

WOMEN’S ENTREPRENEURSHIP AND ECONOMIC  
 EMPOWERMENT ACT OF 2018

JUNE 8, 2018.—Committed to the Committee of the Whole House on the State of  
 the Union and ordered to be printed

Mr. ROYCE of California, from the Committee on Foreign Affairs,  
 submitted the following

R E P O R T

[To accompany H.R. 5480]

[Including cost estimate of the Congressional Budget Office]

The Committee on Foreign Affairs, to whom was referred the bill (H.R. 5480) to improve programs and activities relating to women’s entrepreneurship and economic empowerment that are carried out by the United States Agency for International Development, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend 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 “Women’s Entrepreneurship and Economic Empowerment Act of 2018”.

## SEC. 2. FINDINGS.

Congress finds the following:

(1) Because women make up the majority of the world’s poor and gender inequalities prevail in incomes, wages, access to finance, ownership of assets, and control over the allocation of resources, women’s entrepreneurship and economic empowerment is important to achieve inclusive economic growth at all levels of society. Research shows that when women exert greater influence over household finances, economic outcomes for families improve, and childhood survival rates, food security, and educational attainment increase. Women also tend to place a greater emphasis on household savings which improves families’ financial resiliency.

(2) A 2016 report by the McKinsey Global Institute estimated that achieving global gender parity in economic activity could add as much as \$28 trillion to annual global gross domestic product (GDP) by 2025.

(3) Lack of access to financial services that address gender-specific constraints impedes women’s economic inclusion. More than one billion women around the world are currently left out of the formal financial system, which in turn causes many women to rely on informal means of saving and borrowing that are riskier and less reliable. Among other consequences, this hampers the success of women entrepreneurs, including those seeking to run or grow small and medium-sized enterprises (SMEs). The International Finance Corporation has estimated that 70 percent of women-owned SMEs in the formal sector are unserved or underserved in terms of access to credit, amounting to a \$285 billion credit gap.

(4) Women’s economic empowerment is inextricably linked to a myriad of other women’s human rights that are essential to their ability to thrive as economic actors across the lifecycle. This includes, but is not limited to, living lives free of violence and exploitation, achieving the highest possible standard of health and well-being, enjoying full legal and human rights such as access to registration, identification, and citizenship documents, benefitting from formal and informal education, and equal protection of and access to land and property rights, access to fundamental labor rights, policies to address disproportionate care burdens, and business and management skills and leadership opportunities.

(5) Discriminatory legal and regulatory systems and banking practices are hurdles to women’s access to capital and assets, including land, machinery, production facilities, technology, and human resources. Often, these barriers are connected to a woman’s marital status, which can determine whether she is able to inherit land or own property in her name. These constraints contribute to women frequently running smaller businesses, with fewer employees and lower asset values.

(6) Savings groups primarily comprised of women are recognized as a vital entry point, especially for poor and very poor women, to formal financial services and there is a high demand for such groups to protect and grow their savings with formal financial institutions. Evidence shows that, once linked to a bank, the average savings per member increases between 40 to 100 percent and the average profit per member doubles. Key to these outcomes is investing in financial literacy, business leadership training, and mentorship.

(7) United States support for microenterprise and microfinance development programs, which seek to reduce poverty in low-income countries by giving small loans to small-scale entrepreneurs without collateral, have been a useful mechanism to help families weather economic shocks, but many microcredit borrowers largely remain in poverty. The vast majority of microcredit borrowers are women who would like to move up the economic ladder but are held back by binding constraints that create a “missing middle”—large numbers of microenterprises, a handful of large firms or conglomerates, and very few SMEs in between, which are critical to driving economic growth in developing countries.

(8) According to the World Bank, SMEs create 4 out of 5 new positions in emerging markets but about half of formal SMEs don’t have access to formal credit. The financing gap is even larger when micro and informal enterprises

are taken into account. Overall, approximately 70 percent of all micro, small and medium-sized enterprises (MSMEs) in emerging markets lack access to credit.

**SEC. 3. ACTIONS TO IMPROVE GENDER POLICIES OF THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT.**

(a) **DEVELOPMENT COOPERATION POLICY.**—It shall be the development cooperation policy of the United States—

(1) to reduce gender disparities in access to, control over, and benefit from economic, social, political, and cultural resources, wealth, opportunities, and services;

(2) to strive to eliminate gender-based violence and mitigate its harmful effects on individuals and communities through efforts to develop standards and capacity to reduce gender-based violence in the workplace and other places where women conduct work;

(3) to support activities that secure private property rights and land tenure for women in developing countries, including legal frameworks to give women equal rights to own, register, use, profit from, and inherit land and property, legal literacy to exercise these rights, and capacity of law enforcement and community leaders to enforce such rights; and

(4) to increase the capability of women and girls to realize their rights, determine their life outcomes, assume leadership roles, and influence decision-making in households, communities, and societies.

(b) **ACTIONS.**—In order to advance the policy described in subsection (a), the Administrator of the United States Agency for International Development shall ensure that—

(1) strategies, projects, and activities of the Agency are shaped by a gender analysis and, when applicable, use standard indicators to provide one measure of success of such strategies, projects, and activities; and

(2) gender equality and female empowerment is integrated throughout the Agency's Program Cycle and related processes for purposes of strategic planning, project design and implementation, and monitoring and evaluation.

(c) **GENDER ANALYSIS DEFINED.**—In this section, the term “gender analysis”—

(1) means a socio-economic analysis of available or gathered quantitative and qualitative information to identify, understand, and explain gaps between men and women which typically involves examining—

(A) differences in the status of women and men and their differential access to and control over assets, resources, opportunities, and services;

(B) the influence of gender roles, structural barriers, and norms on the division of time between paid employment, unpaid work (including subsistence production and care for family members), and volunteer activities;

(C) the influence of gender roles, structural barriers, and norms on leadership roles and decision making; constraints, opportunities, and entry points for narrowing gender gaps and empowering women; and

(D) potential differential impacts of development policies and programs on men and women, including unintended or negative consequences; and

(2) includes conclusions and recommendations to enable development policies and programs to narrow gender gaps and improve the lives of women and girls.

