

Celebrating the successes of small efforts

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'NO society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable' - Adam Smith in The Wealth of Nations (1776). Sadly, poverty is still a scar on humanity's face and a denial of every 'basic human right' -- health, education, housing, food, water and energy, and access to fairer banking and credit.

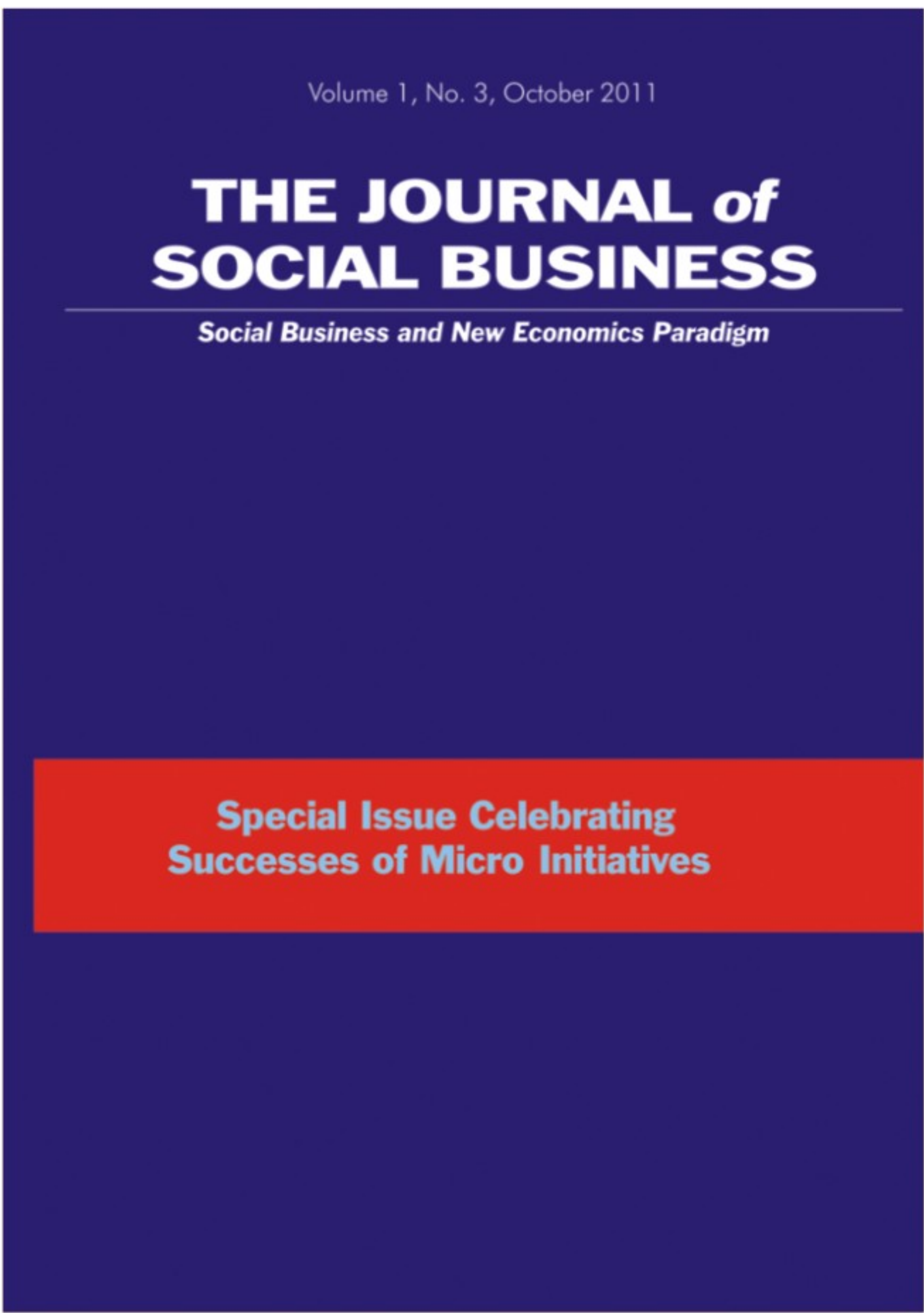
The idea of small, 'collateral-free' loans for poor -- developed by Nobel Peace Prize-winning Bangladeshi economist Muhammad Yunus in 1976, followed by founding the Grameen Bank (village bank) in 1983 - - or microcredit as a tool to alleviate poverty has become a global phenomenon. After two decades, this movement has gained a centre-stage with Microcredit Summit Campaign planted in 1997, followed by its year-on-year strength. The Global Microcredit Summit 2011 marked the 15th year of this campaign.

As the editorial lens of this excitingly new journal defines, the purpose of a more 'encompassing economics paradigm' is to progress the productivity and sustainability of our next generation out of every community. From this perspective, bold entrepreneurial challenges emerge all over the world in which developed nations can gain a lot from going back to basic community-grounded lessons as Bangladesh has shown the way and is branded as the epicentre.

