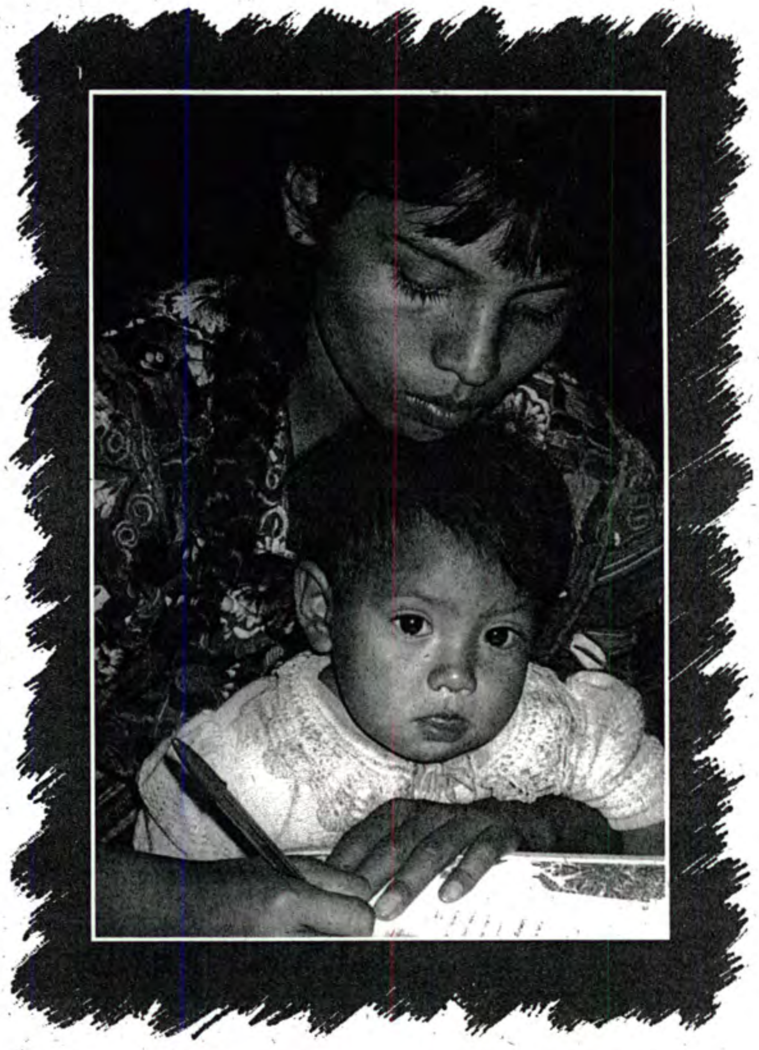

In time this little boy will grow to be a healthy adult. Many are not so lucky. Through a FINCA village bank, the boy's mother receives loans of $50 to $300 to invest in her small business, increasing her family's income, nutrition, and well-being. Today, FINCA Village Banking programs ensure the survival of thousands of children by making it possible for their parents to work.

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Wish List of Republican Senators to Co-sponsor

Senator	Contact Staffer	Phone #
Domenici	Brian Beczkowski - PRIME/**Elizabeth Turpen**	224-7089
Grassley	Rebecca Shinkus	224-3744
Jeffords	Laurie Sculz-Heim/Geoffrey Brown	224-5141
Specter	Peter Grollman-PRIME/Allison DeKowsky - Women's Issues/**Vicki Siegel** - Foreign Affairs	224-4254
Abraham	Laurie Purpuro - PRIME/Randa Hudome	224-3422
Santorum	Jill Hershey - PRIME/**George Bernier**	224-6324
Grams	Alan Breubaker - PRIME/Pam Thiessen	224-3244
Gorton	Todd Young	224-3441
Lugar	Andrew Semmel	224-4814
Smith	Rob Epplin	224-3753
Hagel	Ken Peel	224-4224
Nighthorse-Campbell		
Bennett		
Brownback	Christina Rocca	224-6521
Frist	Michael Miller	
Dewine	Michael Hall, Gina Marie Hathaway	224-2315

Bill Summary & Status for the 106th Congress

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S.1463
SPONSOR: Sen DeWine, Michael (introduced 07/29/99)

COSPONSORS(11):

Sen Snowe, Olympia J. - 07/29/99	Sen Torricelli, Robert G. - 07/29/99
Sen Collins, Susan M. - 07/29/99	Sen Durbin, Richard J. - 07/29/99
Sen Feinstein, Dianne - 07/29/99	Sen Mikulski, Barbara A. - 07/29/99
Sen Schumer, Charles E. - 07/29/99	Sen Bingaman, Jeff - 07/29/99
Sen Chafee, John H. - 07/29/99	Sen Kennedy, Edward M. - 07/29/99
Sen Boxer, Barbara - 09/13/99	

Katy - fyi

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October 14, 1999

Ms. Melanne Verveer
Office of the First Lady
The White House
Washington, DC 20500

Subject: Creating a Legacy for the United States' International Microenterprise Initiative

Dear Melanne:

I want to thank you and Katy for taking so much time to meet with me yesterday. We are thrilled that you see how important it is to institutionalize the U.S. Microenterprise Initiative and that you were so enthusiastic about helping us. I thought I would summarize below our discussions. I will send under separate cover the additional information you requested on various other items pertaining to FINCA.

