

Calendar No. 689

107TH CONGRESS
2D SESSION**H. R. 4073**

IN THE SENATE OF THE UNITED STATES

JUNE 5, 2002

Received; read twice and referred to the Committee on Foreign Relations

OCTOBER 8, 2002

Reported by Mr. BIDEN, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italie*]**AN ACT**

To amend the Microenterprise for Self-Reliance Act of 2000 and the Foreign Assistance Act of 1961 to increase assistance for the poorest people in developing countries under microenterprise assistance programs under those Acts, 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. AMENDMENTS TO THE MICROENTERPRISE FOR**
4 **SELF-RELIANCE ACT OF 2000.**

5 (a) **PURPOSES.**—Section 103 of the Microenterprise
6 for Self-Reliance Act of 2000 (Public Law 106–309) is
7 amended—

1 (1) in paragraph (3), by striking “microentre-
2 preneurs” and inserting “microenterprise house-
3 holds”;

4 (2) in paragraph (4), by striking “and” at the
5 end;

6 (3) in paragraph (5)—

7 (A) by striking “microfinance policy” and
8 inserting “microenterprise policy”;

9 (B) by striking “the poorest of the poor”
10 and inserting “the very poor”; and

11 (C) by striking the period at the end and
12 inserting “; and”; and

13 (4) by adding at the end the following:

14 “(6) to encourage the United States Agency for
15 International Development to develop, assess, and
16 implement effective outreach methods and tools to
17 ensure that all microenterprise assistance authorized
18 under this title, and the amendments made by this
19 title, is used to assist the greatest absolute number
20 of economically viable clients among the very poor,
21 and that at least 50 percent of all microenterprise
22 assistance authorized under this title, and the
23 amendments made under this title, is used in sup-
24 port of programs or lines of service that target the
25 very poor.”.

1 (b) DEFINITIONS.—Section 104 of such Act is
2 amended—

3 (1) in paragraph (2), by striking “for micro-
4 entrepreneurs” and inserting “to microentrepreneurs
5 and their households”; and

6 (2) by adding at the end the following:

7 “(5) VERY POOR; POOREST PEOPLE IN DEVEL-
8 OPING COUNTRIES.—The terms ‘very poor’ and
9 ‘poorest people in developing countries’ mean those
10 persons living either in the bottom 50 percent below
11 the poverty line as established by the national gov-
12 ernment of the country or on less than the equiva-
13 lent of \$1 per day.”.

14 **SEC. 2. AMENDMENTS TO THE MICRO- AND SMALL ENTER-**
15 **PRISE DEVELOPMENT CREDITS PROGRAM**
16 **UNDER THE FOREIGN ASSISTANCE ACT OF**
17 **1961.**

18 (a) FINDINGS AND POLICY.—Section 108(a)(2) of
19 the Foreign Assistance Act of 1961 (22 U.S.C.
20 2151f(a)(2)) is amended by striking “the development of
21 the enterprises of the poor” and inserting “the access to
22 financial services and the development of microenter-
23 prises”.

24 (b) PROGRAM.—Section 108(b) of such Act (22
25 U.S.C. 2151f(b)) is amended to read as follows:

1 “(b) PROGRAM.—To carry out the policy set forth in
 2 subsection (a), the President is authorized to provide as-
 3 sistance to increase the availability of financial services to
 4 microenterprise households lacking full access to credit,
 5 including through—

6 “(1) loans and guarantees to microfinance insti-
 7 tutions for the purpose of expanding the availability
 8 of savings and credit to poor and low-income house-
 9 holds;

10 “(2) training programs for microfinance institu-
 11 tions in order to enable them to better meet the fi-
 12 nancial services needs of their clients; and

13 “(3) training programs for clients in order to
 14 enable them to make better use of credit, increase
 15 their financial literacy, and to better manage their
 16 enterprises.”.

17 (c) ELIGIBILITY CRITERIA.—Section 108(c) of such
 18 Act (~~22 U.S.C. 2151f(c)~~) is amended—

19 (1) in the first sentence of the matter preceding
 20 paragraph (1)—

21 (A) by striking “credit institutions” and
 22 inserting “microfinance institutions”; and

23 (B) by striking “micro- and small enter-
 24 prises” and inserting “microenterprise house-
 25 holds”; and

1 (2) in paragraphs (1) and (2), by striking
 2 “credit” each place it appears and inserting “finan-
 3 cial services”.