And, our attempt to develop a special 'Action Research' issue of this journal to match the aspirations of the fifteen years of the microcredit summit campaign would refresh readers with what Dr John Hatch of the Foundation for International Community Assistance (FINCA) emphasised at the US-based citizens lobby -- RESULTS' International Conference in 1994 calling for a microcredit summit to launch a vigorous campaign to reach the world's poorest families:

"Behold the largest self-help undertaking in human history-- bringing hope, dignity, and empowerment to tens of millions of the world's poor and poorest families. Behold a movement with global outreach that has penetrated beyond city slums and market towns to even the most isolated villages. Behold an industry that embraces thousands of NGOs, credit unions, public and private banks, and an infrastructure of hundreds of thousands of community-based peer lending groups that are enabling many of the planet's most disadvantaged households to generate the additional income and savings they need to keep their children alive, nourished, healthy, and able to attend school."

Just a couple of days after the first microcredit summit held in Washing-



ton, DC, USA from February 2-4 in 1997, Prince Charles during his visit to Dhaka met the 'real-world' microbanker Prof Muhammad Yunus, who, he -- as expressed in a Foreword to Banker To The Poor (1998) -- found remarkable, speaking the greatest good sense ... "I have since done all I can to encourage a wider consideration and appreciation of microcredit... It has a use, too, in the developed world -- whether in remote rural Norway or run-down suburbs of British cities. It is remarkably cost-effective. It has a proven track record ... Best of all, it allows poor and disadvantaged people to take control of their own lives, make something of themselves and improve the lot of their own families." His expression resonates what microcredit enthusiasts in Europe now advocate, it could just easily help the unemployed in Europe, where a sovereign debt crisis and eventual public spending cuts are currently compounding stubbornly high jobless figures. Even in normal circumstances, it could help those -- with pitiful credit scores and the lack of collateral -- who don't stand a chance of getting loans from traditional lenders, pull themselves off welfare by staring their small businesses. In this context, European Commission's new 10-year plan to

boost economic growth and create jobs, known as 'Europe 2020', presents an opportunity to integrate microcredit into EU priorities. But existing regulatory obstacles to micro-finance institutions (MFIs) operations in Europe need to be lifted.

Recently, Microcredit champion Prof Yunus and European Commission President José Manuel Barroso had discussions on the prospect and promotion of microcredit in Europe to lift disadvantaged communities out of poverty, and the urgency of introducing appropriate laws and regulations. It is, however, a welcome development that a consortium of 20 law firms are now working for a major study on the regulatory obstacles to microcredit across the EU's 27 member states. Maria Nowak, founder of ADIE International, the biggest MFI in Western Europe, is actively assisting in this move.

In the face of worsening global economic crisis the battle between the macroeconomics that disinvests in youth's futures and sustainability, and the entrepreneurial economics that improves the net generation's productivity, is accelerating. The lack of a pro-youth investment mindset virtually poses a challenge to transformative economics. It would seem probable that both developed

and developing worlds now need to learn the transparent truth about the models that microcredit summit set out to empower worldwide knowledge exchanges around the first Microcredit Summit in 1997. In other words, all of our media now needs to value the leadership and working heroes and heroines of Bangladeshi microcredit now more than ever. As an innovative micro-up route to economic transformation, among other things, the success of micro initiatives represents aggressive use of market forces and sustainable business practice to achieve substantive social goals. Both BRAC and Grameen Bank are classic examples of such a model. Also, originated in 1999, Jamii Bora is a recent addition. In this spirit, perhaps, Queen Sofia of Spain and Prince Charles of the UK were inviting wider audience to understand how Bangladeshi microcredit worked as a transformative system from assumptions that 'fatal conceit' economics has spun over the last 40 years. As such, this journal forms a part of wider movement to transform economics.

This special issue aims at celebrating connectivity between 'basic human rights' areas of health, education, housing, food, water and energy, credit and banking. And we have attempted to illustrate, alongside BRAC and Grameen, a number of micro initiatives/projects like Jamii Bora of Kenya which originated during the first 15 years of Microcredit Summit Campaign, with focuses on -- does this programme integrate with other micro-practice areas or millennium development goals beyond financial impacts of ending poverty, what makes the model of the project sustainable, and what collaboration help is needed next?

The Microcredit Summit Campaign has recently shown that while more than 205 million people worldwide received a microloan in 2010, this multi-year campaign focuses on outreach to the poorest clients. According to the report, over the last 13 years, the number of very poor families with a microloan has grown more than 18-fold from 7.6 million in 1997 to 137.5 million in 2010. The latest data comes from more than 3,600 institutions worldwide, with more than 94 percent of the information having been collected within the last 18 months.

The Campaign's goal set for 2015 that 175 million of the world's poorest families, especially the women of those families, would be receiving credit for self-employment and other financial and business services. With an average of five in a family, this would affect 875 million family members.

