

MILLENNIUM CHALLENGE ACCOUNT AUTHORIZATION AND
PEACE CORPS EXPANSION ACT OF 2003

JULY 14, 2003.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. HYDE, from the Committee on International Relations,
submitted the following

R E P O R T

[To accompany H.R. 2441]

[Including cost estimate of the Congressional Budget Office]

The Committee on International Relations, to whom was referred the bill (H.R. 2441) to establish the Millennium Challenge Account to provide increased support for developing countries that have fostered democracy and the rule of law, invested in their citizens, and promoted economic freedom; to assess the impact and effectiveness of United States economic assistance; to authorize the expansion of the Peace Corps, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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THE AMENDMENT

The amendment is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Millennium Challenge Account Authorization and Peace Corps Expansion Act of 2003”.

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

Sec. 1. Short title; table of contents.

DIVISION A—MILLENNIUM CHALLENGE ACCOUNT

TITLE I—GENERAL PROVISIONS

Sec. 101. Definitions.

Sec. 102. Sunset.

TITLE II—MILLENNIUM CHALLENGE ASSISTANCE

Sec. 201. Findings; statement of policy.

Sec. 202. Authorization of assistance.

Sec. 203. Eligibility and related requirements.

Sec. 204. Millennium Challenge Compact.

Sec. 205. Suspension and termination of assistance.

Sec. 206. Annual report.

Sec. 207. Participation of certain United States businesses.

Sec. 208. Authorization of appropriations; related authorities.

TITLE III—MILLENNIUM CHALLENGE CORPORATION

Sec. 301. Millennium Challenge Corporation.

Sec. 302. Chief Executive Officer.

Sec. 303. Board of Directors.

Sec. 304. Interagency coordination.

Sec. 305. Powers of the Corporation; related provisions.

Sec. 306. Transparency and accountability of the Corporation.

Sec. 307. Detail of personnel to the Corporation; other authorities and limitations.

Sec. 308. Millennium Challenge Advisory Council.

Sec. 309. Millennium Challenge seed grants.

TITLE IV—PROVISIONS RELATING TO UNITED STATES ECONOMIC ASSISTANCE

Sec. 401. Definition.

Sec. 402. Framework for assistance.

Sec. 403. Report relating to impact and effectiveness of assistance.

DIVISION B—REAUTHORIZATION AND EXPANSION OF THE PEACE CORPS

TITLE X—GENERAL PROVISIONS

Sec. 1001. Definitions.

Sec. 1002. Findings.

TITLE XI—AMENDMENTS TO PEACE CORPS ACT; RELATED PROVISIONS

Sec. 1101. Advancing the goals of the Peace Corps.

Sec. 1102. Reports and consultations.

Sec. 1103. Special volunteer recruitment and placement for certain countries.

Sec. 1104. Global Infectious Diseases Initiative; coordination of HIV/AIDS activities.

Sec. 1105. Peace Corps National Advisory Council.

Sec. 1106. Readjustment allowances.

Sec. 1107. Programs and projects of returned Peace Corps volunteers and former staff.

Sec. 1108. Declaration of policy.

Sec. 1109. Peace Corps in Sierra Leone.

Sec. 1110. Authorization of appropriations.

DIVISION A—MILLENNIUM CHALLENGE ACCOUNT

TITLE I—GENERAL PROVISIONS

SEC. 101. DEFINITIONS.

In this division:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term “appropriate congressional committees” means—

(A) the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and

(B) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.

(2) BOARD.—The term “Board” means the Board of Directors of the Corporation established pursuant to section 303 of this Act.

(3) **COMPACT.**—The term “Compact” means the Millennium Challenge Compact described in section 204 of this Act.

(4) **CORPORATION.**—The term “Corporation” means the Millennium Challenge Corporation established under section 301 of this Act.

(5) **COUNCIL.**—The term “Council” means the Millennium Challenge Advisory Council established under section 308 of this Act.

(6) **MILLENNIUM DEVELOPMENT GOALS.**—The term “Millennium Development Goals” means the key objectives described in the United Nations Millennium Declaration, as contained in United Nations General Assembly Resolution 55/2 (September 2000), which aim to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other infectious diseases, ensure environmental sustainability, and develop a global partnership for development.

SEC. 102. SUNSET.

All authorities under this division (other than title IV) shall terminate on October 1, 2007.

TITLE II—MILLENNIUM CHALLENGE ASSISTANCE

SEC. 201. FINDINGS; STATEMENT OF POLICY.

(a) **FINDINGS.**—Congress finds the following:

(1) A principal objective of United States foreign assistance programs, as stated in section 101 of the Foreign Assistance Act of 1961, is the “encouragement and sustained support of the people of developing countries in their efforts to acquire the knowledge and resources essential to development and to build the economic, political, and social institutions which will improve the quality of their lives”.

(2) The expanding acceptance of free trade and open markets and the spread of democracy and the rule of law have brought a better way of life to an increasing number of people in the world.

(3) Inequalities between men and women undermine development and poverty-reduction efforts in fundamental ways. A woman’s limited access to resources and restrictions on the exercise of her rights, including the right to participate in social and political processes, disables her from maximizing her contribution to her family’s health, education, and general well-being.

(4) On March 14, 2002, the President noted the successes of development assistance programs: “The advances of free markets and trade and democracy and rule of law have brought prosperity to an ever-widening circle of people in this world. During our lifetime, per capita income in the poorest countries has nearly doubled. Illiteracy has been cut by one-third, giving more children a chance to learn. Infant mortality has been almost halved, giving more children a chance to live.”.

(5) Development is neither an easy process nor a linear one. There are successes and there are failures. Today, too many people are still living in poverty, disease has eroded many of the economic and social gains of previous decades, and many countries have not adopted policies, for a variety of reasons, that would enable them to compete in an open and equitable international economic system.

(6) More countries and more people will be able to participate in and benefit from the opportunities afforded by the global economy if the following conditions for sound and sustainable economic development are met:

(A) **SECURITY.**—Security is necessary for economic development. Persistent poverty and oppression can lead to hopelessness, despair, and to failed states that become havens for terrorists.

(B) **POLICIES THAT SUPPORT BROAD-BASED ECONOMIC GROWTH.**—Successful long-term development can only occur through broad-based economic growth that enables the poor to increase their incomes and have access to productive resources and services so that they can lead lives of decency, dignity, and hope.

(C) **DEMOCRACY AND THE RULE OF LAW.**—Democratic development, political pluralism, and respect for internationally recognized human rights are intrinsically linked to economic and social progress. The ability of people to participate in the economic and political processes affecting their lives is essential to sustained growth. The rule of law and a commitment

to fight corruption is also critical to the development of a prosperous society.

(D) INVESTMENTS IN PEOPLE.—Economic growth and democracy can be sustained only if both men and women have the basic tools and capabilities that foster the opportunity for participation in the economic, social, and political life of their countries. Successful development of countries requires citizens who are literate, healthy, and prepared and able to work.

(7) Economic assistance programs authorized under part I of the Foreign Assistance Act of 1961, as administered by the United States Agency for International Development and other Federal agencies, are of critical importance in assisting countries to be in a position to maximize the effectiveness of assistance authorized by this title.

(8) It is in the national interest of the United States to help those countries that are implementing the economic and political reforms necessary for development to occur.

(9) On March 14, 2002, the President stated that the “growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability . . . [w]e must confront it . . . [w]e must include every African, every Asian, every Latin American, every Muslim, in an expanding circle of development.”.

(10) The President has pledged that funds requested for the Millennium Challenge Account shall be in addition to, and not a substitute for, existing development and humanitarian programs.

(11) Development assistance alone is not sufficient to stimulate economic growth and development. Assistance has been shown to have a positive impact on growth and development in developing countries with sound policies and institutions. If countries have poor policies and institutions, however, it is highly unlikely that assistance will have a net positive effect.

(12) Economic development, and the achievement of the Millennium Development Goals, must be a shared responsibility between donor and recipient countries.

(b) STATEMENT OF POLICY REGARDING A NEW COMPACT FOR GLOBAL DEVELOPMENT.—It is, therefore, the policy of the United States to support a new compact for global development that—

(1) increases support by donor countries to those developing countries that are fostering democracy and the rule of law, investing in their people, and promoting economic freedom for all their people;

(2) recognizes, however, that it is the developing countries themselves that are primarily responsible for the achievement of those goals;

(3) seeks to coordinate the disparate development assistance policies of donor countries, and to harmonize the trade and finance policies of donor countries with their respective development assistance programs; and

(4) aims to reduce poverty by significantly increasing the economic growth trajectory of beneficiary countries through investing in the productive potential of the people of such countries.

SEC. 202. AUTHORIZATION OF ASSISTANCE.

(a) ASSISTANCE.—The President, acting through the Chief Executive Officer of the Millennium Challenge Corporation, is authorized to provide assistance to eligible countries to support policies and programs that advance the progress of such countries in achieving lasting economic growth and poverty reduction and are in furtherance of the purposes of this title.

(b) PRINCIPAL OBJECTIVES.—Assistance provided under subsection (a) should advance a country’s progress toward promoting the following principal objectives:

(1) FOSTERING DEMOCRATIC SOCIETIES, HUMAN RIGHTS, AND THE RULE OF LAW.—The assistance should promote—

(A) political, social, and economic pluralism;

(B) respect for the rule of law;

(C) anti-corruption initiatives and law enforcement;

(D) development of institutions of democratic governance, including electoral and legislative processes;

(E) transparent and accountable public administration at all levels of government;

(F) a fair, competent, and independent judiciary; and

(G) a free and independent media.

(2) FOSTERING INVESTMENT IN EDUCATION AND HEALTH INFRASTRUCTURE AND SYSTEMS.—The assistance should foster improved educational opportunities and health conditions, particularly for women and children, including through—

(A) support for programs and personnel that promote broad-based primary education, including through the development of academic curricula, by making available textbooks and other educational materials, and through appropriate use of technology;

(B) support for programs to strengthen and build institutions, including primary health care systems, infrastructure, facilities, and personnel that provide quality health care;

(C) support for improved systems for the delivery of healthy water and sanitation services; and

(D) support for programs that reduce child mortality (including those programs that combat HIV/AIDS, malaria, tuberculosis, and other infectious diseases, consistent with sections 104(c), 104A, 104B, and 104C of the Foreign Assistance Act of 1961).

(3) PROMOTING ECONOMIC FREEDOM, BROAD-BASED ECONOMIC GROWTH, AND FOSTERING FREE MARKET SYSTEMS.—The assistance should foster the institutions and conditions needed to promote free market systems, trade, and investment, including—

(A) the reform and restructuring of banking and financial systems, including by allowing foreign competition in the banking and financial sectors, where appropriate;

(B) the development of transparent and efficient commercial codes and reduction in the regulatory burden on business;

(C) the protection of property rights, including private property and intellectual property rights, including through the adoption and effective enforcement of intellectual property treaties or international agreements;

(D) support for market-based policies that support increased agricultural production;

(E) a strong commitment to sound monetary and budgetary policies;

(F) the development of small businesses, private cooperatives, credit unions, and trade and labor unions;

(G) the protection of internationally recognized workers' rights; and

(H) the capacity of eligible countries to ameliorate damage to the environment and respect other environmental standards.

SEC. 203. ELIGIBILITY AND RELATED REQUIREMENTS.

(a) ASSISTANCE FOR LOW INCOME COUNTRIES.—

(1) FISCAL YEAR 2004.—A country shall be eligible to receive assistance under section 202 for fiscal year 2004 if—

(A) the country is eligible for assistance from the International Development Association, and the per capita income of the country is equal to or less than the historical ceiling of the International Development Association for that year, as defined by the International Bank for Reconstruction and Development;

(B) subject to paragraph (3), the country is not ineligible to receive United States economic assistance by reason of the application of section 116, 490, or 620A of the Foreign Assistance Act of 1961, or by reason of the application of any other provision of law; and

(C) the Chief Executive Officer of the Corporation determines that the country has demonstrated a commitment to—

(i) bolster democracy, human rights, good governance and the rule of law;

(ii) invest in the health and education of its citizens; and

(iii) promote sound economic policies that promote economic freedom and opportunity.

(2) FISCAL YEARS 2005 AND 2006.—A country shall be eligible to receive assistance under section 202 for fiscal years 2005 and 2006 if—

(A) the per capita income of the country is equal to or less than the historical ceiling of the International Development Association for the fiscal year involved, as defined by the International Bank for Reconstruction and Development;

(B) the country meets the requirements of paragraph (1)(B); and

(C) the country meets the requirements of clauses (i) through (iii) of paragraph (1)(C), as determined by the Chief Executive Officer.

(3) RULE OF CONSTRUCTION.—For the purposes of determining whether a country is eligible for receiving assistance under section 202 pursuant to paragraph (1)(B), the exercise by the President, the Secretary of State, or any other officer or employee of the United States of any waiver or suspension of any provision of law referred to in such paragraph shall not be construed as satisfying the requirement of such paragraph.

(b) ASSISTANCE FOR LOWER MIDDLE INCOME COUNTRIES.—

(1) IN GENERAL.—In addition to countries described in subsection (a), a country shall be eligible to receive assistance under section 202 for fiscal year 2006 if the country—

(A) is classified as a lower middle income country in the then most recent edition of the World Development Report for Reconstruction and Development published by the International Bank for Reconstruction and Development;

(B) meets the requirements of subsection (a)(1)(B); and

(C) meets the requirements of clauses (i) through (iii) of subsection (a)(1)(C), as determined by the Chief Executive Officer.

(2) LIMITATION.—The total amount of assistance provided to countries under this subsection for fiscal year 2006 may not exceed 20 percent of the total amount of assistance provided to all countries under section 202 for fiscal year 2006.

(c) ASSISTANCE FOR SELECTED LOW INCOME COUNTRIES.—

(1) IN GENERAL.—A country shall be eligible to receive assistance for any of fiscal years 2004 through 2006 solely for the purpose of becoming eligible to receive assistance under subsection (a) if the country—

(A) meets the requirements of paragraphs (1)(B) and (2)(A) of subsection (a);

(B) demonstrates a commitment to meeting the requirements of clauses (i) through (iii) of subsection (a)(1)(C), as determined by the Chief Executive Officer; but

(C) fails to meet the eligibility criteria necessary to receive assistance under section 202, as established under subsection (e).

(2) ADMINISTRATION.—Assistance for countries eligible by reason of the application of this subsection shall be provided through the United States Agency for International Development.

(3) ALLOCATION OF FUNDS.—Of the amount authorized to be appropriated under section 208(a) for a fiscal year, not more than 15 percent of such amount is authorized to be appropriated to the President, acting through the Chief Executive Officer, for the fiscal year to carry out this subsection.

(d) GENERAL AUTHORITY TO DETERMINE ELIGIBILITY.—

(1) GENERAL AUTHORITY.—The Chief Executive Officer shall determine whether or not a country is eligible to receive assistance under section 202.

(2) CONGRESSIONAL NOTIFICATION.—Not later than 7 days after making a determination of eligibility for a country under paragraph (1), the Chief Executive Officer shall provide notice thereof to the appropriate congressional committees. Such notice shall include a certification of the determination of the Chief Executive Officer that the country meets the requirements of clauses (i) through (iii) of subsection (a)(1)(C) in accordance with such subsection, subsection (a)(2)(C), subsection (b)(1)(C), or subsection (c)(1)(B), as the case may be.

(e) ELIGIBILITY CRITERIA.—

(1) INITIAL CRITERIA AND METHODOLOGY.—At soon as practicable after the date of the enactment of this Act, but not later than 30 days prior to making any determination of eligibility for a country under this section, the Chief Executive Officer—

(A) shall consult in-person with the appropriate congressional committees with respect to the establishment of eligibility criteria and methodology that the Chief Executive Officer proposes to use for purposes of determining eligibility under this section;

(B) shall establish such eligibility criteria and methodology; and

(C) shall prepare and transmit to such committees a written report that contains such eligibility criteria and methodology.

(2) REVISIONS TO CRITERIA AND METHODOLOGY.—If the Chief Executive Officer proposes to use revised or different criteria from the criteria described in paragraph (1) in making a determination of eligibility for a country under this section, then, not later than 15 days prior to making such determination, the Chief Executive Officer shall consult in-person with the appropriate congressional committees with respect to such revised or different criteria and methodology in accordance with paragraph (1)(A) and shall prepare and transmit a written report in accordance with paragraph (1)(C).

(f) FORM OF ASSISTANCE; RECIPIENTS.—

(1) FORM OF ASSISTANCE.—Assistance provided under section 202 for a country shall be provided to one or more of the entities described in paragraph (2) on a nonrepayable basis and in accordance with a fair, open, and competitive selection process that results in the awarding of such assistance on a merit basis using selection criteria that are made public by the Corporation in ad-

vance and are otherwise in accordance with standard and customary best practices for the provision of similar types of assistance.

(2) **RECIPIENTS.**—The entities referred to in paragraph (1) are the following:

- (A) The national government of the country.
- (B) Regional or local governmental units of the country.
- (C) Nongovernmental organizations, including for-profit, not-for-profit, and voluntary organizations.
- (D) International organizations and trust funds.

(g) **CONGRESSIONAL NOTIFICATION.**—The Chief Executive Officer may not make any grant or enter into any contract for assistance for a country under section 202 that exceeds \$5,000,000 until 15 days after the date on which the Chief Executive Officer provides notification of the proposed grant or contract to the appropriate congressional committees in accordance with the procedures applicable to reprogramming notifications under section 634A of the Foreign Assistance Act of 1961.

SEC. 204. MILLENNIUM CHALLENGE COMPACT.

(a) **COMPACT.**—The President, acting through the Chief Executive Officer of the Corporation, may provide assistance to an eligible country under section 202 only if the country enters into a contract with the United States, to be known as a “Millennium Challenge Compact”, that establishes a multi-year plan for achieving shared development objectives in furtherance of the purposes of this title, and only if the President, acting through the Chief Executive Officer, provides to Congress notice regarding such Compact pursuant to subsection (h).

(b) **ELEMENTS.**—

(1) **IN GENERAL.**—The Compact shall take into account the national development strategy of the eligible country and shall contain—

- (A) the specific objectives that the country and the United States expect to achieve;
- (B) the responsibilities of the country 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 responsibility of other donors in the achievement of such objectives; and
- (G) a plan to ensure appropriate fiscal accountability for the use of assistance provided under section 202.

(2) **LOWER MIDDLE INCOME COUNTRIES.**—In addition to the elements described in subparagraphs (A) through (G) of paragraph (1), with respect to a lower middle income country described in section 203(b), the Compact shall identify an appropriate contribution from the country relative to its national budget, taking into account the prevailing economic conditions, toward meeting the objectives of the Compact. Such contribution shall be in addition to government spending allocated for such purposes in the country’s budget for the year immediately preceding the establishment of the Compact and shall continue for the duration of the Compact.

(c) **DEFINITION.**—In subsection (b), the term “national development strategy” means any strategy to achieve market-driven 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 and student organizations, local trade and labor unions, and the business community.

(d) **ADDITIONAL PROVISION RELATING TO PROHIBITION ON TAXATION.**—In addition to the elements described in subsection (b), each Compact shall contain a provision that states that assistance provided by the United States under the Compact shall be exempt from taxation by the government of the eligible country.

(e) **LOCAL INPUT.**—In entering into a Compact, the United States and the eligible country—

- (1) shall take into account the local-level perspectives of the rural and urban poor in the eligible country; and
- (2) should consult with private and voluntary organizations, the business community, and other donors, in the eligible country.

(f) **CONSULTATION.**—During any discussions with a country for the purpose of entering into a Compact with the country, officials of the Corporation participating

in such discussions shall, at a minimum, consult with appropriate officials of the United States Agency for International Development, particularly with those officials responsible for the appropriate region or country on development issues related to the Compact.

