Excerpt: His Highness the Aga Khan on the AKDN's development micro-finance over 60 years ago

by NANOWISDOMS ARCHIVE OF IMAMAT SPEECHES, INTERVIEWS AND WRITINGS

"The Aga Khan Development Network agencies have been involved in micro-credit for more than 60 years. During that time, a variety of institutions offering a range of products tailored to specific needs have been established in many countries.... We have also extended loans for education and health care, which we believe can be important ways to break down the barriers to access to those services for the poor. It is important to note that the issue is not only the provision of services, but making them accessible to the poor....

"We must be prepared to bank good character, good ideas and the willingness to work hard. If we do bank those attributes, micro-finance can be a formidable tool for poverty alleviation in large parts of the developing world. Its versatility allows it to be adapted to the needs and circumstances of the poor in urban and in rural environments. I am convinced we have only begun to tap into its potential."

His Highness the Aga Khan's Inaugural Statements to the The Aga Khan Agency For Microfinance 2005 Annual Report

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Jean-Jacques Lafaye: You were among the first to introduce micro-finance -- a financial tool which has become the most effective solution in the development of poor regions. Where did that idea come from?

Aga Khan: In the early 1960s we became aware of a horrendous gulf -- I use strong words...
because it was a particularly dramatic situation -- separating rural and urban populations in the developing world. The rural populations were completely marginalised. Then we discovered that, in both the West and the developing world, all decisions regarding development support were taken by "urban" organisations. By that I mean that the decision-makers knew absolutely nothing about the reality of the lives of millions of men, women and children who were virtually invisible, lost in the midst of vast regions. National political systems took no interest in these populations, through lack of any effective census arrangements or electoral system. Before our very eyes, the vast majority of Ismailis living in Africa and Asia were being totally excluded from the development process. I have to say quite frankly that this was a terrible discovery. At the beginning of the 1960s, I completely overhauled our development support processes. I decided that our priority was to provide these rural populations in the developing world -- isolated, ignored, with no local leadership or contact with the decision-makers in the big cities -- with an effective form of aid.

Jean-Jacques Lafaye: What were your key initiatives?

Aga Khan: First of all, we needed to make improvements to agriculture itself, hence the Aga Khan Foundation’s Rural Support Programmes. Above all, the main thing was to guarantee access to food. It should be remembered that many of our communities were on the brink of famine, for example in the east of Tajikistan during the civil war in the early 1990s, but also in Syria and other countries. We helped consolidate agriculture in the affected areas. I won’t deny the fact that this was more easily done in the former colonies of Western nations than in the Soviet Republics where our activities relating to the distribution or sale of the harvests were curbed by the state-sponsored collective farm system. And then we noticed an interesting phenomenon. In general, the farmers managed to produce a tiny surplus, be it daily, weekly or monthly. These surpluses were sold and the money made from their sale was spent in winter when there was no agricultural produce. What could be done to stabilise and multiply these minuscule savings?

In order to consolidate them, we came up with the idea of micro-finance and set up village organisations whose accounts could be made public. Micro-finance relies on the honesty of the borrower because he or she is not asked for any guarantee. But as the accounts were checked and discussed in public each week, a kind of public morality came to light in a most remarkable way. Men repaid 98% of their debts, women 99%. We established village associations and then created inter-village associations. These groups went to see the banks which in turn lent them
money. This marked the beginning of a genuine financial support system, namely micro-finance, which is now so well known. Since then, the programme has continued to expand, so much so that we now have micro-insurance as a means of guaranteeing access to education and healthcare for members of large families. We have moved from the financial domain into that of social protection. We are developing the programme in partnership with the Gates Foundation and are already trying it out in Tanzania and Pakistan.

His Highness the Aga Khan’s 2010 Politique Internationale Interview (Paris, France)

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