

112TH CONGRESS
1ST SESSION

S. 2027

To improve microfinance and microenterprise, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 17, 2011

Mr. BENNET (for himself and Mr. BOOZMAN) introduced the following bill;
which was read twice and referred to the Committee on Foreign Relations

A BILL

To improve microfinance and microenterprise, 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 “Microfinance and Mi-
5 croenterprise Enhancement Act of 2011”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) A growing body of research shows that,
9 where markets are inclusive and income gaps are
10 relatively small, growth translates into poverty re-

1 duction much more quickly, efficiently, and
2 sustainably.

3 (2) Microenterprises, including smallholder and
4 pastoral farms, are important actors in most devel-
5 oping economies and contribute significantly to em-
6 ployment generation, food security, and family finan-
7 cial stability.

8 (3) Microfinance institutions and providers have
9 played an increasingly important role in enabling
10 micro-entrepreneurs to graduate from extreme pov-
11 erty to sustainable living patterns through financial
12 services such as micro-credit, savings, and micro-in-
13 surance, as well as skills development, business men-
14 toring, value-chain linkages, and facilitation of pro-
15 ducer groups.

16 (4) Congress has demonstrated its support for
17 microenterprise development assistance programs
18 through the enactment of three comprehensive mi-
19 croenterprise laws. Support for microenterprise and
20 microfinance remains a key tenet of foreign assist-
21 ance programs under the Foreign Assistance Act of
22 1961 (22 U.S.C. 2151 et seq.), including pursuant
23 to the following Acts:

1 (A) The Microenterprise for Self-Reliance
2 Act of 2000 (title I of Public Law 106–309;
3 114 Stat. 1079).

4 (B) Public Law 108–31 (117 Stat. 775).

5 (C) The Microenterprise Results and Ac-
6 countability Act of 2004 (Public Law 108–484;
7 118 Stat. 3922).

8 (5) Microcredit alone is insufficient to
9 sustainably reduce poverty and facilitate inclusive
10 economic growth. In addition to access to credit,
11 poor households need savings tools to build assets,
12 mitigate risks, increase social capital, enhance skills,
13 and integrate into competitive, growing value-chains,
14 as well as to access good-quality health and edu-
15 cation services.

16 (6) Over the last three decades, the United
17 States Agency for International Development has
18 made microenterprise development an important fea-
19 ture of its programming and has continually sought
20 to enhance the positive impact of investments on
21 poor households. In fiscal year 2010, the United
22 States Agency for International Development pro-
23 vided not less than \$262,000,000 in funding for mi-
24 croenterprise development in at least 64 countries
25 through at least 145 diverse implementing partners,

1 including private voluntary organizations, non-
2 governmental organizations, banks and enterprise
3 development service providers, benefitting over
4 1,600,000 microentrepreneurs and 1,900,000 savers.

5 (7) New approaches are essential to keep pace
6 with global technology, not only to alleviate poverty,
7 but also to sustainably reduce poverty by linking
8 poor households to economic opportunities so that
9 they can contribute to and benefit from economic
10 growth in their countries.

11 (8) Public funding for microfinance and micro-
12 enterprise should be available to benefit the poor in
13 all countries, and, in particular, among countries
14 with a high concentration of the very poor.

15 **SEC. 3. SENSE OF CONGRESS ON TARGETED AND EFFEC-**
16 **TIVE PROGRAMMING.**

17 It is the sense of Congress that the United States
18 Agency for International Development should continue
19 and expand programming in microfinance that adheres to
20 the following principles and basic considerations:

21 (1) The United States Agency for International
22 Development should advance access to economic op-
23 portunities for very poor and vulnerable populations,
24 including orphans and vulnerable children, single
25 mothers, those affected by HIV/AIDS, those affected

1 by regional conflict, and the food insecure to ensure
2 that the poorest are included and benefit from
3 broad-based economic growth.

4 (2) To the greatest extent possible, the United
5 States Agency for International Development should
6 set clear country or regional funding targets based
7 on greatest need, as evidenced by poverty indicators
8 and should strive to fill a gap in unmet demand by
9 the very poor for financial services.

10 (3) The United States Agency for International
11 Development should place special emphasis on aiding
12 poor women, who constitute a substantial portion of
13 microentrepreneurs and who face a wide range of
14 disadvantages, as a means of promoting financial
15 self-reliance, empowering gender equality, including
16 land rights and access, and bringing a host of devel-
17 opment benefits to families through improved nutri-
18 tion, health, and education.