(g) **COORDINATION WITH OTHER DONORS.**—To the maximum extent feasible, activities undertaken to achieve the objectives of the Compact shall be undertaken in coordination with the assistance activities of other donors.

(h) **CONGRESSIONAL AND PUBLIC NOTIFICATION.**—Not later than 15 days prior to entering into a Compact with an eligible country, the President, acting through the Chief Executive Officer—

(1) shall consult in-person with the appropriate congressional committees with respect to the proposed Compact;

(2) shall provide notification of the proposed Compact to the appropriate congressional committees in accordance with the procedures applicable to reprogramming notifications under section 634A of the Foreign Assistance Act of 1961;

(3) shall prepare and transmit to such committees a written report that contains a detailed summary of the proposed Compact and a copy of the full text of the Compact; and

(4) shall publish such detailed summary and full text of the proposed Compact in the Federal Register and on the Internet website of the Corporation.

(i) **ASSISTANCE FOR DEVELOPMENT OF COMPACT.**—Notwithstanding subsection (a), the Chief Executive Officer may enter into contracts or make grants for any eligible country for the purpose of facilitating the development of the Compact between the United States and the country.

SEC. 205. SUSPENSION AND TERMINATION OF ASSISTANCE.

(a) **SUSPENSION OF ASSISTANCE.**—

(1) **IN GENERAL.**—The President shall suspend assistance in whole or in part for a country under this title if the President determines that—

(A) the country is engaged in activities which are contrary to the national security interests of the United States;

(B) the elected head of state of the country or any member of the country's highest judicial tribunal has been removed from that office or forcibly detained through extra-constitutional processes; or

(C) the country has failed to adhere to its responsibilities under the Compact.

(2) **REINSTATEMENT.**—The President may reinstate assistance for a country under this title only if the President determines that the country has demonstrated a commitment to correcting each condition for which assistance was suspended under paragraph (1).

(3) **CONGRESSIONAL NOTIFICATION.**—A suspension of assistance under paragraph (1), or a reinstatement of assistance under paragraph (2), shall be effective beginning 15 days after the date on which the President transmits to the appropriate congressional committees a report that contains the determination of the President under paragraph (1) or paragraph (2), as the case may be.

(b) **TERMINATION OF ASSISTANCE.**—

(1) **IN GENERAL.**—The President, acting through the Chief Executive Officer of the Corporation, shall terminate all assistance for a country under this title if the President determines that the country has consistently failed to adhere to its responsibilities under the Compact or has significantly failed to meet the requirements of this title.

(2) **CONGRESSIONAL NOTIFICATION.**—A termination of assistance under paragraph (1) shall be effective beginning 15 days after the date on which the President, acting through the Chief Executive Officer, provides notification of the proposed termination of assistance to the congressional committees specified in section 634A(a) of the Foreign Assistance Act of 1961 in accordance with the procedures applicable to reprogramming notifications under that section.

SEC. 206. ANNUAL REPORT.

(a) **REPORT.**—Not later than April 1, 2005, and not later than April 1 of each year thereafter, the Chief Executive Officer of the Corporation shall prepare and transmit to the appropriate congressional committees a report on the implementation of this title for the preceding year.

(b) **CONTENTS.**—The report shall include the following:

(1) A description and assessment of the eligibility criteria and methodology utilized by the Chief Executive Officer to determine eligibility for each country under section 203.

(2) A description of the agreed upon measures of progress contained in each Compact.

(3)(A) An analysis, on a country-by-country, project-by-project basis, of the impact of assistance provided under this title on the economic development of each country.

(B) For each country, the analysis shall—

(i) to the maximum extent possible, be done on a sector-by-sector basis, gender basis, and per capita income basis, and identify trends within each of these bases;

(ii) identify economic policy reforms conducive to economic development that are supported by assistance provided under this title;

(iii) describe, in quantified terms to the extent practicable, the progress made in achieving assistance objectives for the country;

(iv) describe the amount and nature of economic assistance provided by other major donors which further the purposes of this title; and

(v) discuss the commitment and contribution of the country to achieving the assistance objectives contained in its Compact.

SEC. 207. PARTICIPATION OF CERTAIN UNITED STATES BUSINESSES.

(a) **PARTICIPATION.**—To the maximum extent practicable, the President, acting through the Chief Executive Officer, shall ensure that United States small, minority-owned, and disadvantaged business enterprises fully participate in the provision of goods and services that are financed with funds made available under this title.

(b) **REPORT.**—The Chief Executive Officer shall prepare and submit to the appropriate congressional committees an annual report that contains a description of the extent to which the requirement of subsection (a) has been met for the preceding year.

SEC. 208. AUTHORIZATION OF APPROPRIATIONS; RELATED AUTHORITIES.

(a) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated to the President, acting through the Chief Executive Officer of the Corporation, to carry out this division (other than title IV) \$1,300,000,000 for fiscal year 2004, \$3,000,000,000 for fiscal year 2005, and \$5,000,000,000 for fiscal year 2006.

(b) **ADDITIONAL AUTHORITIES.**—Amounts appropriated pursuant to the authorization of appropriations under subsection (a)—

(1) may be referred to as the “Millennium Challenge Account”;

(2) are authorized to remain available until expended; and

(3) are in addition to amounts otherwise available for such purposes.

TITLE III—MILLENNIUM CHALLENGE CORPORATION

SEC. 301. MILLENNIUM CHALLENGE CORPORATION.

(a) **ESTABLISHMENT.**—There is hereby established in the executive branch a corporation to be known as the “Millennium Challenge Corporation” that shall be responsible for carrying out title II.

(b) **GOVERNMENT CORPORATION.**—The Corporation shall be a Government corporation, as defined in section 103 of title 5, United States Code.

SEC. 302. CHIEF EXECUTIVE OFFICER.

(a) **APPOINTMENT.**—The Corporation shall be headed by an individual who shall serve as Chief Executive Officer of the Corporation, who shall be appointed by the President, by and with the advice and consent of the Senate.

(b) **COMPENSATION AND RANK.**—

(1) **IN GENERAL.**—The Chief Executive Officer shall be compensated at the rate provided for level II of the Executive Schedule under section 5313 of title 5, United States Code, and shall have the equivalent rank of Deputy Secretary.

(2) **AMENDMENT.**—Section 5313 of title 5, United States Code, is amended by adding at the end the following:

“Chief Executive Officer, Millennium Challenge Corporation.”.

(c) **AUTHORITIES AND DUTIES.**—The Chief Executive Officer shall exercise the powers and discharge the duties of the Corporation and any other duties, as conferred on the Chief Executive Officer by the President.

(d) **AUTHORITY TO APPOINT OFFICERS.**—The Chief Executive Officer shall appoint all officers of the Corporation.

SEC. 303. BOARD OF DIRECTORS.

(a) **IN GENERAL.**—There shall be in the Corporation a Board of Directors.

(b) **DUTIES.**—The Board may prescribe, amend, and repeal bylaws, rules, regulations, and procedures governing the manner in which the business of the Corpora-

tion may be conducted and in which the powers granted to it by law may be exercised.

(c) MEMBERSHIP.—

(1) IN GENERAL.—The Board shall consist of—

(A) the Secretary of State, the Secretary of Treasury, the Administrator of the United States Agency for International Development, the Chief Executive Officer of the Corporation, and the United States Trade Representative; and

(B) four other individuals who shall be appointed by the President, by and with the advice and consent of the Senate, of which—

(i) one individual shall be appointed from among a list of individuals submitted by the majority leader of the House of Representatives;

(ii) one individual shall be appointed from among a list of individuals submitted by the minority leader of the House of Representatives;

(iii) one individual shall be appointed from among a list of individuals submitted by the majority leader of the Senate; and

(iv) one individual shall be appointed from among a list of individuals submitted by the minority leader of the Senate.

(2) EX-OFFICIO MEMBERS.—In addition to members of the Board described in paragraph (1), the Director of the Office of Management and Budget, the President and Chief Executive Officer of the Overseas Private Investment Corporation, the Director of the Trade and Development Agency, and the Director of the Peace Corps shall be non-voting members, ex officio, of the Board.

(d) TERMS.—

(1) OFFICERS OF FEDERAL GOVERNMENT.—Each member of the Board described in paragraphs (1)(A) and (2) of subsection (c) shall serve for a term that is concurrent with the term of service of the individual's position as an officer within the other Federal department or agency.

(2) OTHER MEMBERS.—Each member of the Board described in subsection (c)(1)(B) shall be appointed for a term of 3 years and may be reappointed for a term of an additional 2 years, in the same manner in which the original appointment was made.

(3) VACANCIES.—A vacancy in the Board shall be filled in the manner in which the original appointment was made.

(e) CHAIRPERSON.—The Secretary of State shall serve as the Chairperson of the Board.

(f) QUORUM.—A majority of the members of the Board shall constitute a quorum, which shall include at least one member of the Board described in subsection (c)(1)(B).

(g) MEETINGS.—The Board shall meet at the call of the Chairperson.

(h) COMPENSATION.—

(1) OFFICERS OF FEDERAL GOVERNMENT.—

(A) IN GENERAL.—A member of the Board described in paragraphs (1)(A) and (2) of subsection (c) may not receive additional pay, allowances, or benefits by reason of their service on the Board.

(B) TRAVEL EXPENSES.—Each such member of the Board shall receive travel expenses, including per diem in lieu of subsistence, in accordance with applicable provisions under subchapter I of chapter 57 of title 5, United States Code.

(2) OTHER MEMBERS.—

(A) IN GENERAL.—Except as provided in paragraph (2), a member of the Board described in subsection (c)(1)(B)—

(i) shall be paid compensation out of funds made available for the purposes of this title at the daily equivalent of the highest rate payable under section 5332 of title 5, United States Code, for each day (including travel time) during which the member is engaged in the actual performance of duties as a member of the Board; and

(ii) while away from the member's home or regular place of business on necessary travel, as determined by the Chief Executive Officer, in the actual performance of duties as a member of the Board, shall be paid per diem, travel, and transportation expenses in the same manner as is provided under subchapter I of chapter 57 of title 5, United States Code.

(B) LIMITATION.—A member of the Council may not be paid compensation under subparagraph (A)(i) for more than thirty days in any calendar year.

SEC. 304. INTERAGENCY COORDINATION.

In carrying out the functions described in this title, and consistent with section 101 of the National Security Act of 1947 (50 U.S.C. 402), the President shall ensure coordination of assistance authorized under title II with foreign economic assistance programs and activities carried out by other Federal departments and agencies.

SEC. 305. POWERS OF THE CORPORATION; RELATED PROVISIONS.**(a) POWERS.—The Corporation—**

(1) may adopt, alter, and use a corporate seal, which shall be judicially noticed;

(2) may prescribe, amend, and repeal such rules, regulations, and procedures as are necessary for carrying out the functions of the Corporation and all Compacts;

(3) may make and perform such contracts, grants, and other agreements with any individual, corporation, or other private or public entity, however designated and wherever situated, as may be necessary for carrying out the functions of the Corporation;

(4) may determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid, including expenses for representation not exceeding \$95,000 in any fiscal year;

(5) may lease, purchase, or otherwise acquire, own, hold, improve, use or otherwise deal in and with such property (real, personal, or mixed) or any interest therein, wherever situated, as may be necessary for carrying out the functions of the Corporation;

(6) may accept gifts or donations of services or of property (real, personal, or mixed), tangible or intangible, in furtherance of the purposes of this division;

(7) may hire or obtain passenger motor vehicles;

(8) may use the United States mails in the same manner and on the same conditions as the Executive departments (as defined in section 101 of title 5, United States Code);

(9) may, with the consent of any Executive agency (as defined in section 105 of title 5, United States Code), use the information, services, facilities, and personnel of that agency on a full or partial reimbursement in carrying out the purposes of this division; and

(10) may sue and be sued, complain, and defend, in its corporate name in any court of competent jurisdiction.

(b) OFFICES.—

(1) **PRINCIPAL OFFICE.**—The Corporation shall maintain its principal office in the metropolitan area of Washington, District of Columbia.

(2) **OTHER OFFICES.**—The Corporation may establish other offices in any place or places outside the United States in which the Corporation may carry out any or all of its operations and business.

(c) COOPERATION WITH OTHER FEDERAL DEPARTMENTS AND AGENCIES.—In order to avoid unnecessary expense and duplication of functions, efforts, and activities between the Corporation and other Federal departments and agencies the Chief Executive Officer, or the Chief Executive Officer's designee—

(1)(A) shall consult, to the maximum extent practicable, with the Administrator of the United States Agency for International Development, or the Administrator's designee, in order to coordinate the activities of the Corporation and the Agency for International Development; and

(B) shall consult with the heads of other departments and agencies to ensure similar coordination of activities;

(2)(A) shall ensure proper coordination of activities of the Corporation with the provision of development assistance of relevant international financial institutions, including the International Bank for Reconstruction and Development, the International Monetary Fund, and the regional multilateral development banks; and

(B) shall provide to each United States Executive Director (or other United States representative) to the relevant international financial institutions a copy of each proposed Compact between the United States and an eligible country and a copy of each such final Compact.

(d) POSITIONS WITH FOREIGN GOVERNMENTS.—When approved by the Corporation, in furtherance of its purposes, employees of the Corporation (including individuals detailed to the Corporation) may accept and hold offices or positions to which no compensation is attached with governments or governmental agencies of foreign countries or with international organizations.

SEC. 306. TRANSPARENCY AND ACCOUNTABILITY OF THE CORPORATION.

The Corporation and its officers and employees shall be subject to the provisions of section 552 of title 5, United States Code (relating to freedom of information).

SEC. 307. DETAIL OF PERSONNEL TO THE CORPORATION; OTHER AUTHORITIES AND LIMITATIONS.

(a) **DETAIL OF PERSONNEL.**—Upon request of the Chief Executive Officer of the Corporation, the head of an agency may detail any employee of such agency to the Corporation on a fully or partially reimbursable basis. Any employee so detailed remains, for the purpose of preserving such employee's allowances, privileges, rights, seniority, and other benefits, an employee of the agency from which detailed.

(b) **LIMITATION ON TOTAL SERVICE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), no individual may serve in or under the Corporation (whether as an employee of the Corporation, a detailee to the Corporation, or a combination thereof) for a total period exceeding 5 years.

(2) **EXCEPTIONS.**—

(A) **EXTENSION AUTHORITY.**—The Chief Executive Officer may extend the 5-year period under paragraph (1) for up to an additional 3 years, in the case of any particular individual, if the Chief Executive Officer determines that such extension is essential to the achievement of the purposes of this division.

(B) **OFFICERS.**—Nothing in this subsection shall limit the period for which an individual may serve as an officer of the Corporation appointed pursuant to section 302(d) nor shall any period of service as such an officer be taken into account for purposes of applying this subsection.

(c) **REEMPLOYMENT RIGHTS.**—

(1) **IN GENERAL.**—An employee of an agency who is serving under a career or career conditional appointment (or the equivalent), and who, with the consent of the head of such agency, transfers to the Corporation, is entitled to be reemployed in such employee's former position or a position of like seniority, status, and pay in such agency, if such employee—

(A) is separated from the Corporation—

(i) by reason of the application of subsection (b); or

(ii) for any other reason, other than misconduct, neglect of duty, or malfeasance; and

(B) applies for reemployment not later than 90 days after the date of separation from the Corporation.

(2) **SPECIFIC RIGHTS.**—An employee who satisfies paragraph (1) is entitled to be reemployed (in accordance with such paragraph) within 30 days after applying for reemployment and, on reemployment, is entitled to at least the rate of basic pay to which such employee would have been entitled had such employee never transferred.

(d) **BASIC PAY.**—The Chief Executive Officer may fix the rate of basic pay of employees of the Corporation without regard to the provisions of—

(1) chapter 51 of title 5, United States Code (relating to the classification of positions), and

(2) subchapter III of chapter 53 of such title (relating to General Schedule pay rates),

except that no employee of the Corporation may receive a rate of basic pay that exceeds the rate for level II of the Executive Schedule under section 5313 of such title.

(e) **ASSIGNMENT TO UNITED STATES EMBASSIES.**—An employee of the Corporation, including an individual detailed to or contracted by the Corporation, may be assigned to a United States diplomatic mission or consular post, or United States Agency for International Development field mission.

(f) **PRIVILEGES AND IMMUNITIES.**—The Secretary of State shall seek to ensure that an employee of the Corporation, including an individual detailed to or contracted by the Corporation, and the members of the family of such employee, while the employee is performing duties in any country or place outside the United States, enjoy the privileges and immunities that are enjoyed by a member of the Foreign Service, or the family of a member of the Foreign Service, as appropriate, of comparable rank and salary of such employee, if such employee or a member of the family of such employee is not a national of or permanently resident in such country or place.

(g) **RESPONSIBILITY OF CHIEF OF MISSION.**—An employee of the Corporation, including an individual detailed to or contracted by the Corporation, and a member of the family of such employee, shall be subject to section 207 of the Foreign Service Act of 1980 (22 U.S.C. 3927) in the same manner as United States Government employees while the employee is performing duties in any country or place outside the United States if such employee or member of the family of such employee is not a national of or permanently resident in such country or place.

(h) **ALLOCATION OF FUNDS.**—

(1) IN GENERAL.—The Corporation may allocate or transfer to the United States Agency for International Development or any other agency any part of any funds available for carrying out the purposes of this division. Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this title or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred.

(2) CONGRESSIONAL NOTIFICATION.—The Chief Executive Officer shall notify the appropriate congressional committees not later than 15 days prior to a transfer of funds under paragraph (1) that exceeds \$5,000,000.

(3) USE OF SERVICES.—For carrying out the purposes of this division, the Corporation may utilize the services and facilities of, or procure commodities from, any agency under such terms and conditions as may be agreed to by the head of the agency and the Corporation.

(i) FUNDING LIMITATION.—Of the funds allocated under subsection (h) in any fiscal year, not more than 7 percent of such funds may be used for administrative expenses.

(j) OTHER AUTHORITIES.—Except to the extent inconsistent with the provisions of this division, the administrative authorities under chapters 1 and 2 of part III of the Foreign Assistance Act of 1961 shall apply to the provision of assistance under this division to the same extent and in the same manner as such authorities apply to the provision of economic assistance under part I of such Act.

(k) APPLICABILITY OF GOVERNMENT CORPORATION CONTROL ACT.—

(1) IN GENERAL.—The Corporation shall be subject to the provisions of chapter 91 of subtitle VI of title 31, United States Code, except that the Corporation shall not be authorized to issue obligations or offer obligations to the public.

(2) CONFORMING AMENDMENT.—Section 9101(3) of title 31, United States Code, is amended by adding at the end the following:

“(Q) the Millennium Challenge Corporation.”

(l) INSPECTOR GENERAL.—

(1) IN GENERAL.—The Inspector General of the United States Agency for International Development shall serve as Inspector General of the Corporation, and, in acting in such capacity, may conduct reviews, investigations, and inspections of all aspects of the operations and activities of the Corporation.

(2) AUTHORITY OF THE BOARD.—In carrying out its responsibilities under this subsection, the Inspector General shall report to the Board of Directors.

(3) REIMBURSEMENT.—The Corporation shall reimburse the United States Agency for International Development for all expenses incurred by the Inspector General in connection with the Inspector General’s responsibilities under this subsection.

(m) COMPTROLLER GENERAL.—

(1) IN GENERAL.—The Comptroller General shall conduct audits, evaluations, and investigations of the Corporation.

(2) SCOPE.—The activities and financial transactions of the Corporation for any fiscal year during which Federal funds are available to finance any portion of its operations may be evaluated, investigated, or audited by the Comptroller General in accordance with such rules and regulations as may be prescribed by the Comptroller General.

