

## Cabinet reshuffle

Falls short of expectation

HERE is an element of suddenness, though not of surprise, about the way the government has reshuffled the Cabinet. It is evidently not a shake-up; it's rather cosmetic. Just ahead of the Bangladesh Development Forum (BDF) meeting, a move that is likely to resonate well with the development partners has apparently been made.

It is in this very month last year, i.e. on May 22<sup>nd</sup>, that the 60-member jumbo cabinet was reduced to 53 along with redistribution of portfolios among 11 ministers. By last year's standards therefore, what the government has done this time around is to bring down the number of ministries rather than downsizing the cabinet as such. The number of ministers more or less remains intact. Four ministries have been merged into two, thereby reducing the number of ministries from 39 to 37. The resultant reduction in the paraphernalia might be cost-saving but only marginally so.

The move is said to be a part of a plan to 'downsize the government.' But the government is already past the halfway point of its tenure, so that we are likely to continue with a still bloated cabinet for the most part of its term. We would of course like to be proved wrong on this. As is well-known, there has been pressure from different quarters -- development partners, national media and civil society leaders -- to reduce the cabinet size so as to save cost while injecting greater efficiency into it.

The only redeeming feature, however, is the merger of four ministries into two. As for the reallocation of the portfolios of six ministers and two state ministers, one does not know whether efficiency and honesty have been rewarded or not. New faces have not replaced old hats.

After a series of reallocation of portfolios, some amalgamation of ministries and jettisoning of a few members since March, 2002, the cabinet still remains oversized leaving ample room for not only reduction and budgetary saving but also infusion of efficiency.

## EU Enlargement

Any cue for South Asia?

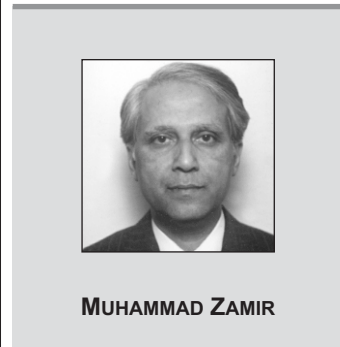
TEN countries from Central Europe and the Mediterranean have become members of the European Union, bringing up its number to twenty-five. Several other countries are in the wings, waiting to be inducted, most of all Turkey. One would hope that the EU's eclectic nature would be proved through the induction of Turkey in the EU, otherwise it runs the risk of becoming an 'exclusive club of Christian states' as some apprehend it might.

Supporters of enlargement see this as a historic opportunity to put behind a long history of conflict and dissension and bring about a Europe that would be united in peace. It is expected that the new induction would have a trickle down effect of stability and prosperity of the current member states on the new members, making Europe a safer place.

However, there are also uncertainties and concerns. As some Europe watchers have suggested, there are uncertainties in the existing member states over immigration, over the new balance of forces within the EU and over whom the club should admit next. The newcomers are concerned about price hikes without commensurate salary increases. There is disappointment that established members have placed restrictions of up to seven years on freedom of movement for workers from the relatively poor east into the west. There are hosts of other issues that are still to be ironed out, not least of all which is the issue of an EU constitution. But the essence of the whole matter is encapsulated in the words of one of the fathers of European reunification, former German Chancellor Helmut, who commented, "The message is there will never again be war in Europe." One hopes that interdependence that the new integration will bring about would reduce prospect of conflict.

One would like to think that such profound and pious thoughts would one day motivate our leaders to elevate South Asia into a more integrated forum so that cooperation might have an enduring presence and the prospect of conflict in South Asia might recede forever.

# Strengthening the microfinancing mechanism



MUHAMMAD ZAMIR

THE recent Conference on microfinance in Dhaka indicated, that for all practical purposes, this process is now part of the main-stream development idea.

It was also evident from the discussions that microcredit is having a major impact on reducing poverty at both the local and the national levels. It was also clear that microenterprise programmes are becoming more effective because they are helping the poor to help themselves.

