

108TH CONGRESS
2D SESSION

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.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 2004

Mr. SMITH of New Jersey (for himself, Mr. HYDE, Mr. LANTOS, Mr. ROHR-ABACHER, Mr. BELL, Mr. GREEN of Texas, Ms. ROS-LEHTINEN, Mr. PAYNE, Mr. PITTS, Ms. HARRIS, Mr. DICKS, Mr. SANDERS, Mr. SMITH of Washington, Mr. BAIRD, Mr. FALEOMAVAEGA, and Mr. BROWN of Ohio) introduced the following bill; which was referred to the Committee on International Relations

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Microenterprise Re-
5 sults and Accountability Act of 2004”.

6 **SEC. 2. FINDINGS AND POLICY.**

7 Congress finds and declares the following:

1 (1) Congress has demonstrated its support for
2 microenterprise development assistance programs
3 through the enactment of two comprehensive micro-
4 enterprise laws:

5 (A) The Microenterprise for Self-Reliance
6 Act of 2000 (title I of Public Law 106–309;
7 114 Stat. 1082).

8 (B) Public Law 108–31 (an Act entitled
9 “An Act to amend the Microenterprise for Self-
10 Reliance Act of 2000 and the Foreign Assist-
11 ance Act of 1961 to increase assistance for the
12 poorest people in developing countries under
13 microenterprise assistance program under those
14 Acts, and for other purposes”, approved June
15 17, 2003).

16 (2) The United States Agency for International
17 Development, the agency responsible for imple-
18 menting microenterprise development assistance pro-
19 grams authorized under sections 108 and 131 of the
20 Foreign Assistance Act of 1961 (22 U.S.C. 2151f
21 and 2152a), is not presently organized to adequately
22 coordinate, implement, and monitor such programs,
23 as evidenced by the late submission by the Agency
24 of the report required by section 108 of the Micro-
25 enterprise for Self-Reliance Act of 2000.

1 (3) The Comptroller General, in a report dated
2 November 2003, found that the United States Agen-
3 cy for International Development has met some, but
4 not all, of the key objectives of such microenterprise
5 development assistance programs.

6 (4) The Comptroller General's report found,
7 among other things, the following:

8 (A) Microenterprise development assistance
9 generally can help alleviate some impacts of
10 poverty, improve income levels and quality of
11 life for borrowers and provide poor individuals,
12 workers, and their families with an important
13 coping mechanism.

14 (B) Although studies and academic anal-
15 yses funded by the United States Agency for
16 International Development have found that
17 microenterprise activities generally serve the
18 poor clustered around the poverty line, few
19 loans appear to be reaching the very poor.

20 (C) Microenterprise development assistance
21 programs of the United States Agency for
22 International Development have encouraged
23 women's participation in microfinance projects
24 and, according to data of the Agency, women
25 have comprised two-thirds or more of the micro-

1 loan clients in Agency-funded microenterprise
2 projects since 1997.

3 (5)(A) The Comptroller General’s report rec-
4 ommends that the Administrator of the United
5 States Agency for International Development review
6 the Agency’s “microenterprise results reporting”
7 system with the goal of ensuring that its annual re-
8 porting is complete and accurate.

9 (B) Specifically, the Administrator should re-
10 view and reconsider the methodologies used for the
11 collection, analysis, and reporting of data on annual
12 spending targets, outreach to the very poor, sustain-
13 ability of microfinance institutions, and the contribu-
14 tion of Agency’s funding to the institutions it sup-
15 ports.

16 **SEC. 3. MICROENTERPRISE DEVELOPMENT ASSISTANCE.**

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

20 **“TITLE VI—MICROENTERPRISE**
21 **DEVELOPMENT ASSISTANCE**

22 **“SEC. 251. FINDINGS AND POLICY.**

23 “Congress finds and declares the following:

24 “(1) Access to financial services and the devel-
25 opment of microenterprise are vital factors in the

1 stable growth of developing countries and in the de-
2 velopment of free, open, and equitable international
3 economic systems.