(3) ACCESS AND RECORDS.—Any evaluation, investigation, or audit shall be conducted at the place or places where pertinent information of the Corporation is normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Corporation and necessary to facilitate the evaluation, investigation, or audit; and full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to such representatives. All such books, accounts, financial records, reports, files, and other papers or property of the Corporation shall remain in the possession and custody of the Corporation throughout the period beginning on the date such possession or custody commences and ending three years after such date, but the General Accounting Office may require the retention of such books, accounts, financial records, reports, files, papers, or property for a longer period under section 3523(c) of title 31, United States Code.

(4) REPORT.—A report of such audit, evaluation, or investigation shall be made by the Comptroller General to the appropriate congressional committees and to the President, together with such recommendations with respect thereto as the Comptroller General shall deem advisable.

(n) DEFINITIONS.—For purposes of this section—

(1) the term “agency” means an Executive agency, as defined by section 105 of title 5, United States Code; and

(2) the term “detail” means the assignment or loan of an employee, without a change of position, from the agency by which such employee is employed to the Corporation.

SEC. 308. MILLENNIUM CHALLENGE ADVISORY COUNCIL.

(a) **ESTABLISHMENT.**—There is hereby established in the executive branch an advisory council to the Corporation to be known as the Millennium Challenge Advisory Council.

(b) **FUNCTIONS.**—

(1) **GENERAL FUNCTIONS.**—The Council shall advise and consult with the Chief Executive Officer of the Corporation and the Board of Directors with respect to policies and programs designed to further the purposes of this division and shall periodically report to the Congress with respect to the activities of the Corporation. In addition, the Council shall review on an annual basis the criteria and methodology used to determine eligibility of countries for assistance under title II and make recommendations to the Chief Executive Officer and the Board to improve the effectiveness of such criteria and methodology in order to achieve the purposes of this division.

(2) **ADDITIONAL FUNCTIONS.**—Members of the Council shall (subject to subsection (d)(1)) conduct on-site inspections, and make examinations, of the activities of the Corporation in the United States and in other countries in order to—

(A) evaluate the accomplishments of the Corporation;

(B) assess the potential capabilities and the future role of the Corporation;

(C) make recommendations to the Chief Executive Officer, the Board of Directors, and Congress, for the purpose of guiding the future direction of the Corporation and of helping to ensure that the purposes and programs of the Corporation are carried out in ways that are economical, efficient, responsive to changing needs in developing countries and to changing relationships among people, and in accordance with law; and

(D) make such other evaluations, assessments, and recommendations as the Council considers appropriate.

(3) **PUBLIC PARTICIPATION.**—The Council may provide for public participation in its activities, consistent with section 552b of title 5, United States Code.

(c) **MEMBERSHIP.**—

(1) **IN GENERAL.**—The Council shall consist of seven individuals, who shall be appointed by the Chief Executive Officer, and who shall be broadly representative of nongovernmental entities with expertise and interest in international trade and economic development, including business and business associations, trade and labor unions, private and voluntary organizations, foundations, public policy organizations, academia, and other entities as the Chief Executive Officer determines appropriate.

(2) **ADDITIONAL REQUIREMENT.**—No member appointed under paragraph (1) may be an officer or employee of the United States Government.

(d) **COMPENSATION.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), a member of the Council—

(A) shall be paid compensation out of funds made available for the purposes of this title at the daily equivalent of the highest rate payable under section 5332 of title 5, United States Code, for each day (including travel time) during which the member is engaged in the actual performance of duties as a member of the Council; and

(B) while away from the member’s home or regular place of business on necessary travel, as determined by the Chief Executive Officer, in the actual performance of duties as a member of the Council, shall be paid per diem, travel, and transportation expenses in the same manner as is provided under subchapter I of chapter 57 of title 5, United States Code.

(2) **LIMITATION.**—A member of the Council may not be paid compensation under paragraph (1)(A) for more than thirty days in any calendar year.

(e) **QUORUM.**—A majority of the members of the Council shall constitute a quorum for the purposes of transacting any business.

(f) **FINANCIAL INTERESTS OF MEMBERS.**—A member of the Council shall disclose to the Chairperson of the Council and the Chief Executive Officer of the existence of any direct or indirect financial interest of that member in any particular matter before the Council and may not vote or otherwise participate as a Council member with respect to that particular matter.

(g) CHAIRPERSON.—The Chief Executive Officer shall designate one of the members of the Council as Chairperson, who shall serve in that capacity for a term of two years. The Chief Executive Officer may renew the term of the member appointed as Chairperson under the preceding sentence.

(h) MEETINGS, BYLAWS, AND REGULATIONS.—

(1) MEETINGS.—The Council shall hold a regular meeting during each calendar quarter and shall meet at the call of the President, the Chief Executive Officer, the Chairperson of the Board, the Chairperson of the Council, or two members of the Council.

(2) BYLAWS AND REGULATIONS.—The Council shall prescribe such bylaws and regulations as it considers necessary to carry out its functions. Such bylaws and regulations shall include procedures for fixing the time and place of meetings, giving or waiving of notice of meetings, and keeping of minutes of meetings.

(i) REPORT TO THE PRESIDENT, CHIEF EXECUTIVE OFFICER, AND BOARD.—

(1) REPORT.—Not later than January 1, 2005, and not later than January 1 of each year thereafter that the Corporation is in existence, the Council shall submit to the President, the Chief Executive Officer, and the Board a report on its views on the programs and activities of the Corporation.

(2) CONTENTS.—Each report shall contain a summary of the advice and recommendations provided by the Council to the Chief Executive Officer and the Board during the period covered by the report and such recommendations (including recommendations for administrative or legislative action) as the Council considers appropriate to make to the Congress.

(3) ADDITIONAL REQUIREMENT.—Not later than 90 days after receiving each such report, the Chief Executive Officer shall transmit to Congress a copy of the report, together with any comments concerning the report that the Chief Executive Officer considers appropriate.

(j) ADMINISTRATIVE ASSISTANCE.—The Chief Executive Officer shall make available to the Council such personnel, administrative support services, and technical assistance as are necessary to carry out its functions effectively.

(k) TERMINATION.—Section 14(a)(2)(B) of the Federal Advisory Committee Act (5 U.S.C. App.; relating to the termination of advisory committees) shall not apply to the Council. Notwithstanding section 102 of this Act, the authorities of the Council shall terminate on December 31, 2007.

SEC. 309. MILLENNIUM CHALLENGE SEED GRANTS.

(a) FINDINGS.—Congress finds the following:

(1) Many countries in the developing world lack the academic and public policy advocacy base essential to attaining the principal objectives of the Millennium Challenge Account.

(2) Because of widespread government repression of free speech and poverty, the countries of Africa in particular suffer an acute shortage of nongovernmental organizations which effectively study and promote the principal objectives of the Millennium Challenge Account.

(3) The Millennium Challenge Account will struggle to reach its goals unless countries in the developing world possess a home grown intellectual commitment and culture of advocacy aimed at promoting its principal objectives.

(b) ASSISTANCE.—The Chief Executive Officer of the Corporation is authorized to provide assistance in support of nongovernmental organizations, (including universities and independent foundations and other organizations) in low income and lower middle income countries, which are undertaking research, education, and advocacy efforts aimed at promoting democratic societies, human rights, the rule of law, improved educational opportunities and health conditions, particularly for women and children, and economic freedom.

(c) LIMITATION.—Not more than \$10,000,000 of the amount made available to carry out this division for a fiscal year may be made available to carry out this section.

TITLE IV—PROVISIONS RELATING TO UNITED STATES ECONOMIC ASSISTANCE

SEC. 401. DEFINITION.

In this title, the term “United States economic assistance” means any bilateral economic assistance, from any budget functional category, that is provided by any department or agency of the United States to a foreign country, including such assistance that is intended—

(1) to assist the development and economic advancement of friendly foreign countries and peoples, including assistance provided under title II (relating to the Millennium Challenge Account);

(2) to promote the freedom, aspirations, or sustenance of friendly peoples under oppressive rule by unfriendly governments;

(3) to promote international trade and foreign direct investment as a means of aiding economic growth;

(4) to save lives and alleviate suffering of foreign peoples during or following war, natural disaster, or complex crisis;

(5) to assist in recovery and rehabilitation of countries or peoples following disaster or war;

(6) to protect refugees and promote durable solutions to aid refugees;

(7) to promote sound environmental practices;

(8) to assist in development of democratic institutions and good governance by the people of foreign countries;

(9) to promote peace and reconciliation or prevention of conflict;

(10) to improve the technical capacities of governments to reduce production of and demand for illicit narcotics; and

(11) to otherwise promote through bilateral foreign economic assistance the national objectives of the United States.

SEC. 402. FRAMEWORK FOR ASSISTANCE.

(a) SENSE OF CONGRESS.—It is the sense of Congress that a coherent framework for United States economic assistance should be established in accordance with this section.

(b) ELEMENTS.—The framework described in subsection (a) includes the following elements:

(1) The United States Agency for International Development, under the direction and foreign policy guidance of the Secretary of State, should be responsible for—

(A) providing assistance to countries that face natural and man-made disasters in order to provide humanitarian relief to the peoples of such countries, in coordination with refugee programs administered by the Department of State;

(B) providing assistance to countries that are suffering from conflicts or are in post-conflict situations in order to provide humanitarian relief, transition assistance, and reconstruction assistance;

(C) providing assistance to help moderate-to-poorly performing countries achieve development progress in the areas described in part I of the Foreign Assistance Act of 1961, including progress toward becoming eligible for assistance under this title, and to promote international health worldwide, as well as assisting in the development of country and regional development strategies;

(D) addressing transnational problems, such as environmental degradation, food insecurity, and health problems; and

(E) assisting other Federal departments and agencies, including the Corporation established under title III, to carry out assistance activities abroad, including providing technical assistance and advice to such departments and agencies, coordinating its assistance programs with such departments and agencies, and using its field offices to help implement such assistance.

(2) The Corporation established under title III should provide assistance to countries that have demonstrated a commitment to bolstering democracy, good governance, and the rule of law, to investing in the health and educations of their people, and to promoting sound economic policies that foster economic opportunity for their people.

(3) The Department of State should be responsible for allocating security assistance to support key foreign policy objectives of the United States and shall administer assistance in such areas as non-proliferation, anti-terrorism, counter-narcotics, and relief for refugees.

(4) Other Federal departments and agencies with expertise in international development-related activities, such as the Overseas Private Investment Corporation, the Trade and Development Agency, the Department of Agriculture, the Department of Health and Human Services, and the Centers for Disease Control and Prevention, to the extent such departments and agencies have the authority to carry out development-related programs, and in coordination with the Department of State and the United States Agency for International Development, should provide expertise in specific technical areas and shall provide assistance, including assistance provided with funds made available from the

Corporation to assist United States Government international development activities.

SEC. 403. REPORT RELATING TO IMPACT AND EFFECTIVENESS OF ASSISTANCE.

(a) **REPORT.**—Not later than December 31, 2004, and December 31 of each third year thereafter, the President shall transmit to Congress a report which analyzes, on a country-by-country basis, the impact and effectiveness of United States economic assistance furnished under the framework established in section 402 to each country during the preceding three fiscal years. The report shall include the following for each recipient country:

(1) An analysis of the impact of United States economic assistance during the preceding three fiscal years on economic development in that country, with a discussion of the United States interests that were served by the assistance. This analysis shall be done on a sector-by-sector basis to the extent possible and shall identify any economic policy reforms which were promoted by the assistance. This analysis shall—

(A) include a description, quantified to the extent practicable, of the specific objectives the United States sought to achieve in providing economic assistance for that country, and

(B) specify the extent to which those objectives were not achieved, with an explanation of why they were not achieved.

(2) A description of the amount and nature of economic assistance provided by other donors during the preceding three fiscal years, set forth by development sector to the extent possible.

(3) A discussion of the commitment of the host government to addressing the country's needs in each development sector, including a description of the resources devoted by that government to each development sector during the preceding three fiscal years.

(4) A description of the trends, both favorable and unfavorable, in each development sector.

(5) Statistical and other information necessary to evaluate the impact and effectiveness of United States economic assistance on development in the country.

(6) A comparison of the analysis provided in the report with relevant analyses by international financial institutions, other international organizations, other donor countries, or nongovernmental organizations.

(b) **LISTING OF MOST AND LEAST SUCCESSFUL ASSISTANCE PROGRAMS.**—The report required by this section shall identify—

(1) each country in which United States economic assistance has been most successful, as indicated by the extent to which the specific objectives the United States sought to achieve in providing the assistance for the country, as referred to in subsection (a)(1)(A), were achieved; and

(2) each country in which United States economic assistance has been least successful, as indicated by the extent to which the specific objectives the United States sought to achieve in providing the assistance for the country, as referred to in subsection (a)(1)(A), were not achieved.

For each country listed pursuant to paragraph (2), the report shall explain why the assistance was not more successful and shall specify what the United States has done as a result.

(c) **DE MINIMUS EXCEPTION.**—Information under subsections (a) and (b) for a fiscal year shall not be required with respect to a country for which United States economic assistance for the country for the fiscal year is less than \$5,000,000.

DIVISION B—REAUTHORIZATION AND EXPANSION OF THE PEACE CORPS

TITLE X—GENERAL PROVISIONS

SEC. 1001. DEFINITIONS.

In this division:

(1) **APPROPRIATE CONGRESSIONAL COMMITTEES.**—The term “appropriate congressional committees” means the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate.

(2) **DIRECTOR.**—The term “Director” means the Director of the Peace Corps.

(3) **HOST COUNTRY.**—The term “host country” means a country whose government has invited the Peace Corps to establish a Peace Corps program within the territory of the country.

(4) **PEACE CORPS VOLUNTEER.**—The term “Peace Corps volunteer” means a volunteer or a volunteer leader under the Peace Corps Act.

(5) **RETURNED PEACE CORPS VOLUNTEER.**—The term “returned Peace Corps volunteer” means a person who has been certified by the Director as having served satisfactorily as a Peace Corps volunteer.

SEC. 1002. FINDINGS.

Congress makes the following findings:

(1) The Peace Corps was established in 1961 to promote world peace and friendship through the service abroad of volunteers who are United States citizens. The spirit of service and commitment to helping others is a fundamental component of democracy.

(2) Since its establishment, more than 168,000 volunteers have served in the Peace Corps in 136 countries throughout the world.

(3) The three goals codified in the Peace Corps Act which have guided the Peace Corps and its volunteers over the years, can work in concert to promote global acceptance of the principles of international peace and nonviolent coexistence among peoples of diverse cultures and systems of government.

(4) The Peace Corps has sought to fulfill three goals—to help people in developing countries meet basic needs, promote understanding abroad of the values and ideals of the United States, and promote an understanding of other peoples by the people of the United States.

(5) After more than 40 years of operation, the Peace Corps remains the world’s premier international service organization dedicated to promoting grassroots development by working with families and communities to improve health care for children, expand agricultural production, teach in schools, fight infectious diseases, protect the environment, and initiate small business opportunities.

(6) The Peace Corps remains committed to sending well trained and well supported Peace Corps volunteers overseas to promote international peace, cross-cultural awareness, and mutual understanding between the United States and other countries.

(7) The Peace Corps is an independent agency, and, therefore, no Peace Corps personnel or volunteers should be used to accomplish any goal other than the goals established by the Peace Corps Act.

(8) The Crisis Corps has been an effective tool in harnessing the skills and talents of returned Peace Corps volunteers and should be expanded, to the maximum extent practicable, to utilize the talent of returned Peace Corps volunteers.

(9) In fiscal year 2003, the Peace Corps is operating with an annual budget of \$295,000,000 in 70 countries, with more than 7,000 Peace Corps volunteers.

(10) There is deep misunderstanding and misinformation in many parts of the world, particularly in countries with substantial Muslim populations, with respect to United States values and ideals. A new or expanded Peace Corps presence in such places could foster better understanding between the people of the United States and such countries.

(11) Congress has declared, and the Peace Corps Act provides, that the Peace Corps shall maintain, to the maximum extent practicable and appropriate, a volunteer corps of at least 10,000 individuals.

(12) President George W. Bush has called for the doubling of the number of Peace Corps volunteers in service.

(13) Any expansion of the Peace Corps should not jeopardize the quality of the Peace Corps volunteer experience and, therefore, necessitates, among other things, an appropriate increase in field and headquarters support staff.

(14) In order to ensure that the proposed expansion of the Peace Corps preserves the integrity of the program and the security of volunteers, the integrated Planning and Budget System supported by the Office of Planning and Policy Analysis should continue its focus on strategic planning.

(15) A streamlined, bipartisan Peace Corps National Advisory Council composed of distinguished returned Peace Corps volunteers, former Peace Corps staff, and other individuals with diverse backgrounds and expertise can be a source of ideas and suggestions that may be useful to the Director of the Peace Corps as the Director discharges the duties and responsibilities as head of the agency.

TITLE XI—AMENDMENTS TO PEACE CORPS ACT; RELATED PROVISIONS

SEC. 1101. ADVANCING THE GOALS OF THE PEACE CORPS.

(a) **RECRUITMENT OF VOLUNTEERS.**—Section 2A of the Peace Corps Act (22 U.S.C. 2501–1) is amended by adding at the end the following new sentence: “As an independent agency, the Peace Corps shall be responsible for recruiting all of its volunteers.”.

(b) **DETAILS AND ASSIGNMENTS.**—Section 5(g) of the Peace Corps Act (22 U.S.C. 2504(g)) is amended by striking “*Provided, That*” and inserting “*Provided, That* such detail or assignment furthers the fulfillment of Peace Corps’ development and public diplomacy goals as described in section 2: *Provided further, That*”.

SEC. 1102. REPORTS AND CONSULTATIONS.

(a) **ANNUAL REPORTS; CONSULTATIONS ON NEW INITIATIVES.**—Section 11 of the Peace Corps Act (22 U.S.C. 2510) is amended to read as follows:

“SEC. 11. ANNUAL REPORTS; CONSULTATIONS ON NEW INITIATIVES.

“(a) **ANNUAL REPORTS.**—The Director shall transmit to Congress, at least once in each fiscal year, a report on operations under this Act. Each report shall contain information—

“(1) describing efforts undertaken to improve coordination of activities of the Peace Corps with activities of international voluntary service organizations, such as the United Nations volunteer program, and of host country voluntary service organizations, including—

“(A) a description of the purpose and scope of any development project which the Peace Corps undertook during the preceding fiscal year as a joint venture with any such international or host country voluntary service organizations; and

“(B) recommendations for improving coordination of development projects between the Peace Corps and any such international or host country voluntary service organizations;

“(2) describing—

“(A) any major new initiatives that the Peace Corps has under review for the upcoming fiscal year, and any major initiatives that were undertaken in the previous fiscal year that were not included in prior reports to the Congress;

“(B) the rationale for undertaking such new initiatives;

“(C) an estimate of the cost of such initiatives; and

“(D) the impact on the safety of volunteers;

“(3) describing in detail the Peace Corps plans, including budgetary plans, to have 14,000 volunteers in service by 2007 while maintaining the quality of the volunteer experience, ensuring the safety and security of all volunteers, and providing for appropriate administrative and other support; and

“(4) describing standard security procedures for any country in which the Peace Corps operates programs or is considering doing so, as well as any special security procedures contemplated because of changed circumstances in specific countries, and assessing whether security conditions would be enhanced—

“(A) by co-locating volunteers with international or local nongovernmental organizations; or

“(B) with the placement of multiple volunteers in one location.

“(b) **CONSULTATIONS ON NEW INITIATIVES.**—The Director of the Peace Corps shall consult with the appropriate congressional committees with respect to any major new initiatives not previously discussed in the latest annual report submitted to Congress under subsection (a) or in budget presentations. Whenever possible, such consultations should take place prior to the initiation of such initiatives, or as soon as practicable thereafter.”.

