



ELBUHEL SADANG
Minister

REPUBLIC OF PALAU
Office of the Minister

September 19, 2018
Serial No. MOF-ES18-127

The Honorable Hokkons Baules
Senate President
Tenth Olbil Era Kelulau
P. O. Box 8
Koror, Republic of Palau 96940

Subject: Transmittal of the Agreement to Amend the Compact Review Agreement Funding Schedules Pursuant to the COFA Section 432 Review

Dear Senate President Baules:

I am pleased to provide for your information and reference the approved Agreement to Amend the Compact Review Agreement Funding Schedules. We believe that the amended Agreement maximizes the value of the funding package after so many years of delay, which will help ensure Palau's fiscal sustainability over the long term.

Sincerely,



Attachments



REPUBLIC OF PALAU
Office of the Minister

ELBUHEL SADANG
Minister

September 19, 2018
Serial No. MOF-ES18-127

The Honorable Sabino Anastacio
Speaker of the House of Delegates
Tenth Olbiil Era Kelulau
P. O. Box 8
Koror, Republic of Palau 96940

Subject: Transmittal of the Agreement to Amend the Compact Review Agreement Funding Schedules Pursuant to the COFA Section 432 Review

Dear Speaker Anastacio:

I am pleased to provide for your information and reference the approved Agreement to Amend the Compact Review Agreement Funding Schedules. We believe that the amended Agreement maximizes the value of the funding package after so many years of delay, which will help ensure Palau's fiscal sustainability over the long term.

Sincerely,

Attachments

**AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF PALAU
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
TO AMEND THE AGREEMENT BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF PALAU AND THE GOVERNMENT OF THE UNITED
STATES OF AMERICA FOLLOWING THE COMPACT OF FREE
ASSOCIATION SECTION 432 REVIEW**

The Government of the Republic of Palau and the Government of the United States of America hereby agree to amend the Agreement between the Government of the Republic of Palau and the Government of the United States of America Following the Compact of Free Association Section 432 Review, signed at Honolulu on September 3, 2010 (the "Compact Review Agreement") as follows:

Section 1 is replaced in its entirety by the following:

"The Government of the United States of America (the "Government of the United States") shall contribute \$65.25 million to the Fund referred to in Section 211(f) of the Compact in accordance with the following schedule: \$65.25 million as soon as practicable following the entry into force of this Agreement as hereby amended."

Section 2(a) is replaced in its entirety by the following:

"The Government of the United States shall provide a grant of \$2 million annually from Fiscal Year 2018, or as soon as practicable following this Agreement's entry into force, through Fiscal Year 2024 to create a trust fund (the "Infrastructure Maintenance Fund") to be used for the routine and periodic maintenance of major capital improvement projects financed by funds provided by the Government of the United States. The Government of the Republic of Palau (the "Government of Palau") will match the contributions made by the Government of the United States by making contributions of: \$150,000 to the Infrastructure Maintenance Fund on a quarterly basis from the beginning of Fiscal Year 2019 through Fiscal Year 2024. Implementation of this subsection shall be carried out in accordance with the provision of Appendix A to this agreement."

Section 3 is replaced in its entirety by the following:

“The Government of the United States shall provide the Government of Palau with no funds for deposit in an interest bearing account to be used to reduce government payment arrears of Palau.”

Section 4(a) is replaced in its entirety by the following:

“In addition to the \$107.644 million in economic assistance provided to the Government of Palau by the Government of the United States in Fiscal Years 2010 through 2018, and unless otherwise specified in this Agreement, as amended, or in an Appendix to this Agreement, the Government of the United States shall provide the Government of Palau with \$22.106 million as follows: \$22.106 in Fiscal Year 2018, or as soon as practicable following this Agreement’s entry into force.”

Section 4(b) is replaced in its entirety by the following:

“With respect to Fiscal Years 2018 through 2023, and except as otherwise agreed by the Government of the United States and the Government of Palau, the Government of Palau agrees not to exceed the annual Section 211(f) Fund distributions established in the provisions of Compact section 211(f) and the Agreement Between the Government of the United States and the Government of Palau Regarding Economic Assistance Concluded Pursuant to Section 211(f) of the Compact of Free Association.”

