

Microcredit Special

A four-day Asia-Pacific Region Microcredit Summit is going to be held in Dhaka from 16 to 19 February. We print the following article for information of our esteemed readers on the subject. We shall try to publish more articles on the subject till the start of the summit.

# Managing cost effective micro finance operations

MD. SHAFIQL HAQUE CHOUDHURY

Micro-finance through institutional arrangement is a recent innovation for poverty reduction among the poor. Small loans, or micro-credit as such is not new, but prevails in several countries through individual arrangements with money lenders. The concept of money lending has been institutionalised, rationalised and reformed for sustainability of both the borrowers and the lenders. The concept of co-operative society or a credit union-type of social arrangement of the poor for thrift deposits and borrowing was the initial intermediation of non-collateral credit services to the poor. Performance and outreach was not satisfactory due to the different style of management involved.

A new concept in credit delivery has been introduced by Grameen Bank. They started with a banking as opposed to a co-operative approach. Grameen's determination to reform money lending to the poor was successful. Another remarkable achievement in micro-credit was by ASA, another Bangladeshi NGO. ASA is a step ahead of other institutions in demonstrating that micro-credit can be sustainable within a short period of time.

Self-sustainability is the fruit of ASA's willingness to experiment with innovative, less complex management systems. The micro-finance sector, nonetheless, is still overwhelmingly dependent on government and donor grants and subsidies. This false sense of comfort and support should be abandoned for more socially accountable operations.

Innovativeness and willingness to learn: Stagnation of management practices effectively strangles the creativity of an entire organisation. Hence, innovation is key and willingness to learn from others' innovations.

ASA's innovations in micro-finance management are its simple and alternative book keeping, documentation procedures, standardisation and common use of facilities, and standardised reporting. The resulting efficiency cuts costs tremendously. Besides innovative management, care should be taken to ensure effective and efficient utilisation of funds and to encourage decentralised decision making with proper and accountable guidelines. These efficiency factors not only save time and money, but are also crucial to maintaining social accountability.

Continuity: A mutual sense of trust is central to continuous, dependable services. Members need to be aware that their performance and prosperity is integral to the perpetuation of ASA's services for themselves and others. Individual member security through continued access to credit, and group and organisational security through continued repayment are the mutual benefit of a stable, close-knit group.

Flexibility: During implementation of micro-

finance services, organisations may face various problems at different stages. In such cases, policy flexibility and modification are required. Field level workshops for problem identification and possible solutions should guide the development of new policies or modifications of existing ones. A flexible policy atmosphere which allows for continuous improvements and adaptation to new situations is the core of organisational dynamism.

Enabling environment: Initial implementation of microcredit may not be well received by groups who find their interests threatened. They are often hostile to changes in status quo. An organisation's group members should be thoroughly convinced of the programme's benefit in order to create a positive atmosphere. Other corners of society are gradually convinced as the positive effects become self-evident.

Traditional recruitment vs. innovative recruitment: For quick recruitment, ASA advertises in the national dailies asking the aspirant applicants to

can perform their job independently. For regular guidance a detailed manual is available in each branch office. After a week the newly selected staff are engaged in actual work. Within a week ASA can train 1500 newly selected staff. There is a cost to the experienced staff member, who must take time to time the new employees.

Traditional credit delivery vs. decentralised credit operation: Guidelines for group formation, loan size, repayment amounts, and who will get credit and when, are well documented in the ASA manual. Loan applications and loan approvals are prepared and approved by branch level staff. Fund withdrawal is also carried out by branch level staff, who are co-signatories to the bank account. Credit is disbursed after three months of observation, savings and demonstrated discipline by borrowers.

Simple and standardised bookkeeping, accounting and operations: All units have more or less the same coverage of around 1500 clients. All units have four LOs, one Branch Manager (BM) and one person

scarce. ASA resource management is done by providing a fixed ceiling for spending. Loan funds are also used in a planned manner so that excess funds do not stay idle in the bank account. Surpluses of one branch are transferred to another branch. Every day credit distributions are done so that no funds remain in a non-interest bearing bank account. With one unit of money ASA does the work of two units through a revolving effect due to weekly instalment collection and immediate disbursement. ASA also mobilises savings. After one year one unit of money has done the work of three units. Hence, ASA manages a large number of borrowers with a small amount of funds.

