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Guaranteeing Basic Income Through Correcting Structural Injustice

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1. The right to a basic income

It is today being argued that development is a human right. It may correspondingly be argued that basic income, paid to every man, woman and child is a human right, which precedes development. This right to income originates in our common humanity which demands that no man, woman or child should go to bed hungry while people around them eat to repletion. This concept of a shared humanity finds its inspiration in every major religion across the world, and has remained embedded in the traditional values of most societies. The notion that the market should feed human beings and its failure to do so is outside the concerns of both state and society is a very recent intrusion into human history. Any great movement which seeks to persuade states and society across the world to re-discover their common humanity demands moral and political support from every pulpit, political and social platform across the world. At the same time, in a world community, which is today committed to both poverty eradication and democracy, it should be the primary obligation of an elected government to guarantee the basic needs of its citizens.

Once we recognize the right to a basic income to satisfy basic needs as a fundamental right the central goal of the development process should be directed towards realizing this socio-political as well as moral obligation. In such a redirection of the goals of development, such issues as economic growth should be recognized as instrumental goals for meeting basic needs. Whilst those assembled at the 9th BIEN Congress may have no problems in recognizing the right to a basic income, this commitment finds limited place in the reform agendas originating in the Washington Consensus.

The Social Democratic revolution which gave birth to the Welfare State in Europe and has rubbed off in other developed countries, as well as the more radical revolutions of Asia and the erstwhile socialist states of Europe, all recognized the obligation of the state to provide education, health care and social security to its citizens, including a guaranteed income to the aged, the sick, the disabled and the unemployed. The socialist states of Eurasia may have passed into

oblivion whilst the Welfare State may today be under threat in Europe both on political as well as budgetary grounds. But the legacy of ensuring the basic needs of the citizens of these countries still survives, at least in Western Europe. In contrast, much of the Third World offers no such income guarantee to their citizens. As a result, large numbers of citizen remain poor, drawing on earnings, which remain insufficient to meet their basic needs. Episodes of sickness and unemployment create a crisis of survival in the households of the poor. Many of the poor, including the borderline poor, thus remain condemned to lives of constant insecurity where structural, market, natural and human factors expose them to perennial fluctuations in their income. In the absence of any income guarantee, the capacity of citizens to access a basic income depends on their ability to participate in and benefit from the development process. This capacity remains highly unequal across and even within households.

1.1 The argument of the paper

It is important to recognize that state and societies as well as the global community have a moral and political responsibility to assume the basic needs of all citizens across the world. It is the reaffirmation and realization of this right, which hopefully motivates the 9th BIEN Congress and will be addressed by various participants in the days ahead. However, my paper seeks to open up a related discourse on the structural features of a society, which denies opportunities for many citizens across the world to realize a basic income. The paper, accordingly, addresses the policy and institutional interventions needed to provide the necessary structural reforms, which would make it possible for all citizens to earn a sufficiency of income to meet their basic needs.

My paper argues that the unequal access to income originates in the unequal command over both economic and political resources within a society and the unjust nature of a social order, which perpetuates these inequities. We may term these inequities as structural injustice. Such injustices remain pervasive in most societies exposed to endemic poverty. Any credible agenda to guarantee a sufficiency of income to every citizen to take them out of poverty and meet their basic needs must seek to correct the structural injustices, which perpetuate income

deprivation. The remainder of this paper is divided into two parts. The first part examines the sources of injustice, which deny a large number of people a basic income. The second part of the paper focuses on correcting these injustices in order to build societies free of poverty and want.

2. Sources of the injustice

The main source of structural injustice which perpetuate poverty originate in:

- § unequal access to productive assets;
- § unequal participation in the market;
- § unequal opportunities for human development;
- § unjust governance.

2.1 Unequal access to assets

In all countries faced with endemic poverty and indeed many middle-income countries, inequitable access to productive assets and knowledge disempower the less advantaged from participating competitively in the market place. In most societies, with a substantial proportion of the population living in poverty, the rural poor have insufficient access to land, water and water bodies. Where they access such resources they do so under exploitative tenancy arrangements. In the urban sector the poor command little or no title to corporate wealth or even the land where they reside.