**SEC. 4. DEVELOPMENT ASSISTANCE FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES.**

(a) **FINDINGS AND POLICY.**—Section 251 of the Foreign Assistance Act of 1961 (22 U.S.C. 2211) is amended—

(1) in paragraph (1)—

(A) by striking “microenterprise” and inserting “micro, small and medium-sized enterprise”;

(B) by striking “and in the development” and inserting “, in the development”; and

(C) by adding at the end before the period the following: “, and in the economic empowerment of the poor, especially women”;

(2) in paragraph (2)—

(A) by striking “microenterprise” and inserting “micro, small and medium-sized enterprise”; and

(B) by adding at the end before the period the following: “, particularly those enterprises owned, managed, and controlled by women”;

(3) in paragraph (3), by striking “microenterprises” and inserting “micro, small and medium-sized enterprises”;

(4) in paragraph (4), by striking “microenterprise” and inserting “micro, small and medium-sized enterprise”;

(5) in paragraph (5)—

- (A) by striking “should continue” and inserting “should continue and be expanded”; and
  - (B) by striking “microenterprise and microfinance development assistance” and inserting “development assistance for micro, small and medium-sized enterprises”; and
  - (6) in paragraph (6)—
    - (A) by striking “have been successful” and inserting “have had some success”;
    - (B) by striking “microenterprise programs” and inserting “development assistance for micro, small and medium-sized enterprises”; and
    - (C) by striking “, such as countries in Latin America”.
- (b) AUTHORIZATION; IMPLEMENTATION; TARGETED ASSISTANCE.—Section 252 of the Foreign Assistance Act of 1961 (22 U.S.C. 2211a) is amended as follows:
- (1) In subsection (a)—
    - (A) in the matter preceding paragraph (1)—
      - (i) by striking “credit, savings, and other services” and inserting “credit, including the use of innovative credit scoring models, savings, financial technology, financial literacy, insurance, property rights, and other services”; and
      - (ii) by striking “microfinance and microenterprise clients” and inserting “micro, small and medium-sized enterprise clients”;
    - (B) in paragraph (1), by striking “microfinance and microenterprise clients” and inserting “micro, small and medium-sized enterprise clients, particularly those clients owned, managed, and controlled by women”;
    - (C) in paragraph (2)—
      - (i) by striking “microenterprises” and inserting “micro, small and medium-sized enterprises”; and
      - (ii) by inserting “acquire United States goods and services,” after “United States markets.”;
    - (D) in paragraph (3)—
      - (i) by striking “microfinance and microenterprise institutions” and inserting “financial intermediaries”;
      - (ii) by striking “microfinance and microenterprise clients” and inserting “micro, small and medium-sized enterprises”; and
      - (iii) by striking “and” at the end;
    - (E) in paragraph (4)—
      - (i) by striking “microfinance and microenterprise clients and institutions” and inserting “micro, small and medium-sized enterprises, financial intermediaries, and capital markets”; and
      - (ii) by striking “the poor and very poor.” and inserting “the poor and very poor, especially women.”; and
    - (F) by adding at the end the following:
      - “(5) assistance for the purpose of promoting the economic empowerment of women, including through increased access to financial resources and improving property rights, inheritance rights, and other legal protections; and
      - “(6) assistance for the purpose of scaling up evidence-based graduation approaches, which include targeting the very poor and households in ultra-poverty, consumption support, promotion of savings, skills training, and asset transfers.”.
  - (2) In subsection (b)—
    - (A) in paragraph (1) to read as follows:
      - “(1) IN GENERAL.—There is authorized to be established within the Agency an office to support the Agency’s efforts to broaden and deepen local financial markets, expand access to appropriate financial products and services, and support the development of micro, small and medium-sized enterprises. The Office shall be headed by a Director who shall possess technical expertise and ability to offer leadership in the field of financial sector development.”;
    - (B) in paragraph (2)—
      - (i) in subparagraph (B)—
        - (I) by striking “USE OF CENTRAL FUNDING MECHANISMS.—” and all that follows through “In order to ensure” and inserting “USE OF CENTRAL FUNDING MECHANISMS.—In order to ensure”;
        - (II) by striking “the office shall” and all that follows through “and other practitioners” and inserting “the office shall provide coordination and support for field-implemented programs, including through targeted core support for micro, small and medium-sized enterprises and local financial markets”; and
        - (III) by striking clause (ii);
      - (ii) in subparagraph (C)—

(I) by inserting “, particularly by protecting the use and funding of local organizations in countries in which the Agency invests,” after “and sustainability”; and

(II) by inserting “, especially women” after “the poor and very poor”; and

(C) by striking paragraph (3).

(3) In subsection (c)—

(A) by striking “all microenterprise resources” and inserting “all micro, small and medium-sized enterprise resources”; and

(B) by striking “clients who are very poor.” and all that follows and inserting “activities that reach the very poor, and 50 percent of all small and medium-sized enterprise resources shall be targeted to activities that reach enterprises owned, managed, and controlled by women.”.

(c) MONITORING SYSTEM.—Section 253(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2211b(b)) is amended—

(1) in paragraph (1), by inserting “, including goals on a gender disaggregated basis, such as improvements in employment, access to financial services, enterprise development, earnings and control over income, and property and land rights,” after “performance goals”;

(2) in paragraph (2), by striking “include performance indicators” and all that follows through “the achievement” and inserting “incorporate Agency planning and reporting processes and indicators to measure or assess the achievement”; and

(3) by striking paragraph (4).

(d) POVERTY MEASUREMENT METHODS.—Section 254 of the Foreign Assistance Act of 1961 (22 U.S.C. 2211c) is amended to read as follows:

**“SEC. 254. POVERTY MEASUREMENT METHODS.**

“The Administrator of the Agency, in consultation with financial intermediaries and other appropriate organizations, should have in place at least one method for implementing partners to use to assess poverty levels of their current incoming or prospective clients.”.

(e) ADDITIONAL AUTHORITIES.—Section 255 of the Foreign Assistance Act of 1961 (22 U.S.C. 2211d) is amended—

(1) by striking “assistance for microenterprise development assistance” and inserting “development assistance for micro, small and medium-sized enterprises”; and

(2) by striking “and, to the extent applicable” and all that follows and inserting a period.

(f) MICROENTERPRISE DEVELOPMENT CREDITS.—Section 256 of the Foreign Assistance Act of 1961 (22 U.S.C. 2212) is amended—

(1) in the section heading, by striking “**MICROENTERPRISE DEVELOPMENT CREDITS**” and inserting “**DEVELOPMENT CREDITS FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES**”;

(2) in subsection (a)—

(A) in paragraph (1), by striking “micro- and small enterprises” and inserting “micro, small and medium-sized enterprises”; and

(B) in paragraph (2), by striking “microenterprises” and inserting “micro, small and medium-sized enterprises”;

(3) in subsection (b), in the matter preceding paragraph (1), by inserting “and other financial services” after “credit”;

(4) by striking “microenterprise households” each place it appears and inserting “micro, small and medium-sized enterprises and households”; and

(5) by striking “microfinance institutions” each place it appears and inserting “financial intermediaries”.

