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{ REPORT
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PAKISTANI-AMERICAN ENTERPRISE FUND ACT

NOVEMBER 19, 2010.—Ordered to be printed

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

REPORT

[To accompany S. 3665]

The Committee on Foreign Relations, having had under consideration the bill S. 3665, to promote the strengthening of the private sector in Pakistan, reports favorably thereon and recommends that the bill do pass.

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I. PURPOSE

The purpose of S. 3665 is to authorize the establishment of a fund to provide loans, equity investments and other forms of support to small- and medium-sized private enterprises to create jobs and counter militant extremism in Pakistan.

II. COMMITTEE ACTION

S. 3665 was introduced by Senators Lugar and Kerry on July 29, 2010. On September 21, 2010, the committee ordered S. 3665 reported favorably by voice vote.

III. DISCUSSION

S. 3665, the Pakistani-American Enterprise Fund Act authorizes the establishment a fund to provide loans, equity investments and other forms of support to small- and medium-sized private enterprises to create jobs and counter militant extremism in Pakistan.

The legislation provides five purposes for the establishment of the Fund, including:

1. Promote the development of Pakistan's private sector, particularly small- and medium-sized enterprises;
2. Promote policies and practices to strengthen Pakistan's private sector;
3. Advance good governance and transparency in Pakistan;
4. Create jobs and expand Pakistan's middle class; and
5. Foster greater adherence to Pakistan's tax code.

The Pakistani-American Enterprise Fund (the Fund) is modeled after similar funds established through the Support for East European Democracy (SEED) Act of 1989 (P.L. 101-179; 22 U.S.C. 5421) to assist the economic development of Eastern Europe. Funds authorized under the SEED Act were invested in over 500 enterprises in 19 countries, leveraged an additional \$5 billion in private investment capital from outside the U.S. Government, provided substantial development capital where supply was limited, and created or sustained over 260,000 jobs through investment and development activities.

The legislation provides for the Fund to be administered by a non-profit entity under the supervision of a board of directors consisting of four private citizens from the United States and three private citizens from Pakistan, appointed by the President of the United States. The committee recognizes the important leadership role the board of directors must play and expects the Fund's board members to be individuals who have led successful business careers and demonstrated experience and expertise in international and particularly emerging markets. The bill requires that any firm, association, or entity in which a board member of the Fund serves as partner, director, officer, or employee cannot receive financing from the Fund. Board members shall not benefit from the Fund except through salary or reasonable compensation for service.

The legislation addresses the need for effective administrative oversight of the fund. It requires a grant agreement between USAID and the Fund establishing the rules and procedures—as specified by the Secretary of State—to ensure that the Fund is not used to finance money laundering or terrorist activities. The legislation states that the President is to appoint a USAID official or employee as non-voting board member. The legislation also states that the President may appoint two additional non-voting board members—one from a non-government organization with experience in Pakistan, and the other with technical expertise—of which, only one can be a non-citizen of the United States.

The legislation would make applicable to the Pakistan Enterprise Fund a number of administrative provisions contained in the SEED Act of 1989 that governed the operation of enterprise funds in Eastern Europe. These include requirements that the Fund take into account additional factors including, environmental impact, United States economic and employment effects, and the livelihood of commercial viability of the activity receiving assistance. The Fund may conduct public offerings or private placements for the purpose of soliciting and accepting United States venture capital. The Fund's accounts must be audited annually by a U.S. licensed public accountant and recipients of support from the Fund will

keep independent records of their use of Fund assistance. The Fund must produce an annual report of its activities, available to the public on the Internet, providing a description of each investment or project supported by the Fund, the amount of support provided to each project—including any private support—and the profits or losses associated with each project. The legislation also requires the Fund to provide an annual report to the Senate Committee on Foreign Relations, the Senate Committee on Appropriations, the House Committee on Foreign Affairs, and the House Committee on Appropriations detailing its administrative expenses. The legislation directs the Government Accountability Office (GAO) to conduct an assessment of the Fund's activities every three years and provide a report to the above-mentioned congressional committees.

The legislation directs the Fund to dissolve not later than December 31, 2020, unless USAID determines—after consultation with the above-mentioned congressional committees—that the Fund should be extended. The legislation directs the assets of the Fund at the time of its dissolution to be returned to the General Fund of the U.S. Treasury, unless otherwise specified by the above-mentioned congressional committees. The committee directs that the capital to establish the fund and cover its administrative expenses shall be drawn from funds already authorized through the Enhanced Partnership with Pakistan Act of 2009.

The Enhanced Partnership with Pakistan Act of 2009 seeks to transform the relationship between the United States and Pakistan from a transactional, tactically-driven set of short-term exercises in crisis-management, into a deeper, broader, long-term strategic engagement. The legislation aims to properly balance the relationship between United States and Pakistan by acknowledging and supporting the national security interests of the United States as well as our economic and geopolitical interests. United States economic and military assistance for Pakistan enhances our mutual security while helping to build economic and political stability in a country important in a regional and strategic sense. Economic assistance is as critical an element as strengthening the capacity of the Pakistan military to counter terrorism, especially for projects that provide direct and concrete benefit to Pakistani citizens as a whole.

IV. COST ESTIMATE

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

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, November 16, 2010.

Hon. JOHN F. KERRY,
*Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 3665, the Pakistani-American Enterprise Fund Act.

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

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure

cc: HON. RICHARD G. LUGAR, *Ranking Minority Member*.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 16, 2010.

S. 3665

Pakistani-American Enterprise Fund Act

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN
RELATIONS ON SEPTEMBER 21, 2010

SUMMARY

S. 3665 would authorize the President to establish a Pakistani-American Enterprise Fund to stimulate private-sector development in that country. The fund would be similar to enterprise funds established in the 1990s for several countries and would provide technical and financial assistance to the private sector. Under current law, the President already has authority to establish such a fund and plans to do so in 2011. As a result, CBO estimates that implementing the bill would not increase spending subject to appropriation. Enacting S. 3665 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply to this legislation.

S. 3665 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Sunita D'Monte. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

V. EVALUATION OF REGULATORY IMPACT

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

VI. CHANGES IN EXISTING LAW

In compliance with rule XXVI, paragraph 12 of the Standing Rules of the Senate, the committee has determined that there are no changes to existing law as a result of this legislation.