

SUNDAY POUCH

Nature's fury strikes Japan

We stand by them, share their agonies

WE are shocked, distressed and deeply saddened at the terrible devastation wrought by nature in Japan. The severe earthquake, on a magnitude of 8.9 on the Richter scale, was swiftly followed by a tsunami that left lives and property destroyed. It only bore testimony to the fragility of human existence. Our heart goes out in sympathy of the Japanese people and government for the grievous loss of lives and property they have suffered. We stand by them at their hour of grief and fervently hope that they will meet the calamitous situation with fortitude and resilience characteristic of them. Japan being one of the largest development partners of Bangladesh has a special place in the heart of Bangladeshis.

In these past many years, the environmental changes that have come over our world have been a reminder for all of us that unless we take measures to roll back the gathering tide of damaging climate change, we will all be in deep trouble. Nations across the globe have heeded the message. They have scrambled to put matters in perspective and have taken measures to correct conditions, though it is not yet clear whether the corrective steps will restore our world to where it used to be. And now there is this added fear of just how sweeping nature can be when it gets chaotic through a shift in tectonic plates. The tsunami in Japan has killed no fewer than a thousand (the figures could rise, as they usually do in such circumstances) and it is quite likely that it will affect other countries as it moves along.

Such disasters are not only not predictable but also beyond the ability of human beings to keep at bay. In light of the conditions in Japan today, the one lesson we learn is that populations in the coastal areas can be asked to shift inland when intimations of a tsunami are there. There is forever a sense of fatalism about matters beyond our control; and yet we must do what we can to save those not already claimed by the waves.

The Tigers can do

Keep the winning streak going

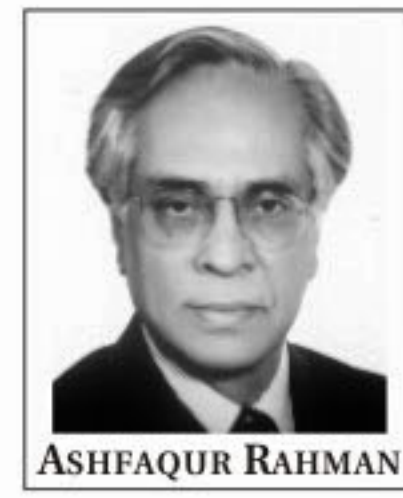
NOBODY in Bangladesh at least will contest the fact that it was the better team that won in the Bangladesh England tie on 11 March. The Bangladeshis last Friday appeared to be far better outfit than the one that lost to the Windies the previous week. What was heartening was the degree of application displayed by them. It was a very good come back indeed which has given the country some hope of seeing Bangladesh go to the quarter finals.

It must have been the bad loss in the previous game that spurred the Bangladeshis, but it was not a mean achievement to restrict a leading test playing team, which England are, to below 250 through an all-round display of good captainship, fine bowling and good fielding. However, there were moments of indiscretions that the team could have done well without. We feel that it should be with such a positive frame of mind that the team should approach all their matches.

However, much as we rejoice at this victory, there are some lessons that the team must take home and do some groundwork on. Our middle order as usual failed to click in spite of the very good start given by the openers. And for a time one felt that here was a classic example of a winnable match slipping away. Fortunately, the bowlers saved the day for us. Not every time should we depend on the tail enders to deliver on both counts. It was time the middle order pulled up their socks and delivered.

We congratulate the team and the hope that the Tigers would keep a cool head on their shoulders in the remaining two matches and make us believe that the West Indies debacle was an accident that will not be repeated.

Is there a Turkish model?



ASHFAQUR RAHMAN

NOW that Tunisia and Egypt are out of the clutches of dictators, the next big question for both is, which way now? Both these

countries have their armed forces working behind their temporary governments. They are working on constitutional reforms. New foreign and domestic policies are being crafted and are being discussed in their inner circles.

But the protestors who brought down the dictators have not gone back to their houses permanently. They have vacated the main squares but they are lurking in the side streets. They are waiting impatiently. The powers that be in these two countries are slowly dismantling the state structures built by the dictators. Any wrong move and they will re-occupy the main squares.

Last week, Tunisia abolished the hated Internal Security apparatus of the self-exiled President Ben Ali. Egypt is planning elections in the next six months and preparations are underway.

Yet, as the world waits and watches, thinkers and scholars are busy trying to forecast what type or form of government will emerge after elections in these countries if elections are finally held. Some of the pundits are fantasising, others are being pragmatic. Various models are being proffered.

