

# Interplay between democracy and authoritarianism

YASMEEN MURSHED

A topic that fascinates me is the serious and sometimes even depressing subject of the state of Democracy in South Asia. It is interesting to compare the situation in South Asia today to what is arguably the defining moment in contemporary South Asian history, August 1947, when the British Raj ended in India and two nation states came into being. One -- India, based on very strongly held convictions of a secular, liberal, democratic political tradition is now ruled by a fundamentalist religious party. The other -- Pakistan, cobbled together with a cavalier disregard for geography, language and culture soon split apart because the only common factor, religion, could not hold it together and it still continues to face violent regional, ethnic and sectarian strife.

Fifty years after Independence it appears curious that two nations born of the same colonial legacy could travel apparently divergent paths -- India retaining a parliamentary democratic structure to this day while Pakistan and subsequently Bangladesh quickly fell under authoritarian rule and have only comparatively recently restored parliamentary democracy. In fact the closing decades of the twentieth century have seen central political authority in both India and Pakistan face regional, linguistic, religious, sectarian, class and caste conflicts and a bewildering permutation and combination of all of these. In this respect Bangladesh, with its homogenous population seems the least divisive of all the South Asian countries.

The forces and events of the nineteenth and twentieth centuries sketched the crude form of the picture that was to follow. What is important from our point of view is that various events made East Bengal's Muslims aware of their political importance for the first time and were to have far reaching consequences. The division along communal lines that made East and West Bengalis view the partition of Bengal from different points of view was to lead to the support for a Muslim Pakistan in 1947; while the secular form of modern Bengali nationalism based on language and culture was to linger and grow in importance politically and like a slow burning flame smolder until it burst into a blaze that ignited the Language movement of the 50s and 60s in Bangladesh.

Democracy and Authoritarianism in South Asia: A Comparative & Historical Perspective (pub: Cambridge University Press 1995) by Ayesha Jalal, is an excellent book that closely examines the interplay between democratic politics and authoritarian states in South Asia. The author examines the record meticulously and concludes that there is some evidence to show that while the parliamentary democratic structure existed intact in India, in reality right from the beginning the premier political party -- the Indian National Congress -- appeared to develop a symbiotic relationship with the civil bureaucracy, the police and

## TALKING BOOKS

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the military elite thus enabling certain dominant social groups to gain access to and retain state authority and patronage.

This was even more true of Pakistan which experienced direct rule by the military- bureaucratic elite for decades until a shaky democracy emerged unfortunately soon to be dismantled. Our own experience in Bangladesh has more closely followed the Pakistani model and we face our own struggle to consolidate a working democracy.

Ms. Jalal's comments on the establishment of Democracy are clearly stated. She says that if a formal democracy is to be considered genuine democracy then it must guarantee, together with the right to vote and the freedom of expression, empowerment of the people not as abstract legal citizens but as active agents capable of pursuing their interests with some degree of freedom from entrenched structures of dominance and privilege. Therefore unless true empowerment takes place Democracy, as expressed in the formalisation of regular elections, can and often does exist with inherently authoritarian tendencies of state.

Therefore, it appears that all the countries of South Asia are, in fact, ruled by an elite political- civilian-

military oligarchy which is direct heir to the strong, centralised and authoritarian administrative system which was devised by colonists to run a vast and diverse sub continent; therefore all three countries are following a similar path in giving democratic dispensation to elements of authoritarianism which are inherent in the structures of state.

To quote from the book, "Partition did not destroy a political unity forged by South Asians through processes of negotiation, compromise and accommodation worked out by a natural process of experimentation and evolution. It merely replaced a constitutionally unified centralized framework with two mutually exclusive and independent sovereign states.

