

A national strategy for economic growth and poverty reduction



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I am disappointed, more so, hurt, by the way the strategy document has been prepared. I am hurt because we may miss great national opportunity to organise ourselves for the most important task ahead of the nation. But on the positive side, I am glad that we have a document around which we can hang our thoughts leading to the preparation of the real strategy document.

Reading the document I felt that it is not a strategy document, it is an academic document. It could be better titled as: "All You Wanted to Know About Poverty". An executive in charge of national poverty reduction will have very little use of this document in taking decisions. Every ministry of the government can continue to do whatever they have been doing before this document was prepared, still no one can point accusing fingers at them by saying that they are out of step with the Poverty Reduction Strategy. A strategy document must be very clear regarding do's and don'ts, must's and mustn'ts — so that anybody can see who is out of step, if anybody gets out of step.

What would I have done if I had to draw up this strategy paper?

I would have started out by suggesting the creation of a strong poverty monitoring outfit for continuous monitoring of poverty upazila by upazila. I would have warned the government that if something cannot be monitored continuously, it cannot be achieved within a timeframe, just like a multi-million dollar construction work — you can finish it on time only because you monitor everything, every day.

I would have recommended that the government publicise the progress of the poverty reduction in each upazila, listing them in order of merit, every six months. By doing

that government will create occasions for upazilas to celebrate their achievements, express their disappointments (even anger) for their failure, and prepare themselves to catch up with others. Government can encourage various enterprises to announce awards, prizes, honours, for achieving various achievements by upazilas, within each half yearly segment of the total time span.

Government can also encourage the business enterprises, social organisations to give awards and honours to persons, organisations, institutions for their special contribution in achieving specific results. They may even announce competitions.

I'd have also identified the programmes, organisations, institutions, ministries, agencies, policies, even persons, who made negative contribution to poverty reduction during the past 15 years. I'll grade them according to their negative contribution.

The reason why I'd have done this, is a very simple one. On the basis of this information, I'd recommend that in the coming 15 years government provide all the support to assist the recognised "heroes" of the past so that they can contribute more, that Government inspire others to follow their path, help generate more innovative ideas. If the "heroes" of the past have more ideas the government should go out of the way to provide them every support to try out their new ideas. Obviously, at the same time government should do everything in its capacity to restrain the "villains" of the past, and help them transform into themselves into "heroes" of the future.

Poverty eradication is a simple task: In its basic form poverty eradication is a very simple task. We should never allow ourselves to be duped by the smart people to think that it is a complicated thing. It is not. First thing to remember is that poverty is not created by the poor people. It is created by the institutions and the policy environment created by the designers and managers of those institutions. There is nothing wrong with poor people. They can get out of poverty by themselves. All they need are opportunities. That's what State must provide. They need opportuni-

ties for earning income. That's all. **Wage Employment:** How does the State do it? Enhance the scope of wage employment. That's why agriculture becomes so important in Bangladesh. The more dynamic this sector becomes, the more wage opportunities are created for the poor. Of course, agriculture alone cannot provide all the employment that is needed. The more we rely exclusively on agriculture the more chances will be that agricultural wage will be reduced to mere pittance, because of over-supply of employment-seekers. That income will not be good enough for overcoming poverty. That's why we also need employment away from agriculture. Rural and urban industrial employment is the next option. We'll have to create

microcredit: Luckily for us we have opened up another option which is almost limitless in scope — that is self-employment. Microcredit is the vehicle which creates it. It has many attractive features. Over the last twenty-five years it has been studied by researchers in its every single aspect. They come up with very positive findings with regard to the impact of microcredit. They find steady movement of the borrowers from poverty to non-poverty, improvement in housing, sanitation, nutrition, education, child mortality, women empowerment etc. At least 7 million poor families in Bangladesh have access to microcredit. Around Tk 5000 crore is disbursed each year as microcredit. In a country where conventional banking is stuck with Tk 20,000 crore in