As we discussed, there are two tactics for institutionalizing the Microenterprise Initiative: legislative and administrative actions.

A. Legislative Actions

H.R. 1143, the Microenterprise for Self-Reliance Act, passed the House in April of this year by unanimous consent. Passage of S.1463, its companion bill, should not be difficult if it is given adequate attention. This legislation would not only institutionalize USAID's Microenterprise Initiative; it will be featured indefinitely as an important part of the U.S. foreign assistance program. The legislation would thus establish a legacy of continued support to help millions of poor families escape poverty through self-employment for years to come. Heretofore, there has never been authorization legislation underpinning USAID's Microenterprise Program. It is thus vulnerable to changes in the next administration's foreign assistance policy.

Introduced in late June by Senator DeWine, the Senate bill has been referred to the Foreign Relations Committee, but no action has been taken. The bill has no opposition in the Senate, but is stalled for lack of a strong voice to push it forward. We believe that if a few determined Senators made it a priority, there is a strong likelihood that the bill could be passed by unanimous consent. The first step is moving the bill out of the Senate Foreign Relations Committee. This should ideally happen within the next few weeks in order to assure adequate time to pass it on the floor; we have heard that the next business committee meeting may be scheduled as late as the first week of November.

In discussions with Senator Dewine's office, we have determined that three sets of actions would greatly increase the probability that the bill will pass the Senate.

1. Democratic Support. FINCA is working with other members of the Microenterprise Coalition to identify one or two Senators who will make the bill a *top priority* as the legislative calendar comes to a close. We would like to convince Senator Feinstein, a co-sponsor of the bill, to partner with Senator Dewine to move the bill on the floor. She has good relations with key Republicans and is very effective in moving bills. We are also seeking a Democrat in the Senate Foreign Relations Committee to take a leadership role in helping to move the bill out of committee. Although they do not have seniority, Senators Feingold and Toricelli may be the most likely candidates to play a leadership role because they have been very interested in the issue. Senators Biden and Dodd would be excellent candidates to champion the bill because they are the senior Democrats on the Committee. Senator Sarbanes strongly supports the issue; however, Diana Ohlbaum, his staffer, supports the bill, but does not want to take a lead on it because she generally does not support earmarks. If you or the First Lady could contact these offices, it would provide an important lift to our efforts. I have provided the names of the staffers in attachment in order of priority.

2. Republican Support. In the short term, the most critical step in getting the bill passed out of committee is increasing the number of Republican co-sponsors. Chairman Gilman is helping us in this process. It would be helpful, if the White House legislative affairs office could help sway Republicans with whom they have good working relationships to join as co-sponsors.

3. Administration Support. Finally, the Coalition is concerned that USAID's position on the Senate bill might adversely affect its outcome. In the House version, USAID adopted a position of "neither opposing nor supporting" the bill, due to the earmark it contained. The earmark amount, however, reflects slightly higher than current spending levels on microenterprise. It was arrived at through negotiations with USAID, the Microenterprise Coalition, and several congressional offices. During the floor debate on H.R.1143, Congressman Bereuter chastised the Administration for not supporting a program in which the President believes so strongly. Ideally, we would appreciate your seeking a Statement of Administration Policy supporting the bill.

B. Administrative Actions

Since its establishment in 1994, the Clinton Administration's Microenterprise Initiative has been renewed with Congress every two years. The policy framework for the Initiative has historically been negotiated through consultations between USAID, the House International Relations Committee and the Microenterprise Coalition. (In 1997, Mrs. Clinton launched the second such initiative on Capitol Hill.) Again, there is no authorization legislation backing the program.

The White House has never had direct participation in this consultative process. We believe that a representative, assigned to microenterprise, at the NEC could prove critical at this juncture as we seek to develop a legacy for the microenterprise program. Bruce McNamer, as you know, proved effective last year in pulling together a White House policy on microenterprise for the Presidential Awards ceremony. Suzanne Smith Palmieri, of USAID's legislative affairs office, negotiated the Microenterprise Initiative for USAID and also worked for the Clintons in Arkansas. She is well versed in the issue and might be a candidate for assignment to the NEC for the purpose. Dr. Lael Brainard, of the NEC, would also be critical to engage in crafting the legacy program.