Figures released by the Microcredit Summit Campaign on January 28 this year shows that nearly two million Bangladeshi households involved in

microfinance, including almost 10 million family members, rose above the \$1.25 a day threshold between 1990 and 2008. Dhaka-based Economic Research Group (ERG) undertook the survey between February and August in 2009, covering more than 4,000 Bangladeshi households. This survey included a large number of clients from BRAC and Grameen Bank -- the two Bangladeshi institutions known for their groundbreaking efforts to end rural poverty.

While successes of micro initiatives leading to improved lives out of microloans continue, overindebtedness from multiple loans, coercive collection practices, exorbitant interest rates and mission drift arising out of two MFIs (Compartamos in Mexico and SKS in India) hugely profiting from initial public offerings (IPOs), appear as grey areas and pose a challenge to the sector's direction. It is good that the summit's plenary and workshops sessions were well designed to address, debate, interact and redefine the way forward while reasserting integrity of the MFI sector -- not to benefit out of poverty and lose sight of its development focus. Also, many action learnings described in this special issue via deliberations by resourceful practitioners of exciting initiatives devoted to ultra-poor in rural areas and in urban slums, institutions offering student loans and scholarships to tens of thousands of children from extremely poor and illiterate backgrounds, and initiatives linking microfinance with health and clean energy, and with agriculture and clean water, will hopefully reinforce the promise of MFI sector.

It is an optimism that the Global Microcredit Summit 2011 in Valladolid, Spain, attended by over 2,000 delegates representing micro initiatives from all over the globe -- remarkably BRAC, Grameen and Jamii Bora -- would joyfully celebrate successes and remain as a lively, interacting assembly of understanding, respect and commitment towards microcredit borrowers worldwide -- the millions of women and men who have set their great expectations on this summit.

Finally, this special issue of the Journal of Social Business carries the announcement of launching a new think and action tank by Adam Smith and Yunus scholars on Social Business Entrepreneurship and New Economic Ideas, known as "Global Institute for New Economics". The think and action tank would develop an assembly of 'social consciousness' entrepreneurs and practitioners, policymakers and economists committed to action research on social intervention issues.

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World economy to trudge on in 2012 despite Europe

REUTERS, London

EUROPE faces another year of dismal economic performance in 2012 that will weigh on global growth, but emerging markets and the United States should at least keep the world economy moving in the right direction.

There are several reasons why next year may be nothing to look forward to, according to Reuters polls from the last few months.

Many of the world's biggest developed economies are heading into recession, global stock markets look set to recoup only a fraction of their heavy losses in 2011, oil prices will head lower, and asset managers are unsure where best to invest.

And these could be the best-case scenarios.

Most economists base their assumptions on the hope that the euro zone's sovereign debt crisis will not boil over into a new global economic crisis, having already dented growth in major exporters to Europe.

Still, most of the major emerging market economies like Brazil and China should pick up speed later next year. All of them have suffered

from slowing economies in recent months, caused mainly by tightening monetary policy in the face of high inflation.

"It's important to stress the world economy is still growing. But it's a tale of two worlds," said Gerard Lyons, chief economist at Standard Chartered Bank.

"The storyline for 2012 is that Europe drags the world down in the first half of the year, and China drags it up in the second half of the year."

Enormous political risks cloud the outlook further, with elections and leadership changes in the most powerful countries and the prospect of continuing turmoil in the Middle East.

Still, there are glimmers of hope. The United States' economy has performed better than most had hoped over the last quarter, and Reuters' polls of economists show it growing around 2.2 percent in 2012, compared with zero growth in the euro zone.

"The big unknown in Europe and the US is that big companies, with balance sheets in good shape, have the ability to invest at home if they want. It's more likely that will take place in the US rather than Europe,"



Residents walk past decorations for the upcoming 2012 New Year celebrations displayed at a shopping mall in Bangkok.

said Lyons.

European Union leaders took a historic step towards greater fiscal integration earlier in December, but economists have been clear that

this would not ease a debt crisis entering its third year and still hogging the headlines in 2012.

Reuters polls show real concern that leaders are doing far too little to

stimulate growth, with the likes of Spain and Italy destined for long and painful recessions.

The euro zone as a whole, meanwhile, is probably in a moderate

recession right now that will last midway into 2012.

"The euro area continues to be a source of economic and financial instability for the rest of the world," said Juan Perez-Campanero, economist at Santander, in a research note.

"We could be facing a more permanent and lasting decline in growth capacity in developed economies and, particularly, the euro area."

Whether Spain and Italy will need to seek funding from the euro zone's bailout facility next year is open to question, with a very slim majority of economists polled this month - 27 out of 56 - saying not.

And a November survey of 20 top economists and former policymakers in academia and respected research institutes showed 14 of them do not expect the euro zone to survive in its current form.

Even in Japan, where economists have downgraded growth forecasts relentlessly, the economy is expected to pick up in the fiscal year from April and expand 1.8 percent. Japan should narrowly avoid a recession, but polls show little hope it will emerge from deflation any time soon.