2.2 Unequal participation in the market

The market itself, as it operates in the real world rather than in text books, is structured to compromise the opportunities on offer to the poor. Within the prevailing structures of society the poor remain disconnected from the more dynamic sectors of the market, particularly where there is scope for benefiting from the opportunities provided by globalization. The fast growing sectors of economic activity tend to be located within the urban economy, where the principal agents of production tend to be an urban elite who owns the corporate

assets, which underwrite the faster growing sectors of the economy. Even in the export-oriented rural economy, in those areas linked with the more dynamic agro-processing sector, a major part of the profits, in the chain of value addition, accrue to those classes who control corporate and landed wealth.

The poor, therefore, interface with the dynamic sectors of the economy only as producers and wage earners, at the lowest end of the production and marketing chain, where they sell their produce and labour under severely adverse conditions. This leaves the poor with little opportunity for sharing in the opportunities provided by the market economy for value addition to their labours.

2.3 Unequal access to human development

Low productivity remains an important source of income poverty. Higher income and ownership of wealth remains closely correlated to higher levels of education. Low productivity, thus, originates in insufficient access to education and technology. However, a more serious problem facing the poor, in many developing countries, lies in the growing disparity in the quality of education, which divides the rural and urban areas, as well as the majority of the people from a much narrower elite. In such societies today, the principal inequity in the education sector is manifested in the growing divide between a better educated elite with access to private as well as foreign education and the poor who remain condemned to remain captives within an insufficiently funded and poorly governed public education system. In an increasingly knowledge based global economy, which is driving the global IT revolution, inequitable access to quality education, relevant to the dynamics of the market, could emerge as the principal deprivation of the poor.

Insufficient and inequitable access to health care is also compounding the inequities in education. The dominant problem in most developing countries is not the complete absence of health care but the incapacity of the public health care systems to deliver quality health care. Ill-provisioned health services expose the poor to a life of insecurity, where earning opportunities can be disrupted by episodes of ill health. Poor health and nutrition can undermine both individual as

well as national productivity and can influence the lifetime opportunities of the poor. In contrast, a small elite who is positioned to avail of private and even foreign health care, enjoy first world health standards. This growing disparity between the health status of the elite and the poor in such countries is inherently unjust because it denies all citizens equal chances of living a healthy life and even to compete in the market place.

2.4 Unjust governance

This inequitable and unjust social and economic universe is compounded by a system of unjust governance, which discriminates against the poor and effectively disenfranchizes them from the political benefits of a democratic process. The poor, where the machinery of state does not directly oppress them, remain underserved by available public services. Where such services are at all accessible to the poor, they pay high transaction costs for these services. The agencies of law enforcement insufficiently protect the poor and frequently oppress them for personal gain as well as on behalf of the elite. The judicial system denies the poor elementary justice both on grounds of poverty as well as the social bias of most Third World judiciaries. Representative institutions tend to be monopolized by the affluent and socially powerful who then use their electoral office to enhance their wealth and thereby perpetuate their hold over power. In such an inequitable and politically unjust environment, the benefits of democracy remain the privilege of the elite supported by small collectives of sectional power.

3. Correcting injustice to guarantee income

3.1 Democratizing opportunity

It is argued in this paper that in order to move towards a society where a minimum assurance of basic needs is guaranteed to all citizens, the structural injustices, which constrain the right to participate in development, need to be corrected. The route to an assured income must thus derive from ensuring the democratization of economic and political opportunities for all citizens, but particularly those living in poverty that remains deprived of their basic needs. To

empower and enable the deprived to participate in the market to a level, which ensures a sufficiency of income to guarantee their basic needs, the following policy interventions are suggested:

- § expanding the ownership and control of the deprived over productive assets;
- § enhancing access to a knowledge based society for the deprived;
- § strengthening the capacity of the deprived to compete in the market place;
- § redesigning budgetary policy to reach public resources to the deprived and provide income security;
- § restructuring monetary policy to deliver credit and provide savings as well as investment instruments to the deprived;
- § designing institutions for ensuring the right of asset ownership for the deprived;
- § politically empowering the deprived.