(b) **ONE-TIME REPORT ON STUDENT LOAN FORGIVENESS PROGRAMS.**—Not later than 30 days after the date of enactment of this Act, the Director shall submit to the appropriate congressional committees a report—

(1) describing the student loan forgiveness programs currently available to Peace Corps volunteers upon completion of their service;

(2) comparing such programs with other Government-sponsored student loan forgiveness programs; and

(3) recommending any additional student loan forgiveness programs which could attract more applications from low- and middle-income individuals who are carrying considerable student-loan debt burdens.

(c) **ANNUAL REPORT TO CONGRESS ON THE FEDERAL EQUAL OPPORTUNITY RECRUITMENT PROGRAM (FEORP).**—Not later than 90 days after the date of enactment of this Act and annually thereafter, the Director shall report on the progress of the Peace Corps in recruiting historically underrepresented groups. The Director shall prepare this report in accordance with section 7201 of title 5, United States Code, and subpart B of part 720 of title 5, Code of Federal Regulations.

(d) **REPORT ON MAINTAINING THE INTEGRITY OF THE MEDICAL SCREENING AND MEDICAL PLACEMENT COORDINATION PROCESSES.**—Not later than 120 days after the date of enactment of this Act, the Director shall prepare and submit to the appropriate congressional committees a report that—

(1) describes the medical screening procedures and standards of the Office of Medical Services/Screening Unit of the Peace Corps to determine whether an applicant for Peace Corps service has worldwide clearance, limited clearance, a deferral period, or is not medically, including psychologically, qualified to serve in the Peace Corps as a volunteer;

(2) describes the procedures and criteria for matching applicants for Peace Corps service with a host country to ensure that the applicant, reasonable accommodations notwithstanding, can complete at least two years of volunteer service without interruption to host country national projects due to foreseeable medical conditions; and

(3) with respect to each of fiscal years 2000 through 2002 and the first six months of fiscal year 2003, states the number of—

(A) medical screenings conducted;

(B) applicants who have received worldwide clearance, limited clearance, deferral periods, and medical disqualifications to serve;

(C) Peace Corps volunteers who the agency has had to separate from service due to the discovery of undisclosed medical information; and

(D) Peace Corps volunteers who have terminated their service early due to medical, including psychological, reasons.

SEC. 1103. SPECIAL VOLUNTEER RECRUITMENT AND PLACEMENT FOR CERTAIN COUNTRIES.

(a) **REPORT.**—Not later than 60 days after the date of enactment of this Act, the Director shall submit to the appropriate congressional committees a report that—

(1) describes the recruitment strategies to be employed by the Peace Corps to recruit and train volunteers with the appropriate language skills and interest in serving in host countries; and

(2) lists the countries that the Director has determined should be priorities for special recruitment and placement of Peace Corps volunteers.

(b) **USE OF RETURNED PEACE CORPS VOLUNTEERS AND FORMER STAFF.**—The Director is authorized and strongly urged to utilize the services of returned Peace Corps volunteers and former Peace Corps staff who have relevant language and cultural experience and may have served previously in countries with substantial Muslim populations, in order to open or reopen Peace Corps programs in such countries.

SEC. 1104. GLOBAL INFECTIOUS DISEASES INITIATIVE; COORDINATION OF HIV/AIDS ACTIVITIES.

(a) **INITIATIVE.**—

(1) **IN GENERAL.**—The Director, in cooperation with international public health experts, such as the Centers for Disease Control and Prevention, the National Institutes of Health, the World Health Organization, the Pan American Health Organization, and local public health officials, shall expand the Peace Corps' program of training for Peace Corps volunteers in the areas of education, prevention, and treatment of infectious diseases which are prevalent in host countries in order to ensure that the Peace Corps increases its contribution to the global campaign against such diseases.

(2) **ADDITIONAL REQUIREMENT.**—Activities for the education, prevention, and treatment of infectious diseases in host countries by the Peace Corps shall be undertaken in a manner that is consistent with activities authorized under sections 104(c), 104A, 104B, and 104C of the Foreign Assistance Act of 1961.

(b) **COORDINATION OF HIV/AIDS ACTIVITIES.**—

(1) **IN GENERAL.**—The Director should designate an officer or employee of the Peace Corps who is located in the United States to coordinate all HIV/AIDS activities within the Peace Corps. Such individual may be an individual who is an officer or employee of the Peace Corps on the date of the enactment of this Act.

(2) **FIELD COORDINATION.**—In addition to the position established under paragraph (1), the Director should designate an individual within each country in sub-Saharan Africa, the Western Hemisphere, and Asia in which Peace Corps volunteers carry out HIV/AIDS activities to coordinate all such activities of the Peace Corps in such countries.

(c) DEFINITIONS.—In this section:

- (1) AIDS.—The term “AIDS” means the acquired immune deficiency syndrome.
- (2) HIV.—The term “HIV” means the human immunodeficiency virus, the pathogen that causes AIDS.
- (3) HIV/AIDS.—The term “HIV/AIDS” means, with respect to an individual, an individual who is infected with HIV or living with AIDS.
- (4) INFECTIOUS DISEASES.—The term “infectious diseases” means HIV/AIDS, tuberculosis, and malaria.

SEC. 1105. PEACE CORPS NATIONAL ADVISORY COUNCIL.

Section 12 of the Peace Corps Act (22 U.S.C. 2511; relating to the Peace Corps National Advisory Council) is amended—

(1) in subsection (b)(2)—

- (A) in subparagraph (C), by striking “and” after the semicolon;
- (B) by redesignating subparagraph (D) as subparagraph (E); and
- (C) by inserting after subparagraph (C) the following:

“(D) make recommendations for utilizing the expertise of returned Peace Corps volunteers and former Peace Corps staff in fulfilling the goals of the Peace Corps; and”;

(2) in subsection (c)(2)—

(A) in subparagraph (A)—

(i) in the first sentence—

(I) by striking “fifteen” and inserting “eleven”; and

(II) by striking “President, by and with the advice and consent of the Senate” and inserting “Director of the Peace Corps”; and

(ii) by striking the second sentence and inserting the following:

“Six of the members shall be former Peace Corps volunteers, at least one of whom shall have been a former staff member abroad or in the Washington headquarters, and not more than six shall be members of the same political party.”;

(B) by striking subparagraph (B);

(C) by amending subparagraph (D) to read as follows:

“(D) The members of the Council shall be appointed to 2-year terms.”;

(D) in subparagraph (H), by striking “nine” and inserting “seven”;

(E) in subparagraph (I), by striking “President shall nominate” and inserting “Director shall appoint”; and

(F) by redesignating subparagraphs (C), (D), (E), (F), (G), (H), and (I) as subparagraphs (B), (C), (D), (E), (F), (G), and (H), respectively; and

(3) by amending subsection (g) to read as follows:

“(g) CHAIR.—The Director shall designate one of the voting members of the Council as Chair, who shall serve in that capacity for a term of two years. The Director may renew the term of a voting member appointed as Chair under the preceding sentence.”.

SEC. 1106. READJUSTMENT ALLOWANCES.

The Peace Corps Act is amended—

(1) in section 5(c) (22 U.S.C. 2504(c)), by striking “\$125 for each month of satisfactory service” and inserting “\$275 for each month of satisfactory service during fiscal year 2004 and \$300 for each month of satisfactory service thereafter”; and

(2) in section 6(1) (22 U.S.C. 2505(1)), by striking “\$125 for each month of satisfactory service” and inserting “\$275 for each month of satisfactory service during fiscal year 2004 and \$300 for each month of satisfactory service thereafter”.

SEC. 1107. PROGRAMS AND PROJECTS OF RETURNED PEACE CORPS VOLUNTEERS AND FORMER STAFF.

(a) PURPOSE.—The purpose of this section is to provide support for returned Peace Corps volunteers to develop and carry out programs and projects to promote the objectives of the Peace Corps Act, as set forth in section 2(a) of that Act (22 U.S.C. 2501(a)).

(b) GRANTS TO CERTAIN NONPROFIT CORPORATIONS.—

(1) GRANT AUTHORITY.—

(A) IN GENERAL.—To carry out the purpose of this section, and subject to the availability of appropriations, the Director may award grants on a competitive basis to private nonprofit corporations for the purpose of enabling returned Peace Corps volunteers to use their knowledge and expertise to develop and carry out the programs and projects described in paragraph (2).

(B) DELEGATION OF AUTHORITY AND TRANSFER OF FUNDS.—The Director may delegate the authority to award grants under subparagraph (A) and may transfer funds authorized under this section subject to the notification procedures of section 634A of the Foreign Assistance Act of 1961 to the Chief Executive Officer of the Corporation for National and Community Service (referred to in this section as the “Corporation”).

(2) PROGRAMS AND PROJECTS.—Such programs and projects may include—

(A) educational programs designed to enrich the knowledge and interest of elementary school and secondary school students in the geography and cultures of other countries where the volunteers have served;

(B) projects that involve partnerships with local libraries to enhance community knowledge about other peoples and countries; and

(C) audio-visual projects that utilize materials collected by the volunteers during their service that would be of educational value to communities.

(3) ELIGIBILITY FOR GRANTS.—To be eligible to compete for grants under this section, a nonprofit corporation shall have a board of directors composed of returned Peace Corps volunteers and former Peace Corps staff with a background in community service, education, or health. If the grants are made by the Corporation, the nonprofit corporation shall meet all appropriate Corporation management requirements, as determined by the Corporation.

(c) GRANT REQUIREMENTS.—Such grants shall be made pursuant to a grant agreement between the Peace Corps or the Corporation and the nonprofit corporation that requires that—

(1) the grant funds will only be used to support programs and projects described in subsection (a) pursuant to proposals submitted by returned Peace Corps volunteers (either individually or cooperatively with other returned volunteers);

(2) the nonprofit corporation will give consideration to funding individual programs or projects by returned Peace Corps volunteers, in amounts of not more than \$50,000, under this section;

(3) not more than 20 percent of the grant funds made available to the nonprofit corporation will be used for the salaries, overhead, or other administrative expenses of the nonprofit corporation;

(4) the nonprofit corporation will not receive grant funds for programs or projects under this section for a third or subsequent year unless the nonprofit corporation makes available, to carry out the programs or projects during that year, non-Federal contributions—

(A) in an amount not less than \$2 for every \$3 of Federal funds provided through the grant; and

(B) provided directly or through donations from private entities, in cash or in kind, fairly evaluated, including plant, equipment, or services; and

(5) the nonprofit corporation shall manage, monitor, and submit reports to the Peace Corps or the Corporation, as the case may be, on each program or project for which the nonprofit corporation receives a grant under this section.

(d) STATUS OF THE FUND.—Nothing in this section shall be construed to make any nonprofit corporation supported under this section an agency or establishment of the Federal Government or to make the members of the board of directors or any officer or employee of such nonprofit corporation an officer or employee of the United States.

(e) FACTORS IN AWARDED GRANTS.—In determining the number of nonprofit corporations to receive grants under this section for any fiscal year, the Peace Corps or the Corporation—

(1) shall take into consideration the need to minimize overhead costs that direct resources from the funding of programs and projects; and

(2) shall seek to ensure a broad geographical distribution of grants for programs and projects under this section.

(f) CONGRESSIONAL OVERSIGHT.—Grant recipients under this section shall be subject to the appropriate oversight procedures of Congress.

(g) FUNDING.—

(1) IN GENERAL.—There is authorized to be appropriated to carry out this section up to \$10,000,000. Such sum shall be in addition to funds made available to the Peace Corps under this division.

(2) AVAILABILITY.—Amounts appropriated pursuant to paragraph (1) are authorized to remain available until expended.

(h) CRISIS CORPS.—

(1) STATEMENT OF POLICY.—Congress states that the Crisis Corps has been an effective tool in harnessing the skills and talents of returned Peace Corps volunteers.

(2) INCREASE IN NUMBER OF CRISIS CORPS ASSIGNMENTS.—The Director, in consultation with the governments of host countries and appropriate nongovernmental organizations, shall increase the number of available Crisis Corps assignments for returned Peace Corps volunteers to at least 120 assignments in fiscal year 2004, 140 assignments in fiscal year 2005, 160 assignments in fiscal year 2006, and 165 assignments in fiscal year 2007.

SEC. 1108. DECLARATION OF POLICY.

Congress declares its support for the goal announced by President Bush of doubling the number of Peace Corps volunteers to 14,000 by 2007 and supports the funding levels necessary to accomplish this growth.

SEC. 1109. PEACE CORPS IN SIERRA LEONE.

(a) FINDINGS.—Congress makes the following findings:

(1) Peace Corps service to Sierra Leone was suspended in 1994 due to a brutal civil war between the government and the Revolutionary United Front (RUF).

(2) Backed by British military intervention and a United Nations peace-keeping operation, government authority has been reestablished throughout the country and “free and fair” national elections took place in May 2002.

(3) Sierra Leone is a majority Muslim country.

(4) The Peace Corps has given the safety and security of its volunteers high priority.

(b) SENSE OF CONGRESS.—It is the sense of Congress that the Peace Corps should return its program to Sierra Leone as soon as security conditions are consistent with the safety and security of its volunteers.

SEC. 1110. AUTHORIZATION OF APPROPRIATIONS.

Section 3(b)(1) of the Peace Corps Act (22 U.S.C. 2502(b)(1)) is amended by striking “and \$365,000,000 for fiscal year 2003” and inserting “\$365,000,000 for fiscal year 2003, \$366,868,000 for fiscal year 2004, \$411,800,000 for fiscal year 2005, \$455,930,000 for fiscal year 2006, and \$499,400,000 for fiscal year 2007”.

PURPOSE AND SUMMARY

The purpose of “The Millennium Challenge Account Authorization and Peace Corps Expansion Act of 2003” (H.R. 2441) is twofold: to authorize the establishment of a new program of foreign assistance for countries that meet and maintain certain eligibility criteria; and to reauthorize and expand the Peace Corps, supporting the President’s proposal to double the number of volunteers from 7,000 in FY2003 to 14,000 in FY2007.

“The Millennium Challenge Account Authorization and Peace Corps Expansion Act of 2003” is divided into two parts. Division A consists of the Millennium Challenge Account Authorization Act, and is subdivided into four titles: title I (“General Provisions”); title II (“Millennium Challenge Assistance”); title III (“Millennium Challenge Corporation”); and title IV (“Provisions Relating to United States Economic Assistance”). The Millennium Challenge Account Authorization Act authorizes a new program of assistance of \$1.3 billion in FY2004, \$3 billion in FY2005 and \$5 billion in FY2006 for eligible countries for programs that help such countries achieve lasting economic growth and poverty reduction. The assistance will be administered by the Millennium Challenge Corporation, a new government-owned corporation that is created in title III of the act.

Division B of H.R. 2441 is the Peace Corps Expansion Act of 2003, and is subdivided into two titles: title X (“General Provisions”) and title XI (“Amendments to Peace Corps Act; Related Provisions”). The Peace Corps Expansion Act contains a Congressional Declaration of Policy in support of the goal announced by the President of doubling the number of Peace Corps volunteers to 14,000 volunteers by 2007. The bill also makes necessary amendments to the Peace Corps Act and authorizes a gradual expansion of the

budget of the Peace Corps, from \$366.8 million in FY2004 to \$411.8 million in FY2005, to \$455.9 million in FY2006, and to \$499.4 million in FY2007.

BACKGROUND AND NEED FOR THE LEGISLATION

In its 108th Congress, the United States of America has entered a period of unmatched and unprecedented relative power and influence in the world. Key leaders in the House of Representatives, both Republican and Democratic, agree that with such power and influence comes the responsibility and obligation to assist those less fortunate in the developing world. The assistance furnished by the Millennium Challenge Account and an expanded Peace Corps will support this vision. H.R. 2441 is the latest in a series of legislative initiatives important to the national security of the United States to originate in the Committee on International Relations.

During the first 3 years of the 21st century, the Congress of the United States has met new challenges with decisiveness and resolve, providing unwavering support to the President and the American people in the fight against terrorism at home and abroad. The Congress has acted with alacrity, by authorizing the new Department of Homeland Security to protect the homeland and to face squarely the transnational threats of this era. The Committee on International Relations has authorized the use of force against the terrorists who perpetrated the September 11, 2001 attacks and in Iraq; has initiated and crafted a new program of assistance to fight the global AIDS pandemic; and has originated legislation that will assist the people of Afghanistan and Iraq emerge from decades of tyranny, war, and oppression.

While the Committee can be responsive to world events, it does more than prepare for and respond to imminent threats and crises. In January 2002, President Bush proposed that the United States double the size of the Peace Corps, an institution that since its inception has created opportunities for nearly 170,000 Americans to learn about the world and represent their Nation in service to peoples in friendly countries around the globe who seek advancement, education, equality, and development.

In March, 2002, President Bush boldly proposed the further expansion of United States foreign assistance, through the establishment of the "Millennium Challenge Account," now known widely as the "MCA." He did so in a revolutionary manner—by proposing a new and additional assistance program only for those countries that meet certain standards of respecting human rights, investing in the future of their peoples, and promoting economic opportunity and freedom. In both announcements, the President issued a challenge to help those less fortunate, to promote universal human rights and values around the world, and to be part of the spread of democracy and freedom to the far corners of the globe.

On June 12, 2003, after extensive consultation with the White House, the Committee on International Relations reported favorably "The Millennium Challenge Account Authorization and Peace Corps Expansion Act of 2003," answering the President's call to authorize these two initiatives, but also acting on behalf of the American people who from their beginnings have sought to assist those less fortunate and to spread the light of democracy, accountability, and progress.

Goals of the Millennium Challenge Account

Introduced by Chairman Hyde and Ranking Member Lantos, “The Millennium Challenge Account Authorization Act of 2003” is a legislative initiative that authorizes the expansion of United States economic assistance to a limited number of high-performing countries in the developing world. This new form of assistance will require a proven track record of accomplishment by potential recipients in the areas of economic freedom, democracy, and investments in a country’s people, principally in the health and education sectors.

The Millennium Challenge Account is an initiative based on the idea that countries must be accountable for their actions, be responsible for developing and advancing their own plans of progress, and must be able to show results in order to receive economic assistance from the American taxpayer. The program, the President announced, would be above and beyond existing aid programs—for which the President pledged ongoing support—and will distribute U.S. economic aid to developing countries that have demonstrated a commitment to govern justly, invest in their people and encourage economic freedom. Not only is the program designed to accelerate economic development and reduce poverty in countries that are performing well across a spectrum of criteria, but it also provides assistance, and thus an incentive, to countries that are not doing as well, but, nevertheless, demonstrate a commitment to the same performance criteria.

In March 2003, the Committee on International Relations held a hearing on the Administration’s MCA proposal, and heard from three administration witnesses on the proposed structure and organization of the Millennium Challenge Corporation, the new organization proposed to manage MCA assistance. Members also heard testimony and had the opportunity to question witnesses from the respected charities Save the Children and Bread for the World, as well as experts from the Heritage Foundation and the Center for Global Development on eligibility criteria for the MCA.

At that hearing, witnesses did not dispute that many U.S. assistance programs have not achieved fully desired results over the years. Some assistance has allowed corrupt leaders to amass personal fortunes and remain in power beyond the will of the citizenry. Other aid has allowed leaders and governments to abdicate responsibility for effective governance and pursue detrimental, self-destructive, or personally self-enriching policies, with little results to show in the end. The politicization of assistance programs during the Cold War and the continued need for economic assistance for strategically important countries in the War on Terrorism have clouded the development effectiveness of U.S. assistance programs. While there is a clear national security interest in maintaining assistance to advance such political and security imperatives, it is also clear that a new and separate performance-based assistance program is needed to advance economic growth and development, separate from strategic considerations that have characterized other forms of assistance.

