscal Year 2043 to be granted in accordance with the Committee's Sector Allocation and shall be governed by this Agreement, except that the Signatory Governments may mutually decide at the end of each Fiscal Year that any such funds, or any portion thereof, shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands. If any such funds that have been allocated by the Committee for the public infrastructure sector have not been granted by the end of Fiscal Year 2043, such funds shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.
- (c) Any funds that have been granted by the Government of the United States of America and remain active on such Grant at the end of each Fiscal Year covered by the 2023 Amended Compact, regardless of whether such funds have been obligated by the Government of the Republic of the Marshall Islands, shall remain active on the Grant, consistent with the terms and conditions of the Grant, and such funds shall be governed by this Agreement.
- (d) At the end of Fiscal Year 2044:
 - i. Any funds that are unallocated or ungranted, regardless of the Committee's Sector Allocation, shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.
 - ii. Any funds that have been granted by the Government of the United States of America and remain active on such Grant as of Fiscal Year 2044 shall remain

available consistent with the terms and conditions of the Grant and continue to be governed by this Agreement.

- (e) Any funds that have been returned to the Government of the United States of America following closeout of a Grant shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.

5. For all funds remaining in the U.S. Supplemental Health Fund, Climate Fund, or Kwajalein Development Plan Fund at the end of Fiscal Year 2043:

- (a) Any funds that have been allocated but not disbursed shall remain in the relevant fund until disbursed consistent with the relevant Allocation. Any such funds that are not disbursed upon completion of the program or project for which they were allocated shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.
- (b) Any unallocated funds shall be deposited into the Trust Fund as a contribution from the Government of the Republic of the Marshall Islands.

Article XII
Entry Into Force, Amendment, and Duration

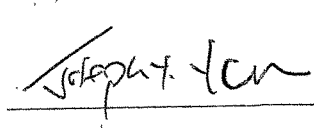
1. This Agreement shall enter into force on the date of the later note in an exchange of notes between the Signatory Governments indicating that each Signatory Government has completed its internal procedures for entry into force.
2. This Agreement may be amended at any time in writing by mutual agreement of the Signatory Governments.
3. This Agreement shall remain in force until either (i) terminated by mutual agreement of the Signatory Governments; or (ii) until Grants are fully expended or are otherwise contributed to the Trust Fund under Article XI of this Agreement, whichever occurs first.
4. The Signatory Governments shall consult with each other regarding implementation of this Agreement ten years after its entry into force and consider whether any amendments are desirable.
5. Any disputes under this Agreement shall be addressed in the first instance through consultations in the Committee, between the Signatory Governments, or through the mechanisms expressly provided in this Agreement for dispute settlement, as applicable. If disputes are not resolved through these consultations or mechanisms, either Signatory Government may seek to resolve the matter through the conference and dispute resolution process described in Article II of Title Four of the 2023 Amended Compact.
6. Interpretation
 - (a) Except as otherwise provided, this Agreement shall be construed and implemented in a manner consistent with the 2023 Amended Compact. In this Agreement, all references herein to Articles, paragraphs, subparagraphs, and subsections shall be deemed references to this Agreement unless the context shall otherwise require. References to statutes or regulations are to be construed as including all statutory or regulatory provisions, as applicable, consolidating, amending, or replacing the statute or regulation referred to. All references to agreements and other documents shall be to such documents as amended, modified, supplemented, or restated from time to time in a manner consistent with the terms and conditions of this Agreement. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with Generally Accepted Accounting Principles, as in effect from time to time in the United States of America.
 - (b) Nothing in this Agreement affects or otherwise alters the agreement referred to in Section 462(a)(1) of the 2023 Amended Compact.

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

DONE at Honolulu, on October 16, 2023, in duplicate, in the English language.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE
REPUBLIC OF THE MARSHALL
ISLANDS:

A handwritten signature in cursive script, appearing to read "Joseph T. Icar", written over a horizontal line.A handwritten signature in cursive script, consisting of a large, stylized initial or set of initials, written over a horizontal line.

**Agreement
Between
the Government of the United States of America
and
the Government of the Republic of the Marshall Islands
Regarding the Compact Trust Fund**

The Government of the United States of America and the Government of the Republic of the Marshall Islands (the "Signatory Governments");

Recalling the *Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund*, done at Majuro on April 30, 2003, and wishing to replace it with this Agreement;

Desiring to make further contributions to and repurpose the Trust Fund established in 2004 pursuant to Article 2 of the *Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund*, done at Majuro on April 30, 2003;

Have agreed as follows:

Part I
Definitions

Article 1
Definitions of Terms

For purposes of this Agreement, the following terms shall have the following meanings when capitalized:

"2003 Trust Fund Agreement" means the *Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund*, done at Majuro on April 30, 2003.

"2023 Amended Compact" means the *Compact of Free Association, as Amended, Between the Government of the United States of America and the Government of the Republic of the Marshall Islands*, done at Majuro on April 30, 2003, as amended by the *Agreement between the Government of the United States of America and the Government of the Republic of the Marshall Islands to Amend the Compact of Free Association, as Amended*, done at Honolulu on October 16, 2023.

"2023 Fiscal Procedures Agreement" means 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 Republic of the Marshall Islands*, done at Honolulu on October 16, 2023.

"Annual Financial Report" means the report required under Article 20(3)(b) of this Agreement.

"Annual Performance Report" means the report required under Article 20(13)(b) of this Agreement.

"Annual Report" means the report required under Article 24 of this Agreement.

"Budget and Investment Framework" means the framework required under Section 261(c) of the 2023 Amended Compact and further described in and concurred with under the 2023 Fiscal Procedures Agreement.

"Contribution" means amounts deposited into the Trust Fund by a Contributor.

"Contributor" means a government, international organization, financial institution, or other entity that grants, not lends, funds into the Trust Fund, including the Signatory Governments and Subsequent Contributors.

“Covered Telecommunications Equipment or Services” means video surveillance and telecommunications equipment or telecommunications or video surveillance services produced or provided by an entity that the United States Secretary of Defense, in consultation with the Director of National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign country as defined in the United States Federal Acquisition Regulations 4.2101, or any successors.

“Custodian” means the financial institution holding legal custody of the Trust Fund.

“Distribution” means the transfer of funds from the Trust Fund to the Government of the Republic of the Marshall Islands pursuant to Article 17, 18, or 19 of this Agreement.

“Distribution Audit” means the audit required under Article 20(14) of this Agreement.

“Eligible Recipients” means those individuals who meet the criteria mutually decided in writing by the Signatory Governments for being eligible to receive individual dividends under Article 17 of this Agreement.

“Extraordinary Needs Distribution” means a Distribution made pursuant to Article 18 of this Agreement after Fiscal Year 2022 to address exceptional unmet hardships and needs through programs for people in communities in the Republic of the Marshall Islands in extraordinary circumstances.

“Extraordinary Needs Distribution Cap” means the maximum annual amount to be made available for an Extraordinary Needs Distribution.

“Fiscal Year” means each one-year period beginning October 1 and ending on the following September 30. Each Fiscal Year shall be designated by the number of the calendar year in which such Fiscal Year ends. For example, “Fiscal Year 2024” means the Fiscal Year ending in calendar year 2024.

“Government of the Republic of the Marshall Islands” means the government established and organized by the Constitution of the Republic of the Marshall Islands including all the political subdivisions and entities comprising that government.

“Government of the United States of America” means the federal government of the United States of America.

“Income” means the profit or increase in market value of the Trust Fund, including dividends, interest, realized and unrealized net gains, and other special items allocated to income.

"Indirect Costs" means costs incurred for common institution-wide or joint objectives that cannot be identified readily and specifically within a particular program or activity, such as general administration.

"Infrastructure Development Plan" means the plan required and concurred with under the 2023 Fiscal Procedures Agreement.

"Investment Adviser" means the individual or firm responsible for: providing investment advice to the Trust Fund Committee; taking direction from the Trust Fund Committee regarding investments; and overseeing day-to-day investments by the Money Managers.

"Money Manager" means the individual or firm who contracts with the Trust Fund Committee to invest funds in a particular investment vehicle or category.

"Present Market Value" means, as of any time, the value of the Trust Fund assets if those assets were liquidated or sold at such time.

"Principal" means the Contributions to the Trust Fund, which are invested in bonds, stocks, or other holdings.

"Qualified Findings" means findings included in the Distribution Audit that there are, with respect to Distributions, significant deficiencies and material weaknesses in the internal controls; material noncompliance with this Agreement or applicable laws, rules, or regulations; or questioned costs.

"Qualified Instruments" means all stocks, bonds, and other securities issued or recognized in any United States stock exchange, or other Trust Fund Committee-approved instruments.

"Quarterly Financial Report" means the report required under Article 20(3)(a) of this Agreement.

"Restricted Fiduciary Net Position" means the end of Fiscal Year value of the Trust Fund.

"Sector and Individual Support Distribution" means a Distribution made pursuant to Article 17 of this Agreement after Fiscal Year 2022 to support the sectors described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments, or for the payment of individual dividends to Eligible Recipients and the administration of such payments..

"Sector and Individual Support Distribution Cap" means the maximum annual amount to be made available for a Sector Distribution.

"Signatory Governments" means the Government of the United States of America and the Government of the Republic of the Marshall Islands.

"Subsequent Contributor" means any government, international organization, financial institution, or other entity that grants, not lends, funds into the Trust Fund, not including the Signatory Governments.

"Trust Fund" means the trust fund established pursuant to Article 2 of the 2003 Trust Fund Agreement.

"Trust Fund Audit" means the audit required under Article 23 of this Agreement.

"Trust Fund Auditor" means the entity responsible for performing Trust Fund Audit.

"Trust Fund Committee" means the governing body of the Trust Fund which serves as the trustee of the Trust Fund.

"Unspent Economic Assistance Distribution" means a Distribution made pursuant to Article 19 of this Agreement between Fiscal Years 2024 and 2043 to support the sectors described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments.

"Unspent Economic Assistance Distribution Cap" means the maximum amount to be made available for an Unspent Economic Assistance Distribution.

Part II
Status of the Trust Fund

Article 2
Trust Fund for the People of the Republic of the Marshall Islands

1. The Trust Fund shall continue as established and shall be governed by the provisions of this Agreement.
2. The situs of the Trust Fund shall be within the United States of America. The governing law of the Trust Fund shall be the law from any appropriate jurisdiction within the United States of America.

Article 3
Purpose of the Trust Fund

The purpose of the Trust Fund is to provide the Government of the Republic of the Marshall Islands with sources of revenue to help meet needs of people in the Republic of the Marshall Islands as described in Articles 17, 18, and 19.

Article 4
Powers of the Trust Fund

The Trust Fund shall have all powers necessary, consistent with this Agreement, to fulfill its purpose.

Article 5
Limitation of Liability

1. No Contributor to the Trust Fund shall be liable, by reason of being a Contributor, for acts or obligations of the Trust Fund.

2. Obligations of the Trust Fund are not obligations of the Government of the Republic of the Marshall Islands, the Government of the United States of America, or any Subsequent Contributor.

3. Members of the Trust Fund Committee shall have a fiduciary relationship to the Trust Fund. No member of the Trust Fund Committee shall be responsible for any loss or depreciation in value of any assets held in the Trust Fund, except by reason of such member's gross negligence or willful default. Every decision made by a member of the Trust Fund Committee shall be deemed to have been made with reasonable care and diligence unless the contrary is proved by affirmative evidence. Any action taken by the Trust Fund Committee shall be conclusively binding.

Article 6
Legal Status, Privileges, and Immunities

1. To enable the Trust Fund to carry out its purpose, each Signatory Government shall accord to the Trust Fund in its territory the legal status, privileges, and immunities set out in this Article.
2. The Trust Fund shall possess juridical personality and in particular capacity to:
 - (a) Contract;
 - (b) Acquire and dispose of immovable and movable property;
 - (c) Institute legal proceedings; and
 - (d) Take other action to protect the Trust Fund.
3. The Trust Fund shall be exempt from any exchange control regulations, restriction, or moratoria.
4. In accordance with Section 265(b) of the 2023 Amended Compact, within the scope of its official activities, the Trust Fund, its property, and its assets shall be exempt from taxation.

