COMPACTS OF FREE ASSOCIATION

Issues Associated with Implementation in Palau, Micronesia, and the Marshall Islands

What GAO Found

If enacted, Senate Bill 2610 (S. 2610) would change the schedule for U.S. assistance to the Republic of Palau and improve prospects for Palau’s compact trust fund. S. 2610 would approve a 2010 agreement between the U.S. and Palau governments and provide annual assistance to Palau through 2024. Congress has not approved legislation to implement the 2010 agreement, which scheduled $216 million in U.S. assistance for fiscal years 2011 through 2024. Since 2011, the United States has provided $79 million in economic assistance to Palau through annual appropriations. However, this amount was less than anticipated under the agreement and has not included trust fund contributions. S. 2610 would modify the agreement schedule to provide the remaining $137 million in fiscal years 2017 through 2024, including a $20 million trust fund contribution in 2017 and smaller contributions in later years (see fig.).

U.S. Assistance to Palau Provided in Fiscal Years 2011-2016 and Proposed by Senate Bill 2610 for Fiscal Years 2017-2024

The Federated States of Micronesia (FSM) and Republic of the Marshall Islands (RMI) face challenges to achieving the compact goals of economic growth and self-sufficiency. GAO previously found that neither country has made significant progress on reforms and compact implementation has been characterized by unreliable performance data and by accountability and oversight challenges.

GAO has previously reported on the growth of migrant populations from Palau, the FSM, and RMI in U.S. areas as well as the reported impacts of these compact migrants. In Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands—areas Congress has deemed affected jurisdictions—compact migrants increased from about 21,000 in 2003 to about 35,000 in 2013. In fiscal years 2004 through 2016, the Department of the Interior provided approximately $409 million to affected jurisdictions to aid in defraying costs, such as for education and health services, attributable to compact migrants. In contrast, affected jurisdictions estimated costs of $2.1 billion for these services in 2003 through 2014. However, GAO has noted that these estimates have limitations related to accuracy, documentation, and comprehensiveness.