

THE 2023 FPA AND THE 2023 FPSA WITH THE
FEDERATED STATES OF MICRONESIA

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 FEDERATED STATES OF MICRONESIA, 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 Federated States of Micronesia, signed at Palikir on May 23, 2023 (2023 FPA), and the 2023 Federal Programs and Services Agreement between the Government of the United States of America and the Government of the Federated States of Micronesia with Annexes, signed at Washington, D.C., on September 28, 2023 (2023 FPSA).

The 2023 FPA and the 2023 FPSA (Agreements) with the Federated States of Micronesia (FSM) serve the important purpose of assisting in the FSM's development and maintaining our close relationship. The 2023 FPA would maintain oversight and accountability for United States taxpayer funds provided to support essential government services by preserving an oversight role for the Joint Economic Management Committee (JEMCO) and United States Government control of the same, while giving the FSM a greater voice on the JEMCO. The 2023 FPA would streamline but generally maintain the FSM's reporting and audit requirements, while giving the FSM more autonomy in setting budget priorities within mutually decided upon sectors.

Under the 2023 FPSA, most of the programs and services would continue as they have over the last 20 years, with some technical updates. The 2023 FPSA includes more substantive modifications to the provision of postal services, disaster assistance, and Federal Deposit Insurance Corporation (FDIC) insurance. Significant changes to postal services include giving the United States Postal Service more flexibility to reduce the minimum level of service it is required to provide for certain categories of service, including commercial mail services. Significant changes to disaster assistance include a revision to the process for declaring disasters and increased contributions to the Disaster Assistance Emergency Fund, as well as changes to promote disaster preparedness. The FDIC agreed to expand its insurance to other eligible banks in the FSM in addition to the already-insured Bank of the Federated States of Micronesia. The 2023 FPSA's general provisions that apply to all United States executive departments and agencies in the FSM—not just those providing programs and services under the 2023 FPSA—would last in perpetuity unless terminated by mutual

agreement. This ensures that benefits for United States executive departments and agencies, personnel, and contractors—including certain privileges and immunities, tax exemptions, and claims and dispute settlement procedures—would continue beyond 20 years.

Extending such assistance, including Federal programs and services, 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 FSM, fostering economic prosperity and stability that form the foundation of our strategic interests in the Indo-Pacific region.

I transmit herewith the 2023 FPA and the 2023 FPSA for the implementation of these Agreements related to the Compact of Free Association Between the United States and the Federated States of Micronesia.

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 Federated States of Micronesia**

The Government of the United States of America and the Government of the Federated States of Micronesia (the "Signatory Governments");

Noting the *Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact of Free Association, as amended, Between the Government of the United States of America and the Government of the Federated States of Micronesia*, done at Palikir on February 27, 2004, which governs certain economic assistance provided to the Government of the Federated States of Micronesia 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 Federated States of Micronesia*, done at Palikir on May 14, 2003 (the "2003 Amended Compact");

Wishing to establish procedures for the implementation of economic assistance provided to the Government of the Federated States of Micronesia 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 Federated States of Micronesia to Amend the Compact of Free Association, as Amended*, done at Palikir on May 23, 2023 (the "2023 Amended Compact");

Considering that in Section 211(a) of the 2023 Amended Compact, the Sector Grants provided to the Government of the Federated States of Micronesia are intended "to assist the Government of the Federated States of Micronesia in its efforts to promote the economic advancement, budgetary self-reliance, and economic self-sufficiency of its people, and in recognition of the special relationship that exists" between the two nations, and recognizing that the Government of the Federated States of Micronesia is well-positioned to develop requests for assistance that will advance these goals and maximize the effectiveness of the Sector Grants;

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 Federated States of Micronesia*, done at Palikir on May 14, 2003, which entered into force on June 25, 2004.

“2003 Trust Fund Agreement” means the *Agreement Between the Government of the United States of America and the Government of the Federated States of Micronesia Implementing Section 215 and Section 216 of the Compact, as Amended Regarding a Trust Fund*, done at Palikir on May 14, 2003.

“2004 Fiscal Procedures Agreement” means the *Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact of Free Association, as amended, Between the Government of the United States of America and the Government of the Federated States of Micronesia*, done at Palikir on February 27, 2004.

“2023 Amended Compact” means the 2003 Amended Compact, as amended by the *Agreement between the Government of the United States of America and the Government of the Federated States of Micronesia to Amend the Compact of Free Association, as Amended*, done at Palikir on May 23, 2023.

“2023 Trust Fund Agreement” means the *Agreement between the Government of the United States of America and the Government of the Federated States of Micronesia Regarding the Compact Trust Fund*, done at Palikir on May 23, 2023.

“Accrued Expenditures” means the charges incurred by the Government of the Federated States of Micronesia 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.

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

“Annual Implementation Plan” means the plan required under Article V(3) of this Agreement.

“Annual Performance Report” means the report required under Article VI(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 Federated States of Micronesia to conduct the annual Audits required under Article VIII of this Agreement.

“Audits” mean financial, program and management audits, including the determination as to whether the Government of the Federated States of Micronesia 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 Federated States of Micronesia with respect to such Sector Grants or assistance; and the substantiation of appropriate follow-up actions by the Signatory Governments.

“Committee” means the Joint Economic Management Committee established pursuant to Section 213 of the 2003 Amended Compact and Article III of the 2004 Fiscal Procedures 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.

“Contract” means a Contract funded under a Sector Grant or Sub-Grant. It also means a sub-contract under a Contract.

“Core Labor Standards” mean those fundamental rights that are guaranteed to all workers in the Federated States of Micronesia, including but not limited to freedom of association, non-discrimination in employment, the prohibition of forced labor, the prohibition of exploitive child labor, and a safe and healthy working environment.

“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 Federated States of Micronesia in accordance with Section 211(d) 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.

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

“Government of the Federated States of Micronesia” means the Government established and organized by the Constitution of the Federated States of Micronesia including all the political subdivisions and entities comprising that Government.

“Grant” means an award of a Sector Grant, Audit Grant, Infrastructure Maintenance Fund contribution, or Disaster Assistance Emergency 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia as the recipient of a Grant under the 2023 Amended Compact or this Agreement.

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

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

“Indirect Cost” mean 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.

“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 Federated States of Micronesia.

“Obligations” means orders placed, Contracts and subcontracts awarded, Sub-Grants awarded, goods and services received, and similar transactions during a given period that will require payment by the Government of the Federated States of Micronesia 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 other than the Sector Grants for infrastructure.

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

“Reprogram” means a transfer of funds within a Sector Grant between object classes.

“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, or other sectors as mutually decided by the Signatory Governments.

“Strategic Development Plan” means the development plan required under Section 261(c) of the 2023 Amended Compact.

“Sub-Grant” means a sub-award of a Grant, made by the Government of the Federated States of Micronesia to an eligible recipient, including but not limited to local governments. The Government of the Federated States of Micronesia, 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 assistance provided under Section 266 of the 2023 Amended Compact.

“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 Federated States of Micronesia 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 Federated States of Micronesia 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.

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. Sector Grants shall be awarded for education, health care, public infrastructure, the environment, public sector capacity building, private sector development, enhanced reporting and accountability, 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 Federated States of Micronesia, so long as such requests meet the requirements of the 2023 Amended Compact and this Agreement, and are within one of the seven 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 Federated States of Micronesia, including the systems for early childhood, primary, secondary, and post-secondary education, and develop the human and material resources necessary for the Government of the Federated States of Micronesia to perform these services. Emphasis should be on advancing a quality basic education system by increasing the achievement levels of students in the primary and secondary education systems based on performance standards and assessments appropriate for the Federated States of Micronesia; advancing vocational training; improving management and accountability within the educational system; raising the level of staff quality through education and training, including teacher training, with the ultimate aspiration that highly qualified teachers are in the classroom; and improving the relevance of education to the needs of the economy.
- (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 Federated States of Micronesia 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 Federated States of Micronesia and directly related administrative and management support to further its efforts to provide quality public infrastructure assistance. 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, health care facilities, 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 a three-year moving average of 25 percent of the annual amounts provided for 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 Federated States of Micronesia to protect the Federated States of Micronesia's land and marine environment and to conserve and achieve sustainable use of its natural resources. These efforts include the ongoing development, adoption, and enforcement of policies, laws, and regulations in pursuit of the above stated goals; the reduction and prevention of environmental degradation and all forms of environmental pollution; adaptation to climate change; the protection of biological diversity, including the assurance of adequate legal and international treaty safeguards relating to the protection of botanical and other agro-ecological property belonging to the Federated States of Micronesia; the establishment and management of conservation (sustainable use) areas; environmental infrastructure planning, design construction, and operation; interaction and cooperation with non-governmental organizations; the promotion of increased environmental awareness in governmental and private sectors; and the promotion of increased involvement of citizens and traditional leaders of the Federated States of Micronesia in the process of conserving their country's natural resources.
- (e) Sector Grants for public sector capacity building shall support measures or activities to further a particular long-term objective of the Government of the Federated States of Micronesia to build effective, accountable, and transparent national and local government and other public sector institutions and systems. Priority should be given to improving economic planning, financial management, 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 or activities to further a particular long-term objective of the Government of the Federated States of Micronesia to attract new 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 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 Federated States of Micronesia 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 percent of the annual amounts made available for Sector Grants as set forth in Section 266 of the 2023 Amended Compact.

3. As set forth in Section 211(b) of the 2023 Amended Compact, amounts made available for the Humanitarian Assistance – Federated States of Micronesia Program are deducted from amounts made available for Sector Grants.

4. Funds provided under Section 261(a) of the 2023 Amended Compact shall be considered to be local revenues of the Government of the Federated States of Micronesia when used as the local share required to obtain federal programs and services that enhance its ability to meet stated performance goals.

5. The Government of the Federated States of Micronesia shall not issue negotiable or transferable obligations evidencing indebtedness or encumbrance of funds received under Section 261 of the 2023 Amended Compact.

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

Article III
Joint Economic Management

1. The Joint Economic Management 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 six members, three of whom shall be from the Government of the United States of America and three from the Government of the Federated States of Micronesia.
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 Federated States of Micronesia when making the appointment, and the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Strategic Development Plan that address use of Sector Grants within 60 days of its submission. The Committee may only reject those portions of the Strategic Development Plan relating to the use of Sector Grants that the Committee determines do not meet the requirements of Section 261(c) of the 2023 Amended Compact or Article V(1) of this Agreement;
 - (b) Review and concur with those portions of the Infrastructure Development Plan that address the use of Sector Grants 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 that the Committee determines do not meet the requirements of Article V(2) of this Agreement;
 - (c) Review and concur with the Annual Implementation Plan, including proposed Sector Allocations, within 60 days of its submission. The Committee may reject those portions of the Annual Implementation Plan, including proposed Sector Allocations or a portion thereof, that the Committee determines do not meet the requirements of Article V(3) of this Agreement. The Committee may also reject a proposed Sector Allocation, or a portion thereof, if:
 - i. The Government of the Federated States of Micronesia fails to submit the Strategic Development Plan, Infrastructure Development Plan, Annual Implementation Plan, Section 264 Report, Annual Financial Report, or Annual Performance Report by the required deadlines;
 - ii. The proposed Sector Allocation is associated with a portion of the Strategic Development Plan, Infrastructure Development Plan, or Annual Implementation Plan the Committee has rejected; or
 - iii. The Section 264 Report, Annual Financial Report, or Annual Performance Report does not meet the requirements of Section 264 of the 2023 Amended Compact or Articles VI(1)(b)(i) or VI(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 VIII 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 Sector 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 Strategic Development Plan; and
 - (k) By unanimous decision, stipulate, amend, or rescind special conditions attached to any and all Sector 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 Strategic Development Plan, 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 Federated States of Micronesia 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 Federated States of Micronesia, or any special salaries paid for serving as members of the Committee.

Article IV
Sector Grants Administration

1. Sector Grant funds may not be used for any purpose other than that for which they are awarded.
2. The Government of the Federated States of Micronesia shall ensure compliance with the terms and conditions of the Sector Grants by Sub-Grantees.

3. The President of the Federated States of Micronesia, or the President's designee, acting on behalf of the national, state, and local governments of the Federated States of Micronesia, shall be responsible for all certifications to the Government of the United States of America pursuant to this Agreement.

4. Sector Grant Terms and Conditions

(a) The Government of the United States of America may attach terms and conditions to Sector 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 Federated States of Micronesia, and to ensure compliance with project specifications, architectural and engineering specifications, performance standards, and other criteria developed by the Government of the Federated States of Micronesia.

(b) After consultation with the Government of the Federated States of Micronesia, the Government of the United States of America may impose additional administrative terms and conditions on Sector 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 Federated States of Micronesia 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 Sector Grant funds; and
- iii. The method by which the Government of the Federated States of Micronesia may request reconsideration of the terms and conditions imposed.

5. Payment Procedures

(a) Establishment of Account. The Government of the Federated States of Micronesia 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 Federated States of Micronesia, in either case for

the purpose of receiving payments of Grant funds. The Government of the Federated States of Micronesia 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 Federated States of Micronesia and concurred with by the Government of the United States of America.
- ii. Advances for Accrued Expenditures. Sector Grants for infrastructure projects shall be paid on the basis of Accrued Expenditures, provided the Government of the Federated States of Micronesia maintains procedures to minimize the time elapsing between the disbursement of funds to the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 in the event that the Government of the United States of America reasonably determines that the Government of the Federated States of Micronesia 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. Such suspension may be with respect to: a particular project, program, or part of a Sector Grant; a Sector Grant; or all Sector Grants, as appropriate. If the Government of the Federated States of Micronesia disputes the Suspension of a Sector 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 Federated States of Micronesia a reasonable opportunity to address United States concerns and to engage in consultations to avoid withholding or suspension.

Article V
Pre-Award Requirements

- 1. **Strategic 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 Federated States of Micronesia shall provide to the Government of the United States of America and the Committee the Strategic Development Plan. Those portions of the Strategic Development Plan that contemplate use of Sector Grants require the concurrence of the Committee.
 - (b) The Strategic Development Plan 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 Federated States of Micronesia 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; and
 - iii. A certification that the Strategic Development Plan has been formally adopted according to the processes of the Government of the Federated States of Micronesia.
- (c) Each multi-year objective must reasonably further one or more of the goals and broad strategies outlined in the Strategic Development Plan 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.
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 Federated States of Micronesia 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 Sector Grants require the concurrence of the Committee.
 - (b) The Infrastructure Development Plan must include:
 - i. A single, integrated list of state and national projects for new and reconstructed capital infrastructure to be funded with Sector Grants for public infrastructure; 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 Strategic Development Plan.
3. Annual Implementation Plan

- (a) No later than July 15 of each year, the Government of the Federated States of Micronesia 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 detailing proposed uses and expenditures of Sector Grants. The Annual Implementation Plan requires the concurrence of the Committee.

