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SENATE

{ REPORT  
{ 106-335

THE MICROENTERPRISE FOR SELF-RELIANCE  
ACT OF 2000

JULY 11, 2000.—Ordered to be printed

Mr. HELMS, from the Committee on Foreign Relations,  
submitted the following

REPORT

[To accompany S. 2844]

The Committee on Foreign Relations, having had under consideration a bill to amend the Foreign Assistance Act of 1961 to authorize the provision of assistance to increase the availability of credit to microenterprises lacking full access to credit, to establish a Microfinance Loan Facility, and for other purposes, reports favorably thereon and recommends that the bill do pass.

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I. COMMITTEE ACTION

On March 23, 2000 the Committee unanimously ordered reported S. 2382, the Technical Assistance, Trade Promotion and Anti-Corruption Act of 2000. S. 2382 was reported and placed on the Senate Legislative Calendar on April 7, 2000, and subsequently referred to the Committee on Banking, Housing, and Urban Affairs pursuant to paragraph 1(j)(10) of rule XXV of the Standing Rules of the Senate on April 11, 2000. Paragraph 1(j)(10) of rule XXV of the Standing Rules of the Senate provides that, “at the request of the Committee on Banking, Housing, and Urban Affairs, any proposed legislation relating to [the International Monetary Fund] reported by the Committee on Foreign Relations shall be referred to the Committee on Banking, Housing, and Urban Affairs.” The Banking

Committee has taken no action on S. 2382 as of the writing of this report.

On Wednesday, June 28, 2000, the Committee on Foreign Relations considered and unanimously approved by voice vote the Microenterprise for Self-Reliance Act of 2000, which is identical to Title VI of S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000.

## II. SECTION-BY-SECTION ANALYSIS

This act is based largely on S. 1463, the Microenterprise for Self-Reliance Act of 1999, introduced on July 29, 1999. Despite the enormous growth of the world's economy, over a billion people in dozens of countries subsist on less than one dollar per day. The benefits of economic growth have eluded approximately one-fifth of the world's population, leaving tremendous poverty in developing countries around the world. Accordingly, one of the greatest challenges facing the international development community has been finding ways to extend economic opportunities to these individuals.

Since the 1970s, microenterprise development programs have been one of the most successful ways to support the end of poverty in the developing world. Unlike other assistance programs, microenterprise lending programs reach the poorest of the poor with credit that is repaid by individual borrowers with interest. Micro-lending programs have demonstrated that if structured correctly, poverty lending programs can help lift the poorest members of society out of poverty, while repaying loans. In fact, the client repayment rate of these programs has been between 95–98%.

The objective of this act is to ensure the future success of international microenterprise grant and loan programs administered worldwide by the U.S. Agency for International Development (USAID). These programs foster self-sufficiency rather than financial dependence.

### *Sec. 1. Short Title*

This section provides the short title for the act will be "Microenterprise for Self-Reliance Act of 2000".

### *Sec. 2. Findings and Declarations of Policy*

This section contains 18 findings on the demand for microenterprise credits, the success with past programs and the need for their expansion in the developing world.

### *Sec. 3. Purposes*

This section sets forth five main purposes of the Act, each aimed at bringing microenterprise development to the forefront of the U.S. assistance effort. The continuation and expansion of commitments made by USAID in its 1994 and 1997 Microenterprise Initiatives are provided for, as are increases in the amount of assistance devoted to financial services and complimentary business development services reaching the poorest sector in developing countries, particularly women.

*Sec. 4. Microenterprise Development Grant Assistance*

This section adds a new section 132 to the Foreign Assistance Act of 1961 to authorize appropriations for grants and govern the use of all microenterprise resources.

Subsection (b)(1) of section 132 authorizes the President to provide grant assistance for programs to increase the availability of credit and other business development services to microenterprises. Subsection (b)(2) stipulates that this assistance be provided through organizations that have a capacity to develop and implement microenterprise development programs.