At the March hearing, Members of the Committee expressed that that the mixed results of the past should not lead us to turn our backs on the developing world, but rather just the opposite. Members of the Committee agreed then, and again on June 12, that now

is the time for United States leadership and for the United States to recognize and help those countries that respect the rights of citizens, promote democracy, and encourage economic freedom and prosperity. In this process, the Committee intends to reward those governments and leaders who choose the right path of reform. Many people in the developing world live under governments that do not meet such standards, and the President has made clear his intention that the MCA will not replace existing development assistance programs or subtract from their budgets. The Committee supports this view, and the act specifically endorses it.

Development and humanitarian assistance, as administered by the Agency for International Development, is one of the pillars of our foreign policy and diplomacy, as noted in the President's National Security Strategy. Such assistance programs implemented by USAID are responsible for addressing critical humanitarian emergencies, preventing conflict and promoting stability as well as promoting development at the national, regional and community levels. Furthermore, the MCA is a reward and incentive for countries that meet a higher standard of performance. The traditional assistance programs are needed to help countries that do not qualify. It is imperative that the President continue to request adequate sums to promote American interests through development aid and disaster relief, and it is equally essential that the Congress appropriate such sums that may be necessary for this purpose. To fund the MCA, the President has proposed an additional \$5 billion to the current development assistance budget phased in over a 3-year period. The President's FY 2004 budget requests \$1.3 billion for the first year of the initiative, and our proposal calls for MCA funding to increase to \$3 billion in FY 2005 and \$5 billion in FY 2006. The Committee supports this plan.

The Committee believes that its overriding principle should be to ensure success of the Millennium Challenge Account initiative from the start, demand results from its endeavors, and receive value for taxpayer dollars. As proposed by the President and contained in H.R. 2441, MCA assistance will reward only those recipients that willingly adopt good policies and institutions. Of the approximately 70 countries currently eligible for development assistance, it is possible that not many countries will meet such strict criteria stipulated by the President and contained in the bill that accompanies this report. At the funding levels proposed, this will enable the United States to provide a very high level of assistance for MCA-eligible countries. The assistance will be implemented in a manner to give greater ownership and responsibility to the recipient countries than is the case with traditional bilateral development programs. The Committee believes that this will create a competition among "cusp" countries to qualify for the assistance which may accelerate reforms and the adoption of good policies.

Development assistance alone is not sufficient to stimulate economic growth and development. The Committee agrees with the President that the MCA will allow the United States to be more selective in aid distribution and potentially more effective in development. MCA assistance must reward only those recipients that willingly adopt good policies and institutions. If the President's proposal is implemented, traditional bilateral assistance programs would continue for countries who do not meet the criteria. The Ad-

ministration believes that this will create a competition among “cusp” countries which may accelerate reforms and the adoption of good policies.

The Legislation

Consistent with the White House proposal, H.R. 2441 places responsibility for administration of MCA assistance with a new entity to be known as the Millennium Challenge Corporation. This corporation will not be bound by the same policies and procedures that govern other forms of U.S. foreign aid. It will have flexible authorities and a clear mandate—to negotiate “Compacts” with foreign governments that will require such governments to demonstrate continued progress in certain areas.

The Millennium Challenge Account is a bold experiment that will reward those that are on the right path of economic development and freedom. At the Inter-American Development Bank on March 14, 2002, President Bush called for “a new compact for global development, defined by new accountability for both rich and poor nations alike. Greater contributions from developed nations must be linked to greater responsibility from developing nations.”

The President pledged that the United States would lead by example and increase its core development assistance by 50 percent over the next 3 years, resulting in an annual increase of \$5 billion by FY 2006. Because sound policies are an essential condition of development, the President proposed the creation of “the Millennium Challenge Account” that would be “devoted to projects in nations that govern justly, invest in their people and encourage economic freedom.”

The Millennium Challenge Corporation will be headed by a Chief Executive Officer, nominated by the President and confirmed by the Senate, and its programs will be reviewed and approved by a Board of Directors chaired by the Secretary of State.

H.R. 2441 calls for the Board of Directors to consist of 9 voting members: four individuals who are not officials of the government, and five individuals who shall sit on the board by virtue of their position as officers in the government. The four members from outside the government shall be nominated by the President from four separate lists, one each submitted by the majority and minority leaders of the House of Representatives and the Senate, respectively. The five members from within the government shall be the Secretary of State, the Administrator of the United States Agency for International Development, the Secretary of the Treasury, the United States Trade Representative, and the Chief Executive Officer of the Corporation. In addition to the voting members, H.R. 2441 calls for an additional five nonvoting members, by virtue of their position as officials of the government: the Director of the Office of Management and Budget, the President and Chief Executive Officer of the Overseas Private Investment Corporation, the Director of the Trade and Development Agency, and the Director of the Peace Corps.

In his March 14 speech, President Bush proposed that the MCA, as a separate and distinct development assistance program, will be available only to countries which meet three criteria: they must display good governance, invest in the health and education of

their people, and enact sound policies which promote economic freedom.

President Bush proposed that eligible countries be identified based on “a set of clear and concrete and objective criteria” that would be applied “rigorously and fairly.” In receiving this new assistance, the President stated that the Millennium Challenge Account will “reward nations that root out corruption, respect human rights, and adhere to the rule of law . . . invest in better health care, better schools and broader immunization . . . [and] have more open markets and sustainable budget policies, nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery.”

Eligibility Criteria and Methodology

On February 5, 2003, the President transmitted the text of his proposed legislation to Congress. In the following communication accompanied the proposed legislation:

“The Millennium Challenge Account (MCA) represents a new approach to providing and delivering development assistance. This new compact for development breaks with the past by tying increased assistance to performance and creating new accountability for all nations. This proposal implements my commitment to increase current levels of core development assistance by 50 percent over the next 3 years, thus providing an annual increase of \$5 billion by fiscal year 2006. To be eligible for this new assistance, countries must demonstrate commitment to three standards—ruling justly, investing in their people, and encouraging economic freedom. Given this commitment, and the link between financial accountability and development success, special attention will be given to fighting corruption. The goal of the Millennium Challenge Account initiative is to reduce poverty by significantly increasing economic growth in recipient countries through a variety of targeted investments. The MCA will be administered by a new, small Government corporation, called the Millennium Challenge Corporation, designed to support innovative strategies and to ensure accountability for measurable results. The Corporation will be supervised by a Board of Directors chaired by the Secretary of State and composed of other Cabinet-level officials. The Corporation will be led by a Chief Executive Officer appointed by the President, by and with the advice and consent of the Senate. This proposal provides the Corporation with flexible authorities to optimize program implementation, contracting, and personnel selection while pursuing innovative strategies. The Millennium Challenge Account initiative recognizes the need for country ownership, financial oversight, and accountability for results to ensure effective assistance. We cannot accept permanent poverty in a world of progress. The MCA will provide people in developing nations the tools they need to seize the opportunities of the global economy. I urge the prompt and favorable consideration of this legislation.”

In materials accompanying the draft legislation, the Administration has proposed important principles to guide the creation of a system to determine country eligibility, based on a transparent process and indicators for which data is publicly available, objective, and comprehensive. The Committee is aware and generally

supportive of the indicators and methodology proposed by the Administration for identifying better-performing countries.

The Millennium Challenge Account Authorization Act of 2003 does not include the 16 specific indicators proposed by the White House. Instead, the bill provides greater flexibility to the President and the Corporation in developing and determining which indicators should be employed in the selection process, in close consultation with the Committee.

While generally accepted, the Committee notes that the quality and coverage of the data supporting the 16 indicators is somewhat inconsistent, and that most of the criteria measure accomplishments of the past rather than current commitment. Other data is subjective. In meetings with the Committee, Administration officials have acknowledged these shortcomings, and have indicated that criteria will be adjusted to reflect practical experience and improvements in data.

The eligibility criteria proposed by the Administration include six criteria in each of the two categories of "Governing Justly" and "Promoting Economic Freedom," but only four in the category of "Investing in People." This imbalance in the number of criteria in this last category likely skews the outcome: In dry runs of the data by researchers outside of government, most countries that just miss qualifying fail in the category of "Investing in People." Furthermore, to the extent that the criteria are an important signal as to what is important and in which areas countries should concentrate in order to qualify for MCA assistance, the bias is against these important social indicators. Resource strapped countries may find it difficult to reach targets in the area of spending on health and education, so it is important to add other criteria that can capture government commitment and efforts to reach poor people. Also, none of the criteria measure the difference in status between men and women, although such differences could be expected in each category, with women typically faring worse than men. Given the steadily mounting evidence of the benefits to the development process as a whole through improving the status of women and girls, this is a serious shortcoming in the proposed criteria. Inclusion of criteria that can provide a measure of a country's commitment in this regard is likely to improve the overall effectiveness of the initiative.

Under the eligibility system as outlined by the Administration, countries would qualify for consideration for MCA assistance if they rank "above the median" on the corruption index and on half the criteria in each of the three categories. Setting the bar above the median has several shortcomings. First, several of the criteria use a ranking scale (1-5 or 1-7), and, because of the narrowness of the scale, there is a grouping of countries at the median. These countries are automatically eliminated under the proposed system even if they are likely to be just as qualified as a country slightly above the median. Second, some of the criteria are based on subjective discretion (such as the corruption index) and because some country data coverage is incomplete, certain countries unnecessarily miss eligibility. The degree of arbitrariness would be reduced by setting the hurdle for eligibility "at the median," which would bring in an additional set of countries as candidates. An additional but related problem with the median approach is that over time,

median scores would change as qualified countries make progress and the data is updated. So, a country that just misses qualification in one year may not qualify again the next year, despite efforts to improve policies because other countries' achievements (including progress which is fostered by MCA assistance) and new data have raised the median scores. For the MCA to be an incentive for countries to improve policies, it is necessary for countries to be assured that if they reach certain targets, they will qualify. To the extent that the median approach is adopted as the methodology for applying the criteria, the committee recommends that the MCA adopt stable standards for each indicator after the first year.

The Committee also believes that in determining eligibility, the President, acting through the Chief Executive Officer of the Corporation, should compare indicators among countries that have the lowest per capita income, as one group, and among countries that have higher per capita income but still fall below the threshold described in section 203 for lower income countries, as another. The Committee is concerned that the countries with the lowest per capita income would otherwise have to compete for MCA assistance with countries that have substantially higher economic activity and government services. These countries will undoubtedly have better scores on eligibility indicators than the countries with the lowest per capita incomes. A mechanistic approach to application of the Administration's proposed eligibility criteria and methodology could result in excluding or providing relatively little MCA assistance to the countries with the lowest per capita income in favor of low income countries with higher per capita incomes. In order to avoid this "crowding out," the Committee believes that, particularly as the program starts up, comparison among countries with like per capita income levels would be wise.

Lastly, the Committee understands the need for flexibility and discretion in determining final country selection in light of the imperfect nature of the data. However, in order to preserve the transparency and integrity of the selection process, the Committee includes a requirement for the Administration to notify all relevant congressional committees in writing (prior to notification of recipient countries) of the countries selected and the basis for their selection. To the extent that selection deviates from the indicators and criteria put forth by the Administration, an explanation of the need to deviate from such indicators should be included.

Establishment of Corporation

The Committee is very concerned about the rapid establishment of the Corporation once the legislation is enacted. Because of the delays in submitting legislation to Congress and because of the difficulties in arriving at the consensus described in division A of this act, the Committee is concerned that the Administration will not have the time that it needs to implement division A of this act at the beginning of fiscal year 2004. The Committee expects that upon enactment, the President will move rapidly to nominate a Chief Executive Officer of the Corporation. However, the nomination, advice and consent process itself may take some time. Any such delays would be significant, since the Corporation cannot function without its Chief Executive Officer. The Chief Executive Officer, for exam-

ple, appoints all executive officers of the Corporation and is responsible for consulting with Congress on the eligibility criteria.

In order to minimize the impact of any such delay, the Committee encourages the Administration to establish an office to begin planning for the establishment of the Corporation, the administrative arrangements for details and hiring, the operation of the Board, and the bylaws, regulations, and operating procedures of the Corporation, so that once the Chief Executive Officer has been confirmed, the Chief Executive Officer can immediately start implementing the provisions of division A of this act after an appropriate review of the work done prior to that appointment. In order for the MCA program to build credibility, it must act decisively, and the Committee believes that timely hard work prior to the appointment of the Chief Executive Officer is needed to accomplish this purpose.

Moreover, the Committee believes that the Millennium Challenge Corporation will face a variety of management issues as it begins to administer the Millennium Challenge Account. It is critical that the Corporation have access to the best advice available to help frame its initial organizational structure and guide its subsequent operations, especially in developing and fine tuning policies, procedures and processes. Obtaining the best advice in early stages should be a high priority for the Corporation. The Committee encourages the Corporation to seek advice from organizations with managerial expertise, such as the National Academy of Public Administration (NAPA), in designing and launching the Millennium Challenge Corporation.

Authorization of the Peace Corps

Division B of H.R. 2441 reauthorizes the Peace Corps through fiscal year 2007, and in particular, authorizes the President's proposal to double the number of Peace Corps volunteers. In addition to reauthorizing the Peace Corps, the legislation makes several amendments to the Peace Corps Act.

The Peace Corps was established during the administration of President Kennedy to promote world peace and friendship through the service of American volunteers in the developing world. The original Peace Corps Act established three goals for the Peace Corps: to help people in developing countries meet basic needs, to promote understanding abroad of the values and ideals of the United States, and to promote an understanding of other peoples by the people of the United States.

Since its establishment in 1961, more than 168,000 volunteers have served in 136 different countries throughout the world. As of the date of this report, there are approximately 7,000 volunteers in 70 different countries. The President, in his State of the Union address in January 2002, announced his goal of doubling the size of the Peace Corps by 2007. The Committee wholeheartedly endorses this bold vision and supports the continued work of the Peace Corps.

As our Nation fights global terrorism, extremism, and forces inimical to our way of life, the American people can and must fight on many fronts to protect our interests, promote our values, and to provide hope to captive, destitute and vulnerable people across the globe. The President's proposal for a Millennium Challenge Account and for an expanded Peace Corps deserves the support of the

Congress. The Committee embraces the idea of increasing U.S. economic assistance for those countries that demonstrate a commitment to human rights, democratic ideals and practices, and investment in people.

HEARINGS

The Committee held a hearing on the Millennium Challenge Account on March 6, 2003 at 10:00 a.m. The hearing consisted of two panels; a panel representing the Administration and a panel representing the non-governmental community. The first panel included three witnesses: Andrew S. Natsios, Administrator of the U.S. Agency for International Development; Alan Larson, Under Secretary for Economic Affairs, Department of State; and John B. Taylor, Under Secretary for International Affairs, Department of the Treasury. The second panel consisted of four witnesses: David Beckmann, President, Bread for the World; Charles MacCormack, President and CEO, Save the Children; Steven Radelet, Senior Fellow, Center for Global Development; and Brett Schaefer, Senior Fellow, The Heritage Foundation. The Committee did not hold a hearing on the Peace Corps during the 108th Congress prior to consideration of H.R. 2441.

COMMITTEE CONSIDERATION

The President's proposed legislation was transmitted to the Congress on February 5, 2003. The text of the President's proposed legislation was introduced by Chairman Hyde by request on May 6, 2003 as H.R. 1966, and was referred to the Committee on International Relations. A second bill, H.R. 2441, was introduced on June 12, 2003, by Chairman Hyde and Representatives Lantos, Green of Wisconsin, Harris, Lee, Crowley, LaHood, and Janklow. On June 12, 2003, the Committee met in open session, pursuant to notice, to consider the bill. A motion offered by Chairman Hyde to favorably report H.R. 2441 to the House of Representatives, as amended, was agreed to by a record vote of 31 ayes to 4 noes, a quorum being present.

SUMMARY OF AMENDMENTS

The Committee adopted four amendments and defeated one.

Rep. Royce (R-CA) offered an amendment (#1) to encourage the return the Peace Corps to Sierra Leone. The Royce amendment includes a Sense of Congress that the Peace Corps should return its program to Sierra Leone as soon as security conditions permit. Four findings in the Royce amendment recount the history of Peace Corps service in Sierra Leone, and recent progress in that country since the deployment of peacekeeping forces and conduct of elections in 2002. The Royce amendment was agreed to by voice vote.

Rep. Lee (D-CA) offered an amendment (#2) to ensure the participation of small, minority-owned, and disadvantaged U.S. businesses in the contracting of the Millennium Challenge Corporation. The Lee amendment requires that, "to the maximum extent practicable, the President, acting through the Chief Executive Officer, shall ensure that United States small, minority-owned, and disadvantaged business enterprises fully participate in the provision of goods and services that are financed with funds made available

under this subtitle.” The Lee amendment also requires the Chief Executive Officer to prepare and submit to the appropriate congressional committees an annual report that contains a description of the extent to which this requirement has been met for the preceding year. The Lee amendment was agreed to by voice vote.

Rep. Royce offered amendment (#3), to shift \$10 million allocated for data collection in the introduced version of H.R. 2441 and instead allocate it for seed grants for indigenous organizations. The Royce amendment strikes Section 309 from the introduced version of H.R. 2441 and inserts a new Section 309, “Millennium Challenge Seed Grants.” This amendment authorizes the Chief Executive Officer to provide assistance not to exceed \$10 million “in support of nongovernmental organizations in low-income and lower middle income countries which are undertaking research, education, and advocacy efforts aimed at promoting democratic societies, human rights, the rule of law, improved educational opportunities and health conditions, particularly for women and children, and economic freedom. The second Royce amendment was agreed to by voice vote.

Rep. Payne (D–NJ) offered amendment (#4) regarding the Millennium Challenge Compact. The Payne amendment changes Section 204, “Millennium Challenge Compact,” by requiring, with respect to lower middle income countries, that the Compacts of such countries “identify an appropriate contribution from the country relative to its national budget, taking into account the prevailing economic conditions, toward meeting the objectives of the Compact,” and that the contribution “shall be in addition to government spending allocated for such purposes in the country’s budget for the year immediately preceding the establishment of the Compact.” The Payne amendment was agreed to by voice vote.

Rep. Menendez (D–NJ) offered an amendment (#5) which would have extended eligibility of lower middle income countries to the fiscal years 2004 and 2005. The introduced version of H.R. 2441 limits eligibility of lower middle income countries to the fiscal year 2005, and at that, to not greater than 20 percent of the total amounts appropriated pursuant to the authorization of appropriations in that fiscal year. The Committee defeated, by a record vote of 26 ayes to 10 noes [Record Vote #1], the Menendez amendment.

The Committee favorably reported to the House H.R. 2441, as amended, by a record vote of 31 ayes to 4 noes [Record Vote #2].

VOTES OF THE COMMITTEE

There were two record votes.

The first was on the Menendez amendment to allow lower middle income countries to be eligible for assistance in each of the three fiscal years 2004, 2005 and 2006. This amendment was defeated by a vote of 26–10.

Voting yes: Menendez, Wexler, Engel, Delahunt, Crowley, Hoeffel, Berkley, Napolitano, Schiff and Bell.

Voting no: Leach, Bereuter, Ballenger, Rohrabacher, Royce, Chabot, Houghton, Tancredo, Paul, Smith (MI), Davis, Green, Weller, Pence, McCotter, Janklow, Lantos, Berman, Faleomavaega, Payne, Lee, Blumenauer, McCollum, and Hyde.

Present: Harris.

The second record vote was on the Motion to report H.R. 2441 favorably, as amended. This motion was agreed to by a vote of 31–4.

Voting yes: Leach, Bereuter, Ros-Lehtinen, Ballenger, Rohrabacher, Royce, Houghton, Green, Weller, Pence, McCotter, Janklow, Harris, Lantos, Faleomavaega, Payne, Menendez, Brown, Wexler, Engel, Delahunt, Lee, Crowley, Hoeffel, Blumenauer, Berkeley, Napolitano, Schiff, McCollum, Bell and Hyde.