(b) The Annual Implementation Plan must include:

- 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. An annual budget that specifies for each sector:
 - a. Actual expenditures in the most recently completed Fiscal Year;
 - b. Appropriated Sector Grant amounts and estimated expenditures in the current Fiscal Year;
 - c. Proposed expenditures for the upcoming Fiscal Year by program, including a detailed breakdown of object classes as defined under the laws of the Federated States of Micronesia;
 - d. Objectives, specific performance indicators, and assessment methods for each sector; and
 - e. Funds provided to the 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 Federated State of Micronesia.
- iii. For any infrastructure project that is to be funded by a Sector Grant, 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 may not propose to use funds in excess of the amounts set forth in Section 266 of the 2023 Amended Compact in a given year.
 - (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 Strategic Development Plan, so long as the Government of the Federated States of Micronesia provides a reasonable explanation as to why the objective can now be achieved.
 - (g) 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, as described in the Strategic Development plan. Proposed Sector Allocations must also reasonably further the purposes of the relevant sector as described in Article II of this Agreement and Section 261(a) of the 2023 Amended Compact.
4. The Committee may extend the due date of the Strategic Development Plan, the Infrastructure Development Plan, or the Annual Implementation Plan upon receiving a justified request from the Government of the Federated States of Micronesia.
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 Federated States of Micronesia as soon as practicable after October 1 of each year. The Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 VI Post-Award Requirements

1. Financial Administration

(a) Standards for Financial Management Systems

- i. The Government of the Federated States of Micronesia 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 Federated States of Micronesia, 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 Federated States of Micronesia 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 IV of this Agreement. To the extent that the Government of the Federated States of Micronesia awards Sub-Grants to states, 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. Annual Financial Report. No later than 180 days after the end of each Fiscal Year, the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia. 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; and
 - c. 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. Accounting Basis. The Government of the Federated States of Micronesia 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 Sector Grants for public infrastructure shall be available for obligation for the time period described in the terms and conditions of the Sector Grants.
- ii. The Government of the Federated States of Micronesia 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 Federated States of Micronesia may Reprogram funds within a Sector 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 was awarded, unless Reprogramming is necessary in an emergency to protect public health and safety.

- b. The Government of the Federated States of Micronesia shall notify the Government of the United States of America prior to Reprogramming within a Sector Allocation, unless such total Reprogramming is less than 15 percent of the total amount granted for Sector Grants in the Fiscal Year for which the Sector Grant was awarded or \$1,000,000, whichever is less.
 - c. The Government of the Federated States of Micronesia 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 Federated States of Micronesia shall provide a summary document of all Reprogramming by sector.
- ii. Budget Changes in Grants. Except as stated in the Grant document, the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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. Title to Real Property acquired with Grant funds shall vest upon acquisition in the Government of the Federated States of Micronesia.
- 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 Federated States of Micronesia 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 Federated States of Micronesia shall choose one of the following disposition alternatives:

- a. Retention of Title. If the Real Property will continue to be used for a public purpose, the Government of the Federated States of Micronesia shall retain title;
- b. Sale of Property. The Government of the Federated States of Micronesia 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 Sector Grant was awarded; or
- c. Transfer of Title. The Government of the Federated States of Micronesia may transfer title 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 Federated States of Micronesia.
- ii. Consistent with subsections (iii)-(v) below, the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Sector Grant was awarded.
- (g) Supplies. Title to Supplies acquired with Grant funds shall vest upon acquisition in the Government of the Federated States of Micronesia.

- (h) Contracts to Debarred and Suspended Parties or Foreign State-Owned Enterprises. The Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia’s Office of the President, Offices of State Governors, legislatures, or operations of the 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 Sector 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 Sector Grants.
- i. The Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia.
 - 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 Federated States of Micronesia 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 Federated States of Micronesia, 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 \$100,000. 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 Federated States of Micronesia 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 Federated States of Micronesia shall make available, upon request of the Government of the United States of America, technical specifications on proposed procurements.
- b. The Government of Federated States of Micronesia 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 \$100,000, 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 Federated States of Micronesia 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 Federated States of Micronesia shall follow its laws and procedures when awarding and administering Sub-Grants. The Government of the Federated States of Micronesia 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 program performance by the Government of the Federated States of Micronesia

- i. The Government of the Federated States of Micronesia shall be responsible for the management and monitoring of the day-to-day operations of all Sector Grants and their activities, to assure compliance with all applicable Sector Grant terms and conditions. Monitoring shall cover each program, function, or

activity to ensure the achievement of performance goals.

- ii. The Government of the Federated States of Micronesia shall provide to the Government of the United States of America and the Committee an Annual Performance Report on all Sector Grants. 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 Federated States of Micronesia.
- 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 Federated States of Micronesia 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 Federated States of Micronesia shall retain a qualified third party to assist with submission of the Annual Financial Report and Annual Performance Report as provided for in Articles VI(1)(b)(I) and VI(2)(c) of this Agreement.
- ii. The Government of the Federated States of Micronesia 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 Federated States of Micronesia in collecting the information necessary to formulate the reports required under this Agreement;
 - b. Assisting the Government of the Federated States of Micronesia in analyzing the information collected;
 - c. Assisting the Government of the Federated States of Micronesia 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 a Sector Grant supported activity. In such cases, the Government of the Federated States of Micronesia 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 Federated States of Micronesia to meet the terms and conditions of the Sector 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.

- (e) 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia or its Sub-Grantee materially fails to comply with the requirements relating to records retention or to Sector 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 Federated States of Micronesia.
 - 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 Federated States of Micronesia 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 Federated States of Micronesia 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.
 - 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 VII

Terms and Conditions of Infrastructure Assistance

1. Sector Grants for public infrastructure shall be subject to all laws and regulations governing the use of Grant funds to the extent these apply to this Agreement. Sector Grants for public infrastructure 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 Sector Grants for public infrastructure is to provide quality and sustainable infrastructure. Infrastructure projects funded by Sector 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 or of the Engineers Joint Contract Documents Committee, whichever is appropriate for a particular project.
4. The provisions of this Article shall apply to all Sector Grants for public infrastructure.
5. Sector Grants for public infrastructure 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 Federated States of Micronesia 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 Sector Grants for public infrastructure shall remain available until the end of the period of availability as outlined in the Sector 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 a Sector Grant for public infrastructure until the deficiency is corrected.

9. Infrastructure Maintenance Fund

(a) The Government of the United States of America shall make annual contributions from the amounts made available for Grants to the Infrastructure Maintenance Fund as set forth in the tables below, which starts with 7 percent of \$140,000,000 in Fiscal Year 2024 and increases thereafter.

<i>Fiscal Year</i>	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<i>Thousands of USD</i>	9,800	10,220	10,220	10,640	10,640	11,060	11,060	11,480	11,480	11,900
<i>Fiscal Year</i>	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
<i>Thousands of USD</i>	11,900	12,320	12,320	12,740	12,740	13,160	13,160	13,580	13,580	14,000

(b) The Government of the Federated States of Micronesia may choose to contribute to the Infrastructure Maintenance Fund.

(c) The Government of the Federated States of Micronesia shall provide to the Government of the United States of America an annual statement 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 Federated States of Micronesia 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 Federated States of Micronesia. It may not be used to fund extensions, expansions, or repurposing of previous infrastructure projects.
 - (g) Separate from any contribution it may make to the Infrastructure Maintenance Fund, the Government of the Federated States of Micronesia may allocate amounts from the health and education Sector Grants to fund the maintenance requirements of those sectors.
10. Reporting Requirements. An SF-425, or any successors thereto, 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 VIII 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 Federated States of Micronesia
 - (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 Federated States of Micronesia 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 Federated States of Micronesia are those promulgated under the authority, and at the discretion, of the Government of the Federated States of Micronesia 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 Federated States of Micronesia. While present in the Federated States of Micronesia 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 Federated States of Micronesia.

- (b) Audit officials from the Government of the United States of America shall provide the Government of the Federated States of Micronesia with advance notice of the specific dates and nature of their visits prior to entering the Federated States of Micronesia and shall show verifiable identification to officials of the Government of the Federated States of Micronesia 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 Federated States of Micronesia and the duties and responsibilities of the officials of the Government of the Federated States of Micronesia. Officials of the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia. To the extent that such information is contained in confidential official documents, the Government of the Federated States of Micronesia 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 Federated States of Micronesia, audit officials from the Government of the United States of America shall, to the extent practicable, inform the Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia. Such information shall be used and returned as quickly as accurate audit testing and surveying allow.
- (c) The Government of the Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia, the Government of the Federated States of Micronesia shall have an additional period to review and comment on the report prior to its release.

Article IX 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 Sector 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 Federated States of Micronesia shall immediately refund any balance of cash not authorized to be retained. The refunded balance shall be available for use consistent with paragraph 3 of 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 Federated States of Micronesia 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 Federated States of Micronesia; 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) 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 Federated States of Micronesia.
 - 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 Federated States of Micronesia 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 Federated States of Micronesia 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 Federated States of Micronesia.

- iii. Have been granted by the Government of the United States of America and obligated by Government of the Federated States of Micronesia 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 Federated States of Micronesia.

(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 Federated States of Micronesia.
- 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 Federated States of Micronesia, 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 Federated States of Micronesia.

4. For all funds specified in Section 261(a) 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 Federated States of Micronesia 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 Federated States of Micronesia.
 - (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 Federated States of Micronesia. 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 Federated States of Micronesia.
 - (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 Federated States of Micronesia, 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 Federated States of Micronesia.

- 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 Federated States of Micronesia.
5. Any funds deposited into the Trust Fund under paragraphs 3 and 4 of this Article, and any distributions made therefrom, shall thereafter be governed by the 2023 Trust Fund Agreement and any other applicable agreement.

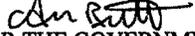
**Article X
Entry Into Force, Amendment, and Duration**

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 9 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. 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.

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

DONE at Palikir on May 23, 2023.


FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:

Alissa M. Bibb


FOR THE GOVERNMENT OF THE
FEDERATED STATES OF
MICRONESIA

VEO J. GARCIA JR.

No. 23-0279

The Embassy of the United States of America in the Federated States of Micronesia presents its compliments to the Department of Foreign Affairs of the Federated States of Micronesia and has the honor to refer to the Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Federated States of Micronesia, done at Palikir on May 23, 2023 (the "Agreement").

A review of the signed Agreement has revealed that Article VI(2)(b) misidentified the provisions of the Agreement to which this Article refers. The Embassy, on behalf of the Government of the United States of America, proposes to correct this error by replacing "Articles VI(1)(b)(i) and VI(2)(c)" in Article VI(2)(b) with "Articles VI(1)(b)(i) and VI(2)(a)". If the Government of the Federated States of Micronesia concurs with the above proposed correction, this note and a note in reply thereto, expressing the approval of the Government of the Federated States of Micronesia, shall constitute an official correction of the

DIPLOMATIC NOTE

Agreement in the manner set forth above. The correction becomes effective on the date of the Department's note.

Reply Note

The Department of Foreign Affairs of the Federated States of Micronesia conveys its compliments to the Embassy of the United States of America in the Federated States of Micronesia and respectfully acknowledges receipt of note No. 23-0279, dated October 29, 2023 from the Embassy concerning the correction to the Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Federated States of Micronesia, done at Palikir on May 23, 2023 (the "Agreement"). The Department concurs with the proposal for correction set forth in the Embassy's note. Therefore, the Embassy's note together with this note in reply constitute an official correction of the Agreement. The correction becomes effective on the date of this note.

[closing]

The Embassy of the United States of America avails itself of this opportunity to renew to the Department of Foreign Affairs assurances of its highest consideration.

Embassy of the United States of America,

Kolonia, September 29, 2023.





**Department of Foreign Affairs
Federated States of Micronesia**

DFA/BHC-242-23
September 29, 2023

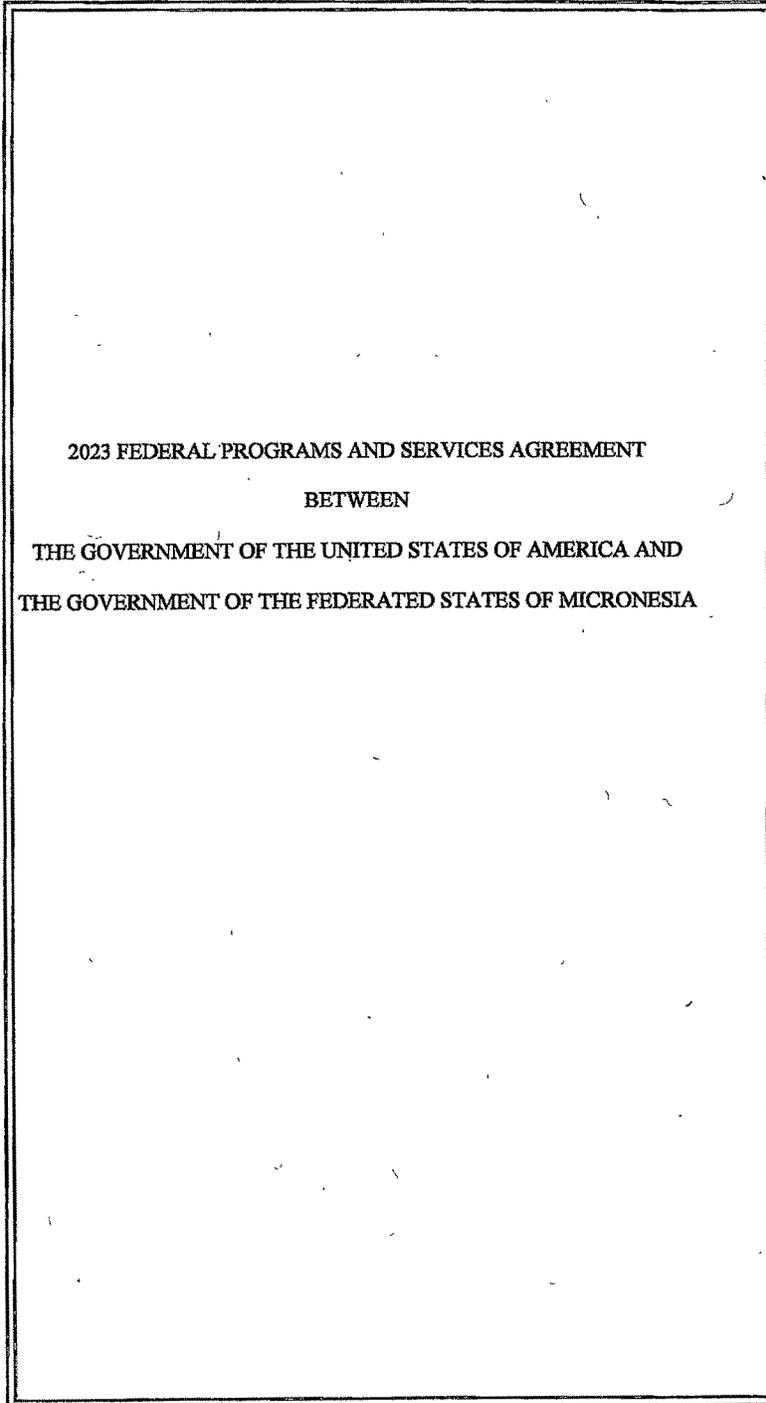
The Department of Foreign Affairs of the Federated States of Micronesia conveys its compliments to the Embassy of the United States of America in the Federated States of Micronesia and respectfully acknowledges receipt of note No. 0279, dated September 29, 2023 from the Embassy concerning the correction to the Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Federated States of Micronesia, done at Palikir on May 23, 2023 (the "Agreement"). The Department concurs with the proposal for correction set forth in the Embassy's note. Therefore, the Embassy's note together with this note in reply constitutes an official correction of the Agreement. The correction becomes effective on the date of this note.

The Department of Foreign Affairs in the Federated States of Micronesia avails itself of this opportunity to renew with the Embassy of the United States of America in the FSM the assurances of its highest consideration.