Moreover, Administrator Anderson might be encouraged to be more aggressive in his support of microenterprise. Since Mr. Anderson is new, he may be more sympathetic to institutionalizing a successful program as part of a Clinton legacy and less inclined to reflexively adhere to the concerns of the USAID bureaucracy.

There are three administrative actions which we would like to see taken as part of the legacy package. (The legislation would take care of the first and second):

1. Microenterprise Account. The USAID Administrator would establish an "account" for microenterprise. The lack of such an account leaves the microenterprise program vulnerable to the internecine budgetary battles within the Agency.

2. Policy Coordination. The NEC would establish an inter-agency working group on international microenterprise including representatives from Treasury, USAID and the State Department. Such a group could assure greater coherence in the microenterprise policy of the United States in its foreign policy, bilateral assistance, multilateral support and global financial sector policy.

3. High Performance Fund. The USAID Administrator would establish a high performance fund within USAID's PVC Matching Grant Program. The Office of Private & Voluntary Cooperation (PVC) has been critical to building the institutional capacity of the microenterprise sector. It has, however, had its budget cut to the point where it no longer has sufficient funds to continue to finance the core grants of Accion, FINCA, Opportunity International and the other leaders in the field. This will undermine the long-term financial viability of some of USAID's strategic microenterprise partners. The high performance fund would address this problem. There is support in USAID for this concept, and some USAID officials are hoping that the State Department might be convinced to finance the required $2 million to fund the program.

Thank you once again Melanne for your all of your support. Please let me know what additional information I might provide.

Sincerely,

Lawrence Yanovitch
Director, Policy & Research

Cc: Katy Button

Attachment 1

Contact Information for Microenterprise Bill		
Senate Office	**Contact Staffer**	**Phone Number**
Feinstein	Michael Schiffer - Foreign Affairs	224-3841
Torricelli	Mara Cleary - Foreign Affairs	224-3224
Feingold	Linda Rotblatt - Foreign Relations	224-5323
Biden	Heather Flynn - Foreign Relations Staffer	224-5042
Dodd	Janice O'Connell - Foreign Relations Committee	224-3953
Kerry	Nancy Stetson - Foreign Policy	224-2742
Wellstone	Charlotte Oldham-Moore - International Development	224-5641
Sarbanes	Vince Sanfuentes - Foreign Affairs, Diana Ohlbaum - Foreign Relations Committee	224-4524 224-3953
Boxer	Sean Moore - International Development	224-3553

106TH CONGRESS
1ST SESSION

S. 1463

To establish a program to provide assistance for programs of credit and other financial services for microenterprises in developing countries, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29, 1999

Mr. DEWINE (for himself, Ms. SNOWE, Mr. TORRICELLI, Ms. COLLINS, Mr. DURBIN, Mrs. FEINSTEIN, Ms. MIKULSKI, Mr. SCHUMER, Mr. BINGAMAN, Mr. CHAFEE, and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

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A BILL

To establish a program to provide assistance for programs of credit and other financial services for microenterprises in developing countries, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Microenterprise for Self-Reliance Act of 1999".

SEC. 2. FINDINGS AND DECLARATIONS OF POLICY.

The Congress makes the following findings and declarations:

(1) According to the World Bank, more than 1,200,000,000 people in the developing world, or one-fifth of the world's population, subsist on less than $1 a day.

(2) Over 32,000 of their children die each day from largely preventable malnutrition and disease.

(3)(A) Women in poverty generally have larger work loads and less access to educational and economic opportunities than their male counterparts.

(B) Directly aiding the poorest of the poor, especially women, in the developing world has a positive effect not only on family incomes, but also on child nutrition, health and education, as women in particular reinvest income in their families.

(4)(A) The poor in the developing world, particularly women, generally lack stable employment and social safety nets.

(B) Many turn to self-employment to generate a substantial portion of their livelihood. In Africa, over 80 percent of employment is generated in the informal sector of the self-employed poor.

(C) These poor entrepreneurs are often trapped in poverty because they cannot obtain credit at reasonable rates to build their asset base or expand their otherwise viable self-employment activities.

(D) Many of the poor are forced to pay interest rates as high as 10 percent per day to money lenders.

(5)(A) The poor are able to expand their incomes and their businesses dramatically when they can access loans at reasonable interest rates.

(B) Through the development of self-sustaining microfinance programs, poor people themselves can lead the fight against hunger and poverty.

(6)(A) On February 2–4, 1997, a global Microcredit Summit was held in Washington, District of Columbia, to launch a plan to expand access to credit for self-employment and other financial and business services to 100,000,000 of the world's poorest families, especially the women of those families, by 2005. While this scale of outreach may not be achievable in this short-time frame, the realization of this goal could dramatically alter the face of global poverty.

