Global Innovation and Prosperity Act
A Roadmap to Transitioning "Beyond Aid" to Solve Global Challenges

- **The U.S. spends $60B every year on global challenges like health, migration, and food security.** However, U.S. development agencies are stifled by outdated rules, regulations, and business practices, and too dependent on an aid industry rather than working with cost-effective and innovative partners.

- **The next generation of people and leaders around the world want to work with the U.S**. to build industries and jobs of the future and to participate in the global innovation economy.

- **The U.S. needs to modernize its global development agencies and strategies, complementing efforts to increase mutually-beneficial trade with Africa, Latin America, and Asia.** While humanitarian needs will continue, the U.S. must transform how it supports stable states' longer-term development by investing more to propel sustainable economic growth and advance U.S. economic and national security.

<u>Global Innovation and Prosperity Act</u>

- **The Global Innovation and Prosperity Act (GIPA) transforms U.S. global development spending to deliver measurable results, propels prosperity, and advances American economic and national security**. It streamlines all U.S. global development spending under a single White House Office for Global Innovation, Development, and Prosperity (GIDAP) to:

    - Set tangible, measurable results for achieving development priorities within set timeframes wherever possible, and hold accountable agencies and personnel for meeting them.
    - Transition away from project-based aid to models where partner communities share in the costs and design of investments to promote investment, good jobs, and sustainable growth.
    - Scale proven social innovations that deliver extraordinary, sustainable development impact.
    - Continue investments in humanitarian, democracy, governance, and human rights programs while identifying what other traditional development programs should: transition directly to local financing, the private sector, or continue as-is because they can show extraordinary development impact.

- **GIPA modernizes how the U.S. disburses foreign assistance.** Rather than issuing public tenders that are so large and complex that only big U.S. government aid contractors can win them, GIPA would enable U.S. agencies to direct a greater share of funding directly to countries and communities via jointly-owned and managed compacts, corporations, or funds, including sub-nationally, promoting locally-led decision making and local procurement.

- **GIPA creates a [$XXB] Global Innovation and Commercialization Office** to solve global challenges, including to**:**

    - Modeled after the Defense Innovation Unit, serve as a hub for "Little Tech" startups, emerging technology companies, and other social innovators to intersect with U.S. foreign affairs agencies;
    - Create a commercialization program that provides tiered funding to companies to prototype, replicate, and commercialize novel solutions for global development challenges;
    - Sponsor advanced market commitments (e.g. Operation Warp Speeds for various disease cures), with costs shared by other NATO allies and wealthy countries;
    - Co-invest in technology, R&D centers, innovation funds, and STEM in partner nations to accelerate sectors that will shape the 21st century, like supply chains, biomanufacturing, and digital access.

- **GIPA increases U.S. agencies' authorities, risk tolerance, and orientation for results.** It enables U.S. agencies to hire staff in critical sectors, reduces red tape to execute transactions, expands procurement and financing tools, breaks dependencies on big aid industry contractors, and creates new ways for U.S. agencies to co-invest with philanthropy and other funders, such as the diaspora community.

Global Innovation and Prosperity Act: Illustrative Outcomes

Local Drug Manufacturing: A Kenyan biotechnology company wants to develop new generic medicines for diseases endemic to the African continent. Traditional banks are hesitant to provide it with financing because of perceived risks. The DFC provides a first-loss guarantee to crowd-in investment. In parallel, the Global Innovation and Commercialization Office (GIO), created under GIPA, licenses intellectual property developed with U.S. National Institutes of Health funding to accelerate research and drug development.

Pay for Success Competitions: As global energy access grows, more homes buy air conditioning units, increasing global energy demands. Meanwhile, millions of others around the world cannot afford air conditioning, causing health harms and reduced economic activity because of excessive heat. Taking a page from Operation Warp Speed, GIPA enables the U.S. government to crowd funding from NATO countries to make an Advanced Market Commitment to pay [$XXX] million to any entity that can develop a working prototype of a low-cost, low-power technology to heat and cool homes. This pay-for-success model creates no risk for the U.S. taxpayer, but incentivizes top companies and universities to develop a working solution.

Global Supply Chain Resilience: A state government in Nigeria wants to build its health infrastructure to develop more resilient health supply chains to guard against infectious disease outbreaks. Rather than issue public tenders that only big aid contractors can win, GIPA enables U.S. agencies to create a "Development Fund," a joint corporation with the Nigerian state government, to finance this initiative. The state government co-invests with the U.S. in the Fund, jointly chooses service providers, and pays against predetermined success metrics. The DFC provides financing to local suppliers that need it.

Critical Minerals: China approaches the DRC with a debt-for-minerals deal. GIPA enables the DFC to make a compelling counteroffer, investing in a way that enables a Congolese entrepreneur to own the mine, process the minerals, and sell them to the rest of the world – including the U.S. – with proper environmental, human rights, labor, and transparency rules put in place, boosting local economic growth.

Digital Access: In East Africa, GIPA enables the U.S. to create a joint fund with the UK and Dutch governments and with East African countries, to co-finance the construction of broadband cables and launch low-earth satellites, significantly increasing digital access and creating a counter to offers made by China. This market-creating innovation contributes to the development of new businesses and increased remittance flows.

Leveraging Innovation for New Building Materials: The DFC identifies a firm in South Asia that has developed a sustainable alternative-to-cement building material. Working in coordination with the GIO, the DFC provides the firm with financing to expand its footprint to five new markets in Africa, U.S., and Asia that are experiencing construction booms but are heavily dependent on cement-based materials.

Using Finance to Protect Land and Build Markets: GIPA enables GIO to facilitate a "debt-for-nature" swap in coordination with the U.S. Treasury for a country in Latin America with high indebtedness to international creditors. In parallel, the MCC and DFC create a "Development Fund" with the country's ministry of tourism to develop a sustainable tourism industry. Affected communities work with the US to choose service providers.

Global Food Security: A Cameroonian company has developed a new technology to extend the shelf life of a West African staple crop, promising to notably increase global food security. The Innovation Commercialization Program created under GIPA enables the company to access tiered-based funding from the DFC to prototype, test, and commercialize this new solution, selling it to grocers and farmers.

Diaspora Co-Investments: To make remittances more economically productive, a group of investors from the African diaspora create a fund to pool remittances, and invest in entrepreneurs in rural parts of the continent. GIPA enables the DFC to co-invest and provide guarantees for the fund, increasing its ability to deploy capital.

Creating the Global Innovation and Prosperity Act of 2024:
A Roadmap to Transitioning Beyond Aid to Solve Global Challenges

We need a U.S. global development approach for the 21st century. A growing body of evidence shows that broad-based and sustainable economic growth and trade – not aid or charity – is the best way to promote broad-based economic and social development. The U.S. should modernize the way it partners with countries to reflect this reality, creating the foundations to build the global innovation economy and show more bias for accountability, agility, sustainability, and creating mutually-beneficial partnerships. Despite their contributions to human advancement over the past 60 years, U.S. global development institutions built in the aftermath of World War II are not structured to address the litany of challenges we face.

More than 200 individuals, organizations, and leaders across the U.S. and around the world recently convened to identify five principles that should undergird a new approach for U.S. global development:

- Principle 1: The U.S. should prioritize investments in broad-based, inclusive sustainable economic growth as the primary way it supports other countries. While humanitarian needs will continue, as will support to eradicate extreme poverty in fragile states, these needs should be managed separately from other development investments, and include time-based plans to shift management to local actors with expectations that other donors share costs.

- Principle 2: The U.S. must transition away from project-based aid in favor of models that promote sustainable, inclusive and broad-based economic growth, such as multi-stakeholder compacts, debt swaps, innovative finance, and co-investments with the private sector and philanthropy.

- Principle 3: The U.S. should position itself as a partner of first choice for any country that wants to leverage innovation to advance their economic and social development goals.

- Principle 4: The U.S. should work much more directly with local partners, including subnational governments, and break dependencies on big aid contractors. Those closest to the problems are also typically closest to the solutions.

- Principle 5: The U.S. must lead by example, including by meeting its own commitments related to transparency, human rights, and accountability.

Next steps for action: U.S. global development agencies need to be restructured, with new mission statements, new human resources and procurement systems, greater transparency, an orientation towards using evidence and payments for results, and a mandate to act with greater urgency and agility. Further:

1. This proposal would create a new central office within the White House, a statutorily-protected [White House] Office for Global Innovation, Development and Prosperity (GIDAP), responsible for streamlining and coordinating (and where necessary, consolidating) U.S. global development programs to increase impact and effectiveness, including at the State Department, USAID, the DFC, MCC, and other U.S. agencies that manage global development programs. The Coordinator appointed to run GIDAP would have a seat on the National Security Council and report to the President. GIDAP's functions would include: setting clear, time-bound, and measurable global development goals and publicly report results, liaising across the U.S. global development community, and providing direct oversight to the Global Innovation Office (see #5, below) to ensure its activities are well-integrated with achieving global development goals and strategy. It

would also lead an annual Voluntary National Review to publicly report the U.S.' progress towards meeting its own international commitments.