But let us consider the issues that are of immediate concern to the people of these countries. On the domestic front the people want the new governments to create employment opportunities for the numerous educated young.

Next they want democratic structures to be built which can withstand the gale force wind of politics and rivalries of the Middle East. A new mindset for the government is also a major requirement. The people know



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that they have a bright future but they do not know how to grapple it.

In foreign affairs both the countries have opportunity to craft policies that are independent as well as ethical. The unquestioned adherence to the US policy towards Israel to the point of buttressing the interest of that intransigent entity has to stop. That is what the protestors demanded in Tahrir Square in Cairo.

This does not mean that the people want the US to leave the region. They want to craft foreign policy that serves their national interest.

So which way now? Can they look at some Muslim majority country in the region or in the world and take lessons?

An immediate candidate as a model country for them could be Turkey. Others could point to Iran or even Indonesia. The big question for the people of Tunisia and Egypt is whether

the Turkish model can be applied to other nations in the Middle East and beyond.

Exactly what is the shape and substance of the Turkish model?

Turkey's foundation as an economic force was forged one hundred years ago. Mustafa Kamal known as Ataturk (father of the Turks) dramatically changed the country's political structure from a dictatorship to a democracy.

Ataturk's successful development of a new national identity was etched in stone with a statue bearing his message: "Turk! Be proud, hardworking and self-reliant."

Since those early days of Ataturk, Turkey has increasingly become an economic model in the region. In 2010, Turkey's GDP grew by 8%, much faster than many other emerging markets. About a quarter of its GDP comes from industrial production. In 2010, Turkey

manufactured almost a million cars. This was 37% more than previous years.

Real GDP growth in Turkey is more than 12%. Yet, inflation is just 4% which is a 41-year low. There is still room for Turkey to grow based on the improving confidence felt among Turkey's consumers. Easy access to credit is a big driver of this improving consumer sentiment.

Turkey's economic multiplicity sets the foundation for her democracy. This is the prime difference from Arab countries, Iran and Russia. Turkey is not dependent on oil, a single product for her state revenue. It is able to produce a million different products.

Neither textiles or tourism nor car manufacturing can dominate the economy. The economy is also not in the hands of a few families or a political group. The whole economy is supported by tens of millions of people.

Turkey, however, sets a stellar example in its religion-politics relations. Islam in Turkey, like in Bangladesh, does not radicalise the people. The people there consider Islam not as a 1,400 years old stagnant religion but as a functional religion that renews itself in the face of modern problems.

The bonds between religion and modern life in Turkey have been mutually strengthened. In Egypt and Tunisia, Islamic rituals have become some kind of shields against change in the masses fighting the difficulties of modernity like unemployment, urbanisation, isolation and the inability to democratise.

The US and most of the western world would like Tunisia and Egypt to follow the Turkish path. They are interested to see that they do not emulate the way of Iran. That would give rise to complications, both politically and geo-strategically.

But the path that the people of Tunisia and Egypt are likely to follow will be their own. Turkey only straddles their path and can at best be a shiny showcase.

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The impact of microfinance

SHAHID KHANDKER and HASSAN ZAMAN

IN the 1970s, three out of four Bangladeshis lived in poverty and the country was considered a test case for development. Rapid population growth, frequent natural disasters, and low economic growth throughout the 1980s suggested that a large number of households would remain trapped in chronic poverty.

Defying this outlook, Bangladesh began experiencing more sustained economic growth since the 1990s, which was accompanied by impressive poverty reduction. For example, in 1991-92, about 60% of the population was below the poverty line and around 50% was below the extreme poverty line. By 2005, those figures had gone down to 40% and 25% respectively.

The Bangladesh economy began experiencing structural changes in the 1990s following trade liberalisation and domestic market reforms. In urban areas, private sector growth and employment were spurred by rapid growth in garments exports while rural areas benefited from the deregulation of agriculture markets, boosting agricultural production. At the same time, relatively higher paying rural non-farm opportunities increased and the labour force slowly began to shift away from agriculture.

All in all, declining population growth rates, improved human capital, improved infrastructure, mainly in the form of more extensive road communications networks, and increased foreign remittance have been put forth as factors explaining Bangladesh's enhanced growth and declining poverty.

But what was the contribution of microfinance to this impressive performance? It is impossible to put an exact number but we can look at some published evidence to get a sense of where micro-credit is making a difference and where it may not be. The World Bank's 2008 Poverty Assessment has two findings in this context.