(B) With an average family size of five, achieving this goal will mean that the benefits of microfinance will thereby reach nearly half of the world's more than 1,000,000,000 absolute poor people.

(7)(A) Nongovernmental organizations, such as those that comprise the Microenterprise Coalition (such as the Grameen Bank (Bangladesh,) K–REP (Kenya), and networks such as Accion International, the Foundation for International Community Assistance (FINCA), and the credit union movement) are successful in lending directly to the very poor.

(B) Microfinance institutions such as BRAC (Bangladesh), BancoSol (Bolivia), SEWA Bank (India), and ACEP (Senegal) are regulated financial institutions that can raise funds directly from the local and international capital markets.

(8)(A) Microenterprise institutions not only reduce poverty, but also reduce the dependency on foreign assistance.

(B) Interest income on the credit portfolio is used to pay recurring institutional costs, assuring the long-term sustainability of development assistance.

(9) Microfinance institutions leverage foreign assistance resources because loans are recycled, generating new benefits to program participants.

(10)(A) The development of sustainable microfinance institutions that provide credit and training, and mobilize domestic savings, are critical components to a global strategy of poverty reduction and broad-based economic development.

(B) In the efforts of the United States to lead the development of a new global financial architecture, microenterprise should play a vital role. The recent shocks to international financial markets demonstrate how the financial sector can shape the destiny of nations. Microfinance can serve as a powerful tool for building a more inclusive financial sector which serves the broad majority of the world's population including the very poor and women and thus generate more social stability and prosperity.

(C) Over the last two decades, the United States has been a global leader in promoting the global microenterprise sector, primarily through its development assistance programs at the United States Agency for International Development. Additionally, the United States Department of the Treasury and the Department of State have used their authority to promote microenterprise in the development programs of international financial institutions and the United Nations.

(11)(A) In 1994, the United States Agency for International Development launched the "Microenterprise Initiative" in partnership with the Congress.

(B) The initiative committed to expanding funding for the microenterprise programs of the Agency, and set a goal that, by the end of fiscal year 1996, half of all microenterprise resources would support programs and institutions that provide credit to the poorest, with loans under $300.

(C) In order to achieve the goal of the microcredit summit, increased investment in microcredit institutions serving the poorest will be critical.

(12) Providing the United States share of the global investment needed to achieve the goal of the microcredit summit will require only a small increase in United States funding for international microcredit programs, with an increased focus on institutions serving the poorest.

(13)(A) In order to reach tens of millions of the poorest with microcredit, it is crucial to expand and replicate successful microcredit institutions.

(B) These institutions need assistance in developing their institutional capacity to expand their services and tap commercial sources of capital.

(14) Nongovernmental organizations have demonstrated competence in developing networks of local microfinance institutions and other assistance deliv-

ery mechanisms so that they reach large numbers of the very poor, and achieve financial sustainability.

(15) Recognizing that the United States Agency for International Development has developed very effective partnerships with nongovernmental organizations, and that the Agency will have fewer missions to carry out its work, the Agency should place priority on investing in those nongovernmental network institutions that meet performance criteria through the central funding mechanisms of the Agency.

(16) By expanding and replicating successful microcredit institutions, it should be possible to create a global infrastructure to provide financial services to the world's poorest families.

(17)(A) The United States can provide leadership to other bilateral and multilateral development agencies as such agencies expand their support to the microenterprise sector.

(B) The United States should seek to improve coordination among G–7 countries in the support of the microenterprise sector in order to leverage the investment of the United States with that of other donor nations.

(18) Through increased support for microenterprise, especially credit for the poorest, the United

States can continue to play a leadership role in the global effort to expand financial services and opportunity to 100,000,000 of the poorest families on the planet.

SEC. 3. PURPOSES.

The purposes of this Act are—

(1) to make microenterprise development an important element of United States foreign economic policy and assistance;

(2) to provide for the continuation and expansion of the commitment of the United States Agency for International Development to the development of microenterprise institutions as outlined in its 1994 Microenterprise Initiative;

(3) to support and develop the capacity of United States and indigenous nongovernmental organization intermediaries to provide credit, savings, training and technical services to microentrepreneurs;

(4) to increase the amount of assistance devoted to credit activities designed to reach the poorest sector in developing countries, and to improve the access of the poorest, particularly women, to microenterprise credit in developing countries; and

(5) to encourage the United States Agency for International Development to coordinate microfinance policy, in consultation with the Department of the Treasury and the Department of State, and to provide global leadership in promoting microenterprise for the poorest among bilateral and multilateral donors.

