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2d Session }

SENATE

{ REPORT
{ 110-419

SOCIAL INVESTMENT AND ECONOMIC DEVELOPMENT
FOR THE AMERICAS ACT OF 2007

JULY 15, 2008.—Ordered to be printed

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

REPORT

[To accompany S. 2120]

The Committee on Foreign Relations, having had under consideration the bill (S. 2120), to authorize the establishment of a Social Investment and Economic Development Fund for the Americas to provide assistance to reduce poverty, expand the middle class, and foster increased economic opportunity in the countries of the Western Hemisphere, and for other purposes, having considered the same, reports favorably thereon and recommends that the bill do pass.

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I. PURPOSE

The purpose of S. 2120 is to establish a Social Investment and Economic Development Fund for the Americas to provide assistance to reduce poverty, expand the middle class, and foster increased economic opportunity in the countries of the Western Hemisphere.

II. COMMITTEE ACTION

S. 2120 was introduced by Senator Menendez on October 1, 2007. It is cosponsored by Senators Biden, Cardin, Hagel, Coleman, Lugar, Bill Nelson, Salazar, Boxer, Clinton, Dodd, Kerry, Martinez, and Reid. On June 24, 2008, the committee considered the bill, and ordered it to be reported favorably, without amendment, by voice vote.

III. DISCUSSION

The Social Investment and Economic Development for the Americas Act of 2007 directs the President, through the United States Agency for International Development (USAID), to provide assistance to reduce poverty, expand the middle class, and foster increased economic opportunity in Western Hemisphere countries. The Act also directs the Secretary of the Treasury to instruct the United States Executive Director at the Inter-American Development Bank to use U.S. influence to urge the Bank to establish a fund which would be administered by the Bank to support micro-enterprise development, improve the investment climate by strengthening the rule of law, and increase workforce competitiveness. The legislation authorizes a total of 2.5 billion dollars over the next ten years for the activities described above. Such programs will assist developing nations in meeting the new criteria set for by the Millennium Challenge Corporation and will help support countries in a manner consistent with Secretary Rice's transformational development agenda by creating a partnership between the host government and the U.S. Government.

The bill also establishes within U.S. Agency for International Development the Western Hemisphere Economic Investment and Development Advisory Committee. This committee will serve as a link among the U.S. government, nongovernmental organizations, the private sector, and other interested parties and review projects funded under this Act. Finally, the bill authorizes appropriations for payment to the Inter-American Development Bank of arrears owed by the United States to the Multilateral Investment Fund.

IV. COST ESTIMATE

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 7, 2008.

Hon. JOSEPH R. BIDEN, JR.,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 2120, the Social Investment and Economic Development for the Americas Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D'Monte.

Sincerely,

PETER R. ORSZAG.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 7, 2008.

S. 2120**Social Investment and Economic Development for the Americas Act of 2007**

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN RELATIONS ON JUNE 24, 2008

Summary

S. 2120 would authorize the appropriation of almost \$1.3 billion over the 2009–2013 period and an additional \$300 million a year over the 2014–2017 period for assistance programs to reduce poverty, expand the middle class, and foster economic opportunity in countries of the Western Hemisphere. CBO estimates that implementing S. 2120 would cost \$777 million over the 2009–2013 period, assuming appropriation of the authorized amounts. (Additional spending over the 2014–2018 period would total \$1.4 billion, CBO estimates.) Enacting S. 2120 would have no effect on direct spending or revenues.

S. 2120 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 S. 2120 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Changes in Spending Subject to Appropriation
by fiscal year, in millions of dollars

	2009	2010	2011	2012	2013	2009–2013
Bilateral Development Assistance						
Authorization Level	75	100	125	150	150	600
Estimated Outlays	8	40	72	100	124	344
Contributions to Inter-American Development Bank (IDB)						
Authorization Level	75	100	125	150	150	600
Estimated Outlays	19	44	75	113	131	382
IDB Arrears						
Authorization Level	51	0	0	0	0	51
Estimated Outlays	51	0	0	0	0	51
Total Changes						
Authorization Level	201	200	250	300	300	1,251
Estimated Outlays	78	84	147	213	255	777

Basis of Estimate

For this estimate, CBO assumes that S. 2120 will be enacted near the start of fiscal year 2009, that the authorized amounts will

be appropriated each year, and that outlays will follow historical spending patterns for existing programs. (S. 2120 also would authorize the appropriation of \$100 million in 2008 for foreign assistance programs; however, those amounts are not included in this cost estimate because CBO assumes that no further appropriations will be provided in 2008 for such programs.)