Grameen Bank will enter into a phase where it will have more money in deposits, mostly from its own borrowers, than outstanding loans, unless it expands its business. Grameen Bank is owned by the borrowers. The borrowers come under life insurance coverage, without paying any premium, by being a shareholder of the bank. Their loans are covered under an insurance programme where the entire outstanding loan amount is paid off by the insurance fund if the borrower dies. Grameen Bank gives housing loans at 8 per cent simple interest. More than half a million rural houses have been built with Grameen Bank loans. GB offers scholarships to 3700 selected students from Grameen families, each year, and loans (at 5

per cent simple interest) to all students from Grameen families, at higher levels of education. **Credit As a Human Right:** Credit is so important in the lives of all people that I have been arguing that credit should be accepted as a human right. Bangladesh can take pride at what she has achieved in ensuring access to credit by the poor. If government is supportive in providing policy-support, microcredit can ensure access to credit for the remaining poor families of Bangladesh. Credit goes to the Government of Bangladesh for creating this bank for the poor by a special legislation passed by the parliament. Now 19 years after it was created, it needs some policy support from the government to resolve some important institutional issues to make the bank more consistent with its objectives (please see Appendix). The faster these issues can be resolved, better policy environment can be created for Grameen Bank.

I bring out the case of Grameen Bank for another reason. It is about ownership. One key recommendation I'll make as a strategy for poverty eradication is to create exclu-

sive institutions for the poor, with the ownership of the poor. Job creation is good. Ownership creation is much better. That's where Grameen Bank example comes in. This is a bank for the poor, owned by the poor, and finally, today, it operates with their own money, it makes profit, it provides insurance support to them, it provides financial incentives for education of their children. We can and must build many institutions with exclusive or part ownership of the poor, particularly poor women, and help the poor to have equity participation in business enterprises, specially strategic business enterprises, through mutual funds of the poor.

Agricultural Credit: Lessons learnt from microcredit can be applied with equal success in pro-

chance of success in its endeavour to end poverty. It may not have done quite a miracle so far, but its contribution is significant. When the economy will pick up speed in moving forward, the poor people will have better opportunity to show the real power of microcredit in changing their lives.

Emergency of information technology is a fantastic news. If Bangladesh can open up all its doors and windows to bring in the flood of information technology, it can create a completely different story altogether. Synergy between microcredit and information technology can really work wonders. To emphasize this I have been insisting in the past that if we remove all official barriers to information technology (IT) and provide policy support to develop the IT infrastructure, Bangladesh can reduce poverty by half and double its per capita income within ten years. What must be done are: Open up telecommunication completely, privatise T&T, open up international telecommunication gateway, open up VOIP, open up submarine cable, give permission to operate internet nationwide without any fee for the next ten years, put the intellectual property right law into effect.

Faster growth rate is essential for faster reduction in poverty. There is no other trick to it. We have to create right climate for bigger and bigger investments. There are three investment climates that we should keep our eyes fixed on — domestic, international, and regional. Domestic investment climate depends heavily on international climate. International climate which is going through a lull, will soon start picking up. But when it does, will it come our way? We must prepare ourselves quickly to answer this question positively. If our law and order situation continues to deteriorate, as it is doing now, we can forget about foreign investment. Corruption and violence have become order of the day. Nothing can work in an environment of limitless corruption and deteriorating law and order. Even the poor borrower of microcredit is not sure if her investment is safe. Restoring law and order and bringing down corruption level at a level consistent with atleast the SAARC countries — is the first action to be taken to move in the direction of poverty reduction.

Poor must be Ready to Ride Globalisation: Globalisation can help us overcome poverty quickly, if we can prepare our poor to participate in the globalised market. Most important thing is the participation. We must bring IT to the poor, to participate in and take advantage of globalisation. If we leave our poor at the mercy of the global forces without preparing them to ride on the tidal waves of globalisation, they'll get drowned by the globalisation.

