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) in paragraph (3), by striking “microentrepreneurs” and inserting “microenterprise households’’;

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

(3) in paragraph (5)—

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

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

(C) by striking the period at the end and inserting “; and’’; and

(4) by adding at the end the following:

“(6) to encourage the United States Agency for International Development to develop, assess, and implement effective outreach methods and tools to ensure that all microenterprise assistance authorized under this title, and the amendments made by this title, is used to assist the greatest absolute number of economically viable clients among the very poor, and that at least 50 percent of all microenterprise assistance authorized under this title, and the amendments made under this title, is used in support of programs or lines of service that target the very poor.”
(b) DEFINITIONS.—Section 104 of such Act is amended—

(1) in paragraph (2), by striking "for micro-entrepreneurs" and inserting "to microentrepreneurs and their households"; and

(2) by adding at the end the following:

"(5) VERY POOR; POOREST PEOPLE IN DEVELOPING COUNTRIES.—The terms ‘very poor’ and ‘poorest people in developing countries’ mean those persons living either in the bottom 50 percent below the poverty line as established by the national government of the country or on less than the equivalent of $1 per day.”.


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

(b) PROGRAM.—Section 108(b) of such Act (22 U.S.C. 2151f(b)) is amended to read as follows:
"(b) PROGRAM.—To carry out the policy set forth in subsection (a), the President is authorized to provide assistance to increase the availability of financial services to microenterprise households lacking full access to credit, including through—

"(1) loans and guarantees to microfinance institutions for the purpose of expanding the availability of savings and credit to poor and low-income households;

"(2) training programs for microfinance institutions in order to enable them to better meet the financial services needs of their clients; and

"(3) training programs for clients in order to enable them to make better use of credit, increase their financial literacy, and to better manage their enterprises;"

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

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

(A) by striking "credit institutions" and inserting "microfinance institutions"; and

(B) by striking "micro- and small enterprises" and inserting "microenterprise households"; and
(2) in paragraphs (1) and (2), by striking "credit" each place it appears and inserting "financial services".

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

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

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

"SEC. 108. MICROENTERPRISE DEVELOPMENT CREDITS.".


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

"(a) FINDINGS AND POLICY.—Congress finds and declares that—"
(1) access to financial services and the development of microenterprise are vital factors in the stable growth of developing countries and in the development of free, open, and equitable international economic systems;

(2) it is therefore in the best interest of the United States to facilitate access to financial services and assist the development of microenterprise in developing countries;

(3) access to financial services and the development of microenterprises can be supported by programs providing credit, savings, training, technical assistance, business development services, and other financial and non-financial services; and

(4) given the relatively high percentage of populations living in rural areas of developing countries, and the combined high incidence of poverty in rural areas and growing income inequality between rural and urban markets, microenterprise programs should target both rural and urban poor.

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

(1) in paragraph (3)—

(A) in the first sentence of the matter preceding 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”.

(c) Monitoring System.—Section 131(c) of such

Act (22 U.S.C. 2152a(c)) 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) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively; and

(2) by inserting after subsection (c) the following:

"(d) DEVELOPMENT AND CERTIFICATION OF POVERTY MEASUREMENT METHODS; APPLICATION OF METHODS.—

"(1) DEVELOPMENT AND CERTIFICATION.—(A) The Administrator of the United States Agency for International Development, in consultation with appropriate microfinance institutions, microenterprise institutions, and other appropriate entities shall develop no fewer than two low-cost methods for measuring the poverty levels of the current or prospective clients of microenterprise organizations for purposes of assistance under this section. In developing such methods, the Administrator shall give consideration to methods already in use by practitioner institutions.

"(B) The Administrator shall field-test the methods developed under this paragraph, and as part of the testing, institutions and programs may use these methods on a voluntary basis to demonstrate their ability to reach the very poor."
(C) Not later than October 1, 2004, the Administrator shall, from among the low-cost poverty measurement methods developed under this paragraph, certify no fewer than two of such methods as approved methods for measuring the poverty levels of the current or prospective clients of microenterprise organizations for purposes of assistance under this section.

(2) Application.—Beginning on and after October 1, 2004, assistance furnished under this section to a program or to a line of service within an institution shall qualify, in whole or in part, as targeted assistance to the very poor if one or more of the measurement methods approved under paragraph (1), or one or more of the measurement methods approved in accordance with paragraph (1) after October 1, 2004, verifies that at least 50 percent of the incoming or prospective clients of the program or line of service are initially among the very poor.

(e) Level of Assistance.—Section 131(e) of such Act, as redesignated by subsection (d), is amended by inserting "and $175,000,000 for fiscal year 2003 and $200,000,000 for fiscal year 2004" after "fiscal years 2001 and 2002."
(f) Definitions.—Section 131(f) of such Act, as redesignated by subsection (d), is amended by adding at the end the following:

"(5) Very poor; Poorest people in developing countries.—The terms 'very poor' and 'poorest people in developing countries' mean those persons living either in the bottom 50 percent below the poverty line as established by the national government of the country or on less than the equivalent of $1 per day."

