Poverty Capital

Microfinance and the Making of Development

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First published 2010
by Routledge
270 Madison Avenue, New York, NY 10016

Simultaneously published in the UK
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Routledge is an imprint of the Taylor & Francis Group, an informa business

Library of Congress Cataloging-in-Publication Data
Roy, Ananya.
Poverty capital : microfinance and the making of development / Ananya Roy. -- 1st ed.
p. cm.
Includes bibliographical references.
1. Microfinance. 2. Poverty. I. Title.
HG178.3.R69 2010
332--dc22

2009048683

ISBN 10: 0-415-87672-9 (hbk)
ISBN 10: 0-415-87673-7 (pbk)
ISBN 13: 0-203-85471-3 (ebk)

Routledge
Taylor & Francis Group
NEW YORK AND LONDON

CHAPTER 3

Dissent at the Margins

Development and the Bangladesh Paradox

Poverty is like pornography—you know it when you see it.
(John Hatch, founder of Finca International, 2006[1])

Fall from Grace?

In 2006, Muhammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize. The prize brought new attention to the role of the Grameen Bank as a pioneer of microfinance. Those opposed to the Grameen model of microfinance had to acknowledge its contributions to development. "Yunus was one of the early visionaries who believed in the idea of poor people as viable, worthy, attractive clients for loans," said Elizabeth Littlefield, CEO of CGAP, a donor forum based in the World Bank that advocates a market-based approach to development. And "that simple notion has put in motion a huge range of imitators and innovators who have taken that idea and run with it, improved on it, expanded it" (Dugger 2006). For a moment, the Washington consensus on poverty, anchored by institutions such as CGAP, seemed shaky.

The most elaborate celebrations unfolded at the Microcredit Summit held in Halifax, Canada, in November 2006. From the speeches to the imagery, the summi sought to promote the Grameen Bank's model of microfinance, showcasing a unyielding focus on human development and the role of microfinance in achievin such goals. Each session was inaugurated by a videomontage, the "Faces c Microcredit," usually of a poor woman and how her life has been transformed b microfinance. "We are here because of the women," announced Sam Daley Harris, director of the Microcredit Summit Campaign, at the opening ceremon Behind him played a song, "Hear Me Now," by the international band, The Gree Children, the video featuring Yunus with a Grameen borrower. Milla Sunde, th lead singer, celebrated the changes in the life of this poor woman: "A smiling fac that tells the story of a changing place . . . a tone in her voice wields the power

choice." Queen Sofia of Spain was on stage in her signature Grameen *gamcha*, the "royal shoulder," as Yunus noted, carrying this 20 cent humble cloth made by poor women as a "symbol of dignity and enterprise." Peter Mackay, now a Cabinet minister in Canada, hailed "microcredit as the vaccine for the pandemic of poverty," one that could address the important issues of "human rights, freedom, democracy, and private sector development." Even in Afghanistan, Mackay noted, microfinance could put "financial power in the hands of poor women."

When Yunus, the Nobel laureate, took the stage, the nearly 2,000 delegates from 100 countries erupted in standing ovations. In a sharply worded speech, Yunus declared victory:

> We are no longer a footnote in the financial system of the world. So those who doubted us, I hope that they will now be with us . . .The era of showing profits is over. The focus on the poorest is back . . .We will measure our success not on the rate of return on investment but by the number of people coming out of poverty.

It is thus that John Hatch, founder of Finca International, could insist that microfinance was a "movement, not an industry," and that this summit was the "biggest self-help event in history." "We have created globalization from the bottom up and it is bigger than globalization from top down."

The representatives of the Washington consensus on poverty were also present at the Halifax Summit. They spoke the words of caution, outlining the limits of microfinance, and seeking to temper the eager enthusiasm of the delegates. Kate McKee, formerly head of USAID's microenterprise division and now a senior advisor at CGAP, asked the summit to reflect on the "audacious" nature of the Microcredit Summit's goals and argued that we need to know much more about how microfinance impacts poverty. But the summit was to have little of this. In a bold announcement, Iftikhar Chowdhury, Bangladesh's ambassador to the UN, cited a World Bank report indicating massive improvements in human development in Bangladesh and attributing such achievements to microfinance organizations. Chowdhury went further, arguing that such forms of development also engendered peace and that microcredit thus "drained the marshes of terrorism." The Nobel Prize seems to have reinforced "microfinance evangelism," the "hard-selling" of an "anti-poverty formula" with "destitute women" featured prominently (Rogaly 1996). It is this rhetoric and imagery that dominated the Halifax Summit.

But the Nobel Prize was not a surprise. At the 2005 Boulder Institute, various key figures in the CGAP circuit talked about how if microfinance were to receive the Nobel Prize, then the prize should go to BRAC. "If I were in charge of Nobel Prizes," declared Marguerite Robinson, World Bank consultant, "then I would give it to Fazle Abed and his extraordinary institution, BRAC." These declarations anticipated the inevitable: that Yunus and the Grameen Bank were the public face of global microfinance, and that a Nobel Prize would undoubtedly be conferred upon them. BRAC, while much more favored by the Washington consensus, did not enjoy the same global recognition. BRAC was not—as one of the Italian attendees at Boulder had put it so elegantly—as beloved and well-known as is parsley in Italy. Even Robert Christen, a key CGAP figure, in one of his plenary sessions at the Boulder Institute, had to admit that it was only after his mother had watched a PBS documentary on Yunus and the Grameen Bank that she came to understand the concept of microfinance and the work he did.

And yet, what followed on the heels of the Nobel Peace Prize was not simply celebration and adulation but equally a sharp critique of microfinance. For example, an essay in *The New Yorker* argued that while "microloans make poor borrowers better off . . . they often don't do much to make poor countries richer." Rejecting Yunus's argument that the poor are entrepreneurs, the author notes that microloans are more often used to smooth consumption and that they rarely generate new jobs for others. A "missing middle"—small- to medium-sized enterprises—was seen to be the "real engine of macromagic" (Surowiecki 2008). In a bold articulation of this position, one published the week after the Nobel Prize was granted to Yunus and the Grameen Bank, *New York Times* columnist John Tierney (2006) argued that "the Grameen Bank is both an inspiration and a lesson in limits." Wal-Mart, according to Tierney, has done more than any other organization to "alleviate third world poverty," for it provides factory jobs to poor villagers, jobs that may seem to be "sweatshop" jobs but that allow workers to work their way out of poverty. In a similar vein, an essay in the *Wall Street Journal* presented Yunus's ideas as an "ameliorative" rather than "transformative" entrepreneurship. "Can turning more beggars into basket weavers make Bangladesh less of a, well, basket case?" "The poverty of countries like Bangladesh derives from their comprehensive backwardness," the authors concluded (Bhide and Schramm 2007). Such critiques frame the Grameen Bank as an outdated native economy, a primitive life form to be soon superseded by forms of economic organization more conducive to global capitalism.