The subsequent discussion is largely suggestive and is designed to initially stimulate debate as a prelude to designing more substantive policy proposals.

3.2 Expanding the ownership and control of the rural poor over productive assets

The principal assets available to the rural poor tend to be land and water. I do not share the reservations of some scholars and international agencies about confiscatory land reform, largely because the prevailing title to such land, in most developing countries, is grounded in unjust and often illegitimately acquired title to land. However, we need to recognize that the correlation of political forces to underwrite a radical agrarian reform is not present in too many countries today. If such a coalition could be put in place I have no hesitation to argue that a radical reform, which could transform the political economy of rural society, would not only help to end rural poverty but could also dynamise the economies of many Third World countries.

Such a transformatory agrarian reform should be built around guaranteeing all rural households, but particularly the landless, with either title or permanent tenancy rights to some cultivable land. Obviously the capacity of this guaranteed access to cultivable land, to secure a basic income for all cultivating households, would vary from country to country depending on the person/land ratios in that country. However, it is argued that even in countries where cultivable land is scarce, as in much of Monsoon Asia, basic title to some land should be mandatory. Title to land will provide the basis for accessing public inputs and credit resources needed for enhancing productivity, participating in collective marketing arrangements and in benefiting from development of the physical infrastructures serving the local community. The other goal of such a reform is to democratize access to social and political power, which, in most rural societies today, derives from inequitable title to land and water resources. Thus, agrarian reform should not be seen as just an economic intervention but as part of an agenda for social transformation of rural society.

Whilst social revolution may not be round the corner there is no reason why we cannot explore agrarian reforms, which are politically feasible as well as economically sustainable. Within such a perspective, three areas of agrarian reform could be immediately considered and explore for budgetary support and funding by international development agencies:

- § transforming tenancy rights into either ownership rights for the tenant or through right of permanent tenancy.
- § redistribution of ownership of uncultivated land
- § giving title to lands and water courses owned by the State.
- § correcting injustice in the system of land administration

3.3 Enhancing access to human resources

In the area of human development, courtesy of the pioneering work of Amartya Sen and Mahbub ul Haq, human development is already recognized as a mainstream concern of the development agenda. However, my own emphasis in this area would be on democratizing access to education and health care.

Such an agenda for human development would need to move beyond ensuring education or health for all, which should remain on every agenda. The priority for the next decade should move towards substantially enhancing investment for the purpose of upgrading the quality and governance of schools and health care facilities used by the deprived, in both rural and urban areas, to a level where they are guaranteed a level of education compared to the urban middle class. Such a goal carries formidable implications as to costs and governance. What I would, therefore, suggest is a phased series of investments in upgrading these public facilities so that the budgetary impact and governance problems could be more easily absorbed.

Until public services in the health sector, for example, can be brought to a competitive level with private services, public resources should be channelled to establishing a system of health, disability and old age insurance which guarantees the disadvantaged access to a basic standard of health care drawing upon private health care as well as access to public health care of enhanced quality. A similar system of public scholarships should be targeted to the children of the deprived to access private education, where each institution should be compelled to guarantee a proportion of places for the poor.

The knowledge revolution is now being brought within the reach of the poor by advances in telecommunications. Formidable opportunities are being opened up in the area of distance learning and medicare, for realizing urban standards of education, medical diagnosis and prescription to be delivered to the most remote villages. Here major investments to build the infrastructure to take the IT revolution to the village's remains a major goal of public and global development policy. Access to IT education as well as facilities should be guaranteed to all households, within a prescribed period of time, by every government. A global fund to underwrite the access of the poor to IT should be put in place in the next few years.

3.4 Strengthening the capacity of the poor to compete in the market place

3.4.1 Market based institutions for the poor

The capacity of the poor to operate on more equal terms in the market place depends in considerable measure on their capacity for collective action. The weakness of the poor, in the market place, originates in their isolation. Here investment in institutions, whether sponsored by Non-governmental organizations (NGOs) or representing collective action by the poor, in the form of marketing cooperatives, or corporate bodies of the poor, remain crucial interventions. The eventual goal of such interventions should be to strengthen the basis for realizing a guaranteed income for the rural poor by reducing and eventually eliminating the instability in their earnings.

