

**SBA RECOMMENDATIONS
FOR
POTUS JULY NMI TOUR
(Draft 5/20/99)**

Outline

I. Small Business Investment Program

A. Kentucky Highlands Investment Corporation ("KHIC"):

(SBIC, SBA Microlender, CDFI, USDA Guaranty Lender and Intermediary Lender, Lead Entity for the Kentucky Highlands Empowerment Zone)

B. Arizona MultiBank Community Development Corporation

(To-be-Formed New LMI SBIC, CDFI)

C. North Carolina - Economic Opportunities Fund

(To-be-Formed 1-5 New SBICs)

D. Mississippi Delta - Enterprise Corporation of the Delta

(To-be SBA 7(a) Lender, EZ, CDFI, SBIC Investments in region)

II. BusinessLINC Roundtable

A. Mississippi Delta

B. Appalachia, Tribal Lands, and Urban Centers

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I. Small Business Investment Program

A. Kentucky Highlands Investment Corporation ("KHIC"):

(SBIC, SBA Microlender, CDFI, USDA Guaranty Lender and Intermediary Lender, Lead Entity for the Kentucky Highlands Empowerment Zone)

1. Options for Public/Private Deliverables:

a. Mid-South Electric, Inc. (Jackson County)

*one of the poorest
counties in the
country*

Deliverable: \$5m Business Expansion/100-150 new jobs

Public/Private: SBIC & USDA /EZ/Youth Job training

Founded by Jerry Weaver, a native of Jackson County, the tool and die company has grown to 800 employees and is currently completing a \$5 million expansion which will add 100-150 employees this year. The expansion of the modern plant was accomplished through SBIC funding for equipment and a USDA guarantee. The expansion and the addition of new jobs through public/private partnership could be announced in July.

b. SBA/DOL Proposal

*Deliverable: Capital Investment by Corporate CEOs for
Additional Youth Training*

Public/Private: SBIC/EZ/Youth Training

SBA will work with the Department of Labor to direct new capital investments from large employers and financial entities into Mountain

Ventures, Inc., an SBIC, or through a different vehicle of KHIC for additional youth job training, etc. in connection with JRC Industries.

Description of JRC Industries:

In late 1995, a nonprofit, job training workshop was opened in Jackson County as part of the Kentucky Highlands Empowerment Zone initiative. For several years, this training program struggled until it moved into a new 24,000 sq. ft. building and Jerry Weaver agreed to become General Manager. Installing a new management team, Mr. Weaver created a tool and die apprenticeship program, an electronic circuitry class and a computer laboratory. The company, JCR Industries, is now entirely self-supporting and employs 100 persons as a contract manufacturer. Training, including GED preparation, is provided for 16-24 year olds.

c. Sports Products, Inc.

Deliverable: New investments from Bankers Trust

Public/Private: SBIC/EZ/CDC Tax Credit

Mountain Ventures and Kentucky Highlands Community Development Corporation (utilizing a CDC tax credit on a \$2 million investment from Bankers Trust and the Appalachian Wall Street Limited Partnership) financed a building to house Sports Products, Inc. which manufactures sports gear for children. Additional investments will be made with the remaining investment funds from Bankers Trust.

Description of Sports Products, Inc. ("SPI")

SPI was incorporated in the Commonwealth of Kentucky in January of 1998, and started operations on February 1, 1998. Kentucky Highlands Investment Corporation along with its subsidiaries Mountain Ventures, Inc. (a SBIC) and Kentucky Highlands Community Development Corporation (a tax credit community development corporation) financed the building, equipment and working capital of this start-up company.

The Tennessee Valley Authority has also made a loan to the company for equipment.

SPI was formed to take advantage of the void in the marketplace created when Hutch Sports USA was forced into bankruptcy in August 1997. Therefore, with an available manufacturing facility, equipment and inventory repossessed from bankruptcy court and a trained labor force, it was an opportune time to start SPI. SPI currently manufactures athletic jerseys, shorts, pants, and jackets for children as well as other apparel for Premier Athletic Apparel of Lexington, Kentucky. Premier sells mostly in the Midwest and Southern United States.

2. Description of Kentucky Highlands Investment Corporation

- a. Founded in 1968 as a Community Development Corporation based in Southeastern Kentucky;
- b. Is a SBIC, SBA Microlender, a USDA Guaranty Lender and Intermediary Lender, Lead Entity for the Kentucky Highlands Empowerment Zone and a CDFI;
- c. Provides equity-type capital for new and expanding businesses;
- d. Services a 9-county area, amongst poorest in the nation (Wayne, Clinton, Jackson, Rock Castle, Clay, Bell, Whitley, McCreary and Harlan) with some lending capabilities in three (3) additional counties;
- e. Governed by a 17-member Board of Directors and has a staff of 15 employees;
- f. Administers a \$13 million venture fund as the lead entity for the Kentucky Highlands Empowerment Zone, encompassing Jackson, Clinton, and Wayne counties;

g. Provides technical and management support to businesses, entrepreneurial training and houses a small business incubator created with assistance from the ARC;

h. Has invested more than \$50 million in over 140 enterprises that employ 1,285 employees;

i. Administers the Appalachian Capital Corporation, a fund that derives its capital from the U.S. Department of Agriculture. Through this entity, competitive financing is available to viable businesses located in or which will locate in Southeastern Kentucky.

B. Arizona MultiBank Community Development Corporation

(New LMI SBIC, CDFI)

Deliverables: One of the first NMI LMI SBICs & May raise \$5 million from major banks for new SBIC for a POTUS event

Public/Private: SBIC/CDFI

1. Description of Arizona MultiBank Community Development Corporation ("MultiBanks")

a. An Arizona non-profit corporation and an initiative of the Arizona Bankers Association. In addition to several initiatives throughout Arizona in urban centers, rural communities and Indian Country, MultiBank has now taken on the development of a homegrown, Arizona-based SBIC in order to better meet the equity and subordinated debt needs of Arizona's small businesses.

b. Established to operate an investment pool that is funded on a long-term basis by Arizona lenders, MultiBank is certified by the U.S. Department of the Treasury as a Community Development Financial Institution ("CDFI").

c. Since 1993, MultiBank has provided \$12.5 million to 200 projects throughout Arizona. Fifty-six percent of MultiBank's loan dollars have been provided to small businesses, 28% to non-profit organizations and 16% to affordable housing projects. By subordinating its collateral interests in 30% of these projects, MultiBank leveraged another \$23 million of financing from its Investing Banks. Examples of financings that have been done, include:

- A \$500 "circle of lending" micro loan to a home-based day care business (affiliated with SBA-funded entrepreneurial program for women);
- A \$50,000 line of credit to a locally published magazine dedicated to the arts and lifeways of Native Peoples -- the official magazine of the Smithsonian Institution's National Museum of the American Indian; and
- A \$400,000 loan to a start-up, minority-owned wire manufacturer supplying a Fortune 100 company.

d. In addition to providing capital to small businesses, MultiBank provides financial and technical assistance to small businesses, to low and moderate-income housing project, and to non-profit organizations.

e. MultiBank has been capitalized with over \$10 million in capital debt securities, making its initial capitalization one of the largest, if not the largest, in the nation for a non-profit community development corporation of its kind. The following institutions provided the funding:

▪ Norwest/Wells Fargo Bank	\$3,600,000
▪ Bank of America	3,000,000
▪ Bank One Arizona	3,000,000
▪ Community First National Bank	140,000
▪ National Bank of Arizona	100,000
▪ Arizona Bank	50,000
▪ Johnson Bank	50,000
▪ Harris Trust Bank	50,000

▪ Northern Trust Bank	50,000
▪ Pacific Century Bank	50,000
▪ Community Bank of Arizona	25,000
▪ Heritage Bank	25,000
▪ Imperial Bank Arizona	25,000
▪ Mohave State Bank	25,000
▪ Rocky Mountain Bank	25,000

C. North Carolina - Economic Opportunities Fund

(1-5 New SBICs)

Deliverable: 1-5 New SBICs (following passage of Legislation)

Public/Private: SBIC

1. Description of North Carolina - Economic Opportunities Fund

a. The State of North Carolina is proposing a capital formation initiative to increase the availability of equity capital for high growth entrepreneurial firms in the state's economically distressed rural and urban communities.

b. To accomplish this goal, the State has proposed to establish 1-5 new SBICs with up to \$30 million in public sector investment to leverage as much as \$360 million in growth capital. The State would work in partnership with banking, institutional and corporate private investors in the state.

c. Prudent investment by the Economic Opportunities Fund may support a diversity of entrepreneurial development throughout North Carolina. Their success will produce benefits to all parties involved: financial return to the State and participating investors, growth resources for the entrepreneurial companies receiving capital, and employment gains and wealth creation to the communities in which these firms prosper.

d. State legislation is required to establish the Stated-owned SBICs. Governor Hunt has championed the concept to the North Carolina General Assembly which is proceeding with legislation providing for public sector participation.

D. Mississippi Delta - Enterprise Corporation of the Delta

(To-be SBA 7(a) Lender, EZ, CDFI, SBIC Investments in region)

Deliverables:

- *New Investment by Chairman of Skytel for \$500,000*
- *New Investment of Arkansas Blue Cross/Blue Shield for \$100,000*
- *2 Bank Enterprise Awards for \$50,000 total*
- *New SBA 7(a) Lender in May/June*
- *SBA has a lengthy lists of businesses located in the Mississippi Delta that have received SBIC financing;*

Public/Private: New 7(a)Lender/SBIC/EZ, etc.

II. BuinessLINC Roundtable

A. Mississippi Delta

(SBIC, EZ, CDFI, Youth Training, SBA Microloans, HUBZones)

Deliverables: CEO and Local Company Commitments to rural and urban communities & Business Roundtable chaired by POTUS

Public/Private: SBIC/EZ, HUBZones, etc.

(Interagency Effort - SBA, DOT, and nine other Federal Agencies; See 3/30/99 SBA Proposal)

1. Organize Business Roundtable with POTUS, Cabinet Secretaries, Bankers, CEOs, Community Leaders, etc. (focus on private/public investment partnership, new jobs, transportation, domestic trade, etc.);
2. Request new CEO and company (local and national) commitments (including from Fortune 500 companies initially financed by SBICs); and
3. Augment existing private sector commitments including the following:
 - Bell Atlantic will spend \$1.88 billion, through a partnership with SBA, to increase purchasing and subcontracting with minority and women-owned businesses.
 - Chase Manhattan Bank will create a new program that will connect its senior bank officers with women and minority small business owners, and a new partnership with the National Association of Black Management Consultants.
 - GE Capital will expand its Small Business Colleges, which offer business advice to entrepreneurs in distressed areas, and to open a fifth college in St. Louis and a new pilot program for women business owners in Washington, D.C.
 - Science Applications International Corporation (SAIC) will execute joint marketing agreements with small businesses and support relationships with small businesses in the new HUBZone areas.
4. Work with BRT and the new Department of Commerce Minority Business Roundtable chaired by Bob Johnson of BET (recent article in the New York Times)

Description of the BusinessLINC Initiative

1. Launched by VOTUS, the BusinessLINC Initiative is a new partnership between the Federal government and America's business community to encourage large businesses to work with small business owners and entrepreneurs, especially in America's rural areas and inner cities.
2. Administered by SBA and Treasury, BusinessLINC, which stands for Learning, Information, Networking, and Collaboration, is designed to stimulate business-to-business relationships that will produce one-on-one technical advice and consulting, classroom and group training, peer group consulting, strategic alliances, and supplier and marketing development for small businesses.

Description of Mississippi Delta Proposal

Through three major initiatives (the SBIC LMI Investment Program, the New Market Venture Capital Company Program and the Microloan Program), SBA will further enhance access to capital for businesses located in low and moderate-income (LMI) areas. In addition, SBA will increase federal contracting opportunities throughout this region through its HUBZone Program. To attract interest in SBA community-based capital access programs, SBA is providing a series of regional workshops to promote investment in inner cities and rural communities, including the Mississippi Delta region. Many communities of the Mississippi Delta region are located in both LMI rural areas and HUBZones, and thus, will benefit from these targeted programs.

B. Appalachia, Tribal Lands, and Urban Centers

Replicate the BusinessLINC Roundtable described above.

PROMOTING INVESTMENT IN AMERICA'S NEW MARKETS

January 15, 1998

Despite the longest peacetime economic expansion in history, marked by tremendous business and job growth, and much capital in search of good investment opportunities, many urban and rural areas of the country have not participated in the capital investment that has spurred job growth and economic development elsewhere at home and abroad. President Clinton's commitment to building one America is a commitment to making progress for all Americans, in every home and community in the nation.

President Clinton challenged the leaders of Wall Street, who are fueling America's economic growth, to take the lead in investing in America's own "New Markets" -- inner-city areas, like New York's East Harlem, and distressed rural areas like parts of Appalachia. The President's FY 2000 balanced budget includes a new initiative designed to create the conditions for success by:

- providing tax credit and loan guarantee incentives to stimulate billions of new private capital investment in targeted areas;
- building a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's new markets; and
- providing the expertise to targeted small businesses that will allow them to use new investment to grow.

WORKING WITH EXPERTS AND CONGRESS

The President's New Markets Initiative was developed by an Administration task force that consulted with investment advisors, community development financial and venture capital pioneers, and Members of Congress who have lead efforts to promote investment in underserved areas. President Clinton has laid out a solid framework from which to build, but he will further solicit the reactions and ideas of a wide range of experts and Congressional leaders before he sends the legislation to Congress.