2. This proposal recommends creating a process to determine which traditional grant- or contract-based "aid" programs focused on long-term development could be better implemented directly by the recipient country, or by the private sector. This proposal recommends the White House GIDAP Coordinator, with Congressional approval, establish a process to determine which these traditional aid programs, should: a) transition directly to models where the recipient country takes over financing responsibilities within an [X-year] time horizon, b) transition to models led by the DFC and MCC to work directly via recipient countries or via the private sector, or c) remain at the current agency because the program(s) can show extraordinary development results, especially because it uses a rigorous evidence base or can meet basic tests of cash benchmarking. *Undergoing this process should create an updated framework for Congressional appropriators to make funding decisions, to which agencies, and for which priorities according to needs and goals – creating a pathway to break the cycle of funding agencies and sectors according to Congressionally-mandated earmarks, directives, and interest group lobbying.*

3. This proposal would enhance USAID's ability to provide support to fragile states and "most vulnerable nations" to eradicate extreme poverty, as well as continue to provide support to local communities to meet acute humanitarian needs, including by providing more cost-effective cash transfers and direct support to local organizations. In addition, GIPA would enable USAID to continue to provide support for its most effective human rights, democracy and governance programs, as well as continue to provide support via traditional development assistance to entities that can demonstrate a strong evidence base of impact, cost-effectiveness, and financial sustainability. <u>This proposal additionally enhances USAID's ability to work *directly* with local communities to address humanitarian and development challenges, rather than by issuing complex and large public tenders that only the traditional aid industry can win, such as by giving USAID the authority to create "Development Funds" with partner countries, including at the local and subnational level (see #7a).</u>

4. To prioritize U.S. investments to focus more on promoting sustainable and broad-based economic growth, this proposal recommends making the DFC and MCC the primary agencies responsible for distributing U.S. development dollars in most countries where the U.S. operates. The DFC distributes assistance primarily to entities that can be sustained via market-based models (e.g. private sector businesses, social enterprises, etc.). The MCC distributes assistance primarily via government-to-government partnerships.

   To enhance authorities at the DFC, this proposal recommends:
   a. Increasing the DFC's ability to absorb and spend a greater share of U.S. development assistance;
   b. Resolving equity authority issues, addressing long-standing issues with the Office of Management and Budget and Congressional Budget Office regarding "scoring" to reflect that many successful equity investments will result in a return on investment.
   c. Increasing thresholds for DFC contingent liability to [$100,000,000] and congressional notifications to [$50,000,000];
   d. Providing the DFC with notwithstanding and expanded waiver authority to enable the agency to engage in more venture-style, blended, and targeted deals, especially for smaller enterprises, including by creating bifurcated approval process, with greater waiver authorities for transactions under [$10,000,000] than for those transactions over this threshold.

e. Reducing the DFC's expected rate of return so it can take on more investments that have a strong development focus and does not crowd-out other investors;
f. Expanding the DFC's innovative financing toolkit, such as by enhancing the DFC's ability to co-invest with institutional investors, impact investors, and with philanthropies as intermediaries, and to increase the use of risk insurance and guarantees (including to provide guarantees to funds that provide guarantees), and to purchase financial instruments and securities, to unlock more capital for development and bring liquidity to developing markets;
g. Creating a commercialization program at the DFC, modeled after the Small Business Innovation Research Program at other federal agencies, with tiered funding to bring innovative companies (or their business lines) from pilot to commercialization;
h. Increasing the number of countries where the DFC can invest by aligning DFC country eligibility with those where the World Bank can invest, such as by enabling the DFC to invest in countries where the per capita income of the country in a fiscal year is equal to or less than the World Bank threshold for initiating the International Bank for Reconstruction and Development graduation process.

To enhance authorities at the MCC, this proposal recommends:
a. Increasing the MCC's ability to absorb and spend a greater of U.S. development assistance;
b. Enabling the MCC to do deals at the subnational level, regionally, and via pooled funding;
c. Increasing the number of countries where the MCC can invest by revisiting country income eligibility requirements;
d. Providing the MCC with "gift authority" to enable it to more easily co-invest with impact and institutional investors and with philanthropy;
e. Increasing the overall recommended size for compact sizes (e.g. multi-billion dollar deals) to create greater democratic reform incentives;
f. Enabling the MCC to do smaller, targeted deals via a joint compact-like model, using a new tool, the "Development Fund" (see #7, below).

5. This proposal would create a Global Innovation Office (GIO), authorized for at least [$XX] billion per year, to make innovation a more central pillar of the U.S. approach to global development. This entity, modeled after the Defense Innovation Unit, would serve as a one-stop shop for "Little Tech" startups, emerging companies, and social innovators to serve U.S. foreign affairs agencies. This office will host a Commercialization Program that provides tiered-based funding for firms to prototype, replicate, and scale commercializable solutions. It would sponsor advanced market commitments (e.g Operation Warp Speeds for disease cures or alternative-to-cement road materials), coordinate with other innovation agencies and related institutions (e.g. ARPAs, U.S. national labs, research universities, etc.) to safely diffuse research gains with America's trusted global partners (and bring proven innovations developed abroad to the United States), and identify ways to scale proven innovations for 1 million or more people to the next 100 million, including for communities in the U.S., and collaborate closely with philanthropy, the private sector, universities, and partner nations to unlock external funding to do so.

6. This proposal recommends the U.S. use its influence in international organizations and multilateral bodies to increase their share of U.S. ODA funding to more cost-effective local partners, better leverage innovation (including via innovative finance) to further develop local private sectors, and prioritize funding for agencies that can demonstrate a track record of results and cost sharing.

7. To promote competition, greater country ownership, and create local markets, this proposal would:

a. Direct U.S. agencies to share [development] responsibilities and financial burden with local authorities, for example, by creating a new financing tool called the **Development Fund** that functions *like* a compact to facilitate country ownership and burden sharing by creating joint [corporations, funds, agreements] with countries, subnational governments, or cities, with civil society representation. These entities would set time-bound goals, jointly choose service providers, and pay for results, including to promote sustainable economic development in sectors including but not limited to infrastructure, health, power, food, nutrition, biodiversity, and education. Agencies could use Development Funds in non-MCC countries, or for targeted and limited investments in countries that have previously received an MCC compact.

b. Prohibit U.S. agencies from directing funding to for-profit aid contractors that receive more than [40%] funding funding from the U.S. government *and* more than [$100] million annual revenue. Organizations competing for U.S. funds should be able to show that entities other than the U.S. government are willing to pay for what they do.

c. Create new avenues for partnership with local organizations and other entities that have not historically worked with the U.S. government but that can show a strong track record of development impact and financial sustainability.

d. Create a "Missing Middle Fund" to bring to scale the most effective global development solutions that reach 1 million people or more to scale their impact to reach the next 100 million, providing hundreds of the world's most effective social enterprises, startups, local groups, and other next-generation organizations with a mix of blended capital in the form of grants, debt, and equity.

8. This proposal gives U.S. agencies tools like Critical Pay Authority and Other Transactions Authority to enable U.S. agencies to expedite recruitment from outside of government in strategic sectors and to more effectively work with non-traditional and commercial partners.