This bottom-up approach as opposed to the top-down method is obviously drawing attention for its many successes. In terms of strategy it is also being favoured by foreign aid bureaucracies.

What is more important however is the great contribution that this process has made towards women empowerment. This micro-strategy is making significant changes in the gender ballgame. It is also becoming clear that women are equal if not better business entrepreneurs at the micro-level.

Various institutions disclosed how women-run businesses often are associated with the best credit risks and are more likely to funnel earnings into their children's education. This was indeed revealing. It was also pointed out that formal business training need not, contrary to belief, be a prerequisite to successful business development.

Such factors assume that much more importance given the fact that we are only eleven years away from 2015-- the target year, by when as part of the Millennium Development

Goal, we are supposed to achieve the formidable task of reducing the number of people (presently 1.3 billion) living in abject poverty by half.

Most of us agree that poverty 'is arguably both a cause and an effect of many international problems, including global hunger, environmental degradation, overpopulation, illiteracy, civil strife, economic stagnation and armed conflict.' These issues in addition to being detrimental by themselves, can also

credible research has also indicated that within the Grameen experience itself, some 120,000 families are crossing the poverty line each year. They are being able to do so, on an average, after being associated for five or six years with the process. All this, while the repayment rate has hovered between 95 to 99 per cent.

The same experience has also been reflected in the findings of another important Bangladesh micro-credit provider -- ASA. They have reported that they are

based in the field. This would allow them to work closely with their subordinates and facilitate fast and effective decision making.

Such an approach is likely to enable achieving not only the overriding objective of poverty reduction but also social empowerment.

In the contemporary world, poverty reduction appears to have been franchised. This has led to impressive growth of the microfinance movement globally.

It has also assisted them to manage risks and reduce their vulnerability by protecting them against emergencies. It has also helped them to plan for events such as marriage, education for children and funerals. This in turn has provided participating women with increased self-esteem and also gained them increased respect from extended family and in-laws.

Another important aspect of the 'multiplier effect' has been the greater attention that is given by

- improving the regulatory environment. While microfinancing institutions need not be regulated by the same regulations applicable for commercial banks and other financial institutions, they should nevertheless be accountable in terms of stringent audit;

- increasing the percentage of female loan officers. This will improve the enabling environment;

- determining interest rate in this informal financing sector on the basis of market and quality of service extended. In this context, it would be interesting to see the reaction on the ground to the recent proposal of Finance Minister M Saifur Rahman that the rates on loans given by micro-credit NGOs through Palli Karma Sahayak Foundation needs to be reduced to 12 per cent from the present 15 per cent. Implementation of this directive would indicate whether competition, as in any other area can be the catch-word;

- avoiding the one-size-fits-all methodology. This will enhance prospects for small women entrepreneurs and help them to graduate to more sophisticated financial products and

- creating insurance services as a form of support for those availing of loans.

There are still many barriers to the participation of the extreme poor and their empowerment within the development agenda. Nevertheless, the most important step has already been taken. We have accomplished a beginning of which we can all be proud. We now have to take that important central step of making microfinancing a pivotal part of our government agenda. This has turned out to be an excellent idea but the best, in my opinion, is yet to come. The government needs to take a more proactive role as a facilitator and forge a stronger partnership with the relevant NGOs in their common fight against poverty.

Muhammad Zamir is a former Secretary and Ambassador.

## POST BREAKFAST

This process has helped poor women in particular to invest in opportunities for income and growth. It has also assisted them to manage risks and reduce their vulnerability by protecting them against emergencies. It has also helped them to plan for events such as marriage, education for children and funerals.

be the cause of the other threat-- terror and terrorism. The international community understands today that if these factors are not addressed effectively and soon, there will be spill-over effects in every sphere of our lives wherever we may be. It is a global development challenge in which we are all stakeholders.