Palikir, Pohnpei

Enclosure:





2023 FEDERAL PROGRAMS AND SERVICES AGREEMENT

BETWEEN

THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND

THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA

2023 FEDERAL PROGRAMS AND SERVICES AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA

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2023 FEDERAL PROGRAMS AND SERVICES AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA

This Agreement is concluded by the Government of the United States of America and the Government of the Federated States of Micronesia (the "Signatory Governments") and sets forth their respective authority and responsibility for the provision of the services and related programs authorized by Article III of Title One, Article II of Title Two (including any additional U.S. services and related programs authorized in accordance with Section 222 of such Article II), and Section 231 of the *Compact of Free Association, as Amended Between the Government of the United States of America and the Government of the Federated States of Micronesia*, done at Palikir on May 14, 2003, as amended by the *Agreement between the Government of the United States of America and the Government of the Federated States of Micronesia to Amend the Compact of Free Association, as Amended*, done at Palikir on May 23, 2023, (the "2023 Amended Compact"); or, where not otherwise provided within the 2023 Amended Compact, any other provision of United States law. Unless otherwise provided within the 2023 Amended Compact or any other provision of United States law, this Agreement also sets forth the rights, privileges, and immunities of United States Government instrumentalities and personnel, as well as those of non-United States Government entities and personnel who provide any such services and related programs under those provisions of the 2023 Amended Compact, or any other provision of United States law.

The Signatory Governments recall the *Federal Programs and Services Agreement between the Government of the United States and the Government of the Federated States of Micronesia Concluded Pursuant to Article III of Title One, Article II of Title Two, (including section 222), and section 231 of the Compact of Free Association, as Amended, with Annex*, done at Palikir on February 27, 2004, as amended (the "2004 Federal Programs and Services Agreement"), which pursuant to its Article XIV(3), ceases to be in force on October 1, 2023.

Article I

Definitions

1. The Definition of Terms set forth in Article VI of Title Four of the 2023 Amended Compact is incorporated into this Agreement.
2. For the purposes of this Agreement only, the following terms shall have the following meanings:
 - (a) "**Federal Agency**" refers to each department, agency, or other instrumentality of the Government of the United States of America which provides services and related programs in accordance with Title Two of the 2023 Amended Compact or, unless otherwise provided, under any other provision of the 2023 Amended Compact or its subsidiary agreements, or any other provision of United States law, including any successor agency or agencies, but does not include:
 - i. The Armed Forces of the United States as defined in Article I of *the Status of Forces Agreement Concluded Pursuant to Section 323 of The Compact of Free Association, as amended*, done at Palikir on May 14, 2003 ("Status of Forces Agreement"); or
 - ii. The Diplomatic Mission of the United States of America to the Government of the Federated States of Micronesia (the "U.S. Diplomatic Mission").
 - (b) "**Local Contractors**" means the legal entities, including corporations and natural persons, which are organized under the laws of the Federated States of Micronesia, or which are present in the Federated States of Micronesia primarily for purposes other than those set forth in subparagraph (e) below.
 - (c) "**Local Hire Personnel**" means any citizen or national of the Federated States of Micronesia, whether or not ordinarily residing in the Federated States of Micronesia, and any citizen or national of any other country who is ordinarily residing in the Federated States of Micronesia, who is employed in the Federated States of Micronesia by Federal Agencies or United States Contractors.
 - (d) "**Third Country Contractor Personnel**" means natural persons other than United States Contractor Personnel or Local Hire Personnel who are in the Federated States of Micronesia and who are United States Contractors or officers or employees of United States Contractors or dependents of any of them.
 - (e) "**United States Contractors**" means the legal entities, including corporations and natural persons (irrespective of the country of incorporation or citizenship of any such corporation or citizenship of any such natural person), present in the Federated States of Micronesia for the purpose of executing their contracts, grants, awards, or cooperative agreements (or subcontracts, sub-grants, or sub-awardees of such instruments) with the Government of the United States of America or a Federal Agency in support of the Federal Agencies acting pursuant to Article III of Title One, Article II of Title Two, or Section 231 of the 2023 Amended Compact, or any other provision of United States law, and who are designated as such by the Government of the United States of America. For the purposes of Article XII of this Agreement, "United States Contractors" includes legal entities present in the Federated States of Micronesia for the purpose of executing their contracts with the Government of the United States of America (or subcontracts of such contracts), or cooperative agreements, in support of the Armed Forces of the United States. Notwithstanding the above, "United States Contractors" does not include Local Contractors or any personnel of the Government of the Federated States of Micronesia at any level.

(f) "United States Personnel" means anyone who is included in any of the following categories:

- i. "United States Civilian Employees" – all Federal Agency personnel, notwithstanding their citizenship or nationality, except Local Hire Personnel, who are in the Federated States of Micronesia, and who are in the employ of or serving with a Federal Agency and who are employed in any of the activities of such Federal Agency;
- ii. "United States Contractor Personnel" – natural persons, who are United States citizens or nationals or United States permanent resident aliens, except Local Hire Personnel, who are in the Federated States of Micronesia, and who are United States Contractors or officers or employees of United States Contractors; or
- iii. "United States Dependents" – the spouses and dependents of persons included in subsection (i) above who are listed on official United States Government travel orders (as well as children of such persons who are born after such persons' arrival in the Federated States of Micronesia) and the spouses and dependents of persons included in subsection (ii) above.

Article II**Legal Status of Programs and Related Services, Federal Agencies,
United States Contractors, and United States Personnel**

1. The provision by the Government of the United States of America of any specific programs and related services to the Government of the Federated States of Micronesia, as may be funded by the Government of the United States of America, pursuant to this Agreement, shall be contingent upon compliance by the Government of the Federated States of Micronesia with all applicable provisions of United States law, as well as the provisions of the 2023 Amended Compact (including Sections 173 and 223), as they relate to such program or related service.
2. Nothing in this Agreement shall be construed to derogate from privileges and immunities granted to members of the U.S. Diplomatic Mission and their members of family forming part of their households under the Vienna Convention on Diplomatic Relations ("VCDR"). Members of the U.S. Diplomatic Mission and their members of family forming part of their households shall enjoy privileges and immunities as provided under the VCDR and not those provided under this Article.
3. Consistent with paragraph 2 of this Article, the following shall apply except to members of the U.S. Diplomatic Mission and their members of family forming part of their households under the VCDR:
 - (a) Subject to subparagraphs (b) and (c) below, and Article X(16) of this Agreement, the Government of the United States of America, Federal Agencies, United States Contractors, United States Personnel, and Third Country Contractor Personnel, and their respective assets, income, and other property, shall be exempt from all taxes, including value added taxes (VAT), imposed by the Government of the Federated States of Micronesia and shall be exempt from all customs duties and similar charges imposed by the Government of the Federated States of Micronesia on the import and export of articles required for official functions and personal use.
 - (b) Income received by United States Personnel or Third Country Contractor Personnel for services with or employment by Federal Agencies, and income received by United States Contractors under contracts, grants, awards, or cooperative agreements in support of Federal Agencies, and income received by United States Personnel, Third Country Contractor Personnel, or United States Contractors from sources outside the territory of the Federated States of Micronesia, shall be exempt from any tax, fee, or other charge, including income and social security taxes, imposed by the Government of the Federated States of Micronesia, except that United States Contractor Personnel and Third Country Contractor Personnel, including dependents who are themselves United States Contractor Personnel or Third Country Contractor Personnel, shall not be exempt from a personal income tax generally applicable within the Federated States of Micronesia up to a level of five percent of their annual income derived from their employment in the Federated States of Micronesia, unless such personnel are exempt from such tax under Article X of this Agreement.
 - (c) Income derived from and received by United States Personnel or Third Country Contractor Personnel for services rendered within the Federated States of Micronesia other than those specified under subparagraph (b) above shall be subject to the personal income tax and social security taxes that the Federated States of Micronesia would impose on its own citizens who provide such services.
 - (d) United States Personnel and Third Country Contractor Personnel may import into and export from the Federated States of Micronesia furniture, household goods,

and personal effects for their private use, including all forms of privately owned land, sea, and air transportation, free from customs duties, license requirements, and other import and export taxes, fees, or charges.

- (e) Animals and plants, including fruits and vegetables, imported by United States Personnel and by Third Country Contractor Personnel shall be subject to the laws and regulations of the Federated States of Micronesia governing inspection of and restrictions on such importations.
- (f) Should property imported into the Federated States of Micronesia under the exemptions provided by this Article subsequently be transferred to a person not entitled to such exemptions, such person shall be liable for import duties and other charges according to the laws and regulations of the Federated States of Micronesia. This subparagraph is without prejudice to the Government of the Federated States of Micronesia adopting laws and regulations that require the giving of notice of such transfer to relevant authorities of the Federated States of Micronesia. The Government of the United States of America and its Federal Agencies shall cooperate with the Government of the Federated States of Micronesia, as necessary, to prevent abuse of the customs privileges granted under this Agreement.
- (g) Without prejudice to any additional privileges and immunities provided under the 2023 Amended Compact, United States Civilian Employees shall enjoy immunity from civil and criminal process, jurisdiction, and liability relating to or resulting from any wrongful act or omission done within the scope and in the performance of official duty, except insofar as such immunity is expressly waived by the Government of the United States of America. United States Civilian Employees who have been arrested in connection with an offense not related to the performance of their official duties in the Federated States of Micronesia shall not be liable to detention pending trial in the Federated States of Micronesia, unless in the case of a grave crime a competent judicial authority decides that such civilian employees shall remain subject to detention by the local authorities. In the event of such an arrest or detention, pending trial, of a United States Civilian Employee, or of criminal proceedings being instituted against a United States Civilian Employee, the Government of the Federated States of Micronesia shall promptly notify the U.S. Diplomatic Mission.
- (h) The Government of the Federated States of Micronesia shall accept as valid, without a test or fee, the operator's permit or license or military driving permit issued to United States Personnel or Third Country Contractor Personnel by the Government of the United States of America, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.
- (i) Official vehicles of the Federal Agencies, vehicles owned or operated by United States Contractors, and privately owned vehicles of United States Personnel shall be identified by individual markings or license plates issued by the Government of the United States of America, the Governments of the States of the United States of America, its territories or possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands. However, the Government of the United States of America may use local individual markings or license plates in the Federated States of Micronesia.
 - i. Official vehicles shall not be subject to the registration or safety inspection laws of the Federated States of Micronesia.
 - ii. The Armed Forces of the United States may register vehicles of United States Contractors and United States Personnel that are not official vehicles and may inspect such vehicles applying safety standards of general

applicability in the Federated States of Micronesia. Vehicles so registered and inspected shall be exempt from the registration and safety inspection laws of the Federated States of Micronesia.

- iii. For purposes of this Article, the term "vehicles" includes all forms of land, sea, and air transportation.

4. The Federal Agencies, in cooperation with the Government of the Federated States of Micronesia, shall take appropriate measures, including inspection, to prevent importation of contraband and to prevent abuse of privileges granted to United States Personnel and Third Country Contractor Personnel under this Article.

5.

(a) The Federal Agencies shall pay just and reasonable compensation in settlement of meritorious, noncontractual claims arising out of the wrongful acts or omissions occurring subsequent to the entry into force of this Agreement in the Federated States of Micronesia of the Federal Agencies themselves, or of their United States Civilian Employees and Local Hire Personnel, if such act or omission occurred within the scope and in the performance of official duty of the United States Civilian Employee and Local Hire Personnel. All such claims shall be processed and settled by the respective Federal Agencies in accordance with the laws and regulations of the United States of America, including any applicable statute of limitations. Any such claims which cannot be settled as provided for in this paragraph, and which are espoused by the Government of the Federated States of Micronesia, shall be disposed of pursuant to the provisions of Article II of Title Four of the 2023 Amended Compact. Nothing in this Agreement shall be construed as a waiver of the sovereign immunity of the United States of America, or any other privileges, immunities, and defenses of the United States of America, its agencies, and its officers.

(b) Contractual claims against the Federal Agencies shall be settled in accordance with the dispute resolution clause of the contract, if any, and the laws of the United States of America relating to the resolution of such disputes. In the absence of such clause, the claims shall be presented to the appropriate United States authority; subject to Section 174 of the 2023 Amended Compact, if no settlement is reached, the appropriate court of the United States of America shall have jurisdiction over such claims.

(c) The Government of the Federated States of Micronesia shall present claims arising under this Article to the U.S. Diplomatic Mission, which shall forward such claims to the Competent Authority of the Federal Agency concerned.

6. Except as otherwise expressly provided in this or any other subsidiary agreement to the 2023 Amended Compact, any dispute arising under this Agreement shall be disposed of exclusively pursuant to the provisions of Article II of Title Four of the 2023 Amended Compact.

(a) The Government of the United States of America, to include Federal Agencies and their officials, shall not be subject to the jurisdiction of the courts of the Government of the Federated States of Micronesia under Article VII of Title One of the 2023 Amended Compact for any claim under paragraph 3(g) of this Article arising in the Federated States of Micronesia from the acts or omissions of the Federal Agencies occurring subsequent to November 3, 1986. All such claims shall be processed and settled exclusively in accordance with this Article.

(b) Any judgment presented for certification to the United States Court of Appeals for the Federal Circuit pursuant to Section 174 of the 2023 Amended Compact shall

be deemed manifestly erroneous as to law if the claim upon which such judgment is based would have been barred by the statute of limitations if such claim had been brought in a court of the United States of America.

7. For the purposes of carrying out the provisions of this Agreement, the Signatory Governments shall each designate Competent Authorities. The Competent Authorities of the Government of the United States of America and the Competent Authorities of the Government of the Federated States of Micronesia may communicate directly with each other. The Signatory Governments shall communicate their respective designations to each other in writing and such designation may be changed via written notification. In the case of the Government of the United States of America, the Competent Authority shall be the head of or designee of the Federal Agency concerned.

8. Any reference in this Agreement to a provision of the law of the United States of America constitutes the incorporation of the language of such provision into this Agreement as such provision is in force on November 3, 1986, or as it may have been or may be amended thereafter on a non-discriminatory basis according to the constitutional processes of the United States of America, or any successor provision.

9. The Government of the United States of America may use local telecommunication systems and, in determining its uses of such systems, shall take into consideration the cost and security of such systems and the availability of alternate United States systems. The Government of the United States of America shall encourage the use of local telecommunication systems by United States Personnel for non-official purposes. To the extent that the Government of the Federated States of Micronesia establishes telecommunications systems compatible with existing United States Government installations, the Government of the United States of America and the Government of the Federated States of Micronesia may enter into negotiations for a use arrangement which includes normal billing procedures.

Article III**Employment of Labor**

1. In providing services and related programs in the Federated States of Micronesia pursuant to Article II of Title Two of the 2023 Amended Compact, any other provision of the 2023 Amended Compact, or pursuant to any other provision of United States law, Federal Agencies:
 - (a) shall give employment preference, without discrimination, to citizens, nationals, and persons ordinarily residing in the Federated States of Micronesia, and to citizens, nationals, and lawful permanent residents of the United States of America, provided that such persons possess requisite skills and qualifications. In the employment of such persons pursuant to the preferences set forth in this paragraph, the Federal Agencies shall exercise their best efforts to employ persons present in the Federated States of Micronesia.
 - (b) shall use, without discrimination, consistent with the laws and regulations of the United States of America, qualified Local Contractors and contractors which are legal entities of the United States of America. The Federal Agencies shall ensure that the specifications and instructions for contract bids shall permit such free and full competition as is consistent with the procurement processes of the Government of the United States of America.
2. The Federal Agencies shall ensure that United States Contractors and Local Contractors act consistently with paragraph 1 of this Article.
3. Prior to the employment of third country personnel or the use of third country contractors, the Government of the United States of America shall notify the Government of the Federated States of Micronesia and shall consult, if requested, with that Government as to the availability of qualified Local Hire Personnel or qualified Local Contractors.
4. The laws and regulations of the Federated States of Micronesia shall not apply to the terms and conditions of employment of United States Personnel by Federal Agencies or United States Contractors. The Government of the Federated States of Micronesia shall not require United States Personnel, Third Country Contractor Personnel, or United States Contractors to: obtain any license, permit, or certificate; undergo any examination; or require any registration, or pay any related fees, in connection with the performance of their duties on behalf of Federal Agencies, including without limitation requirements for business and professional licenses and registrations, work permits, and registration of non-governmental organizations.
5. In the employment of Local Hire Personnel by Federal Agencies and United States Contractors, the Government of the United States of America shall adopt measures consistent with the standards of local labor laws to the extent they are compatible with laws, regulations, and operational requirements of the United States of America.