Since the developing world is littered with the debris of captured, corrupted or failed cooperatives, directing collectives of the poor into such a risk-prone areas as the market, should not be underestimated. However, the issue remains to invest the poor with the capacity to develop the financial and organizational strength to sell their products and services, at a time and in a market, which offers them the best terms, rather than to sell their produce out of distress or the need to subsist. Such a perspective would demand interventions in the macro-credit market to underwrite such marketing ventures, as well as deployment of professional management skills, to assist the poor in participating in the market place.

3.4.2 Adding value to the labour of the poor

Many NGOs around the world are already providing marketing services to the poor for particular commodities, in national and global markets. Such exercises remain episodic and have done little to change the market regime facing the poor. Thus, the best service that can be provided is to help the poor to add value to their labours by moving them upmarket through sharing in the benefits of agro-processing or providing labour inputs to the corporate sector. The pioneering role of Amul Dairy in India and more recently, BRAC, in Bangladesh, to enable small dairy farmers, or just poor households who own a cow, to become part of a

milk processing chain, enables the poor to share in the value addition from selling pasteurized milk or cheese in the metropolitan market.

Here, I would suggest that such initiatives might take one step further, by financially empowering the vast body of small farmers servicing the private agro-processing sector, to become equity stakeholders in the upstream enterprises, which add value to their produce or labour. Tobacco, cotton, sugar cane and jute growers, servicing export-oriented corporate bodies, could be brought together, as corporate bodies or as members of a dedicated Mutual Fund, to acquire a stake in these private corporate bodies engaged in the task of value addition. This marriage between the small farmer and the downstream agro-processor could also be promoted by local civil society organizations and consummated through a dowry provided by both multilateral and bilateral funding agencies to organized groups of small farmers to buy into such ventures.

3.5 Redesigning budgetary policy to reach public resources to the poor

3.5.1 Restructuring the budget

In its present configuration, budgetary policy aggregates public expenditure programmes without setting any explicit goal to serve the poor, who tend to remain marginalized in the budgetary concerns of most developing countries. In the absence of any explicit structuring of the budget to serve the poor, most budgets contain a plethora of projects/programmes, ostensibly targeted to the poor. In many least developed countries (LDCs) such pro-poor programmes tend to be underwritten by a variety of aid donors. Few, if any, governments can even produce a record of the plethora of aided projects ostensibly targeted to the poor let alone estimate the impact of these expenditures on the poor. Any careful evaluation of such projects would demonstrate that not insignificant part of the expenditure targeted to the poor, does not reach the poor, due to high transaction and delivery costs, which enrich the non-poor or local and expatriate consultants. Much of this misdirection of public expenditure is concealed under opaque budgetary practices, which make it impossible to identify the share of the budget directly reaching the poor or estimating its impact on the circumstance of the

poor. In this respect, targeted aid programmes are no less likely to carry high transaction costs, with poor outcomes and weak sustainability.

The goal of budgetary policy should be to ensure that a guaranteed share of the public budget is explicitly targeted to deliver resources and services to identifiable groups of the deprived. Such guaranteed resource flows would need to ensure transparency in the delivery system to eliminate transaction costs, reduce delivery costs and should spell out measurable targets for reducing poverty and assuring basic needs. Such resource targeting and their oversight should be designed in consultation with the recipients who should be directly invested with the responsibility to oversee the disposition of resources guaranteed to them.

How far for some element of a direct income guarantee to the most deprived households can be ensured through budgetary policy merits further enquiry. Such interventions may be linked with employment guarantee schemes in the rural areas such as were practiced in the state of Maharashtra in India. However, organizing and managing employment guarantee schemes is more complex if less costly than ensuring income guarantees through the budget. A version of such an income guarantee schemes is in place in Bangladesh, targeted to a small segment of the aged poor. Schemes of a similar nature have been in place in South Asia ranging from the provision for an assured midday meal for all school going children in Tamil Nadu state in India, to a guaranteed supply of rice to all households in Sri Lanka. However, most such guarantee schemes remain narrow in their coverage and the income or food provided to the target groups tends to leave them well below subsistence levels. To enforce a more universal programme of guaranteeing a basic income, for example, to all households defined as living below the poverty line in South Asia, would make much heavier claims on the national budget. This would ensure a major contest for resources directed to such need guarantee schemes with such major claimants on the public exchequer as the politically powerful security sector or the public employees.