This section also targets half of all microenterprise resources to support programs that directly serve the poorest of the poor. These programs are identified as those that provide credit and other financial services to entrepreneurs who are very poor, with loans defined by the following loan proxies: \$1,000 or less in the Europe and Eurasia region, \$400 or less in the Latin America region, and \$300 or less in the rest of the world (in 1995 U.S. dollars).

Subsection (d) of the new section 131 authorizes \$150,000,000 for fiscal year 2001 to carry out these initiatives. Such funds are to include local currencies, are to be drawn from Part I (including chapter 4 of Part II) of the Foreign Assistance Act of 1961 and from the SEED Act of 1989, relating to aid to East European nations.

*Sec. 5. Micro- and Small Enterprise Development Credits*

This section amends section 108 of the Foreign Assistance Act of 1961 to authorize the President to provide assistance to increase the availability of credit to micro- and small enterprises to ensure the stable growth of developing countries. This assistance includes loans and guarantees to credit institutions, as well as training programs for both lenders and microentrepreneurs.

*Sec. 6. Microfinance Loan Facility*

This section adds a new section 133 to the Foreign Assistance Act of 1961 authorizing the establishment within USAID of a United States Microfinance Loan Facility to pool and manage the risk from natural disasters, war or civil conflict, national financial crisis, or short-term financial movements that threaten the long-term development of U.S.-supported microfinance institutions. The USAID Administrator is authorized to make loans or loan guarantees, drawing from resources of the Facility, to such institutions in order to prevent bankruptcy caused by the risks noted above. During fiscal year 2001, Congress must be advised 15 days in advance of making available funds from the Facility.

Subsection (c)(3) gives the USAID Administrator the authority to issue credit assistance on such terms and conditions, including fees, as the Administrator may determine. The principal amount of loans or loan guarantees in any fiscal year with respect to a single event is limited to \$30,000,000.

Subsection (d) authorizes \$5,000,000 for fiscal year 2001 for the subsidy cost of the loans and for administrative expenses. These funds are to be drawn from those available under Part I of the Foreign Assistance Act of 1961.

*Sec. 7. Report Relating to Future Development of Microenterprise Institutions*

This section is intended to lay a foundation for the future development of the microfinance sector. Subsection (a) requires the President to prepare and transmit to Congress a report on the most cost-effective methods and measurements for increasing the access of poor people to credit, other financial services, and related training. In particular, the Administration should develop a comprehensive strategy to advance the global microenterprise strategy in a way that maintains market principles while assuring the very poor, particularly women, obtain access to financial services.

*Sec. 8. United States Agency for International Development as Global Leader and Coordinator of Bilateral and Multilateral Microenterprise Assistance Activities*

This section contains findings and a sense of the Congress that the development of the microfinance sector should be included in multilateral discussions and institutions such as the International Fund for Agricultural Development (IFAD) and the United Nations Development Program (UNDP). In addition, the Secretary of the Treasury should instruct each U.S. Executive Director of the Multilateral Banks (MDBs) to advocate the development of a coherent and coordinated strategy to support the microenterprise sector.

*Sec. 9. Definitions*

Section 9 contains definitions of terms used in this act.

### III. COST ESTIMATE

In accordance with rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the Committee provides the following estimate of the cost of this legislation prepared by the Congressional Budget Office:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 29, 2000.*

Hon. JESSE HELMS, *Chairman,*  
*U.S. Senate,*  
*Committee on Foreign Relations,*  
*Washington, DC.*

DEAR MR. CHAIRMAN:

The Congressional Budget Office has prepared the enclosed cost estimate for the Microenterprise for Self-Reliance Act of 2000.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Joseph C. Whitehill.

Sincerely,

DAN L. CRIPPEN, *Director.*

Enclosure.