HARNESSING THE POWER OF THE PRIVATE MARKET TO REVITALIZE COMMUNITIES

The New Markets initiative will prompt approximately \$15 billion in new investment in urban and rural areas through:

1. *The New Markets Tax Credit* — To help spur \$6 billion in new equity capital for investment in America's New Markets, President Clinton has proposed a tax credit worth up to 25 percent for investments in a wide range of vehicles serving these communities,

including community development banks, venture funds and corporations, the new investment company programs announced by the President (see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to attract investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

2. ***America's Private Investment Companies (APICs)*** -- For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put a minimum of \$100 million in equity into new private investment partnerships to be known as America's Private Investment Companies (APICs). HUD and SBA working together will provide up to another \$200 million in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government. However, the individual investment decisions must be approved by the government for consistency with the public policy mission of the program.
3. ***SBICs Targeted to New Markets*** --Over 40 years, the SBA's small business investment company (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed loan to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small businesses before they must produce a return. In addition, SBA will conduct an aggressive outreach campaign around the country to promote LMI investments.
4. ***New Markets Venture Capital Firms (NMVCs)*** -- There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with government debt guarantees of up to \$10 million per NMVC, with interest on the debt deferred. Investors

must also provide at least \$1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

5. ***New Markets Lending Companies (NMLC)*** -- For the first time in many years, SBA will approve approximately 10 new non-bank lenders -- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.
6. ***Continued Growth for CDFIs*** -- The President's initiative to develop community development financial institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas, will continue to grow. His FY 2000 balanced budget will include \$125 million for the CDFI fund. Thus far, CDFI has made over \$180 million in awards to community development organizations and financial institutions.
7. ***BusinessLINC*** -- The President's budget will include \$3 million in seed money to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez -- to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.
8. ***Specialized Small Business Investment Companies (SSBICs)*** -- The President's budget will expand current tax incentives to increase the amount of equity capital available to economically disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

Agenda for New Markets Meeting May 21, 1999

I. Progress Reports from Teams on Potential Sites and Deliverables

- Treasury: CDFIs
Microenterprise
BusinessLINC
- SBA: SBICs/NMVCs
- HUD/CEB: EZ/ECs
- Labor: Workforce with economic development focus
- Others: Lynn
USDA
Transportation
Commerce

II. CEO Outreach *- we are sending out general letters.*

*need
CEOs*

- This week: CEO letter out; Sperling meeting with DC Reps - *good new companies*
- Working with teams, OPL/NEC drafting CEO "outreach for deliverables" plan

III. Next Steps

- Revised written descriptions of the best deliverable/site options for Monday
- Outreach calls to key CEOs regarding specific deliverables begin on Monday
- Follow up on two press issues
 - Op-ed strategy (Cabinet; mayors; others)
 - User-friendly guide book to investing in underserved areas (CEB and Treasury to bring existing materials)

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

February 3, 1997

**REMARKS BY THE FIRST LADY
AT THE MICROCREDIT SUMMIT**

Sheraton Washington Hotel
Washington, D.C.

MRS. CLINTON: Thank you very much. Thank you, choir, that was wonderful. I got to listen to you as I stood outside. I am thrilled to see such a turnout for this summit, which is one of the most important gatherings that we could have anywhere in our world, to talk about what is possible for raising the sights and aspirations of people, giving them the tools of opportunity, expanding access to credit and creating conditions in which men, women and children will be able to make for themselves better lives.

I'm very grateful to all who have made this summit possible, particularly to the co-chairs, to the heads of state who are gathered, to other distinguished guests, to the Results Educational Fund, to many of the private corporations and other foundations that have helped to sponsor this important gathering.

This is truly an historic occasion. Microfinance is a subject that is near and dear to all of our hearts who are gathered here. And this first global summit on microcredit offers an unprecedented opportunity for us to draw attention to the successes of microcredit in developing countries, as well as in applications in advanced economies around the world.

By bringing together experts from every continent we will be able to learn from each other's challenges and achievements, and apply those lessons within our own borders. I hope that this conference will engender new understanding of microcredit and its potential to transform the lives of individuals, their families, their communities and their nations.

Although it is called "microcredit," this is a macro idea. This is a big idea, an idea with vast potential. Whether we are talking about a rural area in South Asia or an inner-city in the United States, microcredit is an invaluable tool in alleviating poverty, promoting self-sufficiency and stimulating economic activity in some of the world's most destitute and disadvantaged communities.

I first heard about microcredit more than a decade ago when my husband, then the governor of Arkansas, and I were involved in looking for ways to create economic opportunity in the poorest sections of one of the poorer states in the United States. We had heard about the work of the Grameen (sp) Bank in Bangladesh and about the work that the South Shore Bank in Chicago. And we reached out to representatives of both to explain to us how this idea of very small amounts of credit could make such a difference.

I remember well when we met with Mohammed Unis in the Governor's Mansion in Little

Rock in 1986. We sat there and listened as he told us how the idea which he had had as an economics Ph.D. and then a teacher back in his home in Bangladesh began to be put into practice. He offered advice as the project in Arkansas got off the ground. Within a few years we, too, could see how the fruits of the

Good Faith Fund, as the project in Arkansas was called, were beginning to take root.

It was so contrary to conventional thinking about finance and economic development. And, yet, before our eyes and based on reports from Bangladesh and India and Chicago and elsewhere, we knew something important was happening that had escaped the notice of many who worked in development, of many who were in finance departments of governments. And both my husband and I were determined that the concept of microcredit would have universal relevance. We looked for ways to apply microcredit in America, taking the best of the principles and values that it represented, but making it sure that it could be put into practice in different settings.

Now, more than 10 years later, we can look around this room, from one end to the other, and appreciate the power of Mohammed Unis' vision. And we can celebrate the courage and dedication it has taken on the part of all of you today -- pioneers in microfinance, lenders in microcredit enterprises, representatives of government and private business and foundations and grass-roots community organizations from all over the world -- the courage that it took to come and understand how the conventional wisdom about poor people and economic opportunity was no longer adequate. (Applause.)

To really understand the significance of this summit one must recognize that you are here because you have broken a paradigm, you have gotten out of the conventional box of thinking about the poor, about economic opportunity, about the partnership between the public and private sector. It is this type of unconventional thinking that we need more of in our world today, to address the problems that all of us confront. (Applause.)

I know those of us here understand that microcredit is a tool -- not the only tool, but we believe an important tool available to promote economic and social development. We have seen with our own eyes in the last several decades how the global economic revolution has transformed lives, many for the better. People with opportunities in places that never thought or dreamed they could see clean water, roads, their children attending school, access to health care.

And yet, we also know that global economic change has not only made winners, it has made losers as well. And part of our challenge is how do we harness these vast forces of change for the benefit of all people, how do we ensure that no matter where one lives, no matter what race or ethnic background, no matter whether a man or a woman. It is the individual human being willing to work hard who will be given the opportunity if that person takes responsibility to seek and find a better life for themselves.

That is why this idea is important not only on its own merits and that we should work to spread it, be honest about what it can do, make changes where necessary, recognize that it has limitations. But the idea is not only important for what it is, but for what it represents when we put it into the context of the global economic changes that are sweeping through all of our countries. (Applause.)

The United States has long supported microcredit overseas through USAID. And I am pleased that the United States will continue to support microcredit programs and that I hope more American citizens will recognize how important it is to support the economic aspirations of our friends and neighbors around the globe. And one of the ways we will attempt to deliver that message is to demonstrate here within our own borders how microcredit can change the lives of Americans.

Indeed, we are beginning to spread microenterprise throughout the United States. It has to be tailored to our particular economic and social circumstances. And so it is by the very nature of the communities which it is working in going to be diverse -- offering different kinds of loans, resources and business assistance.

But I am pleased that the President, working with the Secretary of the Treasury whom you will hear from later, have recognized the important role that microcredit will play in economic development throughout our country in helping people who are currently on welfare in the United States find opportunities for their own economic self-sufficiency. And to that end, just this last week, the President and Secretary Rubin presented the first Presidential Awards for Excellence in Microenterprise Development. The awards recognize efforts within our country to extend credit and economic opportunity to Americans who otherwise lack the chance to become economically self-sufficient.

The awards also underscore the ripple effect that microcredit projects can create -- not only in lifting individuals out of poverty and moving mothers from welfare to work, but in creating jobs, promoting businesses and building capital in depressed areas.

The United States is also promoting microcredit through the Small Business Administration's Microloan Program -- a public-private partnership which has already awarded \$70 million in grants to nonprofit organizations with nearly half of the loans granted going to women. The loans range from \$125 to \$25,000.

Because of the promise that microcredit holds in the United States, the President announced last week that he is requesting substantial increases in federal funding for the Community Development Financial Institutions Fund. His budget calls for a \$1 billion increase over the next five years. (Applause.)

As I said last week at the White House when we were celebrating microcredit, there are millions of people in our country as there are millions of people in all the nearly 100 countries represented here who are brimming with initiative and desire to take responsibility and to work hard. But they need what I call the tools of opportunity, and one of those tools is access to credit. For too long, many people -- not only the poorest of the poor, but working people and others -- have had to turn to the lenders in the community that extract great price and cost for the money that they give. Others have been shut out completely from any kind of access to credit. And the result has not only been to depress their opportunities, but to depress that of those in their families and in their communities.

Later today, I will visit a microcredit project right here in Washington, D.C. -- one of the FINCA USA projects. I spent time with a FINCA borrowing group in Managua, Nicaragua, and I'm looking forward to hearing from the borrowers in this group here in Washington -- how that model is working for them.

What we are finding is that modest loans are transforming lives, reclaiming villages and rural areas and cities from decay and decline, and helping to reduce the number of people living in substandard conditions or extreme poverty.

I have seen that with my own eyes. Many of you are veterans of microcredit who are here, but others of you have come for the first time to learn how this concept can be translated and transplanted where you live. And others of you in the press are finding this a new idea, something you had not really focused on before. And still others in government and private business are looking for ways to help the economic development of people in the communities that you serve. And I want to take just a few minutes to visualize why I am such an admirer and supporter of microcredit; why I believe that it has such great potential.

So I brought with me some of the pictures that I have had taken as I have traveled to various continents and countries looking at microcredit efforts, and if I could I'd like to show them

to you as I talk a little bit more about why they make such an important difference.

I want to start with a picture from India, and those of you who are familiar with Sawa (sp) -- and I believe that Ilabad (sp) is here and will be speaking -- know how important the Self-Employed Women's Association has been. This group has made it possible for very poor women to learn about finance, to borrow money, to be part of a bank, to save money. And when I visited I met with hundreds of women, some of whom had walked for 12 or 15 hours to come to meet with me, to tell me what those initial small loans meant. And I want to emphasize that it was not just stories about what the loans bought and what they were able to do with the loans, it was the entire sense of self-worth and potential that those loans created in the women that made the biggest impression on me.

Women stood up and said that they had been vegetable vendors in the markets and had been abused by police officers, others of authority, with no place to turn to try to keep their businesses going when times were difficult. They told me of working on their family farms, eking out a living in very hard soil with little equipment and little support. And yet, woman after woman stood up and said to me that since they had become members of the Self-Employed Women's Association, they were no longer afraid. They were not afraid to speak up for themselves, to find their place in their family and their village, to help contribute to the income that made it possible for them to think of sending a child to school or having a child get the health care that child needed.

Many of you will find and be able to relate the same kinds of experiences that I have had. And I hope that as we talk about microcredit and as we look at the physical manifestations of loan, ledgers, and I have reviewed -- of businesses that have been started, of milk cows that have been bought, we will also not forget that you are seeding those people with a dream and a hope that they will be functioning members of society whose children's lives will be better.

I've also seen firsthand what happens in Bangladesh, and for anyone interested in microcredit you know that it is a journey to the Gramine (sp) Bank that is often part of the learning experience because of the longtime efforts that have been undertaken there. When I visited with a group of women in a village outside of Jasore, I realized that I was visiting a Hindu village, and my schedule did not permit me to go down the road further to visit a Muslim village. And I wanted to see women from both communities who were participating with Gramine. The women in the Muslim village came to the Hindu village, the first time there had ever been such participation together. Never had there been a meeting like that.

And I listened as 150 Hindu women and 150 Muslim women told me how their lives had been transformed by virtue of earning income. These women had lived much harder lives than any I could even imagine, and yet they were filled with hope about their future. And one of the reasons is that Gramine (sp) doesn't just extend credit, as many of you know. It tries to put the women and the men who are borrowers not only in borrowing groups for credit purposes, but to help support one another in solidarity, to build stronger families and communities.

Each person who joins the bank has to abide by 16 decisions or principles that range from the mundane such as "we shall build and use pit latrines," to the much more difficult to explain and understand -- "we shall not inflict injustice on anyone; neither will we allow anyone to do so," or "we shall always keep our children and the environment clean." There is even one principle against dowry, which is extraordinary considering the attitudes in many of those communities about the proper role of women and certainly the importance of dowry.

As each woman waits her turn to get a loan, she knows she cannot borrow money until the woman before her has repaid her loan. So there is a built-in incentive to support each other's enterprises.

I saw women making steel and concrete beams they can sell to other women who use them to build houses with loans from Gramine (sp) and I visited such a house. So a whole self-sustaining market is created within one village.

Gramine (sp) also in Bangladesh attempts to work with children to change attitudes about what is possible for them. Here there was a skit performed in which some of the young children, young boys and girls, were talking about attitudes that were held about education, and in particular, whether or not girls should be educated as well as boys. And by performing that skit, they were serving notice that they understood there was another way, another idea of what could be possible for them.

And so when you go to Bangladesh, and you see, as many of you have, what Gramine (sp) means, just like what the Self-Employed Women's Association means in the lives of these women, their husbands, their families, it makes it clear that we're talking about not only economic transformation, but social transformation as well. (Applause.)