Bilateral Development Assistance

Section 3 would authorize the appropriation of \$600 million over the 2009–2013 period and an additional \$600 million over the 2014–2017 period to operate and expand existing United States Agency for International Development (USAID) programs that promote education, disease prevention, housing quality and access, rural development, poverty reduction, law enforcement, and efficient judicial systems. The bill would require USAID to evaluate the impact of such programs and to make annual reports to the Congress. In addition, the bill would establish an advisory committee to consult with USAID and oversee the authorized programs. In total, CBO estimates that implementing those provisions would cost \$344 million over the 2009–2013 period, assuming appropriation of the authorized amounts.

Contributions to Inter-American Development Bank (IDB)

Section 4 would authorize the appropriation of \$600 million over the 2009–2013 period and an additional \$600 million over the 2014–2017 period for contributions to the IDB to establish a Social Investment and Economic Development Fund for the Americas. The fund, which also would be authorized to receive contributions from other countries and private entities, would provide assistance to reduce poverty, expand the middle class, and foster economic opportunity in countries of the Western Hemisphere. Assuming appropriation of the authorized amounts, CBO estimates that implementing this provision would cost \$382 million over the 2009–2013 period.

IDB Arrears

Section 6 would authorize the appropriation of \$51 million as a payment to the IDB for arrears owed by the United States. Assuming appropriation of the authorized amounts, CBO estimates that implementing this provision would cost \$51 million in 2009.

Intergovernmental And Private-Sector Impact

S. 2120 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: Sunita D'Monte
Impact on State, Local, and Tribal Governments: Neil Hood
Impact on the Private Sector: Jacob Kuipers

Estimate Approved By:

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

V. EVALUATION OF REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. CHANGES IN EXISTING LAW

In compliance with Rule XXVI, paragraph 12 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

PART I

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CHAPTER 12.—SUPPORT FOR THE ECONOMIC AND POLITICAL INDEPENDENCE OF THE COUNTRIES OF THE SOUTH CAUCASUS AND CENTRAL ASIA

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CHAPTER 13.—SOCIAL INVESTMENT AND ECONOMIC DEVELOPMENT FOR THE AMERICAS

SEC. 499H. AUTHORIZATION OF ASSISTANCE.

(a) *ASSISTANCE.*—*The President, acting through the Administrator of the United States Agency for International Development and working with foreign governments and civil society, shall provide increased and sustained assistance to reduce poverty, expand the middle class, and foster increased economic opportunity in the countries of the Western Hemisphere by helping to—*

(1) *improve the quality of life and invest in human capital, specifically by promoting education, improving health and disease prevention, and increasing the access to and quality of housing;*

(2) *reduce crime, particularly violent crime, including murder, kidnapping, gang violence, and violence against women;*

(3) *generate rural development and reduce poverty in the agricultural and non-agricultural rural sector;*

(4) *strengthen the rule of law, governance, and democracy through the establishment of independent judiciaries, efficient processes to adjudicate claims, and trusted law enforcement bodies; and*

(5) *reduce poverty and eliminate the exclusion of marginalized populations, including indigenous groups, people of African descent, women, rural and urban poor, and people with disabilities.*

(b) *CONTRIBUTION REQUIREMENT.*—*To receive United States assistance under this chapter, a recipient country must contribute at least 10 percent of the total value of the funds the United States provides for projects in the recipient country. Such contribution is in addition to the funds such country regularly provides for these types of programs. Additional contributions may be required at the discre-*

tion of the Administrator of the United States Agency for International Development.

(c) *INELIGIBILITY TO RECEIVE ASSISTANCE.*—The President shall be prohibited from providing assistance under this section to the government of a country that is ineligible to receive assistance under section 620, this part, or chapter 4 of part II.

(d) *TERMS AND CONDITIONS.*—Assistance under this chapter may be provided on such other terms and conditions as the President may determine.

(e) *COORDINATION WITH OTHER FEDERAL AGENCIES.*—The Administrator of the United States Agency for International Development shall coordinate with the heads of other Federal departments and agencies as necessary to carry out subsection (a).

SEC. 499I. WESTERN HEMISPHERE ECONOMIC INVESTMENT AND DEVELOPMENT ADVISORY COMMITTEE.

(a) *IN GENERAL.*—There is established within the United States Agency for International Development an advisory committee to be known as the Western Hemisphere Economic Investment and Development Advisory Committee (hereafter in this chapter referred to as the “Advisory Committee”). The Advisory Committee shall serve as a link among the United States Government, nongovernmental organizations, the private sector, and other interested parties and review projects funded under this Act.

