

Rescind decision on Grameen Bank

S.M RASHED AHMED

BA NGLADESH can justifiably take pride in its uniqueness; the creativity, the innovativeness, the spirit of entrepreneurship, among others, of its people. This found international acceptance for the first time after independence when nine women representatives of Grameen representing 8.3 million poor women borrowers and owners of Grameen Bank, along with their founding father Prof Yunus, were awarded the Noble Prize for Peace in 2006; the nation went rapturous with an outpouring of jubilation from the cities to the remotest corners of Bangladesh; all eyes were glued to the TV to witness the honouring of Bangladesh.

It is hard to achieve independence; it is harder still to preserve and consolidate it. That one of our sons, Yunus, and Grameen were awarded the most prestigious Nobel Prize symbolised the recognition by the international community that Bangladesh had come of age; it is no longer a basket case; it meant to us a giant step forward towards consolidation of our independence and freedom; we the people felt that way. Significantly, this was another historic day when the nation achieved a rare consensus that Yunus and Grameen women are our hero and heroines cutting across all divides and differences; the forging of a unity which we felt would eventually herald the birth of a "New Bangladesh." It is not long ago that the current prime minister attended the microcredit summit and rightly eulogised the contribution of microcredit and its founder to the alleviation of poverty.

What, then, has gone wrong that the hero of yesterday should have become the villain of today, the "blood sucker" to those who eulogised him and his creation Grameen in such glorious terms? What a tragic irony of history!

From the perspective of a diplomat the main objectives of the foreign policy of an LDC country like Bangladesh have to be security with accent on food, water, energy, global warming etc. Diplomacy is geared towards maintenance and preservation of peace. War or conflict is called the "vanishing point of diplomacy." Significantly, Prof. Yunus and Grameen were awarded the Nobel Prize not for economics but for peace. And by giving Grameen the Nobel Prize for Peace the Norwegian Nobel Committee reinforced the concept that "peace is inextricably linked to poverty; poverty is a threat to peace." Grameen and its founder Yunus thus made outstanding contributions to the realisation of the objectives of our foreign policy and diplomacy.

We have some way to go to graduate from an LDC

to a middle income country. To achieve this objective we will need international support, assistance and technology. The ODA is declining, due to financial crisis in the developed countries, and our emphasis has to be on attracting FDI to supplement our domestic resources and effort. The image and acceptability of Bangladesh to both the governments and the people of the donor countries, agencies, foreign companies and investors, is crucial.

The government's move to practically rob the Grameen Bank of its independence, politicise it, and vilify Yunus, will erode the support base for Bangladesh in these countries at this crucial time; faced as we are with formidable challenges of poverty

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and development. The image of Grameen and Yunus have become inseparable and intertwined with the image of Bangladesh; this is a hard reality whether one believes it or not.

The pioneering role and achievements of Grameen's microcredit programme towards the alleviation of poverty, leading to its elimination, have been acknowledged worldwide. Today, microcredit or micro-finance has spread around the world. There are now Grameen-type programmes in almost every country in the world, and many of the poor are able to use the small stake that a micro loan provides as the basis for building a thriving business -- a tiny farm, a craft workshop, a little store, etc. that can lift them and their families out of poverty. In fact, since Grameen began lending money to poor people, especially women, millions of families in Bangladesh alone have improved their economic circumstances with the help of microcredit. Financially, Grameen is self-reliant and has not taken donor's money since 1995.

The role of Grameen in poverty alleviation and peace embraces a wider area. It gives, among others,

housing, student and micro-enterprise loans to poor families and offers a host of attractive savings, pension funds, insurance products for its members. Importantly, the legal ownership of these houses belongs to women. One of the major decisions of Grameen was sending children to school, which Grameen encouraged through scholarships for talented students. Many of those children went for higher education and some of them even got PhD.