4 (d) **ADDITIONAL REQUIREMENT.**—Section 108(d) of
 5 such Act (22 U.S.C. 2151f(d)) is amended by striking
 6 “micro- and small enterprise programs” and inserting
 7 “programs for microenterprise households”.

8 (e) **AVAILABILITY OF FUNDS.**—Section 108(f)(1) of
 9 such Act (22 U.S.C. 2151f(f)(1)) is amended by striking
 10 “for each of fiscal years 2001 and 2002” and inserting
 11 “for each of fiscal years 2001 through 2004”.

12 (f) **CONFORMING AMENDMENT.**—Section 108 of such
 13 Act (22 U.S.C. 2151f) is amended in the heading to read
 14 as follows:

15 **“SEC. 108. MICROENTERPRISE DEVELOPMENT CREDITS.”.**
 16 **SEC. 3. AMENDMENTS TO THE MICROENTERPRISE DEVEL-**
 17 **OPMENT GRANT ASSISTANCE PROGRAM**
 18 **UNDER THE FOREIGN ASSISTANCE ACT OF**
 19 **1961.**

20 (a) **FINDINGS AND POLICY.**—Section 131(a) of the
 21 Foreign Assistance Act of 1961 (22 U.S.C. 2152a(a)) is
 22 amended to read as follows:

23 “(a) **FINDINGS AND POLICY.**—Congress finds and de-
 24 clares that—

1 “(1) access to financial services and the devel-
 2 opment of microenterprise are vital factors in the
 3 stable growth of developing countries and in the de-
 4 velopment of free, open, and equitable international
 5 economic systems;

6 “(2) it is therefore in the best interest of the
 7 United States to facilitate access to financial serv-
 8 ices and assist the development of microenterprise in
 9 developing countries;

10 “(3) access to financial services and the devel-
 11 opment of microenterprises can be supported by pro-
 12 grams providing credit, savings, training, technical
 13 assistance, business development services, and other
 14 financial and non-financial services; and

15 “(4) given the relatively high percentage of pop-
 16 ulations living in rural areas of developing countries,
 17 and the combined high incidence of poverty in rural
 18 areas and growing income inequality between rural
 19 and urban markets, microenterprise programs
 20 should target both rural and urban poor.”.

21 (b) ~~AUTHORIZATION.~~—Section 131(b) of such Act
 22 (22 U.S.C. 2152a(b)) is amended—

23 (1) in paragraph (3)—

24 (A) in the first sentence of the matter pre-
 25 ceding subparagraph (A), by striking “targeted

to very poor entrepreneurs” and all that follows
 and inserting “used in support of programs or
 lines of service under which 50 percent or more
 of the incoming or prospective clients are ini-
 tially very poor.”; and

(B) in subparagraph (A)(i) ; by striking
 “entrepreneurs” and inserting “clients”; and
 (2) in paragraph (4)(D)—

(A) in clause (i), by striking “very small
 loans” and inserting “financial services to poor
 entrepreneurs”; and

(B) in clause (ii), by striking “micro-
 finance” and inserting “microenterprise”.

(e) MONITORING SYSTEM.—Section 131(e) of such
 Act (22 U.S.C. 2152a(e)) is amended by striking para-
 graph (4) and inserting the following:

“(4) adopts the widespread use of proven and
 effective poverty assessment tools to successfully
 identify the very poor and ensure that they receive
 needed microenterprise credits, loans, and assist-
 ance.”

(d) DEVELOPMENT AND APPLICATION OF POVERTY
 MEASUREMENT METHODS.—Section 131 of such Act (22
 U.S.C. 2152a) is amended—

1 (1) by redesignating subsections (d) and (e) as
2 subsections (e) and (f), respectively; and

3 (2) by inserting after subsection (e) the fol-
4 lowing:

5 “(d) DEVELOPMENT AND CERTIFICATION OF POV-
6 ERTY MEASUREMENT METHODS; APPLICATION OF METH-
7 ODS.—

8 “(1) DEVELOPMENT AND CERTIFICATION.—(A)
9 The Administrator of the United States Agency for
10 International Development, in consultation with ap-
11 propriate microfinance institutions, microenterprise
12 institutions, and other appropriate entities shall de-
13 velop no fewer than two low-cost methods for meas-
14 uring the poverty levels of the current or prospective
15 clients of microenterprise organizations for purposes
16 of assistance under this section. In developing such
17 methods, the Administrator shall give consideration
18 to methods already in use by practitioner institu-
19 tions.

20 “(B) The Administrator shall field-test the
21 methods developed under this paragraph, and as
22 part of the testing, institutions and programs may
23 use these methods on a voluntary basis to dem-
24 onstrate their ability to reach the very poor.