(g) UNITED STATES MICROFINANCE LOAN FACILITY.—Section 257 of the Foreign Assistance Act of 1961 (22 U.S.C. 2213) is amended—

(1) in the section heading, by striking “**UNITED STATES MICROFINANCE LOAN FACILITY**” and inserting “**UNITED STATES MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE LOAN FACILITY**”;

(2) in subsection (a)—

(A) by striking “United States Microfinance Loan Facility” and inserting “United States Micro, Small and Medium-Sized Enterprise Loan Facility”; and

(B) by striking “United States-supported microfinance institutions” and inserting “United States-supported financial intermediaries”;

(3) in subsection (b)—

(A) by striking “United States-supported microfinance institutions” each place it appears and inserting “United States-supported financial intermediaries”; and

(B) in paragraph (2), by striking “microfinance institutions” and inserting “financial intermediaries”.

(h) CONTENTS OF REPORT.—Subsection (b) of section 258 of the Foreign Assistance Act of 1961 (22 U.S.C. 2214) is amended to read as follows:

“(b) CONTENTS.—To the extent practicable, the report should contain the following:

“(1) Information about assistance provided under section 252, including—

“(A) the amount of each grant or other form of assistance;

“(B) the name and type of each intermediary and implementing partner organization receiving assistance;

“(C) the name of each country receiving assistance; and

“(D) the methodology used to ensure compliance with the targeted assistance requirements in subsection (c) of such section.

“(2) The percentage of assistance provided under section 252 disaggregated by income level, including for the very poor, and gender.

“(3) The estimated number of individuals that received assistance provided under section 252 disaggregated by income level, including for the very poor, and gender, and by type of assistance, including loans, training, and business development services.

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

“(5) Information about any method in place to assess poverty levels under section 254.”.

(i) DEFINITIONS.—Section 259 of the Foreign Assistance Act of 1961 (22 U.S.C. 2214a) is amended—

(1) in paragraph (3), by striking “Committee on International Relations” and inserting “Committee on Foreign Affairs”;

(2) in paragraph (4), by striking “microenterprises” and inserting “micro, small and medium-sized enterprises”;

(3) in paragraph (6)—

(A) in subparagraph (E), by striking “microenterprise institution” and inserting “micro, small and medium-sized enterprise institution”; and

(B) in subparagraph (F), by striking “microfinance institution” and inserting “financial intermediary”;

(4) in paragraph (7) to read as follows:

“(7) MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE INSTITUTION.—The term ‘micro, small and medium-sized enterprise institution’ means an entity that provides services, including finance, training, or business development services, for micro, small and medium-sized enterprises in foreign countries.”;

(5) in paragraph (8) to read as follows:

“(8) FINANCIAL INTERMEDIARY.—The term ‘financial intermediary’ means the entity that acts as the intermediary between parties in a financial transaction, such as a bank, credit union, investment fund, a village savings and loan group, or an institution that provides financial services to a micro, small or medium-sized enterprise.”;

(6) by striking paragraph (9);

(7) by redesignating paragraphs (10) through (14) as paragraphs (9) through (13), respectively;

(8) in paragraph (9) (as redesignated), by striking “of microenterprise development”;

(9) in paragraph (10) to read as follows:

“(10) PRACTITIONER INSTITUTION.—The term ‘practitioner institution’ means a not-for-profit entity, financial intermediary, information and communications technology firm with a mobile money platform, a village and savings loan group, or any other entity that provides financial or business development services authorized under section 252 that benefits micro, small and medium-sized enterprise clients.”;

(10) in paragraph (12) (as redesignated)—

(A) in the heading, by striking “UNITED STATES-SUPPORTED MICROFINANCE INSTITUTION” and inserting “UNITED STATES-SUPPORTED FINANCIAL INTERMEDIARY”; and

(B) by striking “United States-supported microfinance institution” and inserting “United States-supported financial intermediary”;

(11) in subparagraph (B) of paragraph (13) (as redesignated) to read as follows:

“(B) living below the International Poverty Line, as defined by the International Bank for Reconstruction and Development and the International Development Association (collectively referred to as the ‘World Bank’).”.

(j) TECHNICAL AND CONFORMING AMENDMENTS.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended as follows:

(1) In the title heading, by striking “MICROENTERPRISE DEVELOPMENT ASSISTANCE” and inserting “DEVELOPMENT ASSISTANCE FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES”.

(2) In the heading for subtitle C, by striking “United States Microfinance Loan Facility” and inserting “United States Micro, Small and Medium-Sized Microfinance Loan Facility”.

**SEC. 5. REPORT AND BRIEFING BY UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT.**

(a) IN GENERAL.—Not later than one year after the date of the enactment of this Act, the Administrator of the United States Agency for International Development shall provide a briefing and submit to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate a report on the implementation of this Act and the amendments made by this Act, including actions to improve the gender policies of the United States Agency for International Development pursuant to section 3.

(b) PUBLIC AVAILABILITY.—The report required under paragraph (1) shall be posted and made available on a text-based, searchable, and publicly-available internet website.

**SEC. 6. REPORT BY COMPTROLLER GENERAL OF THE UNITED STATES.**

(a) IN GENERAL.—Not later than two years after the date of the enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate a report on development assistance for micro, small and medium-sized enterprises administered by the United States Agency for International Development.

(b) MATTERS TO BE INCLUDED.—The report required under subsection (a) shall include an assessment of the following:

(1) What is known about the impact of such development assistance on the economies of developing countries.

(2) The extent to which such development assistance is targeting women and the very poor, including what is known about how such development assistance benefits women.

(3) The extent to which the United States Agency for International Development has developed a methodology used to ensure compliance with the targeted assistance requirement in section 252(c) of the Foreign Assistance Act of 1961, as amended by section 4 of this Act, and the quality of such methodology.

(4) The monitoring system required in section 253(b) of the Foreign Assistance Act of 1961, as amended by section 4 of this Act, including the quality of such monitoring system.

**SUMMARY AND PURPOSE**

H.R. 5480, the Women’s Entrepreneurship and Economic Empowerment Act, seeks to address impediments to women’s economic inclusion in developing countries, including gender inequalities in access to finance, ownership of assets, and control over the allocation of resources. The legislation does this primarily by requiring all strategies, projects, and activities of the United States Agency for International Development (USAID) to be shaped by a gender analysis, and by expanding the Agency’s microenterprise assistance authorities to include programs in developing countries to increase the availability of credit, including the use of innovative credit scoring models, savings, financial technology, financial literacy, insurance, property rights, and other services for small and medium-sized enterprises (SMEs), particularly those enterprises owned, managed, and controlled by women.