Another pathbreaking achievement of Grameen has been the bringing of Information Technology (ICT) to the poor by creating a mobile phone company called Grameen Phone to change the lives of the poor. Grameen Bank gave loan to the poor women to buy mobile phones and to sell phone services in the villages; this has become the quickest way for the poor to get out of poverty and earn social respectability. A quite social revolution of historic proportion, its long-term impact towards modernisation of Bangladesh cannot be overestimated.

Some of the achievements include creation of Uddog to help the local weavers bring to the international markets a new line of fabrics named "Grameen Check," and founding of Grameen Shakti (Grameen Energy), one of the world's largest market based suppliers of solar energy, Grammen Kollayan and Grameen Health Care Services to provide affordable health care to Grameen Bank members and other villagers.

I have tried to highlight some of the major achievements of Grameen which account for its popularity and support and to underscore the fact that it is crucial to preserve the independence of Grameen based on its outstanding achievements for the rural poor, particularly women.

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The decision to invest the chairman of Grameen Bank instead of the Board with the power to appoint the managing director is unprecedented and undemocratic. I share the apprehension of Prof. Yunus and others that this will eventually destroy Grameen. Public opinion should be mobilised accordingly so that the government has to rescind its decision; the voice of the people is the voice of God.

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SHIFTING IMAGES

The unsung song



MILIA ALI

THIS summer has been unusually hot in Washington, with temperatures flaring up to 100 degrees or more. Fortunately, brief bouts of showers provided respite from the unbearable heat. For me, the rains also evoked nostalgic reflections of my childhood and youth when I would sit for hours watching an overcast sky and weaving idle

dreams.

Today, as I hear the pattering sound of raindrops, my mind travels back to a July evening in Dhaka more than four decades ago. A musical evening with a haunting voice singing Tagore's breathtaking tappa composition: *Megher pore megh jomechhe* (Clouds heap upon clouds). The intricate modulations of the refrain "Ah, love, why dost thou let me wait outside at the door all alone?" captured the dark mood of the rainy night. The resonance of the melody is so vividly embedded in my subconscious that I can still feel its pristine beauty!

The vocalist was Rakhi Chakrabarty, the popular singer of the sixties. This was my first encounter with Rakhidi (as

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I called her affectionately). I was a mere novice aspiring to make an entry into the world of music. Listening to Rakhidi sing, I sensed the power of Rabindra Sangeet and my resolve to train myself as a Tagore singer was rekindled! Subsequently, Rakhi Chakrabarty became my muse and mentor. At an abstract level she was everything I wanted to be -- talented singer, compassionate human being and a modest and understated individual!

About eight weeks ago I heard the unexpected and shocking news that Rakhidi had passed away. Despite the fact that I had not been in contact with her for a while, Rakhidi's death was hard to accept because it really wasn't her time to go. I can't help feeling that she had so much more to give to the world of music.

One may wonder what was so special about Rakhi Chakrabarty that she could propel a young adolescent girl like me from the world of Elvis Presley and The Beatles into the universe of Rabindra Sangeet? Rakhidi's singing had a soulful quality that connected the listeners to their inner consciousness. At a time when Tagore's music and writings were taboo in the erstwhile East Pakistan, Rakhi Chakrabarty made her singing debut with aplomb. Trained in Visva Bharati University (Santiniketan), under the tutelage of stalwarts like Shantideb Ghosh, Kanika Banerjee and Nilima Sen, Rakhidi's singing combined technical perfection with spiritual fervour. Above all, her recitals had the stamp of a unique style, which was entirely her own. She popularised Rabindra Sangeet in East Pakistan in the late sixties with her memorable rendition of *"Sakhi Bhabona kahare bole."* It would be fair to say that Rakhi Chakrabarty was not just a performer -- she was one of the institutions that carried the mantle of Tagorean culture at a difficult juncture of our history. And, she accomplished this task with extraordinary courage coupled with humility.