Draft Legislative Text

SEC. 1. Short Title; Table of Contents

(a) SHORT TITLE.—This Act may be cited as the "Global Innovation and Prosperity Act of 2024"

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Draft Legislative Text 6
SEC. 1. Short Title; Table of Contents 6
SEC. 2. DEFINITIONS 7
SEC. 3. CONSTRUCTION; SEVERABILITY 7
TITLE I – PRINCIPLES OF FOREIGN ASSISTANCE 7
SEC. 101. FINDINGS 7
SEC. 102. STATEMENT OF POLICY 8
TITLE II – ESTABLISHMENT OF THE OFFICE FOR WHITE HOUSE GLOBAL INNOVATION, DEVELOPMENT, AND PROSPERITY (GIDAP) 9
SEC. 201. ESTABLISHMENT 9
SEC. 202. REORGANIZATION PLAN 11
SEC. 203. REPORT ON STAFF STRUCTURE FOR MEMBER AGENCIES 12
SEC. 204. MULTILATERAL ORGANIZATIONS 13
SEC. 205. GLOBAL INNOVATION OFFICE 13
SEC. 206. REPORT ON STAFF STRUCTURE FOR MEMBER AGENCIES 14
TITLE III – THE DEVELOPMENT FINANCE CORPORATION 15
SEC. 301. TRANSFER OF AUTHORITIES 15
SEC. 302. NEW AND AMENDED AUTHORITIES FOR THE DEVELOPMENT FINANCE CORPORATION 15
SEC. 303. EQUITY SCORING FIX 16
SEC. 304. EXPANDED ELIGIBILITY 17
SEC. 305. MAXIMUM CONTINGENT LIABILITY AND CONGRESSIONAL NOTIFICATION 17
SEC. 306. ESTABLISHMENT OF THE INNOVATION AND COMMERCIALIZATION PROGRAM FOR DEVELOPMENT 18
SEC. 307. REGIONAL OFFICES 18
SEC. 308. OTHER AUTHORITIES 18
SEC. 309. INVESTMENTS IN A 21ST-CENTURY ECONOMY AND CRITICAL SECTORS 19
SEC. 310. FACILITATING DIRECT LENDING TO SMALL ENTERPRISES AND FOR SMALL PROJECTS 19
SEC. 311. COORDINATED RESPONSES TO HUMANITARIAN CRISES 20
SEC. 312. RISK APPETITE AND TARGET RETURN 20
SEC. 313. PERMANENT AUTHORIZATION 20
TITLE IV – THE MILLENIUM CHALLENGE CORPORATION 20
SEC. 401. MODIFICATIONS TO ELIGIBILITY 20
SEC. 402. OTHER AUTHORITIES 21

SEC. 403. PRIORITY INVESTMENTS.....22
SEC. 404. DEVELOPMENT FUND PROGRAM.....22
TITLE V – U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT.....24
SEC. 501. PURPOSES.....24
SEC. 502. RETENTION OF AUTHORITIES.....24
SEC. 503. OTHER AUTHORITIES.....25
SEC. 504. DEVELOPMENT FUND PROGRAM.....25
TITLE VI – LIMITATIONS, CONDITIONS, AND PREFERENCES.....27
SEC. 601. LIMITATIONS, CONDITIONS, AND PREFERENCES.....27

SEC. 2. DEFINITIONS

In this Act, the following definitions apply:

(a) Legacy program.—A "legacy program" is a program previously established or administered by the United States Agency for International Development;
(b) Most vulnerable nation.—A "most vulnerable nation" is a nation that falls in the bottom quartile, as measured by the International Bank for Reconstruction and Development ("World Bank") of:
    (1) income (gross national income per capita of the previous calendar year) and;
    (2) government effectiveness.
(c) Office.—The "Office" is the White House Office for Global Innovation and Prosperity established in Title II of this Act.
(d) "Evidence-based program" means a program with either impact evidence or implementation evidence that is relevant and credible and has an informed rationale.
(e) "Evidence-building program" means a program that has an informed rationale and is undergoing an impact evaluation or implementation evaluation that is relevant and credible.

SEC. 3. CONSTRUCTION; SEVERABILITY

(a) Any provision of this Act held to be invalid or unenforceable by its terms, or as applied to any person or circumstance, shall be construed so as to give it the maximum effect permitted by law, unless such holding shall be one of utter invalidity or unenforceability, in which event such provision shall be deemed severable from this Act and shall not affect the remainder thereof, or the application of such provision to other persons not similarly situated or to other, dissimilar circumstances.

TITLE I – PRINCIPLES OF FOREIGN ASSISTANCE

SEC. 101. FINDINGS

Congress finds the following:

(a) Political, economic, and technological changes have resulted in the interdependence of nations;

(b) Countries in conflict zones, fragile states, and experiencing humanitarian crises will continue to rely on external support from aid NGOs and other development actors. USAID's existing humanitarian response infrastructure is well designed to serve immediate, short-term rapid response needs, and to support low-income countries that also are in the bottom quartile of government effectiveness;
(c) However, our humanitarian aid budget increasingly funds intractable, long-term crises. USAID must transition the management of these long-term needs to local actors. The long-term funding burden must also be shared with other donors;
(d) Most of the countries the US provides development assistance to are ready to transition their relationship with the US away from a charity-, grant- and aid-based model that is focused on sector-led development to one focused on promoting broad-based sustainable economic growth. A growing body of evidence shows that investments in economic development do far more to improve sustainable development outcomes than project-driven and sector-specific ones;
(e) Most USG global development investments should be transitioned away from project-based aid in favor of more sustainable, country- and community-led models, and investments that grow the private sector. For example, in sectors like power, health, water and sanitation, food, and digital infrastructure;
(f) As demonstrated by the success of nations like Taiwan, Vietnam, Singapore, and South Korea, improving the livelihoods of the world's poor is best achieved through economic growth, the expansion of a robust private sector, industrialization, and society-wide economic development;
(g) Our development objectives should be implemented with the ultimate purpose of promoting independence and self-sufficiency for recipient nations;
(h) Success in the 21st century requires far more investments in digital infrastructure, digital inclusion, and its enabling infrastructure, and a focus on creating 21st-century jobs, and
(i) Congress reaffirms the traditional humanitarian ideals of the American people and renews its commitment to assist people in developing countries to eliminate hunger, poverty, illness, and ignorance.

SEC. 102. STATEMENT OF POLICY

(a) Statement of Policy.—It shall be the policy of the United States Federal Government and specifically the agencies authorized to carry out foreign assistance programs to—

(i) Promote sustainable economic growth as a means towards the elimination of extreme poverty in a manner that strengthens good governance, economic freedom, and investments in people;
(ii) To facilitate market-based private sector development, inclusive economic growth in less developed countries through the provision of credit, capital, and other financial support;
(iii) To promote democracy, human rights, good governance and respond to international humanitarian crises, with the expectation that the management of most long-term humanitarian crises are shifted to local actors; and
(iv) Accelerate investments in social and technical innovation to solve global challenges that affect the United States and the world.

(b) In addition to the policy described in subparagraph (a), the United States Government shall make efforts to fulfill the goals known as the Sustainable Development Goals and report its own progress towards achieving them.

TITLE II – ESTABLISHMENT OF THE OFFICE FOR WHITE HOUSE GLOBAL INNOVATION, DEVELOPMENT, AND PROSPERITY (GIDAP)

SEC. 201. ESTABLISHMENT

(a) Establishment.—There is established an agency to be known as the [White House] Office for Global Innovation, Development, and Prosperity (referred to in this Act as the "Office").

(b) Statement of Policy.—

(i) It shall the policy of the United States Federal Government, acting through the office established in this title to—

(A) Promote economic growth as a means towards the elimination of extreme poverty in a manner that strengthens good governance, economic freedom, and investments in people;
(B) To facilitate market-based private sector development, inclusive economic growth in less developed countries through the provision of credit, capital, and other financial support;
(C) To promote democracy, human rights, good governance and respond to international humanitarian crises; and
(D) Coordinate and facilitate greater investments in social and technical innovation to achieve global development priorities, and to coordinate a global innovation and sustainable economic growth policy across all relevant agencies.

(ii) In addition to the policy described in subparagraph (i), the United States Government shall make efforts to fulfill the goals known as the Sustainable Development Goals developed by the United Nations.

(c) Coordinator.—
(i) Appointment.—There shall be a Coordinator to lead the office who shall
(A) be appointed by the President, by and with the advice and consent of the Senate; and
(B) serve at the pleasure of the President.
(ii) Membership on the National Security Council.—50 U.S.C. § 3021(c)(1) is amended to include the Coordinator.

(d) Duties.—The Coordinator shall:

(i) Submit to Congress the Global Development Strategy described in subparagraph (e);
(A) Not later than 1 year after the date of enactment of this Act; and
(B) Not later than 1 year after January 20, 2024, and every 4 years thereafter, and in each such year not earlier than the latest date on which the budget of the President may be submitted to Congress under section 1105(a) of title 31, United States Code, submit to Congress the International Development Strategy described in subparagraph (e); and

(ii) Develop and coordinate policy among the DFC, MCC, USAID, and other global development programs supported by other U.S. agencies;
(iii) Establish procedures relating to the operation of the Office;

(e) Global Development Strategy.—The Executive Director shall develop a publicly available Global Development Strategy which shall—

(i) Identify priority areas and sectors that support the policies described in Section [102] of this Act;
(ii) Establish time-bound goals and objectives that support the policies described in Section [102] of this Act;
(iii) Identify and describes clear, time-bound, standardized, and well-defined results metrics to measure success against the goals and objectives described in subparagraph (e)(ii) that, wherever possible, are tethered to other metrics already used by industry or philanthropy such that it more easily enables the U.S. government to attract outside co-investment from entities that need to show a financial or social return for investment, and achievement of the Sustainable Development Goals;
(iv) Where applicable, an evaluation of the success and failures of the previous Global Development Strategy;
(v) Identify and share best practices from international development agencies around the world;
(vi) Provide recommendations for the Development Finance Corporation, Millennium Challenge Corporation, USAID, and other agencies; and
(vii) Identify innovations in mechanisms of financial support and make recommendations to Congress for necessary changes to authorities;
(viii) Oversee implementation of the United States' participation of the Voluntary National Review as part of monitoring progress towards achieving the Sustainable Development Goals.
(ix) Provide recommendations on ways to make co-investment with other donors, philanthropic foundations, and the private sector a major feature of U.S. development assistance.
(x) Provide recommendations on legislative changes to increase accountability while reducing red tape to increase competition and access to federal procurement and grants.