1 “(C) Not later than October 1, 2004, the Ad-
 2 ministrators shall, from among the low-cost poverty
 3 measurement methods developed under this para-
 4 graph, certify no fewer than two of such methods as
 5 approved methods for measuring the poverty levels
 6 of the current or prospective clients of microenter-
 7 prise organizations for purposes of assistance under
 8 this section.

9 “(2) APPLICATION.—Beginning on and after
 10 October 1, 2004, assistance furnished under this
 11 section to a program or to a line of service within
 12 an institution shall qualify, in whole or in part, as
 13 targeted assistance to the very poor if one or more
 14 of the measurement methods approved under para-
 15 graph (1), or one or more of the measurement meth-
 16 ods approved in accordance with paragraph (1) after
 17 October 1, 2004, verifies that at least 50 percent of
 18 the incoming or prospective clients of the program
 19 or line of service are initially among the very poor.”.

20 (e) LEVEL OF ASSISTANCE.—Section 131(e) of such
 21 Act, as redesignated by subsection (d), is amended by in-
 22 serting “and \$175,000,000 for fiscal year 2003 and
 23 \$200,000,000 for fiscal year 2004” after “fiscal years
 24 2001 and 2002”.

1 (f) DEFINITIONS.—Section 131(f) of such Act, as re-
 2 designated by subsection (d), is amended by adding at the
 3 end the following:

4 “(5) VERY POOR; POOREST PEOPLE IN DEVEL-
 5 OPING COUNTRIES.—The terms ‘very poor’ and
 6 ‘poorest people in developing countries’ mean those
 7 persons living either in the bottom 50 percent below
 8 the poverty line as established by the national gov-
 9 ernment of the country or on less than the equiva-
 10 lent of \$1 per day.”.

11 **SEC. 4. REPORT TO CONGRESS.**

12 Not later than July 1, 2004, the Administrator of
 13 the United States Agency for International Development
 14 shall submit to Congress a report that contains—

15 (1) a description of the interim poverty meas-
 16 urement methods developed and implemented pursu-
 17 ant to section 131(d)(1) of the Foreign Assistance
 18 Act of 1961, as added by section 3(d);

19 (2) an analysis of the results of the application
 20 of such interim poverty measurement methods to
 21 sustainable poverty-focused programs under such
 22 section; and

23 (3) a description of the proposed final poverty
 24 measurement methods to be implemented beginning

1 on October 1, 2004, in accordance with section
2 131(d)(2) of such Act, as added by section 3(d).

3 **SECTION 1. AMENDMENTS TO THE MICROENTERPRISE FOR**
4 **SELF-RELIANCE ACT OF 2000.**

5 (a) *PURPOSES.*—Section 103 of the Microenterprise for
6 Self-Reliance Act of 2000 (Public Law 106–309) is
7 amended—

8 (1) in paragraph (3), by striking “microentre-
9 preneurs” and inserting “microenterprise house-
10 holds”;

11 (2) in paragraph (4), by striking “and” at the
12 end;

13 (3) in paragraph (5)—

14 (A) by striking “microfinance policy” and
15 inserting “microenterprise policy”;

16 (B) by striking “the poorest of the poor”
17 and inserting “the very poor”; and

18 (C) by striking the period at the end and
19 inserting “; and”; and

20 (4) by adding at the end the following:

21 “(6) to ensure that in the implementation of this
22 title at least 50 percent of all microenterprise assist-
23 ance under this title, and the amendments made
24 under this title, shall be targeted to the very poor.”.

1 (b) *DEFINITIONS.*—Section 104 of such Act is
2 amended—

3 (1) in paragraph (2), by striking “for micro-
4 entrepreneurs” and inserting “to microentrepreneurs
5 and their households”; and

6 (2) by adding at the end the following:

7 “(5) *VERY POOR.*—The term ‘very poor’ means
8 individuals—

9 “(A) living in the bottom 50 percent below
10 the poverty line established by the national gov-
11 ernment of the country in which those individ-
12 uals live; or

13 “(B) living on the equivalent of less than \$1
14 per day.”.

15 **SEC. 2. AMENDMENTS TO THE MICRO- AND SMALL ENTER-**
16 **PRISE DEVELOPMENT CREDITS PROGRAM**
17 **UNDER THE FOREIGN ASSISTANCE ACT OF**
18 **1961.**

19 (a) *FINDINGS AND POLICY.*—Section 108(a)(2) of the
20 Foreign Assistance Act of 1961 (22 U.S.C. 2151f(a)(2)) is
21 amended by striking “the development of the enterprises of
22 the poor” and inserting “the access to financial services and
23 the development of microenterprises”.