Voting no: Chabot, Paul, Smith (MI) and Davis.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House Rule XIII is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R.1298, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 17, 2003.

Hon. HENRY J. HYDE, *Chairman,*
Committee on International Relations,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2441, the Millennium Challenge Account Authorization and Peace Corps Expansion Act of 2003.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Joseph C. Whitehill, who can be reached at 226–2840.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure

cc: Honorable Tom Lantos
Ranking Member

H.R. 2441—Millennium Challenge Account Authorization and Peace Corps Expansion Act of 2003.

SUMMARY

H.R. 2441 would create a new foreign assistance agency, the Millennium Challenge Corporation, to provide economic assistance to developing countries that have demonstrated a commitment to a just and democratic government, economic freedom, and improved educational opportunities and health care for its citizens. The bill would authorize the appropriation of \$1.3 billion in 2004 and \$9.3 billion over the 2004–2006 period for the new corporation. The bill also would authorize appropriations totaling \$1.7 billion for the Peace Corps over the 2004–2007 period. In addition, the bill would authorize the appropriation of \$10 million to the Corporation for National and Community Service. CBO estimates that implementing the bill would cost \$9.1 billion over the 2004–2008 period, assuming the appropriation of the authorized amounts. The bill would not affect direct spending or receipts.

H.R. 2441 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2441 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 500 (education, training, employment, and social services).

By Fiscal Year, in Millions of Dollars						
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for the Peace Corps						
Budget Authority ¹	295	0	0	0	0	0
Estimated Outlays	288	59	7	1	0	0
Proposed Changes						
Authorization Level	0	1,677	3,412	5,456	499	0
Estimated Outlays	0	418	1,211	2,439	3,335	1,691
Spending Under H.R. 2441 for the Peace Corps and the Millennium Challenge Corporation						
Authorization Level ¹	295	1,677	3,412	5,456	499	0
Estimated Outlays	288	477	1,218	2,440	3,335	1,691

¹ The 2003 level is the amount appropriated for that year for the Peace Corps.

BASIS OF ESTIMATE

The estimate assumes H.R. 2441 will be enacted late in fiscal year 2003; that the amounts authorized for 2004, 2005, 2006, and 2007 will be appropriated near the start of each fiscal year; and for existing programs, that spending will follow historical patterns.

Millennium Challenge Corporation. Division A of the bill would establish a new Millennium Challenge Corporation to provide assistance to developing countries. The bill would authorize the appropriation of \$1.3 billion in 2004, \$3 billion in 2005, and \$5 billion in 2006 to fund the corporation.

CBO estimates that outlays from the Millennium Challenge Corporation will be low during the first few years because of the normal delays in starting a new agency and the multiyear character of the program as authorized. CBO estimates that it would take three to six months to select a Chief Executive Officer to manage the Millennium Challenge Corporation, hire staff, write the necessary rules and regulations to administer the program, and establish interagency coordination. Only then would eligible countries be invited to submit a multiyear plan detailing how they would use the funds provided by the new program. CBO expects that the effort to develop such plans would require considerable time since each country's plan must specify the objectives it would achieve with Millennium Challenge funds, describe the actions it would undertake to achieve those objectives, provide a time schedule for achieving those objectives, and identify benchmarks for assessing whether the country has achieved its objectives.

In addition, the bill also would require eligible countries to involve private-sector and voluntary organizations in preparing their plans. Thus, CBO estimates that few grants would be extended before the last quarter of fiscal year 2004. Moreover, because the bill would require periodic evaluations to determine whether the country is meeting its commitments, CBO believes that this multiyear program would probably have a spending pattern similar to existing development assistance programs.

Peace Corps. Division B of the bill would authorize the appropriation of \$367 million in 2004 and \$1.7 billion over the 2004–2007 period for the Peace Corps. It also would require the Director of the Peace Corps to develop a plan to increase the number of volunteers in service to 14,000 by 2007 and would increase the readjustment allowance authorized to returning volunteers from \$125 for each month of service to \$275 for each month of service in 2004 and \$300 a month for service thereafter. CBO estimates implementing these provisions would cost \$280 million in 2004 and \$1.6 billion over the 2004–2008 period, assuming the appropriation of the authorized amounts.

Corporation for National and Community Service. Section 1107 would authorize the appropriation of \$10 million to the Corporation for National and Community Service for grants to organizations that use returning Peace Corps volunteers for educational programs in local schools and libraries. CBO assumes, for this estimate, that these funds will be appropriated for fiscal year 2004.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2441 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On May 28, 2003, CBO transmitted a cost estimate for the Millennium Challenge Act of 2003, as ordered reported by the Senate Committee on Foreign Relations on May 21, 2003. On April 24, 2003, CBO transmitted a cost estimate for the Foreign Relations Authorization Act, Fiscal Year 2004, as ordered reported by the Senate Committee on Foreign Relations on April 9, 2003. Title IX of that bill would authorize appropriations for the Peace Corps over

the 2004–2007 period. The differences between our estimate for H.R. 2441 and the estimate for the two Senate bills reflect the higher amounts authorized for appropriation in H.R. 2441, and other changes.

PERFORMANCE GOALS AND OBJECTIVES

The goals and objectives of this legislation are to promote economic growth, support policy reform, alleviate poverty, and provide for the national security of the United States and other nations by increasing assistance to certain worthy countries which meet specified performance standards.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, section 8, clause 18 of the Constitution (relating to making all laws necessary and proper for carrying into execution powers vested by the Constitution in the Government of the United States).

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

Section 1. Short Title; Table of Contents. Section 1 contains a short title and table of contents.

Division A—The Millennium Challenge Account

Title I—General Provisions

Section 101. Definitions. Section 101 includes several definitions of terms used in division A.

Section 101(6). “Millennium Development Goals” by its terms is limited to the “key development objectives” of the United Nations Millennium Declaration, as contained in United Nations General Assembly Resolution 55/2 and does not include non-development objectives, such as the support for the International Olympic Committee.

Section 102. Sunset. Section 102 provides that all authorities under this title shall terminate on October 1, 2007. The Millennium Challenge Account is a new initiative which seeks to provide assistance to countries that meet certain eligibility criteria. The Administration has proposed and the Committee has provided broad authority and flexibility to implement this new initiative including the creation of a new government corporation to administer this initiative. However, in keeping with the oversight role of Congress, the Committee has included a sunset or termination of the authority which would require reauthorization of the legislation prior to October 1, 2007 for the program to continue. The Committee intends that should Congress fail to reauthorize the program before that time, any funds already obligated shall remain available to be expended, however, no new obligations may be made subsequent to the termination of the authority.

Title II—Millennium Challenge Assistance

Section 201. Findings; Statement of Policy. Section 201 includes findings on international economic development and a statement

that it is the policy of the United States to support a new compact for global development which increases support by developed countries to those developing countries that are fostering democracy and the rule of law, investing in their people, and promoting economic freedom for all their people. The Committee believes that the primary responsibility for economic development lies with developing countries themselves. The new compact for global development, as supported by the Millennium Challenge Account Authorization Act of 2003, should seek to bring coordination and coherence to disparate trade and finance policies of donor countries. The Committee recognizes that economic growth is essential for poverty reduction. However, the experience of recent years suggests that economic growth, while necessary, is not sufficient to reduce poverty. For long-term, sustainable and equitable economic growth and poverty reduction, developing countries should invest in sectors that improve the lives and productivity of the broadest segment of society, particularly the poor. Critical sectors include basic health, education, access to clean water and sanitation, and rural development and smallholder farming.

Section 202. Authorization of Assistance. Section 202 authorizes the President, acting through the Chief Executive Officer of the Millennium Challenge Corporation (established in title III) to provide assistance to eligible countries for programs that help such countries to achieve lasting economic growth and poverty reduction. The assistance should advance a country's progress toward fostering democratic societies by promoting political, social, and economic pluralism; respect for the rule of law; anti-corruption initiatives and law enforcement; the development of institutions of democratic governance; a fair, competent, and independent judiciary; and a free and independent media. Such assistance should also foster improved health conditions and educational opportunities. Such assistance should foster the institutions and conditions needed to promote market-based systems, trade, and investment, while protecting workers' rights and environmental standards, and should foster employment and increased production for all segments of society, including agricultural production. In this regard, "regulatory burden" in section 202(b)(3)(B) refers to undue or unnecessary regulatory burdens.

The Committee intends that the provision of assistance under division A of this act to achieve lasting economic growth and poverty reduction in recipient countries is part of the contribution of the United States to advance the goals of the United Nations Millennium Declaration. To this end, the Committee believes that the provision of assistance under division A of this act as well as under Part I of the Foreign Assistance Act of 1961 shall be utilized to achieve the Millennium Development Goals, established by the United Nations General Assembly in September 2000, which aim to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other infectious diseases, ensure environmental sustainability, and develop a global partnership for development.

The Committee intends that the term "Millennium Development Goals" shall refer to the "key objectives described in the United Nations Millennium Declaration, as contained in United Nations Gen-

eral Assembly Resolution 55/2,” and does not include, for example, any of the resolved sections in Resolution 55/2.

The Committee also intends that assistance to develop small businesses, private cooperatives, and credit unions includes assistance to establish and strengthen microfinance institutions which support this objective in recipient countries. Over the last 2 decades, the field of microfinance has demonstrated that it is possible to provide financial services on commercial terms to even the poorest members of developing societies. Millions of microfinance clients are able today to make business investments to increase their household incomes, build assets, improve the health of their families, keep their children in school and reduce their economic vulnerability to crises such as civil conflict and HIV/AIDS. Microfinance allows poor people to protect, diversify and increase their income sources, and thus access a path out of poverty and hunger. Micro-entrepreneurs also often employ several employees and make a significant contribution to developing trade in their local economies. Trading between villages, secondary towns and cities, is fundamental to developing a consumer market in a developing country and building a foundation for trade with the international markets. The World Bank estimates that less than 1 percent of the 4 billion people living on less than \$3 a day has access to financial services. The Millennium Challenge Account can make an important contribution to closing the gap by helping to spur innovations in financial service technologies and developing institutional prototypes for reaching this vast under-served market. Thus far, USAID has championed a best practices agenda that focuses on building strong retail financial service providers that can reach tens of thousands of poor clients in a sustainable way. The Millennium Challenge Account can build upon the work of USAID.

Section 203. Eligibility and Related Requirements. Section 203(a) establishes eligibility requirements for countries that may benefit from the assistance authorized in section 202. A country shall be eligible to receive assistance under section 202 for a fiscal year only if the country falls within certain income levels as defined by the World Bank; is not ineligible to receive United States economic assistance by reason of any provision of law; and if the Chief Executive Officer of the Corporation determines that the country has demonstrated a commitment to bolster democracy, human rights, good governance and the rule of law; invest in the health and education of its citizens; and promote sound economic policies that promote economic opportunity.

This section makes clear that any country which is ineligible to receive assistance under United States law, but has such statutory restriction waived by the President, the Secretary of State, or any other U.S. official, through a waiver authority internal to such statutory provision or pursuant to a special waiver authority, shall continue to be ineligible to receive assistance under division A of this act. As part of the three-part rubric, the Committee intends that the Chief Executive Officer of the Millennium Challenge Corporation pay particular attention during the selection of eligible countries to the performance of each country with respect to promoting democracy and human rights, women, the rural poor, and trade and labor unions.

Section 203(a) authorizes assistance for “low income countries”: for fiscal year 2004, such countries are those which are eligible to receive assistance from the International Development Association (IDA) and whose per capita income is equal to or less than the historical ceiling of the IDA for that year, as defined by the World Bank. For fiscal years 2005 and 2006, such assistance is authorized for those low-income countries whose per capita income is equal to or less than the historical ceiling of the IDA for the fiscal year involved, as defined by the World Bank.

The determination provision in section 203(a)(1)(C)(i) should be interpreted to require that a country’s human rights record is not deemed “poor” in the most recent State Department Country Report on Human Rights Practices, and the government of the country has not committed serious human rights abuses such as torture, extrajudicial killings, arbitrary and unlawful detention or deprivation of life, arbitrary arrest, detention, failing to allow access to political prisoners by humanitarian organizations such as the International Committee of the Red Cross, persecuting religious groups, imprisoning religious leaders, or failing to take minimum steps to combat human trafficking.

The determination provision in section 203(a)(1)(C)(i) should also be interpreted to require that a country has not been reported on in the State Department’s report on the United States strategy in promoting human rights and democracy as called for in section 655 of Public Law 107–228.

In addition to the low-income countries made eligible in section 203(a), section 203(b) establishes additional eligibility for “lower middle income” countries; such countries which are classified as such in the then most recent edition of the World Bank’s “World Development Report.” Section 203(b) requires that the total amount of assistance provided to lower middle income countries for fiscal year 2006 may not exceed 20 percent of the total amount of Millennium Challenge Assistance provided to all eligible countries for fiscal year 2006. The Committee intends that Section 203(b)(1)(A) be interpreted to include those countries that have an income greater than the historical ceiling for IDA eligibility for that fiscal year.

Section 203(c) establishes additional eligibility for “selected low income countries” to receive assistance solely for the purpose of becoming eligible to receive assistance under section 203(a). Selected low income countries are those countries, for fiscal years 2004 through 2006, which are not ineligible to receive U.S. economic assistance (the basic eligibility criteria established in section 203(a)(1)(B); which have a per capita income which is equal to or less than the historical ceiling of the IDA, as defined by the World Bank (the income eligibility criteria established in section 203(a)(2)(A); and which “demonstrate a commitment to meeting the requirements” of clauses (i) through (iii) of section 203(a)(1)(C), but fail to meet the eligibility criteria necessary to receive assistance under section 202, as established under section 203(e). Section 203(c) requires that assistance for countries made eligible under that section 203(c) be provided through USAID. Section 203(c) allocates for this purpose not more than 15 percent of the amounts appropriated pursuant to the authorization of funds in Section 208(a) in each of the fiscal years 2004 through 2006.

Although the Committee agrees with the Administration that the Chief Executive Officer of the new Millennium Challenge Corporation needs a certain amount of flexibility in determining eligibility for “near miss” countries, the Committee believes that the Chief Executive Officer should ensure that a country which is being considered for eligibility under section 203(c), at a minimum, meet standards of performance in promoting democracy, human rights, and the rule of law in that country. A country should not be eligible under section 203(c) if the country does not meet these standards of performance.

For the Millennium Challenge Account to be successful as an incentive for future reform as well as a reward for past reform, it must offer opportunities for those low-income countries whose institutions do not yet meet all the eligibility criteria but who are demonstrating partial success in meeting the eligibility criteria. Section 203(c) was created for this purpose, and should have the flexibility to assist “near miss” countries that fail to qualify for the MCA by only a relatively small margin, or in criteria that involve subjective discretion such as the corruption index, or in criteria that are particularly resource-intensive, such as education.

There are a number of reasons why countries might fail the Administration’s proposed criteria and methodology, but, in the Committee’s view, should still receive MCA assistance. For example, a country may have emerged from a period of marked instability, such as a civil war, or a series of natural disasters, which have led to a complete disruption in the educational and health care systems of that country. While such a country may now meet a large number of the Administration’s proposed criteria, and may be demonstrating a commitment to investing in people by making progress from a very low base, it may fail to meet all criteria necessary for full assistance. Similarly, a country may not be eligible for full assistance because there is not sufficient data to demonstrate that it has met the proposed criteria. While the Administration may be able to fill in such data from its own sources and determine that a particular country is nevertheless eligible for full MCA assistance, in other cases the Administration may lack supplemental databases. In the Committee’s view, such a country should be able to receive some assistance, particularly in those areas which contributed to the country’s failure to demonstrate a commitment to the criteria of section 202, but also for carrying out the other purposes of division A of this act.

The Committee concurs with the Administration’s proposal that USAID should be responsible for assisting countries to qualify for the MCA. However, the Committee feels that the existing resources of USAID, particularly Development Assistance resources, are insufficient at current levels to accommodate this new objective without undermining existing programs funded out of these resources. It is for this purpose that the Committee authorizes up to 15 percent of MCA resources in any given year to be available for section 203(c)), to be transferred to USAID for that purpose.

Section 203(d) provides authority to the Chief Executive Officer to determine whether or not a country is eligible to receive assistance under section 202, and requires a notification to Congress on such determination within 7 days.

Section 203(e) requires that not later than 30 days after the date of enactment of this act and prior to making any determination of eligibility for a country under this section, the Chief Executive Officer shall prepare and transmit to the appropriate congressional committees a report that contains the eligibility criteria that the Chief Executive Officer proposes to use for purposes of determining eligibility under this section. This section further requires the Chief Executive Officer to prepare and transmit to the appropriate congressional committees a report that contains a description of any changes to the eligibility criteria prior to making a determination of eligibility for a country under this section.

Section 203(f) requires that assistance provided under section 202 for a country shall be provided on a nonrepayable basis to one or more of the following: the national government of the country; regional or local governmental units of the country; nongovernmental organizations, for-profit corporations or private and voluntary organizations; international organizations and trust funds; and regional and international financial institutions. Section 203(f) requires that the assistance furnished under section 202 shall be provided in accordance with a fair, open, and competitive selection process that results in the awarding of such assistance on a merit basis, using selection criteria that are made public by the Corporation in advance and are otherwise in accordance with standard and customary best practices for the provision of similar types of assistance, including such assistance made available through grants or contracts or other such fiduciary agreements with implementing partners as described in section 203(e)(2).

The Committee intends that section 203(f) not preclude the provision of small or micro-lending assistance through microfinance or microenterprise institutions. In section 203, the Committee intends that “nonrepayable assistance” refers to the terms in which it is furnished from the United States Government without repayment to the United States, not through the implementing partners as described in section 203(e)(2).

Furthermore, the Committee believes that credit unions are one of the unique features of the democracy and economy of the United States, and have provided a safe place to save and borrow at affordable rates for more than 80 million people in this country. Credit unions, in more than 90 countries in both rural and urban areas, help families build assets and are a necessary compliment to education, health care, and agriculture development programs. The Committee encourages the Millennium Challenge Corporation to incorporate the expertise of organizations, such as the World Council of Credit Unions, to build and strengthen democratically controlled credit unions and international remittance networks in recipient countries.

Also, the Committee believes that ownership by the poor of a plot of land, at least sufficient to erect basic shelter and have a garden producing food and income, is of fundamental importance for empowerment, livelihood, social stability, and the creation of wealth. Financing for acquisition of plots to be used for such purposes could be on either a repayable or nonrepayable basis.

In order to ensure a fair, competitive process that generates innovative, high-quality proposals with strong civil society participation, the Corporation must have the flexibility to consider and uti-

lize different approaches to delivering funds. The Committee supports section 203(f) and establishes that the Corporation will consider proposals for the administration of Millennium Challenge Account assistance from the nongovernmental entities listed in this subsection. Congress has long supported the role of U.S. private and voluntary organizations and cooperatives in increasing the participation of rural and urban poor people in their countries' development. Such organizations and cooperatives, embodying the American spirit of self-help and assistance to others to improve their lives and incomes, constitute an important means of mobilizing private financial and human resources to benefit poor people in developing countries.

The Committee believes that in order for Millennium Challenge assistance to reduce poverty by promoting economic growth, the assistance should target the low-income countries. The Committee supports the President's proposal to restrict eligibility in the first part of the program to those countries eligible to borrow from the World Bank's soft loan window, the International Development Association (IDA).