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

*Summary*

The Microenterprise for Self-Reliance Act of 2000 would authorize grants and loans to capitalize institutions that would make very small loans in developing countries. It also would authorize training and technical assistance to customers and managers of such institutions. In addition, the bill would create a loan facility that would offer subsidized loans to such institutions should they face bankruptcy due to natural disasters, wars, or severe financial crisis. CBO estimates that appropriation of the authorized amounts would result in additional outlays of \$145 million over the next five years. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

The bill 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 the bill is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Spending Subject to Appropriation  
[By fiscal year, in millions of dollars]

	2000	2001	2002	2003	2004	2005
Spending Under Current Law for Microenterprise Grants and Loans:						
Budget Authority <sup>1</sup> .....	140	0	0	0	0	0
Estimated Outlays .....	130	126	50	28	18	12
Proposed Changes:						
Estimated Authorization Level .....	0	157	0	0	0	0
Estimated Outlays .....	0	12	87	28	11	7
Spending Under the Bill for Microenterprise Grants and Loans:						
Estimated Authorization Level <sup>1</sup> .....	140	157	0	0	0	0
Estimated Outlays .....	130	138	137	55	29	18

<sup>1</sup> The 2000 level is the amount appropriated for that year.

*Basis of Estimate*

Under current law, the Administration provides grants and loans to small-scale financial institutions through several different programs. The bill would authorize appropriations of \$150 million in 2001 for grant assistance. The bill would authorize a program of micro- and small-enterprise credits, though it does not specify a funding level. CBO assumes that the credit program would continue at the current funding level of \$2 million for administrative costs and credit subsidies in 2001.

The bill would also create a new loan facility to assist U.S.-sponsored, microfinance institutions that face bankruptcy due to natural disaster, war, or severe national financial crisis. It would authorize up to \$5 million for the cost of subsidized loans in 2001.

CBO estimates that outlays from the bill's authorizations would total \$145 million over the 2001–2005 period, assuming appropriation of the necessary amounts and historical spending patterns.

*Pay-As-You-Go Considerations*

None.

*Previous CBO Estimate*

On April 6, 2000, CBO transmitted a cost estimate for S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000. This bill contains a subset of the provisions in the earlier bill, and the cost estimates for those provisions are the same.

*Intergovernmental and Private-Sector Impact*

The Microenterprise for Self-Reliance Act of 2000 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

*Estimate Prepared By*

Federal costs: Joseph C. Whitehill. Impact on state, local, and tribal governments: Leo Lex. Impact on the private sector: Lauren Marks.

*Estimate Approved By*

Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

## IV. EVALUATION OF REGULATORY IMPACT

In accordance with rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the Committee has concluded that there is no regulatory impact from this legislation.

## V. CHANGES IN EXISTING LAW

In compliance with paragraph 12 rule XXVI of the Standing Rules of the Senate, 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 italic, existing law in which no change is proposed is shown in roman):

**Foreign Assistance Act of 1961**

\* \* \* \* \*

**[SEC. 108. PRIVATE SECTOR REVOLVING FUND.—**(a) The Congress finds that the development of private enterprise, including cooperatives, is a vital factor in the stable growth of developing countries and in the development and stability of a free, open, and equitable international economic system. It is therefore in the best interests of the United States to assist the development of the private sector in developing countries and to engage the United States private sector in that process. In order to promote such private sector development, the President is authorized to establish a revolving fund account in the United States Treasury. All funds deposited in such account shall, notwithstanding any provision in an appropriation Act to the contrary, be free from fiscal year limitations.

**[(b)** Of the funds made available under this chapter in each of the fiscal years 1986 and 1987, up to \$18,000,000 may be deposited in this account. Such funds used in accordance with the policies

and authorities of this section shall be in addition to other funds available for private sector activities under other authorities in this Act. Any reflows and income arising from activities carried out pursuant to this section, including loan repayments and fee income (as provided in subsection (e) of this section), shall be deposited into the revolving fund and remain available to carry out the purposes of this section. All funds in such account may be invested in obligations of the United States.