(f) GIDAP Advisory Council.—

(i) In general.—There is established within the Office an Advisory Council to advise the Office on its development objectives.
(ii) Functions.—The Council shall;
(A) Seek the advice and input of private industry, diaspora community leaders, NGOs, academics, international development agencies, multilateral organizations, and other agencies of the United States Federal Government and provide recommendations to the Office during preparing the International Development Strategy described in subparagraph (e) including by—
(i) Collecting best practices for economic development and eradication of extreme poverty;
(ii) Sharing new innovations in financial mechanisms;
(B) Evaluate the Office's success in achieving our development objectives;

(C) Issue independent analyses on best practices and recommendations for policy.

(iii) Advisory Council Membership.—The council is established of not more than 10 members appointed by the President, which shall include—

(A) the Chief Executive Officer of the Development Finance Corporation;
(B) The Chief Executive Officer of the Millennium Challenge Corporation;
(C) The Administration of the Agency for International Development; and
(D) Such other representatives as the President may appoint from among individuals who are broadly representative of--
(i) Private industry;
(ii) Diaspora community leaders and organizations;
(iii) NGOs;
(iv) academics, especially those with expertise in industrial policy and innovation;
(v) international development agencies;
(vi) multilateral organizations; and
(vii) other agencies of the United States Federal Government.

(iv) PERMANENCE.—Section 14 of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Advisory Council.

(g) Evaluation and Monitoring.—

(i) In January of each year in which the Office does not submit a new Global Development Strategy as required under subparagraph (e), the Office shall submit to the appropriate congressional committees an assessment of the most recently published Global Development Strategy, which shall include—

(ii) An assessment of the implementation of the Global Development Strategy, including an assessment by the DFC, MCC, and USAID, and other U.S. agencies, supported by sufficient evidence, of steps taken to achieve the policy described in subparagraph (b); and

(iii) A determination on whether an update is needed to the Global Development Strategy because of a change in assumptions, new innovations, or other factors.

SEC. 202. REORGANIZATION PLAN

(a) Submission of plan and report.— Not later than [one year] after passage of this Act, the President shall transmit to the appropriate congressional committees a reorganization plan and report regarding—

(1) with respect to the [Office] established in Section 201 of this Act, the transfer of certain functions United States Agency for International Development and other relevant U.S. agencies to the Office for Global Innovation, Development, and Prosperity (GIDAP);

(2) the transfer to the functions and personnel of each covered agency to the Coordinator, the DFC, the MCC, USAID, and other relevant U.S. agencies identified in the report;

(b) Personnel.—The plan submitted under paragraph (a) may provide for additional consolidation, reorganization, and streamlining of U.S. development agencies, including—

(i) the transfer of functions of USAID or other identified agencies in the report that rely on traditional grant- and contract-based aid approaches for long-term development, and the personnel associated with such functions, to the Office, the DFC, the MCC,

USAID, or other identified agencies; and the consolidation, reorganization, and streamlining of U.S. development programs upon the transfer of such functions and personnel in order to carry out the functions transferred.

(c) Plan elements.—The plan transmitted under subparagraph (a) shall contain, consistent with this chapter, such elements as the President deems appropriate, including elements that

(i) Identify the functions of traditional development programs, especially those grant- and contract-based programs managed by USAID and other U.S. agencies, that will be transferred to the Coordinator, the DFC, MCC, USAID, or other U.S. agencies under the plan, and for each program, the Coordinator should evaluate whether: recipient countries can take over financing responsibilities within an [X-year] time horizon, there is sufficient private sector capacity in the sector for the DFC or MCC to take a greater share of responsibilities, or the program should remain at USAID or its present U.S. agency because it can show extraordinary development results, especially because it uses a rigorous evidence base or can meet basic tests of cash benchmarking.

(ii) Specify how the United States will continue to manage and disburse all funding associated with U.S. obligations to international or multilateral organizations, and to develop a strategy to encourage such entities receiving U.S. contributions to demonstrate a plan to increase cost-sharing with other donors and encourage that funding:

(A) Go directly to local actors;

(B) Support innovation and the development of local private sectors; and

(C) Be utilized through innovative financial instruments including but not limited to the use of blended finance, debt swaps, pay-for-outcomes funds that attract outside co-investments from philanthropy and other investors, and other tools

(iii) Specify the steps to be taken by the [Coordinator] to reorganize internally the functions of the U.S. Agency for International Development and other identified agencies, including the consolidation of offices and functions, that will be required under the plan in order to permit the Coordinator to carry out the functions transferred to it under the plan;

(iv) Specify the funds available to each covered agency that will be transferred to the Coordinator as a result of the transfer of functions of such agency to the Coordinator;

(v) Specify the proposed allocations within the Coordinator of unexpended funds transferred in connection with the transfer of functions under the plan;

(vi) Specify the proposed disposition of the property, facilities, contracts, records, and other assets and liabilities of each covered agency in connection with the transfer of the functions of such agency to the Coordinator;

SEC. 203. REPORT ON STAFF STRUCTURE FOR MEMBER AGENCIES

(a) Report requirement.—No later than [180 days] after enactment of this Act, the President shall submit to Congress a report on the personnel requirements for the Office and the member agencies, the DFC, MCC, USAID, and other relevant U.S. agencies to competently execute the development objectives of this Act and the specialized expertise in finance, industrial planning, digital infrastructure and digital inclusion, logistics and supply chains, innovation, and other private sector or lived experience and a plan to recruit and retain the workforce necessary.

(i) Plan elements.—The plan shall include:
(A) A planned organizational structure to ensure the agency is best equipped to carry out the objectives of this Act; and
(B) A plan to use specialized hiring authorities like Critical Pay Authority or Direct Hire authority where appropriate.

SEC. 204. MULTILATERAL ORGANIZATIONS

(a) Management and Disbursement of Funds.—The Coordinator shall be responsible for managing and disbursing all funding associated with U.S. obligations to international or multilateral organizations.

(b) Requirements for Support.—In accordance with U.S. law and international obligations, the Office shall as a condition of receiving U.S. contributions, require recipients of aid under this section to demonstrate a plan to increase cost-sharing with other donors and encourage that funding:
(1) Go directly to local actors;
(2) Support innovation and development;
(3) Development of local private sector; and
(4) Be utilized through innovative financial instruments including but not limited to the use of blended finance.

SEC. 205. GLOBAL INNOVATION OFFICE

(a) Establishment.—There is established the "Global Innovation Office" reporting to the GIDAP Coordinator.

(b) Purpose.—The purpose of the Global Innovation Office will be to:

(i) Work with partner units to tackle unique and difficult development challenges outside the scope of other development agencies;
(ii) Prototype and deploy innovative development solutions;
(iii) Facilitate the transmission of potential solutions and proven innovations in development and non-development sectors that may fulfill the critical mission needs of development agencies; and
(iv) Identify proven innovations used in partner nations that could be also deployed to solve development challenges in the United States.

(c) Authority for Agreements and Transactions.—In carrying out its purposes, the Global Innovation Office may enter into agreements, including contracts, grants and cooperative agreements, and other transactions as may be necessary and on such terms as the Executive Director considers appropriate.

(i) Requirement for Advance Market Commitment. —Under subparagraph (c), each year, the Office shall additionally sponsor at least one major Advanced Market Commitment to incentivize research and development and scaled deployment of critical technologies that meet needs of partner nations in priority areas such as digital infrastructure, drug development, clean energy, critical minerals processing, or other critical areas. Funds for advanced market commitments shall be authorized annually and available until expended.

(d) Plan required.— Not later than [180 days] after the date of the enactment of this Act, the Coordinator shall develop a plan for how to implement the Global Innovation Unit.

(i) Matters covered.—The plan developed shall cover how the Unit will;

(A) Help partner nations tackle difficult development challenges through dissemination of information, best practices, and evidence-based approaches, as well as to recommended ways to leverage greater investments in innovation to solve development challenges.