24 (b) *PROGRAM.*—Section 108(b) of such Act (22 U.S.C.
25 2151f(b)) is amended to read as follows:

1 “(b) *PROGRAM.*—To carry out the policy set forth in
 2 subsection (a), the President is authorized to provide assist-
 3 ance to increase the availability of financial services to
 4 microenterprise households lacking full access to credit, in-
 5 cluding through—

6 “(1) loans and guarantees to microfinance insti-
 7 tutions for the purpose of expanding the availability
 8 of savings and credit to poor and low-income house-
 9 holds;

10 “(2) training programs for microfinance institu-
 11 tions in order to enable them to better meet the finan-
 12 cial services needs of their clients; and

13 “(3) training programs for clients in order to
 14 enable them to make better use of credit, increase their
 15 financial literacy, and to better manage their enter-
 16 prises to improve their quality of life.”.

17 (c) *ELIGIBILITY CRITERIA.*—Section 108(c) of such
 18 Act (22 U.S.C. 2151f(c)) is amended—

19 (1) in the first sentence of the matter preceding
 20 paragraph (1)—

21 (A) by striking “credit institutions” and in-
 22 serting “microfinance institutions”; and

23 (B) by striking “micro- and small enter-
 24 prises” and inserting “microenterprise house-
 25 holds”; and

1 (2) in paragraphs (1) and (2), by striking “cred-
 2 it” each place it appears and inserting “financial
 3 services”.

4 (d) *ADDITIONAL REQUIREMENT.*—Section 108(d) of
 5 such Act (22 U.S.C. 2151f(d)) is amended by striking
 6 “micro- and small enterprise programs” and inserting
 7 “programs for microenterprise households”.

8 (e) *AVAILABILITY OF FUNDS.*—Section 108(f)(1) of
 9 such Act (22 U.S.C. 2151f(f)(1)) is amended by striking
 10 “for each of fiscal years 2001 and 2002” and inserting “for
 11 each of fiscal years 2001 through 2004”.

12 (f) *CONFORMING AMENDMENT.*—Section 108 of such
 13 Act (22 U.S.C. 2151f) is amended in the heading to read
 14 as follows:

15 **“SEC. 108. MICROENTERPRISE DEVELOPMENT CREDITS.”.**

16 **SEC. 3. AMENDMENTS TO THE MICROENTERPRISE DEVEL-**
 17 **OPMENT GRANT ASSISTANCE PROGRAM**
 18 **UNDER THE FOREIGN ASSISTANCE ACT OF**
 19 **1961.**

20 (a) *FINDINGS AND POLICY.*—Section 131(a) of the For-
 21 eign Assistance Act of 1961 (22 U.S.C. 2152a(a)) is amend-
 22 ed to read as follows:

23 “(a) *FINDINGS AND POLICY.*—Congress finds and de-
 24 clares that—

1 “(1) access to financial services and the develop-
2 ment of microenterprise are vital factors in the stable
3 growth of developing countries and in the development
4 of free, open, and equitable international economic
5 systems;

6 “(2) it is therefore in the best interest of the
7 United States to facilitate access to financial services
8 and assist the development of microenterprise in de-
9 veloping countries;

10 “(3) access to financial services and the develop-
11 ment of microenterprises can be supported by pro-
12 grams providing credit, savings, training, technical
13 assistance, business development services, and other fi-
14 nancial and non-financial services; and

15 “(4) given the relatively high percentage of popu-
16 lations living in rural areas of developing countries,
17 and the combined high incidence of poverty in rural
18 areas and growing income inequality between rural
19 and urban markets, microenterprise programs should
20 target both rural and urban poor.”.

21 (b) *AUTHORIZATION*.—Section 131(b) of such Act (22
22 U.S.C. 2152a(b)) is amended—

23 (1) in paragraph (3)(A)(i), by striking “entre-
24 preneurs” and inserting “clients”; and

25 (2) in paragraph (4)(D)—

1 (A) in clause (i), by striking “very small
2 loans” and inserting “financial services to poor
3 entrepreneurs”; and

4 (B) in clause (ii), by striking “micro-
5 finance” and inserting “microenterprise”.

