

115TH CONGRESS
1ST SESSION

S. 864

To promote development goals and the strengthening of the private sector
in Bosnia and Herzegovina.

IN THE SENATE OF THE UNITED STATES

APRIL 6 (legislative day, APRIL 4), 2017

Mrs. SHAHEEN (for herself and Mr. WICKER) introduced the following bill;
which was read twice and referred to the Committee on Foreign Relations

A BILL

To promote development goals and the strengthening of the
private sector in Bosnia and Herzegovina.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Balkan Economic
5 Partnership Act”.

6 **SEC. 2. PURPOSE AND FINDINGS.**

7 (a) PURPOSE.—The purpose of this Act is to support
8 economic opportunity and political progress in Bosnia and
9 Herzegovina through the creation of an enterprise fund

1 that will provide financial investment and technical assist-
2 ance to small and medium-sized enterprises.

3 (b) FINDINGS.—Congress makes the following find-
4 ings:

5 (1) The United States has a strong interest in
6 ensuring the gains in stability and reconciliation
7 made since the end of the Bosnian War in 1995 are
8 not overtaken by difficult economic conditions.

9 (2) In 2014, protests broke out across Bosnia
10 and Herzegovina as a result of widespread frustra-
11 tion among the populace regarding the economy,
12 which is currently experiencing an unemployment
13 rate of more than 40 percent.

14 (3)(A) A crucial element for economic progress
15 in Bosnia and Herzegovina is robust growth among
16 small and medium-sized enterprises (SMEs), which
17 have struggled to access necessary financing.

18 (B) Although the private sector credit-to-GDP
19 ratio in Bosnia and Herzegovina grew from 25 per-
20 cent in 2001 to over 65 percent in 2008, it has
21 failed to grow in the years since, and is significantly
22 less than the average for advanced economies.

23 (C) Bank lending, which grew similarly rapidly
24 before 2008, has grown barely more than 1 percent
25 per year since then.

1 (D) International financial institutions and for-
2 eign-owned private investment funds active in Bos-
3 nia and Herzegovina have provided growth finance
4 for larger companies and infrastructure project fi-
5 nancing, but have not substantially invested in
6 SMEs.

7 (4)(A) Bosnia and Herzegovina's demographic,
8 income and geographic characteristics are promising
9 for SME growth.

10 (B) Bosnia and Herzegovina is a market of al-
11 most 4,000,000 people, whose per capita income has
12 grown by almost 50 percent in less than a decade,
13 and substantial growth remains in order to achieve
14 income parity with its Balkan neighbor economies.

15 (C) Bosnia and Herzegovina currently imports
16 almost \$10,000,000,000 of goods per year, a sub-
17 stantial portion of which could be substituted for by
18 domestic SME production.

19 (5) To help foster and support the fledgling pri-
20 vate sector in Central and Eastern Europe after the
21 fall of the Berlin Wall, Congress, through enactment
22 of the Support for East European Democracy
23 (SEED) Act of 1989 (22 U.S.C. 5401 et seq.) and
24 the FREEDOM Support Act (22 U.S.C. 5801 et
25 seq.), authorized nearly \$1,200,000,000 for the

1 United States Agency for International Development
2 (USAID) to establish 10 new investment funds (col-
3 lectively known as the “Enterprise Funds”) to both
4 support economic development objectives and realize
5 substantial financial returns.

6 (6) The Enterprise Funds—

7 (A) channeled approximately
8 \$10,000,000,000 of public and private funding
9 into more than 500 enterprises in 19 countries;

10 (B) leveraged \$6,900,000,000 in private
11 investment capital from outside the United
12 States Government;

13 (C) provided substantial development cap-
14 ital where supply was limited;

15 (D) created or sustained more than
16 300,000 jobs through investment and develop-
17 ment activities;

18 (E) funded \$80,000,000 in technical as-
19 sistance to strengthen the private sector; and

20 (F) are expected to recoup 177 percent of
21 the original USAID funding.

22 (7) Enterprise funds established in partnership
23 with United States partners, such as Poland, Hun-
24 gary, Albania, Russia, and other European coun-

1 tries, have proven beneficial to the economies of such
2 countries.

3 (8) Creating a similar fund in close partnership
4 with the people of Bosnia and Herzegovina would
5 help sustain and expand economic reform efforts in
6 Bosnia and Herzegovina and empower entrepreneurs
7 to create urgently needed employment opportunities.

8 (9) Establishing an enterprise fund for Bosnia
9 and Herzegovina would—

10 (A) help improve financial institutions
11 within the country;

12 (B) provide debt, equity, and other invest-
13 ment vehicles for commercially viable SMEs;
14 and

15 (C) make the investment environment
16 more attractive to domestic and international
17 investors.

