

THE OPENING OF THE RSC-AP MEETING

13 OCTOBER 97

1. First of all, I would like to extend a warm welcome to all delegates to this meeting of the First Ladies Regional Steering Committee on the Economic Advancement of Rural and Island Women of the Asia-Pacific Region (RSC- AP). Your presence here today is evidence of your interest and commitment towards achieving the objectives of the RSC-AP.

2. A substantial number of women in the Asia Pacific region live in the rural areas. Despite concerted efforts to eradicate poverty in these countries, vast numbers of rural women still live in poverty. It is for this reason that a meeting such as this is important to ensure a better coordinated effort towards resolving this deep- rooted problem.

3. All over the world, the feminisation of poverty has increased the realisation of the need to develop more effective and appropriate policies, strategies and programmes to improve the living standards of rural women. Non-governmental organisations have played increasingly important roles in advocating poverty reduction, thus complementing national governments' efforts at improving the lives of the poor, generally increasing productivity and the more equitable sharing of national wealth.

4. Some of these institutions have grown to be mass- based banking institutions. Institutions such as the Grameen Bank, Association for Social Advancement (ASA) and Bangladesh Rural Advancement Committee (BRAC), and Amanah Ikhtiar Malaysia (AIM) are examples of institutions that have successfully reached out to thousands of rural poor women. The important discovery of micro-financing, a powerfully effective and efficient tool in poverty reduction and in bridging the income gap between the poor and the rich, marks the beginning of a new era towards the ultimate eradication of poverty in our nations.

5. In Malaysia, progressive national and rural development efforts over the past four decades have reduced the incidence of poverty substantially. The reduction in the incidence of poverty from more than 70 percent at the end of 1969 to less than 10 percent by the end of the Sixth Malaysia Plan is testimony of the success. However, despite this impressive gains, much work remains to be done. This is an area which is common to us all and an experience which we can share.

6. The Malaysian Government also acknowledges the role of the Centre for Policy Research at University Science Malaysia (USM) in their Research and Development efforts that have successfully replicated the Grameen Bank Approach and in the process has generated self-reliance among the rural poor of Peninsula Malaysia. From an applied research project of USM, initiated in 1986 with the collaboration of the Selangor State Government, the Islamic Economic Development Foundation (YPEIM), the Economic Planning Unit (EPU) and the Implementation Coordination Unit (ICU) of the Prime Minister's Department, the Ikhtiar Project was institutionalised in 1987 as a private registered Trust of

Amanah Ikhtiar Malaysia (AIM). In close collaboration with other state Governments and the Ministry of National and Rural Development, AIM has an outreach of 47,000 poor households, i.e almost half of the poverty households in Malaysia.

7. The increasing needs of on-loan funds has made AIM resort to sourcing funds from private commercial banks and the Credit Guarantee Corporation. To date, AIM has contributed more than RM20 million and AIM' s repayment to these financial institutions has been impressive.

8. Women in the Asia Pacific region have the most poverty load in the world. The effort to find the means of generating as well as increasing their income becomes crucial. It is therefore appropriate and timely for the RSC-AP, to focus its attention in alleviating the poverty of the rural women. One of the main constraints towards the realisation of poverty-free nations in the Asia- Pacific region is in financing the numerous poverty- focused Micro-Finance Institutions (MFIs) so as to become sustainable financial institutions that can really tackle massive rural poverty not only by increasing their incomes but also of empowering rural women to improve their own lives.

9. From the RSC-AP Teheran Seminar in April 1997, the idea of an independent national revolving fund is proposed and adopted as the most crucial measure towards achieving the goal in reaching 70 million poor women in the Asia- Pacific region with the poverty-focused MFIs by the year 2005. We believe that mobilisation of financial resources from within our own nations should be the first step towards self-reliance and gaining dignity for indigenous ways of generating funds. This is more appropriate than relying on multilateral and bilateral donors. The indifference of the rich countries to our economic situation should motivate us enough to take the initiatives in looking into the potential of this region for alternative paths to sustainable progress. In fact, collectively the nations of RSC-AP can mobilise resources without the need to be overdependent on developed economies. If countries in this region are to put their acts together in promoting and implementing the poverty- focused micro-finance for self-employment, we can expect massive poverty reduction in the next decade, thereby complementing the national effort of the respective governments further.

10. Experience has shown that international financial institutions which are expected to assist the poverty- focused MFIs have instead served the big financial institutions and foundations in the guise of assisting the poorest. They undermine micro-finance by perpetuating the mentality of charity to these financially viable institutions, which eventually deprive them of the critical missing link to the scaling-up of outreach to more poverty households and reaching financial viability and sustainability, i.e funds for capacity building and on-lending.

11. These are grounds to believe that the time is propitious for a new initiative. The barriers which have acted as stumbling blocks to many countries in the Asia-Pacific region should be sufficient lessons for us to strengthen our resolve and commitment to establishing our own indigenous and small MFI -- friendly

financial institutions. I believe that through concerted efforts and commitment from NGOs and the private sectors, we can create the greatest social development engineering for the poor in the next century. Towards this end, the RSC-AP funding proposal can be utilised as an alternative to those multilateral multi-donor international fund intended to assist the poor.

12. While funding proposals as envisioned by RSC-AP can be replicated in many other member nations, we should also consider establishing a national revolving fund along the lines of Palli Karma Sahayak Foundation (PKSF) of Bangladesh, whereby the government establishes a non-profit institution under the Company' s Act whose sole objective is to provide loans to small MFIs to scale-up their operations while promoting other NGO' s to go into poverty-focused Micro-Financing.

13. Given the magnitude of the demands to serve the needs of 70 million poor women by the year 2005, RSC-AP member nations have to create both capacity-building and on-lending funds from other private as well as public sources. As all our countries have quite a number of private and public commercial banks and financial institutions that are cash rich, MFIs have to access those resources much more in the near and medium term, but in a purely commercial endeavour with near perfect repayment to attract these financial institutions to participate. MFIs in the long run will enable the poor to have their fair share of the economic wealth and resources.

14. As has been successfully demonstrated by the Grameen Bank of Bangladesh, it is not only a bank for the poor but also owned by the poor themselves as 92 percent of the shares are in the hands of the poor mostly women borrowers who put up a nine member Board of Directors from among themselves. Grameen is showing the way for RSC-AP to replicate in providing basic communication on infrastructural facilities such as the Grameen solar powered telephones, Grameen Internet, the Fisheries Foundation, the Agricultural Foundation and Grameen handlooms Checks.

15. Housing is another arena that the poor are very poorly endowed with. In countries that have massive rural poverty, providing affordable housing for the poor is an increasing and difficult challenge to most governments in the Asia-Pacific region. Here again, we have the Grameen Bank model in providing us the important lead through housing loans to poor borrowers and allowing repayment over 10 to 15 years at a market interest rate of 8 percent per annum. This again proves that the poor are self-reliant and bankable and such track records are almost universal in banking among the very poor and has passed the test of time.

16. To achieve this noble endeavour, the banking sector, governments and MFIs should work together towards creating a supportive national policy framework for the creation of an environment for MFIs to be nurtured into financially viable and sustainable institutions that will complement the national goal and self-reliance strategy in our communities, thus making them less dependent on foreign donors.

17. The tasks before us are formidable. However, with invaluable assets and dynamism in working towards common prosperity and stability in the region we will together, God willing, achieve our desired goals. Malaysia is committed to ensuring that RSC-AP remain strong, viable and a cohesive regional organisation. I am confident that we will succeed.

18. On this note, I now officially declare the Meeting of First Ladies RSC-AP open.