Liberation from the colonial yoke did not involve the dismantling of the structures of unitary state power. The very instruments of colonial tyranny that had so fired the nationalist ire became the lightning rods of postcolonial order. The transition from colonial subjugation to post colonial freedom witnessed a remarkable degree of structural continuity under the rubric of apparent ideological discontinuity. Both India and Pakistan drew heavily on the colonial bureaucratic model. The Government of India Act of 1935

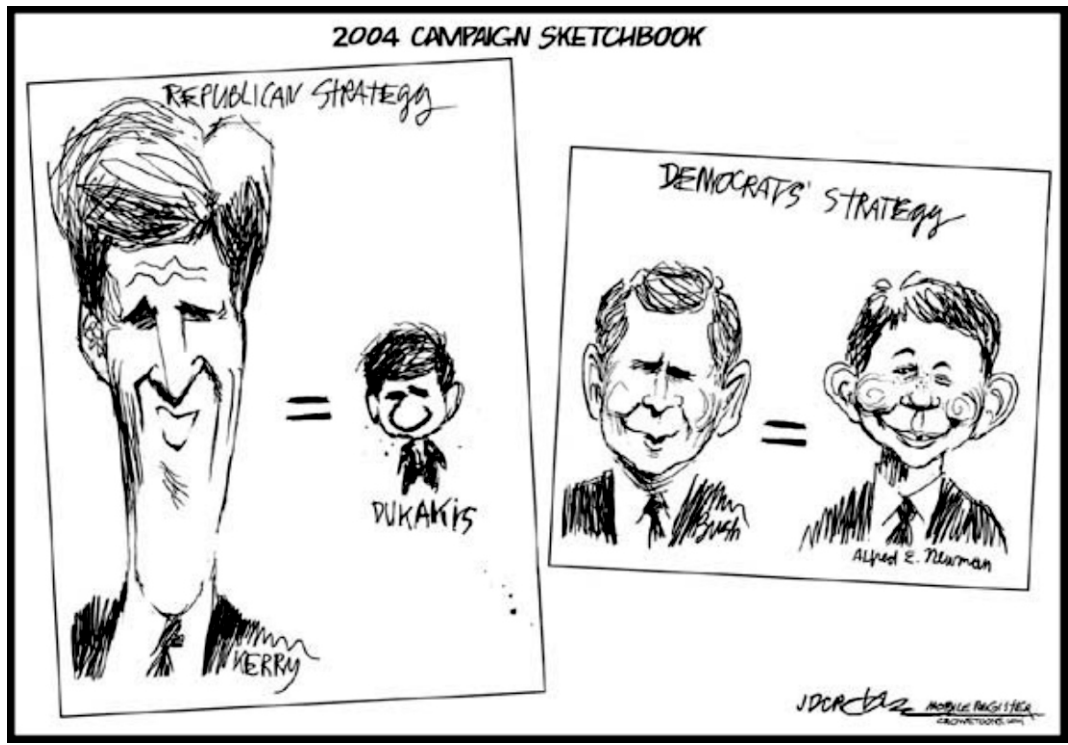
which strengthened the steel frame of British rule and had been abhorred by the nationalists was adapted to serve as the constitutional framework in both countries".

The post independence bureaucrats took to the centralised and controlling state machinery with great gusto but much less discipline and training than their British counterparts. This was particularly the case in Pakistan, which inherited a significantly smaller proportion of trained personnel since the Hindus far outnumbered Muslims in government service.

The subsequent development of the bureaucracy into a stranglehold over the entire machinery of governance is familiar to us all since we grapple with it each day. There is no doubt that the model of ideal democracy based on the Westminster style of parliamentary government which ensured a formal separation between the bureaucracy and elected political representatives has been subverted to some extent in all the countries of South Asia but perhaps most in Pakistan and Bangladesh.

It has proved difficult to establish the principle of legislative supremacy over the executive as we experienced in Bangladesh over the last decade since parliamentary democracy has been restored. Unfortunately successive governments in power, instead of undertaking a massive reorganisation of the administrative machinery to guarantee the supremacy of elected institutions and to change the colonial mindset once and for all, have accepted the status quo each time. Thus the coexistence of formal democracy with bureaucratic authoritarianism has become another of the more enduring legacies of colonial rule in the subcontinent.