[(c) (1) The agency primarily responsible for administering this part is authorized to use the funds maintained in this revolving fund account to furnish assistance in furtherance of the policy of subsection (a) on such terms and conditions as it may determine. Amounts in the revolving fund account shall be available for obligation for assistance under this section only to such extent as may be provided in advance in appropriation Acts. Assistance may be provided under this section without regard to sections 604(a) and 620(r) of this Act.

[(2) Assistance under this section may be provided only to support private sector activities which—

[(A) are consistent with the United States development assistance policies set forth in section 102 of this Act and with the development priorities of the host country;

[(B) are the types of activities for which assistance may be provided under sections 103 through 106 of this Act;

[(C) will have a demonstration effect;

[(D) will be innovative;

[(E) are financially viable;

[(F) will maximize the development impact appropriate to the host country, particularly in employment and the use of appropriate technology; and

[(G) are primarily directed to making available to small business enterprises and cooperatives necessary support and services which are not otherwise generally available.

[In determining whether an enterprise is a small business enterprise, the agency primarily responsible for administering this part shall take into consideration the enterprise's total net fixed assets and number of employees, together with the relevant definition utilized by the host country government and the International Bank for Reconstruction and Development and other international organizations.

[(3)(A) Not more than \$3,000,000 may be made available under this section to support any one project.

[(B) Not more than 50 per centum of the financial support for any project may be provided under this section, and a substantial portion of the financial support for a project assisted under this section must be provided by sources within the host country.

[(C) Not more than 20 per centum of the assets of the revolving fund account under this section may be used to support projects in any one country.

[(D) In order to maximize the impact on institution building, loans under this section shall be made primarily to intermediary entities which provide necessary support and services for private sector activities.

[(E) Loans under this section shall be at or near the interest rate otherwise available to the recipient.

[(d) (1) If at any time the assets of the revolving fund account exceeds \$100,000,000, the President shall remit the amount in excess of \$100,000,000 to the United States Treasury.

[(2) As used in this section, "assets" includes amounts in the revolving fund account plus the value of investments made with amounts from the fund plus the current value of outstanding obligations under loans under this section.

[(3) In addition to the requirement of paragraph (1), at the end of any fiscal year, the agency primarily responsible for administering this part may determine that amounts in the revolving fund are sufficient to permit the remittance to the United States Treasury of an amount equal to a portion or the total amount of appropriated funds deposited in the revolving fund. Any such remittance shall be deemed to be a decrease in the appropriated funds in the revolving fund. After remittance has been made of an amount equal to the total amount of appropriated funds, the revolving fund shall consist and be deemed to consist entirely of non-appropriated funds.

[(e) A fee may be charged, where appropriate, in carrying out activities with funds from the revolving fund authorized in this section. The amount of any such fee shall be determined by the agency primarily responsible for administering this part.

[(f) In the event the revolving fund is terminated, all unobligated money in the fund at the time of such termination shall be transferred to and become part of the miscellaneous receipts account of the Treasury.

[(g) As part of its annual congressional presentation documents submitted to the Congress, the agency primarily responsible for administering this part shall include a description of projects proposed to be funded from the revolving fund account for that fiscal year. To the extent that projects are proposed for funding which are not contained in the annual congressional presentation documents, at least fifteen days' advance notification shall be provided to the Congress in accordance with section 634A of this Act.

[(h) Not later than December 31 of each year, the President shall submit a comprehensive report which details all projects funded under this section during the previous fiscal year, all reflows to the revolving fund account, a status report on all projects currently contained in the fund's portfolio. Such reports shall include, but not be limited to, information regarding numbers and kinds of beneficiaries reached, amounts and kinds of benefits provided by the funded projects to targeted populations, and a justification for projects within the context of the goals and objectives of the United States development assistance program.

