

Peddlers of poverty and lords of poverty

A M M SHAWKAT ALI

THE Finance and Planning Minister has recently lashed out against a section of micro-credit organisations. He dubbed them 'peddler of poverty'. His arguments, as they appear in newspaper reports, rest on a number of pillars. First, these organisations get money from abroad in the name of poverty alleviation 'but we don't want to be peddler of poverty'. The term 'we' perhaps refers to the government or the Karma Sangsthan Bank (employment bank) where he was reported to have made the statement.

Second, the micro-credit organisations have remained busy in arranging seminars and symposiums rather than doing something realistic for reducing country's poverty.

Third, such organisations sometimes hire people from Harvard or other foreign institutions to deliver lecture on poverty alleviation; implying thereby that efforts at poverty alleviation have to be home-grown rather than transplanted from outside.

Fourth, the organisations involved in micro-credit charge high interest rates. This means that the poor borrower tend to get trapped in the vicious cycle of poverty.

The arguments articulated by the Finance and Planning Minister may appear, at first sight, to be rather sweeping. Borrowing from external sources by the micro-credit organisations need to be viewed in the context of the dependence on external aid by the government itself. To pursue this line of reasoning further, the government has been borrowing and continues to borrow funds from the World Bank at 0.75 percent service charge and onlends to Palli Karma Sahayak Foundation (PKSF) at one percent interest rate. PKSF further onlends to non-government organisations involved in micro-credit at rates varying between 3 percent and 4.5 percent. What interest rates do the NGOs charge then from the ultimate borrowers? It is in this area that the scathing remarks from the Finance and Planning Minister appear to have substance and merit serious consideration for corrective actions.

Stated and real interest rates

Some studies have pointed out the difference between stated and real interest rate charged to the clients by some NGOs as follows.

The researcher has identified

Name of NGO	Nominal Interest Rate	IRR on First Loan	IRR on Fifth Loan
ASA	12.5%	24.5%	31.5%
BRAC	15%	31%	39%*
Caritas	12%	12%	12%
CCDB	16%	18.3%	18.3%
Proshika	Livestock - 18% Small Business - 18%	18% 31.7%	18%
RDRS	14%	24.9%	24.9%
Shakti	20%	18%	21.3%
CDA	20%	22.3%	22.3%
Shawunnayan	15%	30.2%	NA
Seva	13%	22.1%	22.1%

Source: Siddiqui (2002).

* Interest on the 3rd loan.

three reasons for the above state of affairs. First, some NGOs calculate interest on the initial balance of principal amount and not on declining balance of principal amount. Second, some NGOs borrow from savings of own members and recycle it by lending at higher interest rates while interest to members is paid at bank rate. There is thus a margin which goes to NGOs. Third, at the

ating procedures (SOP) for the NGOs involved in micro-credit. Without such a framework, the micro-credit may degenerate into traditional money lending system operated by the Mahajans. Even for the

Bangladesh Bank, PKSF, the Securities and Exchange Commission and industry experts. On June 18, 2000 the Ministry of Finance issued a notification affirming that the task of formulating regulatory framework and recommendations for institutional arrangement to ensure compliance standards would be completed by June 17, 2003. It is said that the final regulatory and supervisory framework for micro-finance sector and the implementation arrangements should be satisfactory to the World Bank (World Bank Report No. 21400-BD). This condition is because of funding Second Poverty Alleviation Micro Finance Project (Micro Finance II) by the World Bank. It is not, however, known whether the regulatory framework has since been finalised.

The World Bank view

In the appraisal report of the project, the World Bank emphasises the need for (a) sustainability and commercialisation of micro-credit organisations and (b) variable lending

erty reduction in the developing countries which did not deliver the desired outcome.

The interest rates recommended for different categories of NGOs may lead towards sustainability but what about the poor who would be at the receiving end? The three issues that add up to the burden of micro-credit borrowers stated earlier appear to have been lost sight of.

Ethics and development

It is necessary to further examine the prescription given by the 'Lords of Poverty'. How the issue of sustainability of poverty reduction will be achieved remains unclear. In this context, researchers have drawn attention to the second generation problems of micro-credit. It is just not a question of providing micro credit to millions of poor households. It is basically a question of helping them to capture increased livelihood opportunities that go beyond their existing quality of life. The project appraisal report indicates that large NGOs involved in micro-credit account for four-fifth of the micro-credit market and therefore it argues for increase in on-lending rates to encourage them (NGOs) to move towards integration with the formal financial market. What has been left unsaid is that increase in on-lending rate may well lead towards an increase in interest rate now being charged from the poor borrowers. Movement towards market may well involve movement away from equity and considerations of equity is part of the ethics of development as recently was articulated by Amartya Sen at the International Congress on "The Ethical Dimensions of Development: The New Ethical Challenges of State, Business and Civil Society". In his words:

"The new challenges of the contemporary world not only demand that we re-examine old issue (for example the role of the market) in new light, but also that we address new ethical issues that have been brought to prominence by the interactive world in which we live (including the demands of un-segmented global ethics). Even though these concerns raise difficult ethical as well as economic issues, we cannot really escape these questions in the contemporary world. Let nothing defeat us in this modest recognition."