## BACKGROUND AND NEED FOR THE LEGISLATION

Across the globe, women make up the majority of the world's poor due in part to gender-specific constraints to economic empowerment, including lack of access to financial services and discriminatory legal and regulatory systems that inhibit ownership and inheritance of assets such as real property. In 2015, the World Bank Group's Women Business and the Law found that 155 of 173 economies still have at least one law restricting women's economic opportunities. Yet research shows that when women exert greater influence over household finances, they reinvest up to 90 percent of their wages on household expenses, which improves childhood survival rates, food security, educational attainment for their children, and economic outcomes for families.

More than 1 billion women are left out of the formal financial system and women-owned SMEs face a nearly \$300 billion credit gap. Significant research underscores the potential gains to global growth through women's increased economic participation. A 2014 analysis by Goldman Sachs Global Market Institute found that closing the gender gap in access to credit for women-owned SMEs could increase per-capita gross domestic product (GDP) in developing countries by 12 percent. A 2015 study by the International Labor Organization found that countries with high female labor force participation rates are more resilient to economic shocks and suffer fewer slowdowns in economic growth. And a 2016 report by the McKinsey Global Institute estimated that achieving global gender parity in economic activity by 2025 could add as much as \$28 trillion to annual global GDP—an amount roughly equal to the combined economies of the United States and China.

Key to driving this growth is looking beyond microfinance to support for SMEs, which create four out of five new jobs in developing economies, as well as confronting other barriers women face. This bill brings attention to the need to protect the legal and human rights of women, which is integral to their economic participation and ability to live free of violence and exploitation.

*Lack of Secure Property Rights.*

Women in more than half of the world's countries face limits on their ability to own, inherit, or manage land by law or custom. For example, laws governing inheritance (a primary means of land transfer) often favor male relatives, or administrative practices and officials may not recognize a wife's joint ownership of land with her husband. While many countries have worked to make their existing laws more equitable, at the local level custom tends to uphold persistent disparities in recognized ownership and control. For example, despite a formal ownership of property, women may come under pressure to give their land to male relatives upon demand.

This lack of secure property rights prevents women from turning their land (and other movable assets) into economic opportunity. Without confidence in their ability to ensure long-term ownership of property, women are discouraged from investing to improve its productivity and increase its value, and cannot use the property as collateral for a loan. The effect on female farmers is particularly acute as women operate a significant number of smallholder farms throughout much of Africa and Asia.

To help address these challenges, Section 3 of H.R. 5480 declares that it is the development cooperation policy of the United States to support activities that secure private property rights and land tenure for women in developing countries, including legal frameworks to give women equal rights to own, register, use, profit from, and inherit land and property, legal literacy to exercise these rights, and capacity of law enforcement and community leaders to enforce such rights. Furthermore, Section 4 amends Section 252 of the Foreign Assistance Act of 1961 (22 U.S.C. 2211a) to explicitly authorize the President to provide assistance on a non-reimbursable basis for programs in developing countries to support women's property rights.

*Lack of Access to the Financial System.*

A lack of access to financial institutions and products also impedes women's economic inclusion, which in turn causes many women to rely on informal means of saving and borrowing that are riskier and less reliable, or to not seek out alternative financing at all. According to a 2017 Global Index report, women in developing economies remain 9 percentage points less likely than men to have a bank account. Even as millions of individuals enter the formal financial system, this gender gap in account ownership has not narrowed. Moreover, many women *with* a formal bank account only have access to it through a joint account with family members, which in practice may limit their control over account assets.

Women face barriers to accessing financial products beyond just savings accounts, such as credit, loans and insurance. This hampers the success of women entrepreneurs, particularly those seeking to run or grow SMEs. The International Finance Corporation has estimated that 70 percent of women-owned SMEs in the formal sector are unserved or underserved in terms of access to credit.

Reasons for the gender gap in access to the formal financial system include the fact that women generally control fewer assets than men, may be misunderstood by financial institutions, or harder to reach, and women themselves may be less familiar with the benefits of formal financial services. For example, in addition to being restricted or banned from ownership or inheritance of certain assets, women may also face legal or cultural limitations on their financial independence from family members—all of which means fewer controlled assets to facilitate their borrowing and banking. Restrictions on travel and access to technology make women harder to reach through both traditional and digital channels. Also, many financial institutions are unfamiliar with the barriers women face to using their services, with loan officers failing to consider how their processes for opening bank accounts or credit approval may disadvantage women who are less likely to have formal identification or evidence of income. Likewise, higher rates of illiteracy among women combined with a greater tendency towards risk aversion mean women often report feeling less comfortable or aware of the benefits of formal banking.

To address this barrier, Section 3 of H.R. 5480 declares that it is the development cooperation policy of the United States to reduce gender disparities in access to, control over, and benefit from economic, social, political, and cultural resources, wealth, opportunities, and services. Furthermore, Section 4 expands USAID's mi-

microenterprise assistance authorities to include support for SMEs, particularly those owned, controlled, and managed by women, and also by modernizing the Agency's financial assistance toolkit to increase women's access to credit, including through the use of innovative credit scoring models, savings, financial technology, financial literacy, insurance, and other services.

*Lack of Access to Technology.*

Women in the developing world are significantly less likely than men to use or have access to the internet—the so-called “digital gender divide.” A 2012 study by Intel Corporation found that, in low- and middle-income countries, women are about 25 percent less likely than men to be online, with this discrepancy increasing to as much as 30 to 40 percent in parts of Asia, Africa, and the Middle East. The report estimated that, in total, there are about 200 million fewer women and girls online than men and boys in developing countries, largely due to cultural norms around the appropriateness of women's access to technology, cost concerns, and higher illiteracy rates among women. Similar discrepancies can be seen in mobile phone usage. USAID estimates that 1.7 billion women in low- and middle-income countries still do not own mobile phones, and the gap between the number of men and women using the internet has grown steadily over the past 3 years. This lack of access to technology limits opportunities for female business owners and entrepreneurs, particularly as new financial technologies become available.

The Digital Global Access Policy Act (or the “Digital GAP Act”), which commits the United States to increase efforts and coordination to promote affordable and gender-equitable internet access, among other things, has been the primary legislative vehicle through which the committee has sought to address this disparity. However, Section 4 of H.R. 5480 also modernizes USAID's microenterprise assistance authorities to include support for women's access to financial technology as a means of economically empowering women.

*Gender-based Violence.*

Women's economic empowerment also requires freedom from violence. According to some estimates, as many as one in three women worldwide experience physical or sexual violence in their lifetime. Section 3 of H.R. 5480 states that it shall be the development cooperation policy of the United States to strive to eliminate gender-based violence and mitigate its harmful effects on individuals and communities through efforts to develop standards and capacity to reduce gender-based violence in the workplace and other places where women conduct work.