4 “(2) It is therefore in the best interest of the
5 United States to facilitate access to financial serv-
6 ices and assist the development of microenterprise in
7 developing countries.

8 “(3) Access to financial services and the devel-
9 opment of microenterprises can be supported by pro-
10 grams providing credit, savings, training, technical
11 assistance, business development services, and other
12 financial services.

13 “(4) Given the relatively high percentage of
14 populations living in rural areas of developing coun-
15 tries, and the combined high incidence of poverty in
16 rural areas and growing income inequality between
17 rural and urban markets, microenterprise programs
18 should target both rural and urban poor.

19 “(5) Microenterprise programs have been suc-
20 cessful and should continue to empower vulnerable
21 women in the developing world. Such programs
22 should take into account the risks faced by women
23 who are potential victims of severe forms of traf-
24 ficking and the need for assistance for women who
25 become victims of severe forms of trafficking, as pro-

1 vided for in section 106(a)(1) of the Trafficking Vic-
2 tims Protection Act of 2000 (22 U.S.C. 7104(a)(1);
3 Public Law 106–386).

4 **“SEC. 252. AUTHORIZATION; IMPLEMENTATION; TARGETED**
5 **ASSISTANCE.**

6 “(a) AUTHORIZATION.—The President is authorized
7 to provide assistance on a grant basis for programs in de-
8 veloping countries to increase the availability of credit,
9 savings, and other services to microenterprises lacking full
10 access to capital, training, technical assistance, and busi-
11 ness development services, through—

12 “(1) grants to microfinance institutions for the
13 purpose of expanding the availability of credit, sav-
14 ings, and other financial services to microenterprise
15 clients;

16 “(2) grants to microenterprise institutions for
17 the purpose of training, technical assistance, and
18 business development services for microenterprises to
19 enable them to make better use of credit, to better
20 manage their enterprises, and to increase their in-
21 come and build their assets;

22 “(3) capacity-building for microenterprise insti-
23 tutions in order to enable them to better meet the
24 credit, savings, and training needs of
25 microenterprise clients; and

1 “(4) policy and regulatory programs at the
2 country level that improve the environment for
3 microenterprise clients and microenterprise institu-
4 tions that serve the poor and very poor.

5 “(b) IMPLEMENTATION.—

6 “(1) OFFICE OF MICROENTERPRISE DEVELOP-
7 MENT.—

8 “(A) ESTABLISHMENT.—There is estab-
9 lished within the Agency an Office of Micro-
10 enterprise Development, which shall be headed
11 by a Director who shall be appointed by the Ad-
12 ministrator and who should possess technical
13 expertise and ability to offer leadership in the
14 field of microenterprise development.

15 “(B) DUTIES.—The Office shall coordinate
16 and be responsible for the provision of assist-
17 ance under this title.

18 “(2) ASSISTANCE THROUGH GRANTS TO ELIGI-
19 BLE ORGANIZATIONS.—Assistance under subsection
20 (a) shall be provided through grants executed, ap-
21 proved, or reviewed by the Office to eligible imple-
22 menting partner organizations that have a capacity
23 to develop and implement microenterprise programs.

24 “(3) REVIEW AND APPROVAL.—With respect to
25 assistance under subsection (a) that is furnished

1 through field missions of the Agency, the Office
2 shall be responsible for—

3 “(A) reviewing or approving each grant
4 agreement prior to obligation of funds under
5 the agreement in order to ensure that activities
6 to be carried out using such funds are effica-
7 cious, technically sound, and suitable for the
8 economic and security climate of the country or
9 region where the activities will be conducted;
10 and

11 “(B) approving microenterprise develop-
12 ment components of strategic plans of missions,
13 bureaus, and offices of the Agency.