Resource mobilisation: Resource mobilisation depends on successful and cost effective operation. Without exception, very successful MFIs generate both donor grants as well as commercial funds. Neither type of fund is always sufficient to cover borrowers' demands. ASA generates voluntary savings from clients. These small amounts collectively create a large amount. ASA can on-lend the fund to new borrowers: 21 per cent of ASA's total fund is mobilised from savers' deposits. These funds require no time, no application, no bureaucratic decision. Only people's confidence is needed. Safe, convenient and flexible savings services generate more funds for on-lending.

Written manual: All details of operation and management, reporting format etc. are written in a manual so that staff can do day to day work with confidence and without direct supervision from ASA's Head office.

High recovery rate: Staff members know that their salaries come from ASA's income. Hence staff are very sincere and committed to loan recovery.

Achieving cost effectiveness: An ASA branch is managed in such a manner that it can cover its costs at the end of its 7th or 8th month.

There are two types of resources essential for an MFI: (1) Funds, and (2) Knowledge. Acquisition of these resources is sometimes difficult. ASA is trying to solve funding problems in two ways: (1) through efficient and cost-effective operations which help to generate income, loans from commercial sources, or soft credit windows; and (2) through mobilising savings from members.

The second valuable resource, knowledge, is acquired by ASA through learning-by-doing approach. But everyone cannot be an innovator. Here networking needs to play an important role. Arranging for outside exposure to successful institutions, sharing experiences and documents, is helpful so that others can learn how best to scale-up their work sustainably. Exchange visits can be arranged to share best practices.

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# Valentine's Day

## Just how did it come about?

BILLY I AHMED

ONCE upon a time...in ancient Rome, February 14th was a holiday to honour Juno. Juno was the Queen of the Roman gods and goddesses. The Romans also knew her as the goddess of women and marriage. The following day, February 15th, began the 'Feast of Lupercalia' (festival of the wolf) which was one of the 'most important' in Imperial Rome.

For eight hundred years prior to the establishment of Valentine's Day, the Romans had practiced a pagan celebration in mid-February commemorating young men's rite of passage to the god Lupercus. The celebration featured a lottery in which young men would draw the names of teenage girls from a vase. During the festival, the pairs of children danced and played together. The girl assigned to each young man in that manner would be his companion during the remaining year. Often, they would fall in love and would later marry.

In an effort to do away with the pagan festival, Pope Gelasius ordered a slight change in the lottery. Instead of the names of young women, the box would contain the names of saints. Both men and women were allowed to draw from the box, and the game was to emulate the ways of the saint they drew during the rest of the year. Needless to say, many of the young Roman men were not too pleased with the rule changes.

Although the lottery for women had been banned by the church, the mid-February holiday in commemoration of St. Valentine was still used by Roman men to seek the affection of women. It became a tradition for the men to give the ones they admired handwritten messages of affection, containing Valentine's name. This may have been the festival that was later named after the former saint -- Valentine's Day. It all started many centuries ago, during those times when being a Christian was against the law. One of the legends says that a Roman Emperor, Claudius the Second, had forbidden his men to marry. He wanted them to be heartless and fearless soldiers, free of wives and girlfriends. Claudius apparently decreed that no marriages should be celebrated and that all engagements be broken off immediately. But one of the Christian priests didn't obey the Emperor's edict. Like Father Lorenzo in Romeo and Juliet, this priest (whose name was Father Valentine) secretly performed marriages in and around the city of Rome. Found out too long later, Valentine was imprisoned where he languished and died. Legend has it that devoted friends buried him in the church of St. Praxedes on the fourteenth of February, 270 AD.

Father Valentine was a kind and wise person who had a lot of friends. They begged the Emperor to free him and sent letters and flowers to jailed Valentine. Many experts think that these were the first letters and flowers sent on Valentine's Day. Another story says that Valentine was an early Christian in the time when Rome was unfriendly to this upstart religion. For helping some Christian martyrs he was seized, dragged before the prefect of Rome and cast into jail. There he was said to have fallen in love with, and cured the keeper's daughter, Julia, of blindness. When news of this miracle spread, Rome's leaders gave orders that Valentine should be beheaded. The morning of the execution, he is said to have sent Julia a farewell message signed, "From your Valentine."