Part III
Trust Fund Committee

Article 7
Trust Fund Committee

1. There shall be a Trust Fund Committee composed of voting members and, when applicable, non-voting members, which shall administer the Trust Fund.
2. The Trust Fund Committee shall serve as the trustee of the Trust Fund and ensure that the Trust Fund is maintained and used in accordance with the provisions of this Agreement and the 2023 Amended Compact.
3. The composition of the Trust Fund Committee shall be: three voting members appointed by the relevant Secretary of a United States Government agency or their designee, which shall include the Chair of the Trust Fund Committee; two voting members appointed by the President of the Republic of the Marshall Islands; and one voting member appointed by Taiwan. The Signatory Governments and Taiwan shall communicate their appointments to each other and the Chair of the Trust Fund Committee in writing. The Government of the United States of America shall consult with the Government of the Republic of the Marshall Islands and Taiwan in appointing the Chair of the Trust Fund Committee, and the Government of the Republic of the Marshall Islands and Taiwan shall have an opportunity to present their views, which shall be considered. In addition, by a majority vote of the Trust Fund Committee, non-voting members may be appointed by Subsequent Contributors other than Taiwan.
4. If a voting member is temporarily unable to attend a meeting of the Trust Fund Committee or otherwise participate in its decisions, an alternate shall be designated in writing by the relevant Signatory Government appointing the voting member, or by Taiwan as applicable, and the designated alternate shall participate and vote in such meeting or decision of the Trust Fund Committee.
5. All the powers of the Trust Fund shall be vested in and exercisable by the Trust Fund Committee.
6. The functions of the Trust Fund Committee shall include overseeing:
 - (a) The operation, supervision, and management of the Trust Fund;
 - (b) The investment and disbursement of resources of the Trust Fund; and
 - (c) The conclusion of agreements and arrangements with Subsequent Contributors and other organizations.

7. Voting and non-voting members, and their staff, shall serve as such without payment of salaries, honoraria, or expenses, including travel and per diem expenses, from the Trust Fund. The Trust Fund may be used to cover expenses related to the Trust Fund Committee's rental of meeting space and incidentals thereto.

8. The Trust Fund Committee shall meet at least annually and may hold additional meetings as necessary. Reasonable notice shall be given to the members of any meetings. Meetings may be in person, via video conferencing, or by other technological means. The Trust Fund Committee shall strive to meet in person at least once a year, in a location to be decided by the Trust Fund Committee.

9. For the purposes of meetings, all voting members of the Trust Fund Committee, or their designated alternates when a voting member may be unable to attend, shall constitute a quorum.

10. The Trust Fund Committee shall make decisions by a majority vote of all the voting members. In cases where there are an equal number of votes, the vote of the Chair of the Trust Fund Committee shall be the deciding vote. However, the Trust Fund Committee shall make decisions by consensus with respect to its actions under Article 8, Article 12, or Article 14 of this Agreement.

11. Decisions of the Trust Fund Committee must be made at its meetings, except that decisions made by consensus by all voting members (or their alternates as designated under paragraph 4 of this Article), may occur outside of a meeting.

12. Notwithstanding paragraphs 9 through 11 of this Article, in instances in which the Trust Fund is at risk of a catastrophic loss in value, and with appropriate advance notice by the Chair of the Trust Fund Committee, or the Chair's designee, to all members:

- (a) The Chair of the Trust Fund Committee and at least two other voting members shall constitute a quorum for purposes of meetings of the Trust Fund Committee.
- (b) The Chair of the Trust Fund Committee may call a vote for decisions with respect to actions under Article 8, Article 12, and Article 14 when consensus cannot be reached. In such instances, decisions may be made by majority vote. In cases where there are an equal number of votes, the vote of the Chair of the Trust Fund Committee shall be the deciding vote. Decisions taken by vote under this subparagraph must be approved by consensus within 60 days, otherwise the decision shall be reversed if practicable.
- (c) Decisions may be taken by the Chair of the Trust Fund Committee and at least two other voting members outside of a meeting.

13. If a Custodian, Investment Adviser, Money Manager, or administrative and technical advisory service provider provides substantive information pertaining to the Trust Fund to any member of the Trust Fund Committee, the Custodian, Investment Adviser, Money Manager, or administrative and technical advisory service provider should provide such information to all members. The Trust Fund Committee shall establish rules of procedure consistent with this paragraph.

14. The Trust Fund Committee may not approve a proposed distribution budget under Article 17, Article 18, or Article 19 unless it determines that there are adequate mechanisms in place for the orderly operation of the Trust Fund.

Article 8
Technical and Administrative Assistance

The Trust Fund Committee may obtain administrative or technical advisory services as are necessary to ensure the orderly operation of the Trust Fund, including to ensure compliance with the provisions of this Agreement. Such administrative and technical advisory service providers shall be entitled to reasonable fees and expenses as compensation for their services. Such fees and expenses shall be subject to the prior written approval by the Trust Fund Committee.

Part IV
Resources of the Trust Fund

Article 9
Resources

The resources of the Trust Fund shall consist of all Contributions to the Trust Fund, from whatever sources, and all Income. The resources of the Trust Fund shall be held in trust and administered by the Trust Fund Committee and used only for the purpose of, and in accordance with, this Agreement.

Article 10
Contributions

1. The Government of the United States of America shall contribute to the Trust Fund in accordance with Section 265 and Section 266 of the 2023 Amended Compact, subject to Sections 451(b), 452(b), and 453(c) of the 2023 Amended Compact.

2. The Signatory Governments shall seek Contributions to the Trust Fund from other sources.

3. The Trust Fund may accept Contributions from Subsequent Contributors. Such Contributions must be governed by an agreement or arrangements between the Subsequent Contributor and the Trust Fund Committee, which must be approved by all voting members of the Trust Fund Committee.

4. The Trust Fund Committee may refuse a Contribution if it considers that it would not be in the interest of the Trust Fund, the United States of America, or the Republic of the Marshall Islands.

Article 11
Conditions Governing Contributions

1. No Contributions to the Trust Fund shall be withdrawn or refunded except in accordance with Articles 25 and 26 of this Agreement.
2. In the event the 2023 Amended Compact is terminated, the provisions of Sections 451 through 453, inclusive, of the 2023 Amended Compact, and Article 26 of this Agreement, shall govern treatment of any Contributions by the Government of the United States of America and undistributed Income derived therefrom.
3. The Trust Fund shall not issue negotiable or transferable obligations evidencing indebtedness for Contributions or Income.

Part V
Custodians, Investment Advisers, Money Managers

Article 12
Appointment of Custodian

1. The Trust Fund Committee shall appoint and employ a Custodian, consistent with this Agreement, and shall be empowered to remove any Custodian acting hereunder and to appoint a successor Custodian. Any Custodian may be removed by the Trust Fund Committee by giving thirty (30) days' written notice to the Custodian.

2. The Custodian shall:

- (a) Be selected from among qualified institutions organized in the United States of America;
- (b) Have a net worth in excess of \$100 million;
- (c) Have at least 15 years' experience as a custodian of financial assets; and
- (d) Have experience in managing trust funds of at least \$500 million.

3. When applicable, upon the appointment of a successor Custodian, the resigning or removed Custodian shall transfer and deliver the Trust Fund and any such records pertaining thereto to the successor Custodian after reserving, as Custodian, such reasonable amount from the Income to provide for the Custodian's expenses in the settlement of the Trust Fund account and the amount of any compensation due to the Custodian. However, any such amounts so reserved by, and eventually paid to, the resigning or removed Custodian shall be subject to the written approval of the Trust Fund Committee.

4. The Custodian may resign by filing with the Trust Fund Committee a written resignation. No such resignation shall take effect until sixty (60) days from the date said resignation is filed with the Trust Fund Committee unless prior thereto a successor Custodian shall have been appointed by the Trust Fund Committee.

Article 13
Custodian's Powers and Duties

1. The Custodian shall have the entire care and custody of all of the assets comprising the Trust Fund. The Custodian shall use reasonable and prudent care and reasonable and prudent diligence in the exercise of the Custodian's powers and the performance of the Custodian's duties.

2. With respect to the Trust Fund, the Custodian shall have the following duties and powers, in addition to and not in limitation of the powers granted or conferred by applicable law, all of which shall be exercised in a fiduciary capacity:

- (a) To collect and receive any and all funds and other property of whatever kind or nature due or owing or belonging to the Trust Fund and to give full discharge and acquittance therefor, and to extend for a reasonable period of time the deadline for payment of any obligation at any time owing to the Trust Fund.
- (b) To disburse amounts for Distributions as approved by the Trust Fund Committee pursuant to Articles 17, 18, and 19 of this Agreement.
- (c) To disburse amounts for payment of the fees, expenses, compensation, and costs described in Articles 7, 8, 12, 13, 14, and 23 of this Agreement.
- (d) To disburse amounts pursuant to the conditions set forth in Articles 25 and 26 of this Agreement.

3. The Custodian shall follow the written directions of the Trust Fund Committee with respect to the retention, purchase, sale, or encumbrance of trust property and the investment and reinvestment of the Trust Fund held hereunder, the sole authority and discretion for which shall belong to the Trust Fund Committee (provided, however, that the Trust Fund Committee shall not be authorized to direct the Custodian to purchase any asset that would violate federal, state, or local law, or the provisions of this Agreement). The Trust Fund Committee shall have full authority to direct the Custodian to take any action with respect to the trust assets that the Custodian is authorized to take under this Agreement.

4. The Custodian shall not be accountable for any loss or depreciation in value sustained by reason of action taken pursuant to direction of the Trust Fund Committee.

5. The Trust Fund Committee shall ensure the following duties are performed by the Custodian, or through a competent entity selected by the Trust Fund Committee consistent with Article 8 of this Agreement:

- (a) Making all payment of liabilities and administration expenses;

(b) Effecting all Distributions pursuant to the instruction of the Trust Fund Committee to the Government of the Republic of the Marshall Islands under this Agreement; and

(c) Maintaining full and accurate books of account and records of all financial transactions relative to the Trust Fund, which shall be available at all reasonable times for inspection by the Trust Fund Committee or its representatives.

6. The Custodian shall be entitled to reasonable fees and expenses as compensation for services as Custodian hereunder. Such fees and expenses shall be subject to the prior written approval by the Trust Fund Committee.

Article 14
Investment Advisers and Money Managers

1. The Trust Fund Committee shall have the power and authority to:

- (a) Select one or more Investment Advisers;
- (b) Negotiate the terms of, and execute management agreements with, such Investment Advisers; and
- (c) Direct the Custodian to pay the compensation and costs of such Investment Advisers from the Trust Fund.

2. The Investment Advisers shall advise and recommend to the Trust Fund Committee one or more Money Managers who shall invest the assets of the Trust Fund to produce a diversified portfolio in accordance with the investment policy established by the Trust Fund Committee. The Investment Advisers shall provide the Trust Fund Committee with data relating to any prospective Money Manager indicating performance and relevant comparisons with similar money managers, to assist the Trust Fund Committee in evaluating the performance of the prospective Money Managers. The Investment Advisers shall provide a quarterly report detailing the performance of any selected Money Managers with comparative references to the performance of managers of other funds of a similar size and nature.

3. Money Managers shall enter into separate agreements with the Trust Fund Committee.

4. The Trust Fund Committee shall have the power and authority to direct brokerage instructions through the Investment Advisers for any security transactions executed with respect to the Trust Fund. In connection therewith, the Trust Fund Committee may:

- (a) Enter into such contracts, agreements, or other arrangements as the Trust Fund Committee deems appropriate with such Investment Advisers and Money Managers; and
- (b) Direct the Custodian, in writing, to pay the compensation and costs of brokers, as previously negotiated and agreed, from the Trust Fund.

5. The powers and authorities conferred on the Trust Fund Committee under this Agreement shall be exercisable only in a fiduciary capacity, and any Investment Advisers accepting the delegation of a discretionary function of the Trust Fund Committee shall also be considered to be acting in a fiduciary capacity.

