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MARIANAS POLITICAL STATUS COMMISSION

Saipan, Mariana Islands 96950

May 30, 1974

Memorandum of Understanding Regarding Phase II

1. The parties have agreed on the following economic goals:
  - a. a sound, balanced and growing economy;
  - b. an improved infrastructure system;
  - c. increased levels of public services;
  - d. higher average personal income;
  - e. rising living standards and the opportunity over the years to reach the same standard of living enjoyed on the average by other communities in the American political family; and
  - f. progressive movement toward self-sufficiency.
  
2. The parties have explored the resources which will be available to the new Government of the Marianas to meet these goals. These resources will include locally raised tax and other revenues, income from public property, income from the United States military presence (including rebates of federal income taxes, and revenues from increased economic activity generally), and revenues from federal programs for which the Government of the Marianas will be eligible.

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3. Taking into account the economic goals and resources, the parties have agreed that direct assistance from the United States will be necessary after the establishment of the new Marianas Government.

4. The United States will provide direct guaranteed financial assistance for an initial period of seven years. It is hoped that the new Government will be established and that this financial assistance will begin on or about July 1, 1976 (the beginning of the U.S. fiscal year 1977). Before the conclusion of this initial multi-year period, the levels of assistance will be reviewed to determine future levels of U. S. financial support.

5. In order to protect against the effect of inflation, the amounts of U. S. assistance will be stated in constant 1975 dollars. The index to be used to adjust the stated amounts will be determined by the parties.

6. The amount of direct guaranteed financial assistance from the United States for each of the seven years, stated in constant 1975 dollars, will be \$13.5 million, allocated as follows:

- A. Government Operations: \$8.0 million on a year.
- B. Capital Improvements: \$4.0 million a year, of which \$500,000 a year will be earmarked for capital improvement projects on Tinian, and

\$500,000 a year will be earmarked for capital improvement projects on Rota. The remaining \$3.0 million a year will be allocated by the future Marianas Government for capital improvement projects.

C. Economic Development Loan Fund: \$1.5 million a year, of which \$500,000 a year will be earmarked for small loans to farmers and fishermen and agricultural and marine cooperatives.

7. In addition to the financial assistance described above, the United States will arrange for a new steam generation electric power plant facility for Saipan to be built without cost to the future Marianas Government. This will probably be accomplished by accelerating the project from fiscal year 1977, for which it is now scheduled, to fiscal year 1976. The total estimated cost of this project is \$4.5 million.

8. As noted, the federal programs providing financial assistance to the Marianas Government and people will be available at the time the new Government is established. The direct financial assistance provided by the United States can be used for the Marianas' matching share of such programs when required. The United States estimates the value of such programs at \$3 million a year.

9. The United States will further explore the following issues relating to financial assistance:

- a. The timing and terms of the transfer the property of the TTPI in the Marianas to the Government; and
- b. Permitting the Government of the Marianas flexibility to reallocate funds as between different categories of assistance and to carry over funds from one fiscal year to the next