Section 5 is replaced in its entirety by the following:

“The Government of the United States shall make available \$20 million as soon as practicable following the entry into force of this Agreement, as amended, for grants to the Government of Palau for one or more mutually agreed upon infrastructure projects in accordance with the provisions of Appendix C to this Agreement, as amended.”

This Agreement shall enter into force on the date the Compact Review Agreement enters into force.

This Agreement shall remain in full force and effect until terminated by mutual written consent, or until termination of the Compact Review Agreement, whichever occurs first.

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

Done at 19th on September, 2018, in duplicate, in the English language.

FOR THE GOVERNMENT OF THE
REPUBLIC OF PALAU:

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:







Republic of Palau
Office of the President

Tommy E. Remengesau, Jr.
President

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September 19, 2018
Serial No. 18-773

The Honorable Elbuchel Sadang
Minister of Finance

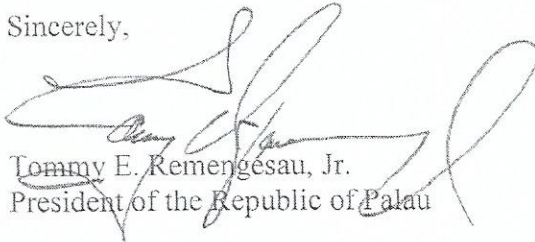
Re: Agreement to Amend Compact Review Agreement Funding Schedules

Dear Minister Sadang:

Thank you for your diligent attention to the Compact Review Agreement (CRA), and for your key role in seeing it finalized after so many years of delay. I appreciate the effort you have made to maximize the value of this funding package, and believe you have achieved a result which will serve Palau well for many years.

I hereby authorize you to sign the agreement to amend the CRA funding schedules, a copy of which is attached to this letter. This agreement is the result of your prudent negotiation, and I look forward to its prompt implementation.

Sincerely,



Tommy E. Remengesau, Jr.
President of the Republic of Palau

2010 Compact Review Agreement: Schedule of Assistance, Amended

SECTION	ACTIVITY	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTAL
1	Trust Fund Contributions								65,250								65,250
2b	Infrastructure Maintenance Fund								2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	14,000
3	Fiscal Consolidation Fund																0
4a	Economic Assistance - CRA OIA Direct Assistance	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	22,106	2,468						22,106 107,644
5	Infrastructure Projects								20,000								20,000
	TOTAL	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	111,824	2,000	2,000	2,000	2,000	2,000	2,000	229,000

Memo

- Less funding support for Postal Services

Projected Compact Trust Fund
Fiscal Years 2018 - 2044

Compact Year	Fiscal Year	Palau Drawdown	USG	
			Contribution to CTF	Value
23	2017	(5,000,000)		219,754,355
24	2018	(5,000,000)		226,587,320
25	2019	(10,000,000)	65,250,000	297,366,556
26	2020	(14,867,000)		298,065,282
27	2021	(15,000,000)		298,662,179
28	2022	(15,000,000)		299,291,965
29	2023	(15,000,000)		299,956,452
30	2024	(15,000,000)		300,657,553
31	2025	(15,000,000)		301,397,284
32	2026	(15,000,000)		302,177,774
33	2027	(15,000,000)		303,001,270
34	2028	(15,000,000)		303,870,140
35	2029	(15,000,000)		304,786,884
36	2030	(15,000,000)		305,754,142
37	2031	(15,000,000)		306,774,695
38	2032	(15,000,000)		307,851,480
39	2033	(15,000,000)		308,987,597
40	2034	(15,000,000)		310,186,314
41	2035	(15,000,000)		311,451,079
42	2036	(15,000,000)		312,785,534
43	2037	(15,000,000)		314,193,517
44	2038	(15,000,000)		315,679,080
45	2039	(15,000,000)		317,246,497
46	2040	(15,000,000)		318,900,279
47	2041	(15,000,000)		320,645,184
48	2042	(15,000,000)		322,486,234
49	2043	(15,000,000)		324,428,725
50	2044	(15,000,000)		326,478,248

Memo

- Projected annual net investment return

5.5%