18 **SEC. 3. PURPOSES OF BOSNIA AND HERZEGOVINA-AMER-**
19 **ICAN ENTERPRISE FUND.**

20 (a) IN GENERAL.—The purpose of the Bosnia and
21 Herzegovina-American Enterprise Fund is to promote
22 more widely shared prosperity through private sector de-
23 velopment and the policies and practices conducive thereto
24 in Bosnia and Herzegovina, including through loans,
25 microloans, equity investments, insurance, guarantees,

1 grants, feasibility studies, technical assistance, capacity
 2 building of investees and other relevant organizations,
 3 joint ventures, and other measures.

4 (b) PROMOTION OF PRIVATE SECTOR DEVELOP-
 5 MENT.—The Bosnia and Herzegovina-American Enter-
 6 prise Fund shall promote private sector development
 7 through—

8 (1) the initiation and expansion of employment
 9 and profitability of private enterprises, particularly
 10 small and medium-sized enterprises;

11 (2) the modeling, promotion, and dissemination
 12 of sound corporate governance and law-abiding
 13 Western business practices;

14 (3) the promotion of policy reforms to improve
 15 the business enabling environment and facilitate for-
 16 eign and domestic investment; and

17 (4) the demonstration that private sector in-
 18 vestment can be undertaken profitably.

19 **SEC. 4. BOSNIA AND HERZEGOVINA-AMERICAN ENTER-**
 20 **PRISE FUND.**

21 (a) DESIGNATION.—The President is authorized to
 22 designate a private, nonprofit organization (to be known
 23 as the Bosnia and Herzegovina-American Enterprise
 24 Fund) to receive funds made available under this Act for
 25 the purposes specified in section 3.

1 (b) BOARD OF DIRECTORS.—

2 (1) APPOINTMENT.—The Bosnia and
3 Herzegovina-American Enterprise Fund shall be
4 governed by a Board of Directors, which shall be
5 comprised of 7 private citizens of the United States
6 appointed by the President of the United States in
7 consultation with the Administrator of the United
8 States Agency for International Development. The
9 Board is authorized to elect up to 3 additional mem-
10 bers who are citizens of Bosnia and Herzegovina if
11 agreed to unanimously by all members of the Board.

12 (2) QUALIFICATIONS.—

13 (A) BUSINESS EXPERIENCE.—Four mem-
14 bers of the Board of Directors shall be selected
15 from among people who have had successful
16 business careers and demonstrated experience
17 and expertise in international and particularly
18 emerging markets investment activities, such as
19 private equity or venture capital investment,
20 banking, finance, strategic business consulting,
21 or entrepreneurial business creation, and back-
22 grounds in priority business sectors of the
23 Fund.

24 (B) DEVELOPMENT EXPERIENCE.—Three
25 members of the Board of Directors shall be se-

lected from among people with significant prior experience in development and an expert understanding of development priorities for Bosnia and Herzegovina.

(3) UNITED STATES GOVERNMENT LIAISONS TO THE BOARD.—The President shall appoint the United States Ambassador to Bosnia and Herzegovina, or the Ambassador’s designee, as well as the Assistant Administrator of the United States Agency for International Development for Europe and Eurasia, or the Assistant Administrator’s designee, as liaisons to the board.

(c) GRANTS.—

(1) IN GENERAL.—There is authorized to be appropriated for the Department of State for fiscal year 2018 \$30,000,000—

(A) to carry out the purposes set forth in section 3 through the Bosnia and Herzegovina-American Enterprise Fund; and

(B) to pay for the administrative expenses of the Bosnia and Herzegovina-American Enterprise Fund.

(2) COMPLIANCE REQUIREMENTS.—

(A) IN GENERAL.—Grants may not be awarded to the Bosnia and Herzegovina-Amer-

1 ican Enterprise Fund under this section unless
2 the Fund agrees to comply with the require-
3 ments under this section.

4 (B) GRANT AGREEMENT.—The grant
5 agreement between the United States Agency
6 for International Development and the Bosnia
7 and Herzegovina-American Enterprise Fund
8 shall state that the Fund shall end its reinvest-
9 ment cycle not later than December 31, 2033,
10 unless the Secretary of State, in consultation
11 with the Administrator of the United States
12 Agency for International Development, and
13 after consultation with the appropriate congress-
14 sional committees, determines that the Fund
15 should be extended.

16 (C) PREVENTION OF MONEY LAUNDERING
17 AND TERRORIST FINANCING.—The grant agree-
18 ment between the United States Agency for
19 International Development and the Bosnia and
20 Herzegovina-American Enterprise Fund shall
21 state that the Fund shall comply with proce-
22 dures specified by the Secretary of State to en-
23 sure that grant funds are not provided by the
24 Fund to or through any individual, private or
25 government entity, or educational institution

1 that advocates, plans, sponsors, engages in, or
2 has engaged in, money laundering or terrorist
3 activity or, with respect to a private entity or
4 educational institution, that has as a principal
5 officer of the entity's governing board or gov-
6 erning board of trustees any individual that has
7 been determined to be involved in or advocating
8 money laundering or terrorist activity or deter-
9 mined to be a member of a designated foreign
10 terrorist organization.