19 (4) The United States Agency for International
20 Development should ensure that providers of finan-
21 cial services benefitting from United States Agency
22 for International Development assistance adhere to
23 client protection principles, such as the Client Pro-
24 tection Principles of the “Smart Campaign”, and
25 take concrete steps to protect clients from poten-

1 tially harmful financial products and to support eq-
2 uitable and fair treatment, including—

- 3 (A) avoidance of over-indebtedness;
- 4 (B) transparent and responsible pricing;
- 5 (C) appropriate collection practices;
- 6 (D) mechanisms for redress of grievances;

7 and

- 8 (E) privacy of client data.

9 (5) The United States Agency for International
10 Development should encourage providers of financial
11 services benefitting from assistance programs to pro-
12 vide cost-effective services and make steady progress
13 toward full financial sustainability as a means to
14 achieve large-scale impact and institutional viability,
15 while also maintaining focus on their target popu-
16 lation of poor micro-entrepreneurs and smallholder
17 farmers.

18 (6) The United States Agency for International
19 Development should strive to increase access to fi-
20 nancial services to poor and very poor, rural, and
21 other underserved populations by supporting a di-
22 verse range of financial intermediaries, including
23 nongovernmental organizations and private and
24 state-owned banks; postal and savings banks and
25 savings and credit cooperatives; voluntary savings

1 associations; member-owned community organiza-
2 tions; and other non-bank intermediaries, such as
3 mobile network operators, finance, and insurance
4 companies.

5 (7) The United States Agency for International
6 Development should promote and make use of exist-
7 ing technologies that show promise for lowering
8 costs, managing risks, and rapidly scaling up access
9 to financial products and services, including mobile
10 phones, smart phones, tablets, point-of-sale devices
11 linked to smart cards, automatic teller machines
12 (ATMs), geographic information system (GIS) map-
13 ping, and cloud computing, among other information
14 and communication technologies (ICT).

15 (8) The United States Agency for International
16 Development should make efforts to identify and
17 support smaller, community-led partner organiza-
18 tions, including local collectives and consortia.

19 **SEC. 4. SENSE OF CONGRESS ON EXPANDED INTEGRATED**
20 **APPROACHES.**

21 It is the sense of Congress that the next generation
22 of programming in microfinance and microenterprise de-
23 velopment should advance holistic, integrated strategies
24 that focus on the myriad financial and non-financial
25 needs, including nutrition, health, and education, of house-

1 holds, as well as the functioning of enterprises, markets,
2 and their inter-relationships in the economy.

3 **SEC. 5. HOUSEHOLD-BASED APPROACHES.**

4 (a) **RESPONSIVE FINANCIAL SERVICES.**—The Ad-
5 ministrator of the United States Agency for International
6 Development shall promote responsive financial services to
7 meet the diverse needs of poor households for cash flow
8 management and asset accumulation by supporting the de-
9 velopment of savings, remittances, and money transfer
10 services.

11 (b) **CONSUMPTION SMOOTHING, RISK AGGREGATION,**
12 **AND MITIGATION.**—The Administrator of the United
13 States Agency for International Development shall pro-
14 mote tools that aggregate risks, mitigate shocks, and
15 smooth consumption, such as insurance and savings de-
16 posit services, so that the poor can better manage, cope
17 with, and recover from expected and unexpected income
18 fluctuations and crises like family emergencies and crop
19 failures.

20 (c) **PARTNERS.**—The Administrator of the United
21 States Agency for International Development shall iden-
22 tify and support partners that support informal savings-
23 led and asset building approaches to microfinance, includ-
24 ing organizations that work to provide linkages between

1 savings-led groups to institutions in the formal financial
2 sector.

3 (d) SOCIAL PROTECTION PROGRAMS.—Because some
4 people are too poor or otherwise unable to make use of
5 microfinance or microenterprise development services
6 without special assistance to prepare them for participa-
7 tion, the Administrator of the United States Agency for
8 International Development should identify and support or-
9 ganizations that link social protection programs, including
10 food assistance, cash or asset transfers, life and livelihood
11 skills development, and health and nutrition education,
12 with microfinance services, savings services, and business
13 development services. Such linkages should attempt to en-
14 able poor people to stabilize food consumption, survive ex-
15 treme poverty, develop sustainable livelihoods, and take
16 advantage of economic opportunities.