Part VI
Operation of the Trust Fund

Article 15
Investment Policy

1. The Trust Fund Committee shall establish and revise from time to time an investment policy consistent with this Agreement, upon advice of the Investment Advisers, with the intent the Trust Fund shall be used for the purposes described in Article 3 of this Agreement. The investment policy shall indicate the investment strategy of the Trust Fund and shall be monitored according to industry standard benchmarks. The Investment Advisers shall report to the Trust Fund Committee on the investment policy and the Trust Fund's performance at least quarterly. At the request of either of the Signatory Governments, the Trust Fund Committee shall provide such reports to the Signatory Governments.

2. The Investment Advisers and Money Managers shall cause to have the Trust Fund invested only in Qualified Instruments that are identified by the Trust Fund Committee. Issues of bonds, notes, or other redeemable instruments of the Government of the United States of America shall be considered Qualified Instruments, and the Money Managers, under direction of the Trust Fund Committee and the Investment Advisers, may invest the Trust Fund in such issues without transaction fees or intermediary charges imposed by the Government of the United States of America.

3. The Trust Fund and any Income derived from it shall not be taxable by the Signatory Governments to the extent that Income is derived from investment of the Trust Fund in instruments of the Government of the United States of America or other Qualified Instruments.

Article 16
Account Structure of the Trust Fund

1. The Trust Fund shall be reorganized to consist of four accounts to be referred to herein as "Account 1", "Account 2", "Account 3", and "Account 4". Each of these accounts shall be created as soon as practicable following the entry into force of this Agreement.

2. Account 1

- (a) Account 1 shall consist of the Trust Fund's initial three accounts (the "A Account", "B Account", and "C Account", as defined in the 2003 Trust Fund Agreement), consolidated into a single account. Any Income derived from Account 1 shall be reinvested into Account 1.
- (b) Account 1 shall be used only for: (i) the payment of fees, expenses, compensation, and costs described in Articles 7, 8, 12, 13, 14, and 23 of this Agreement; (ii) disbursement of the Sector and Individual Support Distribution; and (iii) withdrawal and payment of Contributions and Income under Articles 25 and 26 of this Agreement.
- (c) Account 1 shall maintain sufficient liquidity at all times to allow for Sector and Individual Support Distribution disbursements.

3. Account 2

- (a) Account 2 shall consist of the contribution provided for in Section 265(a) of the 2023 Amended Compact. Any Income derived from Account 2 shall be reinvested into Account 2.
- (b) Account 2 shall be used only for: (i) the payment of fees, expenses, compensation, and costs described in Articles 7, 8, 12, 13, 14, and 23 of this Agreement; (ii) disbursement of the Extraordinary Needs Distribution; and (iii) withdrawal and payment of Contributions and Income under Articles 25 and 26 of this Agreement.
- (c) Account 2 shall maintain sufficient liquidity at all times to allow for Extraordinary Needs Distribution disbursements.

4. Account 3

- (a) Account 3 shall consist of all amounts transferred to the Trust Fund pursuant to Article XI of the 2023 Fiscal Procedures Agreement. Any Income derived from Account 3 shall be deposited into Account 1 within 90 days of the end of each

Fiscal Year unless the Trust Fund Committee decides to waive this requirement for a particular Fiscal Year.

- (b) Account 3 shall be used only for: (i) the payment of fees, expenses, compensation, and costs described in Articles 7, 8, 12, 13, 14, and 23 of this Agreement; and (ii) disbursement of the Unspent Economic Assistance Distribution.
- (c) Account 3 shall maintain sufficient liquidity at all times to allow for Unspent Economic Assistance Distribution disbursements.
- (d) At the end of Fiscal Year 2043, any amounts remaining in Account 3 shall be deposited into Account 1 and Account 3 shall be closed.

5. Account 4. Account 4 shall consist of the Trust Fund's "D Account" as described in the 2003 Trust Fund Agreement and any additional contributions by the Government of the Republic of the Marshall Islands of revenues or income from unanticipated sources or any Contributions by a Subsequent Contributor, including Taiwan. Any Income derived from Account 4 shall be reinvested into Account 4. Account 4 shall not be mixed with any other account and shall have a separate account number. Account 4 shall be used by the Government of the Republic of the Marshall Islands only to meet unanticipated shortfalls or other purposes and for the purposes described in and consistent with the terms of any agreements or arrangements reached between the Trust Fund Committee and the Subsequent Contributor.

6. Payments of fees, expenses, compensation, and costs described in Articles 7, 8, 12, 13, 14, and 23 shall be taken proportionally from Accounts 1, 2, and 3.

**Part VII
Distributions**

**Article 17
Sector and Individual Support Distribution**

1. The Sector and Individual Support Distribution shall be available for disbursement beginning October 1, 2023, in annual amounts not to exceed the Sector and Individual Support Distribution Cap.
2. The Sector and Individual Support Distribution shall be used only as follows:
 - (a) The Sector and Individual Support Distribution may be used to support the sectors as described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments.
 - (b) The Sector and Individual Support Distribution may be used for the payment of individual dividends to Eligible Recipients and for the administration of such payments, only after the establishment of a mechanism and procedures for the payment of individual dividends to Eligible Recipients has been established by the Government of the Republic of the Marshall Islands with the concurrence of the Government of the United States of America. Such dividends shall be paid in equal amounts on a per capita basis to all Eligible Recipients on at least a quarterly basis. The criteria used to determine Eligible Recipients shall be mutually decided in writing by the Signatory Governments and may include such factors as citizenship, residency, or annual income requirements. No more than an amount to be mutually decided in writing by the Signatory Governments may be used for administrative expenses associated with the payment of individual dividends.
3. The Sector and Individual Support Distribution shall be subject to Article 20 of this Agreement.
4. The Sector and Individual Support Distribution Cap shall be calculated by the Trust Fund Committee by March 31 of every year, based on the information contained in the most recent Annual Reports.
5. The Sector and Individual Support Distribution Cap shall equal the sector and individual support distribution percentage multiplied by the Account 1 moving average, as calculated using Formula 1 in Annex A to this Agreement and as described in subparagraphs (a) and (b) below. In the event of any discrepancy, Formula 1 shall prevail.
 - (a) The Account 1 moving average shall consist of the average of the Restricted Fiduciary Net Position of Account 1 at the end of each of the most recently available completed three Fiscal Years.

(b) The sector and individual support distribution percentage is 4%.

6. The Government of the Republic of the Marshall Islands may request disbursements up to the amount of the Sector and Individual Support Distribution Cap by submitting a request to the Trust Fund Committee in accordance with the procedures below.

(a) By no later than July 15 each year, the Government of the Republic of the Marshall Islands shall submit to the Trust Fund Committee a proposed Sector and Individual Support Distribution budget containing:

- i. The total amount the Government of the Republic of the Marshall Islands is requesting to be disbursed as a Sector and Individual Support Distribution in the upcoming Fiscal Year, as well as the specific amounts being requested under paragraph 2(a) and paragraph 2(b) of this Article;
- ii. For any amount requested under paragraph 2(a) of this Article:
 - a. A description of how the amount would be allocated among the sectors described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments;
 - b. Proposed expenditures for the upcoming Fiscal Year by program, including a detailed breakdown by object classes as defined under the laws of the Republic of the Marshall Islands;
 - c. Funds provided to each sector in the current and upcoming Fiscal Years by United States federal programs and other United States sources, including under the 2023 Amended Compact, and by international donors and the Government of the Republic of the Marshall Islands; and
 - d. For any amounts that would be allocated to the infrastructure sector:
 1. A statement explaining how each proposed infrastructure project furthers the Budget and Investment Framework provided for in Section 261(c) of the 2023 Amended Compact;
 2. Evidence of title, leasehold agreement, or other legal authority for use of the land upon which a capital improvement project is to be constructed;
 3. A detailed preliminary project budget for each capital development project, signed by a certified professional engineer or architect;

4. A breakdown of costs (in-house and contracts) for planning, engineering and design, real estate costs, supervision and administration, construction, and construction management inspection, and an expenditure schedule; and
 5. A scope of work that describes the work to be performed and the schedule from planning through completion of construction, signed by a certified professional engineer or architect;
- iii. For any amount requested under paragraph 2(b) of this Article:
- a. The specific amount being requested for the payment of individual dividends to Eligible Recipients and the number of Eligible Recipients for the upcoming Fiscal Year;
 - b. The specific amount being requested for the administration of such payments and a description of how the requested amount for administrative expenses would relate directly to the management and execution of individual dividend payments; and
 - c. Proposed expenditures for administrative expenses in the upcoming Fiscal Year, including a detailed breakdown by object class as defined under the laws of the Republic of the Marshall Islands;
- iv. Actual expenditures in the most recently completed Fiscal Year;
- v. A proposed timeline for disbursement of the amounts requested; and
- vi. A description of the monitoring and evaluation framework, including performance metrics as applicable, to be applied to ensure compliance with Article 20 of this Agreement.
- (b) By no later than August 30 each year, the Trust Fund Committee shall review and approve the proposed Sector and Individual Support Distribution budget unless:
- i. The total amount requested exceeds the Sector and Individual Support Distribution Cap;
 - ii. The amount requested under paragraph 2(b) of this Article for administrative expenses exceeds the maximum amount for such expenses as mutually decided in writing by the Signatory Governments;
 - iii. The amount requested would not be allocated to the sectors described in Section 261(a) of the 2023 Amended Compact or other sectors as mutually

decided by the Signatory Governments, would not be for the payment of individual dividends to Eligible Recipients, or would not be for administrative expenses associated with the payment of individual dividends;

- iv. The Trust Fund Committee determines that amounts requested for administrative expenses do not relate directly to the management and execution of individual dividend payments;
 - v. The Trust Fund Committee determines the monitoring and evaluation framework is inadequate;
 - vi. The Government of the Republic of the Marshall Islands fails to submit the Quarterly Financial Report, Annual Financial Report, or Annual Performance Report by the required deadlines as described in Article 20 of this Agreement;
 - vii. The Trust Fund Committee determines that the Government of the Republic of the Marshall Islands is not efficiently and effectively administering the payment of individual dividends to Eligible Recipients; or
 - viii. The Trust Fund Committee determines that the proposed Sector and Individual Support Distribution budget is inconsistent with Article 29(5)(b) of this Agreement or is contrary to the prohibitions identified in Article 20(5) of this Agreement.
- (c) The Trust Fund Committee may also withhold its approval of the Sector and Individual Support Distribution budget pending the resolution of any Qualified Findings.
- (d) The Government of the Republic of the Marshall Islands may revise the approved Sector and Individual Support Distribution budget only with the prior written approval of the Trust Fund Committee.
7. The Government of the Republic of the Marshall Islands may use the Sector and Individual Support Distribution only as described in the approved Sector and Individual Support Distribution budget.
8. Any amounts disbursed to the Government of the Republic of the Marshall Islands for a Sector and Individual Support Distribution that are not obligated at the end of the Fiscal Year for which they were disbursed shall be returned to Account 1 within 180 days of the close of that Fiscal Year.

Article 18
Extraordinary Needs Distribution

1. The Extraordinary Needs Distribution shall be available for disbursement beginning October 1, 2023, in annual amounts not to exceed the Extraordinary Needs Distribution Cap.

2. The Extraordinary Needs Distribution shall be used only to address exceptional unmet hardships and needs through programs for people in communities in the Republic of the Marshall Islands in extraordinary circumstances, including people from Ailuk, Aur, Bikini, Enewetak, Likiep, Lib, Mejit, Rongelap, Rongerik, Wotje, Wotho, Ujelang, and Utrik, and any other atolls or islands as mutually decided by the Signatory Governments, the populations of which face challenges due to location, inadequate housing, lack of arable land, or limited local economic opportunities.

3. The Government of the Republic of the Marshall Islands shall determine the programs to be supported by the Extraordinary Needs Distribution in accordance with its priorities. The Extraordinary Needs Distribution shall be subject to Article 20 of this Agreement, and the Trust Fund Committee may impose additional conditions the Trust Fund Committee deems appropriate targeted to the effective implementation of the programs described in paragraph 2 of this Agreement.

4. The Trust Fund Committee shall state, in writing, the basis for denial of an Extraordinary Needs Distribution budget identifying the reasons for denial as described in paragraph 9(b) of this Article. Either Signatory Government may avail itself of the conference and dispute resolution processes as described in Article 28 of this Agreement.