[(i) (1) To carry out the purposes of subsection (a), in addition to the other authorities set forth in this section, the agency primarily responsible for administering this part is authorized to issue guarantees on such terms and conditions as it shall determine assuring against losses incurred in connection with loans made to projects that meet the criteria set forth in subsection (c). The full faith and credit of the United States is hereby pledged for the full payment and performance of such guarantees.

[(2) Loans guaranteed under this subsection shall be on such terms and conditions as the agency may prescribe, except for the following:



[(A) The agency shall issue guarantees only when it is necessary to alleviate a credit market imperfection.]

[(B) Loans guaranteed shall provide for complete amortization within a period not to exceed ten years or, if the principal purpose of the guaranteed loan is to finance the construction or purchase of a physical asset with a useful life of less than ten years, within a period not to exceed such useful life.]

[(C) No loan guaranteed to any one borrower may exceed 50 percent of the cost of the activity to be financed, or \$3,000,000, whichever is less, as determined by the agency.]

[(D) No loan may be guaranteed unless the agency determines that the lender is responsible and that adequate provision is made for servicing the loan on reasonable terms and protecting the financial interest of the United States.]

[(E) The fees earned from the loan guarantees issued under this subsection shall be deposited in the revolving fund account as part of the guarantee reserve established under paragraph (5) of this subsection. Fees shall be assessed at a level such that the fees received, plus the funds from the revolving fund account placed in the guarantee reserve satisfy the requirements of paragraph (5). Fees shall be reviewed every twelve months to ensure that the fees assessed on new loan guarantees are at the required level.]

[(F) Any guarantee shall be conclusive evidence that such guarantee has been properly obtained, and that the underlying loan as contracted qualifies for such guarantee. Except for fraud or material misrepresentation for which the parties seeking payment under such guarantee are responsible, such guarantee shall be presumed to be valid, legal, and enforceable.]

[(G) The agency shall determine that the standards used by the lender for assessing the credit risk of new and existing guaranteed loans are reasonable. The agency shall require that there be a reasonable assurance of repayment before credit assistance is extended.]

[(H) Commitments to guarantee loans may be made by the agency only to the extent that the total loan principal, any part of which is guaranteed, will not exceed the amount specified in annual appropriations Acts.]

[(3) To the extent that fees are not sufficient as specified under paragraph (2)(E) to cover expected future liabilities, appropriations are authorized to maintain an appropriate reserve.]

[(4) The losses guaranteed under this subsection may be in dollars or in other currencies. In the case of loans in currencies other than dollars, the guarantees issued shall be subject to an overall payment limitation expressed in dollars.]

[(5) The agency shall segregate in the revolving fund account and hold as a reserve an amount estimated to be sufficient to cover the agency's expected net liabilities on the loan guarantees outstanding under this subsection; except that the amount held in reserve shall not be less than 25 percent of the principal amount of the agency's outstanding contingent liabilities on such guarantees. Any payments made to discharge liabilities arising from the loan guarantees shall be paid first out of the assets in the revolving fund account and next out of other funds made available for this purpose.]

**SEC. 108. MICRO- AND SMALL ENTERPRISE DEVELOPMENT CREDITS.**

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

(1) *the development of micro- and small enterprises are a vital factor in the stable growth of developing countries and in the development and stability of a free, open, and equitable international economic system; and*

(2) *it is, therefore, in the best interests of the United States to assist the development of the enterprises of the poor in developing countries and to engage the United States private sector in that process.*

(b) *PROGRAM.*—To carry out the policy set forth in subsection (a), the President is authorized to provide assistance to increase the availability of credit to micro- and small enterprises lacking full access to credit, including through—

(1) *loans and guarantees to credit institutions for the purpose of expanding the availability of credit to micro- and small enterprises;*

(2) *training programs for lenders in order to enable them to better meet the credit needs of microentrepreneurs; and*

(3) *training programs for microentrepreneurs in order to enable them to make better use of credit and to better manage their enterprises.*