(B) Identify best-in-class innovations developed in the United States and around the world that can be used to significantly accelerate progress to meet development objectives, especially those innovations that are already serving 1 million or more people that could be scaled to the next 100 million, and develop a plan, budget, and strategy to do so through the creation of a "Missing Middle Fund";

(C) Prototype and deploy innovative development solutions;

(D) Support the DFC, MCC, USAID, and other U.S. global development agencies in carrying out their mission;

(E) Facilitate the transition of potential prototypes and solutions to critical mission needs of the development agency and partner nations, including to identify funding to prototype and scale such innovations;

(F) Serve as a liaison between the U.S. development agencies and domestic innovation agencies including DARPA, BARDA, ARPA-E as well as other U.S. advanced research projects administrations, and the private sector;

(G) Identify ways for for DARPA and other federal ARPAs, U.S. national laboratories, and U.S. research universities to focus more research on applications for lower-resourced settings and facilitate technology transfer with proper IP and security protections;

(H) Identify promising innovations used in partner nations that could be deployed in the United States to meet its own development challenges and liaise with the relevant U.S. federal, state, or local authorities;

(I) Advise on the development and implementation of an Innovation and Commercialization Program for Development within the DFC, modeled after the most successful elements of programs like the Small Business Innovation Research (SBIR) program and the Small Business Technology Transfer (STTR) program at other U.S. federal agencies;

(J) Develop a strategy and implementation plan to increase U.S. investments and co-investments in research and development centers, innovation funds, and STEM education in partner developing nations, especially to foster development of strategic sectors like global supply chains, local drug development and manufacturing, critical minerals processing, semiconductors, and digital infrastructure.

(K) Identify which evidence-based policies and programs can have the highest potential for impact towards achieving development goals, and develop a strategy and plan to fund them.

(e) Authorization of Appropriations.

(i) In general.—There are authorized to be appropriated to carry out this chapter such sums as may be necessary, but not less than $1,000,000,000 per year.

(ii) Availability.—Amounts appropriated under this section shall remain available until expended.

SEC. 206. REPORT ON STAFF STRUCTURE FOR MEMBER AGENCIES

(a) Report requirement.—No later than 180 days after enactment of this Act, the President shall submit to Congress a report on the personnel requirements for the Office and the member agencies, the DFC, MCC, and USAID to competently execute the development objectives of this Act and the specialized expertise in finance, industrial planning, digital infrastructure and digital inclusion, logistics and supply chains, innovation, and other private sector or lived experience and a plan to recruit and retain the workforce necessary.
  (i) Plan elements.—The plan shall include:
    (1) A planned organizational structure to ensure the agency is best equipped to carry out the objectives of this Act; and
    (2) A plan to use specialized hiring authorities like Critical Pay Authority or Direct Hire authority where appropriate.

TITLE III – THE DEVELOPMENT FINANCE CORPORATION

SEC. 301. TRANSFER OF AUTHORITIES

(a) Transfer of authorities.—The legacy programs authorized under the following statutes shall hereby be transferred to the Development Finance Corporation:

  (i) 22 U.S. Code Subpart vi - development assistance for micro, small, and medium-sized enterprises;
  (ii) 22 U.S. Code Subpart iii - shelter and other credit guaranty programs; and
  (iii)22 U.S. Code Part VII - Debt-for-Nature Exchanges.

SEC. 302. NEW AND AMENDED AUTHORITIES FOR THE DEVELOPMENT FINANCE CORPORATION

(a) Additional authorities for the DFC.—Section 1421 of Title II of the FAA Reauthorization Act of 2018 is amended to include:
  (i) Co-investments with eligible entities including private corporations, philanthropic foundations, institutional investors, impact investors, or other entities as deemed necessary by the Chief Executive Officer;
  (ii) Blended finance;
  (iii) First-loss guarantees;
  (iv) Guarantees for community investment funds and other pooled funds that provide guarantees;
  (v) Debt swaps;
  (vi) Purchase guarantees;
  (vii) Advance market commitments;
  (viii) Volume guarantees;
  (ix) The ability to purchase financial instruments and securities that could bring liquidity to developing markets;
  (x) Milestone-based awards used in conjunction with blended finance transactions or as part of the DFC's innovation commercialization program; or
  (xi) Challenge-based acquisitions.
  (xii) Auctions;
  (xiii) Participation in purchasing consortiums;
  (xiv) Compact models as defined in 22 U.S.C. 7708; and

(xv) Other transactions or financial mechanisms as deemed necessary by the Chief Executive Officer.

(b) Budgetary Treatment of Equity Investments.—To facilitate increased equity investments under the Better Utilization of Investments Leading to Development Act, Section 1421(c) of P.L. 115-254 is amended by adding at the end the following:

SEC. 303. EQUITY SCORING FIX

"(7) PRESENT VALUE OF EQUITY ACCOUNT. – There is established a fund as a subaccount of the Corporate Capital Account to be known as the 'Corporate Equity Account' to carry out this subsection. Subject to the availability of appropriations, the cost of investment determined under subparagraphs (A) and (B) shall be transferred from the Corporate Capital Account to the Corporate Equity Account.

(8) BUDGETARY TREATMENT OF EQUITY INVESTMENTS. –

(A) CALCULATION OF COSTS OF INVESTMENT.

(i) IN GENERAL.—The cost of investment provided under paragraph (1) shall be the net present value, at the time when funds are disbursed to provide the support, excluding administrative costs and any incidental effects on governmental receipts or outlays, based on the following estimated cashflows:

(I) The purchase price of the investment.

(II) Dividends, redemptions, and other shareholder distributions during the term of the support.

(III) Proceeds received upon a sale, redemption, or other liquidation of the investment.

(IV) Foreign currency fluctuations, for support denominated in foreign currencies.

(V) any other relevant cashflow.

(ii) CHANGES IN TERMS INCLUDED.—The estimated cash flows described in subclauses (I) through (V) of clause (i) shall include the effects of changes in terms resulting from the exercise of options included in the agreement to provide the investment.

(iii) DISCOUNT RATE -- the discount rate shall be the average interest rate on marketable Treasury securities of similar maturity to the cash flows support provided under paragraph (1).

(B) DIFFERENTIAL AMOUNT.—"Differential Amount" is the difference between the cost of investment and the purchase price of the investment. There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for the transfer of any differential amount to the subaccount created pursuant to this subparagraph. Such amount shall be recorded as direct spending as defined by section 250(c)(8) of BBEDCA, as amended.

(C) COORDINATION.— The Director of the Office of Management and Budget shall be responsible for coordinating the cost estimates required by this paragraph. The Director shall consult with the Corporation on these cost estimates. Nothing in this subparagraph shall be construed to change the authority or the

responsibility of the Corporation to determine the terms and conditions of eligibility for, or the amount of investment provided by the Corporation.

(D) BUDGETARY EFFECTS OF THE DIFFERENTIAL AMOUNT.— The following rules shall apply to budget enforcement under the Congressional Budget Act of 1974, the Balanced Budget and Emergency Deficit Control Act of 1985, and the Statutory Pay-As-You-Go Act of 2010.

(i) FUTURE APPROPRIATIONS.—Any differential amount appropriated pursuant to subparagraph (F) shall not be recorded as budget authority and outlays for purposes of any estimate under the Congressional Budget and Impoundment Control Act of 1974 or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

(ii) STATUTORY PAYGO SCORECARDS.—The budgetary effects of any amounts appropriated for the differential amount under subparagraph (B) shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay As-You-Go Act of 2010.

(iii) SENATE PAYGO SCORECARDS.—The budgetary effects of any amounts appropriated for the differential amount under subparagraph (B) shall not be entered on any PAYGO scorecard maintained for purposes of section 4106 of H. Con. Res. 71 (115th Congress).

(iv) ELIMINATION OF CREDIT FOR CANCELLATION OR RESCISSION OF DIFFERENTIAL.—If legislation is enacted that rescinds or reduces an amount appropriated as a differential amount pursuant to subparagraph (B), the amount of any such rescission or reduction shall not be estimated as a reduction in direct spending under the Congressional Budget and Impoundment Control Act of 1974 or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended and shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay As-You-Go Act of 2010 or for purposes of section 4106 of H. Con. Res. 71 (115th Congress).”

(c) Report.—No later than [180 days] after enactment of this Act, the CEO shall submit a report to Congress with a plan to increase utilization of new and existing authorities to fulfill the purpose of the DFC and the purposes of foreign assistance described in this Act.