History tells us the first modern valentines date from the early years of the fifteenth century. The Young French Duc d'Orleans was captured at the battle of Agincourt and kept a prisoner in the Tower of London for a number of years. The duke wrote a series of poems to his wife from captivity. About sixty of them remain. They can be seen among the royal papers in the British Museum.

Flowers as valentines appeared nearly two hundred years later. A daughter of Henry IV of France gave a party in honour of St. Valentine. Each lady received a bouquet of flowers from the man chosen as her valentine. During the Middle Ages, Europeans believed that birds chose their mates each year on February 14. In the 17th century, it's believed that lovers began exchanging mementos on Saint Valentine's Day, perhaps heeding the words of Shakespeare's Hamlet: "Sweetest of the sweet."

During the medieval days of chivalry, the names of English maidens and bachelors were put into the box and drawn out in pairs. Each couple exchanged gifts. The girl became the man's valentine for that year. On his sleeve he wore her name and it was his bounded duty to attend and protect her. Hence the expression, "He wore his heart on his sleeve."

Cupid, another symbol of the holiday, became associated with it because he was the son of Venus, the Roman god of love and beauty. Cupid often appears on Valentine cards. Although today's society is very different from what it was during Valentine's days, the tradition is alive. The old-fashioned love still has a place in our very advanced and a bit crazy century. Deep down in our hearts we are still hoping to find the kind of love that Shakespeare wrote about.....

However the custom of Valentine's Day started, it remains an enduring tradition for in the world to this day. So have a happy Valentine's Day!

Billy I Ahmed is a researcher.

# Another WSF is over...Can we make it relevant to Bangladesh?

FARID BAKHT

A N army of people from over a hundred countries gathered in a dusty, run-down industrial area in northern Mumbai. They say up to 150,000 turned up for WSF4 (fourth in the series). When the organisers came up with the idea of such an event for the first Forum in 2001, they expected 2000 people -- they got 12,000.

If you weren't there, chances are that you will think it was just one big carnival. Lots of people, lots of noise and lots of banners. Rainbow Planet.

One of the common phrases banded around is "celebration of diversity".

Yes, it's true. So many individuals could interact for several days. As a "forum" in the true meaning of the world it has been an outstanding success. And the media has proved visually that the world is indeed diverse. Monoculture of the corporate Western kind isn't all there is. But can we really be in the mood to celebrate?

What's there to celebrate?

Where are the victories? Is all we can show the Cancun WTO trade talks breakdown? That was a delay. They are pressing again. The US and Europe are floating "concessions" trying to divide the Group of 20 poor countries. A battle was won, but the wider economic war of globalisation very much goes on.

And what about Iraq? Early 2003, millions upon millions marched against the impending invasion. But democratically-elected governments ignored their populations and conquered Iraq. It is only because guerillas are belatedly fighting back in a small scale and causing political pain (through body bags), that the operation cannot be declared an overwhelming success. And we have to admit that the resistance has given us heart and reason to continue. Contrast that with how little we are talking about Afghanistan. Do they count for any less than Iraqis?

The anti-war movement was, and is, a big feature of the WSF. When I raised this point about the failure of the movement to decisively manage events, the reply was "at least, it brought all types of people together..... it gave us a buzz..... it lifted us.... the crowds were the biggest in history....."

That's all true. I also got a buzz in the march in Dhaka. I did feel elated in Mumbai being able to participate in so many discussions. But that is part of the process. It's not the end result. Or is the WSF, as many suspect, a cruel diversion where this is all one can expect? Key questions are now being asked:

- Another WSF is over but what do we do now? Can we make it relevant to Bangladesh?
- Is the WSF about bringing people together around the banner of the global justice movement?
- Is it a place for only social movements and NGOs?
- Why are the political parties not being allowed to play a central role?
- How do the WSF and its "leaders" exploit this to end?
- What do they want?
- Can the WSF ever offer leadership?

The Communist Party of India (M) supposedly was a leading organiser of the 6-day meet. But the vast majority of those attending were most certainly not Communists. Moreover, they were not political in the narrow sense. NGOs clearly took centre stage. They funded the event and they set the agenda. Officially the forum cost \$3 million and was mainly funded by Action Aid, Oxfam, a German NGO, and (government) Canadian and Swedish donors! Previously it had been Ford Foundation (I), a conservative US organisation with an influential role in the Cold War.