SEC. 4. MICROENTERPRISE DEVELOPMENT GRANT ASSISTANCE.

Chapter 1 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.) is amended—

(1) by redesignating the second section 129 (as added by section 4 of the Torture Victims Relief Act of 1998 (Public Law 105–320)) as section 130; and

(2) by adding at the end the following new section:

"SEC. 131. MICROENTERPRISE DEVELOPMENT GRANT ASSISTANCE.

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

"(1) the development of microenterprise is a vital factor in the stable growth of developing countries and in the development of free, open, and equitable international economic systems;

"(2) it is therefore in the best interest of the United States to assist the development of microenterprises in developing countries; and

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

"(b) AUTHORIZATION.—(1) In carrying out this part, the President is authorized to provide grant assistance for programs to increase the availability of credit and other services to microenterprises lacking full access to capital and training through—

"(A) grants to microfinance institutions for the purpose of expanding the availability of credit, savings, and other financial services to microentrepreneurs;

"(B) training, technical assistance, and other support for microenterprises to enable them to make better use of credit, to better manage their enterprises, and to increase their income and build their assets;

"(C) capacity building for microfinance institutions in order to enable them to better meet the credit and training needs of microentrepreneurs; and

"(D) policy and regulatory programs at the country level that improve the environment for microfinance institutions that serve the poor and very poor.

"(2) Assistance authorized under paragraph (1) shall be provided through organizations that have a capacity to develop and implement microenterprise programs, including particularly—

"(A) United States and indigenous private and voluntary organizations;

"(B) United States and indigenous credit unions and cooperative organizations;

"(C) other indigenous governmental and nongovernmental organizations; or

"(D) business development services, including indigenous craft programs.

"(3) In carrying out sustainable poverty-focused programs under paragraph (1), 50 percent of all microenterprise resources shall be used for direct support of programs under this subsection through practitioner institutions that provide credit and other financial services to the poorest with loans of $300 or less in 1995 United States dollars and can cover their costs of credit programs with revenue from lending activities or that demonstrate the capacity to do so in a reasonable time period.

"(4) The President should continue support for central mechanisms and missions that—

"(A) provide technical support for field missions;

"(B) strengthen the institutional development of the intermediary organizations described in paragraph (2);

"(C) share information relating to the provision of assistance authorized under paragraph (1) between such field missions and intermediary organizations; and

"(D) support the development of nonprofit global microfinance networks, including credit union systems, that—

"(i) are able to deliver very small loans through a vast grassroots infrastructure based on market principles; and

"(ii) act as wholesale intermediaries providing a range of services to microfinance retail institutions, including financing, technical assistance, capacity building and safety and soundness accreditation.

"(5) Assistance provided under this subsection may only be used to support microenterprise programs and may not be used to support programs not directly related to the purposes described in paragraph (1).

"(c) MONITORING SYSTEM.—In order to maximize the sustainable development impact of the assistance authorized under subsection (a)(1), the Administrator of the United States Agency for International Development shall establish a monitoring system that—

"(1) establishes performance goals for such assistance and expresses such goals in an objective and quantifiable form, to the extent feasible;

"(2) establishes performance indicators to be used in measuring or assessing the achievement of the goals and objectives of such assistance;

"(3) provides a basis for recommendations for adjustments to such assistance to enhance the sustainable development impact of such assistance, particularly the impact of such assistance on the very poor, particularly poor women; and

"(4) provides a basis for recommendations for adjustments to measures for reaching the poorest of the poor, including proposed legislation containing amendments to improve paragraph (3).

"(d) AUTHORIZATION OF APPROPRIATIONS.—

"(1) IN GENERAL.—(A) There are authorized to be appropriated $152,000,000 for fiscal year 2000 and $167,000,000 for fiscal year 2001 to carry out this section.

"(B) Amounts appropriated pursuant to the authorization of appropriations under subparagraph (A) are authorized to remain available until expended.

"(2) RULE OF CONSTRUCTION.—Amounts authorized to be appropriated under paragraph (1) are in addition to amounts otherwise available to carry out this section.".

SEC. 5. MICRO- AND SMALL ENTERPRISE DEVELOPMENT CREDITS.

Section 108 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151f) is amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"(e) AUTHORIZATION OF APPROPRIATIONS.—

"(1) IN GENERAL.—(A) There are authorized to be appropriated $1,500,000 for each of the fiscal years 2000 and 2001 to carry out this section.

"(B) Amounts authorized to be appropriated under subparagraph (A) shall be made available for the subsidy cost, as defined in section 502(5) of the Federal Credit Reform Act of 1990, for activities under this section.

"(2) ADMINISTRATIVE EXPENSES.—There are authorized to be appropriated $500,000 for each of the fiscal years 2000 and 2001 for the cost of administrative expenses in carrying out this section.