Some months later, I visited a microenterprise project in Denver, Colorado, here in the United States. In this case women, many of them Hispanic Americans, received career counseling and vocational training, and entrepreneurial technical assistance. It is provided by a group called Mi Casa. And here, the women were explaining to me what it meant for them to finally be taken seriously. Many had been on welfare or were just off welfare, and they were looking for an opportunity to take the skills that they had acquired and turn them into income.

Many of those women were good bakers, good seamstresses. They could make alterations. They could provide food for small restaurants. But they didn't, as we hear so often, have access to credit to get started. One woman said to me something I have never forgotten, when she described to me what it was like trying to go to her local bank. She did not have any traditional collateral, but she was a hard worker. She's always worked for other people. She had a good product to sell. But she was turned away because the amount of money that it would have taken for the bank to process her loan was not, in the bank's eyes, worth the investment. And she said, too many great ideas die in the parking lots of banks. (Applause.) And one of the hopes I have is that conventional banking will understand that there is an economic opportunity, a market niche for those willing to service this community.

I certainly was impressed by that when I was in Managua, Nicaragua, meeting with women in a borrowing group shortly after the United Nations Fourth World Conference on Women in Beijing, where the platform of action included a commitment microcredit. And as I have said, and as the President's said, much of the work that we are doing in the United States to advance microcredit is in part a fulfillment of our responsibilities under that platform of action. (Applause.)

I went here to the weekly meeting of the FINCA Group and there were about 30 women who described how they had received small loans to start neighborhood bakeries, seamstress shops -- one was making mosquito netting; one was selling auto parts door to door. I was surprised and very excited when several of the women not only gave me their products, but also asked me what I had been doing in India because some of them had seen on television some pictures of my trip to the Self-Employed Women's Association. They wanted to know what the women there were spending their money on and what businesses they were starting. And I felt that there was an opportunity for this to be literally a global movement, with people learning from each other and supporting each other. And this is exactly what this summit means to do.

I've also been impressed by the work I've seen in Santiago, Chile, where community bank relies on peer networks to promote and sustain local microbusinesses. Here in a local market I met the vendors who were showing their commitment to the bank by putting up

awnings in matching blue and yellow to demonstrate that they were part of microenterprise.

Most memorable to me was a woman who told me that as a seamstress she could not compete with the larger factories, and yet she knew there was a market for her work because she had many people who had come and asked her to make something for them but she did not have the capacity to do so. With a small loan, she was able to buy a high-speed sewing machine and replace her old, antiquated one. She said that when she got that new sewing machine she felt like a caged bird set free. And that is a good way to describe how many of the people I have met seem to feel when given the opportunity.

I saw that again firsthand recently in La Paz, when I met with borrowers at Banco Sol and had a chance to visit the bank itself -- a physical place that is dedicated to microcredit. And the people there were very proud of what they had accomplished. And the United States is pleased that this bank, now the largest bank in Bolivia, was initially supported through a loan from USAID. It is the first commercial in the world completely dedicated to microlending.

The default rate is extremely low, about 2.2 percent; and the repayment rate, obviously, extremely high. I often say to my banker friends that if they had customers like these people, who paid off their loans at 95, 97, 98 percent, they would be very happy. And I think if more banks understood -- (applause) -- the tenacity, the commitment, the entrepreneurial spirit of people like these who are given a chance to help themselves, we would go a long way in not only extending credit, but in eliminating many of the unfortunate stereotypes about people who are poor. (Applause.)

Anyone who has worked with microcredit or seen its impact around the world as I have will testify that those stereotypes are just plain wrong. Most people who are eligible for microcredit around the world work as hard as they know how, from sunup to sundown, and sometimes for many hours before and beyond. And yet, too often, those of us in positions of influence or authority or power dismiss them. We seem to have a belief that if they are poor, they are meant to be poor and will always remain poor. Yet many of us come from families, generations back who themselves were poor, and through hard work and sometimes lucky breaks and opportunities an extended helping hand, we were able to climb our own way out of poverty and to have the benefits that that gave us and our children.

These microcredit projects are proof of what we can unleash if we invest in the economic and human potential of all the world's citizens. I am heartened that so many commercial banks and finance ministries and others around the world are beginning to show

such an interest in microcredit. We know that this is not the only answer; we still need investments in education and health, infrastructure in many parts of the world, but we know that this is a critical component of what will work in nearly any setting we can define.

It is becoming increasingly obvious that this tool not only transforms lives but lifts communities and societies as well. And that, after all, is what this summit is about. It is not just about giving individuals economic opportunity, it is about community, it is about responsibility. It is about seeing how we are all interconnected and interdependent in today's world. It is recognizing that in our country the fate of a welfare recipient in Denver or Washington is inextricably bound up with all of ours. It is understanding how lifting people out of poverty in India or Bangladesh redounds to the benefit of the entire community and creates fertile ground for democracy to live and grow because people have hope in the future.

So I think all of you who have helped to make the pictures that I've shown a reality, who have been advocates on behalf of microcredit and the concepts of community and responsibility that it represents, and I hope that as a result of this summit, many, many more people will understand how microcredit can transform lives, will learn lessons on how to do

it right --

(end of side one of tape; continuation of side two)

-- all of us will recognize that as we move toward this 21st century, we have an opportunity that has seldom come, if ever, in the history of humankind. We have a world that can, with technology, democracy, free enterprise, extend the benefits of prosperity and peace to countless millions whose lives can be lifted up.

So, for all of us, I hope that we will go forward from this summit more convinced than ever that providing economic opportunity, giving people a chance to be responsible, building community can happen everywhere if we have the will to make it so. Thank you for what you're doing. Godspeed on the work ahead. (Applause.)



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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 5, 1999

REMARKS BY THE PRESIDENT
AND THE FIRST LADY
AT MICROENTERPRISE EVENT

The East Room

2:20 P.M. EST

MRS. CLINTON: Welcome and please be seated. The President and I are delighted to have you all here for the second presentation of the Presidential Awards for Excellence in Microenterprise Development.

Each of today's awardees is showing the power of microenterprise, the power to transform welfare checks to paychecks, poverty to economic growth and income, despair to hope. Later in the program we'll hear from Carol Willoughby, who will tell us how her life and family was forever changed by microenterprise.

I had the chance to see Carol's work firsthand at a speech I gave last April at a microenterprise meeting. She had made the banners hanging behind the podium -- or, rather, I should say, her company had made them because with opportunity and hard work, that's what she has created, a thriving business. And the name of that company, as you've heard, appropriately enough, is Let The Whole World Know.

Well, when it came time to pick someone to participate in this program, it was a very difficult choice because the stories from all of these award winners are going to really warm your heart and make you understand our commitment to microenterprise. But Let The Whole World Know really sounded a theme that we wanted to make sure could be sounded here.

There are many people in this room who have worked for years to make this day possible, and I want to recognize and thank them, starting with Secretary Rubin, who has led the Treasury in exemplary ways at the micro level, but also understood the importance of the micro, as well as the macro. And so I'm grateful to him and the work that's been done at the Treasury Department.

Senator Don Riegle, I believe is here -- former Senator -- and Don, thank you for the work you did in championing the Community Development Financial Institutions Fund while you were in the Senate. And there are other members of Congress I want to thank: Senator Harkin, Senator Kennedy, Senator Wellstone, Congresswoman Eleanor Holmes Norton, Congressman Oberstar.

And as well as our officials from the Congress, we also have the Lieutenant Governor of Iowa, Sally Peterson, and a number of the agency heads who are responsible for the government's microenterprise program, starting with USAID Administrator Brian Atwood, as well as the Deputy Administrator, Hattie Babbitt; Small Business Administrator Aida Alvarez; CDFI Director Ellen Lazar; the Director of the National Economic Council, Gene Sperling; Mary Ellen Withrow, the Treasurer of the United States; and a former OMB Director who was on the team for microenterprise, Frank Raines.

I want to thank all of you, and the people you work with, for the extraordinary job you have done.

You know, many of us have heard about microenterprise over a number of years. Bill and I were trying to determine when we had heard about it -- and as we get older it seems harder to remember. (Laughter.) We think it was somewhere in the early '80s, somewhere between '84 and '86. And we had heard about this because it was an idea that had been transplanted from Bangladesh to the South Shore Bank in Chicago, a place that I am very familiar with. And I was very anxious to learn more about how microenterprise was transforming both rural areas, among some of the poorest people on our planet, and urban areas in our own city.

I have been, now, around our country and around the world, meeting with people who are the recipients of microenterprise awards. And I have been just struck, time and time again, by the heroic stories that they tell. I'll never forget the look of pride on the face of a woman I met from Guatemala, who told me that with the help of a small loan, she had gone from being a mango seller on the streets to owning a market stall, and eventually running a small business with 15 employees. So from the time she had started on the streets selling mangoes, to the age of 12, she had had a long, hard effort of a lot of work, but it paid off. And she told me with great pride that she was sending her son to college in the United States.

In Western India, I walked into a women's bank, which had only one room and the teller's counter was an old kitchen table and bank clerks transcribed all of the recorded transactions by hand on yellow sheets of paper. But while I was there I met women who walked 12 to 15 hours from remote villages to take out loans -- some as small as \$1, to invest in dairy cows, plows or goods to sell at market. These women were among some of the poorest and least educated of all Indians. But their loan repayment rate was nearly 100 percent, and they told me

what they had done with their loans and how that had transformed their lives, enabling them to give their children better housing, health care and other opportunities.

I was also very pleased last year in Africa when I accompanied the President and the President of the Uganda to a microenterprise site in a village some distance from the capital of Kampala. I don't think that a head of state had ever visited a village site of a microenterprise group, and I know that two heads of state at the same time have never done that. (Laughter.) And I was delighted that both the President and President Museveni had the same reaction that I always have -- a great deal of interest and a great deal of pride in what they were hearing on behalf of the people who were telling their stories.

But microenterprise had not only transformed lives abroad, they are transforming lives right here at home. I remember visiting the Mi Casa Microlending Program in Denver and speaking to a group of women who told me about how they had had good ideas, but they couldn't get any capital anywhere. One woman memorably remarked, you know, a lot of good ideas die in the parking lots of banks. (Laughter.) She said, you know, I knew I was a good baker, I knew I could open a bakery, I knew I could employ people -- but I didn't have any collateral and the amount of money that I wanted was below the lending limit of the bank. Well, thanks to microenterprise, she was doing what she had dreamed of.

The origin of these awards go back to the United Nations Fourth World Conference on Women in Beijing, when I

pledged on behalf of the President and the administration a commitment to spread microenterprise and microlending through our nations; and also to have these awards, as well. We've now seen the fruits of that effort, from one end of our country to the other and you're going to hear about some of the exemplary programs in just a few minutes.

I believe that this is part of the President's strong initiative to try to bring free enterprise and capital development to those parts of our country that are still left out. You know, we've done extraordinarily well thanks to the leadership of the President and the Secretary of Treasury and the others in the administration.

But we still have a ways to go in some of our inner-city neighborhoods in some of our rural areas, and in some of our Indian communities, particularly. So what we're trying to do is to say we want a multi-pronged strategy to provide economic opportunity to every American willing to work hard to achieve it on his or her behalf.

And no one understands the importance of the free enterprise system, and the need for us to spread its benefits to every American, than someone who has worked tirelessly over the past years to ensure that every American would have an opportunity to be successful. And it is my great honor and personal privilege to introduce to you the Secretary of the Treasury, Bob Rubin. (Applause.)

THE PRESIDENT: Thank you. Carol, you better watch it, before you know it you'll be running for office. (Laughter.) What a remarkable statement -- thank you so much.

I'd like to take a little -- a few moments more than I normally would by way of introduction today. Hillary and I and Bob Rubin are real happy today, because this is one of the things that I ran for President to do. To see these stories, to see the spirit, and to see the potential.

I want to thank Secretary Rubin. You know, I used to tell a joke about Bob Rubin. He's been here a long time now, and he left this fabulous career on Wall Street. And I used to tell everybody that I asked Bob Rubin to come to Washington in 1993 to help me save the middle class, and by the time he leaves he'll be one of them. (Laughter.)

SECRETARY RUBIN: That always seems a lot funnier to you, Mr. President. (Laughter.)

THE PRESIDENT: Yes. I don't know how much it's cost him to stay here these six years, but one of the reasons that I really wanted him to come is that when we -- even in the beginning, when we began talking about these matters in '92, he always said, you know, I'd like to get the economy going again and working again, and then we could maybe really do something for poor people in this country. Maybe we could really bring the spirit of enterprise to all these places that have been left behind.

I don't know how many Secretaries of the Treasury in our country's history have ever had that sort of driving passion. But I know we had one, and he's done a magnificent job. And I'm very grateful to him. (Applause.)

I want to thank Senator Harkin, Senator Kennedy, Senator Wellstone, Congressman Oberstar, Congresswoman Eleanor Holmes Norton for supporting this economic vision so strongly. I thank former Senator Riegle, who is here, who was the committee chairman who helped us to make this a critical part, this whole microenterprise, a critical part of our economic strategy way back in 1993.

I welcome Lieutenant Governor Sally Peterson from Iowa; we're delighted to have her here with her honorees. I want to thank our former OMB Director, Frank Raines; Mary Ellen Withrow, our Treasurer; Ellen Lazar and others who have supported our efforts here. A special word of thanks to Aida Alvarez and Betsy Myers and all the other members of her team from SBA who are here. And to Brian Atwood and Hattie Babbitt and the others from AID -- I believe that under our administration we funded 2 million of these small microenterprise loans, from Africa to Asia to Latin America, last year.

There's one group of people who have not been acknowledged -- and Hillary and I were talking about it -- who were out there ahead of the federal government for years, without whom microenterprise never would have really taken off in America, and that's all the members of the foundation community. I'd like to -- all the representatives of the foundations that are here that have

supported microenterprise lending, I'd like to ask you to stand, please, and be acknowledged. Thank you. Thank you, very much. (Applause.)