6 (c) *MONITORING SYSTEM*.—Section 131(c) of such Act
7 (22 U.S.C. 2152a(c)) is amended by striking paragraph (4)
8 and inserting the following:

9 “(4) adopts the widespread use of proven and ef-
10 fective poverty assessment tools to successfully identify
11 the very poor and ensure that they receive needed
12 microenterprise loans, savings, and assistance.”.

13 (d) *DEVELOPMENT AND APPLICATION OF POVERTY*
14 *MEASUREMENT METHODS*.—Section 131 of such Act (22
15 U.S.C. 2152a) is amended—

16 (1) by redesignating subsections (d) and (e) as
17 subsections (e) and (f), respectively; and

18 (2) by inserting after subsection (c) the fol-
19 lowing:

20 “(d) *DEVELOPMENT AND CERTIFICATION OF POVERTY*
21 *MEASUREMENT METHODS; APPLICATION OF METHODS*.—

22 “(1) *DEVELOPMENT AND CERTIFICATION*.—(A)
23 *The Administrator of the United States Agency for*
24 *International Development, in consultation with*
25 *microenterprise institutions and other appropriate or-*

1 *ganizations, shall develop no fewer than two low-cost*
2 *methods for partner institutions to use to assess the*
3 *poverty levels of their current or prospective clients.*
4 *The United States Agency for International Develop-*
5 *ment shall develop poverty indicators that correlate*
6 *with the circumstances of the very poor.*

7 *“(B) The Administrator shall field-test the meth-*
8 *ods developed under subparagraph (A). As part of the*
9 *testing, institutions and programs may use the meth-*
10 *ods on a voluntary basis to demonstrate their ability*
11 *to reach the very poor.*

12 *“(C) Not later than October 1, 2004, the Admin-*
13 *istrator shall, from among the low-cost poverty meas-*
14 *urement methods developed under subparagraph (A),*
15 *certify no fewer than two such methods as approved*
16 *methods for measuring the poverty levels of current or*
17 *prospective clients of microenterprise institutions for*
18 *purposes of assistance under this section.*

19 *“(2) APPLICATION.—The Administrator shall re-*
20 *quire that, with reasonable exceptions, all organiza-*
21 *tions applying for microenterprise assistance under*
22 *this Act use one of the certified methods, beginning no*
23 *later than October 1, 2005, to determine and report*
24 *the poverty levels of current or prospective clients.”.*

1 (e) *LEVEL OF ASSISTANCE.*—Section 131(e) of such
 2 Act, as redesignated by subsection (d), is amended by insert-
 3 ing “and \$175,000,000 for fiscal year 2003 and
 4 \$200,000,000 for fiscal year 2004” after “fiscal years 2001
 5 and 2002”.

6 (f) *DEFINITIONS.*—Section 131(f) of such Act, as redes-
 7 ignated by subsection (d), is amended by adding at the end
 8 the following:

9 “(5) *VERY POOR.*—The term ‘very poor’ means
 10 those individuals—

11 “(A) living in the bottom 50 percent below
 12 the poverty line established by the national gov-
 13 ernment of the country in which those individ-
 14 uals live; or

15 “(B) living on less than the equivalent of \$1
 16 per day.”.

17 **SEC. 4. REPORT TO CONGRESS.**

18 (a) *IN GENERAL.*—Not later than September 30, 2005,
 19 the Administrator of the United States Agency for Inter-
 20 national Development shall submit to Congress a report
 21 that documents the process of developing and applying pov-
 22 erty assessment procedures with its partners.

23 (b) *REPORTS FOR FISCAL YEAR 2006 AND BEYOND.*—
 24 Beginning with fiscal year 2006, the Administrator of the
 25 United States Agency for International Development shall

1 *annually submit to Congress on a timely basis a report that*
2 *addresses the United States Agency for International Devel-*
3 *opment's compliance with the Microenterprise for Self-Reli-*
4 *ance Act of 2000 by documenting—*

- 5 *(1) the percentage of its resources that were allo-*
6 *cated to the very poor (as defined in paragraph (5)*
7 *of section 131(f) of the Foreign Assistance Act of 1961*
8 *(22 U.S.C. 2152a(f)(5))) based on the data collected*
9 *from its partners using the certified methods; and*
10 *(2) the absolute number of the very poor reached.*

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107TH CONGRESS
2^D SESSION

H. R. 4073

AN ACT

To amend the Microenterprise for Self-Reliance Act of 2000 and the Foreign Assistance Act of 1961 to increase assistance for the poorest people in developing countries under microenterprise assistance programs under those Acts, and for other purposes.

OCTOBER 8, 2002

Reported with an amendment