But if you take into account that the NGOs paid for the travel and accommodation of their people, then the total costs soar ten times to \$20 million at least.

Why do northern NGOs and government institutions want to pay so much money? Do we really believe that they are at the forefront of the war against globalisation? And if you look at previous events, how is it that political parties and groups are not invited, though politicians can come in the personal capacity? How was it that Chavez of Venezuela was not invited in Brazil last year, though he turned up anyway? How is it that the Brazilian politicians can be seen everywhere? Is it because their Workers Party started it?

And what about ATTAC? This is an French based intellectual body which campaigns for a tax on speculative financial activities, otherwise known as the Tobin Tax. But how radical is that really? It sounds so similar to the 1980s version of the Brandt report, where leading European ex-patriates called for increase in aid to poor countries.

In fact, the WSF could be better described as an NGO-social democratic fest. It is not about taking on globalisation, which Seattle of 1999 seemed to be about. It is about providing a human face to globalisation. Reform, not revolution. Improvement, not abolishment of the IMF and World Bank. That's why US economists such as Stiglitz can be a central figure. Why Lula of Brazil can be at the front, even though he didn't come to Mumbai for the WSF, but was there a week later after attending the World Economic Forum in Davos?

The WSF is all about working within the system. And it will continually move to a soft "left to centre" philosophy, while the centre has moved to the right over the last two decades.

Even the World Bank president wanted to come last year. He obviously thought he would be safe. The tactic is then to "fund and divert", water down the messages, steer the majority to local single issues, and prevent this becoming a real challenge to political power.

India has now bid farewell to us and can settle down to the real business of a general election in April. What actually happened over six days?

The noise, music, chants and rallies took place along a couple of roads in the middle of the complex. The bigger seminars/workshops/panel discussions (I never figured out the difference) were in five big halls, with actual attendances of 500 to 10,000. Hundreds of discussions were housed in small tents dotted in four areas. The real action was in these tents where ideas were knocked around. I spent every day walking from talk to talk, tent to tent in three sessions (morning, afternoon and evening). But even then, at the end I realised that I had missed out huge areas that I shouldn't have missed..... health, education, transportation, dalits and minorities, religion, women, garments workers, the WTO.....

So what did I go to? "Geopolitics of War in South Asia", "How to Finance Development without Debt", "Alternatives to Globalisation", "People's Rights", "Privatisation of Water and Power", "The Impact of River-linking in India", "Rice: The Strategic Dimensions in Asia", "Political Parties and Social Movements", "Searching for a Multi-polar World", "Neo-liberalism and the Impoverishment of States", "Beyond Unilateralism -- to World Democracy", "Building a Global Migrants Movement" and "The Agrarian Crisis" and "Hindutva Fascism" (at the Resistance event), A history of protest

In the 1960's, there was Vietnam. In the 1980s, there was Apartheid and Nuclear disarmament. Now it's globalisation and Anti-War.

The track record is disheartening. The war in Vietnam ended because the US military had already lost 50,000 dead and wanted to pull out. It was economically ruinous, leading to the dollar-gold breakdown in 1971. The movement can claim to have increased the costs of involvement but they cannot claim to have stopped the war. Apartheid ended because the White rulers of South Africa decided to quit while they were ahead. They transferred power to a non-threatening group of elder leaders. They knew they would lose a guerilla war and be at the receiving end of a bloodbath. Economically, White South Africa holds the levers of economic power though they have lost their social privileges.

Again, the movement raised the cost of engagement of Western corporations. Nuclear disarmament has happened but has more to do with Gorbachev's financially strapped Soviet Union and its disappearance in 1991. Remanment went upwards during all those noisy protests. And there has been no peace dividend.

The current anti-war movement has failed to stop a colonial era invasion in Mesopotamia (Iraq) and bribe-induced collusion and military operations with warlords in Afghanistan. Bases are mushrooming across Central Asian oil-rich states. Georgia has its "peaceful revolution", very similar to the pattern in Serbia (though it is not yet working in Venezuela). The pipeline can now be built in Georgia to transport gas and oil to the West, avoiding Iran and Russia.