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

SEC. 6. MICROFINANCE LOAN FACILITY.

Chapter 1 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.), as amended by this Act, is further amended by adding the following new section:

"SEC. 132. UNITED STATES MICROFINANCE LOAN FACILITY.

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

"(b) SUPERVISORY BOARD OF THE FACILITY.—(1) The Facility shall be supervised by a board composed of the following representatives appointed by the President not later than 180 days after the date of the enactment of Microenterprise for Self-Reliance Act of 1999:

"(A) 1 representative from the Department of the Treasury.

"(B) 1 representative from the Department of State.

"(C) 1 representative from the United States Agency for International Development.

"(D)(i) 2 United States citizens from United States nongovernmental organizations that operate United States-sponsored microfinance activities.

"(ii) Individuals described in clause (i) shall be appointed for a term of 2 years.

"(2) The Administrator of the United States Agency for International Development or his designee shall serve as Chairman and an additional voting member of the board.

"(c) DISBURSEMENTS.—(1) The board shall make disbursements from the Facility to United States-sponsored microfinance institutions to prevent the bankruptcy of such institutions caused by (A) natural disasters, (B) national wars or civil conflict, or (C) national financial crisis or other short term financial movements that threaten the long-term development of United States-supported microfinance institutions. Such disbursements shall be made as concessional loans that are repaid maintaining the real value of the loan to microfinance institutions that demonstrate the capacity to resume self-sustained operations within a reasonable time period. The Facility shall provide for loan losses with each loan disbursed.

"(2) During each of the fiscal years 2001 and 2002, funds may not be made available from the Facility until 15 days after notification of the availability has been provided to the congressional committees specified in section 634A of this Act in accordance with the procedures applicable to reprogramming notifications under that section.

"(d) REPORT.—Not later than 60 days after the date on which the last representative to the board is appointed pursuant to subsection (b), the chairman of the board shall prepare and submit to the appropriate congressional committees a report on the policies, rules, and regulations of the Facility.

"(e) FUNDING.—

"(1) AVAILABILITY OF FUNDS TO COVER SUBSIDY COSTS.—Of the funds made available to carry out this part for fiscal years 2000 and 2001, up to $5,000,000 may be made available to cover the subsidy cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990) to carry out this section for each such fiscal year. In addition, of such amount for each fiscal year, up to $__________

may be made available for administrative expenses in carrying out this section.

"(2) APPLICABLE AUTHORITIES.—The provisions of section 107A(d) of the Foreign Assistance Act of 1961 (as contained in section 306 of H.R. 1486, as reported to the House of Representatives on May 9, 1997) shall be applicable to assistance provided under this section, except that paragraphs (5) through (8) thereof shall not apply.

"(3) RELATION TO OTHER AMOUNTS AVAILABLE.—Amounts made available under paragraph (1) are in addition to amounts available to carry out this section under any other provision of law.

"(f) DEFINITIONS.—In this section:

"(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term 'appropriate congressional committees' means the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate.

"(2) UNITED STATES-SUPPORTED MICROFINANCE INSTITUTION.—The term 'United States-supported microfinance institution' means a financial intermediary that has received funds made available under this Act for fiscal year 1980 or any subsequent fiscal year.".

SEC. 7. REPORT RELATING TO FUTURE DEVELOPMENT OF MICROFINANCE INSTITUTIONS.

(a) REPORT.—Not later than 180 days after the date of the enactment of this Act, the President, in consultation with the Administrator of the United States Agency for International Development, the Secretary of State, and the Secretary of the Treasury, shall prepare and transmit to the appropriate congressional committees a report on the most cost-effective methods for increasing the access of poor people to credit, other financial services, and related training.

(b) CONTENTS.—The report described in subsection (a)—

(1) should include how the President, in consultation with the Administrator of the United States Agency for International Development, the Secretary of State, and the Secretary of the Treasury, will jointly develop a comprehensive strategy for advancing the global microenterprise sector in a way that maintains market principles while assuring that the very poor, particularly women, obtain access to financial services; and

(2) shall provide guidelines and recommendations for—

(A) instruments to assist microenterprise networks to develop multi-country and regional microlending programs;

(B) technical assistance to foreign governments, foreign central banks and regulatory entities to improve the policy environment for microfinance institutions, and to strengthen the capacity of supervisory bodies to supervise microcredit institutions;

(C) the potential for federal chartering of United States-based international microfinance network institutions, including proposed legislation;

(D) instruments to increase investor confidence in microcredit institutions which would strengthen the long-term financial position of the microcredit institutions and attract capital from private sector entities and individuals, such as a rating system for microcredit institutions and local credit bureaus;

(E) an agenda for integrating microfinance into United States foreign policy initiatives seeking to develop and strengthen the global finance sector; and

(F) innovative instruments to attract funds from the capital markets, such as instruments for leveraging funds from the local commercial banking sector, and the securitization of microloan portfolios.

