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1ST SESSION

# H. R. 1129

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IN THE SENATE OF THE UNITED STATES

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Read twice and referred to the Committee on Foreign Relations

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## AN ACT

To establish a program to provide assistance for programs of credit and other assistance for 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Microcredit for Self-  
3 Reliance Act of 1997”.

4 **SEC. 2. FINDINGS AND DECLARATIONS OF POLICY.**

5 The Congress makes the following findings and dec-  
6 larations:

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

9 (2) According to the United Nations Children’s  
10 Fund (UNICEF), mortality for children under the  
11 age of 5 averages 100 child deaths per thousand for  
12 all developing countries, with nearly double that rate  
13 in the poorest countries.

14 (3) Nearly 35,000 children die each day from  
15 largely preventable malnutrition and disease.

16 (4)(A) Women in poverty generally have larger  
17 work loads, and less access to educational and eco-  
18 nomic opportunities than their male counterparts.

19 (B) Directly aiding the poorest of the poor, es-  
20 pecially women, in the developing world has a posi-  
21 tive effect not only on family incomes, but also on  
22 child nutrition, health and education, as women in  
23 particular reinvest income in their families.

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

1           (B) Many turn to self-employment to generate  
2           a substantial portion of their livelihood.

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

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

10          (6)(A) On February 2–4, 1997, a global micro-  
11          credit summit was held in Washington, District of  
12          Columbia, to launch a plan to expand access to cred-  
13          it for self-employment and other financial and busi-  
14          ness services to 100,000,000 of the world’s poorest  
15          families, especially the women of those families, by  
16          2005.

17          (B) With five to a family, achieving this goal  
18          will mean that the benefits of microcredit will there-  
19          by reach nearly half of the world’s more than  
20          1,000,000,000 absolute poor.

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

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

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

9           (B) These institutions generate repayment rates  
10          averaging 95 percent or higher, demonstrating the  
11          bankability of the poorest.

12          (C) International organizations such as the  
13          International Fund for Agricultural Development  
14          (IFAD) and the United Nations Development Pro-  
15          gram (UNDP) have demonstrated success in sup-  
16          porting microcredit programs.

17          (9)(A) Microcredit institutions not only reduce  
18          poverty, but also reduce the dependency on foreign  
19          assistance.

20          (B) Interest income on a credit portfolio can be  
21          used to pay recurring institutional costs, assuring  
22          the long-term sustainability of development assist-  
23          ance.

1           (10) Microcredit institutions leverage foreign  
2           assistance resources because loans are recycled, gen-  
3           erating new benefits to program participants.

4           (11) The development of sustainable micro-  
5           credit institutions which provide credit and training,  
6           and mobilize domestic savings, are critical compo-  
7           nents to a global strategy of poverty reduction and  
8           broad based economic development.

9           (12)(A) In 1994, the United States Agency for  
10          International Development launched a microenter-  
11          prise initiative in partnership with the Congress.

12          (B) The initiative committed to expanding  
13          funding for the microenterprise programs of the  
14          Agency, and set a goal that, by the end of fiscal year  
15          1996, half of all microenterprise resources would  
16          support programs and institutions providing credit  
17          to the poorest, with loans under \$300.

18          (C) In order to achieve the goal of the micro-  
19          credit summit, increased investment in microcredit  
20          institutions serving the poorest will be critical.

21          (13) Providing the United States share of the  
22          global investment needed to achieve the goal of the  
23          microcredit summit will require only a small increase  
24          in United States funding for international micro-

1 credit programs, with an increased focus on institu-  
2 tions serving the poorest.

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

6 (B) These institutions need assistance in devel-  
7 oping their institutional capacity to expand their  
8 services and tap commercial sources of capital.

9 (15) Nongovernmental organizations have dem-  
10 onstrated competence in developing networks of local  
11 microcredit institutions so that they reach large  
12 numbers of the very poor, and achieve financial sus-  
13 tainability.

14 (16) Recognizing that the United States Agency  
15 for International Development has developed very ef-  
16 fective partnerships with nongovernmental organiza-  
17 tions, and that the Agency will have fewer missions  
18 to carry out its work, the Agency should place prior-  
19 ity on investing in these nongovernmental network  
20 institutions through the central funding mechanisms  
21 of the Agency.

22 (17) By expanding and replicating successful  
23 microcredit institutions, it should be possible to cre-  
24 ate a global infrastructure to provide financial serv-  
25 ices to the world's poorest families.