14 “(c) TARGETED ASSISTANCE.—In carrying out sus-
15 tainable poverty-focused programs under subsection (a),
16 50 percent of all microenterprise resources shall be tar-
17 geted to very poor clients, defined as those individuals liv-
18 ing in the bottom 50 percent below the poverty line as
19 established by the national government of the country.
20 Specifically, such resources shall be used for—

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

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

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

3 “(ii) \$400 or less in the Latin Amer-
4 ica region; and

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

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

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

16 “(d) SUPPORT FOR CENTRAL MECHANISMS.—The
17 Administrator should increase the use of central mecha-
18 nisms through microenterprise, microfinance, and practi-
19 tioner institutions in the implementation of this title.

20 **“SEC. 253. MONITORING SYSTEM.**

21 “(a) ESTABLISHMENT.—In order to maximize the
22 sustainable development impact of assistance authorized
23 under section 252(a), the Administrator of the Agency,
24 acting through the Director of the Office, shall establish

1 a monitoring system that meets the requirements of sub-
2 section (b).

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

5 “(1) The monitoring system establishes per-
6 formance goals for the assistance and expresses such
7 goals in an objective and quantifiable form, to the
8 extent feasible.

9 “(2) The monitoring system establishes per-
10 formance indicators to be used in measuring or as-
11 sessing the achievement of the performance goals de-
12 scribed in paragraph (1) and the objectives of the
13 assistance authorized under section 252.

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

19 “(4) The monitoring system adopts the wide-
20 spread use of proven and effective poverty assess-
21 ment tools to successfully identify the very poor and
22 ensure that they receive adequate access to micro-
23 enterprise loans, savings, and assistance.

1 **“SEC. 254. DEVELOPMENT AND CERTIFICATION OF POV-**
2 **ERTY MEASUREMENT METHODS; APPLICA-**
3 **TION OF METHODS.**

4 “(a) DEVELOPMENT AND CERTIFICATION.—

5 “(1) IN GENERAL.—The Administrator of the
6 Agency, in consultation with microenterprise institu-
7 tions and other appropriate organizations, shall de-
8 velop no fewer than two low-cost methods for eligible
9 implementing partner organizations to use to assess
10 the poverty levels of their current or prospective cli-
11 ents. The Administrator shall develop poverty indica-
12 tors that correlate with the circumstances of the
13 very poor.

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

19 “(3) CERTIFICATION.—Not later than October
20 1, 2004, the Administrator shall, from among the
21 low-cost poverty measurement methods developed
22 under paragraph (1), certify no fewer than two such
23 methods as approved methods for measuring the
24 poverty levels of current or prospective clients of
25 microenterprise institutions for purposes of assist-
26 ance under section 252.

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

7 **“SEC. 255. AUTHORIZATION OF APPROPRIATIONS; ADDI-**
 8 **TIONAL AUTHORITIES.**

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

13 “(b) ADDITIONAL AUTHORITIES.—(1) Amounts ap-
 14 propriated pursuant to the authorization of appropriations
 15 under subsection (a)—

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

18 “(B) shall be allocated to the Office, and upon
 19 approval by the Director of the Office, may be re-
 20 allocated to field missions of the Agency in further-
 21 ance of the purposes of this title;

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

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

1 “(2) Notwithstanding any other provision of law,
 2 amounts made available for assistance for microenterprise
 3 development assistance under any provision of law other
 4 than this title may be provided to further the purposes
 5 of this title. To the extent assistance described in the pre-
 6 ceding sentence is provided in accordance with such sen-
 7 tence, the Administrator of the Agency shall include, as
 8 part of the report required under section 258, a detailed
 9 description of such assistance and, to the extent applica-
 10 ble, the information required by paragraphs (1) through
 11 (9) of subsection (b) of such section with respect to such
 12 assistance.”.