3.5.2 Guaranteed credit for the deprived

Professor Mohammed Yunus, the founder and Managing Director of the Grameen Bank in Bangladesh, the world's largest macro-credit institution, has

argued for some years that credit should be guaranteed as a basic human right. This proposition was designed to extend the frontiers of the micro-credit revolution to the level where no person eligible for micro-credit would remain deprived of credit anywhere in the world. This proposition of guaranteed access to credit was ratified at the micro-credit summit in Washington D.C. in 1997.

Whilst fully endorsing the concept of guaranteed access to credit as a basic human right I would emphasize the need to move beyond micro-credit to incorporate the full capacity of the national and global banking system into guaranteeing the credit needs of the poor. Thus far, the financial needs of the poor, once left to the informal sector, have now been segregated into the micro-credit market. This apartheid within the monetary system remains a major anomaly in the global development discourse. The micro-credit movement has, in many ways, revolutionized the banking system of many countries such as Bangladesh by moving a large segment of the rural population, from the informal to the formal capital market, through access to institutional credit. In Bangladesh, around 15 million poor borrowers, mostly women, have graduated from the informal money market into organized banking, where recognition of their innate sense of fiduciary responsibility for repaying loans and making regular savings has been institutionalized. These numbers are comparable to those who participate in Bangladesh's commercial banking system. No less important, the micro-credit system has established the creditworthiness of the poor and lay to rest the myth that only men of property should be eligible to access the institutional banking system.

Regrettably, few Finance Ministers in the developing world have registered the crucial lessons from the micro-credit revolution that the poor are bankable and creditworthy. The logic of this discovery would point to need for integrating the micro and macro-credit markets. This would enable micro-credit organizations to graduate into corporate banks, owned by the poor. This, indeed, is the path followed by Grameen Bank, which is a corporate body with over two million shareholders, composed mostly of poor women, who are also the clientele of the Bank. Bangladesh and indeed a number of other developing countries are ready to sustain many more such banks, owned by the poor and serving the poor. Given the

high level of non-performing loans in the regular banking system of Bangladesh, the fact that Grameen Bank, with a credit volume comparable to the largest commercial banks, can limit its portfolio of non-performing loans in the range of 10%, demonstrates that it has the capacity to operate as a competitive bank, whilst serving the needs of the poor. There is, today, no reason why such organizations, of the maturity of Grameen Bank, should not graduate into the macro-finance system by accessing the deposits of the general public and even marketing its assets at the global level, through such financial instruments as securitization, which are in widespread use in more advanced financial systems.

If Grameen Bank can move upmarket to intermediate urban savings into the rural areas, there is no reason why the commercial banks should not do likewise. The rural poor of Bangladesh have proved themselves more credit worthy than the default-prone urban elite so it would simply be good business to redirect loan portfolios to the deprived who are willing to pay remunerative rates of interest on their loans.

Corporate banks in the developing countries may be more inclined to look to the needs of the poor if the government were to incorporate such a redirection of banking services into the design of financial sector reforms. The World Bank has, for many years, been promoting financial sector reforms across the developing world. Regrettably, there is no evidence of any insistence by the World Bank that the reform process should also aim to restructure the macro-financial system to deliver financial services to the poor, on grounds of both market efficiency as well as alleviating poverty. To this end an explicit goal of banking reforms may be to ensure some quantitatively determined target for credit delivery to the poor from the financial sector as a whole.