Microfinance's fall from grace had been underway for a while, well prior to the granting of the Nobel Peace Prize to Yunus and the Grameen Bank. As the

Washington consensus on poverty sought to remake microfinance into a new financial industry, so the old-type microfinance, focused on poverty, came under attack. In a series of editorials and articles that were published in May 2004, the *New York Times* warned that "no one should be lulled by this microfinance boom into believing that it is a cure-all for global poverty" (*New York Times*, May 5, 2004). Yet, about ten years ago, it was the very same editorial page that had lauded microcredit as a virtual "cure-all," "a much-needed revolution in anti-poverty programs" (*New York Times*, February 16, 1997). And in 2003, the editorial page reiterated its confidence, stating that "microcredit is a proven development strategy."

Such shifts in opinion mark a transfer of allegiance from a Bangladesh model of microfinance, epitomized by the work of the Grameen Bank, to the Washington consensus on poverty. The 1997 editorial explicitly sided with the Microcredit Summit and its efforts to reach 100 million people by 2005 and to increase the share of microfinance in the world's development and aid budgets. Recognizing Yunus as the founder of the "microcredit movement," this editorial listed the Microcredit Summit's goal as a "worthy" one that "the United States should support." In 2003, the editorial expressed support for the Microcredit Summit goal of expanding outreach but also echoed the language of CGAP—that a "real microfinance revolution," i.e. of financial services and a financial industry led by "large global banks" could even further "empower the world's poor" (*New York Times*, November 19, 2003). The 2004 editorial was unequivocal. It broke sharply with the Microcredit Summit and its efforts to push poverty-focused microfinance legislation in the US Congress, a controversy that I discuss in greater detail later in this chapter. It was preceded by an article filed from Bangladesh that argued that "there is little rigorous evidence judging whether the very poor benefit from microcredit" (Dugger 2004). The article solicited numerous letters of support and protest. Muhammad Yunus and Fazle Abed (2004) jointly wrote a letter titled "Poverty matters." Never published by the *New York Times*, it appeared on the Microfinance Gateway. Yunus and Abed make note of the "three decades of innovation" in Bangladesh that have made microfinance a "powerful tool" to help the very poor and that were overlooked by the article. In an interview (December 2005), Yunus registered his outrage that the letter was never published by the *New York Times*. He saw this as evidence of how his ideas were being marginalized and superseded by the authoritative knowledge produced by CGAP.

But this battle of ideas cannot be read as a struggle between a Bangladesh perspective on development and a Washington-centered apparatus of development. For in Bangladesh itself, Yunus has faced severe critique. While the Nobel Prize generated an outpouring of support, Yunus's subsequent decision to run for political office generated controversy. Shortly after the launch of his party, *Nagarik Shakti* (Citizens' Power), in February 2007, a group of Bangladeshi academics publicly challenged Yunus, arguing that microfinance was a tool for the "protection and expansion of capitalism." Microfinance loans, they noted, simply "indebted people" rather than freeing them from poverty (*Daily Star*, February 22 and 25, 2007). In a cruel irony, Yunus's ideas were now equated with the market fundamentalism of Washington-based institutions such as the World Bank and the IMF. In Bangladesh, the critiques of microfinance are not new. The Bangladesh press and academic establishment have often fiercely exposed the power wielded by microfinance organizations in collecting loans. This too seems to be a crucial part of the Bangladesh model: a vigorous auto-critique about development and its instruments. But this time the criticism was explicitly directed at Yunus, a national figure who until now had enjoyed unquestioned moral legitimacy. By May 2007, Yunus had withdrawn his political candidacy, returning to the world of microfinance. In this chapter, I take a closer look at the Bangladesh model of microfinance, its debates and its contributions.

THE BANGLADESH CONSENSUS

Bringing Bangladesh to Washington DC

While microfinance evangelism was being critiqued in Bangladesh for entrapping the poor in cycles of debt, the Bangladesh model of microfinance was being aggressively promoted in Washington DC by the Microcredit Summit. A project of the Results Educational Fund (hereafter Results), a US-based grassroots advocacy organization, the first Microcredit Summit was held in 1997 to advance a poverty-focused model of microfinance with the goal of reaching 100 million households by 2005. Since then, the Microcredit Summit Campaign, led by Sam Daley-Harris, has foregrounded the role of citizens in getting educated and involved in the struggle against global poverty. Daley-Harris sees the Microcredit Summit as one that mimics the UN summits except that it is "a citizens' process." In this sense, as he explained at the 2006 Microcredit Summit, the summit can be understood as a "collective social movement." But the Microcredit Summit is perhaps better understood as a platform, one that reiterates a particular

microfinance formula in its regularly held regional summits and most boldly at the 2006 "Global Microcredit Summit" held in Halifax. Here, the summit put forward two new goals: that 175 million of the world's poorest families, especially their women, receive access to credit by 2015; and that 100 million of the world's poorest families rise above the US$1 a day poverty threshold by 2015 (http://www.microcreditsummit.org/, accessed December 9, 2005).

Such goals explicitly challenge the Washington consensus on poverty, shifting the focus from financial benchmarking to human development. Firmly rooted in Washington DC, the Microcredit Summit Campaign strategically deploys the tools of this node of power—lobbying, citizen advocacy—to erode CGAP's hegemony. In doing so, it resurrects the Bangladesh model of microfinance at the very center of Washington DC. These efforts by the Microcredit Summit Campaign are most evident in microfinance legislation passed during the last decade by the US Congress and often fiercely resisted by USAID, CGAP, and their allies.

The Microenterprise for Self-Reliance Act (HR 1143, PL 106-309), passed by the US Congress in 2000, ensured a steady stream of funding for microfinance programs and also directed half of this funding to the poorest of the poor, noting that many of the extremely poor are women. The act's bipartisan co-sponsors billed microfinance as a "beautifully simple approach" derived from Bangladesh, and as "one of the best investments around" (*Seattle Times*, April 9, 1997). Benjamin Gilman, the Republican Chair of the House Committee on International Relations, hailed the "self-reliance" component of the bill: "Microenterprise institutions not only reduce poverty, but they also reduce dependency and enhance self-worth. . . . This investment, rather than a hand out, makes good sense" (http://www.gpo.gov/fdsys/pkg/CREC-2000-10-05/pdf/CREC-2000-10-05-pt1-PgH8893.pdf, accessed June 5, 2005). The act was many years in the making, with Results working since the mid-1980s to make possible such legislation. Newspaper headlines and editorials on microfinance abounded: "Bangladeshi Landless Prove Credit Worthy," "Bank Lending to Bangladesh Poor a Trail-Blazer," "Barefoot Money Management," "Banking on the People," and "Turning the Tables on Banking" (Bornstein 1996: 230). In 1987, then President Ronald Reagan signed a bill authorizing funding for microfinance. The 2000 act was thus the climax of such efforts, not their first step.

