# H. R. 3818

## IN THE SENATE OF THE UNITED STATES

NOVEMBER 20, 2004 Received

# **AN ACT**

To amend the Foreign Assistance Act of 1961 to improve the results and accountability of microenterprise development assistance programs, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,

#### SECTION 1. SHORT TITLE.

- This Act may be cited as the "Microenterprise Re-3 sults and Accountability Act of 2004".
- 4 SEC. 2. FINDINGS AND POLICY.
- 5 Congress finds and declares the following:
- 6 (1) Congress has demonstrated its support for 7 microenterprise development assistance programs 8 through the enactment of two comprehensive micro-9 enterprise laws:
- 10 (A) The Microenterprise for Self-Reliance 11 Act of 2000 (title I of Public Law 106–309; 12 114 Stat. 1082).
  - (B) Public Law 108–31 (an Act entitled "An Act to amend the Microenterprise for Self-Reliance Act of 2000 and the Foreign Assistance Act of 1961 to increase assistance for the poorest people in developing countries under microenterprise assistance program under those Acts, and for other purposes", approved June 17, 2003).
    - (2) The report on the effectiveness of the United States Agency for International Development's microfinance program, prepared by the Consultative Group to Assist the Poor, rated the Agency in the top tier of the 17 donors in this field.

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- 1 (3) The Comptroller General, in a report dated 2 November 2003, found that the United States Agen-3 cy for International Development has met some, but 4 not all, of the key objectives of such microenterprise 5 development assistance programs.
  - (4) The Comptroller General's report found, among other things, the following:
    - (A) Microenterprise development assistance generally can help alleviate some impacts of poverty, improve income levels and quality of life for borrowers and provide poor individuals, workers, and their families with an important coping mechanism.
    - (B) Microenterprise development assistance programs of the United States Agency for International Development have encouraged women's participation in microfinance projects and, according to data of the Agency, women have comprised two-thirds or more of the microloan clients in Agency-funded microenterprise projects since 1997.
  - (5)(A) The Comptroller General's report recommends that the Administrator of the United States Agency for International Development review the Agency's "microenterprise results reporting"

1	system with the goal of ensuring that its annual re-
2	porting is complete and accurate.
3	(B) Specifically, the Administrator should re-
4	view and reconsider the methodologies used for the
5	collection, analysis, and reporting of data on annual
6	spending targets, outreach to the very poor, sustain-
7	ability of microfinance institutions, and the contribu-
8	tion of Agency's funding to the institutions it sup-
9	ports.
10	SEC. 3. MICROENTERPRISE DEVELOPMENT ASSISTANCE.
11	Chapter 2 of part I of the Foreign Assistance Act
12	of 1961 (22 U.S.C. 2166 et seq.) is amended by inserting
13	after title V the following new title:
14	"TITLE VI—MICROENTERPRISE DEVELOPMENT
15	ASSISTANCE
16	"SEC. 251. FINDINGS AND POLICY.
17	"Congress finds and declares the following:
18	"(1) Access to financial services and the devel-
19	opment of microenterprise are vital factors in the
20	stable growth of developing countries and in the de-
21	velopment of free, open, and equitable international
22	economic systems.

"(2) It is therefore in the best interest of the
United States to facilitate access to financial serv-

- ices and assist the development of microenterprise in
   developing countries.
  - "(3) Access to financial services and the development of microenterprises can be supported by programs providing credit, savings, training, technical assistance, business development services, and other financial services.
    - "(4) Given the relatively high percentage of populations living in rural areas of developing countries, and the combined high incidence of poverty in rural areas and growing income inequality between rural and urban markets, microenterprise programs should target both rural and urban poor.
    - "(5) Microenterprise programs have been successful and should continue to empower vulnerable women in the developing world. The Agency should work to ensure that recipients of microenterprise and microfinance development assistance under this title communicate and work with nongovernmental organizations and government organizations to identify and assist victims of trafficking as provided for in section 106(a)(1) of the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7104(a)(1); Public Law 106–386) and women who are victims of or

- susceptible to other forms of exploitation and violence.
- "(6) Given that microenterprise programs have 3 successful in empowering disenfranchised groups such as women, microenterprise programs 5 6 should also target populations disenfranchised due to 7 race or ethnicity in countries where a strong rela-8 tionship between poverty and race or ethnicity has 9 been demonstrated, such as countries in Latin 10 America.