And now we have globalisation

It is not in terminal decline, though the pace may have slowed down. Given the fantastic scale of the project, the beneficiaries in Davos don't believe they are in any crisis.

A setback here and there hasn't changed the seemingly inexorable drive for new markets in almost every sector.

But there may be some light. The WSF has succeeded in challenging the moral legitimacy of globalisation. It is an important strategic step. It is vital to fight the moral war. But it's not enough. The same could have been said for all the issues discussed above. We have to move beyond that.

A popularly-understood alternative needs to be believed by citizens. TINA (There Is No Alternative) is no longer accepted by increasing numbers of people but very

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few of us can actually what we really want. Having said that, the corporate media are intentionally misguiding everyone when they parrot "We know what they are against, we don't know what they're for". In fact, the opposite is true. Read the WSF programme schedule. They were talking about all kinds of subjects under the sun. In certain sectors, there are suggested policies and solutions on the most obscure subject.

The problem is that they are about single issues or that they don't really don't go far enough to make a difference.

Where now? We can theorise and strategise for many more Forums. Already there is dissent. This became clear when some exasperated leading lights asked for blueprints, ways forward and concrete action plans.

They say the WTO is like a bicycle. You have to keep it in motion or it will fall over. Well, the same can be said about the WSF. Keep it like this and the big Northern NGOs will completely gobble it up, strangle it and reduce it to annual funding round for small southern NGOs.

This year, Chomsky, Mandela, Klein and progressive political leaders failed to attend. China and East Asia barely figured even though the prize for the most colourful group must go to those vociferous Japanese anti-war protesters. Africa almost didn't exist.

Tibet and Falan Gong were "Chinese" representatives - missing out one billion people. It again reinforced the notion that this was an alliance of Euro-South American intellectuals and northern NGOs. However one admires them for their writing, Stiglitz, Samir Amin and Walden Bellow cannot be regarded as leaders in the wider arena.

Only Arundhati Roy had the ability to project a profile but even she has no political base. At the opening session, she

made a call to "take down two multinationals" involved in Iraq. The crowd supported it but by the end of the week, there was no common position or statement by the unselected WSF "leaders". Of course, they keep saying they are not an organisation and that there are no leaders and it's all about networks of horizontal links between people etc. etc. But don't believe all that mumbo-jumbo.

The strategic factor is now: how will social movements and political parties interact? The session I attended on this very subject was deeply disappointing. Beyond a few phrases such as "we need a new politics," there was no vision. No road map. This is the crucial area on which we should focus. We need to cut down on the number of discussions and subject areas and concentrate on this.

How do we become relevant? How do we make these discussions and therefore ideas concrete and under-

"the need for unity", "fight to rid ourselves of corruption", and "combating the dire law and order situation", no major political entity has offered the public an inspiring vision on how to transform the country. In fact, they clearly represent the view and agenda of the foreign aid consortium. In other words, old wine in new bottles.

People are fed up with the status quo but at the same time they do not hold much hope. They have had their bellyful of 15-point, 11-point, and one-point ultimatums. Without paying money, large rallies can no longer be held. The credibility of the main political parties is at an all-time low. But what will come in their place? There IS a space. A GAP. Can some of the more radical ideas raised in the World Social Forum plug this gap? In short, yes it could.

But, of course, as we have now read and heard.... the WSF is not a political organisation. It has no one agreed ideology and is in danger of being co-opted completely by safe, non-threatening slogans and posturing. It meets once a year, then 'disappears' until the next event.

So can the WSF become relevant? Bangladesh, like many developing countries, has been ruled by people who believe in TINA (there is no alternative). The nominal leaders simply follow the instructions of the World Bank-led donor group. The Poverty Reduction Strategy Paper (PRSP) is central to government policy. There is absolutely no move to self-reliance. The leadership of the main political parties indulge their followers with the fruits from the aid tree.

We may not agree with the dubious methodology of Transparency International's so-called research, but we cannot doubt that this country's administration is very corrupt. And critically, AID feeds this corruption.