But in 2004, the US Congress, under pressure from the Microcredit Summit Campaign, was to amend the 2000 act. Titled the Microenterprise Results and Accountability Act (HR 3818, PL 108-484), this initiative reestablished a centralized office of microenterprise development within USAID and also directed USAID to develop and certify at least two poverty measurement methods for use by its partner organizations. In addition, the act sought to ensure that "more money goes directly to impoverished clients instead of expensive consultants." Introduced by Representative Christopher Smith, vice-chairman of the International Relations Committee and co-chair of the Right to Life caucus, the act had all the trademarks of "microfinance evangelism." In an interview (June 2005), George Phillips, an aide to Representative Smith, noted how microfinance was an important tool in the Christian struggle against the trafficking of women, a theme that makes itself into the committee statement of the act (http://chrissmith.house.gov/lawsandresolutions/microresultsandacctact.htm, accessed June 5, 2005).

But there is more to the act than microfinance evangelism. As self-reliance was a central ideological tenet of the 2000 act, so accountability is the key feature of the 2004 act. The main focus of the act is the workings of USAID. In a report submitted by Henry Hyde, chairman of the House Committee on International Relations (House Report 108-459, April 2, 2004), USAID was faulted for "inappropriately" contracting out large portions of the program to consulting firms and other for-profit contractors.

> USAID's own recent assessment showed that during fiscal year 2002, out of $165 million provided directly to microenterprise organizations, nearly $30 million went to consultants. . . . Numerous worthwhile established organizations that have the capacity and expertise to deliver services directly to poor clients are locked out of the process when the Agency uses "task orders" against "indefinite quantity contracts" with for-profit enterprises.
>
> (http://www.congress.gov/cgi-bin/cpquery/R?cp108:FLD010:@1(hr459), accessed March 19, 2005)

To this end, the act redirects USAID contracts to global microfinance networks and other non-profit private voluntary organizations, including Finca International, Freedom from Hunger, the Grameen Foundation, and World Vision. In a dissenting view, Jeff Flake, Representative of Arizona,

noted that "it is ironic that . . . a program intended to foster entrepreneurship and for-profit enterprises in developing and free markets around the world" limits "the participation of such enterprises in the very execution of the program" (http://www.congress.gov/cgi-bin/cpquery/R?cp108:FLD010:@1(hr459), accessed March 19, 2005).

"The gloves are off for USAID," said Phillips, Representative Smith's aide, in an interview (June 2005): "it is time for accountability." This talk of accountability was consistent with right-wing Republican ideology, including that of many of the congressional representatives who supported the 2004 act. It promoted a "lean and mean" vision of government with a mandate for aid and welfare effectiveness; it insisted on promoting US interests not only in bilateral but also multilateral organizations such as the UN—"we should have more say in the UN" went the line; and it had the strong overtones of a US liberal imperialism out to save the world's poor from a fate of poverty, terrorism, and godlessness. From Christopher Smith to Bob Bennett, the authors and supporters of the 2004 act viewed the struggle against poverty, waged through instruments such as microfinance, as wholly in keeping with—even a necessary part of—their orthodox religious and moral positions. It is with these holy crusaders that Results has forged a pragmatic alliance—to promote the Bangladesh model of microfinance, to curb the spread of the CGAP consensus, and to hold USAID accountable for its allocation of development capital.

The various legislative acts attempt to create accountability by requiring USAID to identify and use poverty tools that would monitor the poverty outreach of microenterprise programs. A fierce debate has ensued about poverty measurement. In a 2006 testimony before the Committee on International Relations, the assistant administrator noted that USAID was unable to settle on two internationally valid poverty tools, instead choosing "country-level tools" that can "achieve significantly better accuracy" and that will be field-tested by "practitioner organizations selected on a competitive basis" (http://www.usaid.gov/press/speeches/2006/ty060727.html, accessed May 19, 2008). But the debate is not simply about the valid measurement of poverty; it is equally about the validity of poverty-focused microfinance.

Critics of the legislation, including many CGAP and USAID staffers, argue that a poverty quota will restrict and distort the growth of a global microfinance industry. In the words of CGAP, these are "at bottom private

sector initiatives to develop private sector activities . . . increasing the depth of outreach will not come through legislation" (http://www.microfinancegateway.org/p/site/m//template.rc/1.9.24201, accessed December 1, 2005). At the 2005 Boulder Institute, Christen railed against the work of the Microcredit Summit saying that it had "politicized microfinance by putting it in the public arena." Microfinance will now be subject to repressive regulation, such as caps on interest rates, he argued, and this will discourage new players. "If they can't make money, the banks won't come in and this is unfortunate. We need to be under the radar."

Supporters of the legislation note that USAID microenterprise funds are after all public funds. In an unpublished 2004 letter to the *New York Times*, Chris Dunford (2004), president of Freedom from Hunger, argued: "It is a better use of public funds than most to legislate a bias toward funding microcredit for the very poor." Or, here is Alex Counts (2004), president of the Grameen Foundation USA: "Our view is that private investment is often best suited to programs that target the better off poor and non-poor; scarce government and philanthropic subsidy is appropriate for those pushing the frontiers of micro-credit outreach and impact amongst the poorest." Supporters also argued that global financial markets and development banks had already failed the poor; that such a quota—as well as the monitoring of this quota—was necessary to ensure that the poor had access to credit. Thus wrote Yunus and Abed (2004): "Without incentives, the free market doesn't cater to the world's poorest people. Instead they are the first to be left behind." Their argument rehearses familiar themes of millennial development: of market failure, of persistent poverty as a severe form of such market failure, and of the role of development interventions in mitigating market failures. But it also rehearses a geographical imagination that challenges the Washington consensus on poverty:

> If the experts in New York and Washington lived in Bangladesh, as we have done for more than 50 years, and were confronted with the same stark realities and intimate knowledge that only experience provides, perhaps they too would see what is possible and needed in the lives of the very poor.
>
> (Yunus and Abed 2004)

The microfinance legislation marks a set of victories for the Microcredit Summit Campaign. It also indicates the ways in which the Grameen Bank

has made a home for itself at the very heart of Washington DC, not only through the establishment of the Grameen Foundation USA but also through a powerful alliance with US-based advocacy groups such as Results. As Yunus withdrew from CGAP and its agenda-setting work, dismayed at what he perceived as the "mission drift" of microfinance, so the target of this alliance became Capitol Hill. Deploying the tactics of representative democracy, the Grameen-Results alliance convinced US lawmakers of the continuing relevance and significance of the Grameen model, long after that model was declared backward and primitive in the circuits of truth crafted by CGAP. The legislation was inevitably bipartisan, carrying a wide appeal that ranged from empowering poor women to promoting free enterprise to curbing terrorism. It was also cast in the language of "accountability," one that had been forged in the crucible of Reagan-style neoliberalism but had considerable traction during the Clinton years of welfare reform. These appeals spoke to lawmakers ranging from Christian fundamentalists to social democrats. Together, through congressional power, they resurrected the Bangladesh model, creating new circuits of truth as well as new circuits of development capital. Thus, shortly after the 2004 legislation had passed, Sam Daley-Harris noted in an interview (October 2004) that it is imperative to engage with, and reform, donor institutions for they "provide financing and control knowledge." "When you look at the underbelly of these institutions you realize that Yunus's ideas have been lost . . . if it weren't for the legislation I would be depressed . . . Without the Microcredit Summit Campaign, I think Yunus would have lost the battle of ideas."