13 **SEC. 4. MICROENTERPRISE DEVELOPMENT CREDITS.**

14 (a) TRANSFER.—Section 108 of the Foreign Assist-
 15 ance Act of 1961 (22 U.S.C. 2151f) is hereby—

16 (1) transferred from chapter 1 of part I of the
 17 Foreign Assistance Act of 1961 to title VI of chap-
 18 ter 2 of part I of such Act (as added by section 3
 19 of this Act); and

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

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

1 (c) CONFORMING AMENDMENTS.—Title VI of chap-
 2 ter 2 of part I of the Foreign Assistance Act of 1961 is
 3 amended—

4 (1) by inserting after the title heading the fol-
 5 lowing:

6 **“Subtitle A—Grant Assistance”;**

7 (2) by inserting after section 255 the following:

8 **“Subtitle B—Credit Assistance”;**

9 and

10 (3) in section 256 (as redesignated by sub-
 11 section (b))—

12 (A) in the matter preceding paragraph (1)
 13 of subsection (c), by striking “Administrator of
 14 the agency primarily responsible for admin-
 15 istering this part” and inserting “Administrator
 16 of the Agency”; and

17 (B) in subsection (f)(1)—

18 (i) by striking “section 131” and in-
 19 serting “this part”; and

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

22 **SEC. 5. UNITED STATES MICROFINANCE LOAN FACILITY.**

23 (a) TRANSFER.—Section 132 of the Foreign Assist-
 24 ance Act of 1961 (22 U.S.C. 2152b) is hereby—

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

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

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

12 (c) CONFORMING AMENDMENTS.—Title VI of chap-
13 ter 2 of part I of the Foreign Assistance Act of 1961 is
14 amended—

15 (1) by inserting after section 256 the following:

16 **“Subtitle C—United States**
17 **Microfinance Loan Facility”;**

18 and

19 (2) in section 257 (as redesignated by sub-
20 section (b))—

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

23 (B) in the matter preceding subparagraph
24 (A) of subsection (d)(1), by striking “the fiscal

1 year 2001” and inserting “each of the fiscal
2 years 2005 and 2006”; and

3 (C) by striking subsection (e).

4 **SEC. 6. MISCELLANEOUS PROVISIONS.**

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

9 **“Subtitle D—Miscellaneous**
10 **Provisions**

11 **“SEC. 258. REPORT.**

12 “(a) IN GENERAL.—Not later than December 31,
13 2005, and each December 31 thereafter, the Adminis-
14 trator of the Agency shall submit to the appropriate con-
15 gressional committees a report that contains a detailed de-
16 scription of the implementation of this title for the pre-
17 vious fiscal year.

18 “(b) CONTENTS.—The report shall contain the fol-
19 lowing:

20 “(1) The number of grants provided under sec-
21 tion 252, with a listing of—

22 “(A) the amount of each grant;

23 “(B) the name of each implementing part-
24 ner organization; and

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

3 “(2) The results of the monitoring system re-
4 quired under section 253.

5 “(3) The process of developing and applying
6 poverty assessment procedures required under sec-
7 tion 254.

8 “(4) The percentage of assistance furnished
9 under section 252 that was allocated to the very
10 poor based on the data collected using the certified
11 methods required by section 254.

12 “(5) The absolute number of the very poor
13 reached with assistance furnished under section 252.

14 “(6) The amount of assistance provided under
15 section 252 through central mechanisms.

16 “(7) The name of each country that receives as-
17 sistance under section 256 and the amount of such
18 assistance.

19 “(8) An estimate of the percentage of bene-
20 ficiaries of assistance under this title who are
21 women, including, to the extent practicable, the per-
22 centage of these women who have been victims of sex
23 trafficking, as well as information on efforts to pro-
24 vide assistance under this title to women who have

1 been victims of severe forms of trafficking or who
2 were previously involved in prostitution.

3 “(9) Any additional information relating to the
4 provision of assistance authorized by this title, in-
5 cluding the use of the poverty measurement tools re-
6 quired by section 254, or additional information on
7 assistance provided by the United States to support
8 microenterprise development under this title or any
9 other provision of law.

10 “(c) LIMITATION.—The content of the report re-
11 quired by this section shall be produced by the Office es-
12 tablished under section 252(b)(1), and shall be made
13 available for free electronic distribution through such Of-
14 fice.