And I'll say more about this in a minute, but this whole issue has been a passion for the First Lady for, as she said, about 15 years. We had a friend who was working at the South Shore Bank in Chicago, which had a microenterprise loan program. We went there, we saw what they were doing.

Then in 1984 I was able to meet, here in Washington -- I was here at a governor's meeting, I'll never forget it. I got up early one morning and had breakfast with Muhammad Yunus, who had been trained as an economist in the United States and then gone to Bangladesh and set up the Grameen Bank. Hundreds of thousands of loans had been made -- market interest rates -- very tiny loans, almost all to poor village women. The repayment rate was better than the commercial banks in Bangladesh, and it changed my thinking about this forever.

And then Hillary scrounged up some foundation money, and other money, and I squeezed some out of the Arkansas legislature and we started a development bank with a microenterprise program in Arkansas. And after I became President, she literally has gone all across the world. She's been in small villages on every continent, where people like her never go.

And I should tell the rest of the story because I don't think President Museveni would object. I have the highest regard for the President of Uganda. He's one of the most intelligent and effective leaders of any developing country anywhere in the world. But when we were walking on this little rocky pathway into this village to see all these village women who now had their own businesses, he looked at me and he said, that's some wife you've got. He said, until you showed up here I didn't even know we had these programs in our country. (Laughter.)

So, without her we probably wouldn't be here today. And I'm very, very grateful for everything that Hillary has done to champion this cause. (Applause.)

I also want to say a word of appreciation to Carol and all the other small business owners here. It takes a lot of courage to run a small business. Hillary and I have talked about this a lot -- she talked to me about one time when she was a high school girl she worked in a small business in her home town, and there were days when no one came in. Every day, if you open a small business, you feel like politicians feel on election day. (Laughter.)

I'll never forget -- I can't remember, one of the great old Hollywood moguls said, you know, if you make a bad movie, the people will stay away and you cannot stop them. (Laughter.) Which I think is a great -- so I want to thank all of you for having the spirit of enterprise and the vision and the courage.

This whole country is basically built by entrepreneurs, whether they're in Silicon Valley or young investment bankers in Manhattan or people running the street-vending operations out here for the tourists in Washington. The genius of actually being able to have an idea and act on it, and having people respond to it and invest in it and be your customers and, as Carol said, in a way validate your ideas, your character and your hard work, it's the whole secret of

America.

And because of the strength of our economy, I believe we have an obligation to give that opportunity to everyone. Just this morning we learned that what is now the longest peacetime expansion in American history has grown longer. Last month our economy created nearly another quarter-million jobs, and unemployment stayed at 4.3 percent. That's the lowest peacetime rate since 1957. Wages now rising at over twice the rate of inflation; again, unemployment rates among Hispanic and African Americans dropped to their lowest recorded levels ever.

Now, if we cannot expand opportunity into every corner of America now, we will never get around to it. We have an obligation now to spread the spirit and the opportunity for enterprise to all the American people. As you've heard from others, we've been working on this for six years now -- working to bring opportunities to some of our most distressed communities, with an agenda of empowerment. That's what we celebrate here. Not a hand out, a hand up. This microenterprise program is the embodiment of empowerment.

We know -- and I was so glad to hear what Carol said about self-esteem, because sometimes a crisis of economic distress is a crisis of the spirit as well; a shortage of confidence that is just as debilitating as a shortage of cash. And these stories today -- I want all of you to imagine not only the economic success, but what it has done to these people's lives. There are stories like this all over America and all over the world.

What does it mean to a single mom's life when she goes to the mailbox in the morning and sees a bank statement instead of a welfare check? What does it mean to a child when he or she can go to school and say, when they ask, "What does your mother do for a living?" -- she owns a beauty shop? What does it mean to a neighborhood when, all of a sudden, an old building that has been vacant for 10 years has a "help wanted" sign out in front of it?

This is about more than economics. And through our network of community development banks -- or CDFIs, as we call them, community development financial institutions -- through the strengthened and streamlined Community Reinvestment Act -- and I will say that even though that act has been on the books for more than 20 years now, 95 percent of all the investment under Community Reinvestment has been done in the last six years, in our administration. And I'm proud of that. (Applause.) And the banks are doing quite well. (Laughter.) They're doing well by doing good. And it's important to remember as the debate develops this year about that. And through these empowerment zones, we've seen the steady expansion of opportunity.

Last month, as the Secretary said, I announced this new markets initiative, to spur even more private investment in under-served areas. And we want to reach -- building a bridge from Wall Street to Harlem to Appalachia, to the Mississippi Delta, to South Texas, to Pine Ridge, South Dakota -- everywhere there are opportunities still untapped.

Today I am proud to announce that, as a part of our budget, we would more than double our support for microenterprise in America. We would continue our -- (applause) -- thank you.

We also want to continue our efforts to promote microenterprise abroad, especially in the nations that have been hardest hit by the global financial crisis, or by our neighbors hit by natural disasters. And I think that is very important, because we are giving courage and awareness to other governments, and other countries, to do more for their own people in this regard.

First, we recognize that, for the vast majority of micro-entrepreneurs, good ideas and credit are just the beginning. A little guidance -- lessons on accounting, billing, planning -- those things are essential for any business to thrive in a complex economy. The budget doubles the Small Business Administration's capacity to provide such training through its micro-loan program, triples support for SBA's one-stop capital shops, which offer micro-lending advice and other assistance in disadvantaged communities. I'm also proud to support the bipartisan program for investments in micro-entrepreneurs -- the PRIME Act, sponsored by Senator Kennedy and Senator Domenici from New Mexico, Representatives -- (applause) -- and Representatives Rush, Leach and LaFalce, so that we can expand our technical assistance through the Treasury's CDFI fund.

Second, we want to make even more credit available to low-income Americans with good business ideas. That's why I'm proposing to leverage more than \$75 million in new loans by doubling our support for the SBA's micro-loan program. (Applause.)

Third, we want to keep encouraging Americans to save some of their own hard-earned money, to start or expand businesses. Last year, I was proud to sign new individual development accounts into law, fulfilling a campaign pledge from 1992, and thanks in no small measure to the leadership of Senator Tom Harkin from Iowa and former Senator Dan Coats from Indiana. We thank you very much, Senators, for that. Thank you. (Applause.)

For those of you who don't know, these individual development accounts -- IDAs -- are special accounts that provide federal matching funds to low-income Americans who save money to invest in their business, buy a first home, pay for a college education. I want to double support for these accounts in our budget.

Next, we will continue to lead the world through USAID to promote microenterprise for millions of families to get out of poverty in other countries. The recent local financial crisis and the hurricanes in Central America and the Caribbean have literally upended the lives of tens of thousands, hundreds of thousands of people. As you have heard from the First Lady's account, we have seen firsthand how these loans -- sometimes in other countries loans as small as \$10, \$15, \$25, \$50 can make all the difference in helping families to get back on their feet.

Our balanced budget will target extra microenterprise assistance to the countries that are in trouble. And to break down the bureaucratic walls that block microenterprise in some developing countries, we'll continue to work with the World Bank and other financial institutions to reform the regulatory structures so we can make more of these loans available. There is a virtually unlimited potential abroad and at home for this, and I keep hoping if we just keep pushing and keep pushing and keep pushing we will reach a critical mass of investment which will explode it and let the whole world know that this works.

(Applause.)

And this ceremony today is a part of letting the whole world know. So we come here not only to honor you with these Presidential Awards for Excellence in Microenterprise, but to say to the world that these six organizations whose vision and commitment have made such a profound difference in the lives of the business owners, their employees and their customers are but a small beginning of what we could achieve together in the United States and throughout the world if we work harder to make the economy work for ordinary citizens.

And so this, too, is a part of letting the whole world know. And when you come up here and get your awards I hope that you will not only feel enormous pride, I hope that you will not only feel an enormous sense of rededication to further success, I hope you will feel that you are sending a message to people who will see this all over America, or read about it in their newspapers. And you may be sparking someone else's conviction either that, A, they ought to set up one of these funds, or B, they ought to find one and get a loan.

And I believe that we will continue to see the steady march of progress here. This has the potential to revolutionize not only the lives of ordinary Americans, but the whole way we organize our economy here and around the world.

So, first: For excellence in the category of Access to Capital, the Microcredit Industry Rural Organization. Since 1987, MICRO has provided some \$5.5 million in loans to more than 1,000 entrepreneurs living in rural Arizona's poorest Hispanic communities. Accepting this award is Executive Director Frank Ballesteros, and entrepreneur Maria Jesus Gaxiola, a former migrant farm worker who used a \$1,500 loan to build her own cosmetics business -- and I might say, she's a remarkable walking advertisement for her success. (Laughter.) Please come up here. (Applause.)

Next, for excellence in Developing Entrepreneurial Skills, the Detroit Entrepreneurship Institute. Founded at Wayne State University, the Institute has worked to teach low-income clients the full range of business skills. Clients can also take advantage of a free computer center, a tax preparation service, and graphic design department to help launch and expand their businesses. Accepting this award is Cathy McClelland, the President and CEO; and Jackie Tucker, who started a successful catering business after training at the Institute. I'd like to ask them to come up now. (Applause.)

Also for excellence in Developing Entrepreneurial Skills, the Northeast Entrepreneur Fund of Virginia, Minnesota. (Laughter.) In the Iron Range, north of Duluth. Serving rural communities throughout a 20,000 square mile area, the Fund offers one-on-one counseling to clients, helping them to tailor their studies to specific needs. Accepting this award is the Fund's President, Mary Mathews; and our star speaker today -- (laughter) -- Carol Willoughby. (Applause.)

For excellence in Poverty Alleviation, the Institute for Social and Economic Development of Iowa. One of the earliest statewide microenterprise efforts in the nation, the Institute -- listen to this -- has helped 90 percent of its welfare clients free themselves from lives of dependency through self-employment.

Accepting this award today is John Else, founder and president; and entrepreneur Rhonda Auten, a former welfare recipient who started her own dance school with help from ISED. (Applause.)

(The award was presented.)

For excellence in private support for microenterprise development, the Corporation for Enterprise Development. For two decades -- through research, public advocacy and technical assistance to microenterprise organizations -- the Corporation has fostered so much of the progress we see today, including the success of three of this year's award winners. We are all -- including all of us in this administration -- profoundly indebted to the awardee, the Corporation, and its founder and chairman, Mr. Robert Friedman. (Applause.)

(The award was presented.)

For excellence in public support for microenterprise development, the Montana Microbusiness Finance Program. As part of the Montana Department of Commerce, this program has helped to launch or sustain a dozen microlending organizations serving communities throughout that vast and beautiful state. Accepting this award are program officer Robyn Hampton and entrepreneurs Kevin and Heidi Snyder, who used a microloan to start their racquetball and fitness centers. They are two walking advertisements for what they're doing, as you can see. (Laughter.) Come on up. (Applause.)

(The award was presented.)

Now, don't you feel better than you did when you got up this morning? (Laughter.) Isn't this great?

Henry Ford -- a small entrepreneur -- once said that the best Americans were those with "an infinite capacity to not know what can't be done." We honor today those kinds of Americans -- testaments to the power of enterprise, and the strength of the human spirit.

I ask you to leave here committed to work in the years ahead to bring this spirit, and this opportunity, to every corner of every community in our land and on our globe.

Thank you very much, and God bless you. (Applause.)

END

3:03 P.M. EST

Message Sent To: _____

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release
September 6, 1995

First Lady Hillary Rodham Clinton Remarks to the United Nations Development Fund for Women "Women's Economic Empowerment Zone" Panel Beijing, China

MRS. CLINTON: Thank you, Noleen. Thank you very much and I want to commend all of you who are here because I think that this is one of the most important panels to hear from the three people that you will be hearing from in a few minutes, that will take place at this conference. I want to thank Noleen and also the United Nations Development Fund for Women, which we all know as UNIFEM. It is a word that in any language translates into hope for women who dream of a better life for themselves, their families, and their nations.

Around the world, UNIFEM has invested in the lives and aspirations of women and has helped to empower women in ways that have not been tried before such as what we will be discussing here this evening. I am pleased to announce that the United States is releasing its pledge of one million dollars to UNIFEM for 1995 so that it can continue this work.

We are here today to talk about micro credit, where it's needed, what it is, what it can do, how it has transformed lives. It's called micro, but its impact on people is gigantic. It takes just a few dollars, often as little as \$10, to help a woman to self-employment, lift her and her family out of poverty. It is not a handout; it's a helping hand.

From the Grameen Bank in Bangladesh or to the Self-Employed Women's Association in India, or to the work in Ghana that you will hear about, to banks and programs modeled on these from Indonesia to the Dominican Republic, to my own country, we have seen that micro-lending works. Women who have received loans from the Grameen bank, for example, have a repayment rate of 97 percent, and often within one year. And they invest their money well. Some buy milk cows to expand their family's agricultural livestock, some buy materials to make handicrafts which they then sell. Others make bricks, or repair bicycles. But the fact is: give a woman a seed, and she will plant it, she will water it, nurture it, then reap it, share its fruits, and finally, she will replant it. In this way, step by step, the world's poorest women are leading their families, their communities and their countries to a better future. When we help these women to sow, we all reap.

I met many such woman during my visit to South Asia earlier this year. I met women in India, I met women in Bangladesh. Whether it is a milk cow in Bangladesh, or a computer in Chicago, women need help and encouragement and credit to make that first investment.

I will never forget a woman I met in my own country at a program called Mi Casa in Denver that is modeled after these programs you will hear about this evening. It is a program designed not only to provide credit, but to do something even more fundamental: to help build self-respect and self-sufficiency. The women who came to this program were on welfare, but they saw a better future for themselves and their children. And they just needed a little help -- a jump-start -- to realize their own potential. But often that jump-start is hard to come by.

