

105TH CONGRESS  
2D SESSION

# S. 2152

To establish a program to provide credit and other assistance for encouraging microenterprises in developing countries, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 10, 1998

Mr. DURBIN (for himself, Ms. SNOWE, Mr. GORTON, Mr. WELLSTONE, Ms. MIKULSKI, Mrs. FEINSTEIN, Mr. CHAFEE, Mrs. BOXER, Mrs. MURRAY, Mr. GRASSLEY, Mr. WYDEN, Mr. BINGAMAN, Mr. KERRY, Mr. ROBB, Mr. INOUE, Mr. TORRICELLI, Mr. LEVIN, Mr. BUMPERS, Mr. JOHNSON, Mr. DEWINE, Mr. KOHL, Ms. COLLINS, Mr. CLELAND, and Mr. MOYNIHAN) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

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## A BILL

To establish a program to provide credit and other assistance for encouraging microenterprises in developing countries, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Microcredit for Self-  
5 Sufficiency Act of 1998”.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—Congress makes the following find-  
3 ings:

4 (1) More than 1,000,000,000 people in the de-  
5 veloping world are living in severe poverty.

6 (2) According to the United Nations Children’s  
7 Fund, the mortality for children under the age of 5  
8 is 10 percent in all developing countries and nearly  
9 20 percent in the poorest countries.

10 (3) Nearly 33,000 children die each day from  
11 malnutrition and disease which is largely prevent-  
12 able.

13 (4)(A) Women in poverty generally have larger  
14 work loads and less access to educational and eco-  
15 nomic opportunities than their male counterparts.

16 (B) Directly aiding the poorest of the poor, es-  
17 pecially women, in the developing world has a posi-  
18 tive effect not only on family incomes, but also on  
19 child nutrition, health, and education, since women  
20 tend to reinvest income in their families.

21 (5)(A) The poor in the developing world, par-  
22 ticularly women, generally lack stable employment  
23 and social safety nets.

24 (B) Many women turn to self-employment to  
25 generate a substantial portion of their livelihood.

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

5 (D) Many of the poor are forced to pay interest  
6 rates as high as 10 percent per day to money lend-  
7 ers.

8 (6)(A) On February 2–4, 1997, an inter-  
9 national Microcredit Summit was held in Washing-  
10 ton, D.C., to launch a plan to expand access to cred-  
11 it for self-employment and other financial and busi-  
12 ness services to 100,000,000 of the world’s poorest  
13 families, especially the women of those families, by  
14 2005.

15 (B) With an average of 5 people to a family,  
16 achieving this goal will mean that the benefits of  
17 microcredit will reach nearly half of the world’s more  
18 than 1,000,000,000 absolute poor.

19 (7)(A) The poor are able to expand their in-  
20 comes and their businesses dramatically when they  
21 have access to loans at reasonable interest rates.

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

1           (8)(A) Nongovernmental organizations such as  
2           the Grameen Bank, Accion International, and the  
3           Foundation for International Community Assistance  
4           (FINCA) have been successful in lending directly to  
5           the very poor.

6           (B) These institutions generate repayment rates  
7           averaging 95 percent or higher.

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

11          (B) Interest income on a credit portfolio can be  
12          used to pay recurring institutional costs, assuring  
13          that the long-term development is sustained.

14          (10) Microcredit institutions leverage foreign  
15          assistance resources because loans are recycled, gen-  
16          erating new benefits to program participants.

17          (11) The development of sustainable micro-  
18          credit institutions that provide credit and training,  
19          and mobilize domestic savings, are critical to a glob-  
20          al strategy of poverty reduction and broad-based  
21          economic development.

22          (12)(A) In 1994, AID launched a Microenter-  
23          prise Initiative in consultation with Congress.

24          (B) The Initiative was committed to expanding  
25          funding for AID's microenterprise programs, pro-

1 vided funding of \$137,000,000 for fiscal year 1994,  
2 and set a goal that, by the end of fiscal year 1996,  
3 half of all microenterprise resources would support  
4 programs and institutions providing credit to the  
5 poorest with loans under \$300.

6 (C) In fiscal year 1996, total funding for micro-  
7 enterprise activities fell to \$111,000,000 of which  
8 only 39 percent was used for programs benefiting  
9 the poorest with loans under \$300.

10 (D) Increased investment in microcredit institu-  
11 tions serving the poorest is critical to achieving the  
12 Microcredit Summit's goal.

13 (E) AID's funding for microenterprise activities  
14 in the developing world should be expanded to  
15 \$160,000,000 for fiscal year 1999 to parallel the  
16 growing capacity of microcredit institutions in the  
17 developing world.