15 **“SEC. 259. DEFINITION.**

16 “In this title:

17 “(1) ADMINISTRATOR.—The term ‘Adminis-
18 trator’ means the Administrator of the Agency.

19 “(2) AGENCY.—The term ‘Agency’ means the
20 United States Agency for International Develop-
21 ment.

22 “(3) APPROPRIATE CONGRESSIONAL COMMIT-
23 TEES.—The term ‘appropriate congressional com-
24 mittees’ means the Committee on International Re-

1 lations of the House of Representatives and the
2 Committee on Foreign Relations of the Senate.

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

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

10 “(6) ELIGIBLE IMPLEMENTING PARTNER ORGA-
11 NIZATION.—The term ‘eligible implementing partner
12 organization’ means an entity eligible to receive as-
13 sistance under this title which is—

14 “(A) a United States or an indigenous pri-
15 vate voluntary organization;

16 “(B) a United States or an indigenous
17 credit union;

18 “(C) a United States or an indigenous co-
19 operative organization;

20 “(D) an indigenous governmental or non-
21 governmental organization;

22 “(E) a microenterprise institution;

23 “(F) a microfinance institution; or

24 “(G) a practitioner institution.

1 “(7) MICROENTERPRISE INSTITUTION.—The
2 term ‘microenterprise institution’ means a not-for-
3 profit entity that provides services, including micro-
4 finance, training, or business development services,
5 for microentreprise clients in foreign countries.

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

12 “(9) MICROFINANCE NETWORK.—The term
13 ‘microfinance network’ means an affiliated group of
14 practitioner institutions that provides services to its
15 members, including financing, technical assistance,
16 and accreditation, for the purpose of promoting the
17 financial sustainability and societal impact of micro-
18 enterprise assistance.

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

22 “(11) PRACTITIONER INSTITUTION.—The term
23 ‘practitioner institution’ means a not-for-profit enti-
24 ty or a regulated financial intermediary, including a
25 microfinance network, that provides services, includ-

1 ing microfinance, training, or business development
2 services, for microenterprise clients, or provides as-
3 sistance to microenterprise institutions in foreign
4 countries.

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

8 “(A) engages in and supports activities of
9 an economic or social development or humani-
10 tarian nature for citizens in foreign countries;
11 and

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

16 “(13) UNITED STATES-SUPPORTED MICRO-
17 FINANCE INSTITUTION.—The term ‘United States-
18 supported microfinance institution’ means a finan-
19 cial intermediary that has received funds made avail-
20 able under this part for fiscal year 1980 or any sub-
21 sequent fiscal year.

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

24 “(A) living in the bottom 50 percent below
25 the poverty line established by the national gov-

1 ernment of the country in which those individ-
2 uals live; or

3 “(B) living on less than the equivalent of
4 \$1 per day.”.

5 **SEC. 7. REPEALS.**

6 (a) FOREIGN ASSISTANCE ACT OF 1961.—Section
7 131 of the Foreign Assistance Act of 1961 (22 U.S.C.
8 2152a) is hereby repealed.

9 (b) PUBLIC LAW 108–31.—

10 (1) IN GENERAL.—Section 4 of Public Law
11 108–31 (22 U.S.C. 2151f note) is amended by strik-
12 ing subsection (b).

13 (2) CONFORMING AMENDMENT.—Section 4 of
14 Public Law 108–31 is amended by striking “(a)”
15 and all that follows through “Not later” and insert-
16 ing “Not later”.

17 **SEC. 8. REFERENCES.**

18 Any reference in a law, regulation, agreement, or
19 other document of the United States to section 108, 131,
20 or 132 of the Foreign Assistance Act of 1961 shall be
21 deemed to be a reference to subtitle B of title VI of chap-
22 ter 2 of part I of the Foreign Assistance Act of 1961,
23 subtitle A of title VI of chapter 2 of part I of such Act,

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