The microfinance industry which was pioneered in Bangladesh in 1976 as a response to the terrible famine in Bangladesh in 1974 has come a long way. During the pilot phase (1976-1983), outreach grew from fewer than 100 clients to more than 45,000. Once the Grameen Bank was launched, a period of sustained growth resulted in outreach of 850,000 by 1990. By 2000, it had reached 2.4 million and by December 2003, it had reached 3.0 million. Today, some 200 other providers in Bangladesh, many of them successful Grameen investors, reach another nine million families. These statistics are staggering given the fact that the overwhelming majority of those participating are women.

Another interesting aspect also deserves special mention. Highly

presently associated with 2.34 million extremely poor families whose daily average income is around US\$ One. ASA has however claimed to be slightly different from the other major providers. They have stated that all ASA loans are made to individuals, without collateral or group liability component. They also calculate the service charge flat on the principal of the loan. ASA also appears to have gone slightly further than others in another aspect. Their model has been standardized. ASA has outlined all its procedures in a simple written manual. This Manual clearly outlines all factors, from loan application steps, record-keeping procedures and staff responsibilities to allowable office expenses. Such a process should encourage transparency.

Shared experience certifies that women appear to be better credit risks. It is also suggested that they are more likely to use their profit to break out of the generational cycle of poverty. It is this cause and effect factor that leads me to believe that microfinance should be provided in a decentralized manner where midlevel management need to be

Some 67.6 million families are benefitting today world-wide. Of these families, an impressive 37.7 million were among the 'hard-core poor' when they started participating. Poverty is being challenged in a systematic manner under this initiative.

We have over the years learnt some valuable lessons. We now know that the desperate poor can borrow on terms on which the micro financing institutions can lend profitably. Such behaviour exists despite the fact that some of these institutions are alleged to be maintaining very high levels of interest.

I believe that microfinance is best understood if it is considered to be a sort of a platform, 'rather than simply as another intervention.' In its own way, it is helping to create an infrastructure where the poor, previously seen as isolated and without accountable capital, can be organised in large numbers and provided credit to participate effectively in economic and social initiatives.

This process has helped poor women in particular to invest in opportunities for income and

participating women to better nutrition, reproductive health and education of girl children. These have been borne out in numerous studies carried out not only in Bangladesh but also in diverse countries like Ghana, Bolivia, Colombia, Uganda, Gambia and Nigeria.

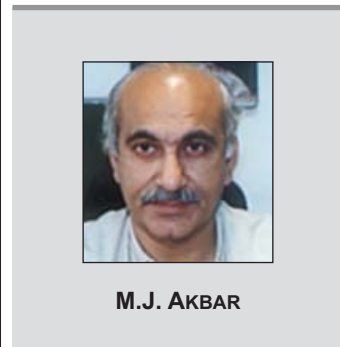
Many steps have already been taken. It has brought the movement forward. There are still areas however, which need to be considered seriously and addressed accordingly by the policy makers in the microfinance sector. Some of these are:

- automating the micro-financing process through improved use of communications technology. This vital in the context of future growth in this sector. This will also reduce the scope for error and fraud among loan officers;

- making available technology for the creation of more profitable businesses for those participating in the microcredit process;

- encouraging private capital markets to increasingly invest in microfinance on a commercial basis. Such incremental funding will enhance prospects of sustainability;

## Crime and reward



M.J. AKBAR

THE first general election took some six months to complete. That was because ballot boxes had to be sent by bullock cart to half the country. The 14th general election is also taking nearly as much time. This time the reason is crime. The Election Commission is taking every precaution within the ambit of bureaucratic imagination to prevent criminals from rigging votes. India shines in the electronic machines that have replaced paper ballots; India darkens on the face of politicians and their thugs who seek their way to power through theft of democracy.

On Friday the Patna High Court directed the Election Commission to prevent those in custody and absconders from jail from contesting elections. The argument was simple and persuasive: if such people were not eligible to vote, why should they be eligible to contest? I could name a few gentlemen from Bihar who were actually elected while in jail, and then spent their term in jail rather than in the Assembly because they never got out of prison. There is the famous Kali Pandey of Gopalganj, who is contesting this time as well and is not doing too badly either. Rajen Tiwari of Mothari; Munna Shukla of Vaishali; Suraj Singh Bhan of Mokameh... Perhaps the limit was reached when Bihar's de facto ruler, Laloo Prasad Yadav rushed to

now? Talking to television cameras in a very sober and even dignified manner. How? Who knows? I've lost the plot.

