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Article

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Abstract

Bangladesh is one of the countries with a thriving political culture, vibrant civil society and a huge development sector, yet struggling with the issues of persisting poverty as a substantial majority still lives below the poverty line. The development sector has largely maintained an apolitical posture focusing on expanding their outreach, commercial enterprises and access to donor assistance. As a consequence of new economic realities and dynamics of financial markets at local and global level, the sector is increasingly being pushed to expand its influence in the local power structures, thus shifting the nature of their relationship—from a non-engaged to an actively engaged relationship with the state. This article would argue that the increasing commercial/entrepreneurial activities are reshaping the development sector in Bangladesh, even overhauling the dynamics of the socio-economic and political scene. As these not-for-profit organisations are entering into a state-regulated sector, in which other actors (business houses) are already operating, lobbying to protect similar commercial interests, there are contestations around regulatory regimes and political agency in policy-making arenas. Recent controversy around Yunus's role in the Grameen Bank is indicative of the shifting nature of developmental politics.

Keywords

Microcredit, Grameen, development sector, development politics

Introduction

Bangladesh is one of the countries with improving human development indicators, a huge donor presence in the development sector and continuous political bickering. It continues to struggle with the issues of persisting poverty, increased conflict in civil society and a political milieu concerning varied political actors. Despite three decades of developmental activism and continuous international donor support to alleviate poverty, Bangladesh remains a country with a substantial majority living on less than a dollar a day. A brief exploration of the amount of financial and technical assistance and the involvement of international and local organisations with their assertions regarding 'putting poverty into museums' in the near future, and an analysis of growing income disparity and civil–political relations, have accentuated the need to re-examine development agendas.

Many of the mega-organisations had humble beginnings; however, philanