

MICROENTERPRISE RESULTS AND ACCOUNTABILITY ACT
OF 2004

APRIL 2, 2004.—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

together with

DISSENTING VIEWS

[To accompany H.R. 3818]

[Including cost estimate of the Congressional Budget Office]

The Committee on International Relations, to whom was referred the bill (H.R. 3818) to amend the Foreign Assistance Act of 1961 to improve the results and accountability of microenterprise development assistance programs, 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.

This Act may be cited as the “Microenterprise Results and Accountability Act of 2004”.

SEC. 2. FINDINGS AND POLICY.

Congress finds and declares the following:

(1) Congress has demonstrated its support for microenterprise development assistance programs through the enactment of two comprehensive microenterprise laws:

(A) The Microenterprise for Self-Reliance Act of 2000 (title I of Public Law 106–309; 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 United States Agency for International Development, the agency responsible for implementing microenterprise development assistance programs authorized under sections 108 and 131 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151f and 2152a), is not presently organized to adequately coordinate, implement, and monitor such programs, as evidenced by the late submission by the Agency of the report required by section 108 of the Microenterprise for Self-Reliance Act of 2000.

(3) The Comptroller General, in a report dated November 2003, found that the United States Agency for International Development has met some, but not all, of the key objectives of such microenterprise 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) Although studies and academic analyses funded by the United States Agency for International Development have found that microenterprise activities generally serve the poor clustered around the poverty line, few loans appear to be reaching the very poor.

(C) 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 micro-loan 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” system with the goal of ensuring that its annual reporting is complete and accurate.

(B) Specifically, the Administrator should review and reconsider the methodologies used for the collection, analysis, and reporting of data on annual spending targets, outreach to the very poor, sustainability of microfinance institutions, and the contribution of Agency’s funding to the institutions it supports.

SEC. 3. MICROENTERPRISE DEVELOPMENT ASSISTANCE.

Chapter 2 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2166 et seq.) is amended by inserting after title V the following new title:

“TITLE VI—MICROENTERPRISE DEVELOPMENT ASSISTANCE

“SEC. 251. FINDINGS AND POLICY.

“Congress finds and declares the following:

“(1) Access to financial services and the development of microenterprise are vital factors in the stable growth of developing countries and in the development of free, open, and equitable international economic systems.

“(2) It is therefore in the best interest of the United States to facilitate access to financial services 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. Such programs should take into account the risks faced by women who are potential victims of severe forms of trafficking and the need for assistance for women who become victims of severe forms 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).

“(6) Given that microenterprise programs have been successful in empowering disenfranchised groups such as women, microenterprise programs should also target populations disenfranchised due to race or ethnicity in countries where a strong relationship between poverty and race or ethnicity has been demonstrated, such as countries in Latin America.

“SEC. 252. AUTHORIZATION; IMPLEMENTATION; TARGETED ASSISTANCE.

“(a) **AUTHORIZATION.**—The President is authorized to provide assistance on a grant basis for programs in developing countries to increase the availability of credit, savings, and other services to microenterprises lacking full access to capital, training, technical assistance, and business development services, through—

“(1) grants to microfinance institutions for the purpose of expanding the availability of credit, savings, and other financial services to microentrepreneur clients;

“(2) grants to microenterprise institutions for the purpose of training, technical assistance, and business development services 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 microenterprise institutions in order to enable them to better meet the credit, savings, and training needs of microentrepreneur clients; and

“(4) policy and regulatory programs at the country level that improve the environment for microentrepreneur clients and microenterprise institutions that serve the poor and very poor.

“(b) **IMPLEMENTATION.**—

“(1) **OFFICE OF MICROENTERPRISE DEVELOPMENT.**—

“(A) **ESTABLISHMENT.**—There is established within the Agency an 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.

“(B) **DUTIES.**—The Office shall coordinate and be responsible for the provision of assistance under this title.

“(2) **ASSISTANCE THROUGH GRANTS TO ELIGIBLE ORGANIZATIONS.**—Assistance under subsection (a) shall be provided through grants executed, approved, or reviewed by the Office to eligible implementing partner organizations that have a capacity to develop and implement microenterprise programs.

“(3) **REVIEW AND APPROVAL.**—With respect to assistance under subsection (a) that is furnished through field missions of the Agency, the Office shall be responsible for—

“(A) reviewing or approving each grant agreement prior to obligation of funds under the agreement in order to ensure that activities to be carried out using such funds are efficacious, technically sound, and suitable for the economic and security climate of the country or region where the activities will be conducted; and

“(B) approving microenterprise development components of strategic plans of missions, bureaus, and offices of the Agency.

“(c) TARGETED ASSISTANCE.—In carrying out sustainable poverty-focused programs under subsection (a), 50 percent of all microenterprise resources shall be targeted to very poor clients, defined as those individuals living in the bottom 50 percent below the poverty line as established by the national government of the country. Specifically, such resources shall be used for—

“(1) support of programs under this section through practitioner institutions that—

“(A) provide credit and other financial services to clients who are very poor, with loans in 1995 United States dollars of—

“(i) \$1,000 or less in the Europe and Eurasia region;

“(ii) \$400 or less in the Latin America region; and

“(iii) \$300 or less in the rest of the world; and

“(B) can cover their costs in a reasonable time period; or

“(2) demand-driven business development programs that achieve reasonable cost recovery that are provided to clients holding poverty loans (as defined by the regional poverty loan limitations in paragraph (1)(A)), whether they are provided by microfinance institutions or by specialized business development services providers.

“(d) SUPPORT FOR CENTRAL MECHANISMS.—The Administrator should increase the use of central mechanisms through microenterprise, microfinance, and practitioner institutions in the implementation of this title.

“SEC. 253. MONITORING SYSTEM.

“(a) ESTABLISHMENT.—In order to maximize the sustainable development impact of assistance authorized under section 252(a), the Administrator of the Agency, acting through the Director of the Office, shall establish a monitoring system that meets the requirements of subsection (b).

“(b) REQUIREMENTS.—The requirements referred to in subsection (a) are the following:

“(1) The monitoring system establishes performance goals for the assistance and expresses such goals in an objective and quantifiable form, to the extent feasible.

“(2) The monitoring system establishes performance indicators to be used in measuring or assessing the achievement of the performance goals described in paragraph (1) and the objectives of the assistance authorized under section 252.

“(3) The monitoring system provides a basis for recommendations for adjustments to the assistance to enhance the sustainability and the impact of the assistance, particularly the impact of such assistance on the very poor, particularly poor women.

“(4) The monitoring system adopts the widespread use of proven and effective poverty assessment tools to successfully identify the very poor and ensure that they receive adequate access to microenterprise loans, savings, and assistance.

“SEC. 254. DEVELOPMENT AND CERTIFICATION OF POVERTY MEASUREMENT METHODS; APPLICATION OF METHODS.

“(a) DEVELOPMENT AND CERTIFICATION.—

“(1) IN GENERAL.—The Administrator of the Agency, in consultation with microenterprise institutions and other appropriate organizations, shall develop no fewer than two low-cost methods for eligible implementing partner organizations to use to assess the poverty levels of their current or prospective clients. The Administrator shall develop poverty indicators that correlate with the circumstances of the very poor.

“(2) FIELD TESTING.—The Administrator shall field-test the methods developed under paragraph (1). As part of the testing, institutions and programs may use the methods on a voluntary basis to demonstrate their ability to reach the very poor.

“(3) CERTIFICATION.—Not later than October 1, 2004, the Administrator shall, from among the low-cost poverty measurement methods developed under paragraph (1), certify no fewer than two such methods as approved methods for measuring the poverty levels of current or prospective clients of microenterprise institutions for purposes of assistance under section 252.

“(b) APPLICATION.—The Administrator shall require that, with reasonable exceptions, all eligible implementing partner organizations applying for microenterprise assistance under this title use one of the certified methods, beginning not later than October 1, 2005, to determine and report the poverty levels of current or prospective clients.

“SEC. 255. AUTHORIZATION OF APPROPRIATIONS; ADDITIONAL AUTHORITIES.

“(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the President to carry out this subtitle \$200,000,000 for fiscal year 2005 and such sums as may be necessary for fiscal year 2006.

“(b) ADDITIONAL AUTHORITIES.—(1) Amounts appropriated pursuant to the authorization of appropriations under subsection (a)—

“(A) may be referred to as the ‘Microenterprise Development Assistance Account’;

“(B) shall be allocated to the Office, and upon approval by the Director of the Office, may be reallocated to field missions of the Agency in furtherance of the purposes of this title;

“(C) are authorized to remain available until expended; and

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

“(2) Notwithstanding any other provision of law, amounts made available for assistance for microenterprise development assistance under any provision of law other than this title may be provided to further the purposes of this title. To the extent assistance described in the preceding sentence is provided in accordance with such sentence, the Administrator of the Agency shall include, as part of the report required under section 258, a detailed description of such assistance and, to the extent applicable, the information required by paragraphs (1) through (10) of subsection (b) of such section with respect to such assistance.”.

SEC. 4. MICROENTERPRISE DEVELOPMENT CREDITS.

(a) TRANSFER.—Section 108 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151f) is hereby—

(1) transferred from chapter 1 of part I of the Foreign Assistance Act of 1961 to title VI of chapter 2 of part I of such Act (as added by section 3 of this Act); and

(2) inserted after section 255 of the Foreign Assistance Act of 1961.

(b) REDESIGNATION.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended by redesignating section 108 (as added by subsection (a)) as section 256.

(c) CONFORMING AMENDMENTS.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended—

(1) by inserting after the title heading the following:

“Subtitle A—Grant Assistance”;

(2) by inserting after section 255 the following:

“Subtitle B—Credit Assistance”; and

(3) in section 256 (as redesignated by subsection (b))—

(A) in the matter preceding paragraph (1) of subsection (c), by striking “Administrator of the agency primarily responsible for administering this part” and inserting “Administrator of the Agency”; and

(B) in subsection (f)(1)—

(i) by striking “section 131” and inserting “this part”; and

(ii) by striking “2001 through 2004” and inserting “2005 and 2006”.

SEC. 5. UNITED STATES MICROFINANCE LOAN FACILITY.

(a) TRANSFER.—Section 132 of the Foreign Assistance Act of 1961 (22 U.S.C. 2152b) is hereby—

(1) transferred from chapter 1 of part I of the Foreign Assistance Act of 1961 to title VI of chapter 2 of part I of such Act (as added by section 3 of this Act); and

(2) inserted after section 256 of the Foreign Assistance Act of 1961 (as added by section 4 of this Act).

(b) REDESIGNATION.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended by redesignating section 132 (as added by subsection (a)) as section 257.

(c) CONFORMING AMENDMENTS.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended—

(1) by inserting after section 256 the following:

“Subtitle C—United States Microfinance Loan Facility”; and

(2) in section 257 (as redesignated by subsection (b))—

(A) in subsection (b)(3), by striking “2001 and 2002” and inserting “2005 and 2006”;

(B) in the matter preceding subparagraph (A) of subsection (d)(1), by striking “the fiscal year 2001” and inserting “each of the fiscal years 2005 and 2006”; and
 (C) by striking subsection (e).

SEC. 6. MISCELLANEOUS PROVISIONS.

Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 (as added by section 3 of this Act and amended by sections 4 and 5 of this Act) is further amended by adding at the end the following new subtitle:

“Subtitle D—Miscellaneous Provisions

“SEC. 258. REPORT.

“(a) IN GENERAL.—Not later than December 31, 2005, and each December 31 thereafter, the Administrator of the Agency shall submit to the appropriate congressional committees a report that contains a detailed description of the implementation of this title for the previous fiscal year.

“(b) CONTENTS.—The report shall contain the following:

“(1) The number of grants provided under section 252, with a listing of—

“(A) the amount of each grant;

“(B) the name of each implementing partner organization; and

“(C) a listing of the number of countries receiving assistance authorized by sections 252.

“(2) The results of the monitoring system required under section 253.

“(3) The process of developing and applying poverty assessment procedures required under section 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 absolute number of the very poor reached with assistance furnished 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) An estimate of the percentage of beneficiaries of assistance under this title who are women, including, to the extent practicable, the percentage of these women who have been victims of sex trafficking, as well as information on efforts to provide assistance under this title to women who have been victims of severe forms of trafficking or who were previously involved in prostitution.

“(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.

“(c) LIMITATION.—The content of the report required by this section shall be produced by the Office established under section 252(b)(1), and shall be made available for free electronic distribution through such Office.

“SEC. 259. DEFINITIONS.

“ In this title:

“(1) ADMINISTRATOR.—The term ‘Administrator’ means the Administrator of the Agency.

“(2) AGENCY.—The term ‘Agency’ means the United States Agency for International Development.

“(3) 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.

“(4) BUSINESS DEVELOPMENT SERVICES.—The term ‘business development services’ means support for the growth of microenterprises through training, technical assistance, marketing assistance, improved production technologies, and other related services.

“(5) DIRECTOR.—The term ‘Director’ means the Director of the Office.

“(6) ELIGIBLE IMPLEMENTING PARTNER ORGANIZATION.—The term ‘eligible implementing partner organization’ means an entity eligible to receive assistance under this title which is—

- “(A) a United States or an indigenous private voluntary organization;
- “(B) a United States or an indigenous credit union;
- “(C) a United States or an indigenous cooperative organization;
- “(D) an indigenous governmental or nongovernmental organization;
- “(E) a microenterprise institution;
- “(F) a microfinance institution; or
- “(G) a practitioner institution.

“(7) MICROENTERPRISE INSTITUTION.—The term ‘microenterprise institution’ means a not-for-profit entity that provides services, including microfinance, training, or business development services, for microenterprise clients in foreign countries.

“(8) MICROFINANCE INSTITUTION.—The term ‘microfinance institution’ means a not-for-profit entity or a regulated financial intermediary that directly provides, or works to expand, the availability of credit, savings, and other financial services to microenterprise clients in foreign countries.

“(9) MICROFINANCE NETWORK.—The term ‘microfinance network’ means an affiliated group of practitioner institutions that provides services to its members, including financing, technical assistance, and accreditation, for the purpose of promoting the financial sustainability and societal impact of microenterprise assistance.

“(10) OFFICE.—The term ‘Office’ means the Office of Microenterprise Development established under section 252(b)(1).

“(11) PRACTITIONER INSTITUTION.—The term ‘practitioner institution’ means a not-for-profit entity or a regulated financial intermediary, including a microfinance network, that provides services, including microfinance, training, or business development services, for microenterprise clients, or provides assistance to microenterprise institutions in foreign countries.

“(12) PRIVATE VOLUNTARY ORGANIZATION.—The term ‘private voluntary organization’ means a not-for-profit entity that—

“(A) engages in and supports activities of an economic or social development or humanitarian nature for citizens in foreign countries; and

“(B) is incorporated as such under the laws of the United States, including any of its states, territories or the District of Columbia, or of a foreign country.

“(13) UNITED STATES-SUPPORTED MICROFINANCE INSTITUTION.—The term ‘United States-supported microfinance institution’ means a financial intermediary that has received funds made available under this part for fiscal year 1980 or any subsequent fiscal year.

“(14) VERY POOR.—The term ‘very poor’ means those individuals—

“(A) living in the bottom 50 percent below the poverty line established by the national government of the country in which those individuals live; or

“(B) living on less than the equivalent of \$1 per day.”.

SEC. 7. REPEALS.

(a) FOREIGN ASSISTANCE ACT OF 1961.—Section 131 of the Foreign Assistance Act of 1961 (22 U.S.C. 2152a) is hereby repealed.

(b) PUBLIC LAW 108–31.—

(1) IN GENERAL.—Section 4 of Public Law 108–31 (22 U.S.C. 2151f note) is amended by striking subsection (b).

(2) CONFORMING AMENDMENT.—Section 4 of Public Law 108–31 is amended by striking “(a)” and all that follows through “Not later” and inserting “Not later”.

SEC. 8. REFERENCES.

Any reference in a law, regulation, agreement, or other document of the United States to section 108, 131, or 132 of the Foreign Assistance Act of 1961 shall be deemed to be a reference to subtitle B of title VI of chapter 2 of part I of the Foreign Assistance Act of 1961, subtitle A of title VI of chapter 2 of part I of such Act, or subtitle C of title VI of chapter 2 of part I of such Act, respectively.

PURPOSE AND SUMMARY

The purpose of “The Microenterprise Results and Accountability Act of 2004” (H.R. 3818) is to authorize microenterprise development assistance for foreign countries for the fiscal years 2005 and 2006, and to establish important reforms to promote accountability

and effectiveness of such programs, as administered by the U.S. Agency for International Development (USAID).

H.R. 3818 will consolidate a variety of existing microenterprise authorities of the Foreign Assistance Act of 1961 (including sections 108, 131, and 132) into a single new title VI in chapter 2 of Part I of such act.

The legislation will also place responsibility for carrying out the new title with a re-established “Office of Microenterprise Development Assistance” within USAID. Currently, microenterprise programs are designed and managed primarily by the various field missions of the Agency, guided by a small work unit that receives data from the field and provides technical assistance when requested, but that has minimal oversight with respect to the efficacy or appropriateness of such programs.

The reforms of H.R. 3818 were prompted by a recent report of the General Accounting Office, dated November 2003, and by Committee oversight on the Agency’s implementation of microenterprise development programs.

BACKGROUND AND NEED FOR THE LEGISLATION

Congress has demonstrated its support for microenterprise development assistance programs through the enactment of two important laws during the 107th Congress and the 108th Congress: The Microenterprise for Self-Reliance Act of 2000 (title I of Public Law 106–309; 114 Stat. 1082) and 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). The latter bill authorizes microenterprise assistance through fiscal year 2004.

Microenterprise development assistance is one of the great success stories of the United States foreign aid program. USAID, the agency responsible for implementing microenterprise development assistance programs authorized under sections 108 and 131 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151f and 2152a), recognized many years ago the potential of this development approach as a way of boosting incomes for the poor. USAID has been a leader in building an industry which today reaches millions of poor microentrepreneurs, many of whom have worked their way out of poverty as a direct result of USAID’s support.

Microenterprise is a development tool that consistently receives broad bipartisan support from Congress. Members have enthusiastically embraced such programs because of a consistent track record of results.

Microenterprise programs are popular in part because they provide loans for poor entrepreneurs in the developing world to help them start-up and expand their own small businesses. Microenterprise programs also build financial institutions to assist microentrepreneurs over the course of their lives, in business and society.

Microenterprise has been seen as an effective means of empowering the poor and expanding their economic earnings potential, as well as the business and social networks that provide security in

the face of crisis. It is based on a “hand-up,” rather than a “hand-out” philosophy.

Microenterprise allows poor people to protect, diversify and increase their income sources, and thus access a path out of poverty and hunger. It is an obvious fact that the large numbers of poor living on less than a dollar a day must increase their household income in order to alter the tide of global poverty and achieve the Millennium Development Goals. What is less obvious is that unlike the developed world, most of employment in the developing world is generated through self-employment.

The Consultative Group to Assist the Poorest (CGAP) draws on data from around the developing world that demonstrate how millions of microenterprise clients are able 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.

Not only do microenterprise clients provide for themselves and their families, they often employ several employees and make a significant contribution to developing trade in their local economies. The most common form of business in microenterprise is local trading. 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 international markets.

The success of microenterprise development programs has led to an understanding of the importance of an even broader range of financial services for poor and very poor people. Such well-established programs as microbusiness loans and training have now been successfully augmented to incorporate a range of financial services and products including education, housing, consumption, and emergency loans; microinsurance; remittances; and, most significantly, savings. In fact, the poor have long valued and made excellent use of savings products, and recent advances in the microfinance field have made safe, accessible savings services more widely available, thus enabling the poor to manage crises and save for important events.

For all of these reasons, the Committee enthusiastically supports microenterprise and microfinance development programs. The Committee is concerned, however, with the manner in which these programs are currently implemented and managed by USAID.

Despite the program’s successes, a recent report by the Comptroller General highlighted problems with the implementation of existing programs. Having reviewed the report and discussed it at great length with GAO officials who conducted the study, the Committee believes that USAID is not presently organized to adequately coordinate, implement, and monitor such programs.

The Committee believes that improvements in the management of microenterprise programs are essential to help fight poverty and secure economic opportunity, self-sufficiency, and growth in the developing world.

H.R. 3818 is intended to address Committee concerns about the current management and implementation of such programs.

Currently, there is no official account for microenterprise within USAID, no centralized accountability for microenterprise funds, and the Agency has contracted out an inappropriately large portion

of the program to consulting firms and other for-profit contractors. USAID's own recent assessment showed that during fiscal year 2002, out of \$165 million provided directly to microenterprise organizations, nearly \$30 million went to consultants. [No consolidated data for fiscal year 2003 was available from USAID at the time this report was filed.]

Numerous worthwhile established organizations that have the capacity and expertise to deliver services directly to poor clients are locked out of the process when the Agency uses "task orders" against "indefinite quantity contracts" with for-profit enterprises.

The Committee believes that there is a role for for-profit contractors and consultants, but that the Agency should demonstrate the cost-effectiveness and sustainability of such approaches, and that the Agency should maintain prime and direct responsibility for distributing grants. Awarding contracts for the distribution of grants results in an unnecessarily high level of overhead expenses and a partial disengagement by the Agency from the operation of such programs.

The Comptroller General, in a report dated November 2003, found that USAID has met some, but not all, of the key objectives of such microenterprise development assistance programs. The report found that microenterprise programs are indeed helping poor people expand their businesses, but found that a lack of coordination and reporting in the USAID is hampering results.

The Comptroller General's report found, among other things, the following:

- 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.
- Although studies and academic analyses funded by the United States Agency for International Development have found that microenterprise activities generally serve the poor clustered around the poverty line, few loans appear to be reaching the very poor.
- 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 micro-loan clients in Agency-funded microenterprise projects since 1997.

The Comptroller General's report recommends that the Administrator of USAID review the Agency's 'microenterprise results reporting' system with the goal of ensuring that its annual reporting is complete and accurate.

Specifically, the report recommends that the Administrator should review and reconsider the methodologies used for the collection, analysis, and reporting of data on annual spending targets, outreach to the very poor, sustainability of microfinance institutions, and the contribution of Agency's funding to the institutions it supports.

Given the relatively high percentage of populations living in rural areas of developing countries, and the combined high inci-

dence of poverty in rural areas and growing income inequality between rural and urban markets, the Committee believes microenterprise programs should target both rural and urban poor.

The Committee also believes that microenterprise programs have been successful and should continue to empower vulnerable women in the developing world. The Committee encourages USAID to report on the specific ways that women's needs have been considered in the design and implementation of programs. In order to get a complete understanding of the impact of microenterprise programs on women, reports on client outreach, client impact, and program performance should be disaggregated by gender.

Microenterprise programs should take into account the risks faced by women who are potential victims of severe forms of trafficking and the need for assistance for women who become victims of severe forms 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).

When people first learn of microenterprise, it is the sustainable approach to self-help at the grassroots that they often first note. Yet, not only do microenterprise institutions help to transform the economic viability of families, they can also deliver these social benefits on an ongoing, permanent basis and on a large scale.

Since standard repayment rates are over 93%, many microenterprise institutions leverage start-up capital from donors with other capital borrowed from commercial sources. Microenterprise thus offers the potential for a self-propelling cycle of sustainability and growth.

In a handful of developing countries around the world, the microfinance sector has grown to become the dominant part of the financial sector in terms of market penetration, while the commercial banking sector serves a niche market for the upper tier of the economy.

In Uganda, Kyrgyzstan and Bolivia, microfinance institutions are reaching two to five times as many clients as the commercial banking sector. The demand among the poor for microfinance services in these countries is vast, and the governments of such countries have restructured national banking laws to accommodate the growth of microfinance institutions.

Such countries have realized that microfinance institutions are a key building block in fostering a broad-based architecture in the financial sector so that large numbers of the working poor and middle class have access to financial services.

It is extremely important to note the large-scale impact that microfinance is having on certain national financial sectors. Economic pluralism sows the seeds for greater democracy in a society. Broad access to financial services must be better understood as an essential precursor to broad-based economic development and for greater democracy.

The Committee notes that the field of microenterprise and microfinance, in addition to successfully providing assistance to those poor clients who seek to build a microenterprise, has also expanded to provide assistance to poor people in need of financial services such as credit, savings, and insurance.

The Committee recognizes the importance of providing microfinance assistance to these additional clients in need of financial

and other services but who are currently underserved by the commercial banking systems in their country.

Access to financial services and the development of microenterprises can also be supported by programs providing training, the development of social capital, technical assistance, and business development services. H.R. 3818 stresses the importance of all of these approaches.

The World Bank estimates that less than 1 percent of the 4 billion people living on less than \$3 a day have access to financial services. The Committee recognizes that USAID has been at the forefront of international donors in this area through its microfinance program, and 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.

Historically, USAID's strategic partners for building best-practice microfinance institutions have been the global non-profit microfinance networks such as Accion, FINCA, Freedom from Hunger, Grameen Foundation, Opportunity International, and the World Council of Credit Unions, as well as cooperative and private voluntary organizations such as ACDI, Catholic Relief Services, Save the Children and World Vision.

Global microfinance networks and other non-profit private voluntary organizations have the operational experience and track record in microenterprise and microfinance service delivery to poor people. The Committee recognizes that for-profit entities such as consulting firms have supplemented the work of the networks and the non-profits by making excellent contributions in the areas of technical assistance, research and policy reform. However, the Committee believes that for-profit consulting firms do not have a comparative advantage in delivering microfinance services directly to poor people.

With the support of USAID, eight of the leading microfinance networks report having developed over 250 microfinance institutions reaching over 2.5 million clients. In Uganda and Bolivia for example, the best-practice institutions were all developed through networks: Centenary Rural Development Bank, FINCA Uganda, PRIDE Uganda, Uganda Microfinance Union, Uganda Women Finance Trust, FOCCAS, Faulu Bancosol, FIE, Prodem, Promujer, Caja los Andes, and Crecer. On the other hand, consulting firms have been responsible for a much smaller number of microfinance institutions. Moreover, they do not report their data systematically in the MicroBanking Bulletin, a publication designed to promote public disclosure in the results of microfinance institutions.

The Committee is concerned that programs administered directly by contractors or consulting firms fail to get sufficient resources to clients. For example, in a program in El Salvador in which there were two USAID field staff members fully trained and experienced in microenterprise, USAID awarded a contract to a large for-profit enterprise to implement the entire microenterprise program, which included distributing grants to nongovernmental organizations and cooperatives. This approach of contracting out the countrywide management of a microenterprise program is increasingly being used by USAID in lieu of direct program management. Such approaches seem neither cost-effective nor efficient.

Microfinance networks and other non-profit implementing partners leverage resources from international donors such as the United States with other donations, debt financing and equity investments. Moreover, microfinance networks and non-profit implement programs at cost. For-profit entities such as consulting firms add a profit to the execution of the project and do not typically bring additional funding to the table. While for-profit entities have historically played a constructive role in the provision of specialized technical assistance in support of microenterprise development, such entities often do not alone have the core competency, organizational track record, or structure to mobilize all the inputs to build sustainable microenterprise institutions that can provide services to large numbers of poor people.

The Committee recognizes that USAID's microenterprise program has flourished in the past by playing to the comparative strengths of both non-profit and for-profit entities. Accion, FINCA, Opportunity International, Freedom from Hunger, World Vision, World Relief, Catholic Relief Services and CARE have built and now support more than 250 microfinance institutions in 75 countries, including some of the poorest and most unstable countries in the world. In 2002, such networks loaned approximately \$1.1 billion to approximately 2.5 million clients. Such networks estimate that they loaned more than \$3 billion over the last 5 years.

Networks are well positioned to reach the very poorest economically active entrepreneurs in the countries where they work. Further, such networks have built self-sustaining microfinance institutions that now cover, on average, almost all of their operating costs. More than \$150 million in earned revenue was captured by these institutions in 2002 to cover their operating costs, in addition to private donations that have added significant leverage to USAID's investments. These networks have excelled in rapidly developing microfinance institutions in volatile and risky situations, including during the early stages of a country's transition from war to peace.

Networks and other non-profit partners are committed for the long haul to making local financial institutions self-sustaining, even after USAID assistance ceases. Contractors and consulting firms, on the other hand, stop their program once the contract ends. Networks and nonprofits accumulate the internal knowledge and operational experience that allows them to improve their performance over time. Contractors generally rely on procuring consultants to perform the work for them.

In the last 2 years, the Committee notes that USAID has begun shifting its focus away from non-profit organizations and networks to contractors in the implementation of the Agency's microenterprise program. This is happening both at the mission level and the global level, through the increasing use of centrally-awarded indefinite quantity contracts.

The Committee notes that in lieu of supporting the networks on a global level, USAID has issued a large Indefinite Quantity Contract (IQC) with a ceiling of over \$100 million known as the Accelerated Microenterprise Advancement Project (AMAP). This mechanism is a 4-year contracting facility that USAID/Washington and USAID field missions use to acquire technical services to design, implement or evaluate microenterprise development activities. This

mechanism is largely made up of contractors who subcontract out the responsibility of providing direct services to clients to the non-profits and cooperatives. The responsibility of the contractors under this mechanism, for the most part, is to provide technical assistance, administration support functions and research.

At the country level, USAID has issued similar large contracts in countries such as El Salvador, Ecuador, Haiti, Zimbabwe, Uganda and Georgia, often averaging in the tens of millions of dollars. Some of the funds from these large contracts often result in financing expensive "project management units" and other intermediary costs, leaving much less for microenterprise and microfinance service providers operating on the ground.

The Committee believes that an additional concern with relying mainly on contractors and consulting firms to implement microenterprise and microfinance assistance is the sustainability of programs after U.S. assistance ceases. A contractor's interest and involvement in a project ends when the contract ends. A program implemented by a non-profit entity may continue through funding from other donors or through their own resources. Contracts for the delivery of microenterprise assistance may also cost the U.S. taxpayer more in a variety of ways. For example, the prenegotiated salary scales for contractors through the Agency's IQCs may be much higher than their actual rates, and may also be inappropriately and dramatically higher than non-profit salary scales.

The Committee believes that the use of grants and cooperative agreements may be more appropriate for the development of microfinance institutions. The vast majority of best-practice institutions supported by USAID have been developed through cooperative agreements, not contracts. Cooperative agreements also require a 25% matching contribution from non-USG sources which has led many non-profit entities as cited above to match many times that amount. Finally, non-profits by definition do not take a profit on grants or cooperative agreement, but implement the program at cost.

In sum, the Committee believes that contracts may not be the most appropriate mechanism for the delivery of microenterprise and microfinance assistance. The Committee suggests that the Agency consider the increased use of grants and cooperative agreements for the bulk of microenterprise and microfinance programming, which has proven to be a successful vehicle in the past.

The Committee believes that USAID and the General Accounting Office should study and evaluate existing delivery mechanisms, and, after appropriate analysis, recommend the most appropriate mechanisms for the most cost-effective, efficient and accountable delivery of such services in support of microentrepreneurs and other poor clients. The Committee intends to request that USAID and the General Accounting Office initiate a study on these issues.

More generally, the Committee is concerned by recent decisions taken at USAID suggesting a weakening of commitment to microenterprise development. USAID recently lessened the status of the work unit responsible for microenterprise development within the Agency, and USAID has either eliminated or cut back centralized assistance to support networks, credit unions, cooperatives and private voluntary organizations. Such partners have served as the primary vehicles for the direct provision of financial services to the

poor in accordance with the provisions of the Microenterprise for Self-Reliance Act. Such partners are poised to reach hundreds of thousands of additional clients.

The Committee supports the allocation of a portion of program funds through central mechanisms that finance the technical assistance and loan capital requirements of global networks so that they may rapidly scale-up their programs and meet industry performance standards. These networks shall be subject to external evaluations and should disclose performance results to the public in a transparent manner.

The Committee supports the development of regional bureau strategies with practitioners for expanding the microfinance sector in each respective region and implement training so that USAID field staff responsible for microfinance programs are well-trained in microfinance best practices.

The Legislation

The “Microenterprise Results and Accountability Act of 2004 contains key provisions that will improve existing microenterprise programs by increasing the Administration’s oversight of and responsibility for dispersing microenterprise funds and by creating better accountability through the establishment of an office and a separate microenterprise account.

H.R. 3818 answers the recommendations of the General Accounting Office and of the microenterprise practitioner community by establishing responsibility for administration of microenterprise development assistance within a new Office of Microenterprise Development, within the U.S. Agency for International Development.

The headquarters staff of USAID within the Bureau for Economic Growth, Agriculture and Trade are currently responsible for the development of best practices and for contracting a number of core programs, but are not currently accountable for the overall provision of microenterprise development assistance. Instead, USAID has implemented a system of decentralization, whereby microenterprise programs administered by the Agency are accountable only at the field mission level.

Decentralization of USAID functions may have had benefits, among them that strategies are developed by field missions of the Agency who are able to coordinate with the U.S. Embassy and host nation officials.

However, the Committee believes that the management of microenterprise programs in the field is only as good as the experience and training of mission field staff. Unfortunately, in many cases the Agency has elected to “subcontract” the management of microenterprise programs, even in cases where it has trained mission personnel.

H.R. 3818 will address this fundamental concern by requiring the Office established by this act be responsible for reviewing or approving all microenterprise activities. Under H.R. 3818, programs would continue to be implemented and monitored by the field missions of the agency, but overall accountability for such programs would be with the central Office of Microenterprise Development.

H.R. 3818 will also ensure that more money goes directly to impoverished clients instead of expensive consultants.

The legislation emphasizes the importance of microenterprise and microfinance by establishing a separate title called “Microenterprise Development Assistance” in the Foreign Assistance Act of 1961, and will emphasize the importance of using microenterprise programs to help improve the lives of the actual victims and potential victims of severe forms of trafficking.

The Committee intends that the term “microenterprise clients” means individuals, including, but not restricted to, microentrepreneurs, who receive any of a broad range of financial services, business development services and complementary non-financial services delivered by microfinance and microenterprise institutions which are designed to increase clients’ income, build their assets, and improve their quality of life.

The Committee intends that the legislation promote and support the delivery of both microfinance and microenterprise programs in order to facilitate poverty alleviation, improved socioeconomic impact, and increases in social capital. Microfinance refers to a range of financial and non-financial services such as credit, savings, insurance, remittances, and complementary training for individuals, including, but not restricted to, microentrepreneurs. Microenterprise development refers to a range of services including finance, business development services, and non-financial services such as training, explicitly for microentrepreneurs.

The purpose of providing for technical reviews and a central funding mechanism is to ensure that established best practices are followed and efficiently disseminated, thereby ensuring improved performance and the broadest and deepest possible outreach. At the same time, it is the intent of this legislation that USAID provide incentives for continued innovation, within the context of best practices, particularly in outreach to the very poor, increasing overall household assets, including social as well as financial capital, and providing broadened financial and non-financial services that facilitate poverty alleviation and improved impact of poverty alleviation efforts.

In requiring that eligible implementing partner organizations use certified poverty measurement methods to assess the poverty level of their current or prospective clients by October 2005, the intent of the Committee is for implementing partners to use these methods to assess the poverty level of incoming clients, or, in the case of new programs, the poverty level of prospective clients and would not require programs to certify the poverty level of existing clients. It is the Committee’s hope, however, that over time these or related poverty assessment methods will be useful in determining the impact of programs on client movement out of poverty.

The November 2003 report of the Comptroller General stated that “. . . many practitioners, including USAID, now generally consider loan size an inadequate indicator of clients level of poverty.”

This finding was a major impetus for passage in 2003 of H.R. 192 that provided a framework for USAID to certify and put into use at least two new and more effective poverty measurement methods to better measure and ensure that 50 percent of USAID microenterprise development resources are benefiting very poor clients.

The Committee intended in H.R. 192, and in this legislation, that the definition of “very poor” be “those individuals living on less

than the equivalent of one dollar per day” where “one dollar per day” is adjusted for local purchasing power parity.

The Committee retained language on loan size as a way to define the “very poor” for USAID to use until the new measurements of assessing the poverty levels of the clients (linked more directly to one of the two conceptual definitions in H.R. 192—either the bottom fifty percent below the national poverty line, or those living on less than the equivalent of one dollar per day) have been certified and adopted by USAID, effective October 1, 2005.

Since women comprise approximately 70 percent of the world’s poor, it is expected that women’s needs shall be explicitly considered through these innovations, as well as expansions of existing services, in both the design and implementation of financial products and other non-financial services. The Committee therefore encourages USAID to report on the specific ways women’s needs and assets have been considered in the design and implementation of programs.

The Committee believes that economic empowerment, especially for women, is a vital aspect of any strategy to combat the spread of HIV/AIDS, and particularly empowers women to protect themselves from transmission of HIV. Microfinance institutions can play a critical role in providing not only financial products and services to respond to the grave financial impact of the pandemic at the client household level, but also disseminating prevention and awareness information to clients in HIV/AIDS affected communities.

Accountability and effectiveness of U.S. foreign aid programs should be paramount considerations by Congress and the Executive Branch. The structure for reform envisioned by H.R. 3818 is accountable and responsible, and is based on that of other successful programs, including the Food for Peace program and the Development Credit program.

Ensuring better results—not authorizing additional money—is the focus of this legislation. H.R. 3818 reauthorizes funding for microenterprise programs for FY 2005 at a level consistent with the FY2004 authorization of \$200 million. The legislation authorizes such sums as necessary for FY2006.

HEARINGS

The Committee did not hold any hearings on microenterprise assistance during the second session of the 108th Congress prior to the consideration of H.R. 3818

COMMITTEE CONSIDERATION

H.R. 3818 was introduced by Vice Chairman Smith on February 24, 2004, and was referred to the Committee on International Relations. The Committee considered H.R. 3818 at a meeting on February 25, 2004.

SUMMARY OF AMENDMENTS

The Committee adopted three amendments en bloc, offered by Rep. Meeks. The first amendment, inserted in section 251 of the new Microenterprise Development Assistance title established by the bill, a new finding which cites the success of microenterprise programs in empowering disenfranchised groups such as women,

and suggests that such programs should also target populations disenfranchised due to race or ethnicity in countries where a strong relationship between poverty and race or ethnicity has been demonstrated, such as countries in Latin America.

The second amendment amended section 252(a)(2) of the new title to authorize provision of assistance to conduct market analysis and product development for the expansion of domestic and international sales, particularly to United States markets.

The third amendment inserted an additional reporting element in section 258(b) of the new title that requires an estimate of the percentage of beneficiaries of assistance under the new title in countries where a strong relationship between poverty and race or ethnicity has been demonstrated.

The amendments en bloc were agreed to by voice vote.

The Committee ordered H.R. 3818 reported favorably to the House, as amended, by a voice vote.

VOTE OF THE COMMITTEE

The measure passed by voice vote. There were no recorded votes.

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

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 4, 2004.

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. 3818, the Microenterprise Results and Accountability Act of 2004.

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. 3818—Microenterprise Results and Accountability Act of 2004.

SUMMARY

H.R. 3818 would create within the U.S. Agency for International Development (USAID) a new Office of Microenterprise Development. The bill would authorize the appropriation of \$200 million for fiscal year 2005 and such sums as may be necessary for 2006 for grants and credits to microenterprise development programs, or programs that would provide access to financial services to poor persons in developing countries. A new Office of Microenterprise Development would be responsible for coordinating all microenterprise activities funded by USAID. CBO estimates that implementing H.R. 3818 would cost \$354 million over the 2005-2009 period, assuming the appropriation of the authorized amounts. H.R. 3818 would not affect direct spending or receipts.

H.R. 3818 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3818 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

By Fiscal Year, in Millions of Dollars

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|------|------|------|------|------|------|
| SPENDING SUBJECT TO APPROPRIATION | | | | | | |
| Spending Under Current Law for Microenterprise Grants and Loans | | | | | | |
| Estimated Budget Authority ¹ | 200 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 160 | 152 | 79 | 40 | 19 | 11 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 200 | 203 | 0 | 0 | 0 |
| Estimated Outlays | 0 | 26 | 103 | 122 | 69 | 34 |
| Spending Under H.R. 3818 for Microenterprise Grants and Loans | | | | | | |
| Estimated Authorization Level ¹ | 200 | 200 | 203 | 0 | 0 | 0 |
| Estimated Outlays | 160 | 178 | 182 | 162 | 88 | 45 |

¹The 2004 level is the amount authorized for that year. Because USAID has not published its operating budget for 2004, CBO has used the amount authorized for 2004 for the purpose of this estimate.

BASIS OF ESTIMATE

H.R. 3818 would authorize the appropriation of \$200 million in 2005 and such sums as may be necessary in 2006 for activities designed to promote microenterprises. The estimate assumes that the bill will be enacted late in 2004, that the authorized amounts will be provided in annual appropriation acts, and that outlays will follow historical spending patterns. It also assumes funding in 2006 at the level authorized for 2005 adjusted for inflation. (If appropriations in 2006 were not adjusted for inflation, CBO estimates that spending over the 2006-2009 period would be \$3 million lower than the amounts shown above.)

The bill would encourage the use of centralized decisionmaking within USAID for microenterprise programs. It would establish a

new office within USAID that would be required to review or approve each grant agreement before funds are obligated by field missions or implementing partner organizations. Based on information from USAID, CBO expects that the new office would require a director and up to an additional six full-time positions. CBO estimates the new requirements would increase administrative expenses by about \$1 million a year. The estimate assumes the necessary funds are included in the authorized amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3818 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PERFORMANCE GOALS AND OBJECTIVES

The goals and objectives of this legislation are to improve the results and accountability of the microenterprise development programs administered under the authority of the Foreign Assistance Act of 1961.

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. Section 1 contains a short title, the “Microenterprise Results and Accountability Act of 2004.”

Section 2. Findings and Policy. Section 2 contains five findings or statements of policy, including findings on past Congressional support for microenterprise development assistance programs through the enactment of Public Laws 106–309 and 108–31; a finding that states the U.S. Agency for International Development is not presently organized to adequately coordinate, implement and monitor microenterprise development assistance programs; and statements summarizing salient points from the Comptroller General’s report on microenterprise development assistance, dated November 2003.

Section 3. Microenterprise Development Assistance. Section 3 amends chapter 2 of part I of the Foreign Assistance Act of 1961 by inserting a new title, designated as title VI, entitled “Microenterprise Development Assistance.”

Subtitle A of the new title includes five sections:

Section 251 includes five findings or declarations of policy concerning the importance of microenterprise development assistance in promoting stable economic growth in developing countries and in promoting the developing of free, open, and equitable international economic systems.

Section 252(a) authorizes microenterprise development assistance on a grant basis for programs in developing countries to increase the availability of credit, savings and other services to microenter-

prises lacking full access to capital, training, technical assistance, and business development services, through (1) grants to microfinance institutions for the purpose of expanding the availability of credit, savings, and other financial services to microenterprise clients; (2) grants to microenterprise institutions for the purpose of training, technical assistance, and business development services for microenterprises to enable them to make better use of credit, to better manage their enterprises, and to increase their income and build their assets; (3) capacity-building for microenterprise institutions in order to enable them to better meet the credit, savings, and training needs of microenterprise clients; and (4) policy and regulatory programs at the country level that improve the environment for microenterprise clients and microenterprise institutions that serve the poor and very poor.

Section 252(b)(1)(A) establishes within the Agency an 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.

Section 252(b)(1)(B) requires the Office to coordinate and be responsible for the provision of assistance under title VI.

Section 252(b)(2) requires that assistance under section 252(a) be provided through grants executed, approved, or reviewed by the Office to eligible implementing partner organizations that have a capacity to develop and implement microenterprise programs. “Eligible implementing partner organizations” is a defined term in section 259, which is included in the new title VI.

Section 252(b)(3) establishes that the Office, with respect to assistance under section 252(a) that is furnished through field missions of the Agency, shall be responsible for reviewing or approving each grant agreement prior to obligation of funds under the agreement in order to ensure that activities to be carried out using such funds are efficacious, technically sound, and suitable for the economic and security climate of the country or region where the activities will be conducted; and approving microenterprise development components of strategic plans of missions, bureaus, and offices of the Agency. In this context, reviewing grant agreements could refer to review of requests for proposals or other forms of the grant prior to negotiation or finalization of the grant agreement.

Section 252(c) concerns “targeted assistance,” and includes language that already appears in existing law (section 131 of the FAA).

Section 252(d) includes language similar to existing law which states that the Administrator should increase the use of central mechanisms through microenterprise, microfinance, and practitioner institutions in the implementation of title VI.

Section 253 requires that the Administrator, acting through the Director of the Office, establish a monitoring system that (1) establishes performance goals for the assistance and expresses such goals in an objective and quantifiable form, to the extent feasible; (2) establishes performance indicators to be used in measuring or assessing the achievement of the performance goals described above and the objectives of the assistance authorized under section 252; (3) provides a basis for recommendations for adjustments to the assistance to enhance the sustainability and the impact of the

assistance, particularly the impact of such assistance on the very poor, particularly poor women; and adopts the widespread use of proven and effective poverty assessment tools to successfully identify the very poor and ensure that they receive adequate access to microenterprise loans, savings, and assistance.