18 (13) Providing the United States share of the  
19 global investment needed to achieve the goal of the  
20 Microcredit Summit will require only a modest in-  
21 crease in United States funding for international  
22 microcredit programs, with an increased focus on in-  
23 stitutions serving the poorest.

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

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

7           (15) PVOs and other nongovernmental organi-  
8 zations have demonstrated competence in developing  
9 networks of local microcredit institutions that can  
10 reach large numbers of the very poor, and help the  
11 very poor achieve financial sustainability.

12           (16) Since AID has developed very effective  
13 partnerships with PVOs and other nongovernmental  
14 organizations, AID should place a priority on invest-  
15 ing in PVOs and other nongovernmental organiza-  
16 tions through AID's central funding mechanisms.

17           (17) By expanding and replicating successful  
18 microcredit institutions, AID should be able to as-  
19 sure the creation of a global infrastructure to pro-  
20 vide financial services to the world's poorest families.

21           (18)(A) AID can provide leadership among bi-  
22 lateral and multilateral development aid agencies as  
23 such agencies expand their support of microenter-  
24 prise for the poorest.

1           (B) AID should seek to improve the coordina-  
2           tion of efforts at the operational level to promote the  
3           best practices for providing financial services to the  
4           poor and to ensure that adequate institutional ca-  
5           pacity is developed.

6           (b) PURPOSES.—The purposes of this Act are—

7           (1) to provide for the continuation and expan-  
8           sion of AID’s commitment to develop microcredit in-  
9           stitutions;

10          (2) to make microenterprise development the  
11          centerpiece of the overall economic growth strategy  
12          of AID;

13          (3) to support and develop the capacity of  
14          United States PVOs, and other international non-  
15          governmental organizations to provide credit, sav-  
16          ings, and training services to microentrepreneurs;  
17          and

18          (4) to increase the amount of assistance de-  
19          voted to providing access to credit for the poorest  
20          sector in developing countries, particularly women.

21 **SEC. 3. DEFINITIONS.**

22          In this Act:

23          (1) AID.—The term “AID” means the United  
24          States Agency for International Development.

1           (2) MICROCREDIT, MICROENTERPRISE, POV-  
 2           ERTY LENDING; POVERTY LENDING PORTION OF  
 3           MIXED PROGRAMS; MIXED PROGRAMS.—The terms  
 4           “microcredit”, “microenterprise”, “poverty lending  
 5           portion of mixed programs”, and “mixed programs”  
 6           have the meaning given such terms under the 1994  
 7           Microenterprise Initiative of AID.

8           (3) PVOs AND OTHER NONGOVERNMENTAL OR-  
 9           GANIZATIONS.—The term “PVOs and other non-  
 10          governmental organizations” means—

11                   (A) private voluntary organizations (in-  
 12                   cluding cooperative organizations), and

13                   (B) international, regional, or national  
 14                   nongovernmental organizations,

15           that are active in the region or country where the  
 16           project is located and that have the capacity to de-  
 17           velop and implement microenterprise programs that  
 18           are oriented toward working directly with the poor,  
 19           especially the poorest and women.

20 **SEC. 4. MICROENTERPRISE ASSISTANCE.**

21           (a) AUTHORIZATION.—

22                   (1) IN GENERAL.—The President, acting  
 23                   through the Administrator of AID, is authorized to  
 24                   establish programs to provide credit and other as-  
 25                   sistance for microenterprises in developing countries.

1           (2) USE OF PVOs AND OTHER NONGOVERN-  
2           MENTAL ORGANIZATIONS.—Programs to provide  
3           credit for microenterprises and related activities  
4           under this section shall be carried out primarily by  
5           United States PVOs and other United States and  
6           indigenous nongovernmental organizations, including  
7           credit unions, cooperative organizations, and other  
8           private financial intermediaries.

9           (b) ELIGIBILITY CRITERIA.—The Administrator of  
10          AID shall establish criteria for determining which entities  
11          described in subsection (a)(2) are eligible to carry out the  
12          purposes described in section 2(b). Such criteria shall in-  
13          clude the following:

14                 (1) The extent to which the recipients of credit  
15                 from the entity lack access to the local formal finan-  
16                 cial sector.

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

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

22                 (4) The extent to which the entity is imple-  
23                 menting a plan to become financially self-reliant by  
24                 charging realistic interest rates to its borrowers.