*Microenterprise and the “Missing Middle.”*

Beginning with his work in the slums of Bangladesh in the mid-1970s, Nobel laureate Muhammad Yunus touched off a global movement in support of “microcredit” investing, which seeks to reduce poverty in low-income countries by giving small loans to microentrepreneurs without collateral. But decades later, microcredit's record remains mixed. It is now generally viewed as a use-

ful mechanism to help families weather economic shocks, but microcredit borrowers have largely remained in poverty.

Microenterprise development assistance, administered by USAID, has enjoyed strong support in Congress as demonstrated through annual appropriations and the enactment of numerous authorizing statutes. The Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000 (Public Law 106–82) specifically required that 50 percent of all microenterprise resources be targeted to the very poor. However, a report by the Comptroller General in 2003 found, among other things, that despite studies and academic analyses that microenterprise activities generally serve the poor, few loans appeared to be reaching the very poor. This in turn prompted additional legislation in the 108th Congress—H.R. 192, which amends 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 (Public Law 108–31) and H.R. 3818, the Microenterprise Results and Accountability Act of 2004 (Public Law 108–484)—both of which established important reforms to promote accountability and effectiveness of microenterprise programs. Specifically, H.R. 192 provided a framework for USAID to certify and put into use at least two poverty measurement methods to ensure that 50 percent of USAID microenterprise development resources are benefiting very poor clients. H.R. 3818 went further, establishing a monitoring system to ensure that the 50 percent standard would be met.

H.R. 5840 improves this 50 percent requirement and monitoring system under current law by mandating that 50 percent of all SME resources authorized in the bill benefit enterprises owned, managed, and controlled by women and by requiring the monitoring system to include performance goals on a gender disaggregated basis. The committee notes that the bill’s amendments to Section 252(c) of the Foreign Assistance Act of 1961 should not be misconstrued as requiring 50 percent of all dollars to be directly appropriated to the populations described in that section; rather 50 percent of all appropriated dollars should target activities that *benefit* those populations described in such section. Likewise, the bill’s amendments to the monitoring system—specifically language in Section 4(b) regarding improvements in employment, access to financial services, enterprise development, earnings and control over income, and property and land rights—are examples of the types of performance goals USAID *should* use as part of its monitoring system, to the extent they are practicable.

The Women’s Entrepreneurship and Economic Empowerment Act further improves current law by expanding microenterprise assistance authorities to include support for SMEs, particularly those enterprises owned, managed, and controlled by women. Better awareness of the factors impeding women’s economic participation has converged with increased attention to the importance of SMEs in driving the kind of broad-based economic growth in emerging markets that microenterprises alone have not been able to achieve.

According to the World Bank, formal SMEs contribute up to 60 percent of total employment and up to 40 percent of GDP in emerging economies. While some emerging markets have thriving SME sectors, particularly in East Asia, most developing countries suffer

from what has been called the “missing middle”—large numbers of informal microenterprises, a handful of large firms or conglomerates, and very few SMEs in between. Overall, approximately 70 percent of all micro, small and medium-sized enterprises (MSMEs) in emerging markets lack access to credit. The current credit gap for formal SMEs is estimated to be \$1.2 trillion; the total credit gap for both formal and informal SMEs is as high as \$2.6 trillion.

Women-owned SMEs represent slightly more than one-third of *formal* SMEs in emerging markets, or about 8–10 million firms (representing 31 to 38 percent of all SMEs in emerging markets); women also own another 40 percent of the 340 million SMEs operating in the *informal* economy. However, the average growth rate of women-owned SMEs is significantly lower than those run by men. A number of factors have been cited as contributing to the slow growth of these women-owned businesses, including lack of access to finance, lower levels of business education or management training, risk aversion, and disparate household responsibilities. Women’s entrepreneurship is also skewed towards smaller firms and less profitable sectors, and women are more likely to operate home-based businesses than men. This performance gap among women-owned SMEs is now being viewed as a possible area for increased return on investment and broader economic growth.

To help ensure sustainable and inclusive economic development at scale, the committee encourages USAID to use its expanded authorities to focus its support for SMEs with the greatest potential for growth and impact on their communities.

Given the limited resources available, it is important to prioritize those SMEs that demonstrate an ability to leverage additional investment to grow their company by revenue and by jobs created. Investing in growth-oriented enterprises will help ensure a strong return on investment in both traditional and growing sectors of local economies, as well as the sustainability of these investments over time.

#### HEARINGS

Most recently, the Foreign Affairs Committee held a hearing on July 12, 2017, entitled “Beyond Microfinance: Empowering Women in the Developing World” related to the contents of H.R. 5480. The bill is an additional result of the committee’s extended focus on empowering women and girls through U.S. foreign policy, which has been the subject of five full committee hearings since 2014, other subcommittee hearings in recent Congresses, and the consideration of significant legislation related to women’s empowerment, including the Girls Count Act of 2015, the Protecting Girls’ Access to Education in Vulnerable Settings Act, and the Women, Peace, and Security Act of 2017, among others.

#### COMMITTEE CONSIDERATION

On April 17, 2018, the Committee on Foreign Affairs marked up H.R. 5480 in open session, pursuant to notice. An amendment (offered by Chairman Royce) was considered *en bloc* with the underlying bill, and both were agreed to by voice vote.

## COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of Rules of the House of Representatives, the committee reports that findings and recommendations of the committee, based on oversight activities under clause 2(b)(1) of House Rule X, are incorporated in the descriptive portions of this report, particularly in the “Background and Need for the Legislation” and “Section-by-Section Analysis” sections.

## NEW BUDGET AUTHORITY, TAX EXPENDITURES, AND FEDERAL MANDATES

In compliance with clause 3(c)(2) of House Rule XIII and the Unfunded Mandates Reform Act (Public Law 104–4), the committee adopts as its own the estimate of new budget authority, entitlement authority, tax expenditure or revenues, and Federal mandates contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, May 23, 2018.*

Hon. EDWARD R. ROYCE, *Chairman,*  
*Committee on Foreign Affairs,*  
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5480, the Women’s Entrepreneurship and Economic Empowerment Act of 2018.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D’Monte, who can be reached at 226–2840.

Sincerely,

KEITH HALL.

Enclosure

cc: Honorable Eliot L. Engel  
Ranking Member

*H.R. 5480—Women’s Entrepreneurship and Economic Empowerment Act of 2018.*

As ordered reported by the House Committee on Foreign Affairs on April 17, 2018.