Article IV**Entry and Departure**

1. The Government of the United States of America may bring into the Federated States of Micronesia:
 - (a) United States Personnel and United States Contractors; and
 - (b) Third Country Contractor Personnel in a manner consistent with those laws of the Federated States of Micronesia relating to the exclusion of individual, undesirable aliens and taking into account paragraph 5 of this Article and Article III of this Agreement.
2. Consistent with Article II(2) of this Agreement, the following shall apply except to members of the U.S. Diplomatic Mission and their members of family forming part of their households under the Vienna Convention on Diplomatic Relations:
 - (a) United States Personnel shall be exempt from the visa laws and regulations of the Federated States of Micronesia. Taking into account paragraph 1(b) of this Article and Article III of this Agreement, applications of Third Country Contractor Personnel for visas shall be adjudicated expeditiously. The Government of the United States of America shall require all such personnel to comply with the medical immunization requirements of the Federated States of Micronesia.
 - i. No United States Personnel or Third Country Contractor Personnel shall acquire any right to remain permanently in the Federated States of Micronesia solely as a result of their being United States Personnel or Third Country Contractor Personnel.
 - ii. United States Personnel shall be exempt from laws and regulations of the Federated States of Micronesia on the entry, departure, registration, and control of aliens and foreign agents.
3. Upon entry into or departure from the Federated States of Micronesia, United States Personnel shall have in their possession official orders or documents certifying the status of the individual or group. Such orders or documents shall be shown on request to the appropriate authorities of the Government of the Federated States of Micronesia.
4. For the purpose of their identification while in the Federated States of Micronesia, all United States Civilian Employees shall have in their possession a personal identification card authorized by the Government of the United States of America which shall show the name, date of birth, status, and photograph of the bearer. Such card shall be shown on request to the appropriate authorities of the Government of the Federated States of Micronesia.
5. If the Government of the Federated States of Micronesia requests the removal from the Federated States of Micronesia of any United States Personnel or any Third Country Contractor Personnel, the request shall be directed to the U.S. Diplomatic Mission. Upon receipt of such request, the Government of the United States of America shall consult with the Government of the Federated States of Micronesia on the appropriate action to be taken regarding removal. If the Signatory Governments so determine, the person whose removal has been requested shall immediately become subject to the jurisdiction of the Government of the Federated States of Micronesia in accordance with its laws.
6. Transportation costs attendant to the departure and removal of Third Country Contractor Personnel shall be the responsibility of the Government of the United States of America.

Article V

Implementation of Section 223 of the 2023 Amended Compact and Title to Property

1. Specific arrangements for the establishment and use by the Government of the United States of America of facilities or areas for Federal Agencies in the Federated States of Micronesia that were in effect on September 30, 2023, shall continue in effect for the duration of this Agreement or the duration of the specific arrangement, whichever is longer, unless otherwise mutually agreed in writing, including but not limited to those facilities listed in Annex A to this Agreement. Any specific arrangements for the establishment and use by the Government of the United States of America of other facilities or areas for Federal Agencies in the Federated States of Micronesia shall be set forth in writing and mutually agreed.
2. If, in the exercise of its authority and responsibility under Article III of Title One and Article II of Title Two of the 2023 Amended Compact, and unless otherwise provided by any other United States law, the Government of the United States of America requires the use of facilities or areas in the Federated States of Micronesia in addition to or in place of those covered in paragraph 1 of this Article, it may request the Government of the Federated States of Micronesia to satisfy those requirements through leases or other arrangements. The Government of the Federated States of Micronesia shall sympathetically consider any such request and shall establish suitable procedures and provide a prompt response to the Government of the United States of America.
3. If the Government of the Federated States of Micronesia requires for some other purpose the use of facilities or areas which have been provided to the Government of the United States of America pursuant to this Agreement, the Government of the Federated States of Micronesia shall request the Government of the United States of America to accept equivalent facilities or areas. The Government of the United States of America shall sympathetically consider any such request and provide a prompt response.
4. Title to any property which remains vested in the Government of the United States of America pursuant to Section 234 of the *Compact of Free Association between the Government of the United States of America and the Government of the Federated States of Micronesia*, done at Honolulu on October 1, 1982, on the day prior to the entry into force of this Agreement shall continue after the entry into force of this Agreement.
5. Title to improvements to real property or to any item of equipment or other personal property hereinafter furnished, acquired, supplied, constructed, or purchased by or with funds provided by the Government of the United States of America in connection with the programs and related services set forth in this Agreement is vested in the Government of the United States of America, except where expressly sold or otherwise conveyed.
6. Upon relinquishing facilities or areas designated for Federal Agency use, or a portion thereof, whether at the discontinuation of a specific service and its related programs or at an earlier date, the Government of the United States of America shall not be obligated to restore any such site or portion thereof to its former condition, or to make compensation in lieu of such restoration. The Signatory Governments may otherwise agree, based on considerations including the existence of conditions substantially or materially hazardous to human life, health, and safety.
7. The Government of the United States of America has the right to remove any installations or improvements that it has constructed on an area designated for Federal Agency use. If any installations or improvements which were constructed at the expense of the Government of the United States of America are to be left behind after relinquishing facilities or areas designated for Federal Agency use, or a portion thereof, the Signatory

Governments shall consult to determine the residual value, including scrap value, if any, of any such installations or improvements to the Government of the Federated States of Micronesia and to decide in writing upon an appropriate method of compensating the Government of the United States of America for such residual value.

8. Except as may be otherwise expressly agreed, the Government of the United States of America, Federal Agencies, and United States Contractors shall retain title to equipment, materials, and other movable property brought into or acquired by them in the Federated States of Micronesia and may remove such property at any time from the Federated States of Micronesia or dispose of it therein.

Article VI

Postal Services and Related Programs

1. The Government of the Federated States of Micronesia shall maintain responsibility pursuant to its laws and regulations for all postal services offered in the Federated States of Micronesia, except as otherwise provided in this Article. For purposes of carrying out applicable obligations under this Article, the Federated States of Micronesia Postal Service ("FSMPS") is the designated operator of the Government of the Federated States of Micronesia, and the United States Postal Service ("USPS") is the designated operator of the Government of the United States of America. The Signatory Governments may notify one another in writing of any change in their designated operator.
2. The Government of the Federated States of Micronesia shall be responsible for all its own postal staff, facilities, and equipment. The Government of the Federated States of Micronesia shall use certain equipment as specified by the USPS for purposes of integrating with the USPS network.
3. The Government of the Federated States of Micronesia shall issue postage stamps and other prescribed postal indicia which shall be used for prepayment of postage rates and other postal charges on all mail originating in its territory, except for mail sent through the military postal system provided for in Article VII of the Status of Forces Agreement.
4. Subject to paragraph 5 of this Article, the Government of the United States of America shall provide the following services for the Federated States of Micronesia:
 - (a) A reasonable and cost-effective level of service for conveyance of mail conveyed through at least one select single-piece USPS letter-shaped product, at least one select single-piece USPS flat-shaped product, and at least one select single-piece USPS parcel-shaped product to and from the United States of America and between the exchange offices of the Federated States of Micronesia, as designated in paragraph 8 of this Article, but in no event through any flat-rated product to the United States of America and between the exchange offices of the Federated States of Micronesia, as designated in paragraph 8 of this Article;
 - (b) Dispatch, documentation, statistical, accounting, and settlement operations in connection with the international exchange of mail with other countries served by the USPS;
 - (c) Express service without guarantee, registered mail, certified mail, and insured service, subject to the terms and conditions that the USPS applies to such services in the United States of America, if both (i) the Government of the United States of America has not established rates pursuant to paragraph 11 of this Article, and (ii) United States domestic service is retained with respect to such services; and
 - (d) Express service without guarantee, registered mail, and insured service, subject to the terms and conditions that the USPS applies to such international services in the United States of America if both (i) the Government of the United States of America has established rates pursuant to paragraph 11 of this Article, and (ii) United States international service is retained with respect to such services.
5.
 - (a) The Signatory Governments may mutually decide in writing to provide additional services or modify the services described in paragraph 4 of this Article.
 - (b) The USPS shall determine which specific products to provide as the reasonable and cost-effective level of service described in paragraph 4(a) of this Article.
 - (c) With regard to the products offered in paragraph 4(a) of this Article, the USPS shall offer flat-rated boxes and envelopes for service from the United States of America

to the Federated States of Micronesia, if (and at such rates that) such flat-rated items are offered to postal customers in the United States of America sending such flat-rated items to other destinations (as applicable in the domestic or international postal service, in the latter instance if the Government of the United States of America establishes rates pursuant to paragraph 11 of this Article). If the USPS determines that the services provided under this Article are not financially sustainable, then the Government of the United States of America may temporarily suspend, permanently discontinue, or design unique or otherwise modify the rates for such flat-rated items. Prior to taking such actions regarding such flat-rated items, the Signatory Governments shall consult regarding potential bilateral arrangements to establish mutually acceptable terms and conditions regarding the continued provision of such flat-rated items. Nothing in this subparagraph is intended to preclude the USPS from suspending, discontinuing, or modifying flat rates that are generally offered to postal customers in the United States of America, whether sending flat-rated boxes and envelopes to the Freely Associated States or to other destinations.

6. Prior to the entry into force of this Agreement, the Government of the United States of America shall seek appropriated funds to discharge its responsibilities set forth in this Article. Should requested funds for these purposes not be appropriated and available, the Government of the United States of America shall not have an international legal obligation to discharge those responsibilities for which funds are not appropriated and available. In the event that such requested funds are not appropriated and available, the Government of the United States of America may inform the Government of the Federated States of Micronesia that it is considering reducing or suspending services to conform to available funding. Prior to any such reduction or suspension of services, the Signatory Governments shall consult regarding potential bilateral arrangements to establish mutually acceptable terms and conditions for the provision of any services that the Government of the United States of America is considering reducing or suspending.

7. The Government of the Federated States of Micronesia shall ensure that all mail turned over to the USPS for conveyance to the United States of America or other countries complies with the applicable Acts of the Universal Postal Union ("UPU") and any other postal conventions to which the Government of the United States of America adheres and with applicable laws and regulations of the United States of America regarding mail shipments to be sent from the Federated States of Micronesia to the United States of America or any other destination. The Government of the Federated States of Micronesia shall ensure that all mail turned over to the USPS uses, and is accompanied by, all applicable UPU and USPS documentation. Customs declaration information and advance electronic data conforming to UPU and USPS requirements shall be required for international mail shipments, as applicable. Pursuant to paragraph 15 of this Article, the Government of the United States of America shall, upon request, assist the Government of the Federated States of Micronesia in developing local practices and procedures to fulfill the requirements of this paragraph, including assisting the Government of the Federated States of Micronesia in acting consistently with UPU requirements.

8. Mail shall be exchanged at the exchange offices designated in this paragraph and outgoing mail from the Federated States of Micronesia shall be merged with United States mail for conveyance to the United States of America or to other countries. Such outgoing mail from the Federated States of Micronesia shall be treated as though it were mail from the United States of America for dispatch, documentation, statistical, accounting, and settlement operations with other countries. The four designated exchange offices shall be located in the Federated States of Micronesia at Kosrae, Pohnpei, Chuuk, and Yap.

9. The Government of the Federated States of Micronesia may determine the floor for postage rates, subject to USPS concurrence for mail that the USPS conveys, for internal mail that is both originating from and destined to local addresses within the Federated States of Micronesia.

10. The Government of the Federated States of Micronesia shall determine the postage rates for mail being sent from addresses in the Federated States of Micronesia to addresses in the United States of America and to other countries, in accordance with the provisions below.

- (a) Except as provided in paragraph 11 of this Article, the floor established for postage rates of mail from the Federated States of Micronesia to the United States of America shall be the published USPS domestic postage rates at the time, and in no case may be the flat rate for the applicable product.
- (b) The zone used for postage rates of mail from the Federated States of Micronesia to the United States of America shall be the applicable zone for the Freely Associated States, which for certain services may be the specific zone established for the Freely Associated States by the USPS. The floor established for postage rates of mail from the Federated States of Micronesia to the Republic of the Marshall Islands or to the Republic of Palau shall be the published USPS domestic zone rates used from the contiguous United States to the Freely Associated States, or if international postage rates are used in lieu of such domestic rates, shall be the published USPS international rates to the Freely Associated States.
- (c) The floor established for postage rates of mail from the Federated States of Micronesia destined to other countries, other than mail destined to the United States of America, to the Republic of the Marshall Islands, or to the Republic of Palau, shall be the published USPS standard international postage rates at the time.

11. The Government of the United States of America may establish special cost-related international rates or may opt to establish standard international rates and classifications for mail from the United States of America to the Federated States of Micronesia by providing written notification 90 days in advance of such an action to the Government of the Federated States of Micronesia, provided that, in order to minimize the effects of the changes on citizens of the Federated States of Micronesia, the Government of the United States of America shall consult with the Government of the Federated States of Micronesia during the 90 day period. The Signatory Governments may decide, in writing, on a longer notice period. In the event of the establishment of such international rates for mail from the United States of America to the Federated States of Micronesia, the floor established for postage rates for mail from the Federated States of Micronesia to the United States of America shall be the published USPS international postage rates at the time.

12. Revenues derived from the sale of stamps issued by the Government of the Federated States of Micronesia for postal services or for philatelic purposes shall be retained by the Government of the Federated States of Micronesia. The Government of the Federated States of Micronesia agrees to provide, pursuant to its constitutional processes, adequate funding for the operation of its postal services in a manner that will allow the Government of the United States of America to perform its responsibilities under this Article in an efficient and economical manner, and that any dispute arising under this paragraph is to be resolved pursuant to Article II of Title Four of the 2023 Amended Compact.

13. Liability for the loss of a registered or insured item shall rest with the designated operator which, having received it without comment, cannot prove either delivery to the addressee or correct transfer to another operator. Pursuant to paragraph 15 of this Article, the Government of the United States of America shall, upon request, assist the Government of the Federated States of Micronesia in developing local practices and procedures to fulfill the requirements of this paragraph.

14. The Signatory Governments and their designated operators shall not impose any terminal dues, inward land rates, or other rates, fees, or charges on one another for mail conveyed to, from, or within the Federated States of Micronesia under this Article. The Signatory Governments recognize that if the USPS and FSMPS conclude an instrument under commercial law consistent with paragraph 17 of this Article, the USPS and FSMPS

may decide that terminal dues, inward land rates, or other rates, fees, or charges may be imposed with respect to mail conveyed under the terms of those instruments, to the extent consistent with other terms of this Article.

15. The USPS may provide such technical assistance (including, but not necessarily limited to, equipment, supplies, travel expenses, and employee training) as the USPS and the Government of the Federated States of Micronesia mutually decide to be necessary and appropriate. This technical assistance may also include services that may be provided by up to two USPS employee staff positions (or contractors), as determined by the USPS. In addition, the Government of the Federated States of Micronesia shall consult with the USPS with regard to fiscal planning and postal administration for the purpose of promoting economical and efficient postal services and programs.

16.

(a) The Government of the Federated States of Micronesia shall protect the postal services provided by the USPS from exploitation for the monetary gain of private or government organizations, of individuals, or of commercial enterprises, including with respect to the posting of bulk mail, books, catalogues, goods, or materials, as well as the posting in the Federated States of Micronesia of foreign origin mail intended for delivery in the United States of America or other destination countries.