(b) *MEMBERSHIP.*—

(1) *IN GENERAL.*—The Advisory Committee shall be composed of 6 members, of whom—

(A) 1 member, who shall act as co-chairperson, shall be appointed by the President;

(B) 1 member, who shall act as co-chairperson, shall be appointed by--

(i) the majority leader of the Senate, in consultation with the senior member of the leadership of the House of Representatives belonging to the same political party as the majority leader of the Senate, if the majority leader of the Senate does not belong to the same political party as the President; or

(ii) the minority leader of the Senate, in consultation with the senior member of the leadership of the House of Representatives belonging to the same political party as the minority leader of the Senate, if the majority leader of the Senate belongs to the same political party as the President;

(C) 1 member shall be appointed by the majority leader of the Senate;

(D) 1 member shall be appointed by the minority leader of the Senate;

(E) 1 member shall be appointed by the Speaker of the House of Representatives; and

(F) 1 member shall be appointed by the minority leader of the House of Representatives.

(2) *QUALIFICATIONS.*—Each member of the Advisory Committee shall be—

(A) an individual with technical expertise with respect to the development of Latin America or the Caribbean; or

(B) a citizen of the United States with—

(i) regional experience related to development in Latin America or the Caribbean;

(ii) technical or functional experience with respect to development issues; or

(iii) extensive expertise in small business issues or international business experience in Latin America or the Caribbean.

(c) **DUTIES.**—*The Advisory Committee shall—*

(1) *consult with, provide information to, and advise the United States Agency for International Development and other United States Government agencies, as appropriate, on, and work closely with the United States Agency for International Development Regional Director, the Assistant Secretary for Western Hemisphere Affairs of the Department of State, and the United States Executive Director of the Inter-American Development Bank on, matters related to this chapter;*

(2) *meet at least twice annually and at other times as necessary;*

(3) *serve as a liaison with, and provide information and counsel to, the private sector and nongovernmental organizations in relation to the projects covered under this chapter; and*

(4) *review all impact evaluations on projects proposed for funding using assistance provided under section 499H(a) and make recommendations and submit a written report to the Administrator of the United States Agency for International Development with respect to the effectiveness of the projects and future changes to the program.*

(d) **CONFLICTS OF INTEREST.**—*A member of the Advisory Committee shall not be permitted to review an application submitted by an organization with which the member has been or is affiliated or in which the member has had a financial interest.*

(e) **STAFF AND TRAVEL.**—*Using funds appropriated pursuant to the authorization of appropriations under section 499L, the Advisory Committee may establish and maintain a staff of no more than 2 persons to provide administrative support and may maintain a budget for travel expenses.*

SEC. 499J. EVALUATION.

(a) **IN GENERAL.**—*The Administrator of the United States Agency for International Development shall ensure that projects carried out under this chapter are subject to rigorous, independent impact evaluations at the original design stage and conclusion of the projects to determine if they are helping to reduce poverty and foster social and economic development in the countries of the Western Hemisphere. When possible, such evaluations shall be conducted in coordination with evaluations of similar projects funded by other donors in order to expand the evidence base for decision-making.*

(b) **USE OF EVALUATIONS.**—*The Advisory Committee shall use information from the evaluations conducted under subsection (a) to inform future project decisions.*

SEC. 499K. REPORT.

Not later than 1 year after the date of the enactment of the Social Investment and Economic Development for the Americas Act of 2007, and annually thereafter, the President shall prepare and submit to Congress a report on the specific programs, projects, and ac-

activities carried out under this chapter during the preceding year, including an evaluation of the results of such programs, projects, and activities. This report may be submitted with the budget justification materials submitted to Congress together with the budget of the President under section 1105(a) of title 31, United States Code.

SEC. 499L. AUTHORIZATION OF APPROPRIATIONS.

(a) *IN GENERAL.*—There are authorized to be appropriated to carry out this chapter, including for purposes of reducing poverty, expanding the middle class, and fostering increased economic opportunity in the countries of the Western Hemisphere, in addition to amounts of United States Foreign Assistance Funds (Function 150) otherwise authorized and appropriated and the \$820,000,000 in bilateral development assistance provided by the United States, on average, to Latin America and the Caribbean each year, the following amounts:

- (1) \$50,000,000 for fiscal year 2008.
- (2) \$75,000,000 for fiscal year 2009.
- (3) \$100,000,000 for fiscal year 2010.
- (4) \$125,000,000 for fiscal year 2011.
- (5) \$150,000,000 for fiscal year 2012.
- (6) \$150,000,000 for fiscal year 2013.
- (7) \$150,000,000 for fiscal year 2014.
- (8) \$150,000,000 for fiscal year 2015.
- (9) \$150,000,000 for fiscal year 2016.
- (10) \$150,000,000 for fiscal year 2017.

(b) *ADDITIONAL AUTHORITIES.*—Amounts appropriated pursuant to subsection (a)—

- (1) are authorized to remain available until expended;
- (2) are in addition to amounts otherwise available for such purposes; and
- (3) may be used to fund staff and travel expenses of the Advisory Committee.