As this one woman told me: "Many great ideas die in the parking lots of banks" -- because women get only so far, they don't even get in the door, in many cases, before they are turned away." That kind of

discouragement has killed the dreams of millions and millions of women.

In the United States we are attempting to build up a micro-enterprise network. It is still very young. But already several hundred programs have enabled tens of thousands of Americans to seek and find economic opportunity for themselves.

This conference has identified economic opportunity as a critical area of concern, and we have to look for positive, practical ways to implement that concern. Access to credit, particularly through micro-enterprise, is a key priority. Our country has accepted the challenge of making the world conference on women a conference of commitments and I want to announce, this evening, some of the actions our government will take to further self-employment and micro enterprise development in our country.

Our Small Business Administration is already making more loans than ever to women. Through the Community Development Financial Institutions Fund, we will establish a new Presidential awards program to honor outstanding microlending organizations. These awards will provide challenging benchmarks for microenterprise programs throughout the nation and acquaint the public with the prevalence of such programs within our own economy. We believe they will also highlight the important work of programs that provide microenterprises with key support structures such as access to credit, markets, technical advice, and training.

The President also is establishing a mechanism to better coordinate microenterprise programs across a number of our federal agencies to ensure that those programs are doing the job they were set out to do. Additionally, the United States will continue to support microenterprise in developing countries through USAID.

We know that it will take a lot of education to spread the good word about micro-credit. Despite a record that is inspiring, we still meet with skepticism and outright disbelief. There are very few financial institutions anywhere in the world that can report a 97 percent lending rate that is returned within a year. And yet, time and again, at conferences where micro-enterprise is discussed, bankers and others don't understand how they could actually do it in our economies around the world. So we are going in every way possible in our country to spread the word and to provide such technical assistance as will make more micro-enterprise programs available.

We are also concerned that capital formation and growth in some economic sectors often is now accompanying higher unemployment, longer hours with less pay, and severe restrictions on access to credit. We can not allow small enterprises to be marginalized as a result of greater consolidation within the global economy.

I became a believer in microcredit years ago, when my husband was the governor of the state of Arkansas. It's a poor state, and we were looking for ways to help people who didn't have access to credit. We found our model at the Grameen bank from Bangladesh and the South Shore Bank from Chicago, Illinois. That bank helped steer private investments to neighborhoods that need them, and we worked out a partnership with both Grameen, thanks to Dr. Eunice, and the South Shore Bank, that created a development bank, that created a borrowing fund, and began to make the kinds of investments in that state that we would like to see made throughout our country.

It's been a privilege for me to meet leaders such as those who are on this panel because they have devoted not their lives to finding ways of ending poverty, they have been successful in changing the lives of so many people. And they have particularly focused on changing the lives of women. As Dr. Yin has told me, one time when he started the Grameen Bank lending idea, he had the revolutionary concept in mind of providing loans in a fifty percent, fifty percent ratio, for men and women. He quickly found out that women were better credit risks, that women would invest the money more in the family, that women would repay the loans. And so gradually over time, more and more women became the focus of the Grameen Bank's lending. That was, not only revolutionary, but it set a fire that has gone through the developing world as a way of telling people that women are able to become self-sufficient if they are given the tools that enable them to do so on behalf of themselves and their families.

Because of the success of such programs, the World Bank, and USAID, along with eight other major donors, have joined together to form the consultative group to aid the poor in order to finance small loans to the world's poor, the vast majority of whom are female. This is the kind of joint effort that we need to support.

I know that when we talk about such issues such as lending money to women, whether it is in a conference such as this, or attempting to make the case to financial institutions around the world, there are often eyes that glaze over. Issues connected to women, such as poverty, education, health and children or micro-credit now, are too often called "soft" by people who have us think that these issues are unimportant. Nothing could be further from the truth.

If there is any message that this conference could bring about economic opportunity, it is that we must engage in micro-credit in order to build micro-enterprises. We must open the doors of banks and other existing financial institutions to women who can become self-sufficient and responsible borrowers and we have to do so while there are people like those on this panel who are able to demonstrate clearly that this approach works. We really don't have a lot of time. The globalization of the economy has meant that many, many people are being marginalized, are being downsized, are being deprived of economic opportunities. We have to now, more than ever, make micro-enterprise a key element of providing economic opportunity for women and men everywhere in the world.

And I'd like now to introduce you to someone who has done that, whom I have had the privilege of visiting and seeing in action through the Self-Employed Women's Association in India.

[Read our Privacy Policy](#)

May 17, 1999

MEMORANDUM FOR MELANNE VERVEER

FROM: NICOLE RABNER
RUBY SHAMIR

CC: MARSHA BERRY
SHIRLEY SAGAWA
PATTI SOLIS-DOYLE

SUBJECT: NEW MARKETS INVESTMENT INITIATIVE

As you know, the President launched his New Markets Investment Initiative last January in an event on Wall Street with Reverend Jesse Jackson where he demonstrated the Administration's commitment to harnessing the power of the private sector to invest in untapped U.S. markets. The major provisions of the New Markets Investment Initiative are:

New Markets Tax Credit

America's Private Investment Corporations (APICs)

New Markets Venture Capital (NMVC) Firms

This initiative will work to bring small business investment companies (SBICs) to New Markets by making SBICs eligible for a new type of federally guaranteed loan to augment capital for investment in low or moderate income areas; support continued growth of community development financial institutions (CDFIs) with \$125 million in this year's budget; , and promote

Last week the President met with 17 CEOs of major corporations to discuss ways to best mobilize new private investments in these economically underserved communities. Together and traveled to Atlanta, Georgia to highlight the success of

 Jason H. Schechter
05/11/99 10:15:49 AM

Record Type: Record

To: See the distribution list at the bottom of this message

CC:

Subject: Fact Sheet: Background on Community Development Agenda


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BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT AGENDA

May 11, 1999

TODAY'S ANNOUNCEMENT BUILDS ON PRESIDENT CLINTON AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES

Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

Helping to Bring Private Enterprise and Capital to Distressed Areas. The Clinton-Gore Administration has re-newed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

- *125 Empowerment Zones and Enterprise Communities.* The Clinton Administration has announced 105 EZs and ECs across the country. This effort was proposed by President Clinton and passed by Congress in 1993. The EZ/EC effort has generated more than \$2 billion of new private sector investment in community development activities. The President also has signed into law a second round of EZs -- 15 new urban and 5 new rural zones -- which will qualify for tax incentives, small business expensing, and private activity bonds. In FY 1999, President Clinton and Congress provided first-year funding of \$55 million for the new EZs, and \$5 million in first-year funding for 20 new rural Enterprise Communities announced in January.

- *Strengthened and Simplified the Community Reinvestment Act (CRA)*. In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than \$1 trillion going forward in loans to distressed communities - and more than 95 percent of these financial commitments have been made since 1992. Banks made \$18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.
- *Created the Community Development Financial Institutions Fund (CDFI)*. Proposed and signed into law by the President in 1994, the CDFI fund, through grants, loans, and equity investments, is helping to create a network of community development financial institutions in distressed areas across the United States. The CDFI fund was established in 1994. In FY99, funding was increased 19 percent to \$95 million from \$80 million.
- *The Economic Development Initiative (EDI) and Section 108 Loan Guarantee*. EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded \$3.5 billion for more than 650 separate project commitments.

Helping to Bring Jobs and Opportunity to Distressed Areas. A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:

- *\$3 Billion Welfare-to-Work Jobs Initiative*. The Clinton Administration fought for a \$3 billion welfare-to-work jobs initiative as part of the 1997 Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.
- *Welfare-to-Work Tax Credit and Work Opportunity Tax Credit*. The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first \$10,000 in wages in the first year of employment, and 50 percent of the first \$10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit, which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.
- *Community Development Block Grant (CDBG) Expansion*. President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from \$4.750 billion in FY 1999 to \$4.775 billion in FY 2000, a \$25 million expansion this year.

Cleaning Up the Urban Environment. The Clinton Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the

Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between \$5 billion and \$28 billion in private investment and creating and supporting 196,000 jobs.

PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHIEVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.

While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities. To address this need, President Clinton and Vice President Gore are working on several fronts.

The New Markets Initiative. President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately \$15 billion in new investment in urban and rural areas through:

- *The New Markets Tax Credit.* To help spur \$6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.
- *America's Private Investment Companies (APICs).* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to \$1.5 billion in investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas.
- *SBIC's Targeted to New Markets.* For over 40 years, SBA's Small Business Investment Company (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. SBA now will offer more flexibility and new financing terms for SBICs that invest in underserved areas.
- *New Markets Venture Capital (NMVC) Firms.* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.
- *New Markets Lending Companies (NMLC).* For the first time in many years, SBA will approve approximately 10 new non-bank lenders --- firms authorized to originate loans under SBA's largest loan program - the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80 percent of a loan made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.

- Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include the proposed PRIME Act, under which the CDFI Fund will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over \$75 million in new microlending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.
- Regional Connections. Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at \$50 million in FY 2000.
- The Economic Development Initiative and Section 108 Loan Guarantee Program. This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.
- Empowerment Zones and Enterprise Communities. The 2000 Budget proposes mandatory funding for ten years: \$150 million a year for urban EZs and Strategic Planning Communities; \$10 million a year for rural EZs; and \$5 million a year for rural ECs.
- Community Development Financial Institutions (CDFI) Fund. The budget proposes to expand funding for the CDFI Fund to \$125 million--a \$30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.
- BusinessLINC. The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs.
- Low-Income Housing Tax Credit. Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of \$1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount

of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita -- restoring the value of the credit to its 1986 level and helping to create additional 150,000-180,000 new low-income rental housing units over the next five years.

- *Play-by-the-Rules.* This program will allow renters with solid payment track records to own a home. The 2000 Budget proposes a second round of \$15 million for this initiative.
- *Helping America's Communities Redevelop Abandoned Buildings.* Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide \$50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

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VE ELECTRONIC GAMES

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he Interactive Entertainment Rating

Entertainment Software Rating Board
Electronic game

- Early Childhood (EC). Titles* rated "Early Childhood (EC)" are suitable for children ages three and older and do not contain any material that parents would find inappropriate.
- Kids to Adults (K-A). Titles rated "Kids To Adult (K-A)" are suitable for persons ages six and older. These titles will appeal to people of many ages and tastes. They may have minimal violence, some comic mischief (for example, slapstick comedy), or some crude language.
- Teen (T). Titles rated "Teen (T)" are suitable for persons ages 13 and older. Titles in this category may contain violent content, mild or strong language, and/or suggestive themes.
- Mature (M). Titles rated "Mature (M)" are suitable for persons 17 and older. These products may include more intense violence or language than products in the Teen category. In addition, these titles may also include mature sexual themes.
- Adults Only (AO). Titles rated "Adult Only (AO)" are suitable only for adults. These products may include graphic depictions of sex and/or violence. Adults Only products are not intended to be sold or rented to persons under the age of 18.

Accompanying these classification labels on title packaging are content descriptors relevant to each category. These descriptors provide consumers with additional content information and in many instances indicate the level of violence or sexual content of the title. Several descriptors are possible for each rating category. Among the descriptors used are the following: Mild Animated

* Title is the term used by the electronic game industry to refer to a specific product, such as a game or CD-ROM.

Specifically, they pledged to encourage record companies, retailers and distributors to include the advisory logo in consumer advertising; provide signs in retail outlets to identify the logo and describe its meaning; and create an internal process to ensure the correct size and placement of the logos on music products. The RIAA also announced plans to adopt a Parental Advisory logo for music videos, as well as a standard advisory notice for recordings that are distributed electronically.

UNITED STATES/INTERACTIVE ELECTRONIC GAMES

In response to congressional pressure, two major classification systems for interactive electronic entertainment have been created in the United States. These include the system developed by the Interactive Digital Software Association (IDSA) and that of the Recreational Software Advisory Council (RSAC). Both systems began operations in late 1994. Sega, one of the largest producers of interactive entertainment, had its own rating system in place until the inception of IDSA; it has replaced it with the ESRB system.²¹⁶

Entertainment Software Rating Board

The Interactive Digital Software Association (IDSA) was established in 1994 by members of the software industry in part to coordinate the development and oversight of a self-regulating rating system for the interactive entertainment software industry. As part of these efforts, the IDSA established the Entertainment Software Rating Board (ESRB) as a ratings body for software titles. The ESRB is independent of the software association, and its rulings are not subject to review by the IDSA.

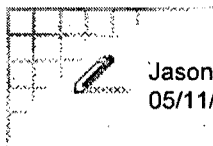
The ESRB classification system applies to software for all platforms. The system is comprised of five ratings categories:

²¹⁶ Interactive Digital Software Association, *The Interactive Entertainment Rating System*, Fact Sheet, 1994.

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Jason H. Schechter
05/11/99 10:15:41 AM

Record Type: Record

To: See the distribution list at the bottom of this message

CC:

Subject: Fact Sheet: America's New Markets



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PRESIDENT CLINTON'S CHALLENGE TO INVEST IN AMERICA'S NEW MARKETS

May 11, 1999

"We must do more to bring the spark of private enterprise to every corner of America -- to build a bridge from Wall Street to Appalachia, to the Mississippi Delta, to our Native American communities - Our greatest untapped markets are not overseas -- they are right here at home."

-- President Clinton, State of the Union Address, 1999

Joining With Corporate America to Mobilize Investment in Untapped Markets. Today, President Clinton and Vice President Gore will hold a roundtable with 17 chief executive officers from major American corporations and investment firms to discuss ways to best mobilize new private investment in America's most economically underserved communities --- America's new markets.

