

Microcredit Special

As a four-day (16–19 February) Asia-Pacific Region Microcredit Summit is being held in Dhaka, 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 conclusion of the summit.

Orthodoxy regarding the successful microcredit programmes

PANKAJ S. JAIN

WITH the exemplary success of Grameen in Bangladesh, and programmes like SEWA in India, BRI in Indonesia, K-REP in Kenya, and Banco-sol in Bolivia, the microcredit has been recognised as a poor/women friendly development intervention. The 1997 Microcredit Summit attempted to get the commitment of various multilateral institutions, NGOs and governments to the goal of bringing 100 million poor families under microcredit. An important challenge facing microcredit movement is to learn how to make such programmes expand fast, while still maintaining the current performance and future expectations according to desired norms.

The expansions of successful micro-credit programmes have attracted widespread research attention. This has generated a consensus that takes following factors to be the sine qua non of successful microcredit programmes. (Adams, 1992; Rhyne and Rotblott, 1994, Jain, 1996; Hulme and Mosley, 1996).

Building local people's organisation: The local organisation of borrowers is believed to play a critical role in approving the loans and ensuring recoveries. This forum helps the members to pool the information that they have regarding each other when making credit decisions. This reduces information asymmetry, a major cause of high default of small credit. The local organisation is also expected to become the centre of various development activities that are promoted by the credit programme.

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Most successful credit programmes have developed elaborate mechanisms and processes for the development of local organisation of their members. It typically involves careful selection of members from similar socio-economic category, and their training and conscientisation. members learn to behave as a group and follow group norms, before being considered eligible for a loan. A significant part of the training of credit programme functionaries, and a major part of initial time spent by them with the borrower members is devoted to this aspect.

cesses for the development of local organisation of their members. It typically involves careful selection of members from similar socio-economic category, and their training and conscientisation. Most credit programmes keep a considerable gap between the starting of a local group/ organisation and issuance of the first loan to the members. This is to ensure that the mem-

bers learn to behave as a group and follow group norms, before being considered eligible for a loan. A significant part of the training of credit programme functionaries, and a major part of initial time spent by them with the borrower members is devoted to this aspect.

Self-management and participation by the borrower mem-

Group guarantee as social collateral: The borrowers of microcredit programmes are typically poor people with few assets that could be treated as collateral. It has become a standard practice to obtain joint group guarantee of the repayment of the loan by individual borrowers. To institutionalise this arrangement, the borrowers are organised in small groups, e.g., five members in Grameen Bank, and group guarantee is obtained jointly from all members.

Matching credit policy with members' economic and financial credit needs: It has been argued that what the poor want is an easily accessible, reliable and suitably designed package of financial services, and not necessarily subsidised credit (Adams, Graham and Von Pischke, 1984). It is also recognised that effective and productive use of credit is linked to matching credit with the specific needs of borrower's enterprise. Successful microcredit programmes are expected to study the micro-enterprises of the borrower members to ascertain the exact nature of their credit needs, and design the credit package accordingly (Susan and Rogaly, 1997).

Linkages with overall development activities: Recognising that poverty is an outcome of many inter-linked factors that requires multi-dimensional response, successful credit programmes have attempted to promote different packages of development actions that go beyond the prudent and economic

use of credit.