#### 11 "SEC. 252. AUTHORIZATION; IMPLEMENTATION; TARGETED

- 12 ASSISTANCE.
- "(a) Authorization.—The President is authorized to provide assistance on a non-reimbursable basis for programs in developing countries to increase the availability of credit, savings, and other services to microfinance and microenterprise clients lacking full access to capital, training, technical assistance, and business development services, through—
- "(1) assistance for the purpose of expanding the availability of credit, savings, and other financial and non-financial services to microfinance and microenterprise clients;
- "(2) assistance for the purpose of training,
  technical assistance, and business development serv-

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- ices for microenterprises to enable them to make better use of credit, to better manage their enterprises, to conduct market analysis and product development for expanding domestic and international sales, particularly to United States markets, and to increase their income and build their assets;
  - "(3) capacity-building for microfinance and microenterprise institutions in order to enable them to better meet the credit, savings, and training needs of microfinance and microenterprise clients; and
  - "(4) policy, regulatory programs, and research at the country level that improve the environment for microfinance and microenterprise clients and institutions that serve the poor and very poor.

#### "(b) Implementation.—

"(1) Office of microenterprise development, which shall be headed by a Director who shall be appointed by the Administrator and who should possess technical expertise and ability to offer leadership in the field of microenterprise development.

## "(2) Additional provisions.—

24 "(A) USE OF IMPLEMENTING PARTNER
25 ORGANIZATIONS.—Assistance under this section

1	shall emphasize the use of implementing part-
2	ner organizations that best meet the require-
3	ments of subparagraph (C).
4	"(B) Use of central funding mecha-
5	NISMS.—
6	"(i) Program.—In order to ensure
7	that assistance under this title is distrib-
8	uted effectively and efficiently, the office
9	shall also seek to implement a program of
10	central funding under which assistance is
11	administered directly by the office, includ-
12	ing through targeted core support for
13	microfinance and microenterprise networks
14	and other practitioners.
15	"(ii) Funding.—Of the amount made
16	available to carry out this subtitle for a fis-
17	cal year, not less than \$25,000,000 should
18	be made available to carry out clause (i).
19	"(C) Efficiency and cost-effective-
20	NESS.—Assistance under this section shall meet
21	high standards of efficiency, cost-effectiveness,
22	and sustainability and shall especially provide
23	the greatest possible resources to the poor and
24	very poor. When administering assistance under
25	this section, the Administrator shall—

1	"(i) take into consideration the per-
2	centage of funds a provider of assistance
3	intends to expend on administrative costs;
4	"(ii) take all appropriate steps to en-
5	sure that the provider of assistance keeps
6	administrative costs as low as practicable
7	to ensure the maximum amount of funds
8	are used for directly assisting microfinance
9	and microenterprise clients, for estab-
10	lishing sustainable microfinance and micro-
11	enterprise institutions, or for advancing
12	the microenterprise development field; and
13	"(iii) give preference to proposals
14	from providers of assistance that are the
15	most technically competitive and have a
16	reasonable allocation to overhead and ad-
17	ministrative costs.
18	"(3) Approval of Strategic Plans.—With
19	respect to assistance provided under this section, the
20	office shall be responsible for concurring in the
21	microenterprise development components of strategic
22	plans of missions, bureaus, and other offices of the
23	Agency and providing technical support to field mis-

sions to help the missions prepare such components.

