

the very principles embodied in the World Trade Organisation's trade in services agreement. The example highlights the problems associated with lack of liberalisation, and the challenges that developing countries face from large multinationals with whom they have monopoly agreements.

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Alternative microfinance institutions and vulnerability

Alfonso Castillo

Development and globalisation

Promoting the development of those who are poor and excluded represents a complex challenge, one that requires imagination and vision, and the need to reclaim certain issues. We cannot merely look at what is currently happening, nor should we adopt strategies that are based on isolation and self-marginalisation. Exclusion cannot be fought from a position of self-exclusion. One of the tasks of development today is to identify those institutions that are capable of addressing the challenges thrown up by globalisation, and that will also foster the participation of those who are most vulnerable, and most excluded. Here, we shall look at microfinance institutions, as an illustration of where we need to be aiming in our efforts to create viable and credible institutions that can serve these sectors of society.

The vulnerability of alternative microfinance institutions

The world of development and international cooperation is increasingly turning to microfinance as a positive and effective way to enable people who are living in poverty to participate in society. A quick look at these alternative institutions suggests that we should pay closer attention to their vulnerability and to the weaknesses com-

mon to many of them. This cursory examination reveals the symptoms described below.

Dependence on external support

This should be viewed as a major weakness, and one that must be addressed if microfinance is simply seen as channelling new resources from various providers of capital. If resources come from the outside, then so do the policies.

Short-term vision

Microfinance institutions tend not to look further than tomorrow, although no institution has ever lasted without having a long-term vision. Short-term vision, short-term institution.

Lack of an economic policy

Handling resources with no wider purpose than that of helping poor people is no longer enough. Policies are needed that set out that what we are aiming at, over and above helping the poor, is to encourage people living in poverty to organise, and to mobilise around their demands. It is impossible to create an institution without some kind of economic policy. It is vital, however hard, to define this in precise terms.

Self-regulation

Institutions that focus on the socially excluded generally have few self-regulating mechanisms, being based instead on their own good intentions, and those of their staff. But sloppy institutions achieve mediocre results.

Discretionary powers

The lack of self-regulation often goes hand in hand with the presence of discretionary mechanisms that are supposed to demon-

strate the ability to adapt to the demands for social legitimacy, support, prestige, or goodwill. But institutions based on such discretionary powers constantly make unjust decisions.

Weak administrative systems

The culture of generosity, of mobilisation, or of political discourse, downplays the importance of administrative systems in building solid institutions. Everything to do with administration is seen to smack of neo-liberalism or of the elite. In reality, weak administrative systems are increasingly responsible for reproducing poverty and everything that goes to create it.

Lack of technical and administrative accompaniment

There is a huge gulf between making proposals and putting these into practice, and between getting something going and keeping it going over time. Grassroots processes, in particular those in the economic field, cannot give themselves the luxury of saying 'we'll get there somehow', or 'you start by making a start', or 'you can always get something out of anything'. We cannot play around with poor people's expectations by indulging ourselves with failed projects. Knowing how to accompany a process is one of the secrets of grassroots development.

Underestimating risks

In a vulnerable international, national, local, or household context, it is the height of irresponsibility to underestimate the risks associated with our strategies and actions. All the more so when we are talking about resources that are intended to generate economic alternatives for those who are excluded. There is a saying that if you don't delve into your own pocket, you can't measure the risks that other people are

taking—something that is relevant to alternative institutions.

Blaming the economic environment

The easiest way to explain why alternative institutions are vulnerable is to blame the unstable context, the adverse conditions in which they operate, the fact that they are defenceless against these threats, and the lack of long-term strategies. There is no denying the truth in this, but it is not the reason why such institutions are weak. On the contrary, institutional weakness aggravates their vulnerability to these external factors.

Fragmented and selective information

In contexts where information is traditionally an instrument of control, alternative institutions also tend to reproduce these systems and use information as a form of private property, letting it out only in dribs and drabs, to whom and in whatever way they choose. This attitude tends to reinforce a lack of trust, factionalism, and intrigues. We should not be surprised if these institutions become vulnerable as a result.