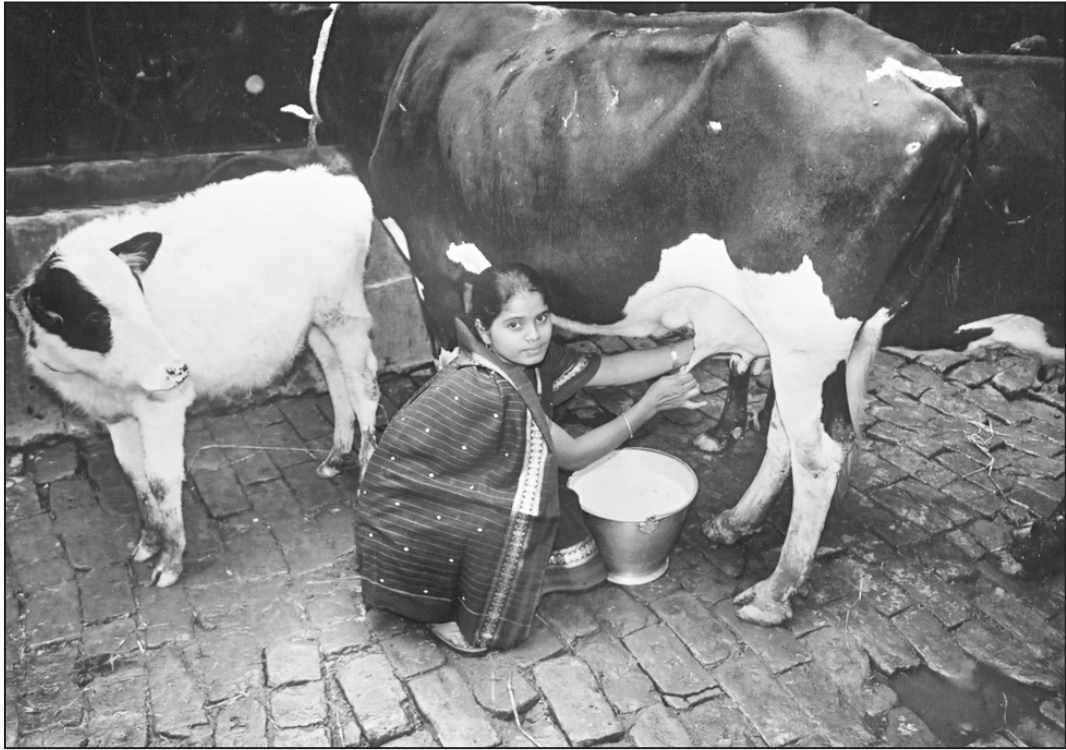
Setting up of a local open platform for transparency in credit transactions

A large microcredit programme requires a large number of borrowers and field functionaries to behave as per stipulated norms. Further, the compliance with the norm should take place as a matter of routine, with built-in control mechanisms, and not through organisationally enforced or supervisory pressure, whose cost keeps rising if activated often.

Lessons for scaling up

Expansion and growth has been an important concern for the managers and analysts of development programmes for some time. The seminal paper of Korten (Korten, 1980), that saw programme implementation as a learning process and programme expansion as the sequence of model building and its replication, has been the dominant analytical framework in this domain. Korten's views have informed the views of most other scholars and practitioners, who analysed the development programmes and their growth (Paul, 1982; Abed, 1986; Uvin, 1995). Although later on Uvin (Op cit.) had interpreted the term scaling up more widely to incorporate various methods to enhance the impact of a programme, including influencing others to adopt similar programmes and integration of related programmes, the internal growth of a programme was still seen through the model-building and replication framework suggested by Korten.

Pankaj S Jain is an independent Indian researcher and development consultant.



Dairy farming with microcredit: ASA Mohammedpur branch

Gaddafi's tryst with the US?

A.H. JAFFOR ULLAH

GADDAFI is a seasoned ruler of Libya who is known all over the world for his mercurial personality. In younger days in the 70s and 80s, he was combative and his speech was full of fury and polemics. However, lately the shrewd politician is showing signs of old age. His latest move vis-à-vis his tortuous relationship with the West in the immediate past has puzzled most Gaddafi watchers. Just in the last year, he has metamorphosed into a docile person. Gone are the vitriolic criticisms of the West. He has settled all his scores with the West concerning the ill-fated Pan Am flight 103 that was downed over Lockerbie, Scotland in December 1988 by Libyan agents. His country agreed to pay the punitive damages to the family members of passengers who were killed in that mid air blast. Gaddafi again surprised his critics by agreeing to dismantle Libya's nuclear weaponry programme. He went so far as to ask America to take materials from his bomb-making factory. Very recently radioactive compounds, most likely weapon-grade uranium, were hauled by transport planes to Oakridge, Tennessee. The gesture of becoming a good guy in the eyes of the West has brought condemnation from Arab world and elsewhere, but Col. Gaddafi is unperturbed. All indications are that he wants to be viewed by the West as a docile person who had renounced all forms of violence. This is very uncharacteristic of him. Nonetheless, that is what he has done.