1	"(c) Targeted Assistance.—In carrying out sus-
2	tainable poverty-focused programs under subsection (a),
3	50 percent of all microenterprise resources shall be tar-
4	geted to clients who are very poor. Specifically, until Sep-
5	tember 30, 2006, such resources shall be used for—
6	"(1) support of programs under this section
7	through practitioner institutions that—
8	"(A) provide credit and other financial
9	services to clients who are very poor, with loans
10	in 1995 United States dollars of—
11	"(i) \$1,000 or less in the Europe and
12	Eurasia region;
13	"(ii) \$400 or less in the Latin Amer-
14	ica region; and
15	"(iii) \$300 or less in the rest of the
16	world; and
17	"(B) can cover their costs in a reasonable
18	time period; or
19	"(2) demand-driven business development pro-
20	grams that achieve reasonable cost recovery that are
21	provided to clients holding poverty loans (as defined
22	by the regional poverty loan limitations in paragraph
23	(1)(A)), whether they are provided by microfinance
24	institutions or by specialized business development
25	services providers.

# 1 "SEC. 253. MONITORING SYSTEM.

2	"(a) In General.—In order to maximize the sus-
3	tainable development impact of assistance authorized
4	under section 252(a), the Administrator of the Agency,
5	acting through the Director of the office, shall strengthen
6	its monitoring system to meet the requirements of sub-
7	section (b).
8	"(b) Requirements.—The requirements referred to
9	in subsection (a) are the following:
10	"(1) The monitoring system shall include per-
11	formance goals for the assistance and expresses such
12	goals in an objective and quantifiable form, to the
13	extent feasible.
14	"(2) The monitoring system shall include per-
15	formance indicators to be used in measuring or as-
16	sessing the achievement of the performance goals de-
17	scribed in paragraph (1) and the objectives of the
18	assistance authorized under section 252.
19	"(3) The monitoring system provides a basis for
20	recommendations for adjustments to the assistance
21	to enhance the sustainability and the impact of the
22	assistance, particularly the impact of such assistance
23	on the very poor, particularly poor women.
24	"(4) The monitoring system adopts the wide-
25	spread use of proven and effective poverty assess-

ment tools to successfully identify the very poor and

1	ensure that they receive adequate access to micro-
2	enterprise loans, savings, and assistance.
3	"SEC. 254. DEVELOPMENT AND CERTIFICATION OF POV-
4	ERTY MEASUREMENT METHODS; APPLICA-
5	TION OF METHODS.
6	"(a) Development and Certification.—
7	"(1) In general.—The Administrator of the
8	Agency, in consultation with microenterprise institu-
9	tions and other appropriate organizations, shall de-
10	velop no fewer than two low-cost methods for imple-
11	menting partner organizations to use to assess the
12	poverty levels of their current incoming or prospec-
13	tive clients. The Administrator shall develop poverty
14	indicators that correlate with the circumstances of
15	the very poor.
16	"(2) FIELD TESTING.—The Administrator shall
17	field-test the methods developed under paragraph
18	(1). As part of the testing, institutions and pro-
19	grams may use the methods on a voluntary basis to
20	demonstrate their ability to reach the very poor.
21	"(3) Certification.—Not later than April 1,
22	2005, the Administrator shall, from among the low-
23	cost poverty measurement methods developed under
24	paragraph (1), certify no fewer than two such meth-

ods as approved methods for measuring the poverty

- 1 levels of current, incoming, or prospective clients of
- 2 microenterprise institutions for purposes of assist-
- ance under section 252.
- 4 "(b) APPLICATION.—The Administrator shall require
- 5 that, with reasonable exceptions, all implementing partner
- 6 organizations applying for microenterprise assistance
- 7 under this title use one of the certified methods, beginning
- 8 not later than October 1, 2006, to determine and report
- 9 the poverty levels of current, incoming, or prospective cli-
- 10 ents.

#### 11 "SEC. 255. ADDITIONAL AUTHORITIES.

- 12 "Notwithstanding any other provision of law,
- 13 amounts made available for assistance for microenterprise
- 14 development assistance under any provision of law other
- 15 than this title may be provided to further the purposes
- 16 of this title. To the extent assistance described in the pre-
- 17 ceding sentence is provided in accordance with such sen-
- 18 tence, the Administrator of the Agency shall include, as
- 19 part of the report required under section 258, a detailed
- 20 description of such assistance and, to the extent applica-
- 21 ble, the information required by paragraphs (1) through
- 22 (11) of subsection (b) of such section with respect to such
- 23 assistance.".