(b) The Government of the Federated States of Micronesia shall continue its policies with respect to the suppression of commercial mail from the Federated States of Micronesia to the United States of America. Consistent with paragraph 17 of this Article, the USPS and FSMPS may negotiate instruments under commercial law to provide for commercial mail that originates in the Federated States of Micronesia and that is to be conveyed by the USPS. In the event of a request by USPS or FSMPS or either Signatory Government for such an instrument, the party receiving the request shall give it due consideration.

(c) USPS Inspectors shall be authorized to investigate, in the Federated States of Micronesia and in concert with the Federated States of Micronesia law enforcement agencies, any incident, issue, or claim regarding mail conveyed, or to be conveyed, by the USPS to, from, or within the Federated States of Micronesia.

(d) In the event of remail or other abuse under this paragraph, the USPS and the FSMPS shall collaborate to seek to resolve any claim of remail or other abuse under this paragraph, and shall escalate to senior management of each respective operator any such dispute as necessary to seek to resolve it. If such a dispute is not resolved between the USPS and FSMPS, the Signatory Governments shall undertake to resolve the dispute.

17. Prior to the expiration or termination of this Article, the Signatory Governments shall enter into negotiations for bilateral or multilateral arrangements to establish mutually acceptable provisions for the exchange of mail between the United States of America and the Federated States of Micronesia. At any time during the effectiveness of this Article, the USPS and FSMPS may enter into bilateral or multilateral arrangements under commercial law to establish mutually acceptable provisions for the exchange of the mail between the United States of America and the Federated States of Micronesia.

18. The Signatory Governments shall consult as needed on the possibility of the Federated States of Micronesia joining relevant international or regional postal organizations, including with the intent of exploring the potential benefits and drawbacks of UPU membership.

Article VII**Weather Services and Related Programs**

1. The Signatory Governments agree that the United States Department of Commerce's National Oceanic and Atmospheric Administration's National Weather Service (hereafter referred to as the "National Weather Service") shall, subject to the availability of appropriated funds, provide weather services and related programs in the Federated States of Micronesia as described in this Article at the levels equivalent to those available during the year prior to September 30, 2023.
2. These services and related programs may be provided pursuant to:
 - (a) The provisions of the National Weather Service organic authority, 15 U.S.C. § 312 et seq. (with emphasis on § 313); the International Aviation Facilities Act, 49 U.S.C. §§ 47301 - 47306; and the Federal Aviation Act of 1958 requirement for meteorological services for air commerce, 49 U.S.C. § 44720;
 - (b) Other provisions of the laws of the United States of America to the extent they expressly apply to the National Weather Service;
 - (c) Applicable treaties and other international agreements to which the United States of America is a party;
 - (d) Applicable Executive Orders of the President of the United States of America; and
 - (e) Applicable National Weather Service regulations and directives.
3. The Government of the Federated States of Micronesia may issue weather forecasts under such terms as may be mutually agreed with the Government of the United States of America. The Government of the United States of America shall, however, continue to provide public, marine, and aviation weather forecasts and severe weather warnings.
4. The Government of the Federated States of Micronesia is encouraged to take such transitional actions as may be necessary to prepare for the establishment and support of its own weather service. Such transitional actions may be initiated at any time prior to termination of the 2023 Amended Compact, pursuant to Article IV of Title Four of the 2023 Amended Compact, or prior to discontinuation of the services and related programs provided under this Article, pursuant to Article XIII of this Agreement. At the request of the Government of the Federated States of Micronesia, prior to the establishment of its own weather service, the National Weather Service shall provide advice in the development of the Federated States of Micronesia weather service.
5. The National Weather Service shall provide weather services and related programs pursuant to this Article, in part, through the Weather Service Offices ("WSOs") established in the Federated States of Micronesia.
 - (a) The Signatory Governments shall set forth, in writing, a statement of work establishing the duties, responsibilities, and qualifications of employees and provide procedures to reimburse the Government of the Federated States of Micronesia for materials and for salaries and other expenses incurred in the performance of these duties; and
 - (b) The Government of the United States of America shall reimburse the Government of the Federated States of Micronesia for costs incurred under this paragraph.

6. As required to implement the services and related programs provided pursuant to this Article or to meet technological changes, the National Weather Service shall train employees of the Government of the Federated States of Micronesia assigned to WSOs and Supplemental Aviation Weather Reporting Station ("SAWRS") observing sites. The Government of the United States of America shall reimburse the Government of the Federated States of Micronesia for costs incurred for training approved by the National Weather Service.
7. The National Weather Service shall inspect all WSOs and SAWRS observing sites on a regular basis to assure the quality of meteorological operations.
8. The National Weather Service shall provide and maintain WSOs pursuant to Article V of this Agreement, including meteorological observatories and other buildings, and shall maintain and replace meteorological and other equipment of the National Weather Service.
9. The National Weather Service shall provide the supplies and expendables required for the operation of its programs and related services provided under this Article.
10. Pursuant to Article III of Title One of the 2023 Amended Compact, the radio operating frequencies in the bands 401-406 MHz and 1660-1700 MHz shall be protected by the Government of the Federated States of Micronesia in order to ensure their interference-free use for rawinsonde observations, in accordance with relevant provisions of the Radio Regulations of the International Telecommunication Union. Other radio operating frequencies may be substituted for those set forth in this paragraph by written decision of the Signatory Governments. The Government of the United States of America may waive, in writing and at any time, the requirement that the Government of the Federated States of Micronesia protect the bandwidths specified above.
11. The Government of the Federated States of Micronesia, in order to assure that it receives the most current meteorological information and that such information shall be available on a global basis, shall as a public service provide, at a reduction from normal commercial rates, continuing access to its telecommunications services for meteorological traffic to and from Guam and such other points as may be designated by the Government of the United States of America. When deemed necessary by the National Weather Service, the National Weather Service may install satellite or other communications capabilities within the WSOs to provide redundant communications paths.
12. The National Weather Service shall provide weather services and related programs in Kosrae, Federated States of Micronesia, and Pohnpei International Airport, Pohnpei, Federated States of Micronesia to the extent that the National Weather Service determines that such services and related programs are necessary to meet requirements for safe and efficient operation of United States air carriers engaged in international and domestic air service in Kosrae and at the Pohnpei International Airport. The National Weather Service shall train employees of the Government of the Federated States of Micronesia assigned to Kosrae and at the Pohnpei International Airport to enable such employees to provide required weather-reporting services pursuant to this paragraph. The National Weather Service shall not be responsible for providing reimbursement to the Government of the Federated States of Micronesia for personnel costs, including salaries and expenses, incident to the provision of weather services in Kosrae and at the Pohnpei International Airport pursuant to this paragraph.
13. Further details of weather services and related programs to be provided by the National Weather Service to the Government of the Federated States of Micronesia are described in Annex A to this Agreement.

Article VIII

Civil Aviation Safety Services and Related Programs

1. The Signatory Governments agree that the Federal Aviation Administration ("FAA") shall provide aviation safety services in the Federated States of Micronesia in accordance with this Article, subject to availability of appropriated funds, with the common desire to:
 - (a) promote the common interests of the Signatory Governments in fostering safe and efficient air service; and
 - (b) facilitate the orderly establishment of aviation safety statutory and regulatory regimes and aviation safety authorities by the Government of the Federated States of Micronesia.
2. The Administrator of the FAA may determine, after consultation with the Government of the Federated States of Micronesia, the appropriate level of services and related programs that the FAA shall provide under the 2023 Amended Compact and this Agreement, provided the levels of services and related programs are consistent with the principles and objectives of the 2023 Amended Compact and this Agreement, including paragraphs 1, 3, and 5 of this Article.
3. On behalf of the Government of the Federated States of Micronesia, the Government of the United States of America shall provide aviation safety services in the Federated States of Micronesia as follows:
 - (a) En route air traffic services within that air space including the Federated States of Micronesia for which the Government of the United States of America has responsibility under the appropriate regional air navigation plan approved by the International Civil Aviation Organization ("ICAO");
 - (b) Flight inspection and ground certification of nondirectional beacons, distance-measuring equipment, other required navigation equipment, and periodic review and evaluation of the need for, and the maintenance, modification, improvement, or replacement of, nondirectional beacons, distance-measuring equipment, and related support systems in the Federated States of Micronesia (the nondirectional beacons and distance-measuring equipment shall be removed from service when the need for them no longer exists.);
 - (c) Development and updating of satellite-based navigation procedures in support of performance-based navigation, instrument approach procedures, standard instrument departure procedures, and standard terminal arrival routes for airports in the Federated States of Micronesia, and issuance of appropriate Notices to Air Missions as the Signatory Governments share a common goal of maintaining safe and efficient air traffic procedures that improve access to airports in the Federated States of Micronesia; and
 - (d) Distribution of updated flight information publications, to include terminal instrument procedures, high altitude airspace traffic routing structure in the Pacific, and aviation planning and en route supplemental publications specific to the Federated States of Micronesia.
4. The Government of the Federated States of Micronesia, pursuant to Section 471 of the 2023 Amended Compact, shall take all necessary steps to ensure the conformity of laws, regulations, and administrative procedures with the provisions of this Article. The aviation safety services specified under paragraph 3 of this Article shall be provided exclusively pursuant to treaties and other international agreements relating to aviation safety to which the United States of America is a party and the laws and regulations of the United States of America. The Government of the Federated States of Micronesia shall:

(a) consistent with Resolution A23-1 1, Appendix N, Part II, Air Navigation, of ICAO Assembly Resolutions in force as of October 7, 1980, U.N. Doc. 9349, assign and delegate to the Government of the United States of America sole authority and responsibility for providing aviation safety services as specified in paragraph 3(a) of this Article until such time as those responsibilities are transferred at the request of the Government of the Federated States of Micronesia, and with the approval of the ICAO, from the Government of the United States of America to the Government of the Federated States of Micronesia; and

(b) grant unobstructed access by FAA personnel and FAA equipment to the property on which the navigational and landing aids set forth in paragraph 3(b) of this Article are located.

5. The FAA shall provide technical assistance to the Government of the Federated States of Micronesia to develop civil aviation safety authorities and to assist the Government of the Federated States of Micronesia in the administration of safety certification and related aviation safety programs. Such technical assistance shall be provided pursuant to implementing agreements to be negotiated from time to time between the Signatory Governments. The FAA shall provide such technical assistance in accordance with the provisions of Part A of subtitle VII of Title 49, United States Code, and Chapter 473 of such subtitle. The technical assistance to be provided by the FAA includes, but is not limited to:

(a) Continuing development of aviation safety statutes, regulations, and aviation safety authorities;

(b) Training, in the United States of America, including technical and administrative training, of personnel designated by the Government of the Federated States of Micronesia;

(c) Stationing of FAA personnel in the Federated States of Micronesia to provide continuing advice and guidance to aviation safety authorities at the request of the Government of the Federated States of Micronesia. Such advice and guidance may include assistance to aviation required for certification by the Government of the Federated States of Micronesia of airmen, aircraft, airports, and air agencies, as the term "air agencies" is used in 49 U.S.C. § 44702 and § 44707; and

(d) Provision of equipment, tools, and facilities determined to be necessary to ensure aviation safety, or recommendations that such equipment, tools, or facilities be provided by the Government of the Federated States of Micronesia.

6. Pursuant to Article III of Title One of the 2023 Amended Compact, the Government of the Federated States of Micronesia shall, in support of civil aviation, protect from harmful interference aeronautical radio communications operating within mobile, fixed, radionavigation, and radionavigation satellite frequency bands allocated in accordance with Article 5 of the Radio Regulations of the International Telecommunication Union.

7. The Government of the Federated States of Micronesia, in order to ensure that it transmits and receives the most current meteorological information for civil aviation purposes and that such information provided by it shall be available on a global basis, shall provide continuing access to its telecommunications services for meteorological traffic to and from Guam or other points as may be designated by the Government of the United States of America in consultation with the Government of the Federated States of Micronesia.

8. The Government of the Federated States of Micronesia, in order to ensure that it transmits and receives the most current flight movement and airmen information data for civil aviation purposes, and that such information received or provided by it shall be available on a global basis, shall provide continuing access to its telecommunications

services for flight movement and airmen information traffic to and from Guam or other entry points into the Aeronautical Fixed Service of the ICAO as may be designated in accordance with the Convention on International Civil Aviation, Annex 10, Volumes 1 and 2, by the Government of the United States of America in consultation with the Government of the Federated States of Micronesia.

9. The Signatory Governments may from time to time enter into such agreements as may be necessary to implement paragraphs 3(b) and 3(c) of this Article.

Article IX

Civil Aviation Economic Services and Related Programs

1. The Signatory Governments agree that this Article shall apply to the economic regulation of air services of the Federated States of Micronesia.
2. The Government of the Federated States of Micronesia shall exercise independent economic regulatory jurisdiction over air services to, from, and within the Federated States of Micronesia, which for the purposes of this Article are points outside the United States of America, which itself is defined by the term "United States" as defined in 49 U.S.C. § 40102.
3. In accordance with Section 124 of the 2023 Amended Compact, the Government of the United States of America, if requested by the Government of the Federated States of Micronesia and as mutually decided, shall negotiate or assist in negotiations for air rights with third countries on behalf of the Government of the Federated States of Micronesia.
4. The United States Department of Transportation ("U.S. Department of Transportation"), upon request of the Government of the Federated States of Micronesia, shall provide the following assistance to the Government of the Federated States of Micronesia:
 - (a) Preparation of statutory and regulatory proposals for the economic regulation of civil aviation;
 - (b) Processing, in Washington, D.C., on behalf of the Federated States of Micronesia and on the basis of procedures mutually decided by the Signatory Governments, of applications from any person seeking authority from the Government of the Federated States of Micronesia to engage in air services to, from, or within the Federated States of Micronesia; the power of ultimate disposition of such applications rests with the Government of the Federated States of Micronesia;
 - (c) Training in the processing of air service applications, in Washington, D.C., of not more than two persons in one year, and a total of not more than six persons over the duration of this Article, designated by the Government of the Federated States of Micronesia. The Government of the Federated States of Micronesia shall be responsible for travel, subsistence, and similar expenses of its designated persons while in such training;
 - (d) Communicating to United States air carriers the interest of the Government of the Federated States of Micronesia in developing air connectivity to all four of the states of the Federated States of Micronesia, recognizing that air carrier service to the Federated States of Micronesia provides a vital service to its people and promotes its economic advancement; and
 - (e) Such other assistance as may from time to time be specifically approved in writing by the Government of the United States of America.
5. Subject to the approval of the Congress of the United States of America, the Government of the United States of America shall maintain:
 - (a) A distinct classification of foreign air carrier, as the term "foreign air carrier" is defined in 49 U.S.C. § 40102, to be known as "Freely Associated State Air Carrier." This classification shall apply exclusively to a carrier which:
 - i. Is organized under the laws of the Federated States of Micronesia or the United States of America; and

