



Republic
of **Palau**

Republic of Palau

DEVELOPMENT SYMPOSIUM

Compact Update





Background

- A nearly 4-year process of Compact negotiations has been undertaken...
- ... and now we are in the Palau, a month+ into the 3rd Compact funding period
- Yet, we still have **two scenarios** to consider:
 - 📈 With **(near-)**timely U.S. Congressional authorization & appropriation under the 2023 CRA
 - 📉 With delay of U.S. Congressional action on the 2023 CRA

Presentation Outline

1. Compact Periods

2. Negotiated Outcomes for all Three FAS

3. Topline Features of Compact Renewal Agreement

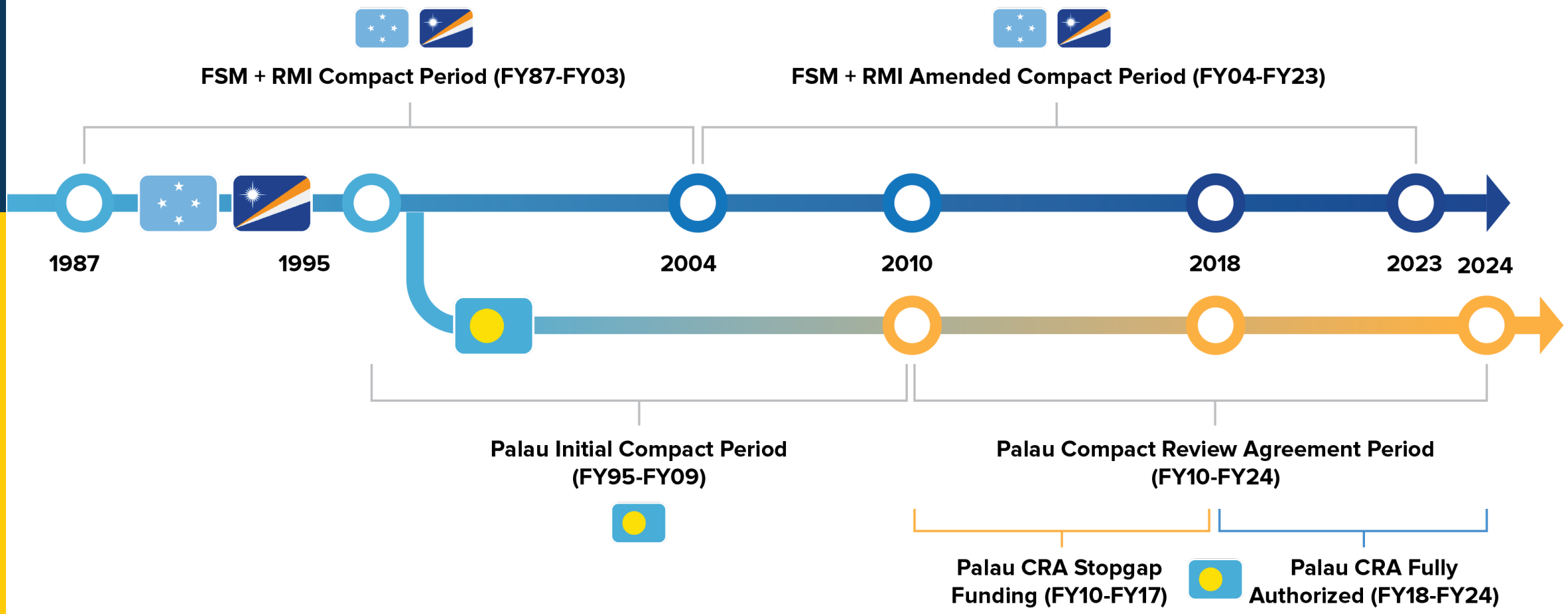
4. A New and Happy Challenge: Upward Fiscal Adjustment

5. A Lingering Risk: Delay in U.S. Congressional Action

6. Concluding Observations...



FAS Compact Periods & Performance



FAS Compact Periods & Performance



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What's the Negotiated Outcome?