But it is worth asking if this has been a limited victory; had the Microcredit Summit Campaign won the battle and lost the war? For the legislative tactics could only be direct focused at USAID and its microenterprise funds—$211 million in the fiscal year 2005 according to the USAID 2006 testimony—development capital that is a tiny portion of the global microfinance industry. As one former CGAP staffer argued in an interview (May 2006), USAID funding is an ever diminishing piece of the microfinance industry. The effects of the legislation will thus be minimal, she noted. Acutely aware of this, the Microcredit Summit Campaign continues to work with lawmakers, both in the US and elsewhere, to put pressure on other development institutions—from the UNDP to the World Bank. But these multilateral institutions are not necessarily accountable to US lawmakers and their constituencies.

In 2007, in a meeting organized by the Microcredit Summit Campaign, US lawmakers met with World Bank President Robert Zoellick to double World Bank spending on microfinance (from 1 percent to 2 percent), to commit half of those funds to those living below $1 a day, and to use poverty measurement tools to ensure compliance. But as Results itself reports: "all Mr. Zoellick could promise was more meetings" (Results 2008). Zoellick's response to Results, that the poor require grants and safety nets rather than microcredit, echoes a poverty truth that is entrenched in the circuits of CGAP and Boulder. This truth, sketched by Marguerite Robinson, in that indelible line that she draws between the economically active and entrepreneurial poor and the economically inactive poor, seems impossible to challenge. It haunts the debates around the legislation, such that an unusual voice, Didier Thys (2004), serving then as executive director of MIX, asks somewhat angrily in a letter to the *New York Times*, also unpublished:

> Why should a poor woman in India, stigmatized as an "untouchable," be less worthy of investment than the landowner for whom she works? Can't fifty cents on every dollar we invest in microfinance be used to help her and her neighbors? Does it all have to go to the landowner? I thought we were beyond that.

Homegrown Institutions

The landscape of microfinance in Bangladesh is dominated by a few large players, notably the Grameen Bank, BRAC, and ASA, each of which commands a vast hinterland of clients and also has a global presence. More recently, it is ASA that is often lauded by the microfinance industry as the Bangladesh success story, making it to the top of the "MIX Global 100" lists and Forbes ranking, and hailed by the Asian Development Bank as the "Ford" of microfinance for its "efficiency" and "productivity" (Fernando and Meyer 2002). In 2008, ASA received the "Banking at the Bottom of the Pyramid" award of the International Finance Corporation and *The Financial Times*. In these global rankings, the Grameen Bank is recognized primarily for its "outreach," in other words for the millions of borrowers that it serves, but it is rarely presented as a model of innovative microfinance. Instead, such praise is reserved for BRAC, whose innovations have been circulated by CGAP and its experts. BRAC's founder Fazle Abed has received substantial global recognition—from the Conrad N. Hilton Foundation

Humanitarian Prize to the first Global Citizen Award of the Clinton Global Initiative. In presenting BRAC with the Gates Award for Global Health, Bill Gates noted that "BRAC has done what few others have—they have achieved success on a massive scale, bringing lifesaving health programs to millions of the world's poorest people" (Covington 2009). A recent book on BRAC makes note of its "remarkable success," a message endorsed by the who's who of millennial development: from Bill Clinton to George Soros to James Wolfensohn (Smillie 2009).

Since its modest inception as a small-scale relief rehabilitation project in 1972, BRAC has grown into one of the world's largest non-profit organizations with over 40,000 full-time staff and over 160,000 para-professionals, 72 percent of whom are women. BRAC's annual budget is over $430 million, 78 percent of which is self-financed. BRAC's microfinance program, with 6 million borrowers, has cumulatively disbursed $4 billion. More than 1.5 million children are currently enrolled in 52,000 BRAC schools and over 3 million have already graduated. BRAC's health program reaches over 100 million people in Bangladesh with basic healthcare services and programs for tuberculosis, malaria, and HIV/AIDS (http://www.brac.net/, accessed August 3, 2008). ASA too is of substantial size, serving 5.7 million borrowers through its microfinance program (http://www.asa.org.bd/, accessed August 3, 2008).

These global rankings and statistics tell us little about how these institutions function and how together they are part of what may be understood as a "Bangladesh consensus on poverty." As development organizations, the Grameen Bank, BRAC, and ASA are indeed impressive in their sheer size and scale serving millions of households. Established in the 1970s, in the wake of Bangladesh's struggle for national independence, these civil society institutions represent an apparatus of development that far outpaces and exceeds the reach of the state. In the skyline of Dhaka, the Grameen and BRAC buildings loom large, as if to declare, as does Abed: "If you want to do significant work, you have to be large. Otherwise we'd be tinkering around on the periphery" (Armstrong 2008).

Size and scale are only elements of a distinctive ensemble of development ideas and practices. Led by charismatic men, these are "homegrown institutions" (Bornstein, 1996: 249) that while different in methodology are united in an ideology of poverty alleviation and institutional practice. I call this ideology the "Bangladesh consensus on poverty." Its hallmark is the

non-profit delivery of a wide range of services, including microfinance, to the poor. It is explicitly opposed to the CGAP consensus and its emphasis on market infrastructure, rejecting it as a "commercialization" that distorts "values" and "governance structures." Such critiques emanate not only from the Grameen Bank, but also from ASA. In a set of interviews (July 2004), the program director of ASA insisted that ASA is a "grassroots" organization that serves the poor and that it cannot accept the types of commercialization that are being imposed in top-down fashion by CGAP. This, he argued, has a focus on "profits" rather than poverty; it is a "banking" model rather than a "NGO" model.

Most surprising is that the work of the World Bank office in Dhaka bears closer resemblance to the ideas and practices of the Grameen Bank and BRAC than to those of CGAP. During an interview (August 2004), one top-ranking World Bank official drew a sketch of different segments of the poor that was an echo of Marguerite Robinson's diagram separating the bankable poor from the unbankable. Yet, against prevailing CGAP wisdom, he drew his arrows past the ultra-poverty line indicating how World Bank programs in Bangladesh are targeting the ultra-poor and seeking to harness their "entrepreneurial skills." His talk of the need for "flexible credit delivery mechanisms" for the bottom 10 percent of the poor was almost identical to the second incarnation of Grameen lending, or Grameen II. Similarly, the argument that the ultra-poor may need more than credit—that a combination of grants and training may be necessary—was once again a weak echo of BRAC's celebrated ultra-poverty program. These resemblances do not necessarily mean that the World Bank office in Dhaka is busy replicating Grameen or BRAC programs. Rather, it indicates the consolidation of a Bangladesh consensus marked by a certain "common sense" about poverty alleviation.

I use the term, "consensus" deliberately. It is meant to evoke what has been identified as a "latent Southern consensus," one that does "not exist as a political reality" and that is not "articulated analytically" (Gore 2000: 795). While in the previous chapter I documented a Washington consensus on poverty, in this chapter I argue that there is a rival consensus, produced in Bangladesh and disseminated globally. It is a viable and vital, rather than latent, Southern consensus. Indeed, a striking feature of the Bangladesh consensus on poverty is a keen and self-conscious sense, among the leading institutions, of the existence of a unified Bangladesh model of microfinance.