11 (D) DISPOSITION OF ASSETS.—The assets
12 of the Bosnia and Herzegovina-American En-
13 terprise Fund at the time the Fund is dissolved
14 shall be returned to the General Fund of the
15 United States Treasury and used to reduce the
16 debt of the United States.

17 (E) AUTHORIZATION OF LEGACY FOUNDA-
18 TION.—In the event the assets of the Fund at
19 the end of the reinvestment cycle specified in
20 subparagraph (B) exceed the total amount ap-
21 propriated or otherwise made available to the
22 Fund by the United States Government, the
23 Secretary of State, in consultation with the Ad-
24 ministrator of the United States Agency for
25 International Development, is authorized to di-

1 rect any such excess funds to a foundation for
2 activities consistent with the purposes specified
3 in section 3.

4 (d) NOTIFICATION.—

5 (1) IN GENERAL.—Not later than 15 days be-
6 fore designating an organization to operate as the
7 Bosnia and Herzegovina-American Enterprise Fund
8 pursuant to subsection (a), the President shall pro-
9 vide the information described in paragraph (2) to
10 the Chairman and Ranking Member of the appro-
11 priate congressional committees.

12 (2) INFORMATION.—The information described
13 in this paragraph is—

14 (A) the identity of the organization to be
15 designated to operate as the Bosnia and
16 Herzegovina-American Enterprise Fund pursu-
17 ant to subsection (a);

18 (B) the name and qualifications of the in-
19 dividual who will serve as Chairman of the
20 Board of Directors; and

21 (C) the amount of the grant intended to
22 fund the Bosnia and Herzegovina-American En-
23 terprise Fund over the lifetime of the fund.

1 **SEC. 5. REPORTS.**

2 (a) ADMINISTRATIVE EXPENSES.—Not later than 1
3 year after the date of the enactment of this Act, and annu-
4 ally thereafter until the Fund is dissolved, the Fund shall
5 submit to the appropriate congressional committees a re-
6 port detailing the administrative expenses of the Fund, in-
7 cluding any costs incurred by private firms hired to aid
8 in the management of the fund.

9 (b) GAO REPORT.—

10 (1) INITIAL REPORT.—Not later than 3 years
11 after the date of the enactment of this Act, the
12 Comptroller General of the United States shall sub-
13 mit to the appropriate congressional committees a
14 report that examines—

15 (A) the status of the Fund’s investments;

16 (B) the Fund’s progress in establishing
17 key management structures to support its mis-
18 sion and operations; and

19 (C) the extent to which the Fund has com-
20 plied with requirements in the grant agree-
21 ments.

22 (2) UPDATES.—The Comptroller General shall,
23 for the duration of the Fund and at the request of
24 the appropriate congressional committees, provide an
25 updated report on the Fund and any successor orga-
26 nization.

1 (c) INDEPENDENT REPORTS.—Not later than July 1,
 2 2022, and July 1, 2030, the Administrator of the United
 3 States Agency for International Development shall com-
 4 mission a report, to be completed by an independent,
 5 third-party organization, evaluating the performance of
 6 the Bosnia and Herzegovina-American Enterprise Fund
 7 with respect to the purposes set forth in section 3. The
 8 report shall be made available to the appropriate congres-
 9 sional committees.

10 (d) APPROPRIATE CONGRESSIONAL COMMITTEES
 11 DEFINED.—In this section, the term “appropriate con-
 12 gressional committees” means—

- 13 (1) the Committee on Foreign Relations and
- 14 the Committee on Appropriations of the Senate; and
- 15 (2) the Committee on Foreign Affairs and the
- 16 Committee on Appropriations of the House of Rep-
- 17 resentatives.

18 **SEC. 6. OPERATION PROVISIONS.**

19 (a) APPLICABLE PROVISIONS.—Subsections (d)(5),
 20 (g), (h), (i), (k), (l), (m), (n), (o), and (p) of section 201
 21 of the Support for East European Democracy (SEED)
 22 Act of 1989 (22 U.S.C. 5421) shall apply with respect
 23 to the Bosnia and Herzegovina-American Enterprise Fund
 24 in the same manner as such provisions apply to Enterprise

1 Funds designated pursuant to subsection (d) of such sec-
2 tion.

3 (b) REINVESTMENT.—Returns on investments of the
4 Bosnia and Herzegovina-American Enterprise Fund and
5 other payments to the Fund may be reinvested by the
6 Fund and used to fund noninvestment projects without
7 further appropriation by Congress.

8 **SEC. 7. BEST PRACTICES AND PROCEDURES.**

9 To the maximum extent practicable, the Board of Di-
10 rectors of the Bosnia and Herzegovina-American Enter-
11 prise Fund should adopt the best practices and procedures
12 used by Enterprise Funds, including those for which fund-
13 ing has been made available pursuant to section 201 of
14 the Support for East European Democracy (SEED) Act
15 of 1989 (22 U.S.C. 5421).

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