H.R. 5480 would authorize the assistance provided to microenterprises by the U.S. Agency for International Development (USAID) to be expanded to include small and medium-sized enterprises (SME), particularly those owned or managed by women. It also would require the agency to update its monitoring and reporting on that assistance. Finally, it would require the Government Accountability Office (GAO) to report on the agency’s programs for microenterprises and SMEs and require USAID to brief the Congress and report on the implementation of the bill.

The Consolidated Appropriations Act of 2018 directed USAID to make available not less than \$265 million for microenterprise programs. According to USAID, many of its ongoing assistance programs in sectors such as agricultural development and health care support both microenterprises and SMEs, including those owned or managed by women. On the basis of that information, CBO expects that USAID would not increase assistance to SMEs under the bill. USAID indicated that it would need one additional employee and a contractor for up to two years to update its monitoring and reporting under the bill; on that basis, CBO estimates those efforts would cost about \$500,000 each year. In total, CBO estimates that implementing the updated monitoring and reporting and providing the required USAID and GAO reports would cost \$1 million over the 2018–2023 period, subject to the availability of appropriated funds.

Enacting H.R. 5480 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 5480 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5480 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Sunita D'Monte. The estimate was reviewed by Leo Lex, Deputy Assistant Director for Budget Analysis.

#### DIRECTED RULE MAKING

Pursuant to clause 3(c) of House Rule XIII, as modified by section 3(i) of H. Res. 5 during the 115th Congress, the committee notes that H.R. 5480 contains no directed rule-making provisions.

#### NON-DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of House Rule XIII, the committee states that no provision of this bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

#### PERFORMANCE GOALS AND OBJECTIVES

The objective of this legislation is to improve the policies of USAID related to gender considerations and women's economic empowerment. Section 3 establishes a development cooperation policy of the United States to support women's economic empowerment which will be advanced by requiring USAID to ensure that all of its strategies, projects and activities are shaped by a gender analysis using standard indicators. Section 4 of the bill expands USAID's microenterprise assistance authorities to include support for small and medium enterprises, particularly those enterprises owned, managed, and controlled by women. The bill stipulates that at least 50 percent of all micro, small and medium-sized enterprise resources shall be targeted to activities that reach the very poor,

and 50 percent of small and medium-sized enterprise resources shall be targeted to activities that reach enterprises owned, managed, and controlled by women. These requirements are reinforced by an annual USAID report to Congress and a monitoring system which shall include enhanced performance goals beyond what is required under current law, including on a gender disaggregated basis. Finally, the bill requires the Comptroller General to report to Congress on development assistance for micro, small and medium-sized enterprises, including the impact of such assistance on the economies of developing countries, the extent to which such assistance is targeting women and the very poor, the extent to which USAID has developed a methodology to ensure compliance with the targeted assistance requirement, and the quality of USAID's monitoring system. This will enable Congress to conduct effective oversight of performance and results.

#### CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 5480 does not apply to terms and conditions of employment or to access to public services or accommodations within the legislative branch.

#### NEW ADVISORY COMMITTEES

H.R. 5480 does not establish or authorize any new advisory committees.

#### EARMARK IDENTIFICATION

H.R. 5480 contains no congressional earmarks, limited tax benefits, or limited tariff benefits as described in clauses 9(e), 9(f), and 9(g) of House Rule XXI.

#### SECTION-BY-SECTION ANALYSIS

*Section 1. Short Title.* This Act may be cited as the “Women’s Entrepreneurship and Economic Empowerment Act of 2018.”

*Section 2. Findings.* Includes eight congressional findings related to barriers facing women’s economic empowerment, financial inclusion, and United States support for microenterprise and micro-finance development programs.

*Section 3. Actions to Improve Gender Policies of the United States Agency for International Development.* Establishes a development cooperation policy of the United States to reduce gender disparities related to economic participation and opportunity, strive to eliminate gender-based violence, support women’s property rights, and improve the ability of women and girls to actively shape their futures.

To advance the development cooperation policy, this section requires USAID to ensure that all strategies and projects of the Agency are shaped by a gender analysis that considers differences in the status of women and men and their access to resources, and integrates efforts to empower women throughout USAID’s programs.

*Section 4. Development Assistance for Micro, Small and Medium-Sized Enterprises.* Expands USAID’s microenterprise development assistance authority to include small and medium-sized enter-

prises, with an emphasis on supporting enterprises owned, managed, and controlled by women. The purpose of this section is to prioritize women’s economic advancement and address the “missing middle” of small and medium-sized enterprises in developing countries, which are critical to driving economic growth.

Though exact definitions vary, the committee understands that USAID’s definition of SMEs means enterprises employing between 10 and 250 employees.

This section also modernizes USAID’s development assistance toolkit to include innovative credit scoring models, financial technology, financial literacy, insurance, and actions to improve property and inheritance rights.

*Section. 5. Briefing and Report.* Requires USAID to produce a publicly available report and brief Congress on the implementation of this Act.

*Section. 6. Report by the Comptroller.* Requires the Government Accountability Office to report to Congress on development assistance for micro, small and medium-sized enterprises administered by USAID, including how such assistance benefits women.

#### 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 italic, and existing law in which no change is proposed is shown in roman):

### FOREIGN ASSISTANCE ACT OF 1961

\* \* \* \* \*

#### TITLE VI—[MICROENTERPRISE DEVELOPMENT ASSISTANCE] *DEVELOPMENT ASSISTANCE FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES*

##### 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] *micro, small and medium-sized enterprise* are vital factors in the stable growth of developing countries [and in the development], *in the development of free, open, and equitable international economic systems, and in the economic empowerment of the poor, especially women.*

(2) It is therefore in the best interest of the United States to facilitate access to financial services and assist the development of [microenterprise] *micro, small and medium-sized enterprise* in developing countries, *particularly those enterprises owned, managed, and controlled by women.*

(3) Access to financial services and the development of [microenterprises] *micro, small and medium-sized enterprises* can be supported by programs providing credit, savings, train-

ing, 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]** *micro, small and medium-sized enterprise* programs should target both rural and urban poor.

(5) Microenterprise programs have been successful and **[should continue]** *should continue and be expanded* to empower vulnerable women in the developing world. The Agency should work to ensure that recipients of **[microenterprise and microfinance development assistance]** *development assistance for micro, small and medium-sized enterprises* under this title communicate and work with nongovernmental organizations and government organizations to identify and assist victims of trafficking as provided for in section 106(a)(1) of the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7104(a)(1); Public Law 106–386) and women who are victims of or susceptible to other forms of exploitation and violence.