	ADB Study: Renewal Scenario	Dec 2020 U.S. Offer	2023 CRA
 COMPACT EXTENSION – CURRENT PRICES	\$2.79 B	\$2.034 B	\$3.3 B
 COMPACT EXTENSION – CURRENT PRICES	\$1.29 B	\$570.14 M	\$2.3 B
 COMPACT EXTENSION – CURRENT PRICES	\$579 M	\$372.7 M	\$889 M
TOTALS	\$4.66 B	\$2.98 B	\$6.5 B

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CRA 2023: Palau [\$889 M]



- Designed to start one year before the 2nd Compact period ends
- Annual grants at **\$30 million** per year for 20 years in defined sectors/uses with 2% annual adjustment
- Fiscal consolidation (debt repayment) of **\$10 million** annually for 6 years (FY2024-2029) with no annual adjustment
- ... with **\$100 million** contribution to the Compact Trust Fund (\$50 million in each of FY2024 & FY2025)

CRA 2023: Palau



- Treatment of the Compact Trust Fund as a “**Re-Purposed Fund**”
- Amended Fiscal Procedures
- Compact Trust Fund Continues to be Managed by Palau
- Ongoing Federal Programs & Services

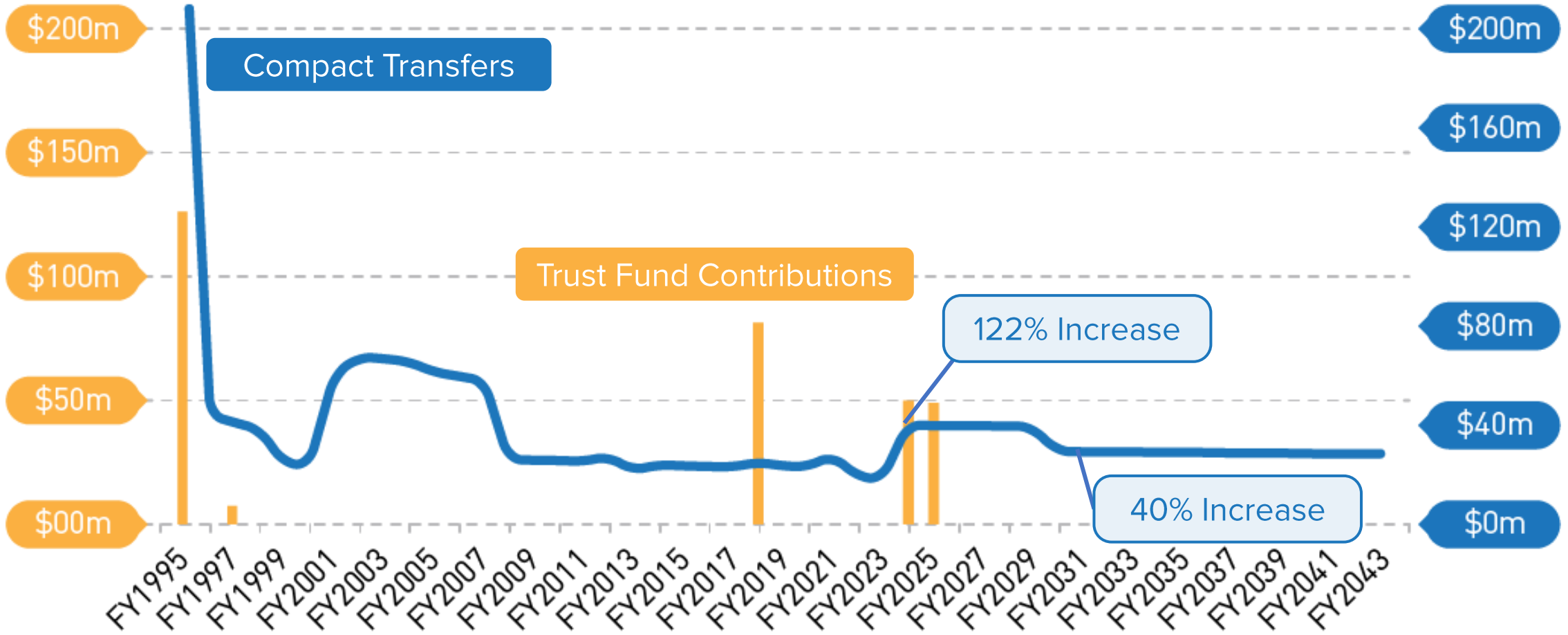
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Upward Fiscal Adjustment: Palau