(c) APPROPRIATE CONGRESSIONAL COMMITTEES DEFINED.—In this section, the term "appropriate congressional committees" means the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate.

SEC. 8. UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT AS GLOBAL LEADER AND COORDINATOR OF BILATERAL AND MULTILATERAL MICROENTERPRISE ASSISTANCE ACTIVITIES.

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

(1) the United States can provide leadership to other bilateral and multilateral development agencies as such agencies expand their support to the microenterprise sector; and

(2) the United States should seek to improve coordination among G–7 countries in the support of the microenterprise sector in order to leverage the investment of the United States with that of other donor nations.

(b) SENSE OF THE CONGRESS.—It is the sense of the Congress that—

(1) the Administrator of the United States Agency for International Development and the Secretary of State should seek to support and strengthen the effectiveness of microfinance activities in United Nations agencies, such as the International Fund for Agricultural Development (IFAD) and the United Nations Development Program (UNDP), which have provided key leadership in developing the microenterprise sector; and

(2) the Secretary of the Treasury should instruct each United States Executive Director of the Multilateral Development Banks (MDBs) to advocate the development of a coherent and coordinated strategy to support the microenterprise sector and an increase of multilateral resource flows for the purposes of building microenterprise retail and wholesale intermediaries.

○

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December 14, 1999

MV –
We're going to do this meeting after Christmas.
-Katy

Ms. Melanne Verveer
Office of the First Lady
The White House
Washington, DC 20500

Subject: Update on Creating a Legacy for the United States' International Microenterprise Initiative

Dear Melanne:

I want to thank you and Katy for your continued behind the scenes efforts on behalf of making microenterprise part of the Clinton Administration's lasting legacy. I understand that you intend to organize meetings soon with USAID and us on this subject, and we look forward to that opportunity. In the interim, I want to suggest a few actions that could help to move things along.

1. Exploring the Use of the Pass-Back Process to Secure Needed Program Reforms

I understand that agency appeals to the first pass-back are scheduled for this week and that further negotiations between the White House and the agencies will then occur. I am wondering if these discussions provide an opportunity to ask the USAID Administrator to take two critically important steps toward institutionalizing the Microenterprise Initiative.

A. Creating a "Microenterprise Account". Unlike Child Survival and Population, Microenterprise does not have a specific USAID account. The lack of such an account leaves the program subject to the vagaries of AID's internal budget battles. While this has not presented a severe problem as long as you have been there – who knows what lies ahead? In addition, the lack of an account makes "accountability" almost impossible because expenditures on microenterprise are very difficult to track. Having such an account would go along way toward institutionalizing the Microenterprise Initiative. Ideally, the President's FY2001 would provide $167 million into such an account, as provided for in the pending legislation.

B. Creating a High Performance Fund. The USAID Administrator should increase the allocation to the Office of Private & Voluntary Cooperation (PVC) by $2 million and earmark it for the purposes of creating a high performance fund. The PVC has been critical to building the institutional capacity of the microenterprise sector. It has, however, had its budget cut to the point where it may not continue to finance the core grants of Accion, FINCA, Opportunity International and the other leaders in the field. This will undermine the long-term financial viability of some of USAID's strategic partners. The high performance fund would help address this problem. The head of PVC supports this concept, and the State Department might even be convinced to finance the fund.

2. <u>Preparing a Legislative Strategy</u>

As you know, prior to the end of the last session, we had three Democratic Senators (Biden, Dodd & Sarbanes) and two Republicans (Brownback & Hagel) request that Chairman Helms consider the Microenterprise Self-Reliance Act (S.1493) at the next business meeting of the Senate Foreign Relations Committee. We are working furiously now to make this happen. Here is how you might help.

A. Democratic Support. Thanks to the efforts of Mrs. Clinton and your office, Senators Biden and Dodd made their interest in the bill public during the last meeting of the Senate Foreign Relations Committee. At this point, I would be grateful if you would put calls into their offices again and ask whether they can work with the Republicans to make sure the bill is indeed scheduled and favorably reported. In addition, I would appreciate your asking Jim Greene and Janice O'Connell, their respective staff members, to meet with us to map out a strategy for moving forward.