When I used the term "Bangladesh consensus" with interlocutors in these institutions they instantly knew what I meant, often detailing what they saw as the key characteristics of the consensus. Such a narrative asserts the homegrown qualities of this model, of its coming to maturity in the crucible of dense and extreme poverty, of a unique history of development where the emergence of poverty-focused institutions was embedded in the more ambitious enterprise of nation-building. In such a context, the CGAP principles and mandates seem irrelevant and strangely out of place. Imran Matin, director of BRAC's Research and Evaluation Division, and who had worked at CGAP for a short stint, noted in an interview (July 2004) that in Bangladesh

> microfinance is driven by our own analysis. Some in Washington DC have the power to say what is appropriate and what is not. They insist that one has to first build financial institutions and then do social development. But that is not our history. We did not start out as financial institutions. We are development institutions and we won't blink an eye to do this development work.

The poverty focus in Bangladesh emanates not from donor mandates or global best practices but rather, in Matin's words from a "moral urgency" that is immediate and proximate.

The Bangladesh consensus is more than an alternative to the Washington consensus on poverty. It is a parochialization of the Washington consensus on poverty, for it presents CGAP's ideas as derivative of the Latin American experience and thus irrelevant to the vast swaths of microfinance that is "Asia." For example, Salahuddin Ahmed, then director of Palli Karma-Sahayak Foundation (PKSF), an apex microfinance institution established by the World Bank, in an interview (August 2004), dismissed CGAP ideas as hopelessly limited:

> These highlight the Latin American model, but that model is derivative of high finance. It starts with a financial norms and standards. And its main success story, BancoSol, was in fact a disaster. In Bangladesh, our model is that of the grassroots; we start with practice and from this emerges new norms . . . It is time to unlearn everything that Boulder teaches about best-practice microfinance.

It is thus that the Bangladesh consensus transforms the peripheries of globalization into a powerful centrality. For some of the key agents of development in Bangladesh, the struggle for the control of microfinance is an indication of the hierarchies of the world system itself. As one senior Grameen Bank official put it during an interview (December 2005):

> You have to think about this geopolitically. There are the vast resources of the world occupied and controlled by white people. We brown people are stuck in our part of the world. Capital can move. But we cannot. So how do we transform our own countries and how do we do so despite bad leaders?

The Bangladesh consensus does not imply that there is a consensus on the value of microfinance in Bangladesh. Indeed, a key element of the Bangladesh consensus is that it is shaped by a set of sharp and often public critiques of microfinance. The Bangladesh press repeatedly presents microfinance organizations as predatory lenders, charging high interests and enforcing repayment even in the face of natural disaster. After each flood or cyclone in Bangladesh, the headline story is as much that of devastation and destruction as it is of microfinance loan officers making the rounds of poor households, insisting on loan collection. Bangladesh's politicians—from finance ministers to prime ministers—put forward similar critiques, framing microfinance as a sector that exploits rather than helps the poor. It is thus that in Bangladesh a common label for microfinance institutions is that of the *kabuliwallah*, the stereotyped figure of the professional, itinerant moneylender who historically hails from Afghanistan, serves communities by providing lines of credit, and yet who is seen to charge exorbitant interest. It is this stereotypical figure that is humanized in a Bengali literary classic, Rabindranath Tagore's touching short story of the friendship between a *kabuliwallah* and a young girl. The stereotype is that of itinerant commerce, of moneylenders and vendors, of those that cannot be trusted. But it is also that of foreignness, of practices and norms that hail from the mysterious geographies of Kabul. This taint is an irony, for the Bangladesh microfinance institutions are, if nothing else, homegrown. And in a curious reversal, it is Bangladesh's premier microfinance institution, BRAC, a so-called *kabuliwallah*, that has now set up shop in Kabul, Afghanistan.

The existence of a Bangladesh consensus should also not be taken to mean that the field of microfinance in Bangladesh is centralized and fully

coordinated. Indeed, in the words of one Bangladeshi interlocutor, this field is characterized by "multiple sovereignties." While there is a striking consensus on the ideology of poverty, there is not always a consensus on practical methodologies. For example, a debate that exposed the splinters and fractures in the field of microfinance in Bangladesh was around a proposed interest rate cap of 12.5 percent. A project of PKSF, a wholesale microfinance institution established by the World Bank, the interest rate cap received strong support from Yunus and the Grameen Bank. In an interview (August 2004), Yunus argued that such a cap was necessary to ensure that "a few bad NGOs" do not "ruin the lending environment" and the "public image" of microfinance. But BRAC and ASA did not support the proposal, arguing that microfinance institutions should be able to determine the interest rates at which their operations were viable.

The interest rate cap, which was ultimately abandoned, marked the effort of PKSF as an apex financial intermediary to respond to the *kabuliwallah* stereotype. But it also marked the rather bold move by PKSF to assert its independence from the very institution that established it: the World Bank. Underwritten by World Bank loans, PKSF is a wholesale microfinance intermediary that lends to microfinance NGOs (Khandker 2005). Well aware that the World Bank, and particularly CGAP, is fiercely opposed to interest rate caps, PKSF nevertheless pushed for such a cap in Bangladesh. When I interviewed the director of PKSF (August 2004), Salahuddin Ahmed (who went on to become head of the central bank in Bangladesh), he presented the interest rate cap not as a distortion of the market, as goes the World Bank argument, but rather as the correction of a market characterized by powerless borrowers and powerful lenders, "a model price." It is in this way that PKSF could claim its lineage as a "home-grown" institution. Indeed, in an angry response to a *Wall Street Journal* article that criticized the Grameen Bank, Yunus (2002b) insisted that PKSF was set up not to distribute "foreign funds" but rather "to resist donor money." Such claims are central to the Bangladesh consensus.

The Bangladesh Paradox

Bangladesh has been long vilified as an "international basket case"—Kissinger's infamous phrase—and viewed as a hopeless combination of political instability and deep poverty. Microfinance, Bangladesh style, was accordingly seen as a set of micro-interventions that could do little to

address these macro-structures of underdevelopment. Yet, recently, Bangladesh has been hailed as a forerunner in human and economic development, at least among low-income countries. The World Bank, in particular, has drawn attention to this so-called "Bangladesh paradox." In a visit to Bangladesh in November 2007, during which time he met with Yunus, World Bank president, Robert Zoellick acknowledged that "Bangladesh has made significant economic and social gains since the 1990s. Its human development achievements have been remarkable in reaching a number of the Millennium Development Goals." World Bank statistics show sharp drops in poverty (from 70 percent in 1971 to 40 percent in 2005); as well as significant increases in secondary school enrollment, childhood immunization, food security, and drops in infant and child mortality and fertility. World Bank reports now forecast that Bangladesh could join the list of "middle income" countries in ten years (http://www.worldbank.org.bd/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/BANGLADESHEXTN/0,,contentMDK:20195502~menuPK:295767~pagePK:141137~piPK:141127~theSitePK:295760,00.html, accessed May 17, 2008).

Such human development impacts are a matter of pride in the development community in Bangladesh. In an interview (December 2004), Fazle Abed noted the decline of maternal mortality as one of the most important achievements of Bangladesh in recent years. As described by Covington (2009), Abed has a personal tie to such an issue, with his first wife having died in childbirth in 1981: "I thought at the time, 'My God, if my wife can die in a Dhaka hospital, it must be so much riskier for the poorest women having difficult childbirths in rural areas without any hospitals, without any support.'" But it is also a story about institutions: BRAC's maternal mortality program currently reaches 30 million people and is set to "scale up to cover the entire country" (Covington 2009). The interest in such indicators also marks the Bangladesh consensus as ineluctably different from the Washington consensus on poverty. While the latter gives place of prominence to financial indicators, the former is focused on human development and the inter-generational transmission of poverty.

Who bears the credit for these achievements? A World Bank report focused on gender transformations draws direct connections between human development achievements and the work of Bangladesh's microfinance institutions. Titled *Whispers to Voices: Gender and Social Transformation in Bangladesh*, the report "concludes that there has been a far-reaching

change in gender norms in Bangladesh" which are the result of "constructive policies and programs" (Das 2008: 3). This Bangladesh paradox—strides in gender equality in a "cultural context widely believed to be repressive to women"—needs explanation. The report draws attention to a variety of unique global and national forces and conjunctures, including Bangladesh's insertion into a global garment industry fueled by female labor as well as the formation of a powerful women's movement with NGOs fighting for gender equality. But the report also credits two programs or policies that were "expressly intended to improve women's status"—the state's education policy and the "NGO-driven microcredit program." "Not only did women learn to save and get access to credit but the credit groups created a sense of solidarity that allowed for other services, such as family planning, to be delivered through them" (Das 2008: 5).

Yet another World Bank report, titled *Bangladesh: Strategy for Sustained Growth*, credits "income growth" as the "strongest engine for raising living standards and reducing poverty" but also acknowledges "innovative social programs," notably the Grameen Bank and BRAC (Mahajan 2007: xv). While the World Bank tends to present such human development outcomes as "trickle-down" effects of economic growth, this report acknowledges that, in Bangladesh, "much of the social sector progress started in the first two decades before independence, *well before* the growth acceleration" (Mahajan 2007: 4, emphasis added). Indeed, it argues that this "social development" and the "good progress on women's advancement" were "important" factors in "sustaining the higher growth" (Mahajan 2007: 12).

The hopeful and laudatory tone of the World Bank reports is previewed in the 2005 Poverty Reduction Strategy Paper, titled *Unlocking the Potential: National Strategies for Accelerated Poverty Reduction*, prepared by the Government of Bangladesh. The transformation from an "international basket case" to a development success story is presented as the "march of hope." Taken together these institutional documents seem to settle a long-standing debate about the value of microfinance and its impacts on macro-economies. However, village-level studies in Bangladesh present a more complicated picture of both poverty reduction and gender empowerment. Although I will not rehearse the arguments of these studies in detail, two points of debate are worth a closer look.

The case for the impact of microfinance on poverty is made most vigorously by Shahidur Khandker, lead economist in the World Bank

Institute's Poverty Reduction and Economic Management Division and the Development Research Group at the World Bank. In a series of studies published between 1998 and 2005 (Khandker 1998; Pitt and Khandker 1998; Khandker 2003; Khandker 2005), and conducted as a collaboration between the World Bank and the Bangladesh Institute of Development Studies, Khandker (2003: 4) finds that microfinance programs "help the poor through consumption smoothing and asset-building," "promote investment in human capital (such as schooling) and raise awareness of reproductive health issues (such as use of contraceptives) among poor families" and "help women acquire assets of their own and exercise power in household decisionmaking." These findings are borne out by other scholars who argue that "Grameen and BRAC provide credit to the core poor" and can thus "improve the incomes of the poor, even moving them above the poverty line" (Hulme and Mosley 1996: 115, 109). In a more recent study, which uses panel data from the 1990s, Khandker (2005: 23) concludes that "the results are resounding": "The net reduction in moderate poverty is about 18 percentage points in program areas, 13 percentage points in nonprogram areas, and 17 percentage points overall between 1991/92 and 1998/99."

But do such benefits accrue to all poor borrowers? Critiques of Khandker's earlier findings suggest that less poor households, those that are not necessarily the target group for microfinance, may bias the results (Morduch 1998). To this end, Khandker (2005: 4) provides reestimates "by excluding mistargeted households" and notes that the results still hold. However, other questions persist. Particularly significant is the specter of "credit-induced crisis" for poor households, one where microfinance loans increase indebtedness and ultimately reduce asset levels. At least one study calls for more research on why borrowers—an estimated 15 percent per year for Grameen and 10–15 percent for BRAC—leave such financial institutions (Hulme and Mosley 1996: 122).

A second debate has called into question the established wisdom that microfinance loans empower women. Researchers argue that although women borrowers bear the burden of repayment, they lack "managerial control" over microfinance loans, with such loans usually utilized by male relatives (Goetz and Sengupta 1996: 53). When women do retain managerial control, the credit is usually "invested in conventional women's activities," those that do not challenge "gender role ascriptions" and that may not yield "profitable expansions" of the household income (Goetz and Sengupta

1996: 53). These studies conclude that the success of microfinance institutions rests on their power to exist patriarchal control over women, a "new form of domination" (Rahman 1999: 67). Women, they note,

> are easy to locate, being much less able than men to leave a locality temporarily to evade field workers, and they are easier to intimidate into repayment than men, who can always threaten violence. In effect, the household is internalizing the high transaction costs of lending to men . . . These costs are primarily those of monitoring men's loan use and enforcing regular repayment. Women in effect offset these costs by using intrahousehold gender relations of obligation or persuasion to recover weekly loan repayments.
>
> (Goetz and Sengupta 1996: 55)

This critique—of microfinance as a patriarchal ideology that turns women into "instruments" of development—is important. It brings to light the gendered logic of millennial development, of the pro-poor development that is undertaken "in her name." These critics are correct to reject the "preoccupation with credit performance" and how women's high repayment rates have come to be seen as a "proxy indicator for control and empowerment" (Goetz and Sengupta 1996: 45). But while it is important to reject the microfinance industry's primary indicator of success, loan repayment, it is equally important to call into question what seems to have become the feminist critic's primary indicator of empowerment, managerial control of the loan. In a perceptive analysis of such feminist critique, social economist Naila Kabeer (2000) calls into question the ideas of "empowerment" that underpin the focus on managerial control. She notes that various studies (for example that by Hashemi, Schuler, and Riley 1996) demonstrate that women's ability to bring in microfinance loans greatly enhances their decision-making powers within the household. BRAC's own studies, conducted by its Research and Evaluation Division, confirm these findings, indicating that after several years of microfinance loans women were able to not only command more power within the household but also in local labor markets (Mahbub et al. 2001).