- ii. Has consented to such classification from the Government of the Federated States of Micronesia, and consented to such classification from the Government of the United States of America pursuant to standards adopted by the Government of the United States of America for such classification.
 - (b) Authority for the U.S. Department of Transportation to authorize Freely Associated State Air Carriers to carry local traffic between Guam, the Commonwealth of the Northern Mariana Islands, and Honolulu, and within the Commonwealth of the Northern Mariana Islands; and
 - (c) The U.S. Department of Transportation shall maintain rules to implement the provisions of this paragraph as the Department, in its discretion, deems appropriate. The Government of the Federated States of Micronesia shall be given notice of any proposed change in these rules and an opportunity to present its views, which shall be considered by the U.S. Department of Transportation before making any such revision.
- 6.
- (a) Notwithstanding paragraph 2 of this Article, the Government of the Federated States of Micronesia shall authorize, without restrictions or impairment, United States air carriers to operate air services to, through, beyond, within, and between the Federated States of Micronesia and to establish prices applicable to such air services.
 - (b) The Government of the United States of America shall promptly and sympathetically consider applications by air carriers of the Federated States of Micronesia to serve the United States of America, subject to all requirements normally applied.
 - (c) The Signatory Governments shall, on the basis of reciprocity, exempt air carriers that are authorized by each other to provide air services from customs duties and taxes imposed by their national authorities, and shall not impose user charges that exceed an equitable proportion of the reasonable costs of providing the facilities, or which are discriminatory.
- 7.
- (a) The Government of the United States of America shall promptly notify the Government of the Federated States of Micronesia of the filing with the U.S. Department of Transportation of any application by a United States air carrier for authority under the laws of the United States of America to operate air services pursuant to paragraph 6 of this Article, and of the filing with the U.S. Department of Transportation of any application by an air carrier of another nation to operate air services between the United States of America and the Federated States of Micronesia. The Government of the Federated States of Micronesia shall designate Competent Authorities pursuant to Article II(7) of this Agreement, including for the purpose of receiving such notice. The Government of the Federated States of Micronesia shall be accorded an opportunity to present its views, which shall be considered in reaching any decision. Should a formal or informal proceeding be instituted by the Government of the United States of America in connection with any such application, the Government of the Federated States of Micronesia shall be made a party to such proceeding with full rights in accordance with the applicable procedural rules. The Signatory Governments recognize that United States air carrier service to the Federated States of Micronesia provides a vital service to its people and promotes its economic advancement.
 - (b) The Government of the Federated States of Micronesia shall promptly notify the Government of the United States of America of the filing with the Department of Transportation, Infrastructure and Communications of any application by an air carrier of the Federated States of Micronesia for authority under the laws of the Federated States of Micronesia to operate air services between the Federated States

of Micronesia and the United States of America, and of the filing with the Department of Transportation, Infrastructure and Communications of any application by an air carrier of another nation to operate air services between the Federated States of Micronesia and the United States of America. The Government of the United States of America shall designate Competent Authorities pursuant to Article II(7) of this Agreement, including for the purpose of receiving such notice. The Government of the United States of America shall be accorded an opportunity to present its views, which shall be considered in reaching any decision. Should a formal or informal proceeding be instituted by the Government of the Federated States of Micronesia in connection with any such application, the Government of the United States of America shall be made a party to such proceeding with full rights in accordance with the applicable procedural rules.

8. A Signatory Government shall sympathetically consider a request by the other Signatory Government for the negotiation of a bilateral air transport agreement.

9. The Government of the Federated States of Micronesia may terminate the operation of paragraphs 3, 4, 5, or 7 of this Article. Such partial termination may be effected in the same manner as this Article may be terminated in accordance with Article XIII of this Agreement. If the Government of the Federated States of Micronesia terminates the operation of paragraphs 3, 4, 5, and 7 of this Article, the Government of the Federated States of Micronesia may, in accordance with Article XIII of this Agreement, also terminate the operation of paragraph 6 of this Article.

10. If the Government of the Federated States of Micronesia elects to terminate the operation of paragraphs 3, 4, 5, and 7 of this Article, and the operation of paragraph 6 of this Article, the remaining provisions of this Article shall cease to be in effect two years after such termination, unless otherwise agreed in writing by the Signatory Governments. Notwithstanding the entry into force of an air transport agreement between the Signatory Governments, this Article shall remain in force through September 30, 2043.

Article X

United States Disaster Preparedness, Relief, and Recovery Services and Related Programs

1. In order to save lives and to protect property and public health and safety, and to supplement available resources in alleviating damage, loss, hardship, or suffering, the Government of the United States of America shall provide disaster preparedness, relief, and recovery assistance to the Federated States of Micronesia in accordance with this Article. Nothing in this Article shall affect the disaster assistance available from United States Government agencies other than the United States Agency for International Development ("USAID"), the Federal Emergency Management Agency ("FEMA") of the Department of Homeland Security (DHS), and the Department of the Interior.
2. Beginning in fiscal year 2024 and ending in fiscal year 2043, the Government of the United States of America and the Government of the Federated States of Micronesia shall each make an annual contribution of five hundred thousand dollars (\$500,000) into the Disaster Assistance Emergency Fund ("DAEF") established by the Government of the Federated States of Micronesia in accordance with Section 211(d) of the 2023 Amended Compact as soon as practicable after October 1 each year. The Government of the United States of America shall provide its contribution only upon certification by the Government of the Federated States of Micronesia that its contribution has been deposited. The terms and conditions for use of the DAEF are set forth in Annex B to this Agreement.
3. Other than the assistance described in paragraph 2 of this Article, USAID is responsible for providing disaster preparedness, relief, and recovery assistance to, and coordinating the United States Government response to declared disasters in, the Federated States of Micronesia. In the Federated States of Micronesia, these programs and services may be provided under the authorities of the Foreign Assistance Act of 1961, as amended, as applicable, and other applicable statutes.

Initial Disaster Relief and Recovery

4. The Government of the United States of America may provide initial disaster relief and recovery assistance to the Government of the Federated States of Micronesia under this Article upon a determination ("Declaration of Humanitarian Need") by the Chief of Mission of the United States Embassy ("U.S. Chief of Mission") that:
 - (a) the President of the Federated States of Micronesia has officially declared a national state of emergency or disaster in accordance with the laws of the Federated States of Micronesia;
 - (b) the Government of the Federated States of Micronesia has requested assistance through the United Nations designated representative for the provision of or coordination of humanitarian assistance;
 - (c) there is evidence of significant unmet humanitarian need, taking into account the available resources of the DAEF, resources from other donors, and the need to protect the sustainability of the DAEF;
 - (d) initial disaster relief and recovery assistance from the Government of the United States of America will assist in saving lives, reducing human suffering, and mitigating the impact of humanitarian emergencies upon the most vulnerable;
 - (e) the Government of the Federated States of Micronesia has requested or will accept disaster relief and recovery assistance from the Government of the United States of America; and
 - (f) providing initial disaster relief and recovery assistance aligns with the interests and humanitarian objectives of the Government of the United States of America.

5. If the U.S. Chief of Mission determines that the criteria set forth in paragraph 4 of this Article have not been met, the Government of the United States of America may not provide disaster relief and recovery assistance to the Government of the Federated States of Micronesia under this Article.

6. Initial disaster relief and recovery assistance provided by the Government of the United States of America under paragraph 4 of this Article shall be used for immediate relief to save lives, to reduce human suffering, and to mitigate the impact of the event, and may be in the form of funding to relief organizations, for commodities or services, or a combination thereof. The dollar value of this initial immediate assistance (whether in cash, kind, or commodities) is expected to be no more than one hundred thousand dollars (\$100,000) but may exceed this amount in appropriate circumstances when approved by the Government of the United States of America.

Compact Disaster Declaration

7. If the President of the Federated States of Micronesia determines that the impact of the event requires a greater response from the Government of the United States of America, the President of the Federated States of Micronesia may submit a request to the U.S. Chief of Mission for FEMA to issue a "Compact Disaster Declaration" pursuant to this Article. FEMA, with USAID concurrence, shall issue a Compact Disaster Declaration when the following conditions have been met:

- (a) The President of the Federated States of Micronesia confirms that the situation is of such severity and magnitude that the resources made available or pledged to the Government of the Federated States of Micronesia by the international community to date, combined with the available resources of the DAEF and up to \$100,000 of assistance provided by the Government of the United States of America under paragraph 4 of this Article, are insufficient to address the needs caused by the emergency or disaster;
- (b) The President of the Federated States of Micronesia provides information describing the amount and severity of damages, losses, and other humanitarian impacts based on preliminary needs assessments of the emergency or disaster, including impacts on the public and private sector;
- (c) The Signatory Governments complete joint damage assessments;
- (d) The President of the Federated States of Micronesia makes the request for a Compact Disaster Declaration within 60 days of the President's national declaration of a state of emergency or disaster for the event triggering the need for assistance; and
- (e) FEMA, with USAID concurrence, determines, based on the joint damage assessments and a recommendation by the U.S. Chief of Mission, and taking into account available resources, that assistance is needed to supplement the efforts of the Government of the Federated States of Micronesia and the international community as well as the initial assistance from the Government of the United States of America under paragraph 4 of this Article, to save lives; protect property, public health, and safety; and alleviate the damage, loss, hardship, and suffering caused by the event.

8. Following the occurrence of an event that may trigger a Compact Disaster Declaration, to the extent necessary to permit the Government of the United States of America to assess the need for or to provide assistance under this Article, the Government of the Federated States of Micronesia shall:

- (a) Make available to the Government of the United States of America, at no cost, Government of the Federated States of Micronesia personnel, equipment, or

facilities that are not already committed to relief and recovery operations, including personnel and infrastructure necessary for communications and facilities for storage and shipping;

- (b) Permit the Government of the United States of America to operate telecommunications services in its territory, and endeavor to make radio frequencies available for the exclusive use by the Government of the United States of America; and
- (c) Prioritize national and state personnel and air and sea assets to representatives or implementing partners of the Government of the United States of America in inter-island and intra-island movement for the purpose of accomplishing pre-declaration needs assessments, post-declaration damage surveys, and the provision of disaster assistance including the movement of supplies and equipment by the Government of the United States of America and its implementing partners.

9. Following a Compact Disaster Declaration pursuant to this Article, the Government of the United States of America, in consultation with the President of the Federated States of Micronesia, shall prepare a relief and recovery assistance plan ("Relief and Recovery Assistance Plan") including the identification of the types and amounts of and the anticipated timelines for assistance to be provided for further relief and long-term recovery. The Relief and Recovery Assistance Plan shall be based on the magnitude of the disaster needs assessed, the response by the international community, and the Government of the Federated States of Micronesia's own response capabilities. The Relief and Recovery Assistance Plan may include assistance over \$100,000 provided under paragraph 4 of this Article. During the implementation of the Relief and Recovery Assistance Plan, the Signatory Governments shall be in regular and ongoing contact, including to address questions that may arise, to ensure effective coordination of relief efforts by the Signatory Governments.

10. The Government of the United States of America may provide additional disaster relief and recovery assistance under this Article upon the issuance of a Compact Disaster Declaration. The Government of the United States of America shall provide such assistance in accordance with the Relief and Recovery Assistance Plan. The types of assistance eligible to be included in the Relief and Recovery Assistance Plan may include the following, as well as other programs to support relief and recovery:

- (a) Repair and replacement of damaged public facilities and private non-profit facilities that provide services which are governmental in nature, including equipment and supplies necessary to function, that were operated and properly maintained before the disaster;
- (b) Housing, including temporary housing and separate structures, and repair and replacement of damaged dwellings and cooking or sanitation facilities;
- (c) Provision of temporary public facilities for schools and other essential community services, and supplies to continue operation of those services; and
- (d) Emergency health care, emergency shelter, and the provision of food, water, sanitation and hygiene supplies, medicine, and other essential needs and emergency services, including logistics for the movement of supplies and people.

11. For purposes of the Government of the United States of America's Disaster Relief Fund appropriations, the funding of the activities to be carried out under paragraphs 7, 9, and 10 of this Article, as well as FEMA general administrative and oversight costs in furtherance of this Article, shall be deemed to be necessary expenses in carrying out the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121 et seq., and activities in paragraphs 9 and 10 of this Article, including administrative and oversight costs related to those paragraphs, are deemed disaster relief

for a major disaster pursuant to that Act. FEMA shall transfer funding to USAID to carry out the Relief and Recovery Assistance Plan, including to cover USAID administrative and oversight costs.

Disaster Preparedness

12. The Government of the United States of America may also make available mitigation and disaster risk management programs to the Government of the Federated States of Micronesia to prepare for and lessen the effects of future disasters. This disaster preparedness assistance may be provided without the need for a Declaration of Humanitarian Need or a Compact Disaster Declaration.

General Provisions

13. The Government of the United States of America may support programs directly and through United States Government agencies, contractors, non-governmental organizations, and international organizations. Disaster preparedness, relief, and recovery assistance may be implemented using sustainable infrastructure and climate resilient approaches, to the extent feasible and cost effective.

14. The source, origin, and nationality of goods and services provided under this Article shall be as defined by USAID policy, without application of any local content or labor requirements of the Government of the Federated States of Micronesia.

15. Notwithstanding Article III(1) of this Agreement, United States Civilian Employees employed by USAID or USAID's United States Contractors may be nationals of countries as defined by USAID policy, without preferences or limitations among them, including without preferences for citizens of the Federated States of Micronesia.

16. Any goods, supplies, materials, equipment, property, services, or funds introduced into, acquired, used, or disposed of in, or exported from the Federated States of Micronesia by the Government of the United States of America, or by any person or entity (including but not limited to United States Contractors) financed by the Government of the United States of America as part of, or in conjunction with, the assistance provided under this Article, are exempt from: any and all taxes, including value-added taxes or other similar charges, while such goods, supplies, materials, equipment, property, services, or funds are used in the Federated States of Micronesia in connection with the assistance provided under this Article; any and all tariffs, customs duties, investment, or deposit requirements or other similar charges, and from currency controls; and any and all taxes, including value-added taxes or other similar charges, tariffs, and customs duties, upon export, re-export, sale, or transfer to another person or entity in the Federated States of Micronesia that is exempt from taxation. No tax (whether in the nature of an income, profits, business, rent, value-added, gross receipts, sales, or other tax, duty, or fee of any nature, except fees which are commensurate with specific services rendered) shall be imposed in connection with work performed under this Article upon any person or entity (including but not limited to United States Contractors) financed by the Government of the United States of America with the assistance provided under this Article, except for income or profit taxes imposed on citizens of or persons ordinarily residing in the Federated States of Micronesia or Local Contractors.

17. Within 60 days after entry into force of this Agreement, the Government of the Federated States of Micronesia shall provide to the Government of the United States of America a Certificate of Tax Exempt Status or similar document establishing the tax-exempt status from all taxes imposed by the Government of the Federated States of Micronesia of all assistance provided under this Article, to the extent provided under Article II of this Agreement and paragraph 16 of this Article. Any taxes and duties referred to in Article II of this Agreement or paragraph 16 of this Article that may be imposed by the Government of the Federated States of Micronesia on assistance provided under this Article shall be fully reimbursed to USAID or its agents.

18. The Government of the Federated States of Micronesia assumes all rights, obligations, and liabilities arising out of the programs and services provided under this

Article, including matching fund obligations that may be required by law or by agreement between the Government of the United States of America and the Government of the Federated States of Micronesia.

19. The Government of the Federated States of Micronesia shall, upon request, provide to representatives of the Government of the United States of America, including the Comptroller General of the United States, access to any books, papers, and records, that pertain to United States Federal funds, equipment, and supplies received under this Article, for the purpose of audit and examination.

20. The Government of the Federated States of Micronesia shall set forth in a governmental emergency plan the procedures and assignment of responsibility which are required for the Government of the Federated States of Micronesia to prepare for and respond to disasters and to facilitate the delivery of disaster assistance.