# 1 SEC. 4. MICROENTERPRISE DEVELOPMENT CREDITS.

2	(a) Transfer.—Section 108 of the Foreign Assist-
3	ance Act of 1961 (22 U.S.C. 2151f) is hereby—
4	(1) transferred from chapter 1 of part I of the
5	Foreign Assistance Act of 1961 to title VI of chap-
6	ter 2 of part I of such Act (as added by section 3
7	of this Act); and
8	(2) inserted after section 255 of the Foreign
9	Assistance Act of 1961.
10	(b) Redesignation.—Title VI of chapter 2 of part
11	I of the Foreign Assistance Act of 1961 is amended by
12	redesignating section 108 (as added by subsection (a)) as
13	section 256.
14	(c) Conforming Amendments.—Title VI of chap-
15	ter 2 of part I of the Foreign Assistance Act of 1961 is
16	amended—
17	(1) by inserting after the title heading the fol-
18	lowing:
19	"Subtitle A—Grant Assistance";
20	(2) by inserting after section 255 the following:
21	"Subtitle B—Credit Assistance"; and
22	(3) in section 256 (as redesignated by sub-
23	section (b))—
24	(A) in the matter preceding paragraph (1)
25	of subsection (c), by striking "Administrator of
26	the agency primarily responsible for admin-

1	istering this part" and inserting "Administrator
2	of the Agency'; and
3	(B) in subsection $(f)(1)$ —
4	(i) by striking "section 131" and in-
5	serting "this part"; and
6	(ii) by striking "\$1,500,000 for each
7	of fiscal years 2001 through 2004" and in-
8	serting "such sums as may be necessary
9	for each of the fiscal years 2005 through
10	2009".
11	SEC. 5. UNITED STATES MICROFINANCE LOAN FACILITY.
12	(a) Transfer.—Section 132 of the Foreign Assist-
13	ance Act of 1961 (22 U.S.C. 2152b) is hereby—
14	(1) transferred from chapter 1 of part I of the
15	Foreign Assistance Act of 1961 to title VI of chap-
16	ter 2 of part I of such Act (as added by section 3
17	of this Act); and
18	(2) inserted after section 256 of the Foreign
19	Assistance Act of 1961 (as added by section 4 of
20	this Act).
21	(b) Redesignation.—Title VI of chapter 2 of part
22	I of the Foreign Assistance Act of 1961 is amended by
23	redesignating section 132 (as added by subsection (a)) as
24	section 257.

1	(c) Conforming Amendments.—Title VI of chap-
2	ter 2 of part I of the Foreign Assistance Act of 1961 is
3	amended—
4	(1) by inserting after section 256 the following:
5	"Subtitle C—United States Microfinance Loan Facility";
6	and
7	(2) in section 257 (as redesignated by sub-
8	section (b))—
9	(A) in subsection (b)(3), by striking "2001
10	and 2002" and inserting "2005 through 2009";
11	(B) in the matter preceding subparagraph
12	(A) of subsection (d)(1), by striking "this part
13	for the fiscal year 2001, up to $$5,000,000$ " and
14	inserting "this part for each of the fiscal years
15	2005 through 2009, such sums as may be nec-
16	essary''; and
17	(C) by striking subsection (e).
18	SEC. 6. MISCELLANEOUS PROVISIONS.
19	Title VI of chapter 2 of part I of the Foreign Assist-
20	ance Act of 1961 (as added by section 3 of this Act and
21	amended by sections 4 and 5 of this Act) is further
22	amended by adding at the end the following new subtitle:

1	"Subtitle D—Miscellaneous Provisions
2	"SEC. 258. REPORT.
3	"(a) In General.—Not later than June 30, 2006,
4	and each June 30 thereafter, the Administrator of the
5	Agency, acting through the Director of the office, shall
6	submit to the appropriate congressional committees a re-
7	port that contains a detailed description of the implemen-
8	tation of this title for the previous fiscal year.
9	"(b) Contents.—The report shall contain the fol-
10	lowing:
11	"(1) The number of grants, cooperative agree-
12	ments, contracts, contributions, or other form of as-
13	sistance provided under section 252, with a listing
14	of—
15	"(A) the amount of each grant, cooperative
16	agreement, contract, contribution, or other form
17	of assistance;
18	"(B) the name of each recipient and each
19	developing country with respect to which
20	projects or activities under the grant, coopera-
21	tive agreement, contract, contribution, or other
22	form of assistance were carried out; and
23	"(C) a listing of the number of countries
24	receiving assistance authorized by section 252.