First, PKSF programme coverage data suggest that since 2000 microfinance has expanded more in areas that were poorer, presumably because the better-off geographical areas were covered in the previous decade. Secondly, the report shows that the reduction in poverty in rural Bangladesh has been much more in upazilas where microfinance membership increased more rapidly, after accounting for other factors which drive poverty reduction. There are other published papers which go beyond the geographical variation of microfinance coverage and effects.

Micro finance has played its part in the impressive progress Bangladesh has made in poverty reduction over the past two decades.

Two well known studies assess short and medium-term microfinance impacts from the borrowers' point of view, using repeated household surveys carried out in rural Bangladesh. Using nationally representative data, their findings suggest that poverty reduction among the borrowers due to microfinance is 1.6 percentage points per year. Moreover, microfinance programmes have spillover effects on the non-borrowers -- their poverty level goes down by 0.3 percentage point a year.

Even without the income gains, the poor may still benefit from microcredit services if it helps them withstand income and non-income shocks such as an economic disaster resulting from

the sudden death of a productive family member, the loss of an economic asset, or natural disasters. Without some form of insurance (either public or private), the poor may not be able to smooth consumption during those disasters, which may lead to sharp cut-backs in essential food and non-food expenditures.

Several studies confirm that microcredit programmes help households partially insure against shocks so that they effectively play an important "safety net" role. One carefully designed study finds that microcredit borrowers are about 50% less prone to consumption fluctuation than their counterpart non-member poor households in Bangladesh.

Clearly, further innovations are required to strengthen this crucial risk-reduction role, and in general to offer flexible financial services catering to different types of poor households, in particular for the extreme-poor. One example is a micro-finance programme known as PRIME, implemented by PKSF, which offers a flexible repayment schedule and consumption smoothing, as well as production loans. As a result, a recent evaluation shows that PRIME is more effective than regular microfinance in reaching the ultra-poor, as well as the seasonal-poor.

The discussion on the impact of microcredit would be incomplete without referring to the broader package of interventions that are provided with it. MFIs in Bangladesh vary significantly in terms of their noncredit services though they typically include training, related business development services and social messages on education, health and civic rights. One published paper finds that these noncredit interventions raise self-employment profits in rural Bangladesh by 125% while the combined impact of credit and noncredit interventions on self-employment profits is 175%.

The impact evaluation literature on micro-finance in Bangladesh also contains some cautionary notes. For example, it is clear that not all borrowers benefit equally as it depends on their local economic environment, their entrepreneurial ability and the extent their income sources are diversified. A few studies also show that microcredit does little to change gender inequities by limiting female control over loans.

However, on balance there is more evidence suggesting that microcredit does influence gender relations positively. Most published papers show that access to microcredit leads to women taking a greater role in household decision making, having a greater access to financial, economic and social resources and having greater mobility in Bangladesh.

It is clear that microfinance can protect households from shocks, contribute to changing societal norms about the role of women in society and lead to some households moving out of poverty. Overall, it has played its part in the impressive progress Bangladesh has made in poverty reduction over the past two decades. Clearly, not everyone utilises loans productively, and there is a risk of falling into over-indebtedness. So, the role of microfinance should be strengthened through further innovations which take into account these pitfalls.

Finally, microfinance is not a panacea and will clearly not eliminate all poverty in any country. Thus, the potential of microfinance can be best exploited by recognising the lessons from careful impact evaluation studies, strengthening programmes on the basis of this research and field experience, and by incorporating micro-finance programmes into Bangladesh's overall poverty-reduction strategy.

The writers are economists based in Washington DC, and both have carried out research on the impact of micro-credit in Bangladesh.

THIS DAY IN HISTORY

March 13

- 1933**
Great Depression: Banks in the U.S. begin to re-open after President Franklin D. Roosevelt mandates a "bank holiday".
- 1940**
The Russo-Finnish Winter War ends.
- 1943**
World War II: In Bougainville, Japanese troops end their assault on American forces at Hill 700.
- 1943**
The Holocaust: German forces liquidate the Jewish ghetto in Kraków.
- 1954**
Battle of Đìn Biên Ph?: Viet Minh forces attack the French.
- 1957**
Cuban student revolutionaries storm the presidential palace in Havana in a failed attempt on the life of President Fulgencio Batista.
- 1997**
The Phoenix lights are seen over Phoenix, Arizona by hundreds of people, and by millions on television.
- 2003**
Human evolution: The journal Nature reports that 350,000-year-old footprints of an upright-walking human have been found in Italy.
- 2008**
Gold prices on the New York Mercantile Exchange hit \$1,000 per ounce for the first time.