21. The Government of the Federated States of Micronesia shall:

- (a) take appropriate steps to ensure effective use of the assistance provided under this Article;
- (b) cooperate with the Government of the United States of America to ensure that procurement is conducted transparently at reasonable prices and on reasonable terms;
- (c) permit, without restriction, continuous observation and review of programs and operations covered by this Article by representatives of the Government of the United States of America;
- (d) seek full coordination and integration of assistance provided under this Article with other host government and assistance programs;
- (e) cooperate with other nations participating in such programs in the mutual exchange of information;
- (f) assist, where appropriate, in expediting the movement of imported goods through port and transportation facilities and their clearance through customs;
- (g) provide the Government of the United States of America full and complete information concerning such programs and operations and other relevant information it may need to determine the nature and scope of operations and to evaluate the effectiveness of the assistance furnished or contemplated;
- (h) provide to the people of the Federated States of Micronesia full information concerning assistance provided under this Article; and
- (i) establish a procedure whereby funds provided or derived from assistance under this Article shall not be subject to any form of legal process, including, but not limited to, attachment or seizure by any person or juridical entity in the Federated States of Micronesia.

22. Articles I through IV of this Agreement and paragraphs 13 through 21 of this Article shall apply to USAID-financed assistance occurring in or transiting through the Federated States of Micronesia that is intended to assist other USAID activities in the region, including but not limited to disaster preparedness, relief, and recovery assistance provided to the Republic of the Marshall Islands, as well as non-disaster assistance provided by USAID to the Government of the Federated States of Micronesia or to any regional program.

Article XI

Federal Deposit Insurance Corporation Services and Related Programs

1. This Article provides the terms under which the services and programs of the Federal Deposit Insurance Corporation ("FDIC") shall be made available in the Federated States of Micronesia.
2. Notwithstanding any other provisions of law, depository institutions that are chartered by the Federated States of Micronesia may become FDIC-insured depository institutions upon application to, and examination by, the FDIC and approval by the FDIC's Board of Directors pursuant to the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1811 *et seq.* Any depository institution chartered by the Federated States of Micronesia that, as of the September 30, 2023, is already insured by the FDIC shall not be required to reapply or otherwise requalify for such insurance as a result of the entry into force of this Agreement. Deposit insurance for these institutions applies only to branches operating in the Federated States of Micronesia and shall apply only to the types of deposits that are insured by the FDIC in the United States of America.
3. FDIC-insured depository institutions in the Federated States of Micronesia and their management shall be supervised by the FDIC, which shall be the "appropriate federal banking agency" for purposes of the FDI Act of such insured depository institutions, as that term is used section 3(q) of the FDI Act, 12 U.S.C. § 1813(q). FDIC-insured depository institutions in the Federal States of Micronesia shall be subject to existing and future United States banking and banking-related laws, rules, and regulations, including but not limited to the FDIC's regulations in Chapter III of Title 12 of the Code of Federal Regulations, relating to supervision, regulatory, enforcement, and resolution and receivership matters to the extent that those laws, rules, and regulations do not conflict with the Federated States of Micronesia's constitutional prohibition on ownership of land by aliens. The mention below of specific laws, rules, and regulations is not intended to limit the scope of this governing principle.
4. Without prior notice and nonobjection from the FDIC, no person or group of persons acting in concert shall acquire, directly or indirectly, control of 10 percent or more of any class of voting securities of an FDIC-insured depository institution in the Federated States of Micronesia. Without such prior notice to and nonobjection by the FDIC, the depository institution's FDIC-insured status may be terminated. Notwithstanding the foregoing, the Bank of the Federated States of Micronesia may continue to maintain its ownership structure as of September 30, 2023, including up to 33 1/3 percent direct or indirect foreign ownership. The change-of-control provisions in section 7(j) of the FDI Act, 12 U.S.C. § 1817(j), shall apply to any changes in an FDIC-insured depository institution's ownership.
5. The FDIC has the authority to suspend or terminate the FDIC-insured status of an FDIC-insured depository institution in the Federated States of Micronesia if the Commissioner of Banking of the Federated States of Micronesia ("Commissioner") does not promptly and fully enforce an FDIC directive or order against or involving the institution or any "institution-affiliated party" ("IAP"), as that term is defined in 12 U.S.C. § 1813(w), of the institution.
6. Any proceeding involving administrative enforcement actions against an FDIC-insured depository institution in the Federated States of Micronesia or any IAP of such institution shall be in accordance with the FDI Act and the FDIC's regulations. Such proceeding shall be held in the State of Pohnpei, unless the Signatory Governments agree to hold a hearing in another location, or unless a United States Administrative Law Judge for the FDIC finds good cause to hold a hearing in a different location.
7. An FDIC-insured depository institution in the Federated States of Micronesia or an affected IAP may appeal temporary administrative orders and interim appealable administrative orders to the United States District Court for the District of Guam or, if warranted by the circumstances, to another appropriate United States District Court, after

exhausting any administrative remedies. The FDIC-insured depository institution or affected IAP may appeal a final order or directive to the United States Court of Appeals for the Ninth Circuit or to the United States Court of Appeals for the District of Columbia Circuit.

8. The FDIC may sue in the United States District Court for the District of Guam or, if warranted by the circumstances, in another appropriate United States District Court, to enforce any final or temporary order or directive against or involving an FDIC-insured depository institution in the Federated States of Micronesia or an IAP.

9. The Government and courts of the Federated States of Micronesia shall give full faith and credit and full effect to final and temporary orders and directives of the FDIC, any United States banking or regulatory agency, and any United States court to matters arising under this Article. All such final and temporary orders and directives shall be enforced by the Government of the Federated States of Micronesia in summary proceedings. The Government of the Federated States of Micronesia, including the Department of Justice, courts and agencies of the Federated States of Micronesia, commits to full cooperation in the enforcement of all such final temporary orders and directives.

10. The Government of the Federated States of Micronesia shall bar the participation in the conduct of the affairs of an FDIC-insured depository institution in the Federated States of Micronesia by any IAP, person, or party who: (a) is subject to a final or temporary order of suspension, removal, or prohibition issued by the FDIC, other United States banking or regulatory agency, or United States court, and/or (b) has been convicted of, or has agreed to enter a pre-trial diversion or similar program, in connection with the prosecution for an offense of the type covered by section 19 of the FDI Act, 12 U.S.C. § 1829, including any conviction and/or diversion that takes place in the Federated States of Micronesia or in any other nation or jurisdiction.

11. A conservatorship or receivership of an FDIC-insured depository institution in the Federated States of Micronesia shall be initiated and conducted in accordance with the provisions of the FDI Act as if the Federated States of Micronesia were a "State" for purposes of the FDI Act. Consistent with this principle, but not by way of limitation, the following shall apply:

- (a) If an FDIC-insured depository institution in the Federated States of Micronesia becomes "critically undercapitalized," for purposes of the FDI Act, the Government of the Federated States of Micronesia shall act to close such institution and appoint the FDIC as conservator or receiver within 90 days and consistent with the provisions and timeframes set forth in section 38(h) of the FDI Act, 12 U.S.C. § 1831o(h).
- (b) The FDIC has the authority to appoint itself conservator or receiver of an FDIC-insured depository institution in the Federated States of Micronesia under the circumstances provided in section 11(c)(4) or (10) of the FDI Act, 12 U.S.C. §§ 1821(c)(4) or (10); and to exercise all powers conferred by the FDI Act.
- (c) If the FDIC is appointed as conservator or receiver of an FDIC-insured depository institution in the Federated States of Micronesia, the FDIC shall become the conservator or receiver of that institution on the date of the appointment unless the FDIC notifies the Commissioner in writing that it will not accept such appointment.
- (d) Consistent with section 11(d)(11) of the FDI Act, 12 U.S.C. § 1821(d)(11), the receiver's administrative expenses shall be paid prior to the payment of any other claims of unsecured creditors. In addition, the subrogated claim of the FDIC as insurer of deposits shall have priority over the payment of any claims of general unsecured creditors of the FDIC-insured depository institution, other than the receiver's administrative expenses.

(e) No person shall be permitted to bring an action in a court of law or other body (including any action that existed against an FDIC-insured depository institution in the Federated States of Micronesia prior to its failure) until such person has permitted the receiver to complete its administrative review of such claim.

(f) No agreement which tends to diminish or defeat the interests of the FDIC in any asset acquired by it, including through its role as conservator or receiver for an FDIC-insured depository institution in the Federated States of Micronesia, shall be valid unless it meets the requirements of 12 U.S.C. § 1823(e).

(g) No claim against the FDIC for its actions as conservator or receiver of an FDIC-insured depository institution in the Federated States of Micronesia shall prevail unless the plaintiff proves by clear and convincing evidence that the FDIC acted in willful disregard of the law.

(h) It is further understood by the Signatory Governments that: (1) no court or administrative agency shall enjoin the operations of the conservatorship or receivership; (2) officers, directors, and other professionals providing services to the FDIC-insured depository institution shall be liable to the conservator or receiver for any damages caused to the failed FDIC-insured depository institution, consistent with U.S. banking laws, including 12 U.S.C. § 1821(k) and (l); and (3) the conservator or receiver shall not be required to perform any executory contract which had been entered into by the FDIC-insured depository institution prior to its failure.

(i) The creditors or debtors of the FDIC-insured depository institution shall commence litigation on a claim against the receivership only after a complete administrative review of the claim by the receiver. All suits of a civil nature to which the FDIC as conservator or receiver is a party must be brought in the United States District Court for the District of Guam or in another United States District Court agreed upon by the receiver and the litigant(s). When litigation is necessary, the FDIC shall attempt in good faith to reduce litigants' travel obligations and costs by soliciting the use of a special master designated by the United States District Court for the District of Guam. The special master would travel to the Federated States of Micronesia to conduct hearings and gather evidence to assist the United States District Court for the District of Guam.

12. Without limiting the application of United States banking laws under paragraph 3 of this Article, civil or criminal claims based upon bank secrecy, privacy (including data privacy), confidentiality, blocking statutes, or any other grounds that may limit the FDIC's access to customer account or other information in the Federated States of Micronesia shall not be enforceable against the FDIC or persons or entities providing such information to the FDIC. Any information so obtained by the FDIC shall be treated in accordance with the same confidentiality policies, procedures, and practices with which the FDIC treats similar information that it obtains from United States insured depository institutions in the course of its examination and supervision of such institutions, or in its capacity as receiver or conservator of United States insured depository institutions, as the case may be.

13. In addition to insuring the depository institutions in the Federated States of Micronesia, the FDIC is prepared to provide technical assistance to the Government of the Federated States of Micronesia, in the form of regulatory, supervisory, and receivership/liquidation training, and other support.

Article XII

Telecommunications Services and Related Programs

1. This Article sets forth the respective authority and responsibility of the Signatory Governments for communications assistance, including frequency spectrum management, as authorized by Section 131 of the 2023 Amended Compact, and with regard to the operation of telecommunication services of the Government of the United States of America in the Federated States of Micronesia as authorized by Section 132 of the 2023 Amended Compact.
2. The Signatory Governments, recognizing the progressive development of telecommunications infrastructure for their mutual benefit and the importance of incorporating advances in technology in this development, may enter into negotiations for the purpose of concluding such subsidiary arrangements as may be necessary to make available, so far as is possible, to the people of the Federated States of Micronesia and to the Government of the United States of America, rapid, efficient, reliable, and cost-effective advances in telecommunications technology. The Signatory Governments may also continue to consult through the "Joint Telecommunication Board" established pursuant to Article II(4)(b) of the *Agreement Regarding the Operation of Telecommunications Services of the Government of the United States in the Marshall Islands and the Federated States of Micronesia Concluded Pursuant to Section 132 of the Compact of Free Association*, done at Honolulu on October 1, 1982, and in coordination with other development partners on methods to encourage rapid, efficient, reliable, secure, and cost-effective communication methods in the Federated States of Micronesia. Further, when telecommunications infrastructure upgrades in the Federated States of Micronesia are undertaken by the Government of the United States of America, the Government of the Federated States of Micronesia shall not impose any license requirements, taxes, fees, or charges upon the Government of the United States of America.
3. The definitions of terms set forth in Article I(2) of the Status of Forces Agreement are incorporated into this Article.
4. The Government of the United States of America shall provide frequency management support to the frequency management staff of the Government of the Federated States of Micronesia by:
 - (a) Assisting in the notification and coordination of new radio frequency assignments to the Radiocommunication Bureau when the frequency management staff is faced with new or complex aspects of complying with International Telecommunication Union ("ITU") procedures;
 - (b) Providing advice and assistance in accommodating new communications requirements for complex systems or for ones which the staff have not handled before or otherwise need assistance; and
 - (c) Maintaining a computer database of United States Government frequency assignments in the Federated States of Micronesia and providing periodic lists of the assignments to the Federated States of Micronesia for the duration of the 2023 Amended Compact.
5. At Joint Telecommunication Board meetings and between meetings, as necessary, the Government of the United States of America shall provide information on, for example, issues and correspondence involving activities of the ITU.
6. For the duration of the 2023 Amended Compact, the Government of the Federated States of Micronesia:
 - (a) Shall operate its telecommunications services consistent with the provisions of the ITU Constitution and Convention and the ITU Radio Regulations and shall fulfill all of its ITU obligations; and

(b) Shall consult with the Government of the United States of America (using Joint Telecommunication Board meetings when time permits) on ITU issues, including all ITU conferences and meetings, which could affect its bilateral relationship with the Government of the United States of America.

7. In accordance with the applicable provisions of the ITU Convention or as may be provided for in a subsequent ITU instrument binding on the Signatory Governments, the Government of the Federated States of Micronesia shall offer first to the Government of the United States of America its proxy to vote and sign on its behalf at any ITU conference, assembly, or meeting that it does not attend, provided the Signatory Governments have consulted on the issues to be decided. When offering its proxy, the Government of the Federated States of Micronesia may provide written instructions on how to vote, and whether to abstain, on particular issues. If such offer is accepted, the Government of the United States of America shall exercise the proxy from the Government of the Federated States of Micronesia consistent with any such written instructions and inform, or share results with, the Competent Authority of the Government of the Federated States of Micronesia regarding decisions made at such conferences, assemblies, or meetings at which it serves as the Government of the Federated States of Micronesia's proxy. If such offer is declined, the Government of the Federated States of Micronesia shall consult with the Government of the United States of America regarding provision of its proxy to another ITU member state.

8. General Provisions:

(a) The Government of the Federated States of Micronesia shall permit the Government of the United States of America to operate telecommunications services in the Federated States of Micronesia to the extent necessary to fulfill the obligations of the Government of the United States of America under the 2023 Amended Compact.

(b) In the Federated States of Micronesia, permits or licenses issued to United States Personnel by the Government of the United States of America shall be solely for the operation of telecommunications facilities of the Government of the United States of America.

(c) The Government of the United States of America may use local telecommunications systems in the Federated States of Micronesia and is encouraged to do so to the extent feasible, taking into account the cost, security, effectiveness, and reliability of such systems.

9. Subject to prior consultations with the Government of the Federated States of Micronesia, the Government of the United States of America may take within the Federated States of Micronesia measures for the installation, operation, and maintenance of its telecommunications services, including:

(a) The operation and maintenance of all telecommunications facilities, and use of the associated radio frequencies authorized for use, or authorized in use, by it upon the entry into force of this Agreement;

(b) The installation, operation, and maintenance of new or additional telecommunications facilities in the Federated States of Micronesia. Such actions shall be coordinated with the Government of the Federated States of Micronesia;

(c) The regulation and control of all telecommunications of the Government of the United States of America, including the licensing of operations personnel; and

(d) The use of codes, ciphers, and other means of cryptographic security.

10. The Government of the Federated States of Micronesia:

- (a) Shall permit the operation of United States telecommunications facilities in the Federated States of Micronesia, subject to coordination with the Government of the United States of America, in accordance with the terms of this Agreement; and shall ensure that the provision of frequencies to the Government of the United States of America shall be free from all license requirements, taxes, duties, fees, and charges;
- (b) Shall make prompt and reasonable efforts to satisfy requests by the Government of the United States of America for changes in existing frequencies and for requests for additional frequencies; and
- (c) Shall accept as its own, without a test or fee, the permits or licenses issued to United States Personnel by the Government of the United States of America.