In an important intervention, Katharine Rankin (2008) highlights a set of contradictions in microfinance programs in Nepal. She shows how high repayment rates are sustained by "loan swapping," or what has been criticized as the increased debt-liability of poor households. But Rankin

(2008: 1968) notes that such practices, while they may not generate the types of entrepreneurship lauded by microfinance programs, nevertheless point to "women's skillful manipulation of a development technology to sustain debt financing of subsistence and social investment activities." Most striking is the finding that the "appearance of conformity" by poor women can be "deceptive." Thus, a microfinance borrower in Nepal states: "We recite that we will always tell the truth, we will be disciplined. But no one here is speaking the truth about these matters. Even me" (Shakya and Rankin 2008: 1223). Indeed, it seems that in this case the patriarchal design of microfinance programs, with their elaborate conditions, sparked fierce critique among poor women, including against the rural rich who were seen to be immune from such imposed conditions.

Naila Kabeer's research (2000) also highlights the ambiguities associated with a measure often correlated with gender empowerment: physical mobility. Women's participation in microfinance programs may increase their mobility in "certain spaces, such as the NGO office and health centre" but not necessarily in the "male-dominated public sphere" (Mahmud 2004: 183–184). In fact, Kabeer notes that as women's economic conditions improved so they often chose to reduce rather than increase physical mobility, adopting "purdah," or seclusion, as a symbol of socio-economic status. Kabeer (2000: 70–71) foregrounds the paradox:

> If empowerment entails the expanded capacity for making choices then . . . the paradox is that in many cases, this leads women to opt for some form of purdah if they can afford to, both to signal their social standing within the community and to differentiate themselves from those women who do not have this choice.

Such debates cast doubt on microfinance's most prominent measure of success: loan repayment. They demonstrate the "hidden transcript" (Rahman 1999: 69) of loan repayment—from women's loss of managerial control of the loan to the patriarchal discipline that is enacted in order to ensure loan collection. But they also indicate the manner in which microfinance loans may serve as an arena for the negotiation of power and hierarchy—both within the household and beyond. Above all the debates make visible the paradoxes that attend the ambitious claims of poverty alleviation and gender empowerment. Microfinance can serve the poorest

households but it may also entrap them in ever-expanding debt. Microfinance can empower women to make choices but this may in turn lead to women transferring loans to their husbands and secluding themselves from the public sphere. These too are elements of the Bangladesh paradox.

POVERTY TRUTHS

Best-practice microfinance, as defined by the Washington consensus on poverty, is meant to be both more and less than the Bangladesh model. On the one hand, the terminology of "microfinance," and now "financial services for the poor," suggests a range of inputs that exceed credit and include services such as savings and insurance. On the other hand, CGAP principles call for a minimalist microfinance, one that draws a clear line between social development and finance and between NGOs and financial institutions. The Bangladesh consensus rejects this idea of minimalist microfinance, instead asserting the norms and values of poverty-focused development. But, while it stubbornly holds on to the term "microcredit," and while the Grameen Bank showcases "credit as a human right," the Bangladesh model in fact provides a range of financial services of which credit is only one among many. These microfinance—rather than microcredit—innovations deserve a closer look.

The Grameen Bank is often associated with a lending orthodoxy: lending groups, weekly meetings, rigid repayment schedules, and joint liability. Yet, nearly a decade ago, the Grameen Bank implemented a lending system that breaks with many elements of this orthodoxy. Known as the Grameen Generalized System, or Grameen II, this recalibration of the Grameen Bank, allows borrowers considerable repayment flexibility with loan rescheduling, customized loans, and even a "flexi-loan detour," a way of "exiting the loan highway" and returning several months later in the case of repayment difficulties (Yunus 2002a: 8). While the lending group is still maintained, Grameen II dismantles the "group fund" and other instruments of joint liability. Instead, it relies on "obligatory savings," a deposit equal to 2.5 percent of the loan value that is deducted from the loan, placed in a special savings account, and that cannot be withdrawn for three years. Another 2.5 percent of the loan value is placed in a personal savings account. For loans over 8,000 taka there is also a mandatory pension deposit. While the Grameen Bank continues to state that it "does not, cannot, and will not

accept physical collateral of any kind," the obligatory savings scheme in effect acts as a form of loan security. It is not surprising then that Dowla and Barua (2006) title their account of Grameen II with the microfinance cliché: "the poor always pay back."

Grameen II marks an important moment of auto-critique and reflexivity within the Grameen Bank. While the devastating floods of 1998 are often blamed for high default rates in Bangladesh—and thus the formulation of flexible repayment schemes—Yunus (2002a: 3) himself notes that the floods only revealed long-standing, structural problems with repayment:

> In 1995, a large number of our borrowers stayed away from centre meetings and stopped paying loan installments. Husbands of the borrowers, inspired and supported by local politicians, organized this, demanding a change in Grameen Bank rules to allow withdrawal of "group tax" component of "group fund" at the time of leaving the bank . . . At the end we resolved the problem by creating some opening in our rules, but Grameen's repayment rate had gone down in the meantime . . . When the repayment situation did not improve as desired, we thought this would be a good opportunity to be bold, and to dare to design a new Grameen methodology.

Grameen II can be credited for having resolved these issues of repayment and default. But these problems had already garnered the Grameen Bank a certain amount of international notoriety. A 2001 *Wall Street Journal* article presented microcredit as a "great idea with a problem" (Pearl and Phillips 2001). That problem was the Grameen Bank, its high default rates, increasingly rebellious borrowers, and lack of financial transparency. The article reported:

> In two northern districts of Bangladesh that have been used to highlight Grameen's success, half the loan portfolio is overdue by at least a year, according to monthly figures supplied by Grameen. For the whole bank, 19% of loans are one year overdue.

The article was not sympathetic to the Grameen II overhaul, arguing that since the "bank is converting many overdue loans into new 'flexible' loans . . . the situation may be worse than it appears." In his response to the article, and in particular to its lead author, Daniel Pearl, then Asia Bureau chief of the paper, Yunus (2002b) argued that while the Grameen Bank was

often faulted for not following the "industry standard," it was important to recognize that it was creating a "banking counter-culture of its own." In 2008, amidst the financial collapse of US lending markets, the *Wall Street Journal* ran another article on the Grameen Bank, an interview with Yunus, this time billing him as the "subprime lender," marveling at how and why this brand of subprime lending had turned out to be successful (Parker 2008). I will return to this theme in the closing chapter.

Microfinance Multiplied

While the 2001 *Wall Street Journal* article draws the lines in the battle of ideas between the Washington consensus and the Bangladesh consensus, it also distracts from some of the innovations of the Bangladesh model that can be glimpsed in Grameen II. Central to these innovations is savings, which can be understood as a form of asset-building (Dowla and Barua 2006). This is in keeping with a new and broadly held wisdom about the value of savings. "Financial services for the poor are essentially a matter of helping the poor turn their savings into sums large enough to satisfy a wide range of business, consumption, personal, social and asset-building needs" (Matin, Hulme, and Rutherford 2002: 273). If we think of poverty as the "tyranny of emergency" (Appadurai 2001: 30), then the value of savings becomes apparent.

