PUBLIC LAW 108–484—DEC. 23, 2004

MICROENTERPRISE RESULTS AND ACCOUNTABILITY ACT OF 2004

Public Law 108–484
108th Congress

An Act

Dec. 23, 2004
[H.R. 3818]

To amend the Foreign Assistance Act of 1961 to improve the results and accountability of microenterprise development assistance programs, and for other purposes.

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

Microenterprise Results and Accountability Act of 2004.
22 USC 2151 note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Microenterprise Results and Accountability Act of 2004".

22 USC 2211 note.

SEC. 2. FINDINGS AND POLICY.

Congress finds and declares the following:

(1) Congress has demonstrated its support for microenterprise development assistance programs through the enactment of two comprehensive microenterprise laws:

(A) The Microenterprise for Self-Reliance Act of 2000 (title I of Public Law 106–309; 114 Stat. 1082).

(B) Public Law 108–31 (an Act entitled "An Act to amend 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 program under those Acts, and for other purposes", approved June 17, 2003).

(2) The report on the effectiveness of the United States Agency for International Development's microfinance program, prepared by the Consultative Group to Assist the Poor, rated the Agency in the top tier of the 17 donors in this field.

(3) The Comptroller General, in a report dated November 2003, found that the United States Agency for International Development has met some, but not all, of the key objectives of such microenterprise development assistance programs.

(4) The Comptroller General's report found, among other things, the following:

(A) Microenterprise development assistance generally can help alleviate some impacts of poverty, improve income levels and quality of life for borrowers and provide poor individuals, workers, and their families with an important coping mechanism.

(B) Microenterprise development assistance programs of the United States Agency for International Development have encouraged women's participation in microfinance projects and, according to data of the Agency, women have comprised two-thirds or more of the micro-loan clients in Agency-funded microenterprise projects since 1997.

(5)(A) The Comptroller General's report recommends that the Administrator of the United States Agency for International Development review the Agency's "microenterprise results reporting" system with the goal of ensuring that its annual reporting is complete and accurate.

(B) Specifically, the Administrator should review and reconsider the methodologies used for the collection, analysis, and reporting of data on annual spending targets, outreach to the very poor, sustainability of microfinance institutions, and the contribution of Agency's funding to the institutions it supports.

SEC. 3. MICROENTERPRISE DEVELOPMENT ASSISTANCE.

Chapter 2 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2166 et seq.) is amended by inserting after title V the following new title:

"TITLE VI—MICROENTERPRISE DEVELOPMENT ASSISTANCE

"SEC. 251. FINDINGS AND POLICY. 22 USC 2211.

"Congress finds and declares the following:

"(1) Access to financial services and the development of microenterprise are vital factors 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 facilitate access to financial services and assist the development of microenterprise in developing countries.

"(3) Access to financial services and the development of microenterprises can be supported by programs providing credit, savings, training, 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 programs should target both rural and urban poor.

"(5) Microenterprise programs have been successful and should continue to empower vulnerable women in the developing world. The Agency should work to ensure that recipients of microenterprise and microfinance development assistance 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 have been successful 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.

22 USC 2211a.

"SEC. 252. AUTHORIZATION; IMPLEMENTATION; TARGETED ASSISTANCE.

President.

"(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 to microfinance and microenterprise 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;

"(2) assistance for the purpose of training, technical assistance, and business development services for microenterprises to enable them to make better use of credit, to better manage their enterprises, to conduct market analysis and product development for expanding domestic and international sales, particularly to United States markets, and to increase their income and build their assets;

"(3) capacity-building for microfinance and microenterprise institutions in order to enable them to better meet the credit, savings, and training needs of microfinance and microenterprise clients; and

"(4) policy, regulatory programs, and research at the country level that improve the environment for microfinance and microenterprise clients and institutions that serve the poor and very poor.

"(b) IMPLEMENTATION.—

Establishment.

"(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.

"(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 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.

"(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 and shall especially provide the greatest possible resources to the poor and very poor. 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 shall be targeted to clients who are very poor. Specifically, until September 30, 2006, such resources shall be used for—

Termination date.

"(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.

"SEC. 253. MONITORING SYSTEM.

22 USC 2211b.

"(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 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 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.

22 USC 2211c.

"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.

Deadline.

"(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.

Effective date.

"(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.

22 USC 2211d.

"SEC. 255. ADDITIONAL AUTHORITIES.

"Notwithstanding any other provision of law, amounts made available for assistance for microenterprise development assistance 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.".

SEC. 4. MICROENTERPRISE DEVELOPMENT CREDITS.

22 USC 2212.

(a) TRANSFER.—Section 108 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151f) is hereby—

(1) transferred from chapter 1 of part I of the Foreign Assistance Act of 1961 to title VI of chapter 2 of part I of such Act (as added by section 3 of this Act); and

(2) inserted after section 255 of the Foreign Assistance Act of 1961.

(b) REDESIGNATION.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended by redesignating section 108 (as added by subsection (a)) as section 256. 22 USC 2151f, 2212.