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Linking development to education

DR M ASHRAF ALI

PART from the tremendous humanising effect that education has, it has also a great potential to turn burdensome population into a great force for development. Because the leaders in the Third World countries can hardly be convinced of the fact, the fate of the people of these countries is becoming ever and ever uncertain due to the ignorance and lack of education prevailing among them.

In this regard, Bangladesh appears to be one of the most pathetic examples of how efforts of all types can painfully turn into futility unless priorities are determined and infrastructures for development are created at the right time. The situation prevailing in the country for the last thirty-five years is an example in point. During the Pakistani days, education was considered to be a low priority sector and therefore investments were very meagre in this sector. Primary as well as adult education was largely neglected. The insignificant increase in literacy rate over the years has been offset by the high population increase and therefore instead of increasing the literacy rate it has declined in absolute terms. And this situation has wrought disaster for us creating a vicious circle which is difficult to break. The great mass of illiterates is going on producing an ever-increasing number of children who remain illiterate, because their parents do not the minimum of awareness and education to see the value of education and send their children to school.

It is a great pity that at the moment we have about 60 per cent illiteracy in Bangladesh which is one of the highest in the region. It may be mentioned here that our neighbouring countries having similar social conditions are much better off in this regard.

It has been established beyond doubt by research studies both by economists and educationists that there is a direct correlation between the level of education and per capita income. Education, at least the minimum of it, has great potential in making a person self-reliant. The concept of self-reliance as we often hear in Bangladesh is a misnomer. Here it is used to mean self-reliance that is

imposed from above. Unfortunately, this is no self-reliance but it is simple spoon-feeding and paternalism which tend to increase the dependence of the people on its government for every thing. It seems that this situation is being perpetuated in Bangladesh hindering the process of making a breakthrough in self-reliance in the true sense of the term.

The following data on the rate of literacy and per capita income of some third world countries bear testimony to the fact that education is a necessary pre-condition for development processes of all kinds.

Table showing literacy and per capita income in some selected countries:

Country	Literacy rate (%)	Per capita income (US\$)
Singapore	3,820	75
South Korea	93	1,500
Cuba	96	1,410
Philippines	87	600
Thailand	84	590
Indonesia	62	380
Tanzania	66	400
Pakistan	42	500
Sri Lanka	80	550
Vietnam	87	600
Burma	60	500
India	36	400
Bangladesh	41	350

It is no wonder that Bangladesh appears at the bottom of the list put in order either of literacy rate or the per capita income. It is worthwhile to note that some of our closest neighbours, such as Burma, India, Sri Lanka and Thailand are doing much better. Once the people of these countries are educated and possess the needed awareness the development process will become self-propelling which situation is completely absent in our country and it is not likely that a self-propelling system of development can be established in Bangladesh within the foreseeable future. This may sound very pessimistic and may dampen the spirit of many enthusiasts who believe in top-down model of development process. But this is not going to work simply because those at whom it is aimed at are in total

darkness and are prepared educationally to understand the probably benefits. Now the question arises whether all hopes are lost. Actually still there is time to make a serious effort to correct the imbalance by giving emphasis to primary and adult education.

A country with an illiterate mass of 60 million people can hardly expect to go far. It has already been mentioned that the absolute number of illiterates is increasing every year due to non-enrolment of primary age-group children in schools as well as heavy dropouts from them. So illiteracy has become endemic, so to say, in our society which is preventing voluntary participation by the people in the nation-building programmes initiated by the government.

In order to improve the situation, management and quality of teaching in our 70,000 or so primary schools should be greatly improved so that dropouts can be substantially reduced from the present 60-70 per cent between class I and II. Supervision of the schools should be seriously taken up so that minimum quality of education can be ensured for those children who do enroll there. Untrained teachers should be trained within the shortest possible time through crash programmes organised at the PTI's throughout the country. The curriculum should be reviewed and made relevant and functional to the conditions of life and living of the society and environment in which the children live.

The illiterate parents are not likely to understand the value of education. So they are unwilling to send their children to school and keep them there until they become functionally literate. Of course extreme poverty of the parents is one of the basic causes for this situation. Parents should be given some sort of economic relief in the form of free books, clothing and supplies for their children's education. No doubt, this is going to call for heavy investment and may be hard on the government for the present but it will bring manifold benefits leading to a multiplier effect in ushering in a self-sustaining society of people ready to do everything to improve their own lot.