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# Financing the poor

## ASA experience

MD. SHAFIQUEL HAQUE CHOUDHURY

MICROFINANCE is recognised as one of the most important tools in global poverty alleviation. Formal banking institutions have traditionally been unable to provide wide-scale financial services to the poor because they lack institutional capacity and are too bureaucratic to cost-effectively administer small loans with high transaction costs. In Bangladesh, less than 17 per cent of the population has access to the formal banking sector (CDF 2002). A non-formal sector that includes NGOs and cooperatives has evolved to fill this gap. Microfinance providers are proving that it is possible to be financially sustainable while providing small loans to poor clients.

By the early 1990s, ASA had begun to focus on microfinance programmes, and initially reached a base of 50,322 clients with \$238,000 in loans. In 1992, it began to specialise in the provision of microfinance services, refining its operational structure and developing its low-cost delivery method and emerging as a simple specialised, innovative, fastest growing microfinance service provider. It focused on becoming self-reliant, sustainable and independent of donor grants and achieved this goal in 2000.

ASA presently serves a membership of 2.34 million, offering them a range of loan, open-access savings, loan insurance and life insurance products. The organisation has a total of 1,288 branches and staff of 8,065. It has a total Revolving Loan Fund (RLF) of \$227 million as of

December 2003, made up of \$106 million its own equity (including reserve), \$56 million from members' savings (including life insurance fund), \$60 million in loans from PKSF, and \$1.37 million in loans from CORDAID. Total loan outstanding is approximately US\$175 million. Financial Self-Sufficiency (FSS) currently stands at 174 per cent and operating cost 3.3 per cent on loan disbursement. A recent survey suggests that over the past five years, the average daily household income of members has increased by 20 cents per year.

Financial self-reliance is the key to ASA's success. Its model is widely recognised as among the most efficient, low cost operational systems in the microfinance sector. It has achieved this goal by perfecting its streamlined, standardised, and decentralised operational system. This operational success has given the organisation the capability to expand its outreach, and work towards the goal of reaching 4.2 million clients by 2005.

**Achievements vis-a-vis Microcredit Summit's core themes**

**Theme 1: Reaching the poorest:** ASA offers financial services to 2.34 million poor and poorest families whose daily average income was around US\$ one. Its average loan size at the end of 2003 was US\$148 (Rate of conversion: US \$1= Tk 58). All loans are made to individuals, without collateral or group liability component. The service charge is calculated flat on the principal of the loan.

**Small loan programme:** ASA's basic loan programme offers Small Loans to women whose monthly

income does not exceed \$52 and who own less than 0.5 acres of cultivatable land. Initial loan values range from \$105 to \$345 in urban areas and from \$70 to \$110 in rural areas. Typical income generating activities of Small Loan clients include paddy husking, livestock rearing, handicraft products, small trading, and fishing.

Small Loan product has a standardised weekly repayment schedule and a fixed term of one year, making it easy to understand. Clients are attracted to this product because it is predictable and hassle-free. At the end of 2003, it had 2.25 million Small Loan clients, and plans to increase this number to 3.50 million by 2005.

**Small business loan programme:** ASA's Small Business Programme offers loans to men and women who have demonstrated a competence in business but lack capital necessary for expansion. These loans are usually extended to members capable of handling a bigger amount of capital. Initial loan size is US\$250 - US\$350. The term of loan is one year through weekly repayment. At the end of 2003 it had 80,862 clients and plans to increase this number to 90,000 by 2005.

**Flexible loan programme:** Reaching the risk-averse poor: In the past, NGOs that have tried to target the poorest members of society in Bangladesh have been faced with two obstacles: the high risk-aversion of some hard-core poor and the geographic isolation of others. ASA's new Flexible Loan, introduced in December 2003, offers a product that appeals to the hard-core poor. It is opening new mini-branches that will allow this product to be delivered cost-effectively in remote areas. This innovative strategy ensures broad-

based outreach while maintaining institutional viability.

The Flexible Loan product offers small loans of US \$18- \$70, with a monthly, bi-monthly or one-time repayment schedule, and a term of 1-6 months. The staff provide clients with practical business development services in the form of advice and basic training in specific ventures.

It is opening new low-cost mini-branches that will operate alongside its regular branches. It plans to open 500 mini-branches in 2004, with this number growing to 1,000 by 2005.

It currently has 4,526 Flexible Loan clients, and plans to recruit 565,000 Flexible Loan clients by the end of 2005.

