



Damian Hinds
MP for East Hampshire

House of Commons Chamber, 1 July 2010

Damian Hinds' Speech on Global Poverty in the House of Commons

Aid is not the final answer. Nations become sustainably prosperous not through our charity or redistribution, but when they can create their own wealth. Rebecca Harris MP mentioned the letters and e-mails that a number of Members are getting from people who are unhappy that, at a time when the Government is having to cut back severely on spending programmes, we are still committed to spending money on aid. I do not know whether, as she said, those people constitute a small or a significant minority, but they certainly exist, and we have to work hard to carry them with the programme.

The line "charity begins at home" holds a certain attraction, but, as we see again and again from the generosity of the British people when called upon, charity here certainly does not end at home. The moral and altruistic argument for aid is strong, but as politicians we can, and must, do better than hitherto in explaining to, and convincing, people why aid can also be in our own interests when properly targeted and as long as we know that other wealthy nations are also making their proper contribution alongside ours. A larger world gross domestic product benefits not just newly developing countries, but the entire world economy, through bigger markets, specialisation and trade. It ensures that the world's scarce resources, including human resources, are put to better use, and through the promotion of stability in otherwise volatile parts of the world, it contributes to our security. Furthermore, there are benefits in terms of climate change, economic migration and so on, and often direct benefit can be had from strategic bilateral relationships, which of course are competitive exercises between countries.

Private enterprise is the single most important driver of development. It creates jobs, wealth and opportunities. It also harnesses the talents and the enterprise of entrepreneurs, who in turn, through their ingenuity and drive, will create opportunities for their countrymen and women to prosper. However, in the world's developing economies, just as here at home, that hinges on access to credit.

Like everybody else, poor people need money if they are going to start businesses. However, mainstream banks often do not want to deal with them, because the sums of money involved are so small and because it is difficult to find an attractive return once the full operating costs have been factored in. A key to successful development is micro-finance, providing loans to some of the world's poorest people and playing a key role in generating a real private sector. In some countries, such as India and Bangladesh, the micro-finance sector is already well established. The Grameen bank, which is the best-known example, having pioneered the sector in 1983, has since made loans to more than 8 million borrowers. In other countries, however, there is still a lot of work left to do.

My introduction to micro-finance came in Rwanda in 2008. Like a number of other MPs, I have had the opportunity a couple of times to join the Secretary of State for International Development on two of the volunteering projects that he has organised in that country, to which Nicola Blackwood MP referred earlier. In the short time spent on such a project, the contribution that one can make is tiny. However, although one's contribution may be modest, it is fair to say that what we learned could hardly be overstated.

One of the things that I learned about was micro-finance. I had the opportunity while in Rwanda to pay a short visit to the country's largest micro-finance institution, the Urwego Opportunity micro-finance bank. We saw the two extremes of that organisation's operation. The first was the bank's flagship city branch, which looked a bit like a small branch of Barclays and was very high-tech, with all sorts of fingerprint identification technologies. The second example, at the other extreme, was what one might call the field operation-quite literally-in a market on the edge of the city, where no such technology would be available. Instead, gathered on a patch of ground were the 30 or so members-most, but not all of them, women-of a micro-finance circle. The majority were sole traders in that market.

Micro-finance there works in cycles of four months. People get the money at the start of the period and, so long as they pay it off at a rate of 3% a month, they can borrow again in the next four-month period. Critically, each member of the circle vouches for the others, and if someone defaults, the other members have to pick up the slack. The system is therefore largely self-policing, and before someone joins a circle you can bet that the other members will ensure that their business is viable.

In that circle and that cycle, a lot of money changed hands. For example, 9.6 million Rwandan francs, which is almost £10,000, was brought to the circle by a female Urwego employee in a paper bag-it is quite astounding that there is not more theft on such occasions. The biggest borrower-a lady called Veronique-had borrowed almost £800, which, when we consider that this would be almost £2,500 over the three cycles in a year, is quite a lot of money. She uses that money to finance her bar and pay for the satellite television service, so that she can charge keen Rwandans to watch English premiership football teams-notably, I am pleased to say, the Arsenal-on her television set.

The sums of money involved in such projects are now such that one could say that they straddle micro-finance and mainstream finance. Indeed, one needs credit at all levels to finance the development of such an economy. In rural areas of Rwanda, there are much smaller-scale operations, sometimes involving loans as small as just £1. Around the world, micro-finance programmes have shown again and again that poor people can and do have a strong repayment record-in most cases over 95%. However, according to the World Bank, the industry is not even close to meeting the demand for its services. There could be up to 500 million poor people in the world for whom a small business loan would be a great opportunity, while two thirds of the world's population have no access to a bank account at all. The problem is particularly acute in sub-Saharan Africa.

The chance to witness micro-finance in progress in Rwanda left a great impression on me. People talk about developing market economies, but there was a market economy developing before our eyes. I hope and trust that, in our programme of help for the poorest of the world, we will focus very much on those helping-hand programmes, which enable people to help themselves. I also hope that more airtime is given to those programmes, so that the British public can increasingly see aid as an investment in the future and in a rising rate of world growth, and not just as money spent.

FULL TEXT AT

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100701/debtext/100701-0018.htm#10070132001351>

Damian Hinds MP • House of Commons • London SW1A 0AA
0207 219 7057 damian.hinds.mp@parliament.uk www.damianhinds.com