SEC. 304. EXPANDED ELIGIBILITY

(a) Expanded country eligibility.—22 USC 9601 is amended to allow support to countries if:

1. The per capita income of the country in a fiscal year is equal to or less than the World Bank threshold for initiating the International Bank for Reconstruction and Development graduation process for the fiscal year; or
2. Subject to subparagraph (b), the country is not ineligible to receive United States economic assistance under Part I of 22 USC 2151 et seq.

(b) Waiver Authority for Strategic Investments.—

1. Notwithstanding the limitations set forth in this section, the Development Finance Corporation (DFC) is authorized to make investments in countries not classified as low-income if the United States determines that a hostile country or strategic competitor is planning to invest in that country's critical sectors, including but not limited to mining, transportation, electricity, and telecommunications.
2. The DFC may exercise this waiver authority only insofar as it is making a competing counteroffer to the investment planned by the hostile country or strategic competitor.
3. Prior to exercising this waiver authority, the DFC shall notify the relevant congressional committees and provide a justification for the investment, demonstrating that it is necessary to counteract the influence of a hostile country or strategic competitor in the identified critical sector.

(c) **Rule of construction.—**Nothing in this section shall change the Corporation's focus on less-developed countries as described in 22 U.S. Code § 9612 (c).

SEC. 305. MAXIMUM CONTINGENT LIABILITY AND CONGRESSIONAL NOTIFICATION

(a) Increase in maximum contingent liability.—Section 1421 of Title II of the FAA Reauthorization Act of 2018 is amended to allow a maximum contingent liability of [180,000,000,000].

(b) Increase in congressional notification threshold.—Section 1446 is amended to require notification for investments made above $50,000,000.

SEC. 306. ESTABLISHMENT OF THE INNOVATION AND COMMERCIALIZATION PROGRAM FOR DEVELOPMENT

(a) Establishment.—Within [180 days] of enactment of this Act, the Chief Executive Officer of the DFC will establish an Innovation and Commercialization Program for Development.

(b) Assistance to business concerns.—It shall be the duty of the program, and it is empowered—

(i) to assist businesses, social enterprises, universities, and research institutes based in the United States or its partner countries to obtain tiered-based funding to pilot and scale novel and commercializable innovations in global development, with initial Stage 1 milestone-based contracts for research and development, Stage 2 milestone-based contracts for prototyping and testing commercial market viability, and Stage 3 milestone-based contracts to scale innovations that are able to graduate beyond Stage 2 and are proven to be capable of being sustained via market-based approaches or via funders other than the U.S. government or international development donors.

(ii) to assist participating entities to obtain the benefits of research and development performed under Government contracts or at Government expense;

(iii) To provide technical assistance to participating entities to accomplish the purposes of this section.
(iv) To design this program such that it is modeled after the most successful elements of programs like the Small Business Innovation Research (SBIR) program and the Small Business Technology Transfer (STTR) program.
(v) Each year, submit to Congress a list of no fewer than 15 successful innovations the DFC plans to graduate to Stage 3, along with a plan to leverage funding from the DFC, other U.S. federal agencies, or external sources to make that transition successful.

SEC. 307. REGIONAL OFFICES

(a) Establishment—The DFC shall establish regional offices in Latin America, Africa, Central Europe, Asia, and Oceania, as well regional technology hubs across the United States, for the purposes of identifying new potential transactions, to nominate companies to participate in the agency's Innovation Commercialization Program, and to identify promising innovations that could serve development needs both of partner countries and the United States.

SEC. 308. OTHER AUTHORITIES

(a) Critical Pay Authority.—Without regard to the provisions of the title governing appointments in the competitive service or the Senior Executive Service and chapters 51 and 53 (relating to classification and pay rates), the head of an agency may establish, fix the compensation of, and appoint individuals to, designated critical administrative, technical, and professional positions needed to carry out the functions of the DFC if—
(i) the positions—
(A) require expertise of an extremely high level in an administrative, technical, or professional field; and
(A) are critical to the agency's successful implementation of this Act; and
(ii) exercise of the authority is necessary to recruit or retain an individual exceptionally well qualified for the position;
(iii) the number of such positions does not exceed [40] at any one time;
(iv) designation of such positions are approved by the head of the agency;
(v) total annual compensation for any appointee to such positions does not exceed the highest total annual compensation payable at the rate determined under section 104 of title 3; and
(vi) all such positions are excluded from the collective bargaining unit.
(vii) Individuals appointed under this section shall not be considered to be employees for purposes of subchapter II of chapter 75.

SEC. 309. INVESTMENTS IN A 21ST-CENTURY ECONOMY AND CRITICAL SECTORS

(a) The DFC shall prioritize investments that with the private sector that equip partner countries for the 21st century economy, including investments in digital infrastructure and digital inclusion and its enabling infrastructure, manufacturing and processing facilities, especially in the areas of vaccines and local drug development and critical minerals processing, clean energy development and deployment, and high-tech workforce training centers.

(b) The DFC shall also be directed to co-invest with the private sector, philanthropy, and other donors in financial instruments that directly fund social enterprises and companies that have demonstrated market-based business models and also driving social impact, including via innovation hubs, innovation funds, and outcomes funds.

SEC. 310. FACILITATING DIRECT LENDING TO SMALL ENTERPRISES AND FOR SMALL PROJECTS

(a) Definitions.
  (i) Small enterprise.—In this section, a "small enterprise" with less than [$10,000,000] in annual revenue.
  (ii) Small project.—In this section, a "small project" refers to a project seeking less than [$10,000,000] in support.
(b) Purpose.—The purpose of this section is to facilitate more lending to small enterprises and individuals.
(c) Rules.
  (i) Legal costs.—The DFC shall not require any small enterprise to pay for the legal costs of the DFC in closing a transaction, and shall subsidize the small enterprise's for its legal costs where necessary.
  (ii) Technical assistance.—When deemed appropriate or necessary, the DFC may provide technical assistance to small enterprises at no cost.
  (iii) Language.—When deemed appropriate or necessary, the DFC may provide waivers to small enterprises as it relates to language requirements for documentation and shall subsidize the costs for document translation when necessary for transaction completion.
  (iv) Other waivers.—For direct support to small enterprises or for small projects, or for support to intermediaries for the sole purpose of supporting small enterprises or small projects, the CEO may waive other requirements for if he or she deems that the requirements waived would pose an unnecessary burden on the project or lendee or if the waiver is necessary to carry out the development objectives of the corporation.

SEC. 311. COORDINATED RESPONSES TO HUMANITARIAN CRISES

(a) Notwithstanding any other provision of law, the Corporation may provide support on such terms and conditions as the CEO deems necessary when done in conjunction with USAID for the purpose of humanitarian response as defined in Section. 501, subparagraph (c)(1).

SEC. 312. RISK APPETITE AND TARGET RETURN

(a) Target return.—The Corporation shall determine a target return for its portfolio that ensures:
  (i) the Corporation is providing affordable capital or other types of support when the private market is unwilling or unable to do so;
  (ii) Taking an appropriate amount of risk in its investments; and
  (iii) Balancing the Corporation's appetite for risk with the need to earn returns on its portfolio.

SEC. 313. PERMANENT AUTHORIZATION

(a) Authorization.—The Corporation is hereby permanently authorized.

TITLE IV – THE MILLENIUM CHALLENGE CORPORATION

SEC. 401. MODIFICATIONS TO ELIGIBILITY

(a) Expanded country eligibility.—22 USC 7705 is amended to allow countries—
  (i) If the per capita income of the country in a fiscal year is equal to or less than the World bank threshold for initiating the International Bank for Reconstruction and Development graduation process for the fiscal year; and
  (ii) Subject to subparagraph (b), the country is not ineligible to receive United States economic assistance under Part I of 22 USC 2151 et seq.
  (iii) Rule of Construction.—For the purposes of determining eligibility, the President or Secretary of State may waive or suspend any provision of law referred to in subparagraph (a)(ii) and notification to the appropriate congressional committees in accordance with such provision of law shall be construed as satisfying the requirements under subparagraph (a).

(b) Expanded eligibility for subnational governments.—22 USC 7701 et seq is amended to allow assistance to subnational governments, including cities, that have high levels of government effectiveness.

(c) Expanded eligibility for regional and multi-country transactions. – The MCC shall be authorized and encouraged to participate in more regional transactions that serve multiple countries' economic development needs, for example, for construction of regional fiber optic cables or supply chain infrastructure.

(d) Expanded eligibility to work with specific ministries – The MCC shall be authorized to enter into agreements with specific ministries, especially in cases where an individual government ministry has shown high competencies or scores of government effectiveness even if the country overall cannot meet scorecard requirements.