3.6 A guaranteed right to corporate wealth

3.6.1 Sources of corporate wealth

In the final analysis, a right to a guaranteed income needs to be sustained by the right to own income generating assets. In the rural areas the main source of such assets remain land and water. However, in the developing countries, with

limited exceptions in the plantation sector and large agro-businesses, the income generating capacity of the rural sector within its present structural arrangements, remains limited. The dynamic sector of the economy tends to be linked to global markets and the faster growing areas of the urban economy. It is the owners of such corporate assets, along with urban property owners, who dominate the upper echelons of society. Members of this corporate elite do not have to worry unduly about their basic income security. They live in their own houses, may derive high renter income from property, have children educated and often working abroad. The enterprises, which they manage or in which they own shares, pay them dividends and salaries that enable them to sustain a rising level of income. It is this class, which intermediates the flow of external aid into the economy and derives a handsome livelihood from the transaction costs of such resource inflows. Whilst membership of this elite remain fluid, this class in many countries has becoming self-perpetuating where their access, to wealth, superior human development, political power and social privilege begets more wealth.

3.6.2 Democratizing ownership of wealth

In such societies, any substantive intervention to guarantee income to the deprived segments of the population must focus on guaranteeing them title to corporate wealth. In an ideal society all households should be shareholders of the wealth of the corporate sector, so that all income generated from the growth of this sector is shared. In practice it may be more meaningful in most developing countries to target the poorer segments of society for guaranteed ownership rights to corporate assets. Such a guarantee may be extended to the wageworkers of the corporate sector, which may not all be strictly classified as the poor.

To give substance to the goal for democratizing the ownership of corporate wealth, bank credit from the macro-sector may be invested in leveraging the ownership of corporate wealth by groups of the poor or deprived classes. This same source of financing may be used in inducting the poor into ownership of new corporate enterprises by ensuring that a guaranteed share (say 30 per cent) of all *initial public offerings* (IPOs) on the stock market will be reserved for the organized groups of the deprived.

This concept of ownership of urban assets may extend to the ownership of urban property. This should not just limit itself, to the important goals set by Hernan de Soto, of giving legal property rights to urban squatters, but should invest groups of the poor with property rights in all urban lands developed with public money.

3.6.3 Privatization for the poor

Where public assets are to be privatized whether in terms of public manufacturing enterprises, public utilities or natural resource extraction, a guaranteed share of such assets should be reserved for groups of the poor. In such a policy regime the quasi-criminal privatization of the mineral wealth once owned by the Russian State, to a handful of crony capitalists, should have been avoided by legislating that at least 50 per cent of the equity ownership of such privatized natural wealth could have been reserved for groups of the poor. Similarly, privatization of gold, bauxite and copper mines across Africa should have made provisions that foreign investors should incorporate groups of the poor, as well as from the local community, into the equity holding of these lucrative natural resource monopolies. Privatization of public utilities, if it is at all to take place, should guarantee a substantial stake for the local community and for users.

3.6.4 Workers as owners

It may be suggested that the opportunities for democratizing ownership of corporate wealth should not be limited to the poor but could be extended to workers, to own shares in the enterprises where they work. The 1.2 million women, mostly from the rural areas, who earn monthly wages of around \$30, provide the substantive value addition in Bangladesh's principal export of readymade garments, are no less deserving of being made stakeholders in the most dynamic sector of the economy, than are the poor. Similarly, workers across the world could be given an equity stake in the enterprises where they work. This would not only make them partners in corporate wealth but stakeholders in the productivity and profitability of the enterprises where they work.

3.6.5 *Sharing value addition with growers and plantation workers*

In the same vein, farmers whose primary produce, whether in the form of tobacco, sugar cane, cotton, jute, bananas, coffee or cocoa, should be guaranteed a share in the value addition in their produce through agro-processing. Such large-scale corporate enterprises, some of which are globalized conglomerates, should be persuaded to guarantee an equity share to their agro-suppliers and plantation workers, in their corporate enterprises.

3.6.6 *Financing share ownership by the poor*

Such a process of redirecting the ownership of corporate wealth, both nationally and globally, to the deprived, should not be viewed as an exercise in public or global charity. No self-respecting corporate capitalist becomes wealthy by investing his grandmother's savings. The route to corporate wealth remains though privileged access to leveraged financing from the financial system. This privilege has traditionally been highly concentrated in all developing and transitional economies, in the hands of a privileged elite and has rarely been extended to the deprived. In a world committed to poverty eradication it is now suggested that these same financial markets should be redirected to leverage the acquisition of corporate assets by the deprived. This policy shift could be incorporated into financial sector reforms at the national level, with a share of bank credit to the poor being dedicated to leverage their purchase of corporate assets. This move to redirect macro-credit at the national level could be backed by a specialized national equity finance facility dedicated to underwrite ownership of corporate wealth by the poor. These national equity funds could, in turn, be underwritten by a Global Equity Fund for the poor, which could be supported by the World Bank/IFC, regional development banks, private financial institutions such as the Soros Foundation and even major multinational financial institutions and Mutual Funds.