And yet there is a problem with the Patna High Court directive. It falls apart on a basic principle: you are not guilty until proved to be guilty. An accused must have the same democratic rights as any other citizen. It is the Voltaire principle: I do not approve of what you say but will defend to the death your right to say it. Any compromise with such a basic right would vitiate Indian democracy. It would be an invitation to governments to string up their opponents on false charges and lock them up during an election season.

The courts are trying their best to find a way out of a horrendously complicated maze, strewn with paradoxes, and have hit another dead end. The disease lies in the nature of power in our country, and

the problem is larger than Bihar. The Taj Residency in Lucknow has a notice on its front porch, in elegant capital letters: ARMS AND AMMUNITION PROHIBITED. Lucknow is not a frontier town of the Wild West and the Taj is not the Last Chance Saloon. But the need for such a sign tells its own story. Lucknow, once the capital of the Awadh nawabs, is today the constituency of the Prime Minister of India Atal Behari Vajpayee, from where he will win without too much fuss on 5 May. India shining, etc.

74 kilometres from Hazratganj in the heart of Lucknow, northwest along the Grand Trunk Road, is Sitapur, a typical small town of central Uttar Pradesh. It was named after a woman called Sita who committed *sati*; there is a temple that commemorates the event. Life clings to the highway; and although empty space rolls away on either side of the shops and houses towards far horizons, bustle and commerce pressurise the middle. Overnight showers have left pools and dark slime on the edges of the road. Families walk gingerly through the filth in search of rickshaws; women talk through their burqas to their children as they head for the shops; young men loll in front of shops, filling time doing nothing. A flurry of motorbikes races past, mounted with orange-and-blue flags. They are volunteers campaigning for a rather presentable candidate of a party called

When we pass a sparse Congress roadside meeting we hear a rather derisive cackle and a comment: "The Congress must be canvassing for the next election. They have no chance in this one!"

The victor in 1999 was from Mayawati's BSP. Rajesh Verma, and he is in the race. The Socialist Party has put up Mukhtar Anees and the BJP has Janardhan Mishra. The theories are being debated at every *dhaba* if X squeezes out Y then Z will win. No one thinks Bablu will win. But no one underestimates him either. Bablu's campaign manager is Neeraj Jain, a students' leader from Lucknow University who has mobilised young men from the campus. The students can fill their motorbike tanks any time they want, and there is a handsome daily expense account. They are happy to associate with Bablu Bhaiya.

Bablu is about 41 years old. When a student at Lucknow

University, he started with petty crime a bit of eve-teasing, a little protection. But if you had to measure his career path in terms of upward mobility, then he had met the highest standards of the private sector: he was at the top by the time he was 30. While in college, he decided that success lay through the political class. He became the henchman of a Congress leader in Sitapur, and, on orders, committed his first murder.

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area. Progress has now reached Bareilly, and the mobile telephone is Bablu's link with his networks. Life is always a little difficult in jail, but it is impossible: Scotch and cigarettes provide reasonable comfort.

Bablu is still in custody, but that does not diminish the enthusiasm of his campaign team. The danger is not from the presence of Bablu in Sitapur. The danger is from the fact that hundreds of young men are ready to fly a flag in his name. The young are cynical; they laugh and call him a role model. Bablu was a student like them; today he can pay them. They are not aware of another definition of success.

The 14th general election has come; very soon it will become history. Someone will be relieved on May 13 when the results are known; someone will grieve. Joy will last a day, grief a little longer. Success will be rewarded; failure will strive to survive and fight another day. He who spurts ahead in the great heartland along the Ganga and Jamuna rivers will rule Delhi. In feudal days, you first took Delhi and then chased the heartland; in a democratic era you chase the heartland in order to reach Delhi. There will be surprises in this election from Uttar Pradesh; maybe one that startles some and shocks others. Din, elation, despair: they are all part of the election game. We have seen them before, and know that they are not permanent.