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The French government and the head dress of Muslim girls

HASSAN NAWAZ

IF the Government of France passes a law prohibiting Muslim school girls to wear their head dress, will it help prevent spreading of Muslim fundamentalism in France? If the answer is no, then the question is why they choose to make an issue out of it? One can't imagine this is going to help France or its image of secularism, in a growing multiracial, multicultural country. Basically, it is an issue between the Muslim parents on one hand and the Government of France on the other, with regard to belief and practice of faith. The fundamental question is how much the French government is going to gain by imposing this law on the Muslim school children.

Religion has always found its root in the family. Children are born into a family, into the religion of the family. Whether they are Muslims, Jewish, Sikhs, Christians, Buddhist, Hindus or any other religious groups, children start practicing religion what is taught to them by their parents and family.

In the United States there are people who are called Amish and Mennonites. They believe in Christianity. But their culture leads the girls and women to wear head cover. The wearing of the head cover is not written in the Bible nor ordained by Jesus Christ. Orthodox Jewish boys wear hats and keep long sideburns; the Sikh boys cover their long hair under a turban. Muslim girls wear head covers. It is often what they were asked to follow by their parents and elders. The children believe and practice them in good faith.

If the girls have to take off the head covering at the school, but wear them anywhere outside, how does it help the law and the Government of France? If the girls or the women decide not to wear their head covering, it is their personal choice. My personal belief is, when the women get economic freedom along with political freedom, there will be far reaching changes in their culture. Instead of provoking unnecessary debate and wasting energy in issues such as head covers, the government should concentrate on offering opportunities to the women, make them economically independent and let time take its own course.

France is not Saudi Arabia, it is not a theocratic state nor it is ruled by a despotic King. Freedom and secularism are the pillars of French democracy. The practice of individual faith and personal liberty are the key words ingrained in the

constitution of the Republic of France. So why would the Government of France target Muslim girls' head dress as a major issue in preventing fundamentalism in France? I believe it is absolutely wrong to take away anyone's personal freedom and practice of faith by any government. If we allow the government to take away the freedom to practice people's faith and expression, this might be just the beginning of more to follow.

However, if it is found that the school children were forced to wear their head covers by their parents or by their religious priest against their will, the Government of France has every right to intervene and protect the freedom of the Muslim children. The head cover may be symbolic for the Muslim girls or women. It could be an identity issue. It could be a means to protect them in a multiracial and multicultural society. Depending on their family background, they may even feel comfortable in their attire.

I am going to tell a story of a woman whom I love and admire. How she had shaped and guided her family and instilled in them unprejudiced mind, and yet she hardly finished her high school. This Muslim woman is my mother. In the early nineteen fifties in Bangladesh when it was not so popular to shake the "Burkha", a covering from head to toe, she was one of the very few pioneering brave women to come out of it. It was still simply unthinkable for a woman at that time to be a member of a Rifle Club. Yet, she not only became a member but competed with men and women, and won shooting championships. Even at this very moment there are very few women in Bangladesh or many third world countries where women could think of participating in such activities. She was involved with social organisations to help the needy and bring relief to the people stricken with disaster. She taught us to think and be independent. My sisters and my brothers were allowed to pursue their dreams and education as far as they could venture. My sisters wore their school dresses, not "Burkha" or "Hizab".

In the seventies, my parents went to perform their Hajj, pilgrimage to Mecca. When she returned from Mecca, she put on a white coverall over her dress and a head dress to match with it when she would travel or go out in the public. No body forced her to wear it. She must have thought that her dress must be appropriate for someone

who had performed Hajj. Over the years she became not so strict with her own dress code and she would go out like she used to before, but there was always modesty in her, a practice of common Muslim women.

My point in telling this story is simple. Let women make their own choice. If we impose unjust rules, there will be always backlash against it. We would play in the hands of fundamentalists who would not miss this opportunity to point out that their faith and religion is in danger vis-a-vis other religions.

I want to point out one more thing and that is a story I read in the Christian Science Monitor that school girls were killed in fire in Saudi Arabia in March of 2002 because they were forced to go back to their class rooms to bring back their covering dresses. This is a most unfortunate incident I can think of that has taken place in the birth place of Islam. The Prophet had brought the Arabs out of the days of ignorance and offered them enlightenment and message of peace. Alas some of them have thrown away the essence of his preaching and hold on to the decayed rituals! In the days before Islam, if the Arabs had daughters born to their families, they would bury them alive, as they considered it shame to have been blessed with girls. It is unfortunate that after fourteen hundred years since our Prophet has given us a religion of peace, the Arabs are still not seem as much caring for girl child.