3.7 Institutions for the poor

3.7.1 The need for collective action

To transform millions of poor people into owners of corporate wealth will require a major transformation in the institutional architecture of corporate wealth ownership. It is absurd to suggest that millions of poor people could be invested with pieces of paper making them minifundist owners of large corporate bodies. Such an approach, initially adopted in the privatization experiments in the former USSR and Eastern Europe, turned out to be expensive fiasco's, which discredited the privatization process and ultimately converted once egalitarian societies into bastions of financial privilege.

In most countries the poor survive as individuals with no institutional persona or legal identity. The primary task of building institutions for the poor should be to enable them to rediscover their collective identity. The forging of such a collective identity does not, however, develop out of abstract notions of identity but is likely to emerge out of a process of collective action. Such collective action tends to be constructed around particular social actions or through shared participation in pursuit of economic gain. Here, if the poor are to be mobilized for collective action, special institutions of the poor, may need to be constructed which invest groups of the poor with a corporate personality. Two such institutional arrangements are discussed below.

3.7.2 Corporations of the poor

Over the last two decades the NGOs have come to play a growing role in most developing countries, principally as delivery agents, contracted by donors to deliver certain services targeted to the poor. Whilst much may be argued about their institutional efficacy, systems of accountability and even cost-effectiveness, it is generally accepted that NGOs tend to be more effective in delivering resources directly to the poor than the machinery of state. It has, however, been argued that the emergence of the NGO as an aid contractor, keeps them heavily dependent on aid. This external dependence is increasingly compromising the role of NGO's as social mobilizers and advocates of the poor. NGOs should thus

graduate towards become self-financing institutions delivering their social services to the poor, through contracts negotiated both with donors and governments. NGOs should also move into the market competitive suppliers of goods and services.

This transition of NGOs from welfare organizations to financially autonomous commercial institutions of civil society lies in their reinvention as corporations of the poor. The future of the NGO as a social institution lies in its ability to use its institutional capacity, which has extended into rural communities across the world, thereby giving them direct access to vast numbers of the poor, to use this reach to link the poor to the market. This can be done through transforming NGOs into corporations of the poor, where their micro-beneficiaries are transformed into the owners of a corporate NGO to whom NGO managers remain accountable. Through such a measure, the individual weakness of the poor could be aggregated into the legally recognized power of the many. Initially only a small number of NGOs would have the organizational capacity and resources to evolve into nationally competitive corporate bodies. However, smaller NGOs can also evolve into more modest corporate entities. Even a single village based NGO could evolve into a small enterprise which could mobilize the poor to lease the village pond, build and maintain rural roads or trade in commodities produced or consumed by the poor.

3.7.3 Community based organizations (CBO)

The NGOs are not the only agency for forging collective solidarity within the poor. Community based or self-help organizations of the poor, cooperatives and activity based organizations, which bring groups of the poor together, should aspire to forge an institutional identity. Corporitizing these CBOs will provide the legal foundations for collective action, to enable these bodies of the poor to access credit, enter into contractual relationships and deal with international organizations. The precise legal persona of these corporations may vary from limited liability companies, with the poor as equity owners, to cooperatives with the poor as partner members. But the common feature of all such corporate entities of the poor is that they much operate in the market place and generate

income rather than limiting themselves to survive as savings and loan associations.

3.7.4 Mutual Funds for the poor

One such financial mechanism, which may be deployed at the national level to invest the poor with an institutional capacity for collective action, is the Mutual Fund. Apart from the issue of redesigning monetary policy to deliver credit to the poor, the monetary system also needs to put in place a much wider spectrum of financial instruments, which can serve to mobilize the savings of the poor. An organization such as Grameen Bank has accumulated Tk. 10 billion (about \$187 million) in savings from its 2.3 million members. All these savings remain on deposit with Grameen Bank and are used for further lending to its members. Savings mobilized by other major NGOs to Bangladesh such as BRAC, ASA, *Proshika*, as well as by individual households, indicate that the poor remain formidable savers. In India, a large number of small community organizations in Andhra Pradesh State, have, in aggregate, accumulated savings of around \$180 million, which remain on deposit with the banks.