1           (18)(A) The United States Agency for Inter-  
2           national Development can provide leadership to  
3           other bilateral and multilateral development agencies  
4           as such agencies expand their support to the micro-  
5           enterprise sector.

6           (B) The United States Agency for International  
7           Development should seek to improve coordination of  
8           donor efforts at the operational level to promote the  
9           use of best practices in the provision of financial  
10          services to the poor and to ensure that adequate in-  
11          stitutional capacity is developed.

12          (19) Through expanded support for microcredit,  
13          especially credit for the poorest, the United States  
14          Agency for International Development can continue  
15          to play a leadership role in the global effort to ex-  
16          pand financial services and opportunity to  
17          100,000,000 of the poorest families on the planet.

18 **SEC. 3. PURPOSES.**

19          The purposes of this Act are—

20               (1) to provide for the continuation and expan-  
21               sion of the commitment of the United States Agency  
22               for International Development to the development of  
23               microenterprise institutions;

24               (2) to make microenterprise development the  
25               centerpiece of the overall economic growth strategy

1 of the United States Agency for International Devel-  
 2 opment;

3 (3) to support and develop the capacity of Unit-  
 4 ed States and indigenous nongovernmental organiza-  
 5 tion intermediaries to provide credit, savings, and  
 6 training services to microentrepreneurs;

7 (4) to increase the amount of assistance de-  
 8 voted to credit activities designed to reach the poor-  
 9 est sector in developing countries, and to improve  
 10 the access of the poorest, particularly women, to  
 11 microenterprise credit in developing countries; and

12 (5) to encourage the United States Agency for  
 13 International Development to provide global leader-  
 14 ship in promoting microenterprise for the poorest  
 15 among bilateral and multilateral donors.

16 **SEC. 4. MICRO- AND SMALL ENTERPRISE DEVELOPMENT**  
 17 **CREDITS.**

18 Section 108 of the Foreign Assistance Act of 1961  
 19 (22 U.S.C. 2151f) is amended to read as follows:

20 **“SEC. 108. MICRO- AND SMALL ENTERPRISE DEVELOPMENT**  
 21 **CREDITS.**

22 **“(a) FINDINGS AND POLICY.—**The Congress finds  
 23 and declares that—

24 **“(1)** the development of micro- and small enter-  
 25 prise, including cooperatives, is a vital factor in the



1       stable growth of developing countries and in the de-  
2       velopment and stability of a free, open, and equi-  
3       table international economic system;

4               “(2) it is, therefore, in the best interests of the  
5       United States to assist the development of the pri-  
6       vate sector in developing countries and to engage the  
7       United States private sector in that process;

8               “(3) the support of private enterprise can be  
9       served by programs providing credit, training, and  
10      technical assistance for the benefit of micro- and  
11      small enterprises; and

12              “(4) programs that provide credit, training, and  
13      technical assistance to private institutions can serve  
14      as a valuable complement to grant assistance pro-  
15      vided for the purpose of benefiting micro- and small  
16      private enterprise.

17      “(b) PROGRAM.—To carry out the policy set forth in  
18      subsection (a), the President is authorized to provide as-  
19      sistance to increase the availability of credit to micro- and  
20      small enterprises lacking full access to credit, including  
21      through—

22              “(1) loans and guarantees to credit institutions  
23      for the purpose of expanding the availability of cred-  
24      it to micro- and small enterprises;

1           “(2) training programs for lenders in order to  
2           enable them to better meet the credit needs of  
3           micro- and small entrepreneurs; and

4           “(3) training programs for micro- and small en-  
5           trepreneurs in order to enable them to make better  
6           use of credit and to better manage their enterprises.

7           “(c) ELIGIBILITY CRITERIA.—The Administrator of  
8           the United States Agency for International Development  
9           shall establish criteria for determining which entities de-  
10          scribed in subsection (b) are eligible to carry out activities,  
11          with respect to microenterprises, assisted under this sec-  
12          tion. Such criteria may include the following:

13           “(1) The extent to which the recipients of credit  
14           from the entity do not have access to the local for-  
15           mal financial sector.

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

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

21           “(4) The extent to which the entity recovers its  
22           cost of lending to the poor.

23           “(5) The extent to which the entity implements  
24           a plan to become financially sustainable.”.

