

Pride of the nation



DR ABDULLAH A DEWAN

WE were not crying from sadness, but tears were flowing as soon as the Nobel Committee's announcement of the name of the 2006 Nobel Peace Prize winner hit the airwaves, and we watched the announcement on TV while getting up from bed and listening to the morning news. Some tears were held back until the 6:30 pm news when the first headline was read out on the ABC evening news, later followed by CBS and NBC.

How often do we cry joyful tears? For a nation locked in political impasse, struggling to alleviate poverty and basic human needs, one of its sons getting a Nobel prize is a milestone of momentous import in its essence and dimensions. Dr Muhammad Yunus, congratulations to you on behalf of all the expatriate Bangladeshis who are relishing the pride you have brought to our impoverished nation!

Unlike many controversial Nobel Peace Prize winners of yesteryears, Dr Yunus is a very deserving candidate. In modern times, the prestige of the Peace Prize has become questionable because it has gone to some very dubious people, such as Le Duc Tho and Henry Kissinger in 1973; Anwar Sadat and Menachem Begin in 1978; and Shimon Perez and Yasser Arafat in 1997. Of them, only Le Duc Tho of Vietnam refused to accept the prize. This year again, some very questionable names tipped to the nomination list but the Nobel Committee could not be duped to bypass the name of "the

banker of the un-bankable."

Norway's second largest newspaper Aftenposten claimed that many in Norway were calling the award a victory for the fight against poverty. The peace prize generally gives an enormous lift to the causes championed by its winner.

The paper stated: "Not only will Yunus and the Grameen Bank, which makes tiny loans to the poorest of the world's poor, now get a large cash infusion for their efforts, but they'll get the international recognition that may lead to further support in the years ahead."

The Norwegian Nobel Committee (NNC) said it awarded the peace prize to Yunus and the Grameen Bank because "lasting peace can't be created unless large portions of the population find ways to break out of poverty. Micro-credit is such a way."

It was Alfred Nobel's will that required for the prestigious peace prize to be awarded by a committee appointed by the Norwegian parliament. The Nobel prize in other fields such as physics, chemistry, medicine, and literature is awarded by committees in Sweden.

Many of the members of parliament who appoint the committee claimed that the NNC's decision to award this year's peace prize to a financier for the world's poor was a worthy one: "Helping people rise out of poverty contributes to their empowerment and that can in turn lead to more peace in the world."

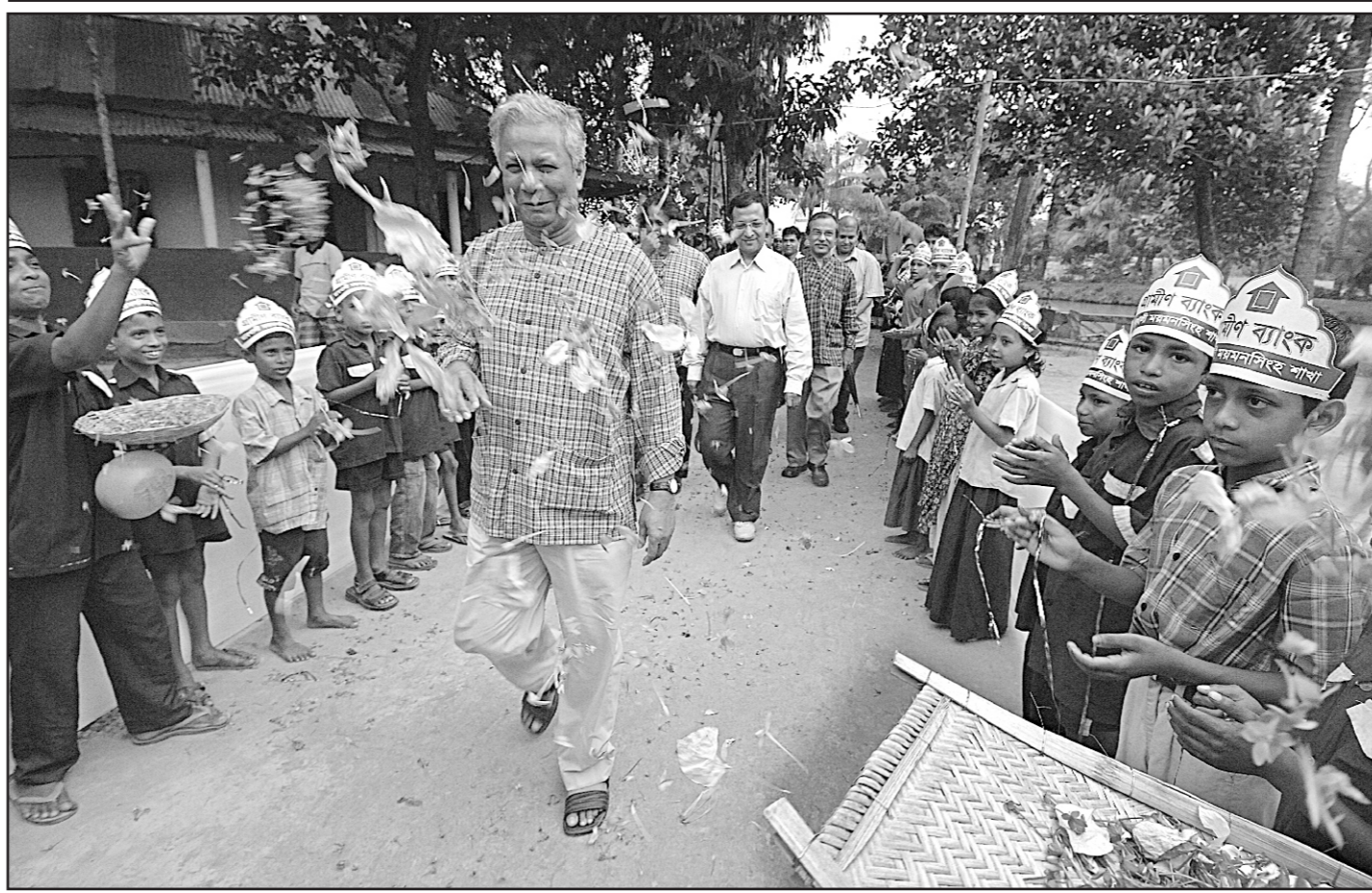
The Committee has had to sift through 191 nominations in choosing this year's winner, including 168 individuals and 23 organizations.