The monetary system needs to design special financial instruments to attract these micro- savings into the corporate sector, particularly where it can be structured to serve the poor. Again, Grameen Bank has taken the initiative in launching the first Mutual Fund of the poor, where it is providing opportunities for investing a small fraction (Tk. 150 million) of the savings of its members, in a managed, close-end, Mutual Fund that would invest its portfolio in the corporate sector. The potential of this experiment has to be tested within the small, rather unstable capital market of Bangladesh.

Whatever may be the fate of the Grameen Fund, the concept of Mutual Funds for the poor provides significant institutional mechanisms to move the poor out of the village economy and into the more dynamic corporate sector, to a stage where the poor could own a significant share of corporate wealth. The savings of the poor can not only augment the savings base but also broaden the investment capacity of the economy, whilst transforming the poorest rural household into stakeholders in the process of national economic growth.

Integrating the poor into the corporate sector carries obvious risks associated with the nature of the market mechanism, as well as the probity of the corporate sector, which will demand special safeguards to protect the interests of the poor. But unless these opportunities for linking the poor to the corporate sector are explored through widening the horizons of monetary policy and corporate ownership, the poor will remain permanent captives in the ghetto of the micro-economy.

4. Empowering the poor

4.1 Democracy for the poor

The entire process of building a collective identity for the poor through specially constructed institutions derives from the need for the poor to claim a place in society, which is more commensurate with their numbers. The poor remain disempowered because they are isolated. Bring them together and they emerge as a major force in the economy, in society and eventually in the political arena. Incorporating the poor, around opportunities for collective economic benefit, may invest them with a sustainable sense of solidarity, which may not have been possible through more, episodic participation in various class actions. However, in the final analysis, it is only when the poor are sitting in the representative institutions of the state, in local elective bodies as well as in Parliament that they will be able to ensure that their special concerns will be mainstreamed within the policymaking process. It is argued that a society populated by a large number of corporate bodies of the poor, bound together by opportunities for economic gain, could aggregate into a powerful political force which could transform the balance of power in many parts of the developing world.

It is unlikely that many governments in the developing world would be inclined to rush towards building up institutions of the poor to a point where the balance of power in society could be transformed. Those governments who do have a genuine commitment to eradicate poverty may essay a beginning by encouraging the emergence of a Mutual Fund for the poor or promoting community based

organizations. The political terrain for empowering the poor will thus have to be explored in each country. It is however argued again that those Western countries that now feel that aid should be linked to democracy should not content themselves by thinking that democracy is simply an exercise in guaranteeing the right to vote. Substantive democracy must be recognized as including the induction of the numerically large population of the deprived into positions of elective office.

4.2 The role of the international community

However, neither the concept of building corporations of the poor or the Mutual Fund, depend exclusively on the government for its advancement. NGOs are at liberty to reconstruct their corporate identity, as are the poor to organize themselves. Though in some countries such a process may require enabling legislation. The international development community can, however, help to accelerate such a process of empowering the poor, by redirecting their aid programmes towards both encouraging the emergence as well as enabling corporate bodies of the poor to acquire wealth. This could suggest provision of resources to support acquisition of land, water bodies, leveraging purchase of shares, building capacity to compete in the market, and enhancing the knowledge base of the poor, particularly to participate in the IT revolution.

5. Conclusion

If we are to move towards the BIEN goal of a guaranteed income for the deprived, we will need to realize major structural changes in the organization of economic activity and political power. Any move to guarantee income security can only be sustained if the deprived can be constituted into a major social force. Guaranteeing income can only be sustained by guaranteeing the rights and opportunities for the poor to participate in the ownership and creation of the wealth, which guarantees income. At the same time the deprived must be able to share political power and social influence if they are to realize their democratic right to accessing wealth and income.