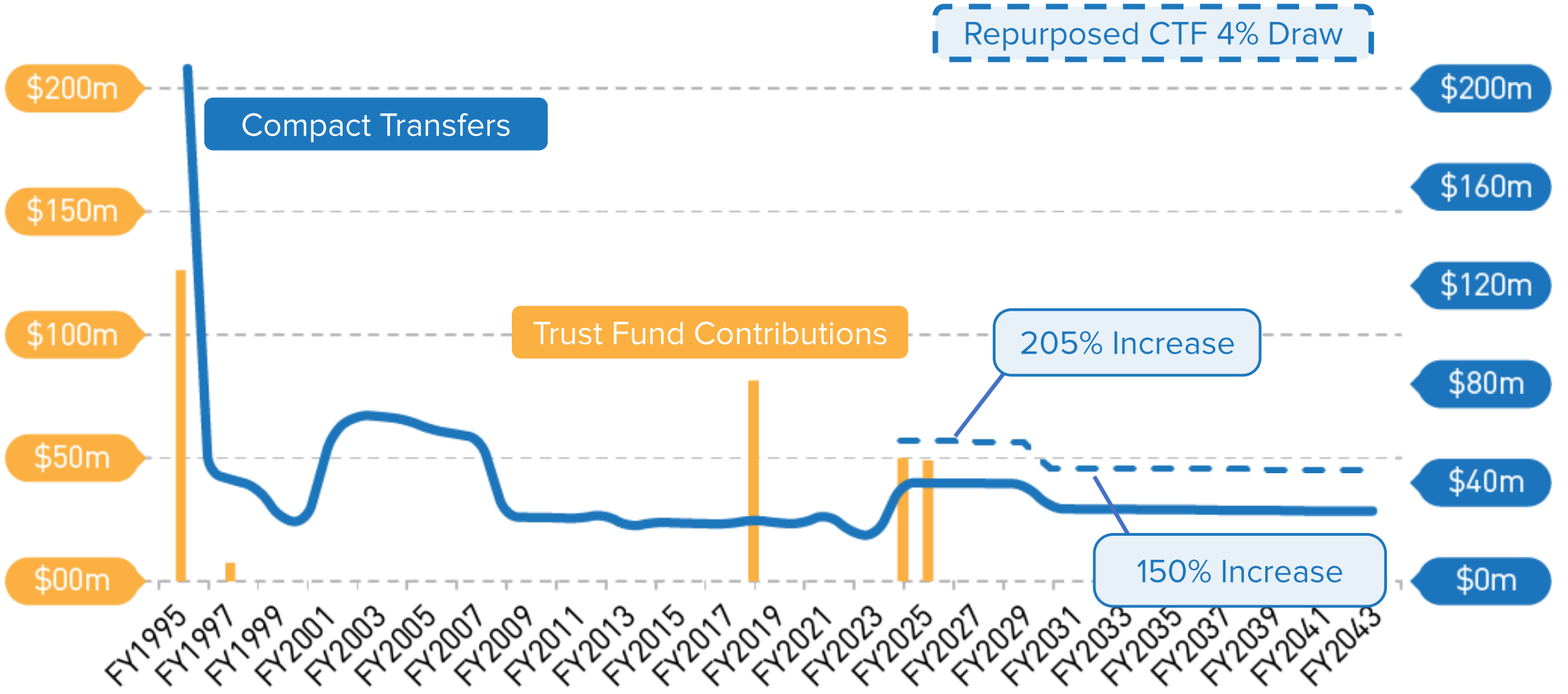
→ Assuming no use of the Re-Purposed Trust Fund.