Announcing a Presidential Trip the Week of July 5 to Underserved Urban and Rural Areas Across the Country. President Clinton will announce today that in July he will take a bipartisan delegation of CEOs and Members of Congress to untapped markets throughout America, touring economically distressed communities and highlighting new opportunities being created in these communities across the nation.

- The trip will be modeled after the type of trade missions that Cabinet Secretaries and CEOs often take overseas to identify markets, in which - through trade and commercial agreements - they can help to create jobs and expand economic development.
- As part of the trip, President Clinton will announce new administration commitments and innovative programs developed by companies, community leaders, non-profit organizations, and investment firms around the country.

Promoting Efforts to Attract Capital to Underserved Areas. As part of a bipartisan focus on underserved urban and rural areas, President Clinton is seeking ways to expand current efforts. President Clinton's New

Markets Initiative will build upon these existing programs and help create the conditions for economically successful investment in underserved inner city and rural areas. Included among the elements of the plan are:

- **The New Markets Tax Credit.** To help spur \$6 billion in equity capital for investment in America's new markets, President Clinton and Vice President Gore have proposed a tax credit worth 25 percent for investments in a wide range of vehicles. Eligible investment companies include community development banks, venture funds and corporations, and the new investment company programs created by this initiative.
- **America's Private Investment Companies (APICs).** Just as our support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC, will encourage private investment in America's untapped markets. For up to \$100 million of private equity, HUD and SBA will guarantee loans up to \$200 million, creating investment funds as large as \$300 million to invest in new development projects and larger businesses that are expanding or relocating in inner city and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government's.
- **New Markets Venture Capital (NMVC) Firms.** NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

Building on Six Years of Work to Expand Economic Development. The Clinton-Gore Administration has made community development a priority since taking office. The efforts announced today build on a number of critical initiatives that have helped to expand economic development to communities across the country that need it most. These efforts include the Community Reinvestment Act, Community Development Financial Institutions, Micro-Enterprise Programs, the Economic Development Initiative and Section 108 Loan Guarantee Program, the Empowerment Zones and Enterprise Communities, and the Brownfields Tax Incentive.

Message Sent To: _____

Translation -

Gene -

I generally agree with this -

is important to work through w/VP

He doesn't want EZ

Conference swallowed up by total focus on new markets

Big emphasis on this should be finding new EZs because ~~existing ones~~ are working

PRESIDENT

NG

THE WHITE HOUSE

WASHINGTON

April 12, 1999

Gene

99 APR 12 PM3:45

I generally agree with this - it's important to work through w/VP. He doesn't want EZ conf swallowed up by total focus on new markets -

Big emphasis on this should be finding new EZs because existing ones are working - BC

RE: PRESIDENTIAL TRIP TO AMERICA'S NEW MARKETS

Your planned trip to underserved areas in America offers an opportunity to leave a lasting impact on investment in urban, rural and Native American distressed communities. Clearly this trip could be done in the next five weeks in a way that would highlight your accomplishments such as CDFIs, Empowerment Zones, CRA, and specifically your new initiative -- New Markets Investments Initiative. Such a trip would cement an understanding of your longstanding commitment (and that of the Vice President) to revitalizing the needs of these communities. However, I believe the trip could have an even more significant impact if it culminates in a high profile effort begun in May to mobilize the private sector to provide capital for underserved areas. Under this plan, you could do two events in May that highlight the current efforts underway, announce your trip as part of your mobilization, and issue a direct challenge to the business community to invest in America's new markets.

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To meet this goal of national mobilization you could host a CEO/Community leaders roundtable at the White House to highlight what you have already done and it could serve as the appropriate venue for you to issue a challenge to the country to participate with you when you take your trip in July and seek new commitments to America's untapped markets. In issuing this challenge, with eight full weeks of lead time before your trip, we would have the chance to launch an aggressive, administration-wide effort to get companies, banks, non-profit organizations engaged in this important mission of bringing U.S. investors to America's own emerging markets and seek to try and create a bandwagon effect in which more and more people are answering this call. Then the Vice President -- or the two of you together -- could use the Empowerment Zone Conference in May to further emphasize the trip and the need for additional commitments in Empowerment Zones and other Administration initiatives. There is one important caveat: to make this a real national mobilization we may need to make some effort to show your challenge as a non-political, bipartisan call on America's private sector to do good. This would require including key Republicans, like Jack Kemp, in our plan to assure people that this is a challenge that is not motivated by partisan politics.

The trip would therefore include the following components:

1. **National Mobilization of Private Investment in New Markets.** The trip could reflect a major effort to mobilize business investors around the country to invest in underserved communities. The Youth Summit was exciting because it was perceived as mobilizing new commitments. Leading up to the trip, you could call upon key investment community leaders to join you in pioneering in underserved communities and create some competition among efforts to be the ones highlighted on the trip. The story of the trip, then, will be the private investors who have been mobilized by your call to find profitable business investment opportunities in America's untapped markets.
2. **Major New National and Local Investment Commitments Building on Existing Success and Capacity to Implement.** To demonstrate the mobilization, each visit could follow a formula played out with different programmatic elements in a different setting: (A) find an area of poverty and joblessness where something is working, e.g., a CDFI, an empowerment zone, or an active community development partnership; (B) unveil new commitments that were mobilized by your initiative; and © show that we leave behind an infrastructure that will ensure follow through and implementation of the commitment. In addition, where possible: (D) simultaneously highlight other communities across the country where similar programs are being unveiled (perhaps by sending Cabinet Secretaries to participate in parallel events that day). I believe that we would get the best impact from your trip if we are able to announce new things instead of announcing good things already happening.

For example: You could have a CDFI investment day during which you visit a poor community where a successful CDFI has made tangible investments that have made a real difference. You could unveil new million dollar commitments of area or national companies and investors who were mobilized by your Administration to invest in a new fund set up by the CDFI. We could work with major financial institutions (like Citigroup, Chase, and NationsBank) to make major nationwide announcements of comparable investments that same day. And you could send members of your Cabinet to five other communities to highlight similar new funds are being established by CDFIs with new private investment commitments.

3. **Announce the Trip With Business Leaders.** I propose that you host in May a roundtable with a small group of major CEOs who are willing to commit to some type of new investment. At the roundtable, you could announce that you seek to mobilize investment to be highlighted on a trip to be taken three months later. We could provide models for the type of investment we seek, stimulating a competition among other companies to be part of the effort.

4. **Vice President Gore Leads Outreach Effort at Empowerment Conference.** In late May, the Vice President will chair the fifth annual Empowerment Conference in Texas. It will provide another opportunity to bring together major business interests to showcase those who have agreed to make commitments to this effort and to call upon others to join the New Markets mobilization. The Vice President -- or the two of you if you attend -- could use this to build momentum for the trip and to call for additional private sector commitment in the Empowerment Zones.
5. **Senior Administration Officials Reach Out to Their Constituencies.** Secretaries Rubin, Alvarez, Daley, and Cuomo could host lunches with CEOs in the financial, investment, corporate, and real estate sectors. The Office of Public Liaison (Cheri Carter and Jay Dunn) could be tasked with carrying out the outreach effort and coordinating with the public liaison functions at each agency. Senior White House, Cabinet, and Subcabinet officials must be available to help them mobilize the private sector by phoning targeted companies and hosting briefings.
6. **Task Force to Design the Most Promising Programmatic Models.** I will lead a special task force made up of Secretaries Rubin, Cuomo, and Daley, and Administrator Alvarez to develop the programmatic elements. At the staff level, I have just hired Lisa Green, an energetic woman who previously worked at Fannie Mae, LISC, and Enterprise Foundation, to work full-time on this effort. She will lead the staff level working groups, with which I will meet periodically, assisted by my senior advisor, Sarah Rosen, who coordinated the development of the New Markets proposals in your budget this year.
7. **Encourage Likely Communities to Develop Proposals and Create Competition for Event Sites.** With the best models in hand, we can identify communities that are most likely to be able to produce new commitments and then send small interdisciplinary teams into the community to see what they can pull together.
8. **Mobilize a Special Internal Effort to Plan the New Markets Trip.** I will work with Maria Echaveste to coordinate the effort to reconcile the programmatic content for the trip with the political, legislative, and logistical considerations.
9. **Ensure Adequate Resources to Carry Out the Plan.** In addition to the NEC staff and the support of OPL, Legislative Affairs, Scheduling, Communications, etc., we could ask each of the relevant Cabinet Secretaries to designate both a Senate-confirmed appointee responsible for marshaling their agency's contribution to the mobilization and two staff who will be available as needed to help with outreach and planning.

Programmatic Models

As we undertake the outreach plan, we will be encouraging investors to consider various approaches to working in untapped markets. In consultation with HUD, Treasury, SBA, and Commerce, we have developed the following preliminary programmatic models:

1. **New Market Investment Companies.** A central component of your New Market initiative is the creation of various types of investment funds which would focus on equity investment in businesses in underserved areas. America's Private Investment Companies (APICs) and the New Market Venture Capital Firms (NMVCs) are both modifications of an existing SBA program known as Small Business Investment Companies (SBICs). While APICs and NMVCs require legislation, the SBA is near completing regulatory changes that will provide special incentives for SBICs that target investment in underserved areas. (APICs will be larger funds that can make larger investments; NMVC are aimed at smaller firms that need technical assistance as well as equity.) SBA is aggressively marketing the concept of targeted SBICs through conferences around the country. There are a number of targeted SBICs on the drawing board aimed at inner cities and Appalachia. We hope to find that some of these proposed funds can demonstrate that have qualified management. There also are a handful of existing community development venture capital firms that are struggling under existing program rules. The investors spurred to make investments by your challenge will find that these vehicles are available. Obviously, if you unveil investments in these types of funds, it will be a great opportunity to argue about the far greater possibilities if our APICs, NMVC, and tax credit legislative proposals are enacted by Congress.
2. **CDFIs.** CDFIs are some of the most knowledgeable and effective institutions in underserved areas dedicated to community development. They provide existing institutions with capacity and proven track records and can serve as the vehicle for the new investment that this effort will solicit. Because there are so many around the country, this event could be the cornerstone of a national CDFI investment day.
3. **Empowerment Zones.** 20 new Empowerment Zones were recently selected, but Congress has not provided the necessary funds. Each EZ application contains private sector commitments; the most successful zones thus far have been those with significant private sector investment. Your visit could present an opportunity to increase the level of commitments to these new zones while making a case for public funding.

4. **Retail or Franchise Stores in Inner Cities.** Recently, a number of companies have invested in inner cities and produced high rates of return, including Pathmark supermarkets, RiteAid pharmacies, and Magic Johnson theaters. These firms are taking advantage of the extraordinary concentrated buying power in these communities. The example of these firms may help induce other large retail or franchise companies to make new commitments to inner cities, allowing us to highlight the economic potential of these communities, perhaps by releasing a new government study to validate advocates assertions about this potential.

5. **BusinessLINC Partnerships.** Under the Vice President's leadership, Treasury Secretary Rubin and Administrator Alvarez launched an initiative to encourage larger businesses to link with and advise smaller firms, particularly in distressed communities. Many companies find that such efforts to mentor smaller firms can lead to loyal and productive supplier relationships. The effort is now focused on bringing together local BusinessLINC partnerships. News of your potential visit could promote communities to compete to pull together the most innovative and extensive local efforts to foster small firms in their communities.

SR
This is an excellent & very helpful and complete brief memo. 2 greatly appreciate it.
CS cc: JK/SK/M6

(1) B. J. G. G. G.
(2) - B. J. G.

**TALKING POINTS
APPALACHIAN REGIONAL COMMISSION**

February 21, 1999

- I. **Impetus for the New Markets initiative:** We have extraordinary economic growth but it is not reaching everywhere -- e.g., parts of Appalachia and inner cities are left behind. As President said in SoTU, if we can't use this opportunity to try to redirect some of the economic engine to address underlying problems, when will we ever be able to do so.
- II. **Goals of the initiative:** Our goals are very similar to those of the ARC's own entrepreneurial initiative. (See briefing book tab.) That effort is very impressive and shows that there are ways to address these problems that can get bipartisan support. We tried to build on, and be complementary to, that effort and others similar.
 - A. **Incentives for private investment in communities.** Gov't can't do it alone. We have been more successful in the lending area, at creating incentives for the private sector to lend in underserved communities (CRA and CDFIs, for example). But, there isn't much that we do to prompt the private sector to make equity investments in businesses in underserved communities. As ARC's own study of the capital needs of Appalachia showed, the hardest dollars to find are the first dollars -- equity capital to grow businesses and create jobs.
 - B. **Building relationships.** There is a whole world of venture capitalists who have clubs that meet to hear investment proposals from small businesses. But their contacts and relationships are in suburbs, not necessarily inner cities. On the other hand, we have a small but growing community of community development experts in CDCs and CDFIs and state community development agencies. But never the two shall meet. This program is designed to give the investment community strong incentives to build ties to the community development community because, if they do so, they can get generous gov't-guaranteed leverage and tax credits to enhance the returns on their investments.
 - C. **Building capacity of small businesses.** In addressing the needs of really small businesses and microenterprises in underserved areas, it becomes clear that they need more than just capital -- they need expertise. (E.g., a good CFO, a new accounting system, methods to analyze their costs, etc.) Many have real growth potential but they need not only investment but a helping hand. A central innovation of this initiative is that, for smaller businesses, we marry technical assistance with investment -- having the investors decide how best to apply the technical assistance to yield maximum returns on their investment.
- III. **How we developed the new markets proposal:** With those goals in mind, we looked around the Federal government at tools in the arsenal and found one that had promising potential -- the SBIC program.

- A. Over 40 years, the SBA's *small business investment company* (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. It really helped to create the venture capital market in the United States.