(6) Given that **[microenterprise programs]** *development assistance for micro, small and medium-sized enterprises* **[have been successful]** *have had some success* 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 non-reimbursable basis for programs in developing countries to increase the availability of **[credit, savings, and other services]** *credit, including the use of innovative credit scoring models, savings, financial technology, financial literacy, insurance, property rights, and other services* to **[microfinance and microenterprise clients]** *micro, small and medium-sized enterprise clients* lacking full access to capital, training, technical assistance, and business development services, through—

(1) assistance for the purpose of expanding the availability of credit, savings, and other financial and non-financial services to **[microfinance and microenterprise clients]** *micro, small and medium-sized enterprise clients, particularly those clients owned, managed, and controlled by women;*

(2) assistance for the purpose of training, technical assistance, and business development services for **[microenterprises]** *micro, small and medium-sized enterprises* 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, *acquire United States goods and services*, and to increase their income and build their assets;

(3) capacity-building for **[microfinance and microenterprise institutions]** *financial intermediaries* in order to enable them to better meet the credit, savings, and training needs of

**microfinance and microenterprise clients** *micro, small and medium-sized enterprises*; **and**

(4) policy, regulatory programs, and research at the country level that improve the environment for **microfinance and microenterprise clients and institutions** *micro, small and medium-sized enterprises, financial intermediaries, and capital markets that serve the poor and very poor.* *the poor and very poor, especially women;*

(5) *assistance for the purpose of promoting the economic empowerment of women, including through increased access to financial resources and improving property rights, inheritance rights, and other legal protections; and*

(6) *assistance for the purpose of scaling up evidence-based graduation approaches, which include targeting the very poor and households in ultra-poverty, consumption support, promotion of savings, skills training, and asset transfers.*

(b) IMPLEMENTATION.—

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

(1) *IN GENERAL.*—*There is authorized to be established within the Agency an office to support the Agency's efforts to broaden and deepen local financial markets, expand access to appropriate financial products and services, and support the development of micro, small and medium-sized enterprises. The Office shall be headed by a Director who shall possess technical expertise and ability to offer leadership in the field of financial sector development.*

(2) ADDITIONAL PROVISIONS.—

(A) USE OF IMPLEMENTING PARTNER ORGANIZATIONS.—Assistance under this section shall emphasize the use of implementing partner organizations that best meet the requirements of subparagraph (C).

(B) **USE OF CENTRAL FUNDING MECHANISMS.**—

**(i) PROGRAM.**—*In order to ensure* **USE OF CENTRAL FUNDING MECHANISMS.**—*In order to ensure that assistance under this title is distributed effectively and efficiently, the office shall also seek to implement a program of central funding under which assistance is administered directly by the office, including through targeted core support for microfinance and microenterprise networks and other practitioners* *the office shall provide coordination and support for field-implemented programs, including through targeted core support for micro, small and medium-sized enterprises and local financial markets.*

**(ii) FUNDING.**—Of the amount made available to carry out this subtitle for a fiscal year, not less than \$25,000,000 should be made available to carry out clause (i).

(C) EFFICIENCY AND COST-EFFECTIVENESS.—Assistance under this section shall meet high standards of efficiency,

cost-effectiveness, and sustainability, *particularly by protecting the use and funding of local organizations in countries in which the Agency invests*, and shall especially provide the greatest possible resources to the poor and very poor, *especially women*. When administering assistance under this section, the Administrator shall—

(i) take into consideration the percentage of funds a provider of assistance intends to expend on administrative costs;

(ii) take all appropriate steps to ensure that the provider of assistance keeps administrative costs as low as practicable to ensure the maximum amount of funds are used for directly assisting microfinance and microenterprise clients, for establishing sustainable microfinance and microenterprise institutions, or for advancing the microenterprise development field; and

(iii) give preference to proposals from providers of assistance that are the most technically competitive and have a reasonable allocation to overhead and administrative costs.

**[(3) APPROVAL OF STRATEGIC PLANS.—**With respect to assistance provided under this section, the office shall be responsible for concurring in the microenterprise development components of strategic plans of missions, bureaus, and other offices of the Agency and providing technical support to field missions to help the missions prepare such components.]

**(c) TARGETED ASSISTANCE.—**In carrying out sustainable poverty-focused programs under subsection (a), 50 percent of [all microenterprise resources] *all micro, small and medium-sized enterprise resources* shall be targeted to [clients who are very poor. Specifically, until September 30, 2006, 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.] *activities that reach the very poor, and 50 percent of all small and medium-sized enterprise resources shall be targeted to activities that reach enterprises owned, managed, and controlled by women.*

**SEC. 253. MONITORING SYSTEM.**

(a) **IN GENERAL.—**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 strengthen its monitoring system to meet the requirements of subsection (b).

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

(1) The monitoring system shall include performance goals, *including goals on a gender disaggregated basis, such as improvements in employment, access to financial services, enterprise development, earnings and control over income, and property and land rights*, for the assistance and expresses such goals in an objective and quantifiable form, to the extent feasible.

(2) The monitoring system shall **include performance indicators to be used in measuring or assessing the achievement** *incorporate Agency planning and reporting processes and indicators to measure or assess 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 implementing partner organizations to use to assess the poverty levels of their current incoming 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 April 1, 2005, 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, incoming, or prospective clients of microenterprise institutions for purposes of assistance under section 252.

**[(b) APPLICATION.—**The Administrator shall require that, with reasonable exceptions, all implementing partner organizations applying for microenterprise assistance under this title use one of the certified methods, beginning not later than October 1, 2006, to determine and report the poverty levels of current, incoming, or prospective clients.]

**SEC. 254. POVERTY MEASUREMENT METHODS.**

*The Administrator of the Agency, in consultation with financial intermediaries and other appropriate organizations, should have in place at least one method for implementing partners to use to assess poverty levels of their current incoming or prospective clients.*

**SEC. 255. ADDITIONAL AUTHORITIES.**

Notwithstanding any other provision of law, amounts made available for [assistance for microenterprise development assistance] *development assistance for micro, small and medium-sized enterprises* 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 (11) of subsection (b) of such section with respect to such assistance.].

## Subtitle B—Credit Assistance

**SEC. 256. [MICROENTERPRISE DEVELOPMENT CREDITS] DEVELOPMENT CREDITS FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES.**

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

(1) the development of [micro- and small enterprises] *micro, small and medium-sized enterprises* 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; and

(2) it is, therefore, in the best interests of the United States to assist the access to financial services and the development of [microenterprises] *micro, small and medium-sized enterprises* 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 financial services to [microenterprise households] *micro, small and medium-sized enterprises and households* lacking full access to credit and other financial services, including through—

(1) loans and guarantees to [microfinance institutions] *financial intermediaries* for the purpose of expanding the availability of savings and credit to poor and low-income households;

(2) training programs for [microfinance institutions] *financial intermediaries* in order to enable them to better meet the financial services needs of their clients; and

(3) training programs for clients in order to enable them to make better use of credit, increase their financial literacy, and to better manage their enterprises to improve their quality of life.