25          (c) FUNDING LEVELS FOR FISCAL YEAR 1999.—

1           (1) IN GENERAL.—Of the amounts made avail-  
2           able to carry out chapter 1 of part I of the Foreign  
3           Assistance Act of 1961 (22 U.S.C. 2151 et seq.),  
4           not less than \$160,000,000 of the funds made avail-  
5           able for fiscal year 1999 shall be used to provide as-  
6           sistance under this Act. The funds authorized under  
7           the preceding sentence shall be in addition to any  
8           funds made available in fiscal year 1999 for micro-  
9           enterprise activities in the former Soviet Union and  
10          Eastern Europe pursuant to the FREEDOM Sup-  
11          port Act and any funds for special assistance initia-  
12          tives within Europe, the newly independent states of  
13          the Former Soviet Union, Asia, and the Near East.

14          (2) ADDITIONAL REQUIREMENTS.—

15                (A) POVERTY LENDING.—Of the funds  
16                made available under paragraph (1), not less  
17                than \$80,000,000 shall be used to support pov-  
18                erty lending.

19                (B) SUPPORT OF PVOs AND OTHER NON-  
20                GOVERNMENTAL ORGANIZATIONS.—Of the  
21                funds made available under paragraph (1), not  
22                less than \$35,000,000 shall be provided  
23                through the central funding mechanisms of AID  
24                for support of United States PVOs and United

1 States and indigenous nongovernmental organi-  
2 zations.

3 (C) MATCHING GRANT PROGRAM.—Of the  
4 funds made available under paragraph (1), not  
5 less than \$10,000,000 shall be used for the pri-  
6 vate voluntary organizations matching grant  
7 program of AID for support of United States  
8 PVOs.

9 (3) DEFINITIONS.—For purposes of this sub-  
10 section—

11 (A) TO SUPPORT POVERTY LENDING.—The  
12 term “to support poverty lending” means—

13 (i) funds lent to members of the pov-  
14 erty target population (as defined in sub-  
15 paragraph (B)) in low-income countries in  
16 amounts equivalent to \$300 or less in  
17 1997 United States dollars; and

18 (ii) funds used for institutional devel-  
19 opment of an entity described in subsection  
20 (a)(2), that is engaged in—

21 (I) making loans of \$300 or less  
22 in 1997 United States dollars to  
23 members of the poverty target popu-  
24 lation; or

1 (II) the poverty lending portion  
2 of a mixed program.

3 (B) POVERTY TARGET POPULATION.—The  
4 term “poverty target population” means the  
5 poorest 50 percent of those individuals living  
6 below the poverty line, defined by the national  
7 government of the foreign country to which  
8 funds are being provided.

9 **SEC. 5. PROGRAM PERFORMANCE CRITERIA.**

10 (a) STRENGTHENING OF APPROPRIATE MECHA-  
11 NISMS.—The Administrator of AID shall—

12 (1) strengthen appropriate mechanisms, includ-  
13 ing mechanisms for central microenterprise pro-  
14 grams, for the purpose of strengthening the institu-  
15 tional development of the entities described in sec-  
16 tion 4(a)(2); and

17 (2) develop and strengthen appropriate mecha-  
18 nisms for the purpose of gathering and disseminat-  
19 ing the best practice for targeting microcredit to the  
20 poorest segment of the population.

21 (b) MONITORING SYSTEM.—In order to sustain the  
22 impact of the assistance authorized under section 4, the  
23 Administrator of AID shall establish a monitoring system  
24 that—

1           (1) establishes performance goals for such as-  
2           sistance and expresses such goals in an objective and  
3           quantifiable form;

4           (2) establishes performance systems or indica-  
5           tors to measure the extent to which projects are  
6           achieving such goals; and

7           (3) provides a basis for recommendations for  
8           adjustments to such assistance to enhance the bene-  
9           fit of such assistance for the very poor, particularly  
10          women.

11          (c) **ADDITIONAL MONITORING REQUIREMENTS.**—As  
12 a part of the monitoring system established under sub-  
13 section (b), the Administrator of AID—

14           (1) using data provided by lending institutions,  
15           shall monitor the actual amount of microenterprise  
16           credit and the number of loans made available to the  
17           poverty target population as a result of each project  
18           or program carried out pursuant to this Act;

19           (2) using data provided by lending institutions,  
20           shall monitor the amount of funding provided pursu-  
21           ant to this Act which is allocated to organizations  
22           engaged in making loans of under \$300 to the pov-  
23           erty target population, or to the poverty lending por-  
24           tion of mixed programs;

1           (3) shall report to Congress annually on the  
2           progress in implementing AID's institutional plan of  
3           action to achieve the Microcredit Summit goal of ex-  
4           panding access to credit and other financial and  
5           business services to 100,000,000 of the world's poor-  
6           est families, especially the women in those families,  
7           by 2005; and

8           (4) shall include a summary of the information  
9           collected under paragraphs (1) and (2) in AID's an-  
10          nual presentation to Congress.

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