(c) CONFORMING AMENDMENTS.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended—

(1) by inserting after the title heading the following:

"Subtitle A—Grant Assistance";

(2) by inserting after section 255 the following:

"Subtitle B—Credit Assistance"; and

(3) in section 256 (as redesignated by subsection (b))— 22 USC 2212.

(A) in the matter preceding paragraph (1) of subsection (c), by striking "Administrator of the agency primarily responsible for administering this part" and inserting "Administrator of the Agency"; and

(B) in subsection (f)(1)—

(i) by striking "section 131" and inserting "this part"; and

(ii) by striking "$1,500,000 for each of fiscal years 2001 through 2004" and inserting "such sums as may be necessary for each of the fiscal years 2005 through 2009".

SEC. 5. UNITED STATES MICROFINANCE LOAN FACILITY.

(a) TRANSFER.—Section 132 of the Foreign Assistance Act of 1961 (22 U.S.C. 2152b) is hereby— 22 USC 2213.

(1) transferred from chapter 1 of part I of the Foreign Assistance Act of 1961 to title VI of chapter 2 of part I of such Act (as added by section 3 of this Act); and

(2) inserted after section 256 of the Foreign Assistance Act of 1961 (as added by section 4 of this Act).

(b) REDESIGNATION.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended by redesignating section 132 (as added by subsection (a)) as section 257. 22 USC 2152b, 2213.

(c) CONFORMING AMENDMENTS.—Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 is amended—

(1) by inserting after section 256 the following:

"Subtitle C—United States Microfinance Loan Facility"; and

(2) in section 257 (as redesignated by subsection (b))— 22 USC 2213.

(A) in subsection (b)(3), by striking "2001 and 2002" and inserting "2005 through 2009";

(B) in the matter preceding subparagraph (A) of subsection (d)(1), by striking "this part for the fiscal year 2001, up to $5,000,000" and inserting "this part for each of the fiscal years 2005 through 2009, such sums as may be necessary"; and

(C) by striking subsection (e).

SEC. 6. MISCELLANEOUS PROVISIONS.

Title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 (as added by section 3 of this Act and amended by sections 4 and 5 of this Act) is further amended by adding at the end the following new subtitle:

"Subtitle D—Miscellaneous Provisions

22 USC 2214.

"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.

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

"SEC. 259. DEFINITIONS. 22 USC 2214a.

" 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 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 microenterprises 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;

"(F) a microfinance institution; 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.

"(10) 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.

"(12) 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.—The term 'United States-supported microfinance institution' means a financial intermediary that has received funds made available under this part for fiscal year 1980 or any subsequent fiscal year.

"(14) 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).".

22 USC 2211 note.

SEC. 7. SENSE OF CONGRESS.

It is the sense of Congress that, in carrying out title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 (as added by section 3 of this Act and amended by sections 4 through 6 of this Act), the Administrator of the United States Agency for International Development—

(1) where applicable, should ensure that microenterprise development assistance provided under such title is matched by recipients with an equal amount of assistance from non-United States Government sources, including private donations, multilateral funding, commercial and concessional borrowing, savings, and program income;

(2) should include in the report required by section 258 of the Foreign Assistance Act of 1961 (as added by section 6 of this Act) a description of all matching assistance (as described in paragraph (1)) provided for the prior year by recipients of microenterprise development assistance under such title;

(3) should ensure that recipients of microenterprise development assistance under such title do not expend an unreasonably large percentage of such assistance on administrative costs;

(4) should not use recipients of microenterprise development assistance under such title to carry out critical management functions of the Agency, including functions such as strategy development or overall management of programs in a country; and

(5) should consult with the appropriate congressional committees with respect to the implementation of title VI of chapter 2 of part I of the Foreign Assistance Act of 1961 not later than 90 days after the date of the enactment of this Act.

Deadline.

SEC. 8. REPEALS.

(a) FOREIGN ASSISTANCE ACT OF 1961.—Section 131 of the Foreign Assistance Act of 1961 (22 U.S.C. 2152a) is hereby repealed.

(b) PUBLIC LAW 108–31.—

(1) IN GENERAL.—Section 4 of Public Law 108–31 (22 U.S.C. 2151f note) is amended by striking subsection (b).

(2) CONFORMING AMENDMENT.—Section 4 of Public Law 108–31 is amended by striking "(a)" and all that follows through "Not later" and inserting "Not later".

22 USC 2151f note.

SEC. 9. REFERENCES.

22 USC 2211 note.

Any reference in a law, regulation, agreement, or other document of the United States to section 108, 131, or 132 of the Foreign Assistance Act of 1961 shall be deemed to be a reference to subtitle B of title VI of chapter 2 of part I of the Foreign Assistance Act of 1961, subtitle A of title VI of chapter 2 of part I of such Act, or subtitle C of title VI of chapter 2 of part I of such Act, respectively.

Approved December 23, 2004.

LEGISLATIVE HISTORY—H.R. 3818 (S. 3027):

HOUSE REPORTS: No. 108–459 (Comm. on International Relations).
CONGRESSIONAL RECORD, Vol. 150 (2004):
Nov. 20, considered and passed House.
Dec. 8, considered and passed Senate.

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