**SEL Programme:** Larger loans have spin-off impacts: ASA believes small, productive enterprises can create employment opportunities for the poorest of the poor. Introduced in 2003, its SEL programme offers larger loans of US \$520 to \$2,600 to medium sized enterprises. It plans to expand this programme, graduating current successful Small Loan Clients and recruiting new clients. Its goal is to graduate one woman member from each of its Small Loan groups -- an effort that could result in the creation of 100,000 new jobs for the hard-core poor. At the end of December 2003, it had 2,839 SEL clients, and plans to expand this number to 50,000 by 2005.

**Theme 2: Reaching and empowering women:** All of ASA's Small Loan clients are women. Women benefit from their participation in the programmes in two ways: the income generated by their projects supplements household income and they gain increased bargaining

# Gaddafi: An Arab Robin Hood who pays the rich!

M. SHAFIUZZAH

IN the 1967 Arab-Israeli war, backed by the US and the UK, Israel completely routed the Arabs in six days. Israel occupied all the strategic territories it wanted. Palestinians were pushed into refugee camps. President Nasser who led the Arabs met his Waterloo. The Arab leadership was dismayed and the population humiliated for the third time at the hands of the Anglo-Israel-US nexus. Col. Muammar Gaddafi disposed King Idris on September 1, 1969 when Arab sensibility was groaning under the heels of the Israelis. His throwing out of the UK and US from Libyan soil, nationalising their oil interests, and taking over from the US of the Wheelus Air Force base, the largest foreign air base in the region, made the young revolutionary an instant hit in Arab streets.

The overwhelming success of his revolution in the initial days convinced Colonel Gaddafi that the Arabs were wandering aimlessly in search of a hero and he would be the best person to fit the role. The oil price boom of the 1970s added fuel to his consummating ambition. To take on "the arch enemies of Arabs" Gaddafi felt the need for nuclear weapons, but also knew that neither the West nor the Soviet Union would supply him the much-needed arsenal.

Gaddafi's quest for nuclear weapon turned him to look to the other nuclear power that had welcomed his revolutionary regime. His fall-back position, therefore, was the sister revolutionary country -- the Peoples' Republic of China. Gaddafi sent his second-in-command, Major Jalloud, on nuclear shopping spree to China. Jalloud saw the Chinese premier Chou En-Lai, who explained courteously that "atomic bombs were not on sale in China." Frustrated but undaunted Gaddafi invested Libya's enormous oil revenues to develop biological, chemical, and nuclear weapons in secret and inaccessible locations in the mountains and desert.

Since Libya had no expertise and strategic resources he indulged in unauthorised procurement at a prohibitive cost and relied on foreign experts to develop his 'dream machine'. As it happens with alien sources and experts, most of Gaddafi's moves were leaked out from time to time. He consistently and forcefully rejected those as rumours and imperialist and Zionist propaganda to destabilise Libya. After squandering billions of dollars in this way, why should Gaddafi all of a sudden surprise the world on December 19, 2003 by giving up his WMD ambitions? And why not in early 2003 before the Iraq invasion?

His apparent 'dramatic' disclosure, however, failed to amuse America and Britain who were doggedly observing his nuclear aspirations and much less the Tripoli based diplomats who had a glimpse of the Rabta plant in late 1996. This writer was one of the 70 ambassadors who were taken to a state-guided tour to report to their governments that the nearly half kilometer long Rabta factory was producing aspirin, dispirin and

cough syrup in the mountain! A short recalling of Anglo-US and Libya relations will be helpful to refresh memories of the readers for better appreciation of the predicament of Gaddafi.

Libya's relations with the US had started deteriorating from day one of the Reagan Administration. In January 1981 President Reagan made it plain that the US objected to Libya's presence in neighbouring Chad, and accused Gaddafi of "directing subversive plots in a number of African countries." Later, in August, US fighter aircraft shot down two Libyan jets that had intercepted them over the Gulf of Sirte, which Gaddafi laid claim as his territorial waters, and America

charge and instead blamed the CIA for the murderous burst, which he said had come from an adjacent building, to drum up British support to take on Libya. In fact, Gaddafi later paid a staggering amount to British Channel 4 that produced a documentary implicating the CIA in the killing of Yvonne Fletcher.