(c) ELIGIBILITY CRITERIA.—The Administrator of the Agency shall establish criteria for determining which [microfinance institutions] *financial intermediaries* described in subsection (b)(1) are eligible to carry out activities, with respect to [microenterprise households] *micro, small and medium-sized enterprises and house-*

*holds*, assisted under this section. Such criteria may include the following:

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

(2) The extent to which the recipients of financial services 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 programs for **microenterprise households** *micro, small and medium-sized enterprises and households* and may not be used to support programs not directly related to the purposes described in subsection (b).

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

(f) **AVAILABILITY OF FUNDS.**—

(1) **IN GENERAL.**—Of the amounts authorized to be available to carry out this part, there are authorized to be available such sums as may be necessary for each of the fiscal years 2005 through 2009 to carry out this section.

(2) **COVERAGE OF SUBSIDY COSTS.**—Amounts authorized to be available under paragraph (1) shall be made available to cover the subsidy cost, as defined in section 502(5) of the Federal Credit Reform Act of 1990, for activities under this section.

Subtitle C—**United States Microfinance Loan Facility** *United States Micro, Small, and Medium-Sized Microfinance Loan Facility*

**SEC. 257. [UNITED STATES MICROFINANCE LOAN FACILITY] UNITED STATES MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE LOAN FACILITY.**

(a) **ESTABLISHMENT.**—The Administrator is authorized to establish a **United States Microfinance Loan Facility** *United States Micro, Small and Medium-Sized Enterprise 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** *United States-supported financial intermediaries*.

(b) **DISBURSEMENTS.**—

(1) **IN GENERAL.**—The Administrator shall make disbursements from the Facility to **United States-supported microfinance institutions** *United States-supported financial intermediaries* 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] *United States-supported financial intermediaries*.

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

(3) CONGRESSIONAL NOTIFICATION PROCEDURES.—During each of the fiscal years 2005 through 2009, 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 event, 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.—Of the amounts made available to carry out this part for each of the fiscal years 2005 through 2009, such sums as may be necessary may be made available for—

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

(B) the administrative costs to carry out this section.  
 (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.

Subtitle D—Miscellaneous Provisions

**SEC. 258. REPORT.**

(a) IN GENERAL.—Not later than June 30, 2006, and each June 30 thereafter, the Administrator of the Agency, acting through the Director of the office, 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, cooperative agreements, contracts, contributions, or other form of assistance provided under section 252, with a listing of—

[(A) the amount of each grant, cooperative agreement, contract, contribution, or other form of assistance;

[(B) the name of each recipient and each developing country with respect to which projects or activities under the grant, cooperative agreement, contract, contribution, or other form of assistance were carried out; and

[(C) a listing of the number of countries receiving assistance authorized by section 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 estimated number of the very poor reached with assistance provided under section 252.

[(6) The amount of assistance provided under section 252 through central mechanisms.

[(7) The name of each country that receives assistance under section 256 and the amount of such assistance.

[(8) Information on the efforts of the Agency to ensure that recipients of United States microenterprise and microfinance development assistance work closely with nongovernmental organizations and foreign governments to identify and assist victims or potential victims of severe forms of trafficking in persons and women who are victims of or susceptible to other forms of exploitation and violence.

[(9) Any additional information relating to the provision of assistance authorized by this title, including the use of the poverty measurement tools required by section 254, or additional information on assistance provided by the United States to support microenterprise development under this title or any other provision of law.

[(10) An estimate of the percentage of beneficiaries of assistance under this title in countries where a strong relationship between poverty and race or ethnicity has been demonstrated.

[(11) The level of funding provided through contracts, the level of funding provided through grants, contracts, and cooperative agreements that is estimated to be subgranted or subcontracted, as the case may be, to direct service providers, and an analysis of the comparative cost-effectiveness and sustainability of projects carried out under these mechanisms.]

(b) *CONTENTS.*—*To the extent practicable, the report should contain the following:*

(1) *Information about assistance provided under section 252, including—*

(A) *the amount of each grant or other form of assistance;*

(B) *the name and type of each intermediary and implementing partner organization receiving assistance;*

(C) *the name of each country receiving assistance; and*

(D) *the methodology used to ensure compliance with the targeted assistance requirements in subsection (c) of such section.*

(2) *The percentage of assistance provided under section 252 disaggregated by income level, including for the very poor, and gender.*

(3) *The estimated number of individuals that received assistance provided under section 252 disaggregated by income level, including for the very poor, and gender, and by type of assistance, including loans, training, and business development services.*

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

(5) *Information about any method in place to assess poverty levels under section 254.*

(c) *AVAILABILITY TO PUBLIC.*—The report required by this section shall be made available to the public on the Internet website of the Agency.

**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] *Committee on Foreign Affairs* 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 [micro-enterprises] *micro, small and medium-sized enterprises* 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) *IMPLEMENTING PARTNER ORGANIZATION.*—The term “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]** *micro, small and medium-sized enterprise institution*;

(F) a **[microfinance institution]** *financial intermediary*; 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 microfinance and 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.]

**(7) MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE INSTITUTION.—***The term “micro, small and medium-sized enterprise institution” means an entity that provides services, including finance, training, or business development services, for micro, small and medium-sized enterprises in foreign countries.*

**(8) FINANCIAL INTERMEDIARY.—***The term “financial intermediary” means the entity that acts as the intermediary between parties in a financial transaction, such as a bank, credit union, investment fund, a village savings and loan group, or an institution that provides financial services to a micro, small or medium-sized enterprise.*

**[(10)] (9) 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 microfinance and microenterprise clients, or provides assistance to microenterprise institutions in foreign countries.]

**(10) PRACTITIONER INSTITUTION.—***The term “practitioner institution” means a not-for-profit entity, financial intermediary, information and communications technology firm with a mobile money platform, a village and savings loan group, or any other entity that provides financial or business development*

*services authorized under section 252 that benefits micro, small and medium-sized enterprise clients.*

**[(12)] (11) 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.—]** **(12) UNITED STATES-SUPPORTED FINANCIAL INTERMEDIARY.**—The term “**[United States-supported microfinance institution]** *United States-supported financial intermediary*” means a financial intermediary that has received funds made available under this part for fiscal year 1980 or any subsequent fiscal year.

**[(14)] (13) 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 (as calculated using the purchasing power parity (PPP) exchange rate method).]**

*(B) living below the International Poverty Line, as defined by the International Bank for Reconstruction and Development and the International Development Association (collectively referred to as the “World Bank”).*

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