The International Financial Institutions (IFIs) are forcing through the same policies throughout the world. Therefore, the response cannot be limited to one nation. Similar problems lead to similar solutions. Movements should compare experiences and fine-tune their strategies to their specific localities and region. Simultaneously, they can support each other through actions of solidarity. The great debates and ideas generated by the World Social Forum offer the semblance of alternatives.

Despite the health warnings above that the WSF is not "the real thing", if it can be used properly, it can be a place to start from. We need to begin somewhere.

Let's begin with the idea that "another world is possible" and try and translate it into a social and political platform, specific to Bangladesh.

The first stage is to win the intellectual battle. The middle class and opinion formers need to be convinced that the policies followed by our governments perpetuate our poverty. They need to agree that the World Bank-IMF-WTO globalisation prescription must be rejected. There is no compromise -- no half-way house. From that negative stand-point, they need to be offered a positive vision of success stories throughout the South, whether they be Kerala education, Japanese planning of the 1960's, South Korean industrialisation, Cuban health services, Malaysian fixed-rate exchange regime and genuine "Look East" policy, Scandinavian welfare programmes, Chinese agricultural pricing (post 1978) and aspects of Brazil's local government initiatives.

The opposition to the donor paradigm must produce coherent policy built around the following components:

- Financial support to farmers via fair prices for their grain output to build up a domestic economy
- Financial incentives and support for rural industrialisation building on this rise in rural purchasing power
- Ecologically friendly agriculture in tune with historical practices to reduce environmental stress and damage and actually raise output
- Investment in light industries to create jobs
- Public sector leadership in essential sectors such as gas exploration and power generation and water infrastructure
- Water management for irrigation and transportation (working with our great waterways and not against them as now)
- Basic education and training to create a literate skilled workforce, ready to work in industry

- Immediately tackle relatively easily curable diseases and set up a low cost health system. Focus to be on mothers and children and quickly raise physical productivity
- Mobilise resources from domestic sources (by cutting on prestige projects and raising duties on luxury consumer imports) and properly using the high level of remittances from our migrants abroad. This will replace aid dependency since we already receive three times more from our Diaspora abroad than aid (aid with instructions).
- Message compatible to progressive Islamic culture and therefore acceptable to rural people and acting as a counter to excuses for communalism

The second stage is to promote this message to old and new political groups and parties to force a new agenda through. This needs a coalition of movements prepared to ditch rivalry and unite on this broad political platform. This will be particularly difficult given the 'prima donnas' in this field but this is necessary and some of the well-known front men and women will have to move aside.

Moreover, many professionals and small business associations must be part of this process along with the progressive groups and sincere unions. The former have to believe they have a stake in this future vision. Old-style worker-owner confrontations have failed and people are not willing to participate in the tired ideological battles.

The third stage is to channel time and effort on a few strategic issues and apply serious sustained pressure. This will help bring social movements and some political groups and parties to work together. For example, the main relevant issues to help build this movement and at the same time focus attention are:

- How to use our natural gas reserves for industrialisation and power generation instead of as a raw material export to India via a pipeline
- Uniting against the river-linking project in India and offering a way of using our present water resources more effectively
- aving our rural economy, particularly farmers and setting up significant procurement funds for paying farmers
- Sustainable job creation in light industries (both private and public)

The fourth stage is truly democratic political power. However many meetings and forums are conducted, however many miles of newspaper is written, there will be no progress unless those who want change possess power. Seminar power is irrelevant. Street power only goes so far. New leaders must be in a position of power to implement new policies. Otherwise, there is no meaning. Looking from the perspective of Mumbai last January, one can see a rich history of movements on all kinds of issues. The international reach and participation of the WSF means that information, experience and support are available. The WSF is all about taking a global look at our future but it is not an answer in itself.

To be effective in Bangladesh, the traditional politics of nationalism must be couched within the ideals of the Global Justice Movement.

Immediate steps: Several hundred participants from Bangladesh, either as individuals or representing organisations went to Mumbai. They have returned, some wiser, some baffled. They have to decide just how far they want to go. Half will fall by the wayside. But for the rest, to have any meaning, they should start a dialogue between social movements, labour organisations, environmental groups, national coalitions, left-leaning intellectuals, small business associations, individual leading lights and our Diaspora abroad. The aim should be to arrive at a primary level understanding sufficient to agree on a common platform. Can this be done before the next Forum? It's possible.

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