In April 1986, a Berlin discotheque bombing, which claimed one US marine's life and those of several other nationalities, provided the necessary pretext for an Anglo-American raid on Tripoli and Benghazi. US jets took off from a British air base and bombed Gaddafi's living quarters at Azizia barracks, suspected terrorists training camps, and communication

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centres. The raids claimed the lives of Gaddafi's adopted daughter Hanna and about 101 civilians. A call from Maltese Premier Mintoff helped Gaddafi to escape barely a few seconds before the air attack.

In 1988, it was leaked to the western press that Libya was producing chemical weapons with the collaboration of a West German company at Rabta Mountain, some 75 kilometres southwest of Tripoli. Reagan threatened to bomb the suspected plant. In March 1990, the West German government stated that it would halt production of chemical weapons at Rabta, in accordance with international law. The US did not discount future military attacks on Libya unless it wound up the factories at Rabta and at Tarhuna 50 kilometres south of Tripoli. In the latter half of the 1990s, the US accused Gaddafi of storing strategic assets at the diverted section of 14-foot diameter tunnels of 25 billion dollars under construction. Man-Made-River project. US threatened to bomb the tunnel that ran from 600 miles south in the Sahara to the Mediterranean coast in the north, pumping fresh water from an underground reservoir.

The downing of a Pan Am flight over Lockerbie, Scotland on December 21, 1988 and of a French UTA flight over Niger on September 19, 1989 was squarely blamed on Gaddafi. The Anglo-US alliance tightened the noose around his neck by imposing wide-ranging UN sanctions on Libya March 31, 1992. However, an embargo on oil was excluded to ensure European supply.

After seven years of defiance, Gaddafi had to eat the humble pie in a bid to get rid of the UN sanctions. Nelson Mandela and the Saudi ambassador to the US negotiated handing over of two Libyan sus-

pects to UN for trial at the Scottish court arranged for this purpose in the Netherlands in 1999. In January 2001, the Lockerbie trial court convicted Libyan intelligence officer Abdul Basset Ali-Megrahi to life sentence while his co-accused Al-Amin Khalifa Fhimma was acquitted.

America demanded \$7 billion compensation for the victims' families and owning responsibility by Gaddafi for the murder of 270 passengers as a pre-condition to lifting sanctions on Libya. Gaddafi stubbornly refused to meet both the conditions. Libya paid \$331 million as compensation to 170 UTA victims' families in 1999 on a compromise deal with France. Gaddafi paid about \$10 million to the family of Yvonne Fletcher and a host of concessions to the UK to restore diplomatic relations. The British ambassador returned to Tripoli in 1999. To display a benevolent face, Gaddafi paid \$6 million to South Philippine insurgents to free six western hostages and flew them to Tripoli to a hero's welcome while Libyans watched the spectacle from the headline! He kept his people in complete darkness about the squandered billions of Libyan oil.

United Nations sanctions were removed on September 12, 2003 after Libya's transferring from Swiss account of \$2.7 billion at the rate of \$10 million per passenger's family of Pan Am flight as well as Gaddafi's owning responsibility for downing the plane. The French agreed to waive veto to lift UN sanction on Libya's undertaking to pay an additional amount probably at the same rate of US passengers to UTA flight. Once revolutionary, Gaddafi gradually turned into an Arab Robin Hood to part with Libya's billion to enrich the purse of the rich West to cover up his adventures.

US bilateral sanction, however, continues on Libya to meet other conditions including dismantling WMD, giving up terrorism and payment of balance amount of \$7 billion.

While ending of UN sanctions restored Libya's access to the world's markets and airports, it would not meet her need for aircraft and oil field equipment which only the US can provide. Libya has "standstill" agreements reserving rights of American companies to return. Since the US companies are way ahead of Europe in technology, especially in the enhancement of depleted oil fields, Libya needs their return. Gaddafi's paramount objective is not just the removal of UN sanction but the American embargo too.