Prime Minister Jens Stoltenberg called Yunus and the Grameen Bank "a wise choice." He said their initiative in making tiny loans to poverty-stricken individuals, especially women, is an important means of helping them launch their own means of support.

"I think it's a very good award choice, really a good winner," said Erna Solberg, head of Norway's Conservative Party and a member of parliament. She said that the

NO NONSENSE

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micro-credit work begun by Muhammad Yunus and the Grameen Bank has become "one of the important grass-roots mobilizing efforts in the world."

Over 100 countries have adopted the concept of micro-finance to the poor. There are numerous stories of its impact on poverty reduction, giving an honour-

able wage-earning scheme to the poverty-ridden poor. The evidence from all countries using micro-credit indicates that the poor households, reached by the micro-finance organizations, who were all near the poverty line are now "the richest of the poor."

Micro-credit programs become sustainable institutions when net

benefits to the community exceed total costs. Benefits accrue to the community when new businesses are successful and incomes increase. Micro-credit fills a niche that banks are reluctant to fill. For obvious reasons, it is not feasible for commercial banks to administer micro-credit programs profitably. Lack of a credit history, absence

of a track record of business operations, and inability to provide collateral make them unworthy candidates to commercial lenders. High costs coupled with high risks put off banks from entering the micro-credit market. To take up where the bank leaves off, micro-credit programs generally fulfill two objectives:

- Allow people access to small

amounts of capital that would otherwise be inaccessible;

- Provide a training ground for entrepreneurs, some of whom may expand their operations to a point where they can look for working capital from commercial banks.

Micro-credit programs are not meant to be a substitute for capital markets. They are a gateway to capitalism for those who cannot yet access the macro-credit market. Real economic benefits kick in when borrowers graduate to commercial sources of capital. If people are using the program and graduating to commercial sources of credit, then the program is successful, and sustainable. The sustainable program then becomes entrenched in the local community.

Economics professors Christian Ahlin and Neville Jiang of Vanderbilt University examined the long-run effects of micro-credit on development in an occupational choice model. They modeled micro-credit as a pure refinement in the self-employment options to some agents who otherwise could only work for wages or make ends meet. The authors argue that micro-credit can either raise or lower long-run GDP, since it can lower use of both subsistence and full-scale industrial technologies.

The analysis predicts that micro-credit typically lower long-run inequality and poverty, by making subsistence payoffs less widespread. A case exists, however, in which micro-credit both lowers per capita GDP and raises poverty in the long run.

The key to micro-credit's long-run effects is dependent on the "graduation" rate: the rate at which the self-employed build up enough capital to start full-scale business firms. The model identifies two avenues for graduation: "winner" graduation (due to super-normal returns) and "saver" graduation (due to accumulation of normal returns).