(c) *FUNDING LIMITATION.*—Not more than 7 percent of the amounts appropriated pursuant to subsection (a) for a fiscal year may be used for administrative expenses.

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The Inter-American Development Bank Act

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SEC. 38. FOCUS ON LOW-INCOME AREAS OF LATIN AMERICA AND THE CARIBBEAN.

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SEC. 39. SOCIAL INVESTMENT AND ECONOMIC DEVELOPMENT FUND FOR THE AMERICAS.

(a) *IN GENERAL.*—The Secretary of the Treasury shall instruct the United States Executive Director at the Bank to use the voice, vote, and influence of the United States to urge the Bank to establish an account to be known as the “Social Investment and Economic Development Fund for the Americas” (in this section referred to as the “Fund”), which is to be operated and administered by the Board of Executive Directors of the Bank consistent with subsection (d). The United States Governor of the Bank may vote for a resolution transmitted by the Board of Executive Directors which provides for the

establishment of such an account, and the operation and administration of the account consistent with subsection (d).

(b) *OTHER CONTRIBUTIONS.*—The Fund may accept funds from other member countries of the Bank, private entities in the United States and in other member countries of the Bank, and countries in Latin America and the Caribbean.

(c) *MATCHING REQUIREMENT.*—No funds may be expended from the Fund until the total amount contributed by the United States in the first year of operation of the Fund has been matched.

(d) *CONTRIBUTION REQUIREMENT.*—To receive assistance under this section, a recipient country must contribute at least 10 percent of the total value of the funds the Fund provides for projects in the recipient country. Such contribution is in addition to the funds such country regularly provides for these types of programs. Additional contributions may be required at the discretion of the Board of Governors of the Bank.

(e) *USE OF FUNDS.*—The Fund shall be used to provide assistance to reduce poverty, expand the size of the middle class, and foster increased economic opportunity in the countries of the Western Hemisphere by helping to--

(1) nurture public private partnerships and microenterprise development;

(2) reduce the time and cost of starting a business and increase access to credit for small-and medium-sized businesses;

(3) leverage personal remittances and reduce the cost of remittances sent to Latin America and the Caribbean, for the purpose of advancing economic and social development by--

(A) increasing access to financial institutions for the poor, and working with local financial institutions to reduce fees and other costs associated with sending or receiving remittances;

(B) working with local financial institutions to develop programs whereby personal remittances can be used as the basis for credit for mortgages and loans for small business, microenterprises, housing, and other enterprises;

(C) providing matching funds for private entities in the United States that send donations for development projects in Latin America and the Caribbean; and

(D) fostering enabling environments for partnerships between civil society and local authorities that lead to greater accountability and improved processes for establishing priorities for remittances, including income-generating and wealth-building activities;

(4) in conjunction with changes implemented by recipient countries, improve the investment climate in individual countries by strengthening the rule of law and implementing judicial reforms to increase transparency and predictability in judicial, tax, and regulatory systems;

(5) increase workforce competitiveness in the global economy, specifically by focusing on application of technology and workforce training and development; and

(6) reduce poverty and eliminate the exclusion of marginalized populations, including indigenous groups, people of African descent, women, rural and urban poor, and people with disabilities.

(f) *INELIGIBILITY TO RECEIVE ASSISTANCE.*—The President shall be prohibited from providing assistance under this section to the government of a country that is ineligible to receive assistance under section 620, part I, or chapter 4 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.).

(g) *TERMS AND CONDITIONS.*—Assistance under this section may be provided on such other terms and conditions as the President may determine.

(g) *AUTHORIZATION OF APPROPRIATIONS.*—

(1) *Contributions.*—There are authorized to be appropriated to the Secretary of the Treasury for United States contributions to the Fund for the purpose of carrying out this section the following amounts:

- (A) \$50,000,000 for fiscal year 2008.
- (B) \$75,000,000 for fiscal year 2009.
- (C) \$100,000,000 for fiscal year 2010.
- (D) \$125,000,000 for fiscal year 2011.
- (E) \$150,000,000 for fiscal year 2012.
- (F) \$150,000,000 for fiscal year 2013.
- (G) \$150,000,000 for fiscal year 2014.
- (H) \$150,000,000 for fiscal year 2015.
- (I) \$150,000,000 for fiscal year 2016.
- (J) \$150,000,000 for fiscal year 2017.

(2) *ADDITIONAL AUTHORITIES.*—Amounts appropriated pursuant to paragraph (1)--

- (A) are authorized to remain available until expended;
- and
- (B) are in addition to amounts otherwise available for such purposes.

(3) *FUNDING LIMITATION.*—Not more than 7 percent of the amounts appropriated pursuant to paragraph (1) for a fiscal year may be used for administrative expenses.