



EMPOWERING THE POOR

SPEECH DELIVERED BY

**HIS EXCELLENCY DR. BINGU wa MUTHARIKA
PRESIDENT OF THE REPUBLIC OF MALAWI**

AT

**THE OFFICIAL LAUNCH OF THE
RURAL DEVELOPMENT FUND**

**LILONGWE, MALAWI
29th January, 2005**

- The Right Honourable Dr. Cassim Chilumpha, the Vice President of the Republic of Malawi;
- The Speaker of the National Assembly, Honourable Rodwell Munyenyembe;
- Your Lordship, Chief Justice Leonard Unyolo;
- Your Worship the Mayor of Lilongwe, Councilor Hamdan;
- The Minister of Finance, Honourable Dr Goodall Gondwe;
- Distinguished Representative of the World Bank;
- The Chairman and board Members of the Malawi Rural Development Credit Fund;
- Honourable Cabinet Ministers and Deputy Ministers;
- Members of the Diplomatic Corps;
- Leaders of all Political Parties;
- Distinguished invited Guests;
- Ladies and Gentlemen.

I am very pleased to be here today to launch the Malawi Rural Development Credit Fund. This is indeed a momentous occasion for the people of Malawi. I am sure all of you that in my inaugural speech, I stated that the rural areas are the battleground for the war against poverty. This is because a large percent of our people in the rural, urban, and peri-urban areas continue to live in abject poverty. Many of these communities have no access to basic social amenities such as clean water, health services, decent housing, decent clothing and good sanitation. They have also been denied the opportunity to own and run businesses due to lack of capital.

I would like to reiterate today that I am determined to fight poverty by implementing policies specifically designed to balance economic and social prosperity between the urban and rural areas. It is for this reason that my Government decided to create the Malawi Rural

Development credit Fund specifically to provide soft loans to indigenous Malawians to enable them to start new businesses or to expand existing ones.

Malawians will also recall that I had promised to create a loan fund of K500million. However, I am happy to say that today I am launching a fund of K1 billion. This is double the amount I had promised. I have therefore fulfilled my promise to you the people of Malawi.

HONOURABLE MINISTERS

My vision is to see our country resume economic growth fast enough to bring about prosperity, to reduce poverty significantly, and to make life better for everyone. It is also my vision to see that our country transforms from being a predominantly importing and consuming country to being a predominantly producing and exporting country, and to gradually emerge as an industrial nation capable of transforming our agricultural primary commodities, other raw materials and minerals, so as to create new wealth for our people.

In order to realize this vision, my mission is to financially empower ordinary Malawians especially in the rural and urban areas to stand on their own; to instill confidence in the economy by persuading Malawians to believe in ourselves that we can achieve macroeconomic growth and reduce poverty through greater access to business financing. This would create more jobs and redistribute income by promoting greater participation of Malawians domestic investment especially in our agricultural processing, industrial production and manufacturing, thereby increasing the supply of high goods and products for the domestic and international markets.

HONOURABLE MINISTERS

The Malawi Rural Development Credit Fund is a revolving Fund. The rationale for the Malawi Rural Development Fund is to remove the poor people from the clutches and exploitation of usurers and middlemen (Akatapila). This will enable them to have access to

credit, without having to pay a heavy price. To that end, contrary to the existing rural financing practices which postulate that “no collateral means no credit”, the Fund we are launching today demonstrates that lending to the poor is the way forward for rural transformation and development. This gives the poor the opportunity to purchase their own tools, equipment or other necessary means of production and to embark on income-generating ventures, which would allow them to break the “vicious circle of poverty”. In other words, the Fund is designed to stimulate the will and capacity of the borrowers to succeed in their undertakings. This will be augmented by training and technical support services for borrowers to ensure that they succeed in their ventures. We in the Government are confident that they will succeed.

HONOURABLE MINISTERS

The goal of Malawi Rural Development Credit Fund is to create productive micro and small enterprises capable of increasing output and employment throughout the country. It is expected that the Fund will grow over time as a revolving loan fund through capital repayments and interest payments by borrowers.

The Fund will also aim at establishing potentially, technically and financially viable micro and small enterprises in the hands of women and the youth that will be capable of employing their own skilled and unskilled labour.

HONOURABLE MINISTERS

Let me now turn to discuss who will benefit from the Fund. In other words who will be eligible to get the loans? The Fund will provide loans and credit to poor Malawians who normally are not eligible for commercial loans. It will focus on production-related ventures throughout the country by providing start-up capital, equipment, working capital and business expansion loans to entrepreneurs. In order to make the Fund more effective in alleviating poverty, special priority will be given to women and youth both in urban, peri-urban and rural areas that are engaged in value adding activities.

The justification for giving priority to women and youth is as follows:

- Women use most of their earnings to meet the needs of their families. Therefore, by targeting women we put in place a more effective mechanism of improving welfare of a larger number of family members.
- Women are very resourceful and hardworking in their businesses; they possess very high stamina and endurance; and they have a good track record of loan repayments.
- The Youth need this loan facility because most of them having completed vocational training, are not able to secure employment. The loans will therefore empower them to set up their trading and other business ventures.

HONOURABLE MINISTERS

The loans shall also be offered equitably to all the three regions of our country. Within each region, we shall also ensure that each District has a share. Similarly, within each District, we shall also ensure that each constituency will have a share. It is also important to mention that the loans will preferably be offered to members of a group or cooperative society that demonstrate that they have the ability to run the business they propose. Groups will also assist to provide peer pressure for loan repayment. They will facilitate solidarity as well as participatory interaction.

I am fully aware that in the past similar initiatives by Government have been frustrated because the targeted beneficiaries were essentially politicians. Most of them did not care to repay the loans because they believed that the money belonged to the Government or the ruling party. This, I want to assure you, will not happen again. We have taken care to ensure that the intended beneficiaries will benefit from the fund will also be motivated to repay the loans.

HONOURABLE MINISTERS

INVITED GUESTS

LADIES AND GENTLEMEN

Before concluding, let me assure you that we are aware that we have a big challenge before us to make this Fund work. This Fund is meant for all Malawians regardless of political affiliation, district of origin, religion or cultural identity. Therefore, those entrusted with the operation of the Fund must adopt innovative as well as business approaches in order to ensure that the Fund is truly revolving and does not collapse. More importantly, this credit scheme must be seen not as an isolated intervention but as an integral element of our economic growth strategy. It must also be seen as a guaranteed road map to alleviate poverty and empower the poor.

I and my Government are therefore very happy that we have managed to put this Fund together. I wish to sincerely thank Professor Dunstan Wai and the World Bank for his personal commitment and untiring efforts to see Malawi develop and prosper. Above all, the Malawi Government is deeply grateful and indebted to the World Bank for putting money aside for this fund. We want to assure them that the faith they have put in us will be matched by our total commitment and determination to succeed.

To the Minister of Finance, Honourable Goodall Gondwe and his Staff, I say bravo!

It is now my singular honour and privilege to declare the Malawi Rural Development Credit Fund officially launched.

I thank you all for participating in this great event.

May God Bless Malawi