The analysis indicate that "winner" graduation, however high its

rate of return, cannot alone bring long-term development. In contrast, if the saving rate and normal returns in self-employment are jointly high enough, then micro-credit can bring an economy from stagnation to full development via "saver" graduation. The lasting effects of micro-credit may thus partially depend on simultaneous facilitation of micro-saving.

Many Bangladeshi friends asked me why the award is bestowed as a Nobel prize for peace but not economics even though micro-credit is an applied area of the discipline of economics. I have an answer, a simple one. Few care about who gets the Nobel prize in economics, and it is less important than the prize for peace.

There are only a few economics Nobel prize winners whose contributions are as path-breaking as those in physics, chemistry, and medicine, to say nothing of the peace prize winners.

It is only rarely that the economics prize is bestowed on one who truly deserves it and has done truly unique work, such as Amartya Sen. More often, the prize is bestowed on mediocrities. There is no doubt in my mind that the contribution of this year's recipient of the Nobel prize in economics, Edmund Phelps, has been marginal at best.

The peace prize is the one that is the most important and honoured, and the impact of Dr Yunus winning the prize will be considerable, both for the cause of poverty alleviation world-wide, and, hopefully, for Bangladesh as well.

Dr Abdullah A Dewan is Professor of Economics at Eastern Michigan University.

People have the last say

CAPT HUSAIN IMAM

HAS the dialogue for electoral reform entered into the crucial but most optimistic stage or opted for a natural death with the deferral of the next sitting of the two secretaries general until today (October 16) is a question which is consciously or subconsciously troubling our minds.

The hope that was rekindled with the start of the much waited dialogue on October 5 between BNP secretary general Abdul Mannan Bhuiyan and Awami League general secretary Abdul Jalil has got a jolt after the fourth day of their sitting for the simple reason that they could not let the people know anything concrete about the outcome of their talks even at the end of their fourth day of talks.

The only things we could so far hear from the two leaders were that the talks were being held in a most cordial manner, they would sit again on such and such date after

consulting with their high command, they were trying their best to overcome the deadlock, and that they were hopeful of a positive result with the support of people.

While the people are anxiously awaiting a positive outcome from the dialogue so that there will be a free, fair and credible election and they will be able to exercise their right to franchise freely and independently without any fear or obstacle from any quarters, they are also puzzled and to some extent skeptical about the whole issue when they see their negotiators are issuing after each session almost similar statements, i.e. talks were held in a cordial atmosphere and will continue, this time with a gap of nearly a week, without actually telling the people what they have talked about and exactly where they have arrived at.

People's skepticism about the success of the dialogue has further deepened when they see their two great leaders who matter most in the success or failure of the dialogue going abroad, Begum Zia

to Saudi Arabia to perform umrah and Sheikh Hasina to the US for medical treatment, at this critical period of the nation. Frankly speaking, the foreign trips of our two topmost leaders at this moment of time have taken the whole nation by shock and surprise. Only God knows what is in their mind.

Having seen the first four episodes of the much talked about serial "Dialogue," one would wonder whether the Awami League-led 14 party combine has knowingly or unknowingly fallen into the trap of the ruling alliance in the name of dialogue at the behest of many a quarters, local as well as foreign, and thereby lost the momentum of their movement to realize their legitimate demand for the much needed reform of electoral process. We have to probably wait until October 16 to see how does the serial is likely to draw its final curtain.

What we can learn from the media reports and other sources, the dialogue is stuck up mainly on

one issue, and that is about Justice KM Hasan. The BNP-led 4 party alliance continues to maintain its original stand of keeping KM Hasan as the head of the next caretaker government. They are reported to be even ready to accept the opposition's demand for reform of election commission including removal of the existing CEC MA Aziz if the opposition agrees to soften its attitude on KM Hasan.

Whereas the main demand of the 14 party combine is to see both KM Hasan and MA Aziz along with his three other colleagues out of the electoral process. The way the ruling alliance has politicized the police, the administration, and the election commission, the opposition has in all fairness no scope to compromise on these two issues unless they are ready to commit political hara-kiri (suicide).

Our past record of political history does not have much to show in favour of dialogue between the ruling class and the opposition having been met with success. The

dialogue between Ayub Khan and Sheikh Mujibar Rahman in the sixties did not succeed, nor did the dialogue between Yahya Khan and Sheikh Mujib in the seventies prove otherwise. Yet the result was the same. Ultimately the people's will triumphed.

In the face of the mass movement launched by the people of the then East Pakistan, Ayub Khan had to exit handing over power to Yahya Khan. The fate of Yahya Khan was even worse. He had to quit power with the ignominy of losing half of the country and surrendering 90,000 of his pride force. Yahya Khan could not help prevent secession or emergence of this land as an independent state named Bangladesh even after waging a war and committing genocide against the people of this country.

Our political leaders, especially the ruling class, will do well if they remember the history of our political struggle and understand the inherent strength of our people. Why go so far back? Why not take

a close look at the present? The people of Kansat, Shanir Akhra, Fulpur, or Kaliganj didn't have to wait for the opposition leaders to come forward and help them face the brutality of our rulers in realizing their demands. They did that on their own.

Our rulers will do well if they realize that the political deadlock threatening the already fragile democracy of the country is their own creation. They have to solve it on their own. The people at large want the dialogue to succeed and reform to take place. They want a free and fair election, and they believe that a free and fair election is not possible without complete reform of the electoral process.

If the dialogue succeeds, everybody wins -- the Treasury bench, the opposition, and the people. If it fails, only the political parties lose. People have their own style and mechanism to realize their demands. They know exactly when and how to strike a deal.

Capt. Husain Imam is a freelance contributor to The Daily Star.

Leveling the playing field

JAMES MORRIS

OUR children are growing up in an increasingly competitive world -- one where the race to the top starts earlier than ever.

In Japan and most of the West, schoolchildren face standardised tests at an early age that can set the pace for the rest of their lives; in some cases, these litmus tests for the future start as young as five years old.

As parents, we'd do anything to help our children through this rigorous process. Some of us spend huge sums on private education. Others move house to qualify for the best schools. And it doesn't stop there -- tutoring, remedial classes, music lessons, study abroad, IQ testing -- anything to give your child that extra edge.

In the developed world, we also worry about proper nutrition for our children and exercise to ward off the dangers of obesity. But while we're happy to talk about healthy bodies making healthy minds, it's been a long time since we had to worry about our children getting little or no food at all.

Unfortunately, for some 400 million children in the poorest countries, malnutrition is still the burning issue. This is not "merely" a question of a child going hungry, being underweight, unhealthy or physically stunted from malnutrition. Researchers now have documented that young children who are malnourished tend to grow up with significantly lower IQs than those who are well-fed -- putting them behind the curve, in our competitive world, from the outset.

Recent research from Chile first established a direct link between brain volume and IQ (intelligence quotient); put simply, the larger the brain, the higher the IQ. Given that 70 percent of our brain growth occurs in the first two years of our lives, the Chilean research showed that malnutrition in early childhood is likely to have a devastating effect on later mental performance.

Many other studies have shown that early malnutrition can have lasting effects on a child's ability to learn. A British research project examining 5,000 people born in 1946 showed that those with low birth weights suffered damaging intellectual effects throughout childhood and into adolescence, influencing school performance and university entrance.

Add to that the fact that many millions of the poorest children, especially in countries like Niger, Chad or Bangladesh, will probably not go to school at all, as their

households need every hand to make ends meet. Other poor children may attend school sporadically, or with their minds on when the next meal is coming rather than on what their teachers are telling them. With their last chance to escape the poverty trap thus diminished, the potential of another generation is lost.

There's nothing wrong with wanting the best for our own children; it would be unnatural to wish otherwise. But next time you upgrade your child's laptop or book those extra tuition sessions, spare a thought for the millions of children whose fingers will never touch a keyboard -- kids who will likely learn basic literacy and math.

October 16 is World Food Day, an occasion to remember the 850 million chronically hungry people around the world and to remind ourselves that after decades of decline, that number has actually been growing by millions each year since the mid-1990s. Hunger still kills more people than Aids, tuberculosis, and malaria combined. In the 21st century, this is simply unacceptable.

We can make a difference. There is more than enough food in the world. For example in Italy, once the population's nutritional requirements are met, there would be sufficient food left over for all the under-nourished people in Ethiopia; in France the "extra" could feed the hungry of the Democratic Republic of Congo, while in the United States it could cover all the hungry in Africa.

Official Development Assistance has been rising steadily for several years and now tops \$100 billion. We can afford to help, but we need to develop a food first policy -- poverty cannot be eliminated until hunger and malnutrition are laid to rest. And one way to start would be to prevent hunger from cheating children of hope.

So this year, let us work together to help end hunger for the children -- through simple interventions such as mother and child health and nutrition programs, and school meals to boost enrolment and attendance. With all the challenges these kids face, let's at a minimum enable them and their own children to get off to a running start.

James Morris is Executive Director of the United Nations World Food Program (WFP). Today, October 16, World Food Day.

Recognition could only be delayed, never denied

MAMUN RASHID

Along deserved recognition has finally come in on Friday. A banker and a bank from Bangladesh have been awarded this year's Nobel Peace Prize. I have been a banker for more than 20 years. I recommend loans, approve lending to clients based on business plan, industry risk, financial ratios, balance sheet strength, and of course, backed by adequate security and collateral.