(c) *ELIGIBILITY CRITERIA.*—The Administrator of the United States Agency for International Development shall establish criteria for determining which entities described in subsection (b) are eligible to carry out activities, with respect to micro- and small enterprises, assisted under this section. Such criteria may include the following:

(1) *The extent to which the recipients of credit from the entity do not have access to the local formal financial sector.*

(2) *The extent to which the recipients of credit from the entity are among the poorest people in the country.*

(3) *The extent to which the entity is oriented toward working directly with poor women.*

(4) *The extent to which the entity recovers its cost of lending.*

(5) *The extent to which the entity implements a plan to become financially sustainable.*

(d) *ADDITIONAL REQUIREMENT.*—Assistance provided under this section may only be used to support micro- and small enterprise programs and may not be used to support programs not directly related to the purposes described in subsection (b).

(e) *AUTHORIZED USES OF FUNDS.*—

(1) *IN GENERAL.*—Amounts made available to carry out this section may be used for, among other things—

(A) *the subsidy cost, as defined in section 502(5) of the Federal Credit Reform Act of 1990, for activities under this section; and*

(B) *the cost of administration expenses in carrying out credit activities under this section.*

(2) *DEFAULT AND PROCUREMENT PROVISIONS.*—

(A) *DEFAULT PROVISION.*—The provisions of section 620(q), or any comparable provision of law, shall not be construed to prohibit assistance to a country in the event that a private sector recipient of assistance furnished under

*this section is in default in its payment to the United States for the period specified in such section.*

*(B) PROCUREMENT PROVISION.—Assistance may be provided under this section without regard to section 604(a).*

*(3) RULE OF CONSTRUCTION.—Amounts authorized to be appropriated under this subsection are in addition to amounts otherwise available to carry out this section.*

\* \* \* \* \*

**SEC. 131. COORDINATED DONOR STRATEGY FOR SUPPORT AND EDUCATION OF ORPHANS IN SUB-SAHARAN AFRICA.**

*(a) STATEMENT OF POLICY.—It is in the national interest of the United States to assist in mitigating the burden that will be placed on sub-Saharan African social, economic, and political institutions as these institutions struggle with the consequences of a dramatically increasing AIDS orphan population, many of whom are themselves infected by HIV/AIDS. Effectively addressing that burden and its consequences in sub-Saharan Africa will require a coordinated multidonor strategy.*

*(b) DEVELOPMENT OF STRATEGY.—The President shall coordinate the development of a multidonor strategy to provide for the support and education of AIDS orphans and the families, communities, and institutions most affected by the HIV/AIDS epidemic in sub-Saharan Africa.*

*(c) AUTHORITY.—Assistance made available under this section may be made available notwithstanding any other provision of law.*

*(d) DEFINITION.—In this section, the term “HIV/AIDS” means, with respect to an individual, an individual who is infected with—*

- (1) the human immunodeficiency virus (HIV); or*
- (2) HIV and the acquired immune deficiency virus (AIDS).*

**SEC. 132. MICROENTERPRISE DEVELOPMENT GRANT ASSISTANCE.**

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

*(1) the development of microenterprise is a vital factor 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 assist the development of microenterprises in developing countries; and*

*(3) the support of microenterprise can be served by programs providing credit, savings, training, technical assistance, and business development services.*

*(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 microenterprises 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 development 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 development 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 development institutions that serve the poor and very poor.

(2) IMPLEMENTATION.—Assistance authorized under paragraph (1) 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 entrepreneurs 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 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 very small loans through a vast grassroots infrastructure based on market principles; and

(ii) act as wholesale intermediaries providing a range of services to microfinance 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).

(6) *DEFINITION.*—In this subsection, the term “business development services” means support for the growth of microenterprises through training, technical assistance, marketing assistance, improved production technologies, and other services.

(c) *MONITORING SYSTEM.*—In order to maximize the sustainable development impact of the assistance authorized under subsection (a)(1), the Administrator of the United States Agency for International Development 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) provides a basis for recommendations for adjustments to measures for reaching the poorest of the poor, including proposed legislation containing amendments to improve paragraph (3).