Section 254(a) repeats language from existing law (section 131) and requires the Administrator, in consultation with microenterprise institutions and other appropriate organizations, to develop no fewer than two low-cost methods for eligible implementing partner organizations to use to assess the poverty levels of their current or prospective clients. This section requires the Administrator to develop poverty indicators that correlate with the circumstances of the very poor. This section requires the Administrator to field-test the required methods; and, not later than October 1, 2004, the Administrator to, certify from among such the low-cost poverty measurement methods no fewer than two such methods as approved methods for measuring the poverty levels of current or prospective clients of microenterprise institutions for purposes of assistance under section 252.

Section 254(b) restates existing law by requiring that, with reasonable exceptions, all eligible implementing partner organizations applying for microenterprise assistance under title VI shall use one of the certified methods, beginning not later than October 1, 2005, to determine and report the poverty levels of current or prospective clients.

Section 255(a) authorizes there to be appropriated to the President to carry out subtitle A \$200,000,000 for fiscal year 2005 and such sums as may be necessary for fiscal year 2006.

Section 255(b)(1) provides that amounts appropriated pursuant to the authorization of appropriations under subsection 255(a) may be referred to as the 'Microenterprise Development Assistance Account'; shall be allocated to the Office, and upon approval by the Director of the Office, may be reallocated to field missions of the Agency in furtherance of the purposes of this title; are authorized to remain available until expended; and are in addition to amounts otherwise available for such purposes.

Section 255(b)(2) provides that, notwithstanding any other provision of law, amounts made available for assistance for microenterprise development assistance under any provision of law other than this title may be provided to further the purposes of title VI. To the extent assistance described in the preceding sentence is provided in accordance with such sentence, the Administrator of the Agency shall include, as part of the report required under section 258, a detailed description of such assistance and, to the extent applicable, the information required by paragraphs (1) through (9) of subsection (b) of section 258 with respect to such assistance.

Section 4. Microenterprise Development Credits. Section 4 amends the Foreign Assistance Act of 1961 by transferring section 108 of such act from chapter 1 of part I to subtitle B of the new title VI (as added by section 3), inserting it after section 255 (as added by section 3), and redesignating the transferred section as section 256. Section 108 from existing law otherwise is unchanged, with the exception of the authorization of such section for the fiscal years 2005 and 2006.

Section 5. United States Microfinance Loan Facility. Section 5 amends the Foreign Assistance Act of 1961 by transferring section 132 of such act from chapter 1 of part I to subtitle C of the new title VI (as added by section 3), inserting it after section 256 (as added by section 4), and redesignating the transferred section as section 257. Section 132 from existing law otherwise is unchanged, with the exception of the authorization of such section for the fiscal years 2005 and 2006.

Section 6. Miscellaneous Provisions. Section 6 amends the newly established title VI by adding at the end a new subtitle D, entitled “Miscellaneous Provisions,” which includes two sections:

Section 258(a) requires that Not later than December 31, 2005, and each December 31 thereafter, the Administrator shall submit to the appropriate congressional committees a report that contains a detailed description of the implementation of title VI for the previous fiscal year.

Section 258(b) requires the report required of section 258(a) to contain the following information: (1) The number of grants provided under section 252, with a listing of the amount of each grant; the name of each implementing partner organization; and a listing of the number of countries receiving assistance authorized by sections 252; (2) The results of the monitoring system required under section 253; (3) The process of developing and applying poverty assessment procedures required under section 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 absolute number of the very poor reached with assistance furnished 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) An estimate of the percentage of beneficiaries of assistance under this title who are women, including, to the extent practicable, the percentage of these women who have been victims of sex trafficking, as well as information on efforts to provide assistance under this title to women who have been victims of severe forms of trafficking or who were previously involved in prostitution; and (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.

Section 258(c) requires that the content of the report required by section 258 shall be produced by the Office established under section 252(b)(1), and shall be made available for free electronic distribution through such Office.

Section 259 includes 14 definitions used throughout title VI.

Section 7. Repeals. Section 7 repeals section 131 of the Foreign Assistance Act, strikes subsection (b) of section 4 of P.L. 108–31, and makes a conforming amendment to the same section.

Section 8. References. Section 8 establishes that any reference in a law, regulation, agreement, or other document of the United States to section 108, 131, or 132 of the Foreign Assistance Act of 1961 shall be deemed to be a reference to subtitle B of title VI of chapter 2 of part I of the Foreign Assistance Act of 1961, subtitle

A of title VI of chapter 2 of part I of such act, or subtitle C of title VI of chapter 2 of part I of such act, respectively.

NEW ADVISORY COMMITTEES

H.R. 3818 establishes no new advisory committees.

CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 3818 does not apply to the legislative branch.

FEDERAL MANDATES

H.R. 3818 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):

FOREIGN ASSISTANCE ACT OF 1961

* * * * *

PART I

CHAPTER 1—POLICY; DEVELOPMENT ASSISTANCE AUTHORIZATIONS

* * * * *

[SEC. 131. MICROENTERPRISE DEVELOPMENT GRANT ASSISTANCE.

[(a) FINDINGS AND POLICY.—Congress finds and declares that—

[(1) access to financial services and the development of microenterprise are vital factors in the stable growth of developing countries and in the development of free, open, and equitable international economic systems;

[(2) it is therefore in the best interest of the United States to facilitate access to financial services 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 and non-financial services; and

[(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.

[(b) AUTHORIZATION.—

[(1) IN GENERAL.—In carrying out this part, the President is authorized to provide grant assistance for programs to increase the availability of credit and other services to micro-

enterprises lacking full access to capital training, technical assistance, and business development services, through—

【(A) grants to microfinance institutions for the purpose of expanding the availability of credit, savings, and other financial services to microentrepreneurs;

【(B) grants to microenterprise institutions for the purpose of training, technical assistance, and business development services for microenterprises to enable them to make better use of credit, to better manage their enterprises, and to increase their income and build their assets;

【(C) capacity-building for microenterprise institutions in order to enable them to better meet the credit and training needs of microentrepreneurs; and

【(D) policy and regulatory programs at the country level that improve the environment for microentrepreneurs and microenterprise institutions that serve the poor and very poor.

【(2) IMPLEMENTATION.—Assistance authorized under paragraph (1)(A) and (B) shall be provided through organizations that have a capacity to develop and implement microenterprise programs, including particularly—

【(A) United States and indigenous private and voluntary organizations;

【(B) United States and indigenous credit unions and cooperative organizations; or

【(C) other indigenous governmental and nongovernmental organizations.

【(3) TARGETED ASSISTANCE.—In carrying out sustainable poverty-focused programs under paragraph (1), 50 percent of all microenterprise resources shall be targeted to very poor entrepreneurs, defined as those living in the bottom 50 percent below the poverty line as established by the national government of the country. Specifically, such resources shall be used for—

【(A) direct support of programs under this subsection through practitioner institutions that—

【(i) provide credit and other financial services to clients who are very poor, with loans in 1995 United States dollars of—

【(I) \$1,000 or less in the Europe and Eurasia region;

【(II) \$400 or less in the Latin America region; and

【(III) \$300 or less in the rest of the world; and

【(ii) can cover their costs in a reasonable time period; or

【(B) demand-driven business development programs that achieve reasonable cost recovery that are provided to clients holding poverty loans (as defined by the regional poverty loan limitations in subparagraph (A)(i)), whether they are provided by microfinance institutions or by specialized business development services providers.

[(4) SUPPORT FOR CENTRAL MECHANISMS.—The President should continue support for central mechanisms and missions, as appropriate, that—

[(A) provide technical support for field missions;

[(B) strengthen the institutional development of the intermediary organizations described in paragraph (2);

[(C) share information relating to the provision of assistance authorized under paragraph (1) between such field missions and intermediary organizations; and

[(D) support the development of nonprofit global microfinance networks, including credit union systems, that—

[(i) are able to deliver financial services to poor entrepreneurs through a significant grassroots infrastructure based on market principles; and

[(ii) act as wholesale intermediaries providing a range of services to microenterprise retail institutions, including financing, technical assistance, capacity-building, and safety and soundness accreditation.

[(5) LIMITATION.—Assistance provided under this subsection may only be used to support microenterprise programs and may not be used to support programs not directly related to the purposes described in paragraph (1).

[(c) MONITORING SYSTEM.—In order to maximize the sustainable development impact of the assistance authorized under subsection (b)(1), the Administrator of the agency primarily responsible for administering this part shall establish a monitoring system that—

[(1) establishes performance goals for such assistance and expresses such goals in an objective and quantifiable form, to the extent feasible;

[(2) establishes performance indicators to be used in measuring or assessing the achievement of the goals and objectives of such assistance;

[(3) provides a basis for recommendations for adjustments to such assistance to enhance the sustainable development impact of such assistance, particularly the impact of such assistance on the very poor, particularly poor women; and

[(4) adopts the widespread use of proven and effective poverty assessment tools to successfully identify the very poor and ensure that they receive needed microenterprise loans, savings, and assistance.