5. The Extraordinary Needs Distribution Cap for the upcoming Fiscal Year shall be calculated by the Trust Fund Committee by March 31 every year, based on the information contained in the most recent Annual Reports.

6. The Extraordinary Needs Distribution Cap for Fiscal Years 2025 through 2027 shall equal \$10 million for Fiscal Year 2025, \$20 million for Fiscal Year 2026, and \$30 million for Fiscal Year 2027.

7. The Extraordinary Needs Distribution Cap for Fiscal Years 2028 through 2030 shall equal the extraordinary needs distribution percentage multiplied by the Account 2 interim moving average, as calculated using Formula 2 in Annex A to this Agreement and as described in subparagraphs (a) and (b) below. In the event of any discrepancy, Formula 2 shall prevail.

(a) The Account 2 interim moving average shall be calculated as follows:

- i. For Fiscal Year 2028, the Account 2 interim moving average shall be calculated as the sum of the Fiscal Year 2026 Restricted Fiduciary Net

Position of Account 2 and the Fiscal Year 2027 contribution to the Trust Fund as set forth in Section 266 of the 2023 Amended Compact.

- ii. For Fiscal Year 2029, the Account 2 interim moving average shall be calculated as the average of the Fiscal Year 2028 Account 2 interim moving average calculated pursuant to subsection (i) above and the Fiscal Year 2027 Restricted Fiduciary Net Position of Account 2.
- iii. For Fiscal Year 2030, the Account 2 interim moving average shall be calculated as the average of the Fiscal Year 2028 Account 2 interim moving average calculated pursuant to subsection (i) above, the Fiscal Year 2027 Restricted Fiduciary Net Position of Account 2, and the Fiscal Year 2028 Restricted Fiduciary Net Position of Account 2.

(b) The extraordinary needs distribution percentage is 5%.

8. The Extraordinary Needs Distribution Cap beginning in Fiscal Year 2031 shall equal the extraordinary needs distribution percentage multiplied by the Account 2 moving average, as calculated using Formula 3 in Annex A to this Agreement and as described in subparagraphs (a) and (b) below. In the event of any discrepancy, Formula 3 shall prevail.

(a) The Account 2 moving average shall consist of the average of the Restricted Fiduciary Net Position of Account 2 at the end of each of the most recently available completed three Fiscal Years.

(b) The extraordinary needs distribution percentage is 5%.

9. The Government of the Republic of the Marshall Islands may request disbursements up to the amount of the Extraordinary Needs Distribution Cap by submitting a request to the Trust Fund Committee in accordance with the procedures below.

(a) By no later than July 15 each year, the Government of the Republic of the Marshall Islands shall submit to the Trust Fund Committee a proposed Extraordinary Needs Distribution budget containing:

- i. The amount the Government of the Republic of the Marshall Islands is requesting to be disbursed as an Extraordinary Needs Distribution in the upcoming Fiscal Year;
- ii. The program the amount is intended to support;
- iii. A description of how the program would address exceptional unmet hardships and needs;

- iv. Actual expenditures of any program funded by the Extraordinary Needs Distribution in the most recently completed Fiscal Year;
 - v. Proposed expenditures for the upcoming Fiscal Year by program, including a detailed breakdown by object classes as defined under the laws of the Republic of the Marshall Islands;
 - vi. Funds provided to the Government of the Republic of the Marshall Islands in the current and upcoming Fiscal Years by United States federal programs and other United States sources, including under the 2023 Amended Compact, and by international donors and the Government of the Republic of the Marshall Islands;
 - vii. For any amounts that would support an infrastructure project:
 - a. A description of how the project would support a program to be funded by the Extraordinary Needs Distribution;
 - b. Evidence of title, leasehold agreement, or other legal authority for use of the land upon which a capital improvement project is to be constructed;
 - c. A detailed preliminary project budget for each capital development project, signed by a certified professional engineer or architect;
 - d. A breakdown of costs (in-house and contracts) for planning, engineering and design, real estate costs, supervision and administration, construction, and construction management inspection, and an expenditure schedule; and
 - e. A scope of work that describes the work to be performed and the schedule from planning through completion of construction, signed by a certified professional engineer or architect;
 - viii. A proposed timeline for the disbursement of the amount requested; and
 - ix. A description of the monitoring and evaluation framework, including performance metrics for each program, to be applied to ensure compliance with Article 20 of this Agreement.
- (b) By no later than August 30 each year, the Trust Fund Committee shall review and approve the proposed Extraordinary Needs Distribution budget unless:
- i. The amount requested exceeds the Extraordinary Needs Distribution Cap;

- ii. The Trust Fund Committee determines the distribution would not be used to further a program to address exceptional unmet hardships and needs;
- iii. The Trust Fund Committee determines that an amount previously disbursed was not used to further the program for which it was requested;
- iv. The Trust Fund Committee determines the monitoring and evaluation framework is inadequate.
- v. The Government of the Republic of the Marshall Islands fails to submit the Quarterly Financial Report, Annual Financial Report, or Annual Performance Report by the required deadlines described in Article 20 of this Agreement; or
- vi. The Trust Fund Committee determines that the proposed Extraordinary Needs Distribution budget is inconsistent with Article 29(5)(b) of this Agreement, is contrary to the prohibitions identified in Article 20(5) of this Agreement, or is inconsistent with any additional condition imposed by the Trust Fund Committee under paragraph 3 of this Article.

(c) The Trust Fund Committee may also withhold its approval of the proposed Extraordinary Needs Distribution budget pending the resolution of any Qualified Findings.

(d) The Government of the Republic of the Marshall Islands may revise the approved Extraordinary Needs Distribution budget only with the prior written approval of the Trust Fund Committee.

10. The Government of the Republic of the Marshall Islands may use the Extraordinary Needs Distribution only as described in the approved Extraordinary Needs Distribution budget.

11. Any amounts disbursed to the Government of the Republic of the Marshall Islands for an Extraordinary Needs Distribution that are not obligated at the end of the Fiscal Year for which they were disbursed shall be returned to Account 2 within 180 days of the close of that Fiscal Year.

Article 19
Unspent Economic Assistance Distribution

1. The Unspent Economic Assistance Distribution shall be available for disbursement only in Fiscal Years 2024 through 2043, in amounts not to exceed the Unspent Economic Assistance Distribution Cap.

2. The Unspent Economic Assistance Distribution shall be used only to support the sectors described in Section 261(a) of the 2023 Amended Compact, or others sectors as mutually decided by the Signatory Governments.

3. The Unspent Economic Assistance Distribution shall be subject to Article 20 of this Agreement.

4. The Unspent Economic Assistance Distribution Cap for the upcoming Fiscal Year shall be calculated by the Trust Fund Committee by March 31 every year through 2042, based on the information in the most recent Annual Reports.

5. The Unspent Economic Assistance Distribution Cap shall equal the undisbursed amounts transferred to Account 3.

6. The Government of the Republic of the Marshall Islands may request disbursements up to the amount of the Unspent Economic Assistance Distribution Cap by submitting a request to the Trust Fund Committee in accordance with the procedures described below.

(a) The Government of the Republic of the Marshall Islands may at any time submit to the Trust Fund Committee a proposed Unspent Economic Assistance Distribution budget containing:

- i. The amount the Government of the Republic of the Marshall Islands is requesting to be disbursed as an Unspent Economic Assistance Distribution in the upcoming Fiscal Year;
- ii. A description of how the amount would be allocated among the sectors described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments;
- iii. Actual expenditures in the most recently completed Fiscal Year;
- iv. Proposed expenditures for the upcoming Fiscal Year by program, including a detailed breakdown of object class, as defined under the laws of the Republic of the Marshall Islands;

- v. A description of how the allocation would further one or more of the multi-year objectives of the relevant sector as well as one or more of the goals and broad strategies as described in the Budget and Investment Framework;
 - vi. Funds provided to each sector in the current and upcoming Fiscal Years by United States federal programs and other United States sources, including under the 2023 Amended Compact, and by international donors and the Government of the Republic of the Marshall Islands;
 - vii. For amounts that would be allocated to the infrastructure sector:
 - a. A description of which projects included in the Infrastructure Development Plan the allocation would fund;
 - b. Evidence of title, leasehold agreement, or other legal authority for use of the land upon which a capital improvement project is to be constructed;
 - c. A detailed preliminary project budget for each capital development project, signed by a certified professional engineer or architect;
 - d. A breakdown of costs (in-house and contracts) for planning, engineering and design, real estate costs, supervision and administration, construction, and construction management inspection, and an expenditure schedule; and
 - e. A scope of work that describes the work to be performed and the schedule from planning through completion of construction, signed by a certified professional engineer or architect;
 - viii. A proposed timeline for the disbursement of the amount requested; and
 - ix. A description of the monitoring and evaluation framework, including performance metrics, to be applied to ensure compliance with Article 20 of this Agreement.
- (b) The Trust Fund Committee shall review and approve as soon as practicable the proposed Unspent Economic Assistance budget unless:
- i. The amount requested exceeds the Unspent Economic Assistance Distribution Cap;
 - ii. The amount would not be allocated to the sectors described in Section 261(a) of the 2023 Amended Compact or other sectors as mutually decided by the Signatory Governments;

- iii. The Trust Fund Committee determines that the proposed allocation would not further a multi-year objective of the sector or the goals and broad strategies as described in the Budget and Investment Framework;
- iv. The Trust Fund Committee determines that the monitoring and evaluation framework is inadequate;
- v. The Government of the Republic of the Marshall Islands fails to submit the Quarterly Financial Report, Annual Financial Report, or Annual Performance Reports by the required deadlines described in Article 20 of this Agreement; or
- vi. The Trust Fund Committee determines that the proposed Sector Distribution budget is inconsistent with Article 29(5)(b) of this Agreement or is contrary to the prohibitions identified in Article 20(5) of this Agreement.

(c) The Trust Fund Committee may also withhold its approval of the proposed Unspent Economic Assistance Distribution budget pending the resolution of any Qualified Findings.

(d) The Government of the Republic of the Marshall Islands may revise the approved Unspent Economic Assistance budget only with the prior written approval of the Trust Fund Committee.

7. The Government of the Republic of the Marshall Islands may use the Unspent Economic Assistance Distribution only under the allocations stated in the approved Unspent Economic Assistance budget.

8. Any amounts disbursed to the Government of the Republic of the Marshall Islands for an Unspent Economic Assistance Distribution that are not obligated at the end of the Fiscal Year for which they were disbursed shall be returned to Account 3 within 180 days of the close of that Fiscal Year.

Article 20
Fiscal Procedures for Distributions

1. The fiscal procedures described in this Article shall apply to the Government of the Republic of the Marshall Islands' use and management of all Distributions, except as otherwise provided in paragraphs 5(a), 13(a), 13(b), and 14(a) of this Article. As part of the review described in Article 29(3) of this Agreement, the Signatory Governments shall consult regarding these fiscal procedures. The fiscal procedures described in this Article shall continue to apply to all Distributions unless otherwise agreed by the Signatory Governments.

2. Standards for Financial Management Systems

(a) The Government of the Republic of the Marshall Islands shall expend and account for expenditures of Distributions, in accordance with its laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the Government of the Republic of the Marshall Islands shall be sufficient to:

- i. Permit preparation of the Quarterly Financial Report, Annual Financial Report, and Annual Performance Report as required under this Article; and
- ii. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used in compliance with the provisions of the 2023 Amended Compact and this Agreement.

(b) The financial management systems used by the Government of the Republic of the Marshall Islands shall meet the following standards:

- i. Financial Reporting. Accurate, current, and complete disclosure of the financial results relating to relevant Distributions.
- ii. Accounting Records. Accounting records shall adequately identify the source and application of funds provided. These records must contain information pertaining to awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, income, and, as applicable, payment of individual dividends.
- iii. Internal Control. The system shall maintain effective controls and accountability for Distribution amounts, real property and personal property, and other assets to safeguard and ensure uses are solely for authorized purposes.
- iv. Budget Control. Actual expenditures or outlays must be compared with Distribution budgets approved by the Trust Fund Committee. Financial

information must be related to performance or productivity data, including the development of unit cost information whenever appropriate. If unit cost data are required, estimates based on available documentation shall be accepted whenever possible.