11. Recognizing the establishment of the Joint Telecommunication Board for the purpose of harmonizing the telecommunications operations of the Government of the United States of America with those of the Government of the Federated States of Micronesia, the Competent Authorities shall meet at least annually or more often as may be required. The Joint Telecommunication Board shall review plans for changes to the respective telecommunications systems of the parties to ensure maximum possible compatibility and interoperability, and discuss and decide any issues relating to the use of local telecommunications systems by the Government of the United States of America. The secretariat and host for meetings of the Board shall be as mutually decided by the Signatory Governments.

12. The Government of the United States of America, through its Competent Authority, shall coordinate proposed major changes to United States telecommunications and extraordinary activities or exercises that would have the potential of causing either electromagnetic or physical interference with other systems used or licensed by the Government of the Federated States of Micronesia. The Government of the Federated States of Micronesia, through its Competent Authority, shall coordinate similar changes with the United States Competent Authority. The Signatory Governments shall use their best efforts to avoid both electromagnetic and physical interference to each other's telecommunications operations. In the event the Competent Authorities cannot reach a mutually satisfactory arrangement through consultations, the matter shall be referred to their respective governments for resolution in accordance with the provisions of Article V of Title Three or Article II of Title Four of the 2023 Amended Compact, as appropriate.

13. Transmitter and receiver antennas installed by the Government of the United States of America shall be located and constructed so as not to constitute hazards including, inter alia, hazards to air navigation.

14. The Armed Forces of the United States and their United States Contractors may take, in the Federated States of Micronesia, measures for the installation, operation, and maintenance of telecommunications services pursuant to Title Three of the 2023 Amended Compact, and its subsidiary agreements. These measures include the right, as provided for in this Agreement, to install, operate, and maintain:

- (a) Radio communication, radar, and telemetry systems including:
 - i. Major radio communication facilities as links with the worldwide military network of the United States of America;
 - ii. Such other lesser radio-telephonic and telegraphic communication facilities, including the Military Affiliate Radio System, as may be required for the support of military and administrative services of the Armed Forces of the United States;
 - iii. Television systems;

- iv. Radio facilities for communication with aircraft and surface vessels;
 - v. Satellite communications;
 - vi. Such other broadcast stations contributing to the morale, welfare, and training of the Armed Forces of the United States and its contractors, which include the Armed Forces Radio and Television Service and short-range broadcast stations; and
 - vii. Such other telecommunications facilities as may be required from time to time.
- (b) Aids to air navigation and airfield approach control systems including electronic navigation and landing aids, such as airport surveillance radars, ground control approach (GCA), tactical air navigation system (TACAN), and instrument landing systems (ILS), and other such aids as may be developed and adapted for such use.
- (c) Telecommunications equipment in connection with the operation of weather facilities.
- (d) The activities contained in subparagraphs (a) through (c) above are a non-exclusive, illustrative listing of the telecommunications activities which the Armed Forces of the United States may take in the Federated States of Micronesia.
- (e) The term "television systems" as used in subparagraph (a)(iii) above refers only to such systems used for surveillance monitoring, security systems, command and control, and other such uses, but does not include television broadcast stations as addressed in subparagraph (a)(vi) above without the prior agreement of the Signatory Governments in writing.
- (f) The Government of the United States of America shall not undertake any actions to install or operate broadcast stations pursuant to subparagraph (a)(vi) above without prior agreement of the Signatory Governments in writing.
15. Taking into account Article II(9) of this Agreement and paragraph 8(c) of this Article, encouraging the use of local telecommunications services, Federal Agencies and their United States Contractors may in the Federated States of Micronesia take measures for the installation, operation, and maintenance of telecommunications products and services in support of United States federal programs and services, as set forth in this Agreement.
16. Notwithstanding the expiration of this Article or termination of this Agreement, paragraphs 2, 3, 8-14, and 16 of this Article shall remain in force between the Signatory Governments for the period of effectiveness of the *Agreement Regarding the Military Use and Operating Rights of the Government of the United States in the Federated States of Micronesia Concluded Pursuant to Sections 211(b), 321 and 323 of The Compact of Free Association, as amended*, done at Palikir on May 14, 2003, and paragraphs 4(c), 6, and 8(a) of this Article shall remain in force for period of effectiveness of the 2023 Amended Compact.

Article XIII
Transition and Discontinuation of Services and Related Programs

1. Whenever the Government of the Federated States of Micronesia desires to discontinue a category of the services and related programs set forth in Articles VI through XII of this Agreement and accordingly to terminate the operation of the relevant Article prior to the expiration or termination of that Article or termination of this Agreement, the Government of the Federated States of Micronesia shall give written notice to the Government of the United States of America through diplomatic channels. The Government of the United States of America shall assist in the orderly transfer of authority and responsibility for such discontinued category of services and related programs. Unless otherwise agreed, the authority and responsibility of the Government of the United States of America under this Agreement for a discontinued category of services and related programs shall end one year after the date of such notice to the Government of the United States of America.

2. Upon termination of an Article and discontinuation of a category of services and related programs pursuant to paragraph 1 of this Article, the applicability of all laws of the United States of America, and its regulations, practices, policies, treaties, conventions, or arrangements, which are applicable to that category solely by virtue of this Agreement, shall cease to be applicable in the Federated States of Micronesia, and any authority and responsibility of the Government of the United States of America for the conduct of foreign affairs in respect to such services and related programs shall also cease.

Article XIV
Entry Into Force, Amendment, and Duration

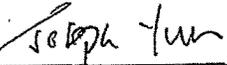
1. This Agreement shall enter into force on the date of the later note in an exchange of notes between the Signatory Governments indicating that each Signatory Government has completed its internal procedures for entry into force.
2. This Agreement supersedes the 2004 Federal Programs and Services Agreement.
3. Upon entry into force of this Agreement, the Implementing Agreement between the United States of America, acting through the United States Agency for International Development (USAID), and the Federated States of Micronesia signed in 2009 shall be terminated.
4. This Agreement may be amended at any time in writing by mutual agreement of the Signatory Governments.
5. This Agreement shall remain in force indefinitely, except that Articles VI through XII, Annex A, and Annex B shall remain in force only through September 30, 2043, except as otherwise provided in Article XII. This Agreement may be terminated in part as set forth in Article XIII of this Agreement or in its entirety by mutual agreement of the Signatory Governments.

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

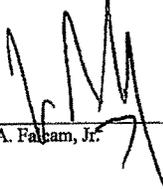
DONE at Washington, DC, on September 28, 2023, in duplicate, in the English language.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE
FEDERATED STATES OF MICRONESIA:



Joseph Yun



Leo A. Falcam, Jr.

ANNEX A
**WEATHER SERVICES AND RELATED PROGRAMS
 PROVIDED BY
 THE NATIONAL WEATHER SERVICE
 TO
 THE FEDERATED STATES OF MICRONESIA**

To comply with the provisions of the 2023 Amended Compact, the United States Department of Commerce's National Oceanic and Atmospheric Administration's National Weather Service (hereafter referred to as the "National Weather Service") shall, subject to the availability of appropriated funds:

1. Enter into a contract with the Government of the Federated States of Micronesia to provide, on a reimbursable basis, personnel, facilities, supplies, and related support services, including telecommunication infrastructure, to operate and maintain Weather Service Offices ("WSOs") at Pohnpei, Chuuk, and Yap, second order weather stations, and climatological networks within the area of responsibility of these three primary weather stations.
 - (a) WSO Pohnpei includes the observatory, upper air inflation building and associated weather equipment. It is staffed by a Meteorologist-in-Charge or Official-in-Charge, eight Weather Service Specialists, an Electronic Program Specialist, and a Tradesman. This office takes and disseminates surface and upper air observations, gathers tide data and makes and disseminates locally adapted forecasts. It also provides expertise to the Government of the Federated States of Micronesia on short- and long-term climatological trends with technical assistance from the National Weather Service. WSO Pohnpei supervises the Pohnpei International Airport and Kosrae Supplemental Aviation Weather Reporting Stations ("SAWRS"). Second order stations providing limited surface synoptic observations are located at Pingelap, Nukuro, Kapingamorangi, and Kosrae. WSO Pohnpei oversees the second order stations and also the cooperative weather sites within Pohnpei State. The person in charge of WSO Pohnpei has, as a collateral duty, the function of the Federated States of Micronesia Weather Service Coordinator until such time as the Government of the Federated States of Micronesia can assume this function on a full-time basis.
 - (b) WSO Yap includes the observatory, upper air inflation building, and associated weather equipment. It is staffed by a Meteorologist-in-Charge, eight Weather Service Specialists, an Electronic Program Specialist, and a Tradesman. This office takes and disseminates surface and upper air observations, gathers tide data, and prepares and disseminates locally adapted forecasts. It also provides expertise to the Government of the Federated States of Micronesia on short- and long-term climatological trends with technical assistance from the National Weather Service. Pohnpei WSO oversees second order stations providing surface synoptic observations are located at Woleai and Ulithi. WSO Yap oversees the cooperative weather sites within Yap State.
 - (c) WSO Chuuk includes the observatory, upper air inflation building, and associated weather equipment. It is staffed by a Meteorologist-in-Charge or Official-in-Charge, eight Weather Service Specialists, an Electronic Program Specialist, and a Tradesman. This office takes and disseminates surface and upper air observations, gathers tide data, and makes and disseminates locally adapted forecasts. It also provides expertise to the Government of the Federated States of Micronesia on short- and long-term climatological trends with technical assistance from the National Weather Service. WSO Pohnpei oversees second order stations providing surface synoptic observations are located at Puluwat and Lukunor. WSO Chuuk oversees the cooperative weather sites within Chuuk State.
2. As funds are available and as efficiencies and new technologies are implemented, modify the staff at the three Federated States of Micronesia WSOs by a reduction in the

number of Weather Service Specialists and the addition of a second Meteorologist and a Systems Manager (computer specialist).

3. Provide the supplies (including balloons, radiosondes, hydrogen, and tanks, etc.), manuals and instructions, and instruments and equipment required for the operation of the WSOs' programs and related services but which are not provided for under paragraph 1 of this Annex.
4. Provide and maintain WSO facilities, including renovation and periodic replacement, and the replacement of meteorological instruments/equipment, and other equipment required for the weather offices' programs and related services.
5. Regularly inspect the WSO and SAWRS observing sites to ensure the quality of meteorological operations and services.
6. Train Federated States of Micronesia employees as required to implement the provisions of this Article and to meet technological change.
7. Continue Federated States of Micronesia access to telecommunications for meteorological traffic to ensure the receipt and dissemination of current meteorological information.
8. Provide for the maintenance, repair, or installation of instruments and equipment required for the WSOs' programs and related services.
9. Provide advice and technical assistance, upon request, for the development of a Federated States of Micronesia national weather service.
10. Continue the following level of weather services and related programs for Federated States of Micronesia until they may be assumed by the development of a Federated States of Micronesia national weather service:

(a) General

- i. The National Weather Service provides for the meteorological data acquisition facilities and services and for the dissemination of forecasts and warnings prepared by the National Weather Service Forecast Offices ("WFOs") in Guam and Honolulu to the civil interests, including those involved in marine and aviation activities.

(b) Public Weather Services

- i. WFO Guam prepares tropical storm, typhoon, marine, and other warnings and twice daily marine-oriented forecasts and transmits these products by satellite communications such as the Emergency Manager's Weather Information Network or equivalent means via HF radio (radiofax) for high seas information and by dedicated telecommunications networks to the WSOs. The WSOs adapt the marine-oriented forecasts for local use and then distribute locally by phone, phone recording, facsimile, Internet web site, and also disseminate by radio and TV (where available) in both English and native languages.
- ii. Each of the three Federated States of Micronesia WSOs (Pohnpei, Chuuk, and Yap) maintains short-term historical weather records for the use of local, national, and international agricultural, construction, and scientific interests. Long-term climatological records are maintained by the US National Climatic Data Center, Asheville, North Carolina.

(c) Aviation Weather Services

- i. Aviation aerodrome forecasts are to be issued for Yap, Chuuk, and Pohnpei four times daily, and for Kosrae (based upon the availability of SAWRS observations) by either the WFO Guam or the WFO Honolulu.
 - ii. Aviation warnings are issued, as required, under international agreement.
- (d) Sea-Level Monitoring (Tide) stations in Pohnpei, Chuuk, and Yap are part of the International Tsunami Warning System. These three stations are located in a critical quadrant of the western Pacific and provide early warnings of tsunamis generated in the Philippine Islands - New Guinea - Vanuatu area. The tide information is transmitted to the Pacific Tsunami Warning Center in Honolulu for their computation of tsunami transit time and for use in preparing warnings for the Pacific.

ANNEX B

USE OF THE DISASTER ASSISTANCE EMERGENCY FUND

1. The DAEF account shall be 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 Federated States of Micronesia.
2. The Government of the Federated States of Micronesia may invest part or all of the DAEF in low-risk instruments such as insured certificates of deposit, money market funds, and Treasury bills and notes, provided asset liquidity is not compromised. Any earnings from such investments shall be reinvested into the DAEF.
3. The Government of the Federated States of Micronesia may withdraw funds from the DAEF only after the President of the Federated States of Micronesia officially declares an emergency or disaster in accordance with the laws of the Government of the Federated States of Micronesia and subject to the following requirements:
 - (a) The President of the Federated States of Micronesia must approve all withdrawals from the DAEF.
 - (b) For any one emergency or disaster declared in accordance with the laws of the Federated States of Micronesia:
 - i. Withdrawals from the DAEF up to and including \$250,000 shall be reported to the U.S. Chief of Mission as to the use and amount of the withdrawal.
 - ii. Withdrawals from the DAEF over \$250,000 shall require the approval of the U.S. Chief of Mission as to the use and amount of the withdrawal.
 - iii. Use of more than fifty percent of the funds in the DAEF shall require the approval of the U.S. Chief of Mission and the Government of the Federated States of Micronesia.
 - (c) No more than \$500,000 may be withdrawn from the DAEF in any one calendar year without the U.S. Chief of Mission's approval.
 - (d) Withdrawals from the DAEF made under this paragraph shall be used to meet the immediate threats to the life, health, and safety of the residents of the Federated States of Micronesia and for the rehabilitation and reconstruction of public property damaged in an emergency or disaster declared in accordance with the laws of the Federated States of Micronesia.
4. Notwithstanding paragraph 3 of this Annex, the Government of the Federated States of Micronesia may also withdraw up to and including \$50,000 of DAEF funds per calendar year for the purposes of implementing preparedness activities including, but not limited to, maintaining and updating disaster assistance plans, evaluation of natural hazards, and development of programs and actions to mitigate such hazards. Such withdrawals shall require the approval of the President of the Federated States of Micronesia and shall be reported to the U.S. Chief of Mission as to the use and amount of the withdrawal.
5. Beginning in fiscal year 2025, the Government of the Federated States of Micronesia shall provide the U.S. Chief of Mission and the Joint Economic Management Committee described in Sections 213 and 263 of the 2023 Amended Compact an annual financial report from the previous year showing:

- (a) The uses of withdrawals from the DAEF;
- (b) Deposits by the Government of the Federated States of Micronesia into the DAEF of contributions from both the Government of the United States of America and the Government of the Federated States of Micronesia;
- (c) The amount of interest income generated during the fiscal year; and
- (d) The fund balance.

6. In accordance with Section 261(d) of the 2023 Amended Compact, the *Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Federated States of Micronesia*, done at Palikir on May 23, 2023, shall govern the administration of the DAEF.

7. Upon termination or expiration of Article 10 of this Agreement, full ownership of the DAEF shall pass to the Government of the Federated States of Micronesia.