This column, however, is not only about Rakhi Chakrabarty's public persona. I also have a personal story to tell. A story revolving around intimate afternoons spent together. In between informal music lessons, we would take tea breaks when Rakhidi would narrate stories about her life in Santiniketan. Sweet anecdotes about the sari that Mohordi (Kanika Banerjee) presented her after her graduation, which she wore to all important performances. About the legendary guru's unassuming personality and how she would seek reassurances from her student, Rakhi, about her singing! Tit bits about the unpretentious lifestyle in Tagore's University! We would often shut out the outside world and immerse ourselves in our musical universe.

Then 1971 happened. Like many of us, Rakhidi went over to India to participate in the Bangladesh Liberation War effort. Unfortunately, our paths seldom crossed during those trying times. After the country's independence she moved to England with her husband. I only met her one more time during one of her visits to Bangladesh.

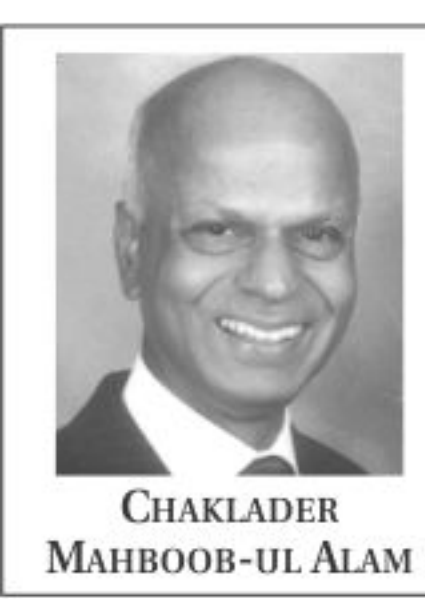
Later, when I was a student at Santiniketan, Mohordi and I would often reminisce about Rakhidi. I remember once Mohordi voiced her regrets that her favourite student, Rakhi, had not fulfilled her potential since she had not continued her singing career. I wondered why. Was it due to a deep-rooted disappointment that the revered art world that she was familiar with had transformed into a commercial industry? Or, was she preoccupied with the demands of her role as a wife and mother in her adopted country? I will never know. What I know is that I loved every bit of the song she sang -- only, it was too short.

Rakhidi, wherever you are, I hope you are still singing, because you do to Rabindra Sangeet what "spring does with the cherry trees!"

The writer is a renowned Rabindra Sangeet exponent and a former employee of the World Bank.

LETTER FROM EUROPE

Survival of the Euro: Important for Germany too



CHAKLADER MAHBOOB-UL ALAM

MARIO Draghi, the president of the European Central Bank (ECB) is a seasoned central banker and a highly respected professional. So when on July 25, the Spanish ten-year government bond yields shot up to 7.75% (the Italian bond yields were not far behind), he realised that some-

thing had to be done quickly to lower the borrowing costs of the fourth and third largest economies of the euro area. Otherwise, there would be no economic recovery in these countries. He also felt that the euro itself was in grave danger. Next day, he appeared at a press conference and pledged to "do whatever it takes to preserve the euro zone." That meant buying Spanish and Italian debts on a massive scale. No wonder, the financial markets rallied immediately.

Unfortunately, exactly one week after this official pronouncement, Mr. Draghi signaled something quite different. He made a highly qualified offer. At a news conference on August 3, he said that the ECB was still willing to buy government debts but the troubled countries must formally ask for help, i.e., a proper bailout which none has yet asked for because of the political stigma attached to it and also because it will entail further austerity measures and closer supervision by the authorities in Brussels. So, the inevitable question is: What forced the president of the ECB to change his mind?

The principal reason for this change is the German opposition to bond buying on a massive scale. Mr. Draghi acknowledged that the other 22 members of the ECB's governing council including the heads of the central banks of countries like Finland, Holland and Luxembourg had earlier voted in favour of the proposal. The only exception was Mr. Wiedman, president of the German central bank, who voted against it. Why?