[(d) DEVELOPMENT AND CERTIFICATION OF POVERTY MEASUREMENT METHODS; APPLICATION OF METHODS.—

[(1) DEVELOPMENT AND CERTIFICATION.—(A) The Administrator of the United States Agency for International Development, in consultation with microenterprise institutions and other appropriate organizations, shall develop no fewer than two low-cost methods for partner institutions to use to assess the poverty levels of their current or prospective clients. The United States Agency for International Development shall develop poverty indicators that correlate with the circumstances of the very poor.

[(B) The Administrator shall field-test the methods developed under subparagraph (A). As part of the testing, institu-

tions and programs may use the methods on a voluntary basis to demonstrate their ability to reach the very poor.

[(C) Not later than October 1, 2004, the Administrator shall, from among the low-cost poverty measurement methods developed under subparagraph (A), certify no fewer than two such methods as approved methods for measuring the poverty levels of current or prospective clients of microenterprise institutions for purposes of assistance under this section.

[(2) APPLICATION.—The Administrator shall require that, with reasonable exceptions, all organizations applying for microenterprise assistance under this Act use one of the certified methods, beginning no later than October 1, 2005, to determine and report the poverty levels of current or prospective clients.

[(e) LEVEL OF ASSISTANCE.—Of the funds made available under this part, the FREEDOM Support Act, and the Support for East European Democracy (SEED) Act of 1989, including local currencies derived from such funds, there are authorized to be available \$155,000,000 for each of the fiscal years 2001 and 2002 and \$175,000,000 for fiscal year 2003 and \$200,000,000 for fiscal year 2004, to carry out this section.

[(f) DEFINITIONS.—In this section:

[(1) BUSINESS DEVELOPMENT SERVICES.—The term “business development services” means support for the growth of microenterprises through training, technical assistance, marketing assistance, improved production technologies, and other services.

[(2) MICROENTERPRISE INSTITUTION.—The term “microenterprise institution” means an institution that provides services, including microfinance, training, or business development services, for microentrepreneurs.

[(3) MICROFINANCE INSTITUTION.—The term “microfinance institution” means an institution that directly provides, or works to expand, the availability of credit, savings, and other financial services to microentrepreneurs.

[(4) PRACTITIONER INSTITUTION.—The term “practitioner institution” means any institution that provides services, including microfinance, training, or business development services, for microentrepreneurs, or provides assistance to microenterprise institutions.

[(5) VERY POOR.—The term “very poor” means those individuals—

[(A) living in the bottom 50 percent below the poverty line established by the national government of the country in which those individuals live; or

[(B) living on less than the equivalent of \$1 per day.]

* * * * *

CHAPTER 2—OTHER PROGRAMS

* * * * *

TITLE VI—MICROENTERPRISE DEVELOPMENT ASSISTANCE

Subtitle A—Grant Assistance

SEC. 251. FINDINGS AND POLICY.

Congress finds and declares the following:

(1) *Access to financial services and the development of microenterprise are vital factors in the stable growth of developing countries and in the development of free, open, and equitable international economic systems.*

(2) *It is therefore in the best interest of the United States to facilitate access to financial services 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. Such programs should take into account the risks faced by women who are potential victims of severe forms of trafficking and the need for assistance for women who become victims of severe forms 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).*

(6) *Given that microenterprise programs have been successful in empowering disenfranchised groups such as women, microenterprise programs should also target populations disenfranchised due to race or ethnicity in countries where a strong relationship between poverty and race or ethnicity has been demonstrated, such as countries in Latin America.*

SEC. 252. AUTHORIZATION; IMPLEMENTATION; TARGETED ASSISTANCE.

(a) *AUTHORIZATION.—The President is authorized to provide assistance on a grant basis for programs in developing countries to increase the availability of credit, savings, and other services to microenterprises lacking full access to capital, training, technical assistance, and business development services, through—*

(1) *grants to microfinance institutions for the purpose of expanding the availability of credit, savings, and other financial services to microenterprise clients;*

(2) *grants to microenterprise institutions for the purpose of training, technical assistance, and business development services 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 microenterprise institutions in order to enable them to better meet the credit, savings, and training needs of microentrepreneur clients; and*

(4) *policy and regulatory programs at the country level that improve the environment for microentrepreneur clients and microenterprise institutions that serve the poor and very poor.*

(b) *IMPLEMENTATION.—*

(1) *OFFICE OF MICROENTERPRISE DEVELOPMENT.—*

(A) *ESTABLISHMENT.—There is established within the Agency an 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.*

(B) *DUTIES.—The Office shall coordinate and be responsible for the provision of assistance under this title.*

(2) *ASSISTANCE THROUGH GRANTS TO ELIGIBLE ORGANIZATIONS.—Assistance under subsection (a) shall be provided through grants executed, approved, or reviewed by the Office to eligible implementing partner organizations that have a capacity to develop and implement microenterprise programs.*

(3) *REVIEW AND APPROVAL.—With respect to assistance under subsection (a) that is furnished through field missions of the Agency, the Office shall be responsible for—*

(A) *reviewing or approving each grant agreement prior to obligation of funds under the agreement in order to ensure that activities to be carried out using such funds are efficacious, technically sound, and suitable for the economic and security climate of the country or region where the activities will be conducted; and*

(B) *approving microenterprise development components of strategic plans of missions, bureaus, and offices of the Agency.*

(c) *TARGETED ASSISTANCE.—In carrying out sustainable poverty-focused programs under subsection (a), 50 percent of all microenterprise resources shall be targeted to very poor clients, defined as those individuals living in the bottom 50 percent below the poverty line as established by the national government of the country. Specifically, such resources shall be used for—*

(1) *support of programs under this section through practitioner institutions that—*

(A) *provide credit and other financial services to clients who are very poor, with loans in 1995 United States dollars of—*

(i) *\$1,000 or less in the Europe and Eurasia region;*

(ii) *\$400 or less in the Latin America region; and*

(iii) *\$300 or less in the rest of the world; and*

(B) *can cover their costs in a reasonable time period;*

or

(2) *demand-driven business development programs that achieve reasonable cost recovery that are provided to clients holding poverty loans (as defined by the regional poverty loan limitations in paragraph (1)(A)), whether they are provided by*

microfinance institutions or by specialized business development services providers.

(d) *SUPPORT FOR CENTRAL MECHANISMS.*—The Administrator should increase the use of central mechanisms through microenterprise, microfinance, and practitioner institutions in the implementation of this title.

SEC. 253. MONITORING SYSTEM.

(a) *ESTABLISHMENT.*—In order to maximize the sustainable development impact of assistance authorized under section 252(a), the Administrator of the Agency, acting through the Director of the Office, shall establish a monitoring system that meets the requirements of subsection (b).

(b) *REQUIREMENTS.*—The requirements referred to in subsection (a) are the following:

(1) The monitoring system establishes performance goals for the assistance and expresses such goals in an objective and quantifiable form, to the extent feasible.

(2) The monitoring system establishes performance indicators to be used in measuring or assessing the achievement of the performance goals described in paragraph (1) and the objectives of the assistance authorized under section 252.

(3) The monitoring system provides a basis for recommendations for adjustments to the assistance to enhance the sustainability and the impact of the assistance, particularly the impact of such assistance on the very poor, particularly poor women.

(4) The monitoring system adopts the widespread use of proven and effective poverty assessment tools to successfully identify the very poor and ensure that they receive adequate access to microenterprise loans, savings, and assistance.

SEC. 254. DEVELOPMENT AND CERTIFICATION OF POVERTY MEASUREMENT METHODS; APPLICATION OF METHODS.

(a) *DEVELOPMENT AND CERTIFICATION.*—

(1) *IN GENERAL.*—The Administrator of the Agency, in consultation with microenterprise institutions and other appropriate organizations, shall develop no fewer than two low-cost methods for eligible implementing partner organizations to use to assess the poverty levels of their current or prospective clients. The Administrator shall develop poverty indicators that correlate with the circumstances of the very poor.

(2) *FIELD TESTING.*—The Administrator shall field-test the methods developed under paragraph (1). As part of the testing, institutions and programs may use the methods on a voluntary basis to demonstrate their ability to reach the very poor.

(3) *CERTIFICATION.*—Not later than October 1, 2004, the Administrator shall, from among the low-cost poverty measurement methods developed under paragraph (1), certify no fewer than two such methods as approved methods for measuring the poverty levels of current or prospective clients of microenterprise institutions for purposes of assistance under section 252.

(b) *APPLICATION.*—The Administrator shall require that, with reasonable exceptions, all eligible implementing partner organizations applying for microenterprise assistance under this title use one of the certified methods, beginning not later than October 1, 2005,

to determine and report the poverty levels of current or prospective clients.

SEC. 255. AUTHORIZATION OF APPROPRIATIONS; ADDITIONAL AUTHORITIES.

(a) *AUTHORIZATION OF APPROPRIATIONS.*—There are authorized to be appropriated to the President to carry out this subtitle \$200,000,000 for fiscal year 2005 and such sums as may be necessary for fiscal year 2006.