This is precisely what I want to say that do not mix apples and oranges. France is not a theocratic state. Freedom, equality and secularism are the principles of French democracy. Here no one will force anyone to wear what one does not want to wear nor one should not be forced to give up his/her preferences to wear choiced attires. The law should protect to express the freedom of culture. The Declaration of the Rights of Man, proclaimed by French people says - Men are born and will remain free and endowed with equal rights...Liberty consists in being able to do anything which is not harmful to another..... Free communication of thought and opinion is one of the most precious Rights of Man...

Further, a point of reference. The Declaration of Independence of America states that every individual has "certain inalienable Rights ... to life, liberty, and pursuit of happiness."

The Democrats' new red meat

JONATHAN ALTER

A potent GOP weapon since the New Deal "that Democrats can't be trusted with money" may have to be sheathed this time around.

Even before Howard Dean began his stump speech, before he thrashed President Bush for giving tax cuts to "Ken Lay and the boys at Enron" (a jab he repeated three times), Dave Pitz, a retired teacher sitting in the audience in Newton, Iowa, had the message down cold. "Bush has become the CEO of corporate America," Pitz told me matter-of-factly. A central question of the 2004 campaign is whether enough voters agree with Pitz that >Bush is a fiscally reckless president devoted not to them but to wealthy special interests. If the issue is framed that way and the frame sticks, a responsible populist message could work, though it would be the first time in modern political history that it did so. The Democratic candidates > differ little on domestic issues. Theirs is essentially a contest to see which one has the best variation on that theme.

In 2000, Al Gore ran under the slogan "The people versus the powerful." But the Democrats held power, so the argument didn't resonate. This time the corporatist GOP runs Washington and the M.B.A. president seems to make every decision -- from the environment to prescription drugs to immigration -- according to the specifications of industry. The Teddy Roosevelt idea, accepted by both parties for a century, was that government should provide a check on big-business interests. Now, says John Edwards, the White House is "married" to those interests. The "creed of greed," says John Kerry, lets the lobbyists actually write the bills. Dick Gephardt says Bush is such a sellout he "makes me nostalgic for Ronald Reagan." Forget mad cow. Democrats have found a new kind of red meat that their audiences devour.

The reason this goes down so well is that -- like some of the old conservative red-meat charges

Polls showing that well under 50 percent believe President Bush "cares about people like you" are causing concern in the White House. That's why Bush has begun the year with a "compassion offensive." And it's why Democrats increasingly recognise that their fate lies not just in Iraq, but in a basic sense of fairness and economic justice at home.

against liberalism -- it's largely true. Bush's allegiance to entrenched interests (which are, not coincidentally, his biggest political contributors) is the only thread connecting everything in his domestic policy. The failure to stand up for the wider public interest against assaults on the environment is what Gore meant last week when he accused Bush of being a "moral coward."

There's a scene in Ron Suskind's new book, "The Price of Loyalty," that illuminates the point in another context. In a 2002 White House meeting, Treasury Secretary Paul O'Neill is arguing strongly against a second round of tax cuts for the wealthy. At first, the president seems to agree. "Didn't we already give them a break at the top?" he asks. Karl Rove reminds Bush that he must "stick to principle," and he does. The "principle" to which they have devoted their presidency is that the "top" -- not the middle class or the uninsured or the grandchildren who will shoulder the cost -- go to the front of the line every time.

The Democratic candidates sense an opening here. A new Wall Street Journal-NBC poll shows that for the first time voters think Democrats are roughly as fiscally responsible as Republicans. This might not be saying much, but it means that a potent GOP weapon since the New Deal -- that Democrats can't be trusted with money -- may have to be sheathed this year. Democrats are still vulnerable on the tax-hike charge -- especially Dean and Gephardt, whose plans cover for total repeal of the Bush tax cut leave them favouring tax hikes for the middle class. But there's new hope inside the party that the deficit -- which has Bush's fingerprints all over it -- can move from

dull abstraction with no political bounce to something more concrete and relevant. The winner for best anti-Bush TV ad in the MoveOn.org contest, judged by a celebrity panel, was an imaginative spot showing beleaguered children working to pay off Bush's debt.

This campaign theme, properly executed, paints Bush not just as a CEO president, but as an irresponsible leader with what Dean calls a "borrow-and-spend, credit-card presidency." The challenge is to meld this idea with a harder-edged challenge to the

culture of Washington. "We ought to cut these lobbyists off at the knees," Edwards says in his stump speech. This is not the kind of thing that Bill Clinton or Michael Dukakis or Walter Mondale or Jimmy Carter or John F. Kennedy ever said, in part because they were living in eras of Democratic dominance of the machinery of government.

And in part because it rarely works. On one level, populism is doomed: half the population own stocks and the market is back up. Unemployment isn't rampant. Those without a college degree