IDA-eligible countries are among the poorest in the world. The average annual gross domestic product among the IDA-eligible countries is \$460 per capita, versus \$1965 per capita in lower middle-income countries. This is reflected in the lack of adequate progress in the social sector—particularly in health and education. On average, adult illiteracy is 33 percent in IDA-eligible countries, versus 14 percent in the lower middle income countries; and the infant mortality rate is at 69 per 1000 live births in IDA-eligible countries, versus 27 per 1000 live births in lower middle income countries. The poor economic conditions in IDA eligible countries prevent them from being able to raise the necessary financing for economic development and poverty reduction through private capital, at commercial, non-concessional terms and from domestic sources. Lower-middle income countries have better access to other financial resources. Low-income countries receive less private capital (8.7 versus 10.3 percent of GDP); have much less capacity to raise tax revenue (12.6 versus 21.8 percent of GDP); and are able to save only half as much as lower-middle income countries (8.4 versus 16.2 percent of GDP).

Section 204. Millennium Challenge Compact. Section 204(a) provides that the President, acting through the Chief Executive Officer of the Corporation, may provide assistance to an eligible country under section 202 only if the country enters into a Millennium Challenge Contract with the United States that establishes a multi-year plan for achieving shared development objectives in furtherance of the purposes of this title.

Section 204(b) requires that the Contract shall take into account the national development strategy of the country and shall contain the specific objectives that the eligible country and the United States expect to achieve; the responsibilities of the eligible country and the United States in the achievement of such objectives; regular benchmarks to measure, where appropriate, progress toward achieving such objectives; a plan and timeframe that describes how those objectives will be met, and mechanisms to implement the plan and provide oversight, including identifying the role of civil society in the achievement of such objectives; where appropriate, a

description of the responsibility of other donors in the achievement of such objectives; and a plan to ensure appropriate fiscal accountability for the use of assistance provided under section 202. The Committee urges that, where there are quantified objectives, the Compact should call for oversight mechanisms including formal, random-sample surveys which measure the progress being achieved toward such objectives. This section further requires that for lower middle income countries, the Compact shall identify an appropriate contribution from the country, relative to its national budget, toward meeting the objectives of the Compact. The Committee intends that the contributions identified in the Compacts of lower middle income countries be in addition to government spending of the countries for the budget year immediately preceding establishment of the Compact. In general, however, a Compact shall ensure that the recipient country does not decrease its budgetary contributions to the areas which are receiving MCA assistance. Overall, MCA assistance in lower middle income countries should be used to leverage additional resources from the recipient country for the purpose of achieving the goals of the Compact. In no instance, should MCA assistance relieve the recipient lower middle income country from its fiscal responsibility to meet development objectives.

The Committee believes that for the MCA to achieve its stated goal of reducing poverty by significantly increasing the economic growth trajectory of beneficiary countries through investing in the productive potential of the people of such countries, the account must be designed to ensure that the benefits of development reach the poor. Women and girls, who constitute the vast majority of the poor, face unique barriers that prohibit their participation in the development process and prevent them from experiencing the benefits of economic growth. Excluding women from the process is particularly detrimental to development effectiveness as research shows consistently that women's participation magnifies the impact of development assistance by empowering women to follow through on decisions that benefit their families, communities, and countries.

To this end, the Committee expects the Chief Executive Officer of the Millennium Challenge Corporation to encourage actively eligible countries to design national development strategies that specifically focus on the energy, talents, and potential of women and that encourage all project proposals which are submitted pursuant to the Compact take into account the different roles played by and opportunities available to women and men. The identification of beneficiaries required in section 204(b)(4) provides the Chief Executive Officer with a tool for assessing the extent to which proposed projects integrate and impact women and men as well different income and age groups.

The Committee understands that the required identification of beneficiaries to be the final step in an iterative process through which the recipient country and the Millennium Challenge Corporation will assess how accessible the benefits of proposed projects are to different groups of people and improve proposed projects to ensure that they affect poverty reduction as effectively as possible. This analysis will include an organized approach to considering the relationships between men and women, their access to resources,

their activities, and the constraints they face relative to each other in the entire process of development planning, implementation, and evaluation. The Committee expects this process to yield projects that integrate the efforts and build on the potential of women and other people living in poverty. In order for the Millennium Challenge Corporation to do this effectively, the Committee expects the Chief Executive Officer's senior staff to include professionals with demonstrable experience in this type of analysis and strongly recommends that their analysis be formally included in all decisions relating to the selection of proposals, the establishment of evaluative benchmarks and mid-course adjustments to improve eligible countries' performance in achieving project objectives.

Section 204(c) provides a definition of "national development strategy" which, in addition to the general definition provided in the section, also includes a Poverty Reduction Strategy Paper or other such nationally owned poverty-reduction strategy that has been subject to wide public comment and is designed to achieve progress toward the Millennium Development Goals.

Section 204(d) requires that each Contract contain a provision that states that assistance provided by the United States under the Contract shall be exempt from taxation from any governmental entity of the recipient country.

Section 204(e) requires that in entering into a Contract, the United States and the eligible country shall take into account the local-level perspectives of the rural and urban poor in the eligible country, and should consult with private and voluntary organizations, the business community, and other donors, in the eligible country.

Section 204(f) requires that during any discussions with a country for the purpose of entering into a Contract with the country, officials of the Corporation participating in such discussions shall, at a minimum, consult with appropriate officials of the United States Agency for International Development, particularly with those officials responsible for the appropriate region or country on development issues related to the Contract.

Section 204(g) requires that, to the maximum extent feasible, activities undertaken to achieve the objectives of the Contract shall be undertaken in coordination with the assistance activities of other donors.

Section 204(h) requires that not later than 15 days prior to entering into a Contract with an eligible country, the President, acting through the Chief Executive Officer, shall consult in-person with the appropriate congressional committees with respect to the proposed Compact; shall provide notification of the proposed Compact to the appropriate congressional committees in accordance with section 634A of the Foreign Assistance Act of 1961; shall prepare and transmit to such committees a written report that contains a detailed summary of the proposed Compact and a copy of the full text of the Compact; and shall publish the detailed summary and full text of the proposed Compact in the Federal Register and on the Internet website of the Corporation. The Committee recognizes the President's foreign policy role in entering into agreements with other countries. However, as provided in subsection (a), should the President fail to follow the requirements of this subsection with respect to a particular Compact, the country for which the require-

ments of subsection (a) were not followed is ineligible to receive assistance under division A of this act.

Section 204(i) authorizes the Chief Executive Officer, notwithstanding the requirements of section 204(a), to enter into contracts or make grants for any eligible country for the purpose of facilitating the development of the Compact between the United States and the country.

Section 205. Suspension and Termination of Assistance. Section 205 requires the President to suspend Millennium Challenge Assistance in whole or in part for a country if the President determines that the country is engaged in activities which are contrary to the national security interests of the United States; or the elected head of state, head of government or any member of the highest judicial tribunal of the country has been removed from that office or forcibly detained through extra-constitutional processes. This section authorizes the President to reinstate assistance for a country only if the President determines that the country has demonstrated a commitment to correcting each condition for which assistance was suspended. This section also requires the President, acting through the Chief Executive Officer, to terminate all Millennium Challenge Assistance for a country if the President determines that the country has consistently failed to adhere to its responsibilities under the Compact; or has significantly failed to adhere to its responsibilities under the Compact or has significantly failed to meet the requirements of title II.

The Committee intends that assistance under division A of this act be suspended under section 205(a) to countries which fail to assist and cooperate with the United States, to the extent such assistance and cooperation is explicitly requested by the United States, in the war on terrorism. Failures to assist and cooperate may include failure to extradite or prosecute individuals in connection with acts of international terrorism, failure to arrest individuals believed to be responsible for furthering acts of international terrorism, failure to disrupt terrorist activity on the territory of the country, and failure to share or act on intelligence information regarding terrorist activity. Such lack of cooperation and assistance may also be evidenced by a failure to adhere to multilateral and bilateral agreements which deal with anti-terrorism issues, failure to adhere to relevant international law, and failure to take steps to address the use of a recipient country's banking and financial services system by terrorists to finance their operations. While current law already prohibits U.S. foreign assistance to countries which are designated as state sponsors of terrorism, the Committee believes that section 205(a) should be applied to suspend assistance to those countries which, while they do not provide state support to terrorists, nevertheless have demonstrated an unwillingness to cooperate with the United States in combating international terrorism, as determined by the Secretary of State.

The Committee also strongly encourages the President not to terminate assistance under this section until the President, acting through the Chief Executive Officer, has first attempted other remedial action other than termination, and has determined that despite these efforts, the recipient country meets the standard for termination in this section.

Section 206. Annual Report. Section 206 requires that not later than April 1, 2005, and not later than April 1 of each year thereafter, the Chief Executive Officer shall prepare and transmit to the appropriate congressional committees a report on the implementation of title II. This section requires the report to include a description of the agreed upon measures of progress contained in each Contract, and an analysis, on a country-by-country, project-by-project basis (with an analysis of each country receiving assistance under this subtitle being included in the report at least once every 2 years), of the impact on economic development in each country provided assistance under title II. This section requires that for each country, the analysis shall to the maximum extent possible be done on a sector-by-sector basis, gender basis, and per capita income basis, and identify trends within each of these bases; identify economic policy reforms conducive to economic development that are supported by assistance provided under this subtitle; describe, in quantified terms to the extent practicable, the progress made in achieving assistance objectives for the country; describe the amount and nature of economic assistance provided by other major donors in furtherance of the purposes of title II; and discuss the commitment and contribution of the country to achieving the assistance objectives contained in its Contract with the United States.

Section 207. Participation of Certain United States Businesses. Section 207 requires that to the extent practicable, the President, acting through the Chief Executive Officer, shall ensure that small, minority-owned, and disadvantaged businesses fully participate in the provision of goods and services that are financed with funds from the Millennium Challenge Corporation, and that the Chief Executive Officer prepare and submit an annual report that describes the extent to which this requirement has been met for the preceding year.

Section 208. Authorization of appropriations; related authorities. Section 207 authorizes to be appropriated to the President to carry out the division \$1,300,000,000 for fiscal year 2004, \$3,000,000,000 for fiscal year 2005, and \$5,000,000,000 for fiscal year 2006. This section authorizes that amounts appropriated pursuant to the authorization of appropriations under this section may be referred to as the “Millennium Challenge Account”; are authorized to remain available until expended; and are in addition to amounts otherwise available for such purposes.

Title III—Millennium Challenge Corporation

Section 301. Millennium Challenge Corporation. Section 301 establishes in the executive branch a corporation to be known as the Millennium Challenge Corporation that shall administer the programs authorized under title II, and that the Corporation shall be a Government corporation, as defined in section 103 of title 5, United States Code.

Section 302. Chief Executive Officer. Section 302 describes the duties and authorities of the Chief Executive Officer, who shall head the Corporation, and includes the authority to appoint officers, by which the Committee means senior management officers, as distinguished from other officers or employees of the Corporation. The Committee strongly encourages the Chief Executive Officer to cultivate a professional staff at the Corporation who are dedicated to,

and experienced in, advancing the purposes of division A of this act.

Section 303. Board of Directors. Section 303 establishes within the Corporation a Board of Directors, which is authorized to prescribe, amend, and repeal bylaws, rules, regulations, and procedures governing the manner in which the business of the Corporation may be conducted and in which the powers granted to it by law may be exercised. This section provides the terms of office of each member of the Board, and other provisions relating to the Board, including that the Secretary of State shall serve as the Chairperson of the Board. The Committee intends that each list submitted by a congressional leader for the appointment of a Board member be composed of a number of individuals.

This section also provides that vacancies that are created in the Board in the positions held by non-executive branch officials shall be filled in the "same manner" as the original appointment. The Committee intends that if an appointee from the list of, for example, the majority leader of the House of Representatives resigns, the majority leader would send another list of names to the President, from which he would make the necessary appointment, with the advice and consent of the Senate.

Section 304. Interagency Coordination. Section 304 requires the President to ensure the coordination of Millennium Challenge Assistance with foreign economic assistance programs and activities carried out by other Federal departments and agencies, consistent with section 101 of the National Security Act of 1947 (50 U.S.C. 402).

Section 305. Powers of the Corporation; Related Provisions. Section 305 enumerates the powers of the Corporation; establishes that the Corporation shall maintain its principal office in the metropolitan area of Washington, District of Columbia; and authorizes the Corporation to establish other offices in any place or places outside the United States in which the Corporation may carry out any or all of its operations and business. This section also instructs the Chief Executive Officer to consult with the Administrator of USAID in order to coordinate the activities of the Corporation with those of USAID for the purpose of avoiding unnecessary expense and duplication of functions, efforts, and activities of the two entities. The Committee intends that like other government corporations, the Millennium Challenge Corporation and all its assets and property should be exempt from taxation now or hereafter imposed by the United States, or any territory or possession thereof, or by any State, county, municipality, or local taxing authority.

In addition to encouraging the Chief Executive Officer and other officials in the Millennium Challenge Corporation to coordinate policies and activities under division A of this act with USAID and other United States government departments and agencies, the Committee directs the Chief Executive Officer, or Chief Executive Officer's designee, to coordinate the activities of the Corporation with relevant regional and international organizations, including the International Bank for Reconstruction and Development and the International Monetary Fund. The Committee also intends that the Corporation coordinate its activities with relevant agencies of the United Nations system, such as the United Nations Development Program, which has a key role in supporting the formulation

and implementation of national development strategies, such as the Poverty Reduction Strategy Papers, so as to achieve the Millennium Development Goals.

Section 306. Transparency and Accountability of the Corporation. Section 306 subjects the Corporation and its officers and employees to the provisions of section 552 of title 5, United States Code (relating to freedom of information).

Section 307. Detail of personnel to the Corporation; other authorities and limitations. Section 307 includes personnel and administrative authorities of the Corporation. This section authorizes the head of any Federal department or agency, upon the request of the Chief Executive Officer of the Corporation, to detail to the Corporation any employee of the respective department or agency on a fully or partially reimbursable basis, and such detail shall be without interruption or loss of civil service or Foreign Service status or privilege, or any other privilege, right, or seniority of the employee. This section authorizes the Corporation to allocate or transfer to the United States Agency for International Development or any other Federal department or agency any part of any funds available for carrying out the purposes of this title. Such allocation or transfer may be appropriate for established poverty- and hunger-reducing programs, such as the George McGovern-Robert Dole International Food for Education and Child Nutrition Program. Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this subtitle or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred. In addition, this section authorizes not more than 7 percent of such funds to be used for administrative expenses. This section also subjects the Corporation to the provisions of chapter 91 of subtitle VI of title 31, United States Code. This section establishes that the Inspector General of the United States Agency for International Development shall serve as Inspector General of the Corporation, and provides that the Comptroller General shall conduct audits, evaluations, and investigations of the Corporation.

The Committee believes that the Chief Executive Officer of the Millennium Challenge Corporation should ensure that environmental assessments are conducted of proposals for assistance under division A of this act and that these assessments are considered by the Millennium Challenge Corporation and the recipient country prior to the provision of assistance under section 203(f) of this act. The Chief Executive Officer also should ensure that, if necessary, appropriate environmental safeguards are adopted, including regular benchmarks to monitor and evaluate the impact of the assistance on the environment generally, and on those environment impacts that affect the health and well being of the global population as a whole.

Section 308. Millennium Challenge Advisory Council. Section 308 establishes within the Corporation an advisory board to provide policy guidance to the Corporation, including providing on an annual basis a review of the eligibility criteria established by the Corporation. The advisory board shall consist of not more than 7 members who shall be representative of nongovernmental entities with experience and interest in international trade and development, in-

cluding private voluntary organizations, foundations, unions, academia, business and business associations, public policy organizations, and other such organizations, who shall be appointed by the Chief Executive Officer.

Section 309. Millennium Challenge Seed Grants. Section 309 authorizes the Chief Executive Officer to provide assistance in support of nongovernmental organizations in low income and lower middle income countries which are undertaking research, education and advocacy efforts aimed at promoting democratic societies, human rights, the rule of law, improved educational opportunities and health conditions, and economic freedom. Such assistance may not exceed \$10,000,000 of the amounts appropriated pursuant to the authorization of appropriations in section 208. The Committee intends that research and efforts under this section include research aimed at improving the quality and the accuracy of the data related to the eligibility criteria and methodology described in section 203 with respect to low income countries (particularly as the criteria relates to women and children as well as to trade) and monitoring and evaluating the impact of assistance provided under this act. The Committee believes that grant proposals under this section made by nongovernmental organizations in such countries could include the participation of other eligible organizations outside such countries with expertise in the relevant area. The Committee encourages the Chief Executive Officer to consult with the International Program Center at the U.S. Census Bureau, which has been in operation for more than 50 years, conducting demographic, geographic, and socioeconomic studies, and strengthening statistical development through technical assistance, training, and software development.

Title IV—Provisions Relating to United States Economic Assistance

Section 401. Definition. Section 401 defines the term “United States economic assistance” as any bilateral economic assistance, from any budget functional category, that is provided by any department or agency of the United States to a foreign country intended to assist the development and economic advancement of friendly foreign countries and peoples, including assistance provided under title II (relating to the Millennium Challenge Account); to promote the freedom, aspirations, or sustenance of friendly peoples under oppressive rule by unfriendly governments; to promote international trade and foreign direct investment as a means of aiding economic growth; to save lives and alleviate suffering of foreign peoples during or following war, natural disaster, or complex crisis; to assist in recovery and rehabilitation of countries or peoples following disaster or war; to protect refugees and promote durable solutions to aid refugees; to promote sound environmental practices; to assist in development of democratic institutions and good governance by the people of foreign countries; to promote peace and reconciliation or prevention of conflict; to improve the technical capacities of governments to reduce production of and demand for illicit narcotics; and to otherwise promote through bilateral foreign economic assistance the national objectives of the United States.

Section 402. Framework for assistance. Section 402 contains a sense of Congress that a coherent framework for United States economic assistance should be established and that describes the various roles of agencies which furnish U.S. foreign economic assistance, including the United States Agency for International Development; the Millennium Challenge Corporation (as established under title III); the Department of State; and other Federal departments and agencies with expertise in international development-related activities, such as the Overseas Private Investment Corporation, the Trade Development Agency, the Department of Agriculture, the Department of Health and Human Services, and the Centers for Disease Control and Prevention, to the extent such departments and agencies have the authority to carry out development-related programs.

One danger of the MCA and other recent foreign assistance initiatives is the fragmentation of U.S. foreign assistance. In addition to USAID, a host of other U.S. agencies are engaged in the design and delivery of foreign assistance. Coordination among these agencies often is not as extensive or effective as it should be. The creation of another agency, whose sole responsibility is development, may exacerbate the incoherence in U.S. development activities.

The Committee encourages the President, after extensive consultations with appropriate congressional committees, to lay out clearly the missions of the relevant agencies, including possibly through a new executive order or Presidential directive. Correspondingly, the Committee strongly believes, as described in this section, that USAID has a wealth of experience, unmatched anywhere else in government, in delivering effective foreign aid for over 40 years. No other existing Federal agency has the number of field missions, the depth and breadth of relationships with key partners in development, or the personnel to implement development assistance successfully, nor aid the emergent Millennium Challenge Corporation to fulfill its mission.

Section 403. Report relating to impact and effectiveness of assistance. Section 403 requires the President to transmit to Congress on a triennial basis a report which analyzes, on a country-by-country basis, the impact and effectiveness of the United States economic assistance provided during the preceding 3 fiscal years. Specifically, the report shall include for each country receiving U.S. assistance an analysis of the impact of United States economic assistance during the preceding 3 fiscal years on economic development in that country, with a discussion of the United States interests that were served by the assistance. The analysis must be done on a sector-by-sector basis and must identify any economic policy reforms which were promoted by the assistance. The analysis shall include a description, quantified to the extent practicable, of the specific objectives the United States sought to achieve in providing economic assistance for that country, and specify the extent to which those objectives were not achieved, with an explanation of why they were not achieved. It must also include a description of the amount and nature of economic assistance provided by other donors during the preceding 3 fiscal years, set forth by development sector to the extent possible; and a discussion of the commitment of the host government to addressing the country's needs in each development sector, including a description of the resources

devoted by that government to each development sector during the preceding 3 fiscal years. The report must identify those countries in which United States economic assistance has been most successful, and those countries in which United States economic assistance has been least successful. For each country listed pursuant to paragraph (2), the report shall explain why the assistance was not more successful and shall specify what the United States has done as a result.