• *How SBICs work:*

- A private venture capital manager applies to SBA for approval of a new venture capital fund (the SBIC) based on a business plan and their financial management expertise.
- SBA's approval means that for every dollar the fund gets from private investors the SBA will guarantee debt of two dollars, up to ____. (Average size of an SBIC is \$36 million.) So, if private investors put up \$10 million, the government will guarantee debt of \$20 million, creating a fund of \$30 million to invest in growth businesses.
- Because of the government guarantee, the \$20 million in debt demand a lower rate of return, thus enhancing the return available to the private investors on their \$10 million dollars.
- With the fund of \$30 million, the fund manager finds an array of businesses with growth potential and provides them equity capital with which to grow.
- Returns are expected on the debt and the federally guaranteed debt must be fully repaid before returns are paid to the private investors. As a result, our losses have been few and, because guarantee fees are charged, guaranteeing the debt costs the government very little.

- B. But we found that, while it had been successful, only about 20% of its work served underserved communities. That wasn't acceptable. So the VP challenged the SBA to find new ways to retarget the SBIC program to meet the needs of underserved communities. They responded to that challenge with extraordinary creativity and dedication.

IV. Elements of the New Markets Proposal:

- A. *SBICs for Low-Mod Communities*. First SBA figured out how to provide incentives to make it more attractive for the venture capital firms created under the SBIC program to invest in low-mod communities.
- Specifically, SBICs making investment in low and moderate income communities will be eligible for a new financing that does not require a

return on their investment for the first five years (although interest accrues during that period). *Patient capital* -- allowing businesses time before they have to show a return on the investment.

- In addition, SBA will make the investment rules more flexible to better meet the needs of companies in underserved areas.
- *(SBA will be implementing these program modifications this year without legislation.)*

B. *New Market Venture Capital Firms.* Next, SBA realized that SBICs won't work for the smaller firms and those that need expertise as well as capital. So they proposed a new program -- know as New Market Venture Capital Firms -- modifying the SBIC concept to meet the needs of smaller businesses in underserved areas.

- SBA will select 10-20 firms, whose management has a solid track record with community development.
- The equity funds of private investors will be matched (one-to-one) with government debt of guarantees up to \$10 million per fund, creating up to \$20 million dollar investment funds. Interest on this debt will also be deferred for the first five years.
- In addition, investors must provide at least \$1.5 million in technical assistance over the first five years to the target firms. SBA will match that with up to \$1.5 million in federal funds. This \$3 million will not require any rate of return. With this additional investment in the firms not requiring any return, the return produced by the company enhances the return to the investors, making it worth their while to help small firms needing intensive technical assistance.
- *(This will require new legislation.)*

C. *APICs:* But that left us with a challenge. To really make an impact on a community -- to create 100, 200, 400 jobs at a time -- you need to deal with larger firms that are growing and creating new facilities or relocating. So we enlisted the help of HUD and designed a program to create *American Private Investment Companies (APICs)*.

- For years, America has OPIC -- the Overseas Private Investment Corporation -- which has an investment fund program like the SBIC program on a larger scale, to promote growth in emerging markets abroad. We needed a tool to promote growth in emerging markets at home.
- Under this program, fund managers would seek approval for government guarantees for debt of up to \$200 million, to equal private investment of up to \$100 million, to create investment funds of \$300 million. That is

large enough to allow investments in significant sized firms that have opportunities to grow.

- The APIC could invest in a corporate subsidiary set up to fund a new plant or back-office operation in an underserved area or become joint venture partners in a business spin-off from an existing firm.
- Unlike the New Markets and SBIC programs, where we rely on the financial incentives of the investors to protect the government's interest, in APICs, the specific investments will be approved by HUD and SBA to ensure they serve public purposes.
- (APICS also require new legislation.)

D. **Tax Credit:** Finally, we considered how to ensure that these new great investment vehicles (as well as existing vehicles like CDFIs, Community Development Corporations, and state enterprise funds) have investors rushing to their doors to take advantage. The fact is that large companies and wealthy investors don't want to know the details of SBICs, NMVCs and APICs -- they just want to invest with qualified fund managers who can promise a healthy rate of return. Let the managers then worry about which investments they use. The solution we propose -- *a tax credit*.

- Equity investments in investment vehicles serving underserved communities are eligible for a tax credit worth up to 25% of the equity invested. (The credit is actually 6% a year, which has a net present value of approximately 25% of the amount invested.)
- Credits would be allocated to the targeted investment funds that could use the tax credits to attract investors.
- Eligible investments are in areas with either (a) a poverty rate of at least 20%; or (b) median family income which does not exceed 80% of metropolitan area income (or for rural areas, 80% of the median income of non-metropolitan areas statewide). (See nationwide map.)
- This is a very generous definition of underserved -- and we picked it so that these programs will work well with other governmental programs that target areas with greater needs.

E. **Other pieces as well:**

- Increasing by two and a half times the U.S. commitment to microenterprise, including doubling the level of microenterprise lending and a huge new commitment to technical assistance for microenterprise under a proposal for new legislation known as PRIME.
- A \$30 million increase in funding levels for CDFIs.
- New small business lending firms targeted to underserved markets.
- BusinessLINC -- an initiative of the Vice Presidents to encourage large businesses to work with small business owners and entrepreneurs to

improve the economic competitiveness of smaller firms in distressed areas.

- V. **Example: flexibility to meet the needs of the investor, the fund managers, and the businesses getting the investment.** Say an investment manager wants to create an investment fund targeted at the needs of Appalachia. Here's what he'd do.
- A. *Develop an investment strategy and a small investment management team (with community development capacity) to create an APIC, for example (or an SBIC-LMI or NMVC firm, depending on the business strategy).*
 - B. *Get approval from SBA/HUD, which will provide them with the commitment to guarantee debt to match private investment.*
 - C. *Get an allocation of tax credits from the agency that approves the vehicle. (Treasury will allocate credits to SBA, for example, to suballocate to funds.)*
 - D. *With tax credit and guarantee in hand, the fund manager then seeks investors, able to provide firm estimate of expected rates of return, knowing effect of tax credit and low cost leverage.*
 - E. *APIC manager finds business opportunities.*
 - F. *Government pools their debt and places it with investors lowering the cost of borrowing.*
- VI. **Or an investment manager could assemble a "fund of funds" that includes an APIC, an SBIC targeted at low-mod areas, an NMVC firm, and other targeted investments, some or all of which would be eligible for the tax credit allocation. Large investors, in particular, may find the "fund of funds" the best way to spread their risk.**
- VI. **Bottom line:** This package of programs should leverage \$15 billion in investment in underserved areas with 5 years of program activity (although some of the investment will be in out years).
- Includes \$6 billion leveraged through tax credit
 - \$12 billion leveraged through investment vehicles
 - Assume 50% overlap of tax credit so to prevent double counting -- estimate \$15 billion.

**NEW MARKET INITIATIVE
BUDGET AND INVESTMENT SUMMARY -1/14/98**

PROGRAM	'99	'00	5 yr Cost	Inc Over '99	1yr NM invstmt	Total yr NMinvtmt
APIC						
Credit Subsidy	\$0	\$36m	\$180m	\$36m		
Subsidy Rate	--	3.6%				
Commitment Level	\$0	\$1,000				
Admin Expenses	\$0	\$3m	\$15m	\$3m	\$1,500m	\$7,500m
NMVC						
Credit Subsidy	\$0	\$15m	\$75m	\$15	\$200m	\$1,000m
Subsidy Rate	--	15%				
Commitment Level	\$0	\$100m				
TA	\$0	\$30m	\$150	\$30m	\$60m	\$300m
SBICs						
<u>Debentures(inc LMI)</u>						
Credit Subsidy	\$8.8m	\$0		\$0		
Subsidy Rate	1.38%	0.0%				
Commitment level	\$640m	\$800m		\$160m		
LMI portion	\$40	\$200	\$0	\$200m	\$300m	\$1,500m
Business Link	\$0	\$3m	\$15m	\$3m	n/a	n/a
7(a) Ldg in NMLCs						
Credit subsidy	\$0	\$4.5m	\$22.5m	\$4.5		
Loan Volume	\$0	\$300m	\$1,500m	\$300	\$300m	\$1,500m
CDFI (prog. level) (See also PRIME)	\$95m	\$125m	\$150m	\$30m	\$67.5m	\$337.5m
TOTAL			\$607.5m			\$12,138m

Notes on Tax Credit:

- .98 billion (5 year cost) will generate \$6 billion in new investment.
- Assume that 50% of the tax credit will be allocated to activities that are in the new initiative, and the new investment is already counted above, so assume an additional \$3 billion in new investment leveraged by the tax credit.
- The total investment leveraged (over 5 budget years but with investment occurring over 10 years) could be approximately \$15 billion.

THE NEW MARKETS INITIATIVE: BUDGET IMPACT

The New Markets initiative will prompt approximately \$15 billion in new investment in urban and rural areas over five years through:

The New Markets Tax Credit --To help spur \$6 billion in new equity capital for investment in America's New Markets, the New Markets Tax Credit will be worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, new investment company programs (targeted SBICs, NMVC firms, and APICs -- see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to attract investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

Budget Impact: *The New Markets Tax Credit will cost approximately \$980 million over five years.*

America's Private Investment Companies (APICs). For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put equity into new private investment partnerships to be known as America's Private Investment Companies (APICs). HUD will work with SBA's assistant to provide up to two times the private capital in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government.

Budget impact: *APICs will cost \$36 million in credit subsidy (at a rate of 3.6%, allowing up to \$1 billion in government guarantees) and \$1 million for administrative costs.*

SBICs Targeted to New Markets. For over 40 years, the SBA's Small Business Investment Company (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed funding to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small

businesses before they must produce a return. In addition, SBA is conducting an aggressive outreach campaign around the country to promote LMI investments.

Budget impact: *No new loan subsidy budget authority is required for this initiative as the SBIC debentures program has a 0% credit subsidy rate. However, the commitment level for the SBIC debenture program must be increased (from \$640 million in FY 99 to \$800 million in FY 2000) in order to ensure that the new targeted activity does not crowd out activity by traditional SBICs.*

New Markets Venture Capital Firms (NMVCs). There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with government guaranteed funding of up to \$10 million per NMVC, with interest on the debt deferred. Investors must also provide at least \$1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

Budget impact: *The NMVC firms will cost \$15 million in credit subsidy for loan guarantees (at a credit subsidy rate of 15%, allowing \$100 million in government guarantees) and \$30 million for technical assistance grants.*

New Markets Lending Companies (NMLC). SBA's proposed NMLC program is a limited term, limited participation pilot under which SBA will select approximately 10 non-depository lending institutions to make SBA guaranteed loans through the 7(a) General Business Loan Guaranty program - the Agency's largest financial assistance program guarantees up to 80% of a 7(b) loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.

Budget Impact: *No additional budget authority is necessary to license these new non-bank lenders.*

Continued Growth for CDFIs. Community Development Financial Institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas, represent an important vehicle for greater investment in new markets. The federal contribution to building these institutions must continue to grow.

Budget impact: *The CDFI Fund will cost \$125 million in FY 2000, including \$15 million for new microenterprise activities under the Program for*

Investments in Microentrepenuers (PRIME) Act (now pending with bipartisan support before Congress) and an increase of \$15 million over FY 99 levels.

Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include: (1) PRIME, under which the CDFI Fund will provide microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs; (2) doubling support for technical assistance in SBA's Microloan Program, which links loans entrepreneurs with the provision of training and technical assistance; (3) increasing support for SBA lending to leverage over \$75 million in new microlending; (4) doubling funding for Individual Development Accounts (IDAs), to empower lower-income individuals to start a new business, invest in a first home, or save for post-secondary education; and (5) tripling funding for SBA's One-Stop Capital Shops, which offer microenterprise development (including direct access to microlenders), personal finance, and even credit repair services in Empowerment Zones.

Budget impact: *(1) As described above, PRIME will cost \$15 million in FY 2000; (2) SBA's microloan technical assistance and training will cost \$ 32 million in FY 2000 (up from \$16 million in FY 99); (3) SBA's microlending will cost \$5 million in credit subsidy (up from \$3 million in FY 99); (4) IDAs will cost \$20 million in FY 2000 (up from \$10 million in FY 99); and (5) One-Stop Capital Shops will cost \$10 million in FY 2000 up from \$3.1 million in FY 99.*

BusinessLINC. The President's budget provides resources to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez --to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.

