

INSULAR AFFAIRS

The Office of Insular Affairs (OIA) carries out the responsibilities of the Secretary related to the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. The mission of the Office of Insular Affairs is to assist the islands in developing more efficient and effective government by providing financial and technical assistance; and to serve as a focal point for the management of Federal-island relations by developing and promoting appropriate Federal policies.

The Office of Insular Affairs provides both financial and technical assistance to the insular areas on many complex and politically sensitive issues covering all aspects of governmental operations. Grants are provided for small technical assistance projects as well as major construction projects, and require continuous management and monitoring. Examples of these grants include: grants for construction of hospitals, sewer systems, water systems, power systems, roads, ports, airports, and school systems; grants for anti-drug activities and crime control; grants to enhance health care and public safety; grants to improve education; and grants to assist the governments in becoming self-sufficient.

Relationship with the Insular Areas

The Northern Mariana Islands

The Northern Mariana Islands has negotiated a Commonwealth status which provides for the organization of local government and defines its relationship with the United States Government. This negotiated agreement was enacted in law (Public Law 94-241) and is commonly referred to as the Covenant. Under its terms, the Northern Mariana Islands has received guaranteed financial assistance since 1978. This assistance is still the primary means for financing capital infrastructure. The Commonwealth also actively participates in all OIA technical assistance programs.



South Pacific Island landscape (photo by Office of Insular Affairs).

Guam

Guam's relationship with the Federal government is defined in an organic act (48 U.S.C. 1421 et. seq.). Guam receives a coverover, or transfer payment, of certain Federal income taxes, but generally has achieved significant self-sufficiency. Guam also receives annual mandatory funding of \$4.58 million to assist in mitigation of the impact of the Compact of Free Association on social and education programs. Guam actively participates in all OIA technical assistance activities to achieve economic and social goals.

U.S. Virgin Islands

The U.S. Virgin Islands also has an organic act (48 U.S.C. 1391 et. seq.) to define its relationship with the Federal government. Similar to Guam, the Virgin Islands receives a transfer payment of certain Federal excise taxes, but generally has achieved a high level of self-sufficiency. The Virgin Islands actively participates in all OIA technical assistance activities.

American Samoa

Federal law vested all civil, judicial, and military powers over American Samoa in the President, most of which have been delegated to the Secretary of the Interior by Executive Order. Various Federal laws over the years have given American Samoa a degree of self-government comparable to the other territories.

American Samoa is highly dependent on grants from OIA to meet basic operational needs and to finance capital improvements. American Samoa is also an active participant in all technical assistance activities.

Freely Associated States

The Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau, now sovereign nations, were formerly part of a United Nations trusteeship administered by the Department of the Interior. The United States has entered into Compacts of Free Association with each of these entities. Under these compacts, the United States provides guaranteed financial assistance over a 15-year period in exchange for certain defense rights. The U.S. also treats these nations uniquely by giving them access to many U.S. domestic programs. The freely associated states are all highly dependent on U.S. financial assistance to meet both government operational and capital needs. The OIA administers this financial assistance. The freely associated states also actively participate in all OIA technical assistance activities.

Implementing the Government Performance and Results Act

During 1997, the Office of Insular Affairs developed its first Strategic Plan in support of the Government Performance and Results Act. The plan organizes OIA's functions and activities around four general goals: (1) improve infrastructure; (2) improve governmental systems and services; (3) improve governmental relations; and (4) manage special problems. Strategic goals and related performance measures have been defined for each of four the general goals.

Improving Infrastructure

OIA's general strategy for improving infrastructure in the insular areas is threefold. First, OIA provides significant financial assistance to help the governments construct new infrastructure and improve maintenance of existing facilities. The fiscal year 1997 budget included new authority of \$156.3 million for this purpose. Second, OIA provides technical assistance to help the insular governments institutionalize operations and maintenance improvements. Third, OIA is working with the insular governments to help them develop capital improvement plans that are based on objective criteria and are capable of being financed.



Container dock in the American Samoa (photo by Office of Insular Affairs).

Improving Governmental Systems and Services

OIA's strategy for improving governmental systems and services is to provide both technical and direct financial assistance. In its 1997 budget, OIA dedicated \$8.5 million to technical assistance and \$111.1 million was dedicated to direct financial support of insular government operations.

Improving Government Relations

The insular governments are thousands of miles from the mainland and do not have voting representation in Congress. Insular officials look to OIA to help resolve Federal issues and problems and to help enunciate or advocate their position in Washington. The Congress and the Administration look to OIA as a repository of knowledge on insular issues and a major source of information for identifying problems and recommending solutions. Improving communications and helping to solve problems are the basic strategies for achieving better relations. Approximately \$1.7 million of OIA's administrative budget is dedicated to performing functions designed to improve the Federal/insular relationship.

Managing Special Problems

The insular governments are particularly susceptible to special problems that often do not occur in the states or mainland communities. For example, they are particularly vulnerable to hurricanes, typhoons and other natural disasters. Recovery from these disasters is also more difficult because they do not have large or



Native dancers (photo by Office of Insular Affairs).

diverse economies. Insular tourism-based economies can take years to recover from a major storm. Likewise, the territories have fragile ecologies that are easily impacted by external forces. OIA is currently helping manage two major problems in the insular areas. One is the brown tree snake, a non-indigenous invasive species that threatens the entire ecology of Guam, where a major population is already established and also threatens other Pacific islands. A second problem is caused by a huge alien population brought into the Northern Mariana Islands by businesses, particularly a rapidly expanding garment industry. In 1997, OIA dedicated \$3.9 million of its budget to these special problems.

Improving Financial Management in the Virgin Islands

Following a major 1996 disaster in the Virgin Islands caused by Hurricane Marilyn, the Office of Insular Affairs and the Virgin Islands government examined the local government's ability to administer large amounts of Federal aid and deal with financial impacts associated with both short-term and long-term recovery efforts. A corrective action plan was developed, with its implementation funded by OIA. The goal of

the project is to improve the financial management and accounting operations of the territory and to implement rigorous internal controls throughout all segments of the Virgin Islands government. Activities are targeted at improvements in technology, structure, business processes and human resources. The entire project is expected to be completed by June 1998. Major accomplishments implemented in 1997 include: (1) a wide area network was installed to link every department and agency to the central financial management system; (2) business processes were streamlined in every organization with financial management responsibilities; (3) training in the new technology and procedures was provided to all affected staff; (4) personal computer cash drawers were installed for the accurate collection and immediate recording of revenues; (5) an automated requisitioning system was installed; and (6) a comprehensive human resources development plan was put in place to ensure that the new systems are self-sustaining. At this point, the project is a shining success and has captured the attention of the entire government as well as local media and educators, who are using it to inspire Virgin Islands' youth to pursue careers in technology and financial management.

Program Performance

State of the Islands -- From 1992 through 1997, the Office of Insular Affairs and its predecessor, the Office of Territorial and International Affairs, has published and distributed an annual "*Report on the State of the Islands.*" This report contains statistical data and explanatory narrative on economic, financial and social conditions in the insular areas. It is a major tool in assessing OIA's progress in accomplishing its mission and goals.