Many Germans think that the euro is a failed construction, therefore it is pointless throwing further sums of good money after a bad project. This is not entirely true. Germany has benefited greatly from the euro system. The Germans should also be reminded that their country is partly responsible for the current situation in the debtor countries and that if the euro implodes, not only the so-called southern peripheral countries but also Germany will suffer from the meltdown because of possible defaults and other reasons that I shall explain later.

But first, let us have a bit of history to help us understand how we got to this disastrous situation. All this began in the summer of 1992. The European Currency Mechanism for semi-fixed exchange rates was still functioning. Suddenly, to address the threat of inflation, Germany raised the benchmark interest rate for German marks. In order to take advantage of

this increase, the international investors diverted huge amounts of capital to Germany and as a result the German mark soon rose 20% against the US dollar. Since the other European currencies were aligned with the German mark (slight deviations were allowed), they also rose against the dollar, thus damaging their prospects in the export market. In order to maintain alignment with the German currency, they were forced to raise interest rates as well, which hurt their domestic markets.

In September, 1992, Italy and the UK left the European Currency Mechanism for alignment. As a result, their currencies depreciated rapidly. Soon

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other European countries followed their example, thus putting an end to the European Currency Alignment system. Germany lowered the benchmark rate from 8.75% to 8.25%. The German Central Bank continued with its policy of lowering the benchmark rate (11 times) over the next few years until it reached 2.5% in 1999 when the euro came into being and the European Central Bank took over the responsibility of setting the benchmark rate.

In their rush to create the European single currency, the participating countries agreed on a fixed exchange rate among their currencies without taking into consideration the vast differences that existed in their labour, fiscal and banking legislations. They also ignored the fact that their productivity levels were completely different.

Although there were hopes for an early convergence in these areas, the results were very different. While the Germans, with their characteristic discipline and hard work, managed to keep their costs and expenses under control, invested in research and development, improved the economic infrastructure of the country, increased their exports and piled up huge surpluses in the current account, some of the so-called peripheral countries of Europe went just the other way piling up huge fiscal and current account deficits.

How were these deficits financed? Well, they were financed with a flood of easy money coming out of

countries like Germany and other northern countries. In theory, this capital inflow at low interest rates should have pushed these debtor countries to converge in productivity at the German level. Unfortunately, the results were completely different. Greece spent the money on superfluous items and neglected its tax collection system. Spain and Ireland created huge credit and real estate bubbles (the infamous sub-prime mortgages) through their banks. Spain in particular went on a spending spree on fancy projects and built up a huge patronage system under which increased significantly the number of public sector employees at central, regional and local government levels. What is amazing is that while all this was going on neither the debtor countries nor the creditor countries realised that one day the bubbles would burst and the consequences would be catastrophic. They would jeopardise not only the financial system of the debtor countries but also that of the creditor countries like Germany because of their huge exposure.

A few weeks ago, Moody's lowered the credit rating of several large banks in Germany. According to newspaper reports the rating of Germany's largest bank, the Deutsche Bank, is being reviewed. If the euro implodes, it is quite likely that Germany will be forced to recapitalize many of its banks. German mark will surge and most other European "currencies would plummet and the imbalances would create a global catastrophe." If Europe and the rest of the world enter into a deep recession, German exports will plummet, tax revenues will fall and unemployment will rise.

It is true that serious mistakes have been made in the construction and management of the euro. But now, at this stage of the game, Germany cannot simply walk away from the euro project. The Germans must realise that their welfare is intrinsically linked to economic recovery in the rest of Europe and the survival of the euro. Somebody compared the euro with the Titanic. If it sinks, everybody will go down with it including its first class passengers like Germany. So what is the solution?

Spain and Italy will have to swallow their pride and officially ask for help from the Central Bank. Further austerity measures will be counter-productive because they would lead to greater recession. But these countries must guarantee that they will not renege on reform commitments already made by allowing Brussels to audit their accounts on a regular basis. Germany must show its faith in the honesty and professional integrity of Mr. Draghi by removing all limitations to his bond-buying powers. Using Mr. Draghi's words, these measures should be "adequate to preserve the euro zone," which includes Germany as well.

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