- 1 "(2) The results of the monitoring system required under section 253.
- 3 "(3) The process of developing and applying 4 poverty assessment procedures required under sec-5 tion 254.
  - "(4) The percentage of assistance furnished under section 252 that was allocated to the very poor based on the data collected using the certified methods required by section 254.
  - "(5) The estimated number of the very poor reached with assistance provided under section 252.
  - "(6) The amount of assistance provided under section 252 through central mechanisms.
    - "(7) The name of each country that receives assistance under section 256 and the amount of such assistance.
    - "(8) Information on the efforts of the Agency to ensure that recipients of United States microenterprise and microfinance development assistance work closely with nongovernmental organizations and foreign governments to identify and assist victims or potential victims of severe forms of trafficking in persons and women who are victims of or susceptible to other forms of exploitation and violence.

- "(9) Any additional information relating to the provision of assistance authorized by this title, including the use of the poverty measurement tools required by section 254, or additional information on assistance provided by the United States to support microenterprise development under this title or any other provision of law.
  - "(10) An estimate of the percentage of beneficiaries of assistance under this title in countries where a strong relationship between poverty and race or ethnicity has been demonstrated.
  - "(11) The level of funding provided through contracts, the level of funding provided through grants, contracts, and cooperative agreements that is estimated to be subgranted or subcontracted, as the case may be, to direct service providers, and an analysis of the comparative cost-effectiveness and sustainability of projects carried out under these mechanisms.
- 20 "(c) AVAILABILITY TO PUBLIC.—The report required 21 by this section shall be made available to the public on 22 the Internet website of the Agency.
- 23 "SEC. 259. DEFINITIONS.
- 24 "In this title:

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1	"(1) Administrator.—The term 'Adminis-
2	trator' means the Administrator of the Agency.
3	"(2) AGENCY.—The term 'Agency' means the
4	United States Agency for International Develop-
5	ment.
6	"(3) Appropriate congressional commit-
7	TEES.—The term 'appropriate congressional com-
8	mittees' means the Committee on International Re-
9	lations of the House of Representatives and the
10	Committee on Foreign Relations of the Senate.
11	"(4) Business development services.—The
12	term 'business development services' means support
13	for the growth of microenterprises through training,
14	technical assistance, marketing assistance, improved
15	production technologies, and other related services.
16	"(5) Director.—The term 'Director' means
17	the Director of the office.
18	"(6) Implementing partner organiza-
19	TION.—The term 'implementing partner organiza-
20	tion' means an entity eligible to receive assistance
21	under this title which is—
22	"(A) a United States or an indigenous pri-
23	vate voluntary organization;
24	"(B) a United States or an indigenous
25	credit union;

1	"(C) a United States or an indigenous co-
2	operative organization;
3	"(D) an indigenous governmental or non-
4	governmental organization;
5	"(E) a microenterprise institution;
6	"(F) a microfinance institution; or
7	"(G) a practitioner institution.
8	"(7) MICROENTERPRISE INSTITUTION.—The
9	term 'microenterprise institution' means a not-for-
10	profit entity that provides services, including micro-
11	finance, training, or business development services,
12	for microenterprise clients in foreign countries.
13	"(8) MICROFINANCE INSTITUTION.—The term
14	'microfinance institution' means a not-for-profit enti-
15	ty or a regulated financial intermediary that directly
16	provides, or works to expand, the availability of
17	credit, savings, and other financial services to micro-
18	finance and microenterprise clients in foreign coun-
19	tries.
20	"(9) Microfinance Network.—The term
21	'microfinance network' means an affiliated group of
22	practitioner institutions that provides services to its
23	members, including financing, technical assistance,
24	and accreditation, for the purpose of promoting the