Unbeknownst to most Gaddafi watchers, his 31-year old son Seif al-Islam Gaddafi and who is rumoured their apparent to the dictator believes his father has cut a very good deal with the West. In a recent interview given to Carla Anne Robbins of WSJ in Tripoli Seif Gaddafi said, "It's a package deal. They have to reward us in order to make us an example." What he meant by this is Libya can play a role model for the radical transformation of a rogue nation to become a law-abiding country in the comity of nations. The bigger question however is whether Iran, Syria, and North Korea would follow Libya's example.

The Bush Administration is wary of hugging Col. Gaddafi, especially in an election year for the fear that Sen. Kerry of Massachusetts, who in all probability would run against Mr. Bush this coming fall, might criticise the incumbent president for hobnob-

bing with an unpredictable dictator. We however know for sure that Mr. Bush will take all the credit for Col. Gaddafi's recent transformation in the post 9-11 days from a hawk to a sheep. Mr. Bush may say that his "get-tough-policy" with the rogue nations and his war efforts against Mullah Omar's regime and Saddam did bring this unexpected result. We already hear that sentiment when Mr. Bush proclaimed on February 11, 2004, "Col. Gaddafi made the right decision, and the world will be safer once his commitment is fulfilled. We expect other regimes to follow his examples." As the campaign for White House moves into high gear after Labour Day, Mr. Bush will cite the example of Col. Gaddafi's transformation over and over to score a point for his highhandedness policy vis-à-vis rogue nations. Sen. Kerry may cite the Dr. Qadeer Khan fiasco relating to the sale of nuclear technology and Mr. Bush

the West. Thus, Libya's oil revenue was squandered by the regime just to feed the population (a reminiscence of Saddam's policy to remain popular amongst his people). The country did not make progress in agricultural sector even though Col. Gaddafi's polemics filled the pages of his famous "Green Book." Under this dire backdrop, Libya has produced a new crop of citizens who received training in the West and who has embraced private enterprise. These "New Libyans" have guided Col. Gaddafi to embrace globalisation, free market economy, membership in the WTO. They do not want to see Libya remains a pariah state. On top of this, Libya's emerging middle class has become frustrated with their leader's policy to turn the economy into stagnation. Libya could have easily used her oil revenue to build the nation. But under the terrible spectre of being a rogue state, which actively

incidents, Col. Gaddafi saw the proverbial "light" for the very first time. In August 2003, Libya accepted responsibility for the downing of Pan Am 103 and agreed to pay compensation to victims' families. In a surprising move in December 2003, Libya agreed to disclose and destroy its nuclear and chemical weapons programmes. In January 2004, the U.S. removed from Libyan nuclear plans and the first shipment of nuclear related equipment and materials were flown to Oakridge, Tennessee, USA.

In the meantime, the new generation of Libyans heave a sigh of relief knowing that Col. Gaddafi has changed his mind vis-à-vis his support for global terrorism. Gaddafi's son Seif quipped, "Now, finally we are catching up with the times." Seif Gaddafi is a pragmatic young man who is a doctoral student in global governance at the prestigious LSE in Britain. Even

organisations all over the globe. This action of Gaddafi brought condemnation from many western nations. The Reagan Administration banned the importation of crude oil from Libya.

