

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE REPUBLIC OF PALAU

WHEREAS the Government of the United States of America (hereinafter “the United States”) and the Government of the Republic of Palau (hereinafter “Palau”) are sovereign nations freely associated with one another, and there is no closer relationship that sovereign nations can have;

WHEREAS the United States and Palau are engaged in a review required by Section 432 of their Compact of Free Association (hereinafter “Review”);

WHEREAS the Review to date has been positive and productive, with the United States and Palau working cooperatively and in good faith, underpinned by their shared vision of a strengthened partnership that will be lasting and continue to benefit both nations and the entire Pacific region;

RECOGNIZING Palau’s economic challenges due to COVID-19 and geopolitics, resulting in a decline in tourism, which had been its largest industry, as well as challenges from climate impacts, such as rising sea levels and increased natural disasters;

RECOGNIZING the continued desire of the United States to support Palau’s economic health and development;

RECOGNIZING the United States’ and Palau’s continued partnership in matters of international security and world peace;

RECOGNIZING the desire of the United States and Palau to continue positive and constructive discussions in the Review to enable their partnership to thrive;

RECOGNIZING that the United States and Palau have committed to take specific measures in relation to the findings and conclusions of the Review;

RECOGNIZING that some of these measures require changes in existing arrangements through the respective constitutional processes of the United States and Palau; and

RECOGNIZING the importance of completing the Review expeditiously;

The United States and Palau have come to the following understandings:

Direct Economic Assistance

The United States plans to request a mandatory appropriation for annual installments of \$30 million in direct economic assistance to Palau, including annual installments of \$5 million for infrastructure projects and \$5 million for infrastructure maintenance, to be provided for 20 years beginning in Fiscal Year 2024, with such amounts to be adjusted annually for inflation as specified in an agreement that reflects the Review.

Section 211(f) Fund

The United States plans to request a mandatory appropriation for annual installments of \$50 million to be deposited into the Fund referred to in Section 211(f) of the Compact for two years beginning in Fiscal Year 2024.

Fiscal Consolidation Fund

The United States plans to request a mandatory appropriation for annual installments of \$10 million for fiscal consolidation by Palau for six years beginning in Fiscal Year 2024.

Federal Programs and Services

The United States plans to continue to provide federal programs and services to Palau as provided for in U.S. legislation, as well as those currently provided under the Federal Programs and Services Agreement, as amended.

The United States and Palau intend to continue discussions regarding additional federal programs and services.

Economic Advisory Group

The United States and Palau plan to continue the Advisory Group on Economic Reform established by the agreement resulting from the fifteenth anniversary review of the Compact as specified in an agreement that reflects the Review.

The United States and Palau affirm their commitment to conduct a review similar in kind to the review called for in Section 432 of the Compact before the end of Fiscal Year 2043.

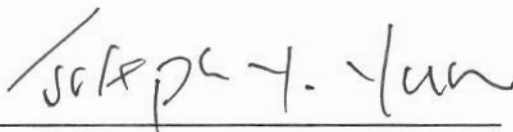
The United States and Palau intend to include in the agreement that reflects the outcome of the thirtieth anniversary Review a provision regarding the continuation of direct economic assistance and federal programs and services beyond Fiscal Year 2043 at the same levels identified above, subject to mutual agreement.

The United States and Palau affirm their close and continuing partnership underpinned by their relationship of free association.

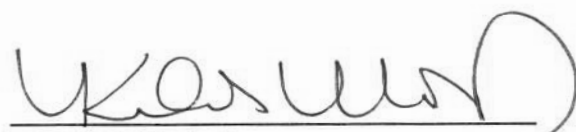
Signed, at Los Angeles, California, United States this 10th day of January 2023, in duplicate.

For the Government of the United States of America:

For the Government of the Republic of Palau:



Joseph Yun
Special Presidential Envoy for Compact Negotiations



Kaleb Udui, Jr.
Chief Representative and Minister of Finance