Upward Fiscal Adjustment: Palau



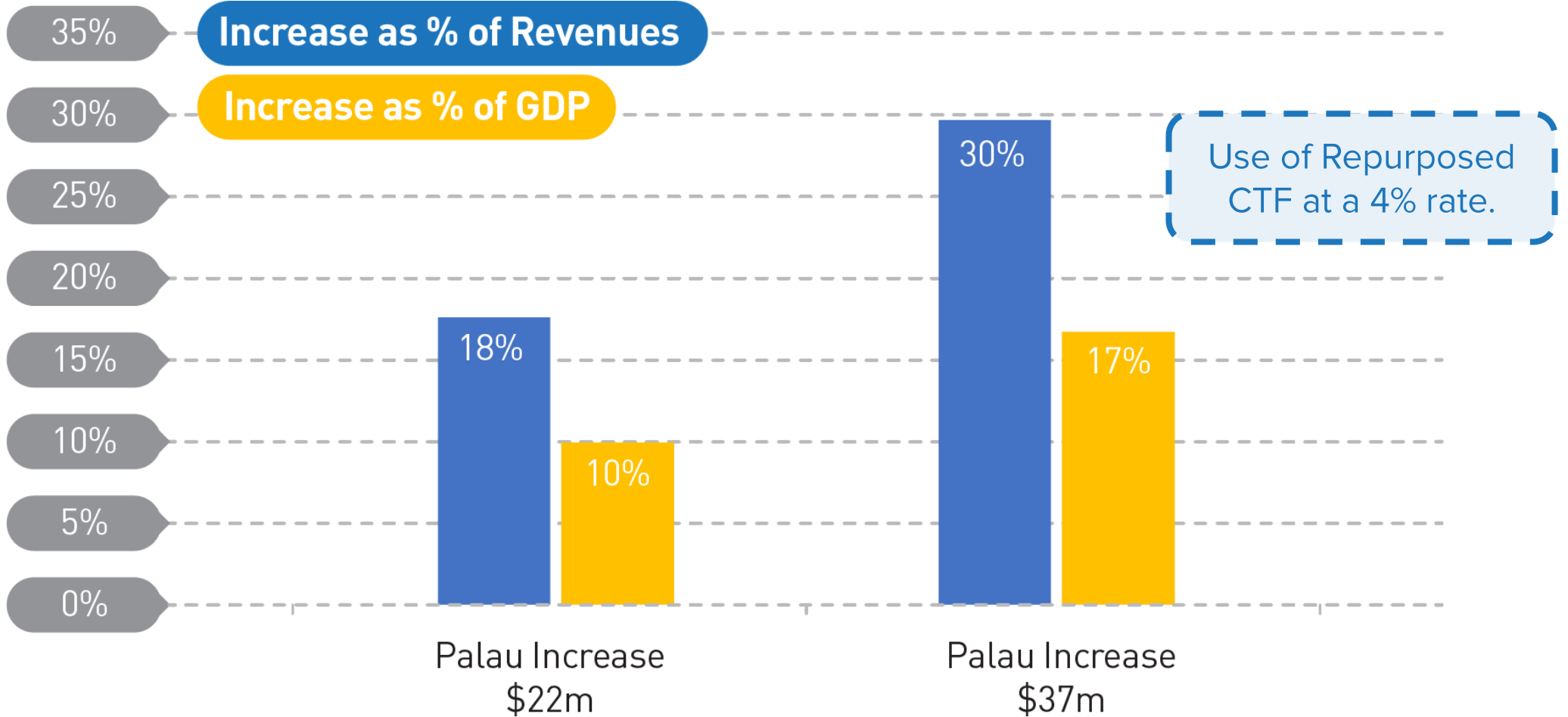
→ Assuming Use of the Re-Purposed Trust Fund.



