

**STATEMENT  
OF**

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UNITED STATES DEPARTMENT OF THE INTERIOR**

**BEFORE THE  
UNITED STATES HOUSE COMMITTEE ON NATURAL RESOURCES  
SUBCOMMITTEE ON INDIAN AND INSULAR AFFAIRS**

**“EXAMINING THE IMPLEMENTATION OF THE COMPACT OF FREE ASSOCIATION  
AMENDMENTS ACT OF 2024”**

**September 10, 2024**

Chair Hageman, Ranking Member Leger Fernández, and members of the Subcommittee on Indian and Insular Affairs, thank you for the opportunity to testify on the implementation of the Compact of Free Association Amendments Act of 2024. I am the Director of the Office of Insular Affairs (OIA) at the U.S. Department of the Interior, the office responsible for administering economic assistance provided under the Compacts of Free Association (Compacts) with the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (collectively, the freely associated states or FAS).

Strong ties between the United States and these Pacific Islands, individually and collectively, form the foundation of U.S. engagement in the Pacific. The Department of the Interior is pleased to play a leading role in implementing the economic assistance provisions under the newly amended agreements, which extend \$6.5 billion in economic assistance to the freely associated states for the next 20 years.

Following President Biden's signature on Public Law 118-42 on March 9<sup>th</sup> of this year, Interior and its federal partners have worked tirelessly to implement the new agreements as approved by the Congress. This fiscal year, \$825 million out of an available \$977 million has already been provided to the FAS for Compact Trust Fund contributions, special purpose funds, and sector grant support under the Compact of Free Association Amendments Act of 2024. The remaining funds will be provided as plans for infrastructure and other special projects are approved.

### **Interagency Group on Freely Associated States**

Section 208(d) of the Compact of Free Association Amendments Act of 2024 provides an outline to revitalize the Interagency Group on Freely Associated States. I am happy to report that on September 12<sup>th</sup>, this Thursday, Assistant Secretary Carmen Cantor from Interior and Assistant Secretary Dan Kritenbrink from State will co-chair the second meeting of the Interagency Group on Freely Associated States. Their first meeting was held on April 29, 2024, at which the group's representative to the joint economic management committee for the FSM was appointed. We look forward to providing the interagency group's annual report to Congress in March 2025.

### **Bi-Lateral Committees**

Since the Compact amendments were enacted and brought into force, the Department of the Interior, along with interagency and freely associated state partners have prioritized forming the requisite bi-lateral committees to ensure that economic assistance under the new agreements is available and within the framework approved by Congress.

The amended Compact agreement with each of the FAS requires the establishment of bi-lateral committees to review and approve plans of use for economic assistance from the United States. Both the U.S. and the FAS have made the necessary appointments to all required committees. Interior Secretary Haaland is in the process of notifying the appropriate committees of Congress of these appointments. In the meantime, the Compact-required committees are fully operational, are meeting regularly, and have successfully adjudicated plans from

the FAS governments for the use of economic assistance and the disbursement of grants. The economic assistance is being used primarily to support the health and education sectors in the FAS countries.

To highlight some of our recent engagements: in June, Assistant Secretary Cantor and the United States Ambassador to Palau, Ambassador Joel Ehrenreich, led a United States delegation in conducting bilateral economic consultations with the Republic of Palau. At those consultations, Palau President Whipps reaffirmed the strength and importance of Palau's relationship with the United States. Last week in Hawaii, Assistant Secretary Cantor chaired meetings of the Joint Economic Committees with the Federated States of Micronesia and the Republic of the Marshall Islands. The discussions at these meetings centered upon concurrence by the Committees with the issuance of Fiscal Year 2025 economic assistance grants to both nations totaling over \$200 million.

### **Compact Trust Funds**

Next week I will chair a meeting of the Compact Trust Fund Committee with the Federated States of Micronesia. Again, the U.S., FSM and RMI have each made all necessary appointments to the respective trust fund committees.

The 2023 trust fund agreements improve and expand the functionality of the Trust Funds. Both trust fund committees have established a working group to address the set up required accounts, to adjust investment policy and asset allocations, to amend by-laws and articles of incorporation, and to carry out other activities as needed.

In fiscal year 2024, the U.S. contributed \$250 million to the Trust Fund for the People of the Federated States of Micronesia, and \$200 million to the Trust Fund for the People of the Republic of the Marshall Islands under the new agreements. These funds were invested immediately according to their respective investment asset allocations approved by the trust fund committees. As of July 31st, the FSM trust fund has a total value of \$1.4 billion and an annual average return since inception of 6.1 percent. As of July 31st, the RMI trust fund has a total value of \$1.0 billion and an annual average return since inception of 6.8 percent. In fiscal

year 2024, the U.S. also contributed and \$50 million to the Palau Compact Trust Fund under the new the new Compact Review Agreement.

The RMI government requested a distribution for fiscal year 2024 according to the rules of the 2004 Trust Fund Agreement to provide bridge budgetary support in the health, education, and infrastructure sectors until the 2023 Amended Compact was approved. A total of \$8.1 million was distributed to the RMI government for those sectors. The fiscal procedures of the 2003 Amended Compact and those of the Committee have been applied for the use of those funds. The FSM government did not request any distributions for fiscal year 2024.

The respective signatory governments and trust fund committees are evaluating the steps required to comply with the 2023 Amendment terms for any future distributions.

## **Conclusion**

The Federal government and the government of each of the FAS have a collective responsibility to efficiently and effectively apply the new resources provided under the Compact of Free Association Amendments Act of 2024. The Department of the Interior is committed to doing its part to fulfill the terms of the three amended Compact agreements. There is still a tremendous amount of work to be done over the next two decades, but we are confident that working together with the interagency and our FAS partners we can ensure that the FAS nations and their people thrive in a free and open Indo-Pacific.

Chair Hageman, Ranking Member Leger Fernández, it is a pleasure to appear before your Subcommittee regarding implementation of the Compact of Free Association Amendments Act of 2024. I look forward to your questions. Thank you.