- v. Allowable Cost. Applicable cost principles shall be followed in determining the reasonableness and allowability of costs. Indirect Costs may not be charged against any Distribution amounts.
 - vi. Source Documentation. Accounting records shall be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, award documents, and other financial data.
 - vii. Cash Management. Distributions shall be made in accordance with this Agreement. To the extent that the Government of the Republic of the Marshall Islands awards these funds to local governments or other entities, it shall establish reasonable procedures to ensure the timely receipt of reports on cash balances and cash disbursements to enable the preparation of complete and accurate cash transactions reports.
 - viii. Individual Dividends. Before the Government of the Republic of the Marshall Islands submits any request for a Sector and Individual Support Distribution under Article 17(2)(b) of this Agreement, it must establish a list of Eligible Recipients, including sufficient information and documentation to establish that such individuals meet the criteria mutually decided by the Signatory Governments. Such list shall be updated at appropriate intervals to ensure that individual dividends are paid only to Eligible Recipients.
- (c) The Trust Fund Committee may review the adequacy of the financial management system at any time to ensure it meets the requirements of this Agreement.

3. Financial Reports

- (a) Quarterly Financial Report. The Government of the Republic of the Marshall Islands shall provide a Quarterly Financial Report to the Trust Fund Committee and the Government of the United States of America within 30 days after the end of the of each fiscal quarter in which a Distribution was provided. The Trust Fund Committee may adjust the frequency of the Quarterly Financial Report submission. The Quarterly Financial Report shall include:
 - i. A statement of revenues and expenditures for government fund types;

- ii. A comparison of budget and actual expenditures by function for government fund types; and
- iii. A budget execution report for each function which includes specifying major offices, cost centers, and budget activities, as well as payment of individual dividends, as applicable.

(b) Annual Financial Report. The Government of the Republic of the Marshall Islands shall provide an Annual Financial Report to the Trust Fund Committee and the Government of the United States of America within 180 days after the end of the Fiscal Year in which a Distribution was provided. The Annual Financial Report shall include:

- i. A statement of revenues and expenditures for government fund types;
- ii. A comparison of budget and actual expenditures by function for government fund types; and
- iii. A budget execution report for each function which includes specifying major offices, cost centers, and budget activities, as well as payment of individual dividends, as applicable.

4. Records Retention. Financial records, supporting documents, statistical records, and all other records pertinent to amounts provided through a Distribution must be retained by the Government of the Republic of the Marshall Islands for a period of not less than three years from the date of submission of the Quarterly and Annual Financial Reports.

5. Prohibited Uses of Distributions

(a) Contracts to Debarred and Suspended Parties. The Government of the Republic of the Marshall Islands shall ensure that Distributions are not provided to any party which is debarred, suspended, or otherwise excluded from and ineligible for participation in United States of America assistance programs. A list of those parties that are debarred, suspended, or otherwise excluded from or ineligible for participation may be found in the System for Award Management list maintained by the General Services Administration, or its successor. However, this prohibition shall not apply to Eligible Recipients' use of a Sector and Individual Support Distribution.

(b) Covered Telecommunications. The Government of the Republic of the Marshall Islands may not use any Distributions to procure or obtain Equipment, services, or systems that use Covered Telecommunications Equipment or Services as a substantial or essential component of any system, or as critical technology as part of any system unless the Government of the United States of America waives this requirement.

(c) Foreign Enterprises. The Government of the Republic of the Marshall Islands may not use any Distributions to award a contract to or pay an enterprise that has more than a fifty percent share owned by a State other than the Republic of the Marshall Islands or the United States of America, unless the Signatory Governments mutually decide to waive this prohibition.

(d) Other Prohibitions. The Government of the Republic of the Marshall Islands may not use any Distributions to support the Republic of the Marshall Islands Office of the President, the Republic of the Marshall Islands legislature, or operations of the Republic of the Marshall Islands judicial branch, nor shall the Distributions be used for any lobbying activities. The Trust Fund Committee may decide on additional prohibitions on Distributions.

6. Procurement

(a) The Government of the Republic of the Marshall Islands shall maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(b) A written code of conduct shall be maintained by the Government of the Republic of the Marshall Islands to govern the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent of the Government of the Republic of the Marshall Islands shall participate in the selection, award, or administration of a contract supported by Distributions if a conflict of interest, real or apparent, is involved as defined under the laws of the Republic of the Marshall Islands.

i. Officers, employees, or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub-agreements, except that the Government of the Republic of the Marshall Islands may set minimum rules where the financial interest is not substantial or the gift is unsolicited and of nominal intrinsic value.

ii. To the extent permitted by the laws or regulations of the Republic of the Marshall Islands, the standards of conduct shall provide for penalties, sanctions, or other disciplinary actions for violations.

(c) Distributions received pursuant to this Agreement shall be awarded by the Government of the Republic of the Marshall Islands only to contractors who possess the ability to perform responsibly and successfully under the terms and conditions of a proposed procurement. Selection must consider contractor

integrity, compliance with public policy, record of past performance, and financial and technical resources.

- (d) The Government of the Republic of the Marshall Islands shall maintain records with sufficient detail to document the history of a procurement, including but not limited to the rationale for and method of procurement, the selection of contract type, contractor selection or rejection, and the basis for the contract price.
- (e) The Government of the Republic of the Marshall Islands shall use time and material type contracts only after determining that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk.
- (f) The Government of the Republic of the Marshall Islands may not use Distributions for and shall be solely responsible for, in accordance with good administrative practice and sound business judgment, the settlement of disputes arising out of procurement or the execution of projects. Notwithstanding this limitation, the Government of the United States of America may approve a request from the Government of the Republic of the Marshall Islands for the use of Distributions for dispute settlement on a case-by-case basis. The Government of the United States of America shall consider any such requests for approval without unnecessary delay. This prohibition on the use of Distributions is not intended to apply to matters arising out of the ordinary course of contract administration.

7. Competition

- (a) The Government of the Republic of Marshall Islands shall conduct all procurement transactions in a manner providing full and open competition. Some of the situations considered to be restrictive of competition include but are not limited to: (1) placing unreasonable requirements on firms in order for them to qualify to do business; (2) requiring unnecessary experience and excessive bonding; (3) noncompetitive pricing practices between firms or between affiliated companies; (4) making noncompetitive awards to consultants on retainer; (5) organizational conflicts of interest; (6) specifying a "brand name" instead of allowing "an equal" product to be offered and describing the performance of other relevant requirements of the procurement; and (7) any arbitrary action in the procurement process.
- (b) Preferences for contractors and individuals of the Republic of the Marshall Islands in the Government of the Republic of the Marshall Islands' procurement decisions shall be allowed only if its application leaves an appropriate number of qualified firms to compete in the contract, and if there is no discrimination

against race, religion, or national origin and it does not substantially increase the cost of the contract.

- (c) Written selection procedures shall govern procurement by the Government of the Republic of the Marshall Islands. These procedures shall ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurement, contain features that unduly restrict competition.
- (d) The Government of the Republic of the Marshall Islands shall ensure that all pre-qualified lists of persons, firms, or products used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Potential bidders shall not be precluded from qualifying during the solicitation period.

8. Methods of Procurement. The following provisions shall apply to the methods of procurement of the Government of Republic of the Marshall Islands:

- (a) Procurement By Small Purchase Procedures. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$50,000. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- (b) Procurement By Sealed Bids. Sealed bids are those bids that are publicly solicited for which a firm fixed-price contract is awarded to the lowest responsive and responsible bidder who meets all the terms and conditions of the invitation. The sealed bid method is the preferred method for procuring construction, if the conditions of subsection (i) below apply.
 - i. The following conditions shall apply to sealed bidding: (1) a complete, adequate, and realistic specification or purchase description must be available; (2) two or more responsible bidders must be willing and able to compete effectively for the business; (3) the procurement must lend itself to a firm fixed-price contract; and (4) the selection of the successful bidder can be made principally on the basis of price.
 - ii. The following requirements shall apply if sealed bids are used: (1) the invitation for bids shall be publicly advertised, solicited from an adequate number of known suppliers, and provide bidders with sufficient time to respond; (2) the invitation shall include any specifications and pertinent attachments, and define the items or services to allow the bidder to properly respond; (3) all bids shall be publicly opened at the time and place prescribed in the invitation for bids; and (4) a firm fixed-price contract

award shall be made in writing to the lowest responsive and responsible bidder. Any or all bids may be rejected if there is a sound documented reason.

(c) Procurement By Competitive Proposals. Competitive proposals are normally conducted when more than one source submits an offer for either a fixed-price or cost-reimbursement type contract, and when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements shall apply: (1) requests for proposals shall be publicized and identify all evaluation factors and their relative importance; (2) proposals shall be solicited from an adequate number of qualified sources; (3) the Government of the Republic of the Marshall Islands shall have a method for conducting technical evaluations of the proposals and for selecting awardees; and (4) awards shall be made to the firm whose proposal is most advantageous to the program. Competitive proposals may also be used when price is not a factor but only to procure architectural and engineering services. It cannot be used to purchase other types of services provided by architectural and engineering firms that are a potential source to perform the proposed effort.

(d) Procurement By Noncompetitive Proposals. Noncompetitive proposals are procurement through the solicitation of only one source or when competition is determined inadequate after soliciting a number of sources. This method shall be used only when the award of a contract is infeasible under either procedures for small purchase, sealed bids, or competitive proposals, and when one of the following circumstances applies: (1) the item is available only from a single source; (2) public exigency or emergency will not permit a delay resulting from competitive solicitation; or (3) competition is determined to be inadequate after the solicitation of a number of sources. Cost analysis shall be required to verify the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits.

9. The Government of the Republic of the Marshall Islands shall not use the cost plus a percentage of cost and percentage of construction cost methods of contracting.

10. Bonding Requirements. For construction or facility improvement contracts or sub-contracts exceeding \$500,000, the Government of the United States of America may accept the bonding policy and requirements of the Government of the Republic of the Marshall Islands provided the Government of the United States of America determines that its interests are adequately protected. If such a determination has not been made, the minimum requirements shall be as follows:

(a) Bid Guarantee. Each bidder shall guarantee an equivalent of five percent of the bid price pursuant to a bid guarantee that complies with the following requirements: the bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying the bid

as assurance that the bidder will, upon acceptance of a bid, execute such contractual documents as may be required within the time specified.

- (b) Performance Bond. The contractor shall execute a performance bond for one-hundred percent of the contract price. A performance bond is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
- (c) Payment Bond. The contractor shall execute a payment bond for one-hundred percent of the contract price. A payment bond is one executed in connection with a contract to assure the lawful payment of all persons supplying labor and material in the execution of the contract.

11. Contract Provisions. All contracts of the Government of the Republic of the Marshall Islands paid using Distributions shall contain the following provisions:

- (a) For contracts in excess of \$100,000: administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and the provision of such sanctions and penalties as appropriate;
- (b) For contracts in excess of \$100,000: termination for cause and for convenience by the awarding entity including the manner by which it will be effected and the basis for settlement;
- (c) Compliance with the local statutes regarding kickbacks and corrupt practices;
- (d) Access by the Government of the Republic of the Marshall Islands, the Government of the United States of America, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions;
- (e) Retention of all required records for three years after final payments are made and all other pending matters are closed; and
- (f) Compliance with all applicable standards, orders, or requirements issued under local environmental laws.

12. Trust Fund Committee Review

- (a) The Government of the Republic of the Marshall Islands shall make available, upon request of the Trust Fund Committee, technical specifications on proposed procurements.

- (b) The Government of the Republic of the Marshall Islands shall make available, upon request of the Trust Fund Committee, pre-award procurement documents, including but not limited to requests for proposals or invitations for bids and independent cost estimates, when: (1) procurement procedures fail to comply with the standards set forth in paragraphs 6-11 of this Article; (2) the procurement is expected to exceed \$100,000 and is to be awarded without competition or only one bid or offer is received in response to a solicitation; (3) the proposed award is more than \$100,000 and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or (4) a proposed contract modification changes the scope of a contract or increases the contract amount by more than \$100,000.