Actions to be taken to reduce poverty by half by 2015 are well-known. Just pick the strategic ones and go for them with full force. Monitor them continuously. Publicise the results, applaud the upazilas which are moving ahead, nudge the ones falling behind. Most importantly — give the citizens peace, personal safety and security, and clean governance. We'll get there.

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environment for more investment, and expansion of the existing industrial base. We need strong local government to create local investment opportunities. (Strong local government is needed for another important reason. The lower the tier of the local government, and the stronger it is, the greater is the opportunity for the poor to participate actively in it to get things done in their favour.)

Another option is overseas employment. Injection of income from remittances has played a vital role in giving a boost to rural economy and poverty reduction. While we are busy bragging about how remittances are helping economy in improving the foreign exchange reserve, we have paid very little attention to mobilising these remittances for investments within the locality or within the country. Most of it is wasted away in hiking up the real estate value or extravagant expenses on social occasions. While we must put all our attention to ensure high growth in wage employment we must not forget that it is slow process.

Self-employment through

overdue loans, microcredit sector has created a financial service with near 100% repayment rate. Bangladesh has created a microcredit wholesale fund, PKSF, which has set the business standard for the world. PKSF has played a very strategic role in Bangladesh, in expanding the access to microcredit. All the credit goes to the Government of Bangladesh for creating this strategic institution. Now many countries are emulating it.

Best news about microcredit is that they are sustainable; they can cover their cost from their own income. They do not need budgetary allocation to keep them afloat. Grameen Bank alone lends out nearly Tk 2000 crore each year. It has stopped accepting donor money since 1995. It has stopped borrowing money locally too. It generates enough deposits to carry out its credit programme and pay back all the past loans without ever falling behind in repayment even by a day. Currently 82 per cent of its outstanding loans is financed from its deposits and own resources. By the year-end this percentage will exceed 100%. During the next year,

development services. The major role of VCND is to transform our national weakness into strength. They will learn for themselves and pass their knowledge to the uneducated and the future generations. They will take initiatives to build their future and at the same time help to build their nation.

NAB will do the overall execution and coordination of VCND. Their course curriculum, training and practical attachment materials, leaflets, brochures, audio-vedio cassettes will be designed and redesigned by the NAB advisory wing. For the prior preparation of the VCND training, students of all over Bangladesh from Class Seven to Class Nine should have a compulsory course named, say, "Fundamentals of Bangladesh Development Studies." This is to ensure that the students could catch up the VCND training materials easily. In each High School there will be a teacher who will teach and coordinate VCND programme. Members from the local judicial, administrative and police force may also contribute in the training programme.

Expatriate Bangladeshis Forum (EBF): Many Bangladeshis are scattered around the world in search of jobs and pursuits that offer higher wages and more comfortable life styles. The relations and activities of these expatriate Bangladeshis towards their native country's development should be planned and set as to how they can assist in domestic economic and business development and natural disaster. How they can help with cultural and business development internationally. How they can help to resist Bangladeshi human trafficking to overseas. How they can help in the problem and welfare of the distressed expatriate Bangladeshi labourers. There are many foreign Bangladeshi associations all over the world. Under this EBF all Bangladeshi associations could be brought under one umbrella.

Conclusion: In conclusion I must say that the future of Bangladesh is often debated nationally and internationally, but few active action and execution plans are undertaken. We have lots of ideas but few actions. We must strive hard to ensure that vision is realized with its full potentials, hopes, aspirations and expectations. Our greatest task is to put all visions and scenarios together under NAB for simulation to get concrete and viable action and execution plans.

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Thoughts on comprehensive structural reforms

SHAHIDUR RAHMAN

NETWORKING and information technology has integrated the countries globally in such a way that economy, business and trade competitions have become borderless. Existing skills and knowledge become obsolete overtime. In order to maintain competitive edge with the global changes a 'comprehensive structural reform for the operation and management of the country' should be the top priority to design the future of Bangladesh.