17 **SEC. 6. ENTERPRISE AND MARKET-BASED APPROACHES.**

18 (a) INTERVENTIONS.—The Administrator of the
19 United States Agency for International Development shall
20 align household-level interventions for the poor with inter-
21 ventions that catalyze more inclusive markets and link the
22 poor to expanding economic opportunities.

23 (b) DEVELOPMENT OF FINANCIAL PRODUCTS.—The
24 Administrator of the United States Agency for Inter-
25 national Development shall support the development of a

1 range of financial products adapted to the needs of enter-
2 prises, including working capital for inputs, labor, and
3 production services; long-term asset finance; and agri-
4 culture, animal husbandry, and rural enterprise loans.
5 Such products should be provided through a diversity of
6 financing schemes, including financiers along the value
7 chain such as input suppliers, traders, and processors.

8 (c) SUPPORT FOR AGRICULTURE SPECIFIC TOOLS.—
9 The Administrator of the United States Agency for Inter-
10 national Development shall support microfinance institu-
11 tions and providers that are using agriculture-specific
12 tools, including—

13 (1) household profiling, crop analysis, and land
14 mapping;

15 (2) diversification of loan portfolio to include a
16 variety of sectors and crops;

17 (3) linkages to extension and formal financial
18 services; and

19 (4) linking farmers to clients and larger supply
20 chains.

21 (d) LINKED APPROACHES.—To ensure that the poor
22 are not left out of economic growth strategies, the Admin-
23 istrator of the United States Agency for International De-
24 velopment shall focus investments on linking microenter-
25 prises into global, regional, and local value chains where

1 they have a comparative advantage. The Agency should
2 consider issues such as the business enabling environment,
3 market competitiveness, inter-firm cooperation, firm-level
4 upgrading, and the relationships between firms that create
5 incentives or disincentives for investing in improved per-
6 formance or upgrading.

7 (e) **SUPPORT FOR SMALL- AND MEDIUM-SIZED EN-**
8 **TERPRISES.**—The Administrator of the United States
9 Agency for International Development should consider
10 support for small- and medium-sized enterprises as a
11 means to improve productivity and competitiveness in key
12 subsectors in which large numbers of poor micro-entre-
13 preneurs participate, as well as to strengthen the channels,
14 such as employment, by which the benefits of growth are
15 transmitted to the poor.

16 **SEC. 7. MEASURING AND REPORTING RESULTS.**

17 (a) **MODIFICATION OF POVERTY ASSESSMENT**
18 **TOOLS.**—The Administrator of the United States Agency
19 for International Development shall modify the Poverty
20 Assessment Tools (PATs) of the Agency so that partner
21 organizations can use them for expanded data manage-
22 ment purposes.

23 (b) **ALTERNATIVES TO POVERTY ASSESSMENT**
24 **TOOLS.**—Notwithstanding any other provision of law, not
25 later than one year after the date of the enactment of this

1 Act, the Administrator of the United States Agency for
2 International Development shall identify and approve al-
3 ternatives to the Poverty Assessment Tools, such as those
4 commonly used within the industry and development com-
5 munity.

6 **SEC. 8. FINANCIAL ACCESS AND MICROENTERPRISE INNO-**
7 **VATION FUND.**

8 (a) ESTABLISHMENT.—The Administrator of the
9 United States Agency for International Development is
10 authorized to utilize one percent of the Agency’s develop-
11 ment assistance account budget for fiscal years 2013
12 through 2017 for the creation of a financial access and
13 microenterprise innovation challenge fund.

14 (b) USE OF FUND.—The fund established under this
15 section shall be used to—

16 (1) identify, test, and support cost-effective and
17 innovative products and technologies that improve
18 the delivery of financial services to the poor and very
19 poor, particularly in rural locations;

20 (2) identify, test, and support new microfinance
21 and microenterprise products, services, and delivery
22 systems that show potential to become cost-effective
23 at large scale; and

24 (3) help transition such methods and tech-
25 nologies to widespread adoption.

1 (c) GRANTS.—The financial access and microenter-
2 prise innovation challenge fund shall make grants to orga-
3 nizations and companies, including those interested in
4 eventual commercialization. Where appropriate, grants
5 should reward or require recipients to substantially invest
6 their own funds. The mechanisms may include challenge
7 grants that require recipients to match grant funds with
8 their own funds in minimum ratios and bounties for
9 achievement of targets, such as the number of poor cus-
10 tomers reached.

○