13. Program Monitoring, Performance Report, Records Retention

- (a) Program Monitoring. The Government of the Republic of the Marshall Islands shall be responsible for the management and monitoring of the day-to-day operations of all Distribution amounts and the activities funded in full or in part from the Distribution amounts, with the exception of Eligible Recipients' use of a Sector and Individual Support Distribution, to assure compliance with the terms of this Agreement.

- (b) Performance Report

- i. The Government of the Republic of the Marshall Islands shall submit to the Trust Fund Committee and the Government of the United States of America an Annual Performance Report on the use of the Distribution amounts, with the exception of Eligible Recipients' use of a Sector and Individual Support Distribution, 180 days after the close of the Fiscal Year in which they were disbursed.
- ii. The Trust Fund Committee shall establish a uniform format for performance reports that shall be modeled after the performance report specified in Article VIII(2)(a) of the 2023 Fiscal Procedures Agreement. The Annual Performance Report shall contain similar information as the performance reports specified in Article VIII(2)(a) of the 2023 Fiscal Procedures Agreement.

- (c) Retention and Access Requirements for Performance Records

- i. Applicability. The following provisions apply to all financial and programmatic records, supporting documents, statistical records, and other records of the Government of the Republic of the Marshall Islands which are required to be maintained by this Agreement.

- ii. Length of Retention. Except as otherwise provided, the Government of the Republic of the Marshall Islands shall retain records for three years from the date it submits the Annual Performance Report to the Trust Fund Committee and the Government of the United States of America.
- iii. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the three-year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three-year period, whichever is later.
- iv. Access to Records of the Government of the Republic of the Marshall Islands. The Trust Fund Committee shall have the right of access to any pertinent books, documents, papers, or other records of the Government of the Republic of the Marshall Islands which are pertinent to the use of the Distributions, in order to make Distribution Audits, examinations, excerpts, and transcripts.

14. Audit Responsibility of the Government of the Republic of the Marshall Islands for Distributions

- (a) The Government of the Republic of the Marshall Islands shall complete a financial and compliance Distribution Audit of the uses of any Distributions, with the exception of Eligible Recipients' use of a Sector and Individual Support Distribution, for each Fiscal Year in which the Government of the Republic of the Marshall Islands receives a Distribution. The Distribution Audit shall be an audit within the meaning of the Single Audit Act, as amended (31 U.S.C. 7501 et seq.) or its successors. Distribution Audits shall be provided to the Trust Fund Committee no later than the end of the third fiscal quarter following the end of the Fiscal Year under review.
- (b) For purposes of a Distribution Audit, the laws and regulations of the United States of America shall apply which are relevant to the 2023 Amended Compact, related agreements, and such other instruments as may be made expressly applicable pursuant to mutual decision by the Signatory Governments. The applicable laws and regulations of the Republic of the Marshall Islands are those promulgated under the authority, and at the discretion, of the Government of the Republic of the Marshall Islands and which relate in a material, substantial or direct way to that Government's financial statements and operations.

Article 21
Financial Year

The financial year of the Trust Fund is the Fiscal Year.

Part VIII
Trust Fund Accounting, Audit, and Reports

Article 22
Trust Fund Accounting

1. The Trust Fund Committee shall ensure the Custodian or competent entity selected consistent with Article 8 of this Agreement keeps and promptly produces all proper books and records of account of the assets, property, liabilities, income, expenditure, and transactions of the Trust Fund in order to facilitate the Trust Fund Audit.
2. The Custodian shall create one sub-account for each Contributor in each account, reflecting that Contributor's share of the Principal and Income in that account. The Custodian shall keep all records for each sub-account.
3. All records and reports of Trust Fund returns shall clearly segregate and identify gross Income, management fees and expenses, and net Income.
4. The Government of the Republic of the Marshall Islands shall, upon request by the Trust Fund Committee, provide to the Trust Fund Committee full information and documents concerning its national budget and accounts, and any report of its public auditor.

Article 23
Trust Fund Audit

1. The Trust Fund Committee shall appoint an independent auditor to serve as the Trust Fund Auditor.
2. The Trust Fund shall be audited at least annually by the Trust Fund Auditor.
3. The Trust Fund Auditor shall either:
 - (a) Satisfy themselves that the accounts of the Trust Fund have been properly prepared in accordance with United States accounting standards and submit a Trust Fund Audit to the Trust Fund Committee stating that:
 - i. The accounts have been properly prepared in accordance with the books and records of the Trust Fund;
 - ii. The books and records of the Trust Fund have been properly kept and contain information adequate for the purposes of the Trust Fund Audit;
 - iii. The balance sheet and income and expenditure account of the Trust Fund give a true and fair view of the Trust Fund's financial position; and
 - iv. The financial affairs of the Trust Fund have been properly conducted in accordance with this Agreement; or
 - (b) Notify the Trust Fund Committee that they are unable to complete the Trust Fund Audit as provided in subparagraph (a) above and give the reasons.
4. The Trust Fund Audit shall also include information on the performance of the Custodian and Money Managers in the investment of the Trust Fund in accordance with the guidelines established by the Trust Fund Committee, with comparative references to the performance of managers of other funds of a similar size and nature.
5. The Trust Fund Auditor shall be entitled to reasonable fees and expenses as compensation for their services. Such fees and expenses shall be subject to the prior written approval by the Trust Fund Committee.

Article 24
Trust Fund Annual Reports

1. By March 31 every year, the Trust Fund Committee shall publish and shall submit to the Signatory Governments and Subsequent Contributors an Annual Report containing:

- (a) A report on the activities and management of the Trust Fund, including on the operations of the accounts described in Article 16 of this Agreement, and on the amounts disbursed for Distributions;
- (b) The accounts of the Trust Fund for the prior Fiscal Year, audited in accordance with Article 23 of this Agreement;
- (c) The Trust Fund Audit;
- (d) The calculated Account 1 moving average, Account 2 interim moving average, and Account 2 moving average;
- (e) The calculated Sector and Individual Support Distribution Cap for the upcoming Fiscal Year;
- (f) The calculated Extraordinary Needs Distribution Cap for the upcoming Fiscal Year; and
- (g) Through Fiscal Year 2042, the calculated Unspent Economic Assistance Distribution Cap for the upcoming Fiscal Year.

2. To assist in carrying out its responsibilities under this Article, the Trust Fund Committee may select a competent entity consistent with Article 8 of this Agreement or request the assistance of the Investment Adviser.

Part IX
Withdrawal and Discontinuation of the Trust Fund

Article 25
Withdrawal of Contributions

1. The Government of the United States of America may withdraw the Present Market Value of its Contributions to the Trust Fund, and any remaining Income derived therefrom:

- (a) In the event the Government of the United States of America determines, after consultation with the Government of the Republic of the Marshall Islands, that the Government of the Republic of the Marshall Islands grossly failed to use the Distributions for the purposes described in Articles 3, 17, 18, or 19 of this Agreement; or
- (b) Should the Government of the Republic of the Marshall Islands:
 - i. Fail to fulfill its obligations under the separate agreement regarding mutual security concluded pursuant to Sections 321 and 323 of the *Compact of Free Association between the Government of the United States of America and the Government of the Republic of the Marshall Islands*, done at Majuro on June 25, 1983; or
 - ii. Take any action which the Government of the United States of America determines, after appropriate consultation with the Government of the Republic of the Marshall Islands, to be incompatible with the Government of the United States of America's responsibility for security and defense matters in or relating to the Republic of the Marshall Islands, as set forth in such agreement(s).

2. Except as provided in paragraph 1 of this Article, any other Contributor may withdraw the Present Market Value of its Contributions to the Trust Fund, and any remaining Income derived therefrom, from the Trust Fund by notifying the Trust Fund Committee.

3. In the event of withdrawal by a Contributor, no payment of assets shall be made to that Contributor until that Contributor discharges its proportionate share of operating expenses, fees, and other administrative costs. Subsequently, the Present Market Value of the remaining Principal and Income attributable to that Contributor shall be paid to that Contributor.

4. A Contributor that makes a withdrawal pursuant to this Article shall have no rights under this Agreement except as provided in this Article and Article 28 of this Agreement, and no payment shall be made to such Contributor except as a payment of assets under this Article and Article 26 of this Agreement.

Article 26
Discontinuation and Dissolution of the Trust Fund

1. The Trust Fund may be discontinued by written agreement of the Signatory Governments.
2. Upon discontinuation of the Trust Fund, the Trust Fund shall immediately stop all activities, except those incidental to the orderly realization and conservation of its assets and the settlement of its obligations.
3. On final settlement of the obligations of the Trust Fund and the payment of its assets, this Agreement shall terminate. Until then, the Trust Fund shall remain in existence and all rights and obligations of the Trust Fund and the Signatory Governments under this Agreement shall continue unimpaired.
4. In the event the Trust Fund is discontinued, no payment of assets shall be made until all liabilities have been discharged. Subsequently, the assets of the Trust Fund shall be paid as follows:
 - (a) The Present Market Value of the Principal and Income attributable to the Government of the United States of America shall be paid back to that Government;
 - (b) The Present Market Value of the Principal and Income attributable to the Government of the Republic of the Marshall Islands shall be paid back to that Government; and
 - (c) The Present Market Value of the Principal and Income attributable to Subsequent Contributors shall be paid back to those Subsequent Contributors, unless such Subsequent Contributors decide otherwise.

Part X
Miscellaneous Provisions

Article 27
Amendments

This Agreement may be amended at any time in writing by mutual agreement of the Signatory Governments.

Article 28
Dispute Resolution

1. Any dispute arising out of this Agreement between the Signatory Governments that cannot be resolved by the Trust Fund Committee shall, if the dispute involves Articles 4, 6, 8, 9, 12, 13, 14, 15, 19, 20, 22, 23, and 24, be referred for resolution to the Signatory Governments. The Signatory Governments shall confer and resolve the dispute. If either Signatory Government feels it is necessary, it may give written notification to the other Signatory Government that it wants the issue to be referred to the Secretary of State and the Secretary of the Interior (or equivalent) of the other Signatory Government.

2. All other disputes regarding this Agreement may be resolved in accordance with the procedure described in paragraph 1 of this Article, or through the conference and dispute resolution process set forth in Article II of Title Four of the 2023 Amended Compact.

Article 29
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. Upon entry into force of this Agreement, the 2003 Trust Fund Agreement shall be terminated.

3. The Signatory Governments shall consult with each other regarding implementation of this Agreement every five years following its entry into force and consider whether any amendments are desirable.

4. This Agreement may be terminated by mutual agreement of the Signatory Governments. Upon entry into force of such agreement, the Trust Fund shall be discontinued in accordance with Article 26 of this Agreement, unless otherwise agreed by the Signatory Governments. Termination shall not take effect until the final settlement of the obligations of the Trust Fund and the payment of its assets in accordance with Article 26 have been completed.

5. Interpretation

(a) In this Agreement, all references herein to Articles, paragraphs, subparagraphs, clauses, and sections shall be deemed as references to this Agreement unless the context shall otherwise require. References to statutes or regulations are to be construed as including all statutory or regulatory provisions, as applicable, consolidating, amending, or replacing the statute or regulation referred to. All references to agreements and other documents shall be to such documents as amended, modified, supplemented, or restated from time to time in a manner consistent with the terms and conditions of this Agreement. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with Generally Accepted Accounting Principles, as in effect from time to time in the United States of America.


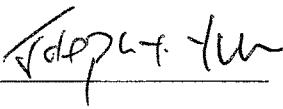
(b) Nothing in this Agreement affects or otherwise alters the agreement referred to in Section 462(a)(1) of the 2023 Amended Compact.