(d) *LEVEL OF ASSISTANCE.*—Of the funds made available under this part and the Support for East European Democracy (SEED) Act of 1989, including local currencies, there are authorized to be available \$135,000,000 during fiscal year 2001, and \$150,000,000 during fiscal year 2002, to carry out the provisions of this section.

**SEC. 133. UNITED STATES MICROFINANCE LOAN FACILITY.**

(a) *ESTABLISHMENT.*—The Administrator is authorized to establish a United States Microfinance Loan Facility (in this section referred to as the “Facility”) to pool and manage the risk from natural disasters, war or civil conflict, national financial crisis, or short-term financial movements that threaten the long-term development of United States-supported microfinance institutions.

(b) *DISBURSEMENTS.*—

(1) *IN GENERAL.*—The Administrator shall make disbursements from the Facility to United States-supported microfinance institutions to prevent the bankruptcy of such institutions caused by—

(A) natural disasters;

(B) national wars or civil conflict; or

(C) national financial crisis or other short-term financial movements that threaten the long-term development of United States-supported microfinance institutions.

(2) *FORM OF ASSISTANCE.*—Assistance under this section shall be in the form of loans or loan guarantees for microfinance institutions that demonstrate the capacity to resume self-sustained operations within a reasonable time period.

(3) *CONGRESSIONAL NOTIFICATION PROCEDURES.*—During each of the fiscal years 2001 and 2002, 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 reprogramming notifications under that section.

(c) *GENERAL PROVISIONS.*—

(1) *POLICY PROVISIONS.*—In providing the credit assistance authorized by this section, the Administrator should apply, as appropriate, the policy provisions in this part that are applicable to development assistance activities.

(2) *DEFAULT AND PROCUREMENT PROVISIONS.*—

(A) *DEFAULT PROVISION.*—The provisions of section 620(q), or any comparable provision of law, shall not be construed to prohibit assistance to a country in the event that a private sector recipient of assistance furnished under this section is in default in its payment to the United States for the period specified in such section.

(B) *PROCUREMENT PROVISION.*—Assistance may be provided under this section without regard to section 604(a).

(3) *TERMS AND CONDITIONS OF CREDIT ASSISTANCE.*—

(A) *IN GENERAL.*—Credit assistance provided under this section shall be offered on such terms and conditions, including fees charged, as the Administrator may determine.

(B) *LIMITATION ON PRINCIPAL AMOUNT OF FINANCING.*—The principal amount of loans made or guaranteed under this section in any fiscal year, with respect to any single borrower, may not exceed \$30,000,000.

(C) *EXCEPTION.*—No payment may be made under any guarantee issued under this section for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

(4) *FULL FAITH AND CREDIT.*—All guarantees issued under this section shall constitute obligations, in accordance with the terms of such guarantees, of the United States of America, and the full faith and credit of the United States of America is hereby pledged for the full payment and performance of such obligations to the extent of the guarantee.

(d) *FUNDING.*—

(1) *ALLOCATION OF FUNDS.*—

(A) *IN GENERAL.*—Of the amounts made available to carry out this part for each of the fiscal years 2000 and 2001, up to \$5,000,000 may be made available for—

(i) the subsidy cost, as defined in section 502(5) of the Federal Credit Reform Act of 1990, to carry out this section; and

(ii) subject to subparagraph (B), the cost of administrative expenses to carry out this section.

(B) *LIMITATION ON ADMINISTRATIVE EXPENSES.*—Of the amount made available under subparagraph (A) to carry

*out this section for a fiscal year, not more than \$500,000 may be made available for administrative expenses under subparagraph (A)(ii).*

*(2) RELATION TO OTHER FUNDING.—Amounts made available under paragraph (1) are in addition to amounts available under any other provision of law to carry out this section.*

*(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 this Act for fiscal year 1980 or any subsequent fiscal year.*

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