But the young men on those motorbikes will remain in Lucknow and Sitapur, crawling around puddles and slime when the drama is dead, and even heads of crime syndicates have other things to do. If they have to wait for another general election to find someone who needs, there will be half a dozen Bablus contesting the 15th general election of India from Sitapur.

MJ Akbar is Chief Editor of the Asian Age.

## TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR

Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words. All letters will be subject to editing.

### A white paper, please

A World Bank audit report says Tk 16,000 crore is missing from National Commercial Banks like Rupali, Agrani Sonali, and Janata. This has happened during the regime of the four party alliance government. We would like to know the facts behind it.

The government should release a white paper on the issue to remove the doubts that have crept in the public mind.

Pratima Rani Devi  
On mail

constitution, too, recognises this right. Unfortunately, the nationwide police operation has snatched away this inalienable right from us.

Police have contended that the operation aimed to prevent sabotage on the basis of authenticated intelligence report. They were detaining people indiscriminately abusing Section 54 of the CR PC and Sec 86 of the DMP Ordinance.

A more plausible clarification from the government was expected.

Md. Al Amin Sagar  
Dept. of law, Dhaka University

This Project was planned in 1960-61, but it was not implemented. At the moment there is no need to implement it because we have enough gas to support energy generation. Moreover, the cost per unit electricity from a nuclear plant is more than double the cost from a thermal plant. Again, nuclear businesses is very dangerous.

I urge the government to install a 200 MW combined cycle thermal power plant as the gas network is going to the northern region. There is a pilot project in Cox's Bazar since 1975, which is useless and fruitless. I humbly request the minister of finance and planning and also the minister of science, information

and communication technology to look into these matters.

Citizen  
Dhaka

### Moral development programmes

While it is appreciated that the government is very keen on physical development projects through ADP and the Planning Commission, the public is not told much about the moral development programmes, which are the need of the moment, considering the law and order situation and institutionalised corruption at every tier of the society. We are patronising

heartless feeling.

Such projects are undertaken (all over the world) under the MRA or Moral Rearmament schemes. There is hardly any publicity on this issue. We are suffering from materialistic obesity. We badly need some mental exercises for the sake of the upcoming generation, who have to be steered away from the vicious whirlpools, as imitation of evil practices is much too easier than other forms of self-control.

See how easy it is to be trigger-happy, causing gloom and distress in other camps. Life has become so cheap in this part of the world. Then what is all this development for? Imagine the systems losses in completed projects, when the honest

and innocent keep away from the limelight? There are too many vicious circles in our changing society.

The ball starts rolling (kick-off) from the political masters downwards. How to play this game without referee, without boundary conditions, and without rules and regulations?

The latter exist on paper only. Informality in public service is a danger signal for decades to come-we pay later while reaping the fruits of this labour or RI.

Our politics is imprisoned in adhocism. The public servants have stopped caring about reflective thinking. How the stock-taking is carried out at each level?

A large number of audit and

inspection teams are working for generations, but the effect in Dhaka is not visible. There is no accountability in public service, regardless of the volumes of documents submitted to the authorities at regular intervals. This masterly inactivity' (to quote Churchill) is not enhancing our image.

There is a need for bi-focal administration, if not multi-focal.

Abdud Khan  
Dhaka

### Welfare trust

The non-government educational institutions' employees Welfare Trust was set up by the government

with the noble objective of making prompt payment to the teachers and other staffs of this category of institutions after their retirement. But unfortunately due to corruption and inefficiency of the officers and staffs of this Trust, retired professors and teachers are not getting their cheques even after a year of submitting their applications.

I therefore request the minister of education to look into the matter so that the retired teachers do not suffer at the hands of the unscrupulous Trust officials.

Abdul Hannan  
On e-mails