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

DONE at Honolulu, on October 16, 2023, in duplicate, in the English language.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE
REPUBLIC OF THE MARSHALL
ISLANDS:



**Agreement between the Government of the United States of America
and the Government of the Republic of the Marshall Islands
to Amend the Compact of Free Association, as Amended**

The Government of the United States of America and the Government of the Republic of the Marshall Islands (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 Republic of the Marshall Islands, done at Majuro on April 30, 2003 (the "Compact, as Amended"), as follows:

Part 1. Title Two Amendments

1. Article I of Title Two 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 Republic of the Marshall Islands in its efforts to promote the economic advancement and budgetary self-reliance of its people, and in recognition of the special relationship that exists between the Republic of the Marshall Islands and the United States, the Government of the United States shall provide assistance on a sector grant basis beginning in FY 2004 in the amounts set forth in section 217. Such grants shall be used for assistance in education, health care, the environment, public sector capacity building, and private sector development, or for other areas as mutually agreed, with priorities in the education and health care sectors. Consistent with the medium-term budget and investment framework described in subsection (f) of this section, the proposed division of this amount among the identified areas shall require the concurrence of both the Government of the United States and the Government of the Republic of the Marshall Islands, through the Joint Economic Management and Financial Accountability Committee described in section 214. The Government of the United States shall disburse the grant assistance and monitor the use of such grant assistance 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, as amended, of Free Association Between the Government of the United States of America and the Government of the Republic of the Marshall Islands, done at Majuro on March 23, 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 strategic framework described in subsection (f) of this section to support and improve the educational system of the Republic of the Marshall Islands and develop the human, financial, and material resources necessary for the Republic of the Marshall Islands 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 strategic framework described in subsection (f) 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 Republic of the Marshall Islands to perform these services.
- (3) Private Sector Development. United States grant assistance shall be made available in accordance with the strategic framework described in subsection (f) of this section to support the efforts of the Republic of the Marshall Islands 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 strategic framework described in subsection (f) of this section to support the efforts of the Republic of the Marshall Islands to build effective, accountable, and transparent national 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 strategic framework described in subsection (f) of this section to increase environmental protection; establish and manage conservation areas; engage in environmental infrastructure planning, design construction, and operation; and to involve the citizens of the Republic of the Marshall Islands in the process of conserving their country's natural resources.

(b) Kwajalein Atoll

- (1) Of the total grant assistance made available under subsection (a) of this section, the amount specified herein shall be allocated annually from FY 2004 through FY 2023 (and thereafter in accordance with the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended) to advance the objectives and specific priorities set forth in subsections (a) and (d) of this section and the 2004 Fiscal Procedures Agreement through 2023 (and thereafter to advance the objectives and specific priorities set forth in subsection (a) of section 261 and the 2023 Fiscal Procedures Agreement), to address the special needs of the community at Ebeye, Kwajalein Atoll and other Marshallese communities within Kwajalein Atoll. This United States grant assistance shall be made available, in accordance with the medium-term budget and investment framework described in subsection (f) of this section through FY 2023, and thereafter in subsection (c) of section 261, to support and improve the infrastructure and delivery of services and develop the human and material resources necessary for the Republic of the Marshall Islands to carry out its responsibility to maintain such infrastructure and deliver such services. The amount of this assistance shall be \$3.1 million, with an inflation adjustment as provided in section 218, from FY 2004 through FY 2013 and the FY 2013 level of funding, with an inflation adjustment as provided in section 218, shall be increased by \$2 million for FY 2014. The FY 2014 level of funding, with an inflation adjustment as provided in section 218, shall be made available from FY 2015 through FY 2023 (and thereafter as noted above).
- (2) The Government of the United States shall also provide to the Government of the Republic of the Marshall Islands, in conjunction with section 321(a) of this Compact, as amended, an annual payment from FY 2004 through FY 2023 (and thereafter in accordance with the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended) of \$1.9 million. This grant assistance shall be subject to the 2004 Fiscal Procedures Agreement through FY 2023, and thereafter to the 2023 Fiscal Procedures Agreement, and shall be adjusted for inflation under section 218 and used to address the special needs of the community at Ebeye, Kwajalein Atoll and other Marshallese communities within Kwajalein Atoll with emphasis on the Kwajalein landowners, as described in the 2004 Fiscal Procedures Agreement through FY 2023, and thereafter in the 2023 Fiscal Procedures Agreement.

(3) Of the total grant assistance made available under subsection (a) of this section, and in conjunction with section 321(a) of the Compact, as amended, \$200,000, with an inflation adjustment as provided in section 218, shall be allocated annually from FY 2004 through FY 2023 (and thereafter as provided in the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended) for a grant to support increased participation of the Government of the Republic of the Marshall Islands Environmental Protection Authority in the annual U.S. Army Kwajalein Atoll Environmental Standards Survey and to promote a greater Government of the Republic of the Marshall Islands capacity for independent analysis of the Survey's findings and conclusions.

(c) Humanitarian Assistance - Republic of the Marshall Islands Program. In recognition of the special development needs of the Republic of the Marshall Islands, the Government of the United States shall make available to the Government of the Republic of the Marshall Islands, on the Government of the Republic of the Marshall Islands' 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 - Republic of the Marshall Islands ("HARMI") Program with emphasis on health, education, and infrastructure (including transportation) projects and such other projects as mutually decided. The terms and conditions of the HARMI shall be set forth in the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended.

(d) Public Infrastructure

(1) Unless otherwise agreed, not less than 30 percent and not more than 50 percent of U.S. annual grant assistance provided under subsection (a) of this section shall be made available in accordance with a list of specific projects included in the infrastructure improvement and maintenance plan prepared by the Government of the Republic of the Marshall Islands as part of the strategic framework described in subsection (f) of this section.

(2) Infrastructure Maintenance Fund. Five percent of the annual public infrastructure grant made available under paragraph (1) of this subsection shall be set aside, with an equal contribution from the Government of the Republic of the Marshall Islands, as a contribution to an Infrastructure Maintenance Fund. Administration of the Infrastructure Maintenance Fund shall be governed by the 2004 Fiscal Procedures Agreement through FY 2023.

- (e) Disaster Assistance Emergency Fund. Of the total grant assistance made available under subsection (a) of this section, an amount of two hundred thousand dollars (\$200,000) shall be provided annually, with an equal contribution from the Government of the Republic of the Marshall Islands, as a contribution to a Disaster Assistance Emergency Fund ("DAEF"). Through FY 2023, any funds from the DAEF may be used only for assistance and rehabilitation resulting from disasters and emergencies. Through FY 2023, the funds shall be accessed upon declaration of a State of Emergency by the Government of the Republic of the Marshall Islands, with the concurrence of the United States Chief of Mission to the Republic of the Marshall Islands. Through FY 2023, the administration of the DAEF shall be governed by the 2004 Fiscal Procedures Agreement.
- (f) Budget and Investment Framework. Through FY 2023, the Government of the Republic of the Marshall Islands shall prepare and maintain an official medium-term budget and investment framework. The framework 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 and areas named in subsections (a), (b), and (d) of this section, or other sectors and areas as mutually agreed, shall be accorded specific treatment in the framework. Those portions of the framework that contemplate the use of United States grant funds shall require the concurrence of both the Government of the United States and the Government of the Republic of the Marshall Islands.

Section 212 – Kwajalein Impact and Use

The Government of the United States shall provide to the Government of the Republic of the Marshall Islands in conjunction with section 321(a) of the Compact, as amended, and the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended, a payment in FY 2004 of \$15 million, with no adjustment for inflation. In FY 2005 and through FY 2013, the annual payment shall be the FY 2004 amount (\$15 million) with an inflation adjustment as provided under section 218. In FY 2014, the annual payment shall be \$18 million (with no adjustment for inflation) or the FY 2013 amount with an inflation adjustment under section 218, whichever is greater. For FY 2015 through FY 2023 (and thereafter in accordance with the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Republic of the Marshall Islands Concluded Pursuant to Sections 321 and 323 of the Compact of Free Association, as Amended) the annual payment shall be the FY 2014 amount, with an inflation adjustment as provided under section 218.

Section 213 – Accountability

- (a) Regulations and policies normally applicable to United States financial assistance to its state and local governments, as set forth in the 2004 Fiscal Procedures

Agreement, shall apply to each grant described in section 211, except as modified in 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 Republic of the Marshall Islands, done at Honolulu on October 16, 2023 ("2023 Fiscal Procedures Agreement"), and to grants administered under section 221 made before FY 2024, except as modified in the separate agreements referred to in section 231 of this Compact, as amended, or by United States law. Through FY 2023, as set forth in the 2004 Fiscal Procedures Agreement, 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, may be attached. In addition, through FY 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(a), grant the Government of the Republic of the Marshall Islands an amount equal to the lesser of (i) one half of the reasonable, properly documented cost incurred during such fiscal year to conduct the annual audit required under Article VIII(2) of the 2004 Fiscal Procedures Agreement or (ii) \$500,000. Such amount shall not be adjusted for inflation under section 218 or otherwise.

Section 214 – Joint Economic Management and Financial Accountability Committee

The Governments of the United States and the Republic of the Marshall Islands shall establish a Joint Economic Management and Financial Accountability Committee. Through FY 2023, the Joint Economic Management and Financial Accountability Committee shall be governed as follows. The Joint Economic Management and Financial Accountability 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 Republic of the Marshall Islands. The Joint Economic Management and Financial Accountability Committee shall meet at least once each year to review the audits and reports required under Article I of this Title and the 2004 Fiscal Procedures Agreement, evaluate the progress made by the Republic of the Marshall Islands in meeting the objectives identified in its framework described in subsection (f) of section 211, with particular focus on those parts of the framework dealing with the sectors and areas 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 and Financial Accountability Committee shall be governed by the 2004 Fiscal Procedures Agreement.

Section 215 – Annual Report

Through FY 2023, the Government of the Republic of the Marshall Islands 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 FY 2023, the Joint Economic Management and Financial Accountability Committee shall review and comment on the report and make appropriate recommendations based thereon.

Section 216 – Trust Fund

- (a) The Government of the United States shall contribute annually for twenty years in the amounts set forth in section 217 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 Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund, done at Majuro on April 30, 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 Republic of the Marshall Islands contributing to the Trust Fund at least \$25 million, on the effective date of the 2003 Trust Fund Agreement or on October 1, 2003, whichever is later, \$2.5 million prior to October 1, 2004, and \$2.5 million prior to October 1, 2005. Any funds received by the Republic of the Marshall Islands under section 111 (d) of PL 99-239 (January 14, 1986), or successor provisions, would be contributed to the Trust Fund as a Republic of the Marshall Islands' contribution.
- (c) The terms regarding the investment and management of funds and use of the income of the Trust Fund shall be governed by the 2003 Trust Fund Agreement and shall apply for the duration of that agreement. Through FY 2023, funds derived from United States investment shall not be subject to federal or state taxes in the United States or any taxes in the Republic of the Marshall Islands. The 2003 Trust Fund Agreement shall also provide for annual reports to the Government of the United States and to the Government of the Republic of the Marshall Islands. The 2003 Trust Fund Agreement shall provide for appropriate distributions of trust fund proceeds to the Republic of the Marshall Islands and for appropriate remedies for the failure of the Republic of the Marshall Islands 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 217 – Annual Grant Funding and Trust Fund Contributions

The funds described in sections 211, 212, 213(b), and 216 shall be made available as follows:

(In millions of U.S. dollars)

FY	Annual Grants Section 211	Audit Grants Section 213(b)	Trust Fund Section 216(a&c)	Kwajalein Impact Section 212	Total
2004	35.2	.5	7	15.0	57.7
2005	34.7	.5	7.5	15.0	57.7
2006	34.2	.5	8	15.0	57.7
2007	33.7	.5	8.5	15.0	57.7
2008	33.2	.5	9	15.0	57.7
2009	32.7	.5	9.5	15.0	57.7
2010	32.2	.5	10	15.0	57.7
2011	31.7	.5	10.5	15.0	57.7
2012	31.2	.5	11	15.0	57.7
2013	30.7	.5	11.5	15.0	57.7
2014	32.2	.5	12	18.0	62.7
2015	31.7	.5	12.5	18.0	62.7
2016	31.2	.5	13	18.0	62.7
2017	30.7	.5	13.5	18.0	62.7
2018	30.2	.5	14	18.0	62.7
2019	29.7	.5	14.5	18.0	62.7
2020	29.2	.5	15	18.0	62.7
2021	28.7	.5	15.5	18.0	62.7
2022	28.2	.5	16	18.0	62.7
2023	27.7	.5	16.5	18.0	62.7

Section 218 – Inflation Adjustment

Except as otherwise provided, 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 FY 2004 as a base.