Probably Gaddafi could still carry on as he did for 35 years brutally-ising Libyans until the Anglo-US invasion of Iraq. Iraq became a turning point in convincing the Libyan maverick that he needs to pay a heavy price in cash and kind in return for US' blessing to continue in power. Therefore, to save his dynasty he "gave up" WMD in a melodrama. In doing so he exposed to the West, the countries and experts that supplied him with strategic assets and expertise for WMD. The fallout started falling on Pakistan, Iran and North Korea.

M. Shafiuzzah was Bangladesh ambassador to Libya, 1995-2000.



Shopping bag manufacturing with microcredit from SEL project, ASA-Mirpur-1 branch.

power as they are able to make a larger financial contribution to the household. In addition, the Small Loan delivery methodology allows women to form and build a support network and sense of community without sharing the economic burden of other group members' loans.

**Theme 3: Building financially self-sufficient institutions:** ASA firmly believes that an institution must be sustainable if it is to provide benefit to its clients in the long run. It is constantly looking for new and innovative ways to improve its operations. The organisation has been financially self-sufficient since 1996, and currently operates free of donor grants. It is now expanding its product line, developing new products and reaching new segments of the population. The capital for this expansion comes from both its own

revenue and interest-bearing loans taken from PKSF, Bangladesh's apex microfinance funding organisation.

The keys to ASA's model are standardisation and decentralisation. It has outlined all of its procedures in a simple written manual. The manual clearly outlines everything from loan application steps, record-keeping procedures and staff responsibilities to allowable office expenses. The manual makes book-keeping processes simple and easy to understand, thereby eliminating the need for specialised accounting and bookkeeping staff. Its training methodology focuses on practical experience and learning-by-doing, reducing recruitment and staffing costs. It hires staff with education appropriate to their responsibilities.

Mid-level managers are based in

the field, allowing them to work closely with their subordinates and facilitating fast and effective decision-making. It has developed effective internal control mechanisms that include frequent rotating of Loan Officers within a branch; regular field visits by senior management and the presence of a strong, field-based audit division. External audits are conducted yearly by PKSF, ACNABIN and SHIRAZ KHAN BASAK (CA firm).

Financial self-sufficiency and operational capacity are crucial if an organisation is to expand outreach and deliver financial products to the hard-core poor cost-effectively. Its model shows that financial self-sufficiency and reaching the poorest of the poor are not incompatible goals.

**Theme 4: Ensuring a positive measurable impact on the lives of the clients and their families:** Findings of an impact assessment conducted in September 2003 reflect that 94 per cent of both rural and urban respondents have increased their capital since 1998. The average value of capital increased from US \$132 to \$299 (127%) in rural areas and from \$159 to \$401 (152%) in urban areas.

The data on clients' savings balances provides further evidence of asset accumulation. The average savings balance increased from \$15 to \$35 (125%). The increase in savings was higher (133%) in rural areas than in urban areas (111%). 91 per cent of respondents indicated that their incomes had increased since 1998. Average monthly household income increased from \$47 to \$75 for rural respondents and from \$57 to \$98 for urban respondents.

## Conclusion

ASA is among the world's most efficient microfinance service providers, with an extremely low cost per money lent of 3.3 per cent, and a high Loan Officer productivity of 461 clients per LO. Its rate of recovery has been over 99 per cent since 1992, and its staff and client discipline ensures a low rate of delinquency. With this effective operational structure and efficient service delivery model, it is well placed to reach its goal of serving 4.2 million of Bangladesh's poor by 2005.

The organisation has shown that its model can be applied outside Bangladesh with its participation in the UNDP's MicroStart programme in the Philippines and Nigeria, as well as through its partnerships with institutions in West Bengal and Yemen.

Institutions intending to replicate its cost-effective outreach, need to concentrate on four key factors:

The leaders of the institution must have a firm determination and be willing to innovate. Microfinance operational procedures must be simple and standardised (methodology must be cost-effective) and policy should be client-focussed and friendly. Institutions must have access to a reliable source of capital for on-lending. The leaders of microfinance institutions must work together and with government officials to create an enabling and favourable environment conducive to effective microfinance operation.

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