However, as we all know, the Nobel Peace Prize does not usually go to a banker or a money-lender, but Bangladesh's Muhammad Yunus is a money-lender with a difference, and so is his Grameen Bank.

The idea that professor pioneered three decades ago -- that the poor are creditworthy even though they have no collateral to offer, that they will repay loans especially if backed by group guarantee, and that innovative banking solutions will meet a dire financing need at the bottom of the pyramid -- is now well on its way to becoming mainstream. His drive against the curse of

poverty is now a proven success. Peace is required for democracy; and democracy requires a hunger-free nation to flourish since hunger only facilitates corruption and backwardness. The professor thinks that access to credit by the poor is not only a necessity, but also one of their fundamental rights. He also thinks that no peace is possible in the world when two-thirds of its population live below the poverty line and hence his role as a banker to the poor and a goodwill ambassador for peace.

We now have hundreds of companies that have been set up to undertake micro-finance activities. The government and development partners have recognized micro-credit a long time back through supporting various micro-finance institutions. The big and even foreign banks have sensed an opportunity, and early movers and others have worked out a way of profiting from this new movement.

Direct lending involves unsustainable costs, so they are busy re-financing those who lend micro-credit. International development finance agencies are

supporting micro-finance institutions by offering guarantees and various local currency fund raising solutions. Credit enhancement in this sector is also supported by several commercial banks. Even the venture capitalists have moved in to fund them in some of the countries. The capital market is also expected to be open for them soon. A regulatory framework is also being firmed up for this sector.

Micro-finance has been making a difference in Bangladesh since long. Many individuals, families and even communities have been brought out of poverty through the incidence of micro-finance, out of those many have graduated to micro-entrepreneurs. Professor Yunus's Grameen Bank has even ventured into taking the "beggars" out of begging through the system of micro-credit. The story has gone way beyond Bangladesh, of course.

The UN declared 2005 the year of micro-finance. The G-8 has issued a statement in support, and the IMF and World Bank are talking of financial inclusion. Citigroup has instituted an award for micro-entrepreneurs, and it is

not the only one.

Shamima Khatun from Noabeki village in Satkhira went to the closing ceremony of UN year of micro-credit at New York and shared her success stories of access to finance, better utilization of money, and coming out of poverty with Chelsea Clinton and Jennifer Lopez.

This year Nilufar Yasmin, from village Binna in Perojpur, is going to the global micro-credit summit in Halifax, Canada, representing Prof Yunus with success stories of financial intermediation through micro-finance. European royalty now shows interest in the subject, and the Bill and Melinda Gates Foundation has decided to get into the field, as have some other big charity bodies overseas including Bill Clinton's Global Initiative.

When all are jumping onto the same bandwagon, and the Nobel committee has blessed the creator of the concept, it is important to recall how the idea started. A professor of economics who saw poor people in his university's neighbourhood needing credit and not getting it, tried to get the local commercial banks, where

this writer belongs, to lend to them. He got the predictable response, so he took out the money himself and lent to people who were poor, usually illiterate and mostly women, ignoring dire warnings that it would be the last he saw of the money.

The experiment worked. Learning from this and encouraged by the early success, the professor then set up the Grameen Bank a quarter of a century ago; this extended from one centre to the whole district, and then the whole country, and now has agencies and support groups around the world.

The Grameen Bank now has over two thousand branches and 5 million borrowers, almost 10 million beneficiaries, for lending money that comes with around 20 per cent interest rate, a short repayment period (this is usually trade credit, after all), and has a loan recovery rate of 97 per cent.

Borrowers have to save some money on a mandatory basis, and perhaps as a result of this, half of those who have borrowed from the bank for a decade have crossed the poverty line. It is not the story of an economics profes-

sor or his created institution getting recognized, it is the recognition of a concept, respect for a model, tribute to many success stories of coming out of poverty or winning a war against poverty, not only in Bangladesh, India, Indonesia, China, Philippines, Kenya, Mexico, in many countries now and almost in all developing countries in the near future.

Micro-credit has become a proven tool for attacking poverty by creating synergy at the bottom of the pyramid. We salute the banker, a banker to the poor, Professor Muhammad Yunus who gave birth to this concept and nourished it amidst all odds and brought it to its fruition. The recognition was due when his book Banker To The Poor came out, if not before. We are happy that the efforts of this great conqueror in the war against poverty has at last been recognized, because for any good work recognition can only be delayed, never denied.

Mamun Rashid is a banker.