Section 219 – 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 Republic of the Marshall Islands, the unobligated balances shall remain available in addition to the funds to be provided in subsequent years. Beginning in FY 2024, the carry-over of funds provided under sections 211(a) and 211(d) shall be governed by Article XI of the 2023 Fiscal Procedures Agreement.”

2. Article II of Title Two 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 Republic of the Marshall Islands, 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) Other than the services and programs covered by subsection (a) of this section, and to the extent authorized by the Congress of the United States, the Government of the United States shall make available to the Government of the Republic of the Marshall Islands the services and programs that were available to the Government of the Republic of the Marshall Islands on May 1, 2004, to the extent that such services and programs continue to be available to State and local governments of the United States.

(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 Federal Programs and Services 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 Republic of the Marshall Islands.
- (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 Republic of the Marshall Islands 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 Republic of the Marshall Islands 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 Republic of the Marshall Islands may decide from time to time to extend to the Republic of the Marshall Islands 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 Republic of the Marshall Islands shall make available to the Government of the United States at no cost facilities and areas in the Republic of the Marshall Islands 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 Republic of the Marshall Islands 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 Republic of the Marshall Islands over other recipients not a part of the United States, its territories or possessions, and equivalent consideration to the Republic of the Marshall Islands 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 Title Two 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 Republic of the Marshall Islands, 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 Republic of the Marshall Islands, shall determine and implement procedures for audits, as appropriate, of all grants and other assistance provided 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

The Government of the Republic of the Marshall Islands 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 Republic of the Marshall Islands subpoena documents and records and compel testimony in accordance with the laws and Constitution of the Republic of the Marshall Islands. Such assistance by the Government of the Republic of the Marshall Islands to the Government of the United States shall not be unreasonably withheld. The obligation of the Government of the Republic of the Marshall Islands 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 Republic of the Marshall Islands in carrying out the provisions of this section."

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, public sector capacity building, the environment, public infrastructure, enhanced reporting and accountability, and Enewetak development, 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 Republic of the Marshall Islands and develop the human, financial, and material resources necessary for the Government of the Republic of the Marshall Islands 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 Republic of the Marshall Islands 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 Republic of the Marshall Islands to attract foreign investment and increase indigenous business activity by vitalizing the commercial environment, ensuring fair and equitable application of the law, respecting and promoting internationally recognized fundamental rights at work, 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 Republic of the Marshall Islands 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; establish and manage conservation areas; engage in environmental infrastructure planning, design, construction, and operation; and to involve the citizens of the Republic of the Marshall Islands in the process of conserving their country's natural resources.
- (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 VII(2) of the 2023 Fiscal Procedures Agreement to assist the Government of the Republic of the Marshall Islands 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 Republic of the Marshall Islands to address the costs of compliance inherent in implementing its obligations with respect to sector grant assistance.
- (8) Enewetak Development. United States grant assistance under subsection (a) of this section shall be available in accordance with the plan described in subsection (c) of this section to support measures and activities related to development programs for Enewetak, which due to its location and lack of arable land would particularly benefit from assistance with procurement, storage, transportation, administration, and provision of food items.
- (b) Infrastructure Maintenance Fund. Beginning in FY 2024, contributions to and administration of the Infrastructure Maintenance Fund shall be governed by the 2023 Fiscal Procedures Agreement.
- (c) Budget and Investment Framework. Beginning in the fiscal year after which the 2023 Fiscal Procedures Agreement enters into force, the Government of the Republic of the Marshall Islands shall prepare and maintain an official medium-term budget and investment framework. The framework 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, as well as the assistance described in section 211(b) and the funds described in section 261(b), section 261(g), section 261(h), and section 261(i), shall be accorded specific treatment in the plan. Those portions of the framework that contemplate the use of United States grant funds provided under section 211(b), section 261(a), section 261(b), section 261(e), section 261(f), section 261(g), section 261(h), and section 261(i) shall require the concurrence of the Joint Economic Management and Financial Accountability Committee, as set forth in the 2023 Fiscal Procedures Agreement.

- (d) Disaster Assistance Emergency Fund. Beginning in FY 2024, the Government of the United States and the Government of the Republic of the Marshall Islands shall provide amounts to the DAEF from the amounts made available for Sector Grants as set forth in section 266 and to the extent provided in the Federal Programs and Services Agreement. Beginning in FY 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 FY 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.
- (e) Additional Education Assistance. Beginning in FY 2024, the Government of the United States shall make available, subject to the provisions of the 2023 Fiscal Procedures Agreement, \$22 million in grant assistance for additional sector grants for education to be used specifically for education and job-training programs.
- (f) Additional Environment Assistance. Beginning in FY 2024, the Government of the United States shall make available, subject to the provisions of the 2023 Fiscal Procedures Agreement, \$30 million in grant assistance for additional sector grants for environment, \$20 million of which must be used for environmental feasibility studies and technical assistance and \$10 million of which must be used for future environmental programs.
- (g) U.S. Supplemental Health Fund and Joint Health Dialogue.
 - (1) In FY 2024, the Government of the United States shall make available \$20 million in grant assistance to deposit into a fund (the "U.S. Supplemental Health Fund") to support the efforts of the Government of the Republic of the Marshall Islands to improve health outcomes in the Republic of the Marshall Islands. Such assistance may only be used for the purpose of implementing programs recommended by a joint health dialogue (the "Joint Health Dialogue") to be established pursuant to and governed by the provisions of the 2023 Fiscal Procedures Agreement.

- (2) From FY 2024 through FY 2043, the Government of the United States shall make available up to \$8 million in annual grant assistance to deposit into the U.S. Supplemental Health Fund, subject to the provisions of the 2023 Fiscal Procedures Agreement. Such assistance may only be used for the purpose of implementing health programs mutually decided in writing by the Government of the United States and the Government of the Republic of the Marshall Islands, which may include programs recommended by the Joint Health Dialogue.
- (3) The U.S. Supplemental Health Fund is subject to the provisions of the 2023 Fiscal Procedures Agreement.
- (h) Climate Fund and Working Group. In FY 2024, the Government of the United States shall make available \$20 million in grant assistance to deposit into a fund (the "Climate Fund") to obtain additional assistance to better enable the Republic of the Marshall Islands to cope with challenges from climate impacts, including sea-level rise and other environmental challenges that could threaten the existence of the Republic of the Marshall Islands. The Climate Fund may only be used to obtain such additional assistance for climate needs through ways that are identified by a joint climate working group (the "Climate Working Group") to be established pursuant to and governed by the provisions of the 2023 Fiscal Procedures Agreement, and that are mutually decided in writing by the Government of the United States and the Government of the Republic of the Marshall Islands. The Climate Fund is subject to the provisions of the 2023 Fiscal Procedures Agreement.
- (i) Kwajalein Development Plan Fund. In FY 2024, the Government of the United States shall make available \$132 million in grant assistance to deposit into a fund (the "Kwajalein Development Plan Fund") for projects described in the plan adopted in March 2022 by the Government of the Republic of the Marshall Islands to facilitate resilience and healthy communities throughout Kwajalein Atoll, or, subject to the mutual written decision of the Signatory Governments, a successor plan. The Kwajalein Development Plan Fund shall be subject to the provisions of the 2023 Fiscal Procedures Agreement.
- (j) Nuclear Testing Transparency and Museum. Beginning in FY 2024, the Government of the United States shall make available to such entity or entities as selected by mutual decision of the Government of the United States and the Government of the Republic of the Marshall Islands, to be available until expended, \$10 million in grant assistance to improve the accessibility of documents and information previously provided to the Government of the Republic of the Marshall Islands relating to the United States nuclear testing program, including waste disposal, in the Republic of the Marshall Islands. In addition, beginning in FY 2024, the Government of the United States shall make available to the College of the Marshall Islands or another entity or entities as selected by mutual decision of the Government of the United States and the Government of the Republic of the

Marshall Islands, to be available until expended, \$5 million in grant assistance to support efforts by the Government of the Republic of the Marshall Islands, including its National Nuclear Commission, to establish a museum and research facility on the United States nuclear testing program. The Government of the United States may attach any terms and conditions to such assistance.

Section 262 – Accountability

- (a) The 2023 Fiscal Procedures Agreement shall apply to grant assistance described in section 261(a), section 261(b), section 261(d), section 261(e), section 261(f), section 261(g), section 261(h), and section 261(i); grant assistance provided under section 211(b) made in FY 2024 or later; and grant assistance provided under section 221 made in FY 2024 or later, except as modified in the Federal Programs and Services Agreement or by United States law. Beginning in FY 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 X(2) of the 2023 Fiscal Procedures Agreement shall be borne by the Government of the Republic of the Marshall Islands and may be paid for from the amounts made available for sector grants described in section 261(a).

Section 263 – Joint Economic Management and Financial Accountability Committee

Beginning in FY 2024, the Joint Economic Management and Financial Accountability Committee shall be governed by the 2023 Fiscal Procedures Agreement and shall be composed of a U.S. chairperson; one other member from the Government of the United States, and two members from the Government of the Republic of the Marshall Islands.

Section 264 – Biennial Report

Beginning in FY 2024, and every two years thereafter until two years after all grants provided to the Government of the Republic of the Marshall Islands under Article I and Article VI of this Title are closed out, the Government of the Republic of the Marshall Islands shall report to the President of the United States on the use of such 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 Republic of the Marshall Islands in meeting program and economic goals. The Joint Economic Management and Financial Accountability 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 accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Regarding the Compact Trust Fund, done at Honolulu on October 16, 2023 (“2023 Trust Fund Agreement”).
- (b) Upon its entry into force, the 2023 Trust Fund Agreement, or any successor agreement, 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 Republic of the Marshall Islands of all funds derived from the United States investment;
 - (2) Annual reports to the Government of the United States and the Government of the Republic of the Marshall Islands;
 - (3) Distributions from the Trust Fund to provide the Government of the Republic of the Marshall Islands with sources of revenue to help meet needs of people in the Republic of the Marshall Islands;
 - (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 the 2023 Trust Fund Agreement;
 - (5) A Trust Fund Committee composed of three voting members appointed by the Government of the United States, to include the chair of the Trust Fund Committee, two voting members appointed by the Government of the Republic of the Marshall Islands, and one voting member appointed by Taiwan; and
 - (6) Appropriate remedies for the gross failure of the Government of the Republic of the Marshall Islands 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 the 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 thousands of U.S. dollars)

FY	Sector Grants (Section 261(a))	Trust Fund (Section 265)	Total
2024	50,000	200,000	250,000
2025	51,000	200,000	251,000
2026	52,020	200,000	252,020
2027	53,060	100,000	153,060
2028	54,122	--	54,122
2029	55,204	--	55,204
2030	56,308	--	56,308
2031	57,434	--	57,434
2032	58,583	--	58,583
2033	59,755	--	59,755
2034	60,950	--	60,950
2035	62,169	--	62,169
2036	63,412	--	63,412
2037	64,680	--	64,680
2038	65,974	--	65,974
2039	67,293	--	67,293
2040	68,639	--	68,639
2041	70,012	--	70,012
2042	71,412	--	71,412
2043	72,841	--	72,841

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 XI 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 216" shall be replaced with "section 265"; and
- d. In Sections 451(c), 452(c), and 453(d), "section 216" shall be replaced with "section 216 and section 265".

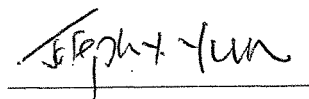
Part 3. Final Provisions

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 and federal programs and services beyond fiscal year 2043 at the same levels and subject to similar favorable terms identified in the amendments described in Part I of this Agreement and 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 Republic of the Marshall Islands, done at Honolulu on October 16, 2023.
3. Prior to fiscal year 2044 and every 20 years thereafter, the Signatory Governments shall conduct joint reviews of the needs of the Republic of the Marshall Islands and its progress in meeting development objectives.
4. Nothing in this Agreement affects or otherwise alters the agreement referred to in Section 462(a)(1) of the Compact, as Amended.

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

DONE at Honolulu, on October 16, 2023, in duplicate, in the English language.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:



FOR THE GOVERNMENT OF THE
REPUBLIC OF THE MARSHALL
ISLANDS:

