

Diatribes against NGOs

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FINANCE Minister M Saifur Rahman, speaking in the Parliament on 4 March in response to a member's question, out-performed himself in attacking NGOs. The veteran Finance Minister has a reputation for plain speaking. Some of his jabs, delivered in his inimitable way, may be judged as unfair to those at the receiving end, but the public mostly appreciated it. He was seen to be speaking for the public interest. Public interest was not the foremost concern this time.

The burden of the Finance Minister's colourful language, gleaned from press reports, is that the non-governmental development organisations (NGOs) in Bangladesh are flaunting poverty of the people to donors to attract funds, using these funds to enrich themselves by charging usurious interest rates in the micro-credit programmes they manage. Look at their multi-storied skyscrapers like the Rockefeller centre, their banks and their business enterprises. They educate a few poor children and take all credit, as if the government is doing nothing with its 100,000 schools. The government has also distributed small credits worth Taka two thousand crore.

"If poverty disappears, NGOs would be out of business," the Minister informed the Parliament. He said that the government has put in Taka 100 crore to create a foundation for small NGOs in order "to force NGOs to reduce their interest rates."

The honourable Finance Minister's statement is disingenuous and ill-informed; and coming from the most authoritative official source as a statement in the Parliament, is dangerous. It is dangerous, because the Minister's statement is more an expression of attitude and probably a political position, than a representation of facts.

It is difficult to offer a rebuttal to expressions of attitudes and mindsets. A few points, however, should be noted. The high "interest rates" for micro-credit have been a topic of much discussion in the Asian Regional Micro-Credit Summit held last month in Dhaka. It was evident that the "interest rate" included service charges for reaching out and

giving out information and advice to the beneficiaries and not just interest as charged by a commercial bank, who cannot and do not serve the poor. There were ideas debated about how interest rates for the poor can be reduced through government credit policies and cooperation between government and micro-credit providers.

There is no dispute that micro-credit has made a difference in the lives of the poor in Bangladesh and elsewhere. It has now become, thanks to the pioneering work done in Bangladesh, an accepted strategy, in combination with other

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macro-economic and governance strategies, for fighting poverty. The micro-credit model developed in Bangladesh, now applauded and being replicated worldwide, has become an international movement, and has projected a positive image of Bangladesh.

A large part of the small-credit that the Minister took credit for as the government's work, has been distributed in collaboration with the NGOs, with capital channelled through the Palli Karma Shahayak Foundation (PKSF). The PKSF has been an effective mechanism for making available micro-credit funds to NGOs. It is a good example of government promoting and using NGO capabilities for fighting poverty. In fact, the proposal for the new foundation for small NGOs that

the Minister mentioned came from the NGO community.

Most NGOs also have activities in education, health, sanitation and skill development. They are looking for ways to become self-reliant for carrying out their development activities, rather than being totally dependent on overseas donor grants. Hence, various entrepreneurial activities of NGOs. These business activities support backward and forward linkages for livelihood and small credit operations of NGOs. Business activities of well-established NGOs also help to set ethical and public interest standards in business, because they pay their VTAs and other taxes and do not dodge laws and rules.

The Finance Minister's statement in the Parliament raises at least two serious policy questions about the government's real intentions about NGOs and its strategy for poverty reduction. The questions assume a special significance because of the diabolical law about controlling NGOs placed in the Parliament by the government last month, which was withdrawn (or postponed, as it was officially stated) in the face of public and media outcry.

1. Does the government really see an important role for NGOs in poverty alleviation and development activities, complementing and cooperating with public sector activities, without subjecting NGOs to bureaucratic control at every step and making them answerable to government functionaries at various levels for their work?

2. Has the government retreated from its official Interim Poverty Reduction Strategy "to involve the NGOs/CBOs into a permanent collaborative framework with the government in all spheres of poverty and vulnerability reduction ... not limited, as at present, to the traditional roles of delivery agents in the sphere of micro-credit and safety net"?

The statement in the Parliament, especially when it is by the Finance Minister, casts grave doubts about the real intention of the government regarding NGO development activities.

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Outsourcing jobs will be an important issue in the US presidential campaign

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EXIT polls from the Democratic primaries held last Tuesday (March 2) show that that the U.S. economy, not the War on Terrorism, is the big issue on voters' minds this election season. So will George Bush, Jr. be able to convince the majority of the American electorate that he has turned the economy around and that their lives will get better under a Republican, not a Democratic, administration. Or will his Democratic challenger John F. Kerry convince voters that Bush's economic policies favour the rich and will fail to jumpstart the economy?

Important to this debate over the economy is an issue that Kerry will try to exploit and Bush will try to deflate. The issue is called "outsourcing" or "off shoring," and it involves the continuing loss of American jobs to Third World countries, including those in South Asia.

Initially, the job losses were mostly in manufacturing. In my home state of South Carolina and neighbouring North Carolina, for instance, at least 200,000 manufacturing jobs have disappeared since Bush took office. Nationally, the U.S. lost one out of six manufacturing jobs between July 2000 and October 2003, according to the National Association of Manufacturers. As the outsourcing trend emerged, the threat of outsourcing didn't really bother the higher paid, white collar American workers, who largely bought the argument pushed by the country's power elite that free trade on the whole has been good for the consumer and for the country. The workers losing their jobs were unskilled and overpaid and to stay competitive in the age of

INSIDE AMERICA

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globalisation American companies had to move to countries where labour was cheaper. Or so went the justification.

Free trade proponents ignored the fact that as the pace of globalisation accelerates U.S. salaries have actually been dropping. For instance, between 1979 and 1995, the medium salary of the U.S. worker dropped from \$25,896 to \$24,700.

Meanwhile, during the same period, America's rich were getting richer. The top one percent of U.S. families had an increase in income of 78 percent, and the American wage gap between a typical CEO and a typical worker had grown from 40 to 190 times in size.

Most American blue collar workers have always been suspicious of free trade and its so called "benefits." But now they are being joined by a growing number of higher income American workers who worry that their white-collar counterparts in countries such as China and India will take their jobs.

A comprehensive survey released last month (February) revealed that between 1999 and 2004 support for free trade fell in most income groups, dropping most dramatically among

higher income respondents. More specifically, the poll revealed that, among Americans making more than \$100,000 annually, support for the idea that the U.S. should have more free trade dropped from 57 to 28 percent. Moreover, the poll showed that among workers making more than \$100,000, the percentage of those wanting the U.S. to move towards more free trade stopped or slowed altogether doubled from 17 to 33 percent.

The shift in attitude toward free trade can be understood by examining the outsourcing trend. Historically, U.S. companies and free trade advocates had been successful in downplaying concerns about what free trade would do to American jobs. Only non-essential core functions - that is, those functions involving non-skilled workers - would be outsourced, they assured. But today outsourcing means that jobs of white collar professions such as marketing, information technology, product design, and human and customer relations, are also going overseas.

In an op-ed piece in U.S.A Today, the U.S.' biggest circulating newspaper, Alan M. Webber noted that Americans are starting to hear a new

term: "reverse brain drain." It suggests, Webber said, "that the U.S. is pursuing government and private sector policies that over the long run, could lead to a significant shift in the world's balance of power."

In these insecure economic times in America fear can spread rapidly, and this had made outsourcing an important -- and potentially politically explosive -- issue. The politicians have been scrambling to react. For instance, lawmakers in 15 states are proposing legislation to stem the loss of white collar jobs to lower-wage countries that ranges from imposing a total ban on state agencies sending workers abroad to banning call centres on state contracts.

In 2003, computer programmers in India helped revamp my state's unemployment tax system, but that didn't impress South Carolina lawmakers, such as David Wilkins, the powerful Speaker of the state's House of Representatives. "This is state taxpayer dollars going overseas versus going to the pocketbooks of South Carolina residents," Wilkins complained.

Outsourcing is an issue that won't disappear this election year. Bush's rosy predictions about job growth

hasn't impressed many American workers I've talked with. Many are worried about not only losing their jobs, but also not finding new ones that pay enough to sustain their comfortable lifestyles and provide them with health insurance that can protect against devastating medical illness. They know that many of the jobs that Bush boasts will be in coming months will be in the poorly paid service sector.

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Kerry used a nice sound bite that gently pinched the nerves of a growing number of American workers. "It's not hard to see why so many people in the United States think they're working for the economy, but the economy is not working for them," Kerry told students at the University of Toledo last February 26.

In contrast Gregory Mankiw, the Bush administration's top economist has said that outsourcing is "probably a plus for the economy in the long run. Even if that forecast turns out to be true, that's not what most American workers want to hear in 2004. So outsourcing is one economic issue that should help the Democrats this November, especially if the economy doesn't improve."

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