In addition to allowing the poor to manage risk, saving is also being celebrated as a business opportunity, since poor people are willing to pay to save. For example, a 2007 CGAP article makes this point with considerable vigor, noting that in 2006 there were "1.3 billion low-average balance deposit accounts versus 190 million loan accounts in developing and transitioning economies." Stuart Rutherford (Rutherford et al. 2004: 38), the founder of the innovative and highly regarded SafeSave, thus concludes that the Bangladesh model has shifted from microcredit to microfinance: "The microfinance revolution in Bangladesh was a micro*credit* revolution, led by Grameen. It is astonishing but fitting that it is Grameen who is leading the massification, if not the introduction, of contractual savings products like the Grameen Pension Scheme."

Savings also allow microfinance institutions to manage risk. During the 2004 floods in Bangladesh, Grameen II was tested. This time, "borrowers used their savings to withstand the flood and the bank used the cushion of large amounts of internal savings to deal with the flood" (Dowla and Barua 2006: 123). Such a "cushion" is particularly important at a time when

joint liability, an icon of the microcredit mythology, seems to be bankrup Imran Matin (1997: 261), director of BRAC's Research and Evaluatio Division, thus quotes a Grameen Bank borrower: "They (referring to a grou credit lending institution) do not need police to compel repayment: w (centre members) have been doing it so . . . It can't be done any longer." Th "unzipping of joint liability," as Matin puts it, necessitates the turn to different instrument of loan security, in this case savings. Matin (1997: 26 thus concludes:

> I find the concept of advances against future savings a much more realistic lens in understanding the repayment game where the credit taken is a lump sum advance (expensive though) against the ability of the household to save in small quantities which principally make up the kisti (repayment) . . . The weekly repayment schedule allows the borrowers to make use of their small savings with the centre and group structures acting as a "disciplinary mechanism" required to "force" the household to save in a sustained way.

Such innovations in risk and discipline undergird the transformation i Bangladesh of microcredit into microfinance. Framed as a primitive an backward model of credit by the knowledge-producing institutions c Washington DC, the Bangladesh model turns out after all to be a frontie of finance.

The Bangladesh model is also an experiment in social developmen While the Washington consensus valorizes a minimalist model of micr finance, the Bangladesh model is best understood, in the words of Fazl Abed, founder of BRAC, as "microfinance multiplied" (Microfinanc Gateway 2008). Of the many innovations, let me highlight three: "oppo tunity ladders" for the ultra-poor; social enterprises and value chains; an building economic and political assets.

There is, as I have noted earlier, an uncanny convergence between th neoliberal mandates of CGAP and the leftist critique of microfinance: bot warn that credit runs the risk of indebting, rather than helping, the ultr poor. The CGAP consensus, in particular, draws an indelible line betwee the economically active poor and the economically inactive poor, distinction that one interlocutor of the Bangladesh consensus rejected a "a caste system." From the Grameen Bank's beggars program to ASA hardcore poor program, the Bangladesh institutions have insisted o

extending credit to the ultra-poor. The most complex experiments have been sustained by BRAC, first through its Income Generation for Vulnerable Group Development (IGVGD) program and more recently through its CFPR/TUP (Challenging the Frontiers of Poverty Reduction/ Targeting the Ultra Poor) program. Explicitly targeting the poorest of the poor, mainly female-headed, landless households, this program combines safety nets (in the form of food aid, guaranteed employment, and healthcare) with employment and skills training and compulsory savings, and ultimately with microfinance, thereby creating what Imran Matin (2004) calls "opportunity ladders." It is important to note that the program is subsidized and that BRAC does not seek to recuperate its financial and administrative costs (Hashemi and Rosenberg 2006: 5). The subsidies work out to about $135 per woman, a "deal" in the world of development (Hashemi 2001).

BRAC's innovation has come to be celebrated by CGAP (Hashemi 2001; Hashemi and Rosenberg 2006). At the 2005 Boulder Institute, Robert Christen showcased BRAC's program, especially its combination and sequence of safety nets, asset-building, savings, and credit. In her course, Marguerite Robinson cited the program as an example of BRAC's "extraordinary achievements." "Rather than take the banking industry to the starving," she noted, "we need institutions like BRAC to bring these starving people up." Indeed, BRAC's ultra-poor program has become a poverty truth, the rare case of a truth that emerges from the Bangladesh model and is taken up by the Washington consensus. Yet, it is within BRAC that there is constant examination and critique of the program. This is the work of its Research and Evaluation Division, an impressive apparatus of both knowledge production and auto-critique. Here, researchers often voice an explicit "dissatisfaction" with the first round of ultra-poor programs, with how they often fail to serve "the poorest and most vulnerable" (Matin 2004: 6), and with how the poorest participants cannot easily "graduate" and often need continuing support from safety net programs (Hashemi 2001: 7; Halder and Mosley 2002). Of these, the most radical auto-critique is perhaps the acknowledgement by Imran Matin, in an interview (July 2004), that "not all poor people can be developmentalized," that even the best designed programs exclude the most vulnerable. In BRAC, such internal debates about program design drive constant experimentation and innovation.

BRAC's concept of "opportunity ladders" for the ultra-poor is embedded in a broader context of development, one in which BRAC actively

initiates and manages "value chain projects." These provide human development infrastructure such as health clinics and schools, thereby seeking to create "well-functioning, pro-poor health systems at the village level." The numbers are staggering, with BRAC covering an estimated "110 million people with services in microfinance, health, education, social development, human rights and legal services, and microenterprise support" (Microfinance Gateway 2008). Other value chain projects are related to economic development. From poultry hatcheries to dairy plants to silk production, these BRAC projects link the microenterprises of the poor to national and global markets. They seek to transform subsistence economies into those that can generate economic value. While separate from the microfinance programs, these value chain projects nevertheless have a direct, and possibly dramatic, impact on the livelihoods of microfinance clients. It is estimated that BRAC's commercial enterprises account for $90 million in revenue each year (Armstrong 2008). They are rivaled by Grameen's sprawling empire of enterprises, which include both profit-making enterprises such as Grameenphone and "social enterprises" such as Grameen Telecom and most recently the Grameen–Danone Food company.

Equally ambitious is the idea of "asset-ing" the poor (Matin and Begum 2002), of ensuring that microfinance borrowers not only smooth consumption and manage risk but also build up assets. Particularly noteworthy here is Grameen's housing program. A recipient of the Aga Khan Award (1989) and the World Habitat Award (1998), this program makes available housing loans, viewing them "as investment rather than consumption" (Diacon 1988). The award-winning house design focuses on simple but sturdy structural components—brick foundations, reinforced concrete pillars, bamboo tie beams, wooden rafters, corrugated iron roofing sheets. But the key to the program is that it mandates that the homestead land be registered in the name of the microfinance borrower, in other words, women. In an interview (August 2004), Dipal Barua, Grameen's second-in-command admits that such a practice is "revolutionary," providing great security for women in a patriarchal context. The program is one of the few that pass the muster of feminist critiques of the Grameen Bank, for the registration requirement ensures that women remain in control of housing resources (Goetz and Sengupta 1996: 50).

BRAC expands the scope of assets to include social and political power. Fazle Abed and Imran Matin (2007: 4) argue that the "greatest power of