1 **SEC. 5. MICROENTERPRISE DEVELOPMENT GRANT ASSIST-**  
2 **ANCE.**

3 Chapter 1 of part I of the Foreign Assistance Act  
4 of 1961 (22 U.S.C. 2151 et seq.) is amended by adding  
5 at the end the following new section:

6 **“SEC. 129. MICROENTERPRISE DEVELOPMENT GRANT AS-**  
7 **SISTANCE.**

8 “(a) AUTHORIZATION.—(1) In carrying out this part,  
9 the Administrator of the United States Agency for Inter-  
10 national Development is authorized to provide grant as-  
11 sistance for programs of credit and other assistance for  
12 microenterprises in developing countries.

13 “(2) Assistance authorized under paragraph (1) shall  
14 be provided through organizations that have a capacity to  
15 develop and implement microenterprise programs, includ-  
16 ing particularly—

17 “(A) United States and indigenous private and  
18 voluntary organizations;

19 “(B) United States and indigenous credit  
20 unions and cooperative organizations; or

21 “(C) other indigenous governmental and non-  
22 governmental organizations.

23 “(3) Approximately one-half of the credit assistance  
24 authorized under paragraph (1) shall be used for poverty  
25 lending programs, including the poverty lending portion  
26 of mixed programs. Such programs—

1           “(A) shall meet the needs of the very poor  
2 members of society, particularly poor women; and

3           “(B) should provide loans of \$300 or less in  
4 1995 United States dollars to such poor members of  
5 society.

6           “(4) The Administrator should continue support for  
7 mechanisms that—

8           “(A) provide technical support for field mis-  
9 sions;

10           “(B) strengthen the institutional development  
11 of the intermediary organizations described in para-  
12 graph (2); and

13           “(C) share information relating to the provision  
14 of assistance authorized under paragraph (1) be-  
15 tween such field missions and intermediary organiza-  
16 tions.

17           “(b) MONITORING SYSTEM.—In order to maximize  
18 the sustainable development impact of the assistance au-  
19 thorized under subsection (a)(1), the Administrator shall  
20 establish a monitoring system that—

21           “(1) establishes performance goals for such as-  
22 sistance and expresses such goals in an objective and  
23 quantifiable form, to the extent feasible;

1           “(2) establishes performance indicators to be  
2           used in measuring or assessing the achievement of  
3           the goals and objectives of such assistance; and

4           “(3) provides a basis for recommendations for  
5           adjustments to such assistance to enhance the sus-  
6           tainable development impact of such assistance, par-  
7           ticularly the impact of such assistance on the very  
8           poor, particularly poor women.”.

9   **SEC. 6. MULTILATERAL COOPERATION WITH THE INTER-**  
10                   **NATIONAL FUND FOR AGRICULTURAL DE-**  
11                   **VELOPMENT.**

12           (a) FINDINGS.—The Congress finds the following:

13                   (1)(A) The International Fund for Agricultural  
14           Development (“IFAD”) has as its mission serving  
15           the poorest of the poor in rural areas.

16                   (B) IFAD has had two decades of experience in  
17           assisting the economic development of the rural  
18           poor.

19                   (2) IFAD has been a significant supporter of  
20           microenterprise and other microfinance activities for  
21           the rural poor almost since its inception and it was  
22           the first international institution to assist the  
23           Grameen Bank.

24                   (3) IFAD can make a significant contribution  
25           to developing a global network of sustainable micro-

1 enterprise and other microfinance institutions which  
2 serve the very poor through support for nongovern-  
3 mental organizations and other community-based  
4 microcredit institutions.

5 (b) SENSE OF THE CONGRESS.—It is the sense of  
6 the Congress that—

7 (1) the United States Agency for International  
8 Development, in carrying out sections 108 and 129  
9 of the Foreign Assistance Act of 1961, as added by  
10 sections 4 and 5 of this Act, respectively, shall seek  
11 to cooperate with IFAD in order to compliment and  
12 expand the activities of IFAD, especially with re-  
13 spect to institutional development; and

14 (2) the United States should continue to sup-  
15 port and contribute to the activities of IFAD, espe-  
16 cially activities related to microenterprise and micro-  
17 finance, including the Microfinance Capacity Build-  
18 ing Grant Initiative.

19 **SEC. 7. UNITED NATIONS DEVELOPMENT PROGRAM'S**  
20 **MICROSTART PROGRAM.**

21 It is the sense of the Congress that—

22 (1) the Microstart Program established by the  
23 United Nations Development Program (UNDP) rep-  
24 represents an important new initiative; and

1           (2) the President should instruct the United  
2       States representative to the United Nations to use  
3       the voice and vote of the United States to support  
4       the Microstart Program of the United Nations De-  
5       velopment Program.

Passed the House of Representatives November 9,  
1997.

Attest:

ROBIN H. CARLE,  
*Clerk.*