In 1986, the U.S. warplanes bombed Tripoli and Benghazi in retaliation to terrorist bombing of a Berlin discotheque. In the aerial bombing raid, 40 Libyans were killed. It was rumored at the time that Gaddafi's own daughter was killed in the bombing. Two years later in December 1988, a passenger jetliner belonging to Pan Am was downed in Scotland. The Libyan connection was established immediately. After 16 years of the downing of Pan Am jetliner, now Libya has accepted the guilt. They will be shelling out about 2.7 billion dollars compensation to the relatives of Lockerbie victims. After the U.S. had occupied both Afghanistan and Iraq in a move to weed out global terrorism, the Libyan

Libya's unemployment rate is as high as 30 per cent. With oil prices down and corruption among government officials heading up, Libyans are having their doubts for a bright prospect for their future generation. By late 1990s, Col. Gaddafi also felt that he had enough with his social and political experimentations. He severed his ties with terrorist groups. After 9-11 incident Col. Gaddafi denounced the attack on America by al-Qaeda terrorists. Two years ago in spring 1999, Libya's intelligence chief reportedly approached U.S. officials offering to share information on al-Qaeda.

The Europeans are now looking at Libya from a different angle. The British PM, Tony Blair, would soon meet a reformed Col. Gaddafi. As I alluded to earlier, the 9-11 terrorist attacks and the impending war in Afghanistan and Iraq had changed Gaddafi's mind; he is now serious about making peace with the U.S. Col. Gaddafi is a reformed leader now. Therefore, many U.S. lawmakers think that Libya should be rewarded so that Gaddafi continues to tread the new path. In the first week of February 2004, the U.S. Assistant Secretary of State, Mr. William Burns, met with Libya's intelligence chief and two senior Libyan diplomats in London to talk about the upcoming dismantling of weapon-developing plans that Gaddafi regime has taken up. The U.S. now wants to set up a diplomatic office in Tripoli. They are asking the Libyans to do the same in Washington D.C. The U.S. oil companies who had presence in Libyan will be allowed to renew contracts. All indications are that the bilateral relationship between the U.S. and Libya is going to improve in the coming days.

In summary, the mercurial leader of Libya, Col. Gaddafi, has seen the "light" finally. He now wants to mend the fence with the Americans. To improve his country's relationship with the U.S., he has changed his long-held policy to abet terrorist organisations. Libya is now going to pay \$ 2.7 billion compensation to the families of Lockerbie plane disaster. Col. Gaddafi is also dismantling the weapons development plan in Libya. All indications are that a sea change in attitude has taken place in Gaddafi. Had Saddam has this foresight perhaps there won't be any Iraq War in March 2003.

Dr. A.H. Jaffor Ullah, a researcher, stays in New Orleans, USA.

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not reprimanding Gen. Pervez Musharraf. Stay tuned. This year's presidential campaign is going to turn pretty nasty in the coming fall.

Many experts think that after all these years Col. Gaddafi blinked because he saw what did happen to Saddam Hussein. Come to think of it, Gaddafi is a tad smarter than Saddam. He wanted to be in the catbird seat in Tripoli. This was the way he could cajole the Bush Administration. His timing was just absolutely right. In an election year, Mr. Bush may use Gaddafi's transformation from being a rogue ruler to a law-abiding citizen of the world far too many times. In the meantime, Libyans can relax now. The U.S. planes are not about to fly over Tripoli delivering powerful 'Daisy-cutter' bombs. All Gaddafi could care is preservation of his power. Thus, what other leaders or clerics say about his kowtowing with Mr. Bush hardly matters to him.

Gaddafi's son Seif and many more Libyans like him tend to think that the West does not care much about the reasons why Col. Gaddafi decided to become a lamb at this juncture. First, the erratic socialist regime Col. Gaddafi heads could not produce any discernible change in Libya's economy. Add to this the last two decades sanctions imposed by

supported global terrorism, the oil revenue was wasted. The nation could not make headway to progress.

The Libyan leader is now 62 years of age. He deposed King Idris in a bloodless coup in 1969 when he was only 27 year old and a junior officer, only Captain, in Libyan army. During 1973 through 1977, he banned all private enterprises and ostensibly transferred power to local people's committee. He also compiled his famous "Green Book," which was filled with his quotable quotes a la Mao Tse-tung's "Red Book." Through 1981-1986, Gaddafi championed global terrorism by aiding various terrorist organisations. In retaliation to his activities to promote terrorism the U.S. banned travel, trade, and investment in Libya. The U.S. plane even bombed Gaddafi's tent barely missing him in those raids. During 1992-1993, the U.N. imposed sanctions against Libya over two suspected mastermind of the Pan Am bombing in December 1988. Realising that the West has evidences implicating the two Libyan suspects in 1988 blasting of the Pan Am jetliner in Scotland, Gaddafi ordered handing over the two Libyan intelligence officers.