1	financial sustainability and societal impact of micro-
2	enterprise assistance.
3	"(10) Office.—The term 'office' means the of-
4	fice of microenterprise development established
5	under section 252(b)(1).
6	"(11) Practitioner institution.—The term
7	'practitioner institution' means a not-for-profit enti-
8	ty or a regulated financial intermediary, including a
9	microfinance network, that provides services, includ-
10	ing microfinance, training, or business development
11	services, for microfinance and microenterprise cli-
12	ents, or provides assistance to microenterprise insti-
13	tutions in foreign countries.
14	"(12) Private voluntary organization.—
15	The term 'private voluntary organization' means a
16	not-for-profit entity that—
17	"(A) engages in and supports activities of
18	an economic or social development or humani-
19	tarian nature for citizens in foreign countries;
20	and
21	"(B) is incorporated as such under the
22	laws of the United States, including any of its
23	states, territories or the District of Columbia,
24	or of a foreign country.

1	"(13) United states-supported micro-
2	FINANCE INSTITUTION.—The term 'United States-
3	supported microfinance institution' means a finan-
4	cial intermediary that has received funds made avail-
5	able under this part for fiscal year 1980 or any sub-
6	sequent fiscal year.
7	"(14) Very Poor.—The term 'very poor'
8	means those individuals—
9	"(A) living in the bottom 50 percent below
10	the poverty line established by the national gov-
11	ernment of the country in which those individ-
12	uals live; or
13	"(B) living on less than the equivalent of
14	\$1 per day (as calculated using the purchasing
15	power parity (PPP) exchange rate method).".
16	SEC. 7. SENSE OF CONGRESS.
17	It is the sense of Congress that, in carrying out title
18	VI of chapter 2 of part I of the Foreign Assistance Act
19	of 1961 (as added by section 3 of this Act and amended
20	by sections 4 through 6 of this Act), the Administrator
21	of the United States Agency for International Develop-
22	ment—
23	(1) where applicable, should ensure that micro-
24	enterprise development assistance provided under
25	such title is matched by recipients with an equal

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- amount of assistance from non-United States Government sources, including private donations, multilateral funding, commercial and concessional borrowing, savings, and program income;
  - (2) should include in the report required by section 258 of the Foreign Assistance Act of 1961 (as added by section 6 of this Act) a description of all matching assistance (as described in paragraph (1)) provided for the prior year by recipients of microenterprise development assistance under such title;
  - (3) should ensure that recipients of microenterprise development assistance under such title do not expend an unreasonably large percentage of such assistance on administrative costs;
  - (4) should not use recipients of microenterprise development assistance under such title to carry out critical management functions of the Agency, including functions such as strategy development or overall management of programs in a country; and
  - (5) should consult with the appropriate congressional committees with respect to the implementation of title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 not later than 90 days after the date of the enactment of this Act.

#### 1 SEC. 8. REPEALS.

- 2 (a) Foreign Assistance Act of 1961.—Section
- 3 131 of the Foreign Assistance Act of 1961 (22 U.S.C.
- 4 2152a) is hereby repealed.
- 5 (b) Public Law 108–31.—
- 6 (1) In General.—Section 4 of Public Law
- 7 108–31 (22 U.S.C. 2151f note) is amended by strik-
- 8 ing subsection (b).
- 9 (2) Conforming amendment.—Section 4 of
- 10 Public Law 108–31 is amended by striking "(a)"
- and all that follows through "Not later" and insert-
- ing "Not later".
- 13 SEC. 9. REFERENCES.
- 14 Any reference in a law, regulation, agreement, or
- 15 other document of the United States to section 108, 131,
- 16 or 132 of the Foreign Assistance Act of 1961 shall be
- 17 deemed to be a reference to subtitle B of title VI of chap-
- 18 ter 2 of part I of the Foreign Assistance Act of 1961,
- 19 subtitle A of title VI of chapter 2 of part I of such Act,

- 1 or subtitle C of title VI of chapter 2 of part I of such
- 2 Act, respectively.

Passed the House of Representatives November 20, 2004.

Attest:

JEFF TRANDAHL,

Clerk.