SEC. 402. OTHER AUTHORITIES

(a) Critical Pay Authority.—Without regard to the provisions of the title governing appointments in the competitive service or the Senior Executive Service and chapters 51 and 53 (relating to classification and pay rates), the head of an agency may establish, fix the compensation of, and appoint individuals to, designated critical administrative, technical, and professional positions needed to carry out the functions of the MCC if—
  (i) the positions—
    (A) require expertise of an extremely high level in an administrative, technical, or professional field; and
    (A) are critical to the agency's successful implementation of this Act; and
  (ii) exercise of the authority is necessary to recruit or retain an individual exceptionally well qualified for the position;
  (iii) the number of such positions does not exceed [40] at any one time;
  (iv) designation of such positions are approved by the head of the agency;
  (v) total annual compensation for any appointee to such positions does not exceed the highest total annual compensation payable at the rate determined under section

104 of title 3; and

(vi) all such positions are excluded from the collective bargaining unit.

(vii) Individuals appointed under this section shall not be considered to be employees for purposes of subchapter II of chapter 75.

(b) Authority for Cooperative Agreements.—On or after enactment of this Act, all moneys received as contributions toward cooperative work in MCC program shall be covered into the Treasury and shall constitute a special fund, which is appropriated and made available until expended, as the Corporation may direct, for the Corporation. The CEO shall establish written rules that establish criteria to be used to determine whether the acceptance of contributions of money under this section would adversely affect the ability of an officer or employee of the Corporation to carry out a duty or program of the officer or employee in a fair and objective manner or would compromise, or appear to compromise, the integrity of the program, officer, or employee. CEO shall establish written rules that protect the interests of the Corporation in cooperative work agreements.

SEC. 403. PRIORITY INVESTMENTS

(a) The MCC shall endeavor to support the development priorities from the recipient government recognizing that those closest to the problems are closest to the solutions.

(b) The MCC shall additionally prioritize investments with government that equip partner countries for the 21st century economy, including investments in partner countries in digital infrastructure and digital inclusion and its enabling infrastructure, research and development and other innovation centers, manufacturing and processing facilities and its enabling infrastructure, especially in the areas of vaccines and drug development and critical minerals processing, clean energy development and deployment, and developing high-tech workforce training centers.

SEC. 404. DEVELOPMENT FUND PROGRAM

(a) Development Fund.—The Board, acting through the Chief Executive Officer of the Corporation, may provide assistance for eligible governments as expanded in Sec. 402 of this Act, in the form of a “Millenium Development Fund”, that establishes a multi-year plan for achieving shared development objectives that do not meet the traditional [economic growth] objectives of the Millenium Challenge Compact program defined in 22 U.S.C. § 7708, and that Development Funds may be established as a joint corporation, compact, or fund with the government or governments of the recipient country (or group of countries), including at subnational, regional, or local levels.

(b) Purposes.—The purpose of the Development Fund program shall be to support development programs that meet development objectives of the MCC but do not conform strictly with the “economic growth” definitions and approach of the MCC’s traditional compact model, such as to support investments in sectors that will promote sustainable economic or social development in sectors that include but are not limited to infrastructure, biodiversity, education, health, food security, nutrition, and digital inclusion.

(c) Elements.

(i) In general, the Development Fund should take into account the national development strategy of the country and shall contain—

(A) the specific objectives that participating government or governments (to include national, subnational, or local governments, or specific ministries,

or regional agreements across multiple countries) the United States, and/or other participating partners, expect to achieve during the term of the Development Fund;

(B) the responsibilities of the participating government(s) and the United States in the achievement of such objectives;

(C) regular benchmarks to measure, where appropriate, progress toward achieving such objectives;

(D) an identification of the intended beneficiaries, disaggregated by income level, gender, and age, to the maximum extent practicable;

(E) a multi-year financial plan, including the estimated amount of contributions by the Corporation and the country and proposed mechanisms to implement the plan and provide oversight, that describes how the requirements of subparagraphs (A) through (D) will be met, including identifying the role of civil society in the achievement of such requirements;

(F) where appropriate, a description of the current and potential participation of other donors in the achievement of such objectives;

(G) a plan to ensure appropriate fiscal accountability for the use of assistance provided under 22 U.S.C. section 7704 of this title;

(H) a requirement that open, fair, and competitive procedures are used in a transparent manner in the administration of grants or cooperative agreements or the procurement of goods and services for the accomplishment of objectives under the Development Fund, including to allow for use of local procurement rules such that local entities select vendors however with appropriate oversight and vetting by participating U.S. agencies;

(I) where appropriate, a process or processes for consideration of solicited proposals under the Development Fund Payment as well as a process for consideration of unsolicited proposals by the Agency and national, regional, or local units of government, taking into account ways to expand participation and reduce red tape while increasing accountability for results;

(J) the strategy of the eligible country to sustain progress made toward achieving such objectives after expiration of the Development Payment; and

(K) a description of the role of the [U.S. agencies] in any design, implementation, and monitoring of programs and activities funded under the Development Fund.

(d) Definition

(i) In this subsection, the term "national development strategy" means any strategy to eliminate advance development priorities that has been developed by the government of the country in consultation with a wide variety of civic participation, including nongovernmental organizations, private and voluntary organizations, academia, women's and student organizations, local trade and labor unions, and the business community.

(e) Additional provision relating to prohibition on taxation

(i) In addition to the elements described in subparagraph (c), each Development Fund Payment agreement shall contain a provision that states that assistance provided by the United States under the Development Fund shall be exempt from taxation by the government of the eligible country.

(f) Local input

(i) In entering into an agreement, the United States shall seek to ensure that the government of an eligible country
(A) takes into account the local-level perspectives of the rural and urban poor, including women, in the eligible country; and
(B) consults with private and voluntary organizations, the business community, and other donors in the eligible country.

(g) Consultation.—During any discussions with a country for the purpose of entering into an agreement with the country, officials of the Agency participating in such discussions shall, at a minimum, consult with appropriate officials of the Millenium Challenge Corporation, Development Finance Corporation, Global Innovation Office, and GIDAP, particularly with those officials responsible for the appropriate region or country on development issues related to the Development Fund.

(h) Coordination with other donors—To the maximum extent feasible, activities undertaken to achieve the objectives of the agreement shall be undertaken in coordination with the assistance activities of other donors, and should allow for co-investment with other donors, including other governments, philanthropic organizations, investors, and corporations.

(i) Assistance for development of Development Fund—Notwithstanding subparagraph (a), the Administrator may enter into contracts or make grants for any eligible country for the purpose of facilitating the development and implementation of the Development Fund between the United States and the country and participating governments.

(j) Requirement for approval by the Board—Each Development Fund shall be approved by the Board before the United States enters into the Development Fund.

(k) Increase or extension of assistance under a Development Fund—Not later than 15 days after making a determination to increase or extend assistance under a Development Fund with an eligible country, the Board, acting through the Chief Executive Officer
(i) shall prepare and transmit to the appropriate congressional committees a written report and justification that contains a detailed summary of the proposed increase in or extension of assistance under the Development Fund and a copy of the full text of the amendment to the Development Fund; and
(ii) shall publish a detailed summary, full text, and justification of the proposed increase in or extension of assistance under the Development Fund in the Federal Register and on the Internet website of the Corporation.

(j) Duration of Development Fund—The duration of a Development Fund shall not exceed 5 years.

TITLE V – U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

SEC. 501. PURPOSES

(a) Purpose.—The Agency's primary responsibilities shall include carrying out all the objectives of the Federal Government related to—
(i) The Federal Government's response to global humanitarian crises including but not limited to conflict, famine, natural disasters, and [];
(ii) The promotion of democracy, good governance, and human rights; and
(iii) Authorities described in Sec. 402.

SEC. 502. RETENTION OF AUTHORITIES

(a) Transfer.—Legacy programs under the following authorities are hereby retained by the Agency:

(i) Programs in most vulnerable nations;
(ii) § 2151n. Human rights and development assistance;
(iii) § 2151n–2. Human Rights and Democracy Fund;
(iv) 22 U.S. Code § 2151x - Development and illicit narcotics production;
(v) 22 U.S. Code § 2152c - Programs to encourage good governance;
(vi) 22 U.S. Code § 2152j - Statement of policy

(A) It shall be the policy of the United States to promote the meaningful participation of women in all aspects of overseas conflict prevention, management, and resolution, and post-conflict relief and recovery efforts, reinforced through diplomatic efforts and programs that—
(1) integrate the perspectives and interests of affected women into conflict-prevention activities and strategies;
(2) encourage partner governments to adopt plans to improve the meaningful participation of women in peace and security processes and decision-making institutions;
(3) promote the physical safety, economic security, and dignity of women and girls;
(4) support the equal access of women to aid distribution mechanisms and services;
(5) collect and analyze gender data for the purpose of developing and enhancing early warning systems of conflict and violence;
(6) adjust policies and programs to improve outcomes in gender equality and the empowerment of women; and
(7) monitor, analyze, and evaluate the efforts related to each strategy submitted under section 2152j–1 of this title.