Tension between financial and social viability

Another problem that alternative microfinance institutions face is that of managing the difficult tension between financial and social viability. The former places pressure on the institution to be sustainable, even at the cost of the social commitment which initially inspired it. The latter, on the other hand, gives priority to its original inspiration and the people who gave life to the institution, at the cost of constant financial insecurity, or of having to accept that the institution may be short-lived.

Strategies to make alternative microfinance institutions less vulnerable

Obviously, the following strategies correspond to the symptoms of vulnerability that we have already identified. If these are the ailments, here are the remedies.

Reduce dependence on external resources

Creating mechanisms to cut down the dependence on external resources is the most important task of any institution which wants to pursue its own goals and purposes, and not have to follow those of its funders.

Develop a long-term vision

Changing the immediate perspective and keeping an eye to the future (letting oneself be swept along by collective utopias) is a precondition for building alternative institutions that can truly confront the challenges of globalisation.

Design a specific economic policy

Microfinance institutions that aim to work with excluded populations are under pressure to perform various functions. If they do not establish a clear economic policy, the sheer diversity of demands upon them can result in good efforts having far less impact than they might otherwise have done.

Effective self-regulation

Responsibility, high standards, and discipline are not wedded to any particular economic system. On the contrary, given the huge demands that development makes upon us, we need to generate solidarity-based mechanisms that foster the highest professionalism rather than falling into the habit of providing mutual cover-ups for our failings.

Eradication of discretionary powers

This needs to be done via the setting and observance of clear rules. Institutions that have stood the test of time have also set themselves certain limits, beyond which they do not go. Given the lack of what we might regard as strong alternative institutions, it is difficult to understand the serious damage that is caused by management based on discretionary powers or on personal patronage.

Effective administrative systems

There are costs in establishing a form of administration that is governed by the institution's *raison d'être*, but the need for effective administrative systems is not at all inconsistent with an ethos of service to the poor. People living in poverty are indeed the ones who most need high-quality services backed by transparent and straightforward administrative systems.

Technical and administrative accompaniment

Investing in clear follow-up mechanisms, which include a strong measure of training, will provide good feedback systems—something that all strong institutions thrive on.

Risks and their administration

One of the ingredients that make for a strong institution is the ability to foresee risks and take appropriate preventive action. In the face of the constant contingencies that afflict us today, the most sensible thing is clearly to step up these defensive strategies, particularly when we are talking about resources intended for the poor.

Assess the economic environment and its influence

By reading the environment correctly, we can take steps to reduce its impact. In addition, it is vital to develop strategies to diminish such impact through a combination of the suggestions made here.

Open, complete, and constant information flows

To establish a transparent approach to information management requires a change in the management style of the institution itself in order to allow information to flow freely, without restrictions or privileged access. This approach entails a degree of risk. But it is impossible to have too much transparency or too much truth.

Valuing financial and social viability

A positive tension between the two imperatives can be maintained only if there is some mediation between them, in which the precise emphasis may change according to specific circumstances, but without losing sight of the longer term.

Designing alternative institutions: between welfare and the market

It is not easy to strike a balance between economic and social considerations, between economic sustainability and building social capital. We identify below some of the factors that might enable an institution to maintain such a balance.

The institution's mission

All human endeavour springs from some purpose. It is not necessarily easy to be absolutely consistent with a previously defined purpose. In addition, a degree of persistence is also needed, in order to deal with all the obstacles that constantly lie in

our path. Keeping true to this sense of purpose, and ensuring that it responds to real and not invented needs, is one of the most pressing challenges facing alternative institutions today. Even so, it is possible to find a way to avoid eclecticism—dancing to whatever tune happens to be playing—and bureaucratic rigidity, and still to respond flexibly as an institution, while keeping faith with the original vision.

Putting this mission into practice

An equally large challenge is that of moving from the mission, which is full of good intentions, big ideas, dynamic utopias, to operational structures, efficient administrative systems, genuine participation, and demonstrable results.