B. USAID Support. In crafting H.R. 1143 (the House companion which passed on suspension), Gilman and Gejdenson negotiated the bill language with both the Microenterprise Coalition and USAID. Although we all thought we had a consensus, USAID told us that they would remain neutral on the bill. We were very disappointed to later learn that USAID sent a "Statement of Administration Position" to the Senate last month that raises issues that strike at the heart of this legislation. USAID is concerned about: (1) an earmark for micro; (2) a requirement that 50% of resources be channeled to "poverty lending" institutions that provide loans of less than $300 to the very poor, particularly women; and (3) a guarantee facility created by the bill which grew out of discussions between Mr. Gejdenson and Mrs. Clinton in Gaza. The Coalition will not support a bill that does not include provisions for one and two.

I would appreciate any help you can provide in moving USAID back to their neutral position -- or in helping to work out a solution that protects the integrity of this initiative. It might be useful for you or Katy to talk with Amos Hochstein, Mr. Gejdenson's staffer, because he was the one who negotiated this bill with USAID.

Please let me know if you would like to meet to discuss these issues. As always, we are very grateful for all that you have done so far, and for your ongoing commitment to microenterprise.

Sincerely,

Lawrence Yanovitch
Director, Policy & Research

LY/ecb

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

April 13, 1999
(House)

H.R. 1143 - Microenterprise for Self-Reliance Act of 1999 (Gilman (R) NY and 24 cosponsors)

The Administration supports efforts to assist microenterprises as an important economic development tool. In 1994, with strong support of Congress and nonprofit microenterprise practitioners, the Administration revitalized microenterprise development with the Microenterprise Initiative. The Initiative emphasized support for the poor and for poverty lending. The U.S. Agency for International Development (USAID) renewed that Initiative in 1997, with a strong commitment to support microfinance institutions and poverty lending. The Administration remains committed to identifying new and creative means for providing assistance targeted at the poorest of entrepreneurs.

The Administration, however, is concerned that specific provisions of H.R. 1143 would hamper USAID's ability to program microenterprise funds effectively and to respond to rapidly changing economic conditions. The Administration, therefore, cannot support H.R. 1143 in its current form, but will work with Congress to fashion a mutually acceptable bill.

Key concerns with H.R. 1143 include provisions that:

- Require USAID to provide half of all microenterprise resources to organizations providing loans of $300 or less. USAID programs provide a number of important services to meet the needs of microentrepreneurs, including microcredit, business training, and reforming government policies. These needs differ widely depending on local conditions, and can change rapidly. This provision would limit USAID's ability to tap the most competitive organizations to meet specific needs of microentrepreneurs.

- Establish a new earmark for microenterprise funds within scarce development resources. The Administration can ill afford another earmark that limits its flexibility to respond to world development needs with limited foreign assistance funds. The Administration strongly supports microenterprise programs, and will continue to commit appropriate resources to support and expand microenterprise.

- Create an unnecessary new bureaucracy for a microenterprise loan facility that also raises constitutional concerns under the Appointments Clause. USAID believes that it can meet the goal of this provision within current authorities. In fact, USAID worked to provide just such support to microenterprise institutions in Central America in the wake of Hurricane Mitch.

Proposed Amendment to S. 1463

Authorization:

Background

Currently, authorization levels are in the bill for Fiscal Year 2000 and 2001. Since the Appropriations process for fiscal year 2000 is nearly complete, the effective life of the program would be one year.

Proposed Amendment

The Microenterprise Coalition would, given the current circumstances, extend the duration of the authorization from two to five years. The Coalition proposes adding the following amendment to extend the life of the authorization by three years without specifying funding levels for those years.

p.13 *(d) AUTHORIZATION OF APPROPRIATIONS.-*

(1) IN GENERAL. - (A) There are authorized to be appropriated $152,000000 for fiscal year 2000, $167,000,000 for fiscal year 2001 and such sums as may be necessary in fiscal years 2002, 2003, and 2004 to carry out this section.

Creation of a High Performance Fund:

Background

USAID's Matching Grant program within the Bureau of Humanitarian Response Office of Private and Voluntary Cooperation has played a catalytic role in the development of the microfinance industry through its support for institutional capacity building for U.S. PVOs.

Proposed Amendment

The Coalition proposes the creation of a high performance fund, with an initial funding level of $2 million, in addition to PVC's current microenterprise budget, to continue to allow leading institutions to innovate and develop capacity around the world. The Coalition would suggest the following amendment:

p. 14 *(d) AUTHORIZATION OF APPROPRIATIONS.-*

(1) IN GENERAL.-(C) Of the amounts appropriated pursuant to the authorization of appropriations under subparagraph (A), at least $2,000,000 will be used to establish a microfinance high performance fund within the United States Agency for International Development's Bureau of Humanitarian Response Office of Private and Voluntary Cooperation. United States private and voluntary organizations shall be able to access such funds only upon achieving a set of criteria predetermined by the United States Agency for International Development, Microfinance practitioners, and the appropriate Committees of Congress.