The U.N. revoked its sanctions against Libya but the U.S. policy remained the same. After 9-11

though Mr. Seif Gaddafi has no official role, nonetheless he represents the newer generation of Libyans who want to see the oil-rich nation embark onto modernisation a la western style.

Many reforms are now taking place in Libya. In mid 1970s, Col. Gaddafi had proclaimed, "land is the private property of none" (source: Gaddafi's Green Book). But now private ownership to land, state-owned companies including cement, shoe, soft-drink bottling companies, banks, and possibly part of the giant oil companies -- all will be in the auction block. The government has embraced an aggressive privatisation plan.

Col. Gaddafi's mercurial temperament had made him a legend in Muslim world. The first thing he did after deposing King Idris in 1969 was to promote him from the lowly rank of Captain to Colonel. He then abolished the Latin alphabet from street signs. By the mid 1970s, he was promoting his own ideology, which he dubbed as "The Third Universal Theory." Earlier he tried to float a new "Pan Arab Union" only to promote him as the supreme Arab leader. The plan went awry because Egypt's Anwar El-Sadat and other Arab leaders thought Gaddafi was merely a crackpot. Gaddafi then turned his attention to terrorist

strongman has seen the divine light. Outwardly, he could be deemed as a madcap despot but internally he is a terrified man. He has blinked now. He wants to save his face and his country from the wrath of Uncle Sam.

There are telltale signs in Libya that Col. Gaddafi's grip on power is slipping fast. Even though his giant size portraits -- in military uniform and Arab robes -- still grace the offices, shops, and street corners, but hardly anyone talks about him. This was reported in western newspapers. There is hardly any democracy in Libya. People are afraid to talk about Col. Gaddafi in public. In late 2001, Col. Gaddafi decided to usher in free market in Libya but as far as political reform is concerned, he steadfastly refuses to give green light to liberalise the political system in this oil-rich nation. By African standard, Libya is a rich country with oil revenue of \$13 billion. Gaddafi's government provides food subsidies to all Libyans. Thus, he buys off dissent with food subsidies. Iraq's deposed leader Saddam Hussein also followed the same practice. However, lately, the oil production in Libya has faltered and economic activity inside the country is at best stagnant. Some economists think that

Adversaries draw a battle line at the beef-front

CLOSEUP JAPAN

Removal of beef dishes across the country continues as consumers are becoming increasingly worried about the safety of beef products, dealing a serious blow to a group of restaurant chains that have depended heavily on cheap imported beef products for many of their popular dishes. Japan's own brand name meat items like Kobe Beef or Matsuzaka Beef no doubt carry the weight of their big names internationally, but they remain beyond the reach of ordinary consumers.

MONZURUL HUQ writes from Tokyo

BY sending troops to Iraq with the declared purpose of helping country's reconstruction effort, Japan has recently become a willing partner of the United States at a battlefield turning increasingly risky. There is a common belief among many Japan watchers that the US-Japan cooperation in Iraqi war zone is more to do with country's oil resources than easing sufferings of the Iraqis, as both are in need of an uninterrupted flow of Middle-Eastern oil for keeping their economic machine running without any hindrance. As the eventual target and objectives of the missions of two countries are more or less similar, hence there is a need for coordinating the activities on the ground to avoid any confusion that might otherwise stand as a barrier in achieving the goal.

This understanding and cooperation between world's two economic giants at an odd place far away from their own territories, however, might give a wrong signal about the nature of overall bilateral relations between Tokyo and Washington. Japan and the United States do not necessarily belong to the same side in each and every dispute that the complexity of diplomacy is trying to find solutions for. As in the case of Iraq, the two countries might be helping each other at one particular front of an all out war that has been waged at different fronts at a time. But at the trading and commercial front, the cordial atmosphere of understanding has long been replaced by a tense situation in which each has periodically expressed concern about the motive of the other, and in times even resorted to threats and counter threats. This is exactly what is happening now at the beef-front, where the two countries are at a loggerhead over the issue of Japanese ban on import of beef from the United States.