(b) *ADDITIONAL AUTHORITIES.*—(1) Amounts appropriated pursuant to the authorization of appropriations under subsection (a)—

(A) may be referred to as the “Microenterprise Development Assistance Account”;

(B) shall be allocated to the Office, and upon approval by the Director of the Office, may be reallocated to field missions of the Agency in furtherance of the purposes of this title;

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

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

(2) Notwithstanding any other provision of law, amounts made available for assistance for microenterprise development assistance under any provision of law other than this title may be provided to further the purposes of this title. To the extent assistance described in the preceding sentence is provided in accordance with such sentence, the Administrator of the Agency shall include, as part of the report required under section 258, a detailed description of such assistance and, to the extent applicable, the information required by paragraphs (1) through (10) of subsection (b) of such section with respect to such assistance.

Subtitle B—Credit Assistance

SEC. [108.] 256. MICROENTERPRISE DEVELOPMENT CREDITS.

(a) * * *

* * * * *

(c) *ELIGIBILITY CRITERIA.*—The [Administrator of the agency primarily responsible for administering this part] *Administrator of the Agency* shall establish criteria for determining which microfinance institutions described in subsection (b)(1) are eligible to carry out activities, with respect to microenterprise households, assisted under this section. Such criteria may include the following:

(1) * * *

* * * * *

(f) *AVAILABILITY OF FUNDS.*—

(1) *IN GENERAL.*—Of the amounts authorized to be available to carry out [section 131] *this part*, there are authorized to be available \$1,500,000 for each of fiscal years [2001 through 2004] *2005 and 2006* to carry out this section.

* * * * *

Subtitle C—United States Microfinance Loan Facility

SEC. [132.] 257. UNITED STATES MICROFINANCE LOAN FACILITY.

(a) * * *

(b) *DISBURSEMENTS.*—

(1) * * *

* * * * *

(3) CONGRESSIONAL NOTIFICATION PROCEDURES.—During each of the fiscal years ~~【2001 and 2002】~~ *2005 and 2006*, funds may not be made available from the Facility until 15 days after notification of the proposed availability of the funds has been provided to the congressional committees specified in section 634A in accordance with the procedures applicable to re-programming notifications under that section.

* * * * *

(d) FUNDING.—

(1) ALLOCATION OF FUNDS.—Of the amounts made available to carry out this part for ~~【the fiscal year 2001】~~ *each of the fiscal years 2005 and 2006*, up to \$5,000,000 may be made available for—

(A) * * *

* * * * *

[(e) DEFINITIONS.—In this section:

[(1) ADMINISTRATOR.—The term “Administrator” means the Administrator of the agency primarily responsible for administering this part.

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

[(3) UNITED STATES-SUPPORTED MICROFINANCE INSTITUTION.—The term “United States-supported microfinance institution” means a financial intermediary that has received funds made available under part I of this Act for fiscal year 1980 or any subsequent fiscal year.】

Subtitle D—Miscellaneous Provisions

SEC. 258. REPORT.

(a) *IN GENERAL.*—Not later than December 31, 2005, and each December 31 thereafter, the Administrator of the Agency shall submit to the appropriate congressional committees a report that contains a detailed description of the implementation of this title for the previous fiscal year.

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

(1) The number of grants provided under section 252, with a listing of—

(A) the amount of each grant;

(B) the name of each implementing partner organization; and

(C) a listing of the number of countries receiving assistance authorized by sections 252.

(2) The results of the monitoring system required under section 253.

(3) The process of developing and applying poverty assessment procedures required under section 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 absolute number of the very poor reached with assistance furnished 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) *An estimate of the percentage of beneficiaries of assistance under this title who are women, including, to the extent practicable, the percentage of these women who have been victims of sex trafficking, as well as information on efforts to provide assistance under this title to women who have been victims of severe forms of trafficking or who were previously involved in prostitution.*

(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.*

(c) *LIMITATION.—The content of the report required by this section shall be produced by the Office established under section 252(b)(1), and shall be made available for free electronic distribution through such Office.*

SEC. 259. DEFINITIONS.

In this title:

(1) *ADMINISTRATOR.—The term “Administrator” means the Administrator of the Agency.*

(2) *AGENCY.—The term “Agency” means the United States Agency for International Development.*

(3) *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.*

(4) *BUSINESS DEVELOPMENT SERVICES.—The term “business development services” means support for the growth of microenterprises through training, technical assistance, marketing assistance, improved production technologies, and other related services.*

(5) *DIRECTOR.—The term “Director” means the Director of the Office.*

(6) *ELIGIBLE IMPLEMENTING PARTNER ORGANIZATION.—The term “eligible implementing partner organization” means an entity eligible to receive assistance under this title which is—*

(A) *a United States or an indigenous private voluntary organization;*

(B) *a United States or an indigenous credit union;*

(C) *a United States or an indigenous cooperative organization;*

(D) *an indigenous governmental or nongovernmental organization;*

(E) *a microenterprise institution;*

(F) *a microfinance institution; or*

(G) a practitioner institution.

(7) *MICROENTERPRISE INSTITUTION.*—The term “microenterprise institution” means a not-for-profit entity that provides services, including microfinance, training, or business development services, for microentreprise clients in foreign countries.

(8) *MICROFINANCE INSTITUTION.*—The term “microfinance institution” means a not-for-profit entity or a regulated financial intermediary that directly provides, or works to expand, the availability of credit, savings, and other financial services to microentreprise clients in foreign countries.

(9) *MICROFINANCE NETWORK.*—The term “microfinance network” means an affiliated group of practitioner institutions that provides services to its members, including financing, technical assistance, and accreditation, for the purpose of promoting the financial sustainability and societal impact of microenterprise assistance.

(10) *OFFICE.*—The term “Office” means the Office of Microenterprise Development established under section 252(b)(1).

(11) *PRACTITIONER INSTITUTION.*—The term “practitioner institution” means a not-for-profit entity or a regulated financial intermediary, including a microfinance network, that provides services, including microfinance, training, or business development services, for microentreprise clients, or provides assistance to microenterprise institutions in foreign countries.

(12) *PRIVATE VOLUNTARY ORGANIZATION.*—The term “private voluntary organization” means a not-for-profit entity that—

(A) engages in and supports activities of an economic or social development or humanitarian nature for citizens in foreign countries; and

(B) is incorporated as such under the laws of the United States, including any of its states, territories or the District of Columbia, or of a foreign country.

(13) *UNITED STATES-SUPPORTED MICROFINANCE INSTITUTION.*—The term “United States-supported microfinance institution” means a financial intermediary that has received funds made available under this part for fiscal year 1980 or any subsequent fiscal year.

(14) *VERY POOR.*—The term “very poor” means those individuals—

(A) living in the bottom 50 percent below the poverty line established by the national government of the country in which those individuals live; or

(B) living on less than the equivalent of \$1 per day.

* * * * *

SECTION 4 OF THE ACT OF JUNE 17, 2003

(Public Law 108–31)

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 programs under those Acts, and for other purposes.

SEC. 4. REPORT TO CONGRESS.

[(a) IN GENERAL.—] Not later than September 30, 2005, the Administrator of the United States Agency for International Development shall submit to Congress a report that documents the process of developing and applying poverty assessment procedures with its partners.

[(b) REPORTS FOR FISCAL YEAR 2006 AND BEYOND.—] Beginning with fiscal year 2006, the Administrator of the United States Agency for International Development shall annually submit to Congress on a timely basis a report that addresses the United States Agency for International Development's compliance with the Microenterprise for Self-Reliance Act of 2000 by documenting—

[(1) the percentage of its resources that were allocated to the very poor (as defined in paragraph (5) of section 131(f) of the Foreign Assistance Act of 1961 (22 U.S.C. 2152a(f)(5))) based on the data collected from its partners using the certified methods; and

[(2) the absolute number of the very poor reached.]

DISSENTING VIEWS

Mr. Chairman, I wish to express my dissenting views on this legislation, but first I want to emphasize my support for accountability at all levels and branches of government. I am outspoken about my concerns over wasteful use of taxpayer money, and these concerns factor into my opposition to the bill as considered by the committee.

In particular, I am concerned about provisions in this law that exclude for-profit, private sector consulting firms from participating in the U.S. Agency for International Development's microenterprise development program. Many of these firms currently provide valuable services and expertise to the Agency and to beneficiaries around the world and do about 20 percent of USAID's work in microenterprise development. For-profit firms add significant value to USAID's program implementation in areas such as loan delivery, legal and regulatory reform, and the creation of industry infrastructure that serves a broad group of international microenterprise development organizations.

Excluding for-profit firms eliminates an important participant in the bidding process for contracts. If we eliminate this sector of this industry from bidding, we also eliminate potential cost savings and efficiencies that result from competition. When competition is reduced, costs rise and quality declines. Beneficiaries of the microenterprise program, USAID's performance, and U.S. taxpayers would bear the brunt of such decline.

Competition for contracts is not only beneficial on the front end of the contracting process, but the potential for future contracts gives incentives for all industry players to demonstrate their value in the execution and completion of contracts. By not including these tax-paying U.S. entities from participation, we eliminate contributors that are accountable to the congressional program goals by virtue of the contractual nature of their business with USAID.

It is ironic that in a program intended to foster entrepreneurship and for-profit enterprises in developing and free markets around the world, we propose to limit the participation of such enterprises in the very execution of the program.

I urge you to ensure that private sector development firms are allowed to continue to participate in the USAID microenterprise program.

JEFF FLAKE.

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