Why structural reforms? Because we are in support of freedom, democracy and national development. Since independence, there have been a number of attempts for the improvement of socio-economic conditions; poverty elimination; pollution and population control; drug, violence, terrorism and crime prevention. Yet the common poor Bangladeshis' hardship, distress, sufferings and tears haven't reduced to a standard level.

The current pace of the problem solving approaches and their achievements is as much as it should be vis-a-vis requirement.

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Although there are politically conscious people who elect representatives of their choice, one has to examine the kind of structure in which these elected people are operating. They are operating in the structure, most of which was created and developed by the British and Pakistani colonial rulers, which is the major constraint and the cause of failures over the last 30 years. For a modern Bangladesh we need reforms of a kind that would help meet the needs of common people. The common people do not want to hear assurances of false hopes any more; they want to see concrete actions. Today, they want skills, knowledge and expertise of their leaders and people. They want to have special breed of leaders and people who can perform with excellence and significantly change their lives and set them up on a footing so

that they can successfully face the challenges from around the globe and compete thereby. It seems a profound structural reform in development, operation and management of all government activities including constitutional matrix, education, trade, tax, economic, finance and privatization components are absolutely necessary. In this regard we may pursue, say, a 'comprehensive structural reforms for the operations and management of future Bangladesh government bodies'. **Methodology:** The main focus of these reforms will be to set effective and viable guidelines for the future by appraising, reviewing and evaluating the current institutional and organizational structure and management practices in Bangladesh. In order to achieve these comprehensive reform plans, the methodology will be to adopt the Scenario Simulation Technique. Scenario simulation technique has proved consistently effective for dealing with structural reforms globally by exploring alternative policies under various uncertainties.

Proposed Reforms: To meet the challenges of greater competitions in the 21st century, it is crucial to introduce a new structure of a single functional organization to a matrix organization. It will create a quality work force, managers and leaders that could propel the engine of growth and optimize the output. To have a sound structural reforms for a matrix organization the formation of the following few action groups need to be considered:

1. For the formulation of structural reforms of the operation and management of Bangladesh Government bodies, formation of a "National Action Board";
2. For creation of an educated and conscious population, adaptation of "Voluntary Cadre for National Development" (VCND);
3. For broad based participation and mobilization, formation of "Expatriate Bangladeshis Forum" to include expatriate Bangladeshis.

National Action Board (NAB): To achieve the target of a millennium-class workforce of global competence and excellence, we have to develop new mindset for all Bangladeshis as well as our leaders and executives of government. In the knowledge-based world and

the changeable future we need leaders who know how to define the future and lead the people in that direction in a unified way. Also we need leaders and advisors who should be the teachers and at the same time facilitators of the future generations. In the quest for an exhaustive, effective and acceptable structural reform past policy makers and professionals at both home and abroad with sincere intention to help develop the country to its full potential should make up the core of NAB.

NAB should have two wings. The first will be the administrative and coordinating wing and the second will be the advisory wing. The administrative wing will coordinate the selection of the members of the advisory wing, operation and management of the prospective grassroots level projects as and when necessary.

The members of the NAB advisory wing will be the distinguished talented members of Planning Commission, BIDS, Universities, representatives from all political parties, interested High Commissioners/Ambassadors, contributing researchers, journalist, selected NGO representatives and selected foreign experts etc. NAB advisory wing members will have problem-solving attitude for the positive changes in the future.

By using proper cost-benefit and different efficiency analyses, NAB will choose the best project and propose for execution by the government. NAB can use TV and radio media, WWW and Internet for group discussions and feedback.

Volunteer cadre for national development (VCND): In order to achieve millennium class generation for Bangladesh who can deal with changing future with networking, continuous adaptation, new learning skills, brain power and knowledge management we need to have Volunteer Cadre for National Development (VCND). This VCND will be the government guided forward-looking fighters for development.

VCND will be formed with students all over Bangladesh. The Bangladesh education system requires twelve years prior to entrance to University. One of these twelve years of schooling be spent in compulsory VCND training. All over Bangladesh, students must participate to these educational