Relating the institution's size to its potential success

In setting up an institution, size is a critical factor in determining whether it will be able to achieve its goals. It is often thought that the bigger an institution is, the more likely it is to be effective. Experience shows that this is not necessarily so. Risks increase with size, meaning that it is vital to think very carefully about what the ideal size should be, accepting the limitations that this might entail, and then put all efforts into making sure that the institution meets its goals. Otherwise, the risk is to create institutions that make a lot of noise, but achieve little or nothing.

Maintaining a healthy distance from other institutions

In particular, we refer here to government entities and to unions or similar bodies. Strong institutions need to maintain some autonomy with respect to the various social actors and interlocutors. The risk of getting too close to one or another entity is that, sooner or later, it will act according to its own interests and seek to capitalise on the

institution itself. Autonomy is not something that can be given away, it has to be won; and having won it, the institution becomes less vulnerable.

Conclusion

We cannot opt for a vision of development that takes its direction from people who are poor and increasingly vulnerable without also being prepared to build institutions that are solid and that genuinely represent an alternative, and do not simply imitate those that already exist. In this Viewpoint, we have sketched out the characteristics of such an alternative kind of institution: broad-based participation, creative imagination, awareness of the importance of the institution's autonomy, self-regulation, transparency and accountability, rootedness in the particular context, and a concrete solution to the tension between financial and social viability. There is one final ingredient: trust. Given the low esteem in which our social institutions are currently held—the state, the churches, the political parties, trade unions—trust is precisely what the alternative institutions need to build, based on their commitment to those who are socially excluded. The vulnerability of these institutions to the whole range of future scenarios will diminish the more solid this trust proves to be.

Note

The Spanish original, which was translated by the Editor, is available in electronic form from the author or via the editorial office, on request.

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Equity in health and economic globalisation

Claudio Schuftan

If the present trends continue, economic disparities between industrial and developing nations will move from inequitable to inhuman. (James Gustave Speth, UNDP)

If globalisation is to deserve its name, it has to include, not exclude—to integrate, not to marginalise. (Rubens Ricupero, UNCTAD)

Equity in health is inseparable from social equity in its broadest sense. The current structural adjustment-sponsored growth paths in developing countries and the ongoing process of economic globalisation are against such equity, whether global or local, since both tend to foster polarisation:

- in 1990, the richest 20 per cent of the world's population had 60 times more income than the lowest quintile; in 1960 the same ratio was 30 times;
- the 30 richest countries in the world now account for 78 per cent of global GDP;
- incomes are lower today in 70 developing countries than they were in the 1960s;
- 1.3 billion people survive on less than US\$1 a day;
- 60 per cent of humanity lives on less than US\$2 a day (US\$750 per year), with no prospects for this to improve;

- 6 billion people are worse off today than they were 30 years ago. (By comparison, just think for a moment how much wealthier you probably are today than you were in 1960 ...);
- the current economic decline has lasted longer and is deeper than the Great Depression of the 1930s;
- globally, and in spite of all UN-sponsored development programmes, between 1960 and 1970 the same poorest 20 per cent of the world's population received 2.3 per cent of the global income; in 1990, this proportion went down to 1.3 per cent, about half of where it was 20 years before.

The chances are that, after the Asian crisis, this situation has worsened.

By contrast, but also through the process of globalisation, the prices of luxury goods (televisions, electronics, cars) have fallen, while bare essentials such as rice, pulses, and edible oils have leapfrogged beyond the reach of many. In addition, transnational corporations (TNCs) control 70 per cent of world trade, while international prices clearly reflect neither their social (and health) costs nor their environmental costs. (The latter should come as no surprise since capitalism tends to adopt tactics that favour the short-term maximisation of returns.)

At the same time, the serious health problems of poor people are not only the result of a lack of clean water, decent housing, sanitation, and basic services. They also result from despair, anger, fear, worry about debts, worry about insecurity in jobs, food, or housing, and feelings of failure and social alienation. In short, the chronic stress arising from social exclusion is as damaging to health as are a meagre income and poor access to services.

Some definitions

An equitable system allows the lowest income sectors to have access to an acceptable