Upward Fiscal Adjustment: Palau



→ Increase from FY23 to FY24.



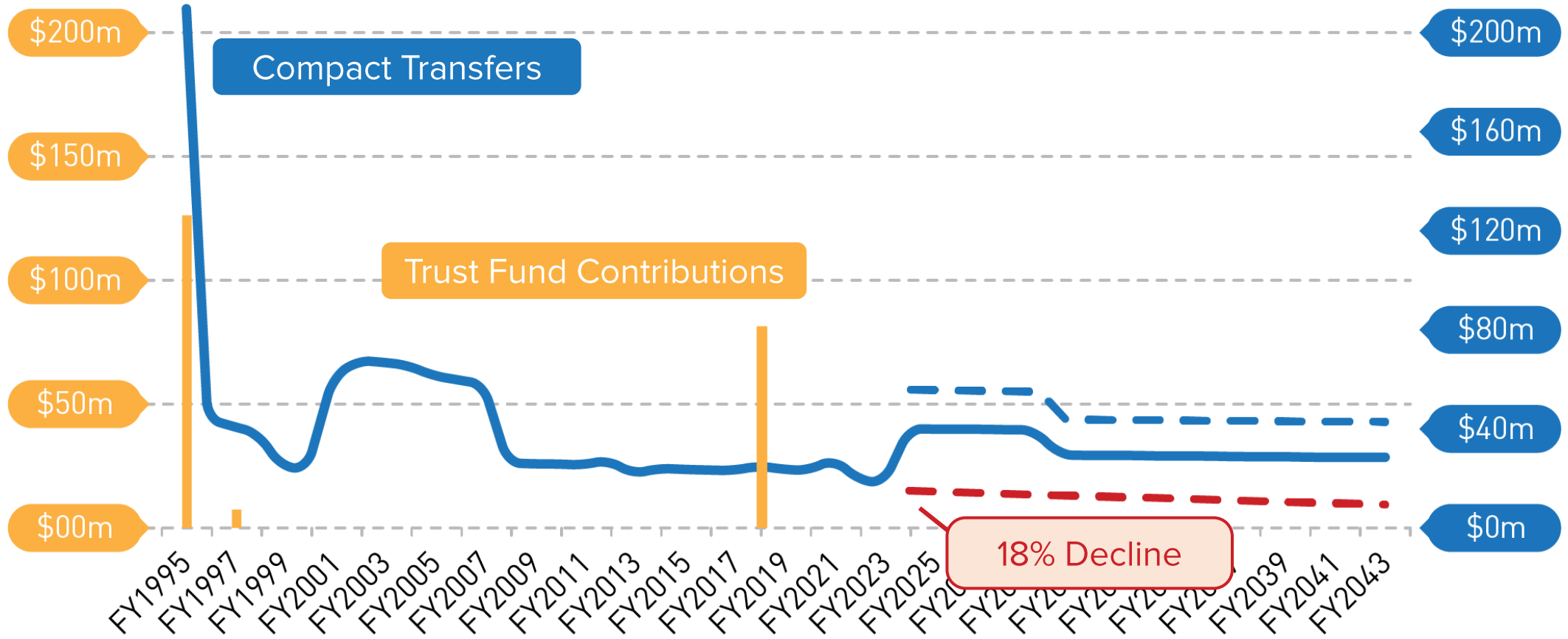
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Delay in U.S. Congressional Action



→ Declining Resource Transfers without Renewal



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Concluding Observations

- Each FAS Compact Renewal is **different across many dimensions**—indicating the U.S. did not apply a one-size-fits-all approach.
- Oversight approach is **modified**—with sufficient differences to require time to determine costs, efficacy, and impact.
- Immediate fiscal **expansion** vs. decades of fiscal **compression** & the need for each FAS to focus on its own policy framework
- Extraordinary **near-term implications** for the Bank and for donor partner engagement—capacity supplementation & policy guidance

THANK YOU!



Time for Discussion & Questions