About 30 percent of all beef consumed in Japan comes from the United States. This small statistical figure is enough to give a clear indication about the importance of Japanese market for American beef. As any radical shift in that market can have serious repercussions on beef producers, US farming lobby, therefore, has always kept an eye on Japan to avoid any such undesirable consequence. But the problem that US beef producers are facing now has originated not from Tokyo's willingness to look for an alternative market source, but from the hygienic condition of cattle in US farms.

As a second US cow was detected recently of carrying the virus of the deadly disease Bovine Spongiform Encephalopathy (BSE), commonly known as Mad Cow Disease, Japan has become convinced that the decision Tokyo had taken hurriedly in December last year to impose a temporary ban on import of beef from the United States was a correct one. The first US BSE case was confirmed in December and Japanese decision of imposing ban on the import of US meat products came into effect immediately after that. The Japanese decision, no doubt, has been considered a serious blow to US beef producers and they approached the government to take up the issue at bilateral trade negotiations.

One of the long arms of US farming lobby has always been the office of the Trade Representative, which, in the name of free market trading practices, has always come forward to protect the rights of country's farming lobby by whatever means possible. The beef controversy with Japan too has provoked

the office to draw a new battle line and the Trade Representative of the Bush administration, Robert Zoellick, has asked Japan to revoke the decision and restart the import of beef from the United States. The US government is claiming that in both the cases the detected cows came from Canada and cattle raised in US farms are safe enough for consumption. Moreover, the US side also claims that the testing conducted on US beef is scientific enough to ensure the safety of products. But Japan is not convinced and is demanding that the United States test all cattle for BSE or take similar measures for lifting the ban.

US Trade Representative was in Tokyo last week to coordinate a policy to revive the stalled WTO talks. But the beef situation has diverted his attention and Japanese import ban became the key topic of his discussions in Tokyo. After meeting Japanese leaders including Foreign Minister Yoriko Kawaguchi, Zoellick told a news conference in Tokyo that Washington would discuss possible measures to reopen the market after assessing a review by an international panel commissioned by the US Agriculture Department. He also said he was confident US beef products were safe. But the Japanese side remains skeptical about the safety of US beef products and has reiterated its earlier demand that all US cattle be tested for BSE before imports can be resumed. Washington is rejecting that costly option, claiming it is doing enough to ensure the safety of its cattle for human consumption.

Japanese government was unmoved by the announcement and Prime Minister Junichiro Koizumi rejected the idea of resuming US beef import by saying that Japan will continue to ban the product if the US government doesn't take the same precautions as Japan. Chief Cabinet Secretary Yasuo Fukuda, on the other hand, has cast doubt on Washington's finding by saying that the US Agriculture Department survey doesn't guarantee that all US cattle are safe.

An immediate breakthrough looks increasingly unlikely, as two countries continue to disagree on what safeguard are needed to lift the ban. The Japanese government is worried that resuming imports without comprehensive testing would be seen as a sign of weakness and opposition parties might take up the matter in election campaign to gain public sympathy before the July Upper House election. With the election looming, the ruling coalition is unlikely to change radically its position, despite the fact that no other country has followed mandatory testing of all cattle currently being practiced in Japan. The European Union, for example, only requires that cattle 30 months or older be examined. Younger cattle are distributed for consumption without test.

Meanwhile, removal of beef dishes across the country continues as consumers are becoming increasingly worried about the safety of beef products, dealing a serious blow to a group of restaurant chains that have depended heavily on cheap imported beef products for many of their popular dishes. Japan's own brand name meat items like Kobe Beef or Matsuzaka Beef no doubt carry the weight of their big names internationally, but they remain beyond the reach of ordinary consumers, who have always depended on imported cheap beef as the main source of their regular protein intake.