Budget Impact: *BusinessLINC will cost \$3 million in FY 2000.*

Specialized Small Business Investment Companies (SSBICs). The President's budget will expand current tax incentives to increase the amount of equity capital available to economically disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

Budget Impact: *This change to tax rules will have a negligible budget impact.*

POTENTIAL ORIGINAL SPONSORS FOR NEW MARKET LEGISLATION

* indicates a commitment or strong indication of interest

Bill	House Committees	Senate Committees
Tax	<u>Ways and Means</u> Becerra (D-CA) Jefferson (D-LA) ★ Rangel (D-NY-Ranking)* Houghton (R-NY) Lewis (R-KY) Ramstad (R-MN) <i>Solomon, N (Subcomm chair)</i> <u>Other</u> Roybal-Allard (D-CA)	<u>Finance</u> Moynihan (D-NY)-??? Rockefeller (D-WV) ★ Robb (D-VA) <i>(letter)</i> Chafee (R-RI) ★ Jeffords (R-VT) <i>Roth</i> <u>Other</u> Daschle (D-SD) Lieberman (D-CT)
NMVC	<u>Small Business</u> ★ Velazquez (D-NY-Ranking)* <i>Rogers</i> Talent (R-MO-Chair) <u>Appropriations</u> Roybal-Allard (D-CA) Mollahan (D-WV) <i>se no (—)</i> <u>Other</u> LaFalce (D-NY) Watts (R-OK)	<u>Small Business</u> Edwards (D-NC) Kerry (D-MA-Ranking) Levin (D-MI) Lieberman (D-CT) Wellstone (D-MN) Burns (R-MT) Enzi (R-WY) <u>Appropriations</u> ★ Byrd (D-WV-Ranking) Lautenberg (D-NJ) Leahy (D-VT) ★ Stevens (R-AK-Chair) <u>Other</u>
APIC	<u>Banking and Finance</u> Frank (D-MA-Subcomm. Ranking) Hooley (D-OR)* Kanjorski (D-PA-Subcomm. Ranking)* LaFalce (D-NY-Full Comm. Ranking) Vento (D-MN) Baker (R-LA-SubComm. Chair)* Leach (R-IA) <u>Appropriations</u> Mollohan (D-WV-Subcomm. Ranking) Price (D-NC)	<u>Banking, Housing and Urban Aff</u> Edwards (D-NC) <i>he page</i> Sarbanes (D-MD) <i>Evan Bayh - IN</i> <i>-Kerry</i> <i>Santorum</i> <i>Shelby</i> <u>Appropriations</u> Byrd (D-WV-Ranking) Lautenberg (D-NJ) Leahy (D-VT) Stevens (R-AK)

Photo Column

*rank of the
Watt/Talent*
*Black republicans
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relationship w/OT.*
Ben Johnson



OLCOTT_E@A1
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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

May 11, 1999

PRESS GAGGLE

BY

JOE LOCKHART

Mr. Lockhart's Office

9:35 A.M. EDT

MR. LOCKHART: Okay, for those of you who are worried about the microphone here, there are some people who are on their way out to the press plane, who couldn't be here, so I just wanted to have it transcribed so it could be sent down to them.

Q I like this idea.

MR. LOCKHART: We're not going to do this every day.

Q You should do this all the time.

MR. LOCKHART: No, we're getting a definite no here. (Laughter.)

Q Then you'd get rid of most of these people, Joe.

MR. LOCKHART: Okay, let me do the schedule. I had today's schedule wrong in the briefing yesterday, so let me get it right this morning.

He's meeting as of right about now with about 15 corporate CEOs. This is a private meeting. The President has been working in a variety of forums with CEOs over the last few years to get them involved in this new markets initiative, going into areas that have not kept up or participated in the economic expansion in this country over the last six years. You've seen this in

a variety of forums, the Jesse Jackson yearly forum up in New York that we've done the last two years, and some other ones.

He will be talking to them about his plans, the announcement he'll make afterwards and trying to increase their participation. Many of the people here have already done things, he will be working with them to try to get them further engaged in this issue. They will travel on down to Atlanta and be with the President for the day, the majority of them.

When the President comes out of the meeting he'll make a statement. The one thing he'll announce is that he will be traveling in July -- it looks like at this point it will probably be about a three day trip -- will travel around the country to some of these areas. I don't have the details of the trip to announce yet, but that will be the statement at 11:05 a.m.

He'll then go down to Atlanta, which I think you have the schedule there. He'll tour a market down there and an Atlanta empowerment zone and then do a roundtable with some local community and business leaders. He'll come back tonight and make brief remarks at the Hubert Humphrey Civil Rights Awards Dinner at the Washington Hilton. That should be from about 7:30 p.m. to 8:00 p.m. and then he'll be done for the night.

Q Any reason he chose that market, in particular? Did he choose the market in particular, for a reason?

MR. LOCKHART: Because it is in one of the empowerment zones and has been able to take advantage of -- I mean, we have empowerment zones around the country that have helped revitalize some areas, and this was a good example.

Q Okay.

Q Can you explain the market that he is visiting, please?

MR. LOCKHART: Let me see if I've got it here, hold on.

Q It's the Sweet Auburn Market.

MR. LOCKHART: Sweet Auburn Market. It's in the paper, we'll get that out before we go.

Q We didn't do our research. (Laughter.)

MR. LOCKHART: Yes, it's in Atlanta.

Q This July tour, will that be to depressed areas or will it be to areas that have made --

MR. LOCKHART: It'll be both to rural and urban areas of the country that -- you know, as the President has talked about, there remain pockets, and it's not just urban areas, there are rural areas that have not fully participated in the economic expansion and they are around the country.

Q So it will be in areas that need revitalization as opposed to examples of --

MR. LOCKHART: Right. And it will really be to places where some of the ideas that the President has talked about -- he talked about trying to develop the domestic APIC program, you know, modeled on OPIC, and other ways of using the SBA and federal agencies and private capital to go in and tap into these markets as a way of revitalizing them.

Q Joe, has Jiang Zemin taken a call yet from the President?

MR. LOCKHART: Not that I'm aware of.

Q What do you think of the Chinese saying that they still want more than just an apology?

MR. LOCKHART: The President, I think, has been very clear on this subject, as has the Secretary of State and the Ambassador, and it's certainly our hope that those messages are communicated to the Chinese people.

Q What about the specific request that there be a bombing halt before the Security Council takes up any resolution on peacekeepers?

MR. LOCKHART: The bottom line on this is we are going to continue with prosecuting the air campaign until the NATO conditions are met. And that is, and that alone will be the cause of any suspension in the bombing.

Q So given a choice between having the Security Council authorize peacekeepers and ending and carrying out the bombing on NATO's terms, you choose the latter?

MR. LOCKHART: NATO has been very clear about what it will take to stop this military engagement, and that is meeting the conditions that NATO has laid out.

Q But this means that you essentially are going to have to go it alone. You had hoped for UN support.

MR. LOCKHART: Not necessarily. We have always --

Q Why? You've always believed that the Chinese would go along with, not veto, a UN peacekeeping force. Now you can't guarantee that.

MR. LOCKHART: Again, we've always said that we would welcome the support from the United Nations, but NATO has been clear about what we need to see in order for the bombing to stop.

Q So are you prepared not to have UN participation -- or

are you preparing to continue this without the UN's help?

MR. LOCKHART: I think I'm being completely and absolutely clear here, which is the campaign will continue until the conditions are met.

Q But that doesn't rule out any efforts toward having a UN mandate or sanction after any --

MR. LOCKHART: It absolutely does not rule anything out. The diplomatic activity will continue. I think there's a lot going on on that front, which you have all watched, and will continue.

Q Do you think the President will speak about this at his event this morning?

MR. LOCKHART: No.

Q Not mention Kosovo, at all?

MR. LOCKHART: No. I don't expect him to.

Q Will he take questions?

MR. LOCKHART: I don't expect him to. That'll have a lot of impact. (Laughter.)

Q Apparently, the Chinese media are carrying news of the apologies.

MR. LOCKHART: I'm not sure. I think yesterday there was some mention of it, and I think there was also some today. I mean, you guys who have people over there I think can see for themselves; but I think there has been some mentions of --

Q Any reaction to that?

MR. LOCKHART: Again, as I said yesterday, it's important for us to make sure that the Chinese people understand what the U.S. government's position on this and what the President has said.

Q Joe, last night on CNN, Ambassador Sasser said he still doesn't feel free to come or go from the compound in safety, which seems to conflict with what you told us yesterday.

MR. LOCKHART: Well, the Chinese government has guaranteed the safety of diplomatic personnel, including the Ambassador. Personnel has been able to move -- have moved in and out of facilities around China. I think that the Ambassador is expressing a general concern, but I think more than anything -- at least, has been reported to me -- he's felt it appropriate to stay at the helm in the Embassy because this is an important

time.

Q So he hasn't told you that he still feels like a hostage?

MR. LOCKHART: That hasn't been reported to me.

Q Has the President talked to him yet?

MR. LOCKHART: I don't know the answer to that question.

Q You're the only person left who hasn't. (Laughter.)

MR. LOCKHART: Yes. You said it, not me. (Laughter.)

Q Any plans for a presidential phone call?

MR. LOCKHART: I've got an answer, but I'm not going to use it. (Laughter.) I'll let you know if it happens.

Q Joe, does the statement you made earlier about the President has been very clear about apologizing mean that there's likely not to be a further apology as they have demanded?

MR. LOCKHART: I think the President has expressed, has articulated clearly what his views are. I don't anticipate, or I'm not aware of any further statements.

Q Joe, on-the domestic side of the Kosovo debate, is the funding bill still veto bait?

MR. LOCKHART: Well, I think -- let me see if I can find it here. We did send up a letter yesterday that suggested, or included a veto threat based on many extraneous items that were being put in. We have said from the beginning that it's very important that we get the funding we need to continue to carry out this operation, and any extraneous items could threaten to slow it down.

We have, for instance, now environmental riders coming in from the Senate. We have issues of what to do with the tobacco settlement. We've got Native American issues and a lot of other things that have been talked about and people have read about going in. In addition, we have some 38 military construction projects that aren't even in the Pentagon five-year building plan -- including a car wash for tanks -- (laughter) -- that I'm sure they'd love to have, but it isn't in their priority list.

So I think it's very important that we focus on getting the money that we need for executing this campaign and we don't slow the process down by adding a lot of extraneous items.

Q Who's the letter addressed to?

MR. LOCKHART: The letter is addressed to -- David Obey is the one I have, but I'm sure it went to all of them.

Q Are you going to release that?

MR. LOCKHART: Yes, I can get it for you afterwards.

Q Do you have representatives up there, because there's a meeting, I think, going on right about now.

MR. LOCKHART: I don't know who is up there, but I'm sure the appropriate senior level person from OMB --

Q Can you just clarify one point?

MR. LOCKHART: Yes.

Q Do you say the President has been trying to communicate, call Jiang Zemin, but has been unsuccessful?

MR. LOCKHART: No, I didn't. I said that the President sent a diplomatic note. I mean, I said that yesterday, I didn't say it this morning.

Q Would he like to speak on the phone with him?

MR. LOCKHART: In the letter the President said that he'd be willing to talk personally with President Jiang when and if he thought that was appropriate.

Q And you're waiting for Jiang to call, to place the call?

MR. LOCKHART: If he believes that that's appropriate and useful.

Q Well, why doesn't the President believe it's appropriate to place the call?

MR. LOCKHART: The President has sent a note expressing his views and has spoken publicly.

Q Yesterday you kind of hedged a little bit on whether he had actually tried to place a phone call.

MR. LOCKHART: We expressed willingness to talk on the phone and then sent a note that also expressed that.

Q But we haven't tried, the President has not tried to place a phone call to Jiang.

MR. LOCKHART: The President doesn't sit and dial, pick up the phone and dial -- (laughter.)

Q No, but somebody does.

MR. LOCKHART: We certainly expressed a willingness if Jiang wanted to.

Q You're waiting for the Chinese to indicate to you when they're willing to receive a phone call.

MR. LOCKHART: Let me answer David's question first, because there are two separate issues. We certainly expressed a willingness to the Chinese that the President would speak to him if he thought that was appropriate. They preferred the diplomatic note.

Q So they told us -- they said, no, really, we don't want to talk right now.

MR. LOCKHART: Correct.

Q And then what's the separate point here?

MR. LOCKHART: I'm sorry, what was your question?

Q You're waiting for the Chinese to indicate --

MR. LOCKHART: We have sent a note which said, in laymen's terms, call when you want.

Q It's up to you.

MR. LOCKHART: And if they choose to initiate that conversation, the President would be anxious to.

Q Does Jiang Zemin have e-mail?

MR. LOCKHART: I'm sure he does.

Q What about any intelligence on possible troop withdrawals by the --

MR. LOCKHART: I checked again this morning, no evidence of any troop withdrawal from Kosovo. I think you can probably put this in the category of another long list of promises that Milosevic has made that he hasn't kept, going back through the beginning of this year, going back through October and going back over the six-year long experience we have with him. He very often says things that he has no intention of completing. And right now we see no indication that he's pulled back any troops.

Q Why would we want to negotiate with such a man?

MR. LOCKHART: I don't think we're negotiating. We laid out what the conditions are, he needs to meet them.

Q Joe, a question about the veto threat. You said there's a veto threat on the Senate bill as it is now or what exactly --

MR. LOCKHART: I'll get you the letter.

Q Okay.

Q Joe, can you tell us what happened at the meeting yesterday when the President was supposed to get a briefing on what went wrong with the Chinese Embassy bombing? And, secondly, will there be punishment for those involved, as the Chinese --

MR. LOCKHART: The President got a briefing, I'm not going to go beyond what Secretary Cohen and the two excellent background briefers did at the Pentagon.

Q Can you tell us whether there will be punishment, as the Chinese have demanded?

MR. LOCKHART: There's a review that's ongoing, I'm not going to get into, I'm not going to pre-judge the review.

Q Has the President made his mind up yet on the Yugoslav soldiers, the POWs?

MR. LOCKHART: No. No, he hasn't.

Q Has the Pentagon made a recommendation?

MR. LOCKHART: No, they have not.

Q Joe, on the emergency funding bill --

Q Excuse me, let me just follow up. Do you expect one today? We were given reason to believe yesterday that it was imminent.

MR. LOCKHART: I have not heard that. I'll check. Nobody has given me --

Q Joe, in the emergency funding bill, is the funding for Central America in that?

MR. LOCKHART: Yes, they -- Barry, they have rolled it in, right?

MR. TOIV: The House and Senate have both approved Central American funding, but only the House approved Kosovo funding. They're going to work it all out in conference.

MR. LOCKHART: That also includes the emergency assistance for farmers, also.

Q And to Jordan, also?

MR. LOCKHART: Yes.

Q Briefing today?

MR. LOCKHART: No. So have a good time in Atlanta. Thanks.

THE PRESS: Thanks.

END 9:35 A.M. EDT

Message Sent To: _____