SEC. 4. REPORT TO CONGRESS.

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

(1) a description of the interim poverty measurement methods developed and implemented pursuant to section 131(d)(1) of the Foreign Assistance Act of 1961, as added by section 3(d);

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

(3) a description of the proposed final poverty measurement methods to be implemented beginning
on October 1, 2004, in accordance with section 131(d)(2) of such Act, as added by section 3(d).

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

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

(1) in paragraph (3), by striking “microentrepreneurs” and inserting “microenterprise households”;

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

(3) in paragraph (5)—

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

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

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

(4) by adding at the end the following:

“(6) to ensure that in the implementation of this title at least 50 percent of all microenterprise assistance under this title, and the amendments made under this title, shall be targeted to the very poor.”.
DEFINITIONS.—Section 104 of such Act is amended—

(1) in paragraph (2), by striking “for microentrepreneurs” and inserting “to microentrepreneurs and their households”; and

(2) by adding at the end the following:

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

“(A) living in the bottom 50 percent below the poverty line established by the national government of the country in which those individuals live; or

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


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

(b) PROGRAM.—Section 108(b) of such Act (22 U.S.C. 2151f(b)) is amended to read as follows:
“(b) PROGRAM.—To carry out the policy set forth in subsection (a), the President is authorized to provide assistance to increase the availability of financial services to microenterprise households lacking full access to credit, including through—

“(1) loans and guarantees to microfinance institutions for the purpose of expanding the availability of savings and credit to poor and low-income households;

“(2) training programs for microfinance institutions in order to enable them to better meet the financial services needs of their clients; and

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

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

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

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

(B) by striking “micro- and small enterprises” and inserting “microenterprise households”; and
(2) in paragraphs (1) and (2), by striking “credit” each place it appears and inserting “financial services”.

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

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

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

“SEC. 108. MICROENTERPRISE DEVELOPMENT CREDITS.”.


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

“(a) FINDINGS AND POLICY.—Congress finds and declares that—
“(1) access to financial services and the development of microenterprise are vital factors in the stable growth of developing countries and in the development of free, open, and equitable international economic systems;

“(2) it is therefore in the best interest of the United States to facilitate access to financial services and assist the development of microenterprise in developing countries;

“(3) access to financial services and the development of microenterprises can be supported by programs providing credit, savings, training, technical assistance, business development services, and other financial and non-financial services; and

“(4) given the relatively high percentage of populations living in rural areas of developing countries, and the combined high incidence of poverty in rural areas and growing income inequality between rural and urban markets, microenterprise programs should target both rural and urban poor.”.

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

(1) in paragraph (3)(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”.

(c) MONITORING SYSTEM.—Section 131(c) of such Act (22 U.S.C. 2152a(c)) is amended by striking paragraph (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 loans, savings, and assistance.”.

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

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

(2) by inserting after subsection (c) the following:

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

“(1) DEVELOPMENT AND CERTIFICATION.—(A) The Administrator of the United States Agency for International Development, in consultation with microenterprise institutions and other appropriate or-
ganizations, shall develop no fewer than two low-cost methods for partner institutions to use to assess the poverty levels of their current or prospective clients. The United States Agency for International Development shall develop poverty indicators that correlate with the circumstances of the very poor.

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

“(C) Not later than October 1, 2004, the Administrator shall, from among the low-cost poverty measurement methods developed under subparagraph (A), certify no fewer than two such methods as approved methods for measuring the poverty levels of current or prospective clients of microenterprise institutions for purposes of assistance under this section.

“(2) APPLICATION.—The Administrator shall require that, with reasonable exceptions, all organizations applying for microenterprise assistance under this Act use one of the certified methods, beginning no later than October 1, 2005, to determine and report the poverty levels of current or prospective clients.”.
(e) **Level of Assistance.**—Section 131(e) of such Act, as redesignated by subsection (d), is amended by inserting “and $175,000,000 for fiscal year 2003 and $200,000,000 for fiscal year 2004” after “fiscal years 2001 and 2002”.

(f) **Definitions.**—Section 131(f) of such Act, as redesignated by subsection (d), is amended by adding at the end the following:

“(5) **Very Poor.**—The term ‘very poor’ means those individuals—

“(A) living in the bottom 50 percent below the poverty line established by the national government of the country in which those individuals live; or

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

**Sec. 4. Report to Congress.**

(a) **In General.**—Not later than September 30, 2005, the Administrator of the United States Agency for International Development shall submit to Congress a report that documents the process of developing and applying poverty assessment procedures with its partners.

(b) **Reports for Fiscal Year 2006 and Beyond.**—Beginning with fiscal year 2006, the Administrator of the United States Agency for International Development shall
annually submit to Congress on a timely basis a report that addresses the United States Agency for International Development’s compliance with the Microenterprise for Self-Reliance Act of 2000 by documenting—

(1) the percentage of its resources that were allocated to the very poor (as defined in paragraph (5) of section 131(f) of the Foreign Assistance Act of 1961 (22 U.S.C. 2152a(f)(5))) based on the data collected from its partners using the certified methods; and

(2) the absolute number of the very poor reached.
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