(vii) 22 U.S. Code § 2152d - Assistance to foreign countries to meet minimum standards for the elimination of trafficking;
(viii) § 2152j–2. Training requirements regarding the participation of women in conflict prevention and peace building;
(ix) 22 U.S. Code Part VI - Central America Democracy, Peace, and Development Initiative;
(x) 22 U.S. Code Part IX - International Disaster Assistance

SEC. 503. OTHER AUTHORITIES

(a) Critical Pay Authority.—Without regard to the provisions of the title governing appointments in the competitive service or the Senior Executive Service and chapters 51 and 53 (relating to classification and pay rates), the head of an agency may establish, fix the compensation of, and appoint individuals to, designated critical administrative, technical, and professional positions needed to carry out the functions of the Agency if—
(1) the positions—
(A) require expertise of an extremely high level in an administrative, technical, or professional field; and
(A) are critical to the agency's successful implementation of this Act; and
(2) exercise of the authority is necessary to recruit or retain an individual exceptionally well qualified for the position;
(3) the number of such positions does not exceed [40] at any one time;

(4) designation of such positions are approved by the head of the agency;
(5) total annual compensation for any appointee to such positions does not exceed the highest total annual compensation payable at the rate determined under section 104 of title 3; and
(6) all such positions are excluded from the collective bargaining unit.
(7) Individuals appointed under this section shall not be considered to be employees for purposes of subchapter II of chapter 75.

SEC. 504. DEVELOPMENT FUND PROGRAM

(a) Development Fund.—The Agency may provide assistance in the form of a "Millenium Development Fund", that establishes a multi-year plan for achieving shared development objectives, and that Development Funds may be established as a joint corporation, compact, or fund with the government or governments of the recipient country (or groups of countries), including at subnational, regional, or local levels.
(b) Purposes.—The purpose of the Development Fund program shall be to support development programs aligned with the goals of USAID, especially to promote sustainable economic development.
(c) Elements.
  (i) In general, the Development Fund should take into account the national development strategy of the country and shall contain—
    (A) the specific objectives that participating government or governments (to include national, subnational, or local governments, or specific ministries, or regional agreements across multiple countries) and the United States expect to achieve during the term of the Development Fund;
    (B) the responsibilities of the recipient country or countries, subnational government, and/or community and the United States in the achievement of such objectives;
    (C) regular benchmarks to measure, where appropriate, progress toward achieving such objectives;
    (D) an identification of the intended beneficiaries, disaggregated by income level, gender, and age, to the maximum extent practicable;
    (E) a multi-year financial plan, including the estimated amount of contributions by the Agency, other federal agencies, and proposed mechanisms to implement the plan and provide oversight, that describes how the requirements of subparagraphs (A) through (D) will be met, including identifying the role of civil society in the achievement of such requirements;
    (F) where appropriate, a description of the current and potential participation of other donors in the achievement of such objectives;
    (G) a plan to ensure appropriate fiscal accountability for the use of assistance provided under 22 U.S.C. section 7704 of this title;
    (H) a requirement that open, fair, and competitive procedures are used in a transparent manner in the administration of grants or cooperative agreements or the procurement of goods and services for the accomplishment of objectives under the Development Fund, including to allow for use of local procurement rules such that local entities select vendors however with appropriate oversight and vetting by participating U.S. agencies;
    (I) where appropriate, a process or processes for consideration of solicited proposals under the Development Fund Payment as well as a process for

consideration of unsolicited proposals by the Agency and national, regional, or local units of government, taking into account ways to expand participation and reduce red tape while increasing accountability for results;

(J) the strategy of the eligible country to sustain progress made toward achieving such objectives after expiration of the Dividend Fund Payment; and

(K) a description of the role of the [United States Agency for International Development] and other U.S. agencies in any design, implementation, and monitoring of programs and activities funded under the Development Fund.

(d) Definition

(i) In this subsection, the term "national development strategy" means any strategy to achieve promote development priorities, including to promote sustainable economic growth, that has been developed by the government of the country in consultation with a wide variety of civic participation, including nongovernmental organizations, private and voluntary organizations, academia, women's and student organizations, local trade and labor unions, and the business community.

(e) Additional provision relating to prohibition on taxation

(i) In addition to the elements described in subparagraph (c), each Development Fund Payment agreement shall contain a provision that states that assistance provided by the United States under the Development Fund shall be exempt from taxation by the government of the eligible country.

(f) Local input

(i) In entering into an agreement, the United States shall seek to ensure that the government of an eligible country

(A) takes into account the local-level perspectives of the rural and urban poor, including women, in the eligible country; and

(B) consults with private and voluntary organizations, the business community, and other donors in the eligible country.

(g) Consultation.—During any discussions with a country for the purpose of entering into an agreement with the country, officials of the Agency participating in such discussions shall, at a minimum, consult with appropriate officials of the Millenium Challenge Corporation, Development Finance Corporation, Global Innovation Office, and GIDAP, particularly with those officials responsible for the appropriate region or country on development issues related to the Development Fund.

(h) Coordination with other donors—To the maximum extent feasible, activities undertaken to achieve the objectives of the agreement shall be undertaken in coordination with the assistance activities of other donors, and should allow for co-investment with other donors, including other governments, philanthropic organizations, investors, and corporations.

(i) Assistance for development of Development Fund—Notwithstanding subparagraph (a), the Administrator may enter into contracts or make grants for any eligible country for the purpose of facilitating the development and implementation of the Development Fund between the United States and the country and participating governments.

(j) Requirement for approval by the Board—Each Development Fund shall be approved by the Board before the United States enters into the Development Fund.

(k) Increase or extension of assistance under a Development Fund—Not later than 15 days after making a determination to increase or extend assistance under a Development Fund with an eligible country, the Board, acting through the Chief Executive Officer

(i) shall prepare and transmit to the appropriate congressional committees a written

report and justification that contains a detailed summary of the proposed increase in or extension of assistance under the Development Fund and a copy of the full text of the amendment to the Development Fund; and

(ii) shall publish a detailed summary, full text, and justification of the proposed increase in or extension of assistance under the Development Fund in the Federal Register and on the Internet website of the Agency.

(j) Duration of Development Fund—The duration of a Development Fund shall not exceed 5 years.

TITLE VI – LIMITATIONS, CONDITIONS, AND PREFERENCES

SEC. 601. LIMITATIONS, CONDITIONS, AND PREFERENCES

(a) Policies.—Not later than 1 year after the date of enactment of this Act, the GIDAP Coordinator, in consultation with the CEOs of the DFC and the MCC, and the Administrator for USAID, and officials representing other U.S. global development agencies and programs shall establish policies to ensure that our support:

(i) is aligned and consistent with American values and conceptions of human rights, especially to prevent the trafficking or enslavement of persons;

(ii) is aligned with our obligations as members to Treaty organizations or other international organizations;

(iii) where possible, is provided directly to local actors and participants.

(iv) where possible, create personnel incentives when utilizing federal grants and contracts to use models that reduce red tape and increase accountability for results, such as via milestone-based contracting.

(b) Direct Hire Authority.—Funds appropriated to GIDAP, the Development Finance Corporation, the Millennium Challenge Corporation, or the USAID may be used to appoint, without regard to the provisions of sections 3309 through 3319 of title 5 of the United States Code, candidates needed for positions to perform critical work relating to the development objectives of the United States described in Section 101(b) of this Act.

(c) U.S. Government development agencies shall create new pathways to increase awards with competition limited to enable local entities and other non-traditional that have not historically worked with U.S. Government development agencies to do so for the first time or expand opportunities where the following is true:

(i) Dependence on Foreign Assistance.—The entity has received less than [$25] million from the United States Federal Government in the previous five fiscal years.

(ii) U.S. Operational Plans.—All Washington DC-based bureaus and overseas missions of U.S. Government development agencies shall have operational plans to increase awards and funding obligations to such new and nontraditional partners, including with local and non-traditional U.S. partners that include diaspora groups, minority-serving institutions, cooperatives, social enterprises, small businesses, faith-based organizations, and civil society organizations.

(d) Prohibition on Certain Private Entities.—No support from any development agency shall be provided to any entity for which the following conditions are true:

(i) Revenue.—The net revenue for the entity exceeds [$100,000,000]; and

(ii) Dependence on Foreign Assistance.—The United States Federal Government is responsible for more than [forty] percent of the entity' revenue in its most recent fiscal year.

(iii) Exceptions. – This prohibition shall not apply to public international organizations or nonprofit entities.

APPENDIX