Division B—The Peace Corps Expansion Act of 2003

Title X—General Provisions

Section 1001. Definitions. Section 1001 includes several definitions of terms used in division B.

Section 1002. Findings. Section 1002 includes numerous findings on the Peace Corps.

The Committee strongly supports the work of the Peace Corps and its volunteers who serve in 71 countries around the world. The Committee recognizes the President's call to volunteer service for all Americans, his commitment to the Peace Corps, and his initiative to double the number of volunteers in the field to 14,000 by Fiscal Year 2007 as outlined in his 2002 State of the Union Address.

The Committee also recognizes American citizens are interested in humanitarian service, and the interest on the part of countries requesting a Peace Corps presence is strong. The Committee notes that at the end of 2002, requests for applications were up by 30 percent, new applications rose over 15 percent, and the Peace Corps website received over 1.8 million unique visitors. In the most recent months of this year, April and May, the Peace Corps website had 1.2 million unique visitors. Since January 2002, over 30 countries have requested Peace Corps programs, 22 country assessments have been conducted, and the Peace Corps has entered or reentered 14 countries.

The Committee recognizes the specific steps the Peace Corps has taken to increase the safety and security of volunteers and staff. The Committee notes that specifically, the agency has created an Office of Safety and Security, which is headed by an Associate Director and includes a Chief Compliance Officer, a volunteer overseas safety and security coordinator, a safety and security specialist, a data analyst, nine overseas subregional safety and security officers, three regional safety and security officers, plus each Peace Corps post has been authorized to hire a safety and security coordinator. In addition, the Committee notes that the agency has integrated safety and security into all aspects of volunteers recruitment, training, and support.

The Committee supports the Peace Corps' ongoing efforts in the area of HIV/AIDS prevention education and recognizes that Peace Corps volunteers are making an impact at the grassroots level. The Committee endorses the Peace Corps' plans to enhance the President's HIV/AIDS initiative by including 1,000 new volunteers in HIV/AIDS programs as part of its objective to reach 14,000 Volunteers by Fiscal Year 2007.

To achieve the objectives laid out by the Administration as well as the new provisions in H.R. 2441, the Committee fully supports the Peace Corps receiving its full budget request.

Title XI—Amendments to Peace Corps Act; Related Provisions

Section 1101. Advancing the Goals of the Peace Corps. Section 1101 amends the Peace Corps Act to state that as an independent agency, the Peace Corps shall be responsible for recruiting all of its volunteers. This section also amends the Peace Corps Act by clarifying that the detail of Peace Corps personnel to other Federal agencies should further the fulfillment of Peace Corps goals.

Section 1102. Reports and Consultations. Section 1102 amends the Peace Corps Act by requiring the Director to transmit to Congress, at least once in each fiscal year, a report on efforts undertaken to improve coordination of activities of the Peace Corps with activities of international voluntary service organizations, such as the United Nations volunteer program, and of host country voluntary service organizations, including a description of the purpose and scope of any development project undertaken by the Peace Corps during the preceding fiscal year as a joint venture with any such international or host country voluntary service organizations; and recommendations for improving coordination of development projects between the Peace Corps and any such international or host country voluntary service organizations. The report shall also describe any major new initiatives that the Peace Corps has under review for the upcoming fiscal year, and any major initiatives that were undertaken in the previous fiscal year that were not included in prior reports to the Congress. The report should include the rationale for undertaking such new initiatives; an estimate of the cost of such initiatives; and the impact on the safety of volunteers. The report shall describe in detail the plans by which the Peace Corps will deploy 14,000 volunteers in service by 2007 while maintaining the quality of the volunteer experience, ensuring the safety and security of all volunteers, and providing for appropriate administrative and other support. The report shall describe standard security procedures for any country in which the Peace Corps operates programs or is considering doing so, as well as any special security procedures contemplated because of changed circumstances in specific countries, and assessing whether security conditions would be enhanced by co-locating volunteers with international or local non-governmental organizations; or with the placement of multiple volunteers in one location. This section also requires the Director to consult with the appropriate congressional committees with respect to any major new initiatives not previously discussed in the latest annual report submitted to Congress or in budget presentations. This section requires a one-time report on student loan forgiveness programs currently available to Peace Corps volunteers upon completion of their service, comparing such programs with other Government-sponsored student loan forgiveness programs; and recommending any additional student loan forgiveness programs which could attract more applicants from low- and middle-income individuals who are carrying considerable student-loan debt burdens. This section requires that not later than 90 days after the date of enactment of the act and annually thereafter, the Director shall report on the progress of the Peace Corps in recruiting historically under-

represented groups. This section also requires that not later than 120 days after the date of enactment of the act, the Director shall prepare and submit to the appropriate congressional committees a report that describes the medical screening procedures and standards of the Office of Medical Services/ Screening Unit of the Peace Corps to determine whether an applicant for Peace Corps service has worldwide clearance, limited clearance, a deferral period, or is not medically, including psychologically, qualified to serve in the Peace Corps as a volunteer; describes the procedures and criteria for matching applicants for Peace Corps service with a host country to ensure that the applicant, reasonable accommodations notwithstanding, can complete at least 2 years of volunteer service without interruption to host country national projects due to foreseeable medical conditions.

Section 1103. Special Volunteer recruitment and placement for certain countries. Section 1103 requires that not later than 60 days after the date of enactment of this act, the Director shall submit to the appropriate congressional committees a report that describes the recruitment strategies to be employed by the Peace Corps to recruit and train volunteers with the appropriate language skills and interest in serving in host countries; and lists the countries that the Director has determined should be priorities for special recruitment and placement of Peace Corps volunteers. The Director is authorized and strongly urged to utilize the services of returned Peace Corps volunteers who have relevant language and cultural experience and may have served previously in countries with substantial Muslim populations, in order to open or reopen Peace Corps programs in such countries.

Section 1104. Global Infectious Diseases Initiative; coordination of HIV/AIDS activities. Section 1104 requires the Director of the Peace Corps, in cooperation with international public health experts, such as the Centers for Disease Control and Prevention, the National Institutes of Health, the World Health Organization, the Pan American Health Organization, and local public health officials, to expand the Peace Corps' program of training for Peace Corps volunteers in the areas of education, prevention, and treatment of infectious diseases which are prevalent in host countries in order to ensure that the Peace Corps increases its contribution to the global campaign against such diseases.

Section 1105. Peace Corps National Advisory Council. Section 1105 amends the relevant section of the Peace Corps Act relating to the structure and composition of the Peace Corps Advisory Council, notably by reducing the number of Council members from 15 to 11, by eliminating the requirement that such members be appointed by the President, by and with the advice and consent of the Senate, and instead requiring that the members be appointed by the Director of the Peace Corps. This section also specifies that six of the members shall be former Peace Corps volunteers, at least one of whom shall have been a former staff member abroad or in the Washington headquarters, and not more than six shall be members of the same political party.

Section 1106. Readjustment allowances. Section 1106 amends the Peace Corps Act to increase the monthly allowance from \$125 to \$275 in FY2004, and \$300 per month in FY2005 and beyond. Current Peace Corps policy provides a \$225 per month, but the original

act prior to the amendments of this division establishes a floor of \$125 per month.

Section 1107. Programs and projects of returned Peace Corps volunteers and former staff. Section 1107 establishes a program to provide support for returned Peace Corps volunteers to develop and carry out programs and projects to promote the objectives of the Peace Corps Act, as set forth in section 2(a) of that act. Subject to the availability of appropriations, this section authorizes the Director to award grants on a competitive basis to private nonprofit corporations for the purpose of enabling returned Peace Corps volunteers to use their knowledge and expertise to develop and carry out the programs such as educational programs designed to enrich the knowledge and interest of elementary school and secondary school students in the geography and cultures of other countries where the volunteers have served; projects that involve partnerships with local libraries to enhance community knowledge about other peoples and countries; and audio-visual projects that utilize materials collected by the volunteers during their service that would be of educational value to communities. This section authorizes the Director to delegate the authority to award grants and may transfer funds to the Chief Executive Officer of the Corporation for National and Community Service. This section also includes a Congressional Statement of Policy that the Crisis Corps has been an effective tool in harnessing the skills and talents of returned Peace Corps volunteers. This section requires the Director, in consultation with the governments of host countries and appropriate nongovernmental organizations, to increase the number of available Crisis Corps assignments for returned Peace Corps volunteers to at least 120 assignments in fiscal year 2004, 140 assignments in fiscal year 2005, 160 assignments in fiscal year 2006, and 165 assignments in fiscal year 2007.

Section 1108. Declaration of Policy. Section 1108 is a Congressional Declaration of Policy in support for the goal announced by the President of doubling the number of Peace Corps volunteers to 14,000 by 2007.

Section 1109. Peace Corps in Sierra Leone. Section 1109 includes findings that recount the history of the Peace Corps in Sierra Leone. This section also includes a Sense of Congress that the Peace Corps should return its program to Sierra Leone as soon as security conditions permit.

Section 1110. Authorization of Appropriations. Section 1109 amends Section 3(b)(1) of the Peace Corps Act (22 U.S.C. 2502(b)(1)) to extend and increase the authorization of appropriations to carry out the Peace Corps Act through fiscal year 2007, to the following levels for each fiscal year: \$366,868,000 for fiscal year 2004, \$411,800,000 for fiscal year 2005, \$455,930,000 for fiscal year 2006, and \$499,400,000 for fiscal year 2007”.

NEW ADVISORY COMMITTEES

H.R. 2441 establishes a new advisory committee (the Millennium Challenge Advisory Council), and amends the provisions within the Peace Corps Act regarding an existing advisory committee, the Peace Corps National Advisory Council.

CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 2441 does not apply to the legislative branch.

FEDERAL MANDATES

H.R. 2441 imposes no Federal mandates.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 5313 OF TITLE 5, UNITED STATES CODE

§ 5313. Positions at level II

Level II of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Deputy Secretary of Defense.

* * * * *

Chief Executive Officer, Millennium Challenge Corporation.

SECTION 9101 OF TITLE 31, UNITED STATES CODE

§ 9101. Definitions

In this chapter—

(1) * * *

* * * * *

(3) “wholly owned Government corporation” means—

(A) * * *

* * * * *

(Q) the Millennium Challenge Corporation.

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PEACE CORPS ACT

* * * * *

PEACE CORPS AS AN INDEPENDENT AGENCY

SEC. 2A. Effective on the date of the enactment of the International Security and Development Cooperation Act of 1981, the Peace Corps shall be an independent agency within the executive branch and shall not be an agency within the ACTION Agency, the successor to the ACTION Agency, or any other department or agen-

cy of the United States. *As an independent agency, the Peace Corps shall be responsible for recruiting all of its volunteers.*

AUTHORIZATION

SEC. 3. (a) * * *

(b)(1) There are authorized to be appropriated to carry out the purposes of this Act \$270,000,000 for fiscal year 2000, \$298,000,000 for fiscal year 2001, \$327,000,000 for fiscal year 2002, **and \$365,000,000 for fiscal year 2003** *\$365,000,000 for fiscal year 2003, \$366,868,000 for fiscal year 2004, \$411,800,000 for fiscal year 2005, \$455,930,000 for fiscal year 2006, and \$499,400,000 for fiscal year 2007.*

* * * * *

PEACE CORPS VOLUNTEERS

SEC. 5. (a) * * *

* * * * *

(c) Volunteers shall be entitled to receive a readjustment allowance at a rate not less than **[\$125 for each month of satisfactory service]** *\$275 for each month of satisfactory service during fiscal year 2004 and \$300 for each month of satisfactory service thereafter* as determined by the President. The readjustment allowance of each volunteer shall be payable on his return to the United States: *Provided, however,* That, under such circumstances as the President may determine, the accrued readjustment allowance, or any part thereof, may be paid to the volunteer, members of his family or others, during the period of his service, or prior to his return to the United States. In the event of the volunteer's death during the period of his service, the amount of any unpaid readjustment allowance shall be paid in accordance with the provisions of section 5582(b) of title 5, United States Code. For purposes of the Internal Revenue Code of 1954 (26 U.S.C.), a volunteer shall be deemed to be paid and to receive each amount of a readjustment allowance to which he is entitled after December 31, 1964, when such amount is transferred from funds made available under this Act to the fund from which such readjustment allowance is payable.

* * * * *

(g) The President may detail or assign volunteers or otherwise make them available to any entity referred to in paragraph (1) of section 10(a) on such terms and conditions as he may determine: **[Provided, That]** *Provided, That such detail or assignment furthers the fulfillment of Peace Corps' development and public diplomacy goals as described in section 2: Provided further, That* not to exceed two hundred volunteers may be assigned to carry out secretarial or clerical duties on the staffs of the Peace Corps representatives abroad: *Provided, however,* That any volunteer so detailed or assigned shall continue to be entitled to the allowances, benefits and privileges of volunteers authorized under or pursuant to this Act.

* * * * *

PEACE CORPS VOLUNTEER LEADERS

SEC. 6. The President may enroll in the Peace Corps qualified citizens or nationals of the United States whose services are required for supervisory or other special duties or responsibilities in connection with programs under this Act (referred to in this Act as “volunteer leaders”). The ratio of the total number of volunteer leaders to the total number of volunteers in service at any one time shall not exceed one to twenty-five. Except as otherwise provided in this Act, all of the provisions of this Act applicable to volunteers shall be applicable to volunteer leaders, and the term “volunteers” shall include “volunteer leaders”: *Provided, however, That—*

(1) volunteer leaders shall be entitled to receive a readjustment allowance at a rate not less than ~~[\$125 for each month of satisfactory service]~~ *\$275 for each month of satisfactory service during fiscal year 2004 and \$300 for each month of satisfactory service thereafter* as determined by the President;

* * * * *

[REPORTS

[SEC. 11. The President shall transmit to the Congress, at least once in each fiscal year, a report on operations under this Act. Each report shall contain information describing efforts undertaken to improve coordination of activities of the Peace Corps with activities of international voluntary service organizations, such as the United Nations volunteer program, and of host country voluntary service organizations, including—

[(1) a description of the purpose and scope of any development project which the Peace Corps undertook during the preceding fiscal year as a joint venture with any such international or host country voluntary service organizations; and

[(2) recommendations for improving coordination of development projects between the Peace Corps and any such international or host country voluntary service organizations.

The President shall also include in the report a description of any plans to carry out the policy set forth in section 2(b) of this Act.]

SEC. 11. ANNUAL REPORTS; CONSULTATIONS ON NEW INITIATIVES.

(a) *ANNUAL REPORTS.*—*The Director shall transmit to Congress, at least once in each fiscal year, a report on operations under this Act. Each report shall contain information—*

(1) describing efforts undertaken to improve coordination of activities of the Peace Corps with activities of international voluntary service organizations, such as the United Nations volunteer program, and of host country voluntary service organizations, including—

(A) a description of the purpose and scope of any development project which the Peace Corps undertook during the preceding fiscal year as a joint venture with any such international or host country voluntary service organizations; and

(B) recommendations for improving coordination of development projects between the Peace Corps and any such international or host country voluntary service organizations;

(2) describing—

(A) any major new initiatives that the Peace Corps has under review for the upcoming fiscal year, and any major initiatives that were undertaken in the previous fiscal year that were not included in prior reports to the Congress;

(B) the rationale for undertaking such new initiatives;

(C) an estimate of the cost of such initiatives; and

(D) the impact on the safety of volunteers;

(3) describing in detail the Peace Corps plans, including budgetary plans, to have 14,000 volunteers in service by 2007 while maintaining the quality of the volunteer experience, ensuring the safety and security of all volunteers, and providing for appropriate administrative and other support; and

(4) describing standard security procedures for any country in which the Peace Corps operates programs or is considering doing so, as well as any special security procedures contemplated because of changed circumstances in specific countries, and assessing whether security conditions would be enhanced—

(A) by co-locating volunteers with international or local nongovernmental organizations; or

(B) with the placement of multiple volunteers in one location.

(b) *CONSULTATIONS ON NEW INITIATIVES.*—The Director of the Peace Corps shall consult with the appropriate congressional committees with respect to any major new initiatives not previously discussed in the latest annual report submitted to Congress under subsection (a) or in budget presentations. Whenever possible, such consultations should take place prior to the initiation of such initiatives, or as soon as practicable thereafter.

PEACE CORPS NATIONAL ADVISORY COUNCIL

SEC. 12. (a) * * *

(b) *FUNCTIONS.*—(1) * * *

(2) Members of the Council shall (subject to subsection (d)(1)) conduct on-site inspections, and make examinations, of the activities of the Peace Corps in the United States and in other countries in order to—

(A) * * *

* * * * *

(C) make recommendations to the President, the Director of the Peace Corps, and, as the Council considers appropriate, the Congress, for the purpose of guiding the future direction of the Peace Corps and of helping to ensure that the purposes and programs of the Peace Corps are carried out in ways that are economical, efficient, responsive to changing needs in developing countries and to changing relationships among people, and in accordance with law; [and]

(D) make recommendations for utilizing the expertise of returned Peace Corps volunteers and former Peace Corps staff in fulfilling the goals of the Peace Corps; and

[(D)] (E) make such other evaluations, assessments, and recommendations as the Council considers appropriate.

* * * * *

(c) MEMBERSHIP.—(1) * * *

(2)(A) The Council shall consist of **【fifteen】** *eleven* voting members who shall be appointed by the **【President, by and with the advice and consent of the Senate. At least seven of such members shall be former Peace Corps volunteers, and not more than eight of such members shall be members of the same political party.】** *Director of the Peace Corps. Six of the members shall be former Peace Corps volunteers, at least one of whom shall have been a former staff member abroad or in the Washington headquarters, and not more than six shall be members of the same political party.*

【(B) The first appointments of members of the Council under this paragraph shall be made not more than sixty days after the date of the enactment of this section and, solely for purposes of determining the expiration of their terms, shall be deemed to take effect on the sixtieth day after such date of enactment.】

【(C)】 *(B)* No member appointed under this paragraph may be an officer or employee of the United States Government.

【(D) Of the members initially appointed under this paragraph, eight shall be appointed to 1-year terms and seven shall be appointed to 2-year terms. Thereafter, all appointed members shall be appointed to 2-year terms.】

(C) The members of the Council shall be appointed to 2-year terms.

【(E)】 *(D)* A member of the Council appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of that term.

【(F)】 *(E)* No member of the Council may serve for more than two consecutive 2-year terms.

【(G)】 *(F)* Members of the Council shall serve at the pleasure of the President.

【(H)】 *(G)* An appointed member of the Council may be removed by a vote of **【nine】** *seven* members for malfeasance in office, for persistent neglect of or inability to discharge duties, or for offenses involving moral turpitude, and for no other cause.

【(I)】 *(H)* Within thirty days after any vacancy occurs in the office of an appointed member of the Council, the **【President shall nominate】** *Director shall appoint* an individual to fill the vacancy.

* * * * *

【(g) CHAIR AND VICE CHAIR.—At its first meeting and at its first regular meeting in each calendar year thereafter, the Council shall elect a Chair and Vice Chair from among its appointed members who are citizens of the United States. The Chair and Vice Chair may not both be members of the same political party.】

(g) CHAIR.—The Director shall designate one of the voting members of the Council as Chair, who shall serve in that capacity for a term of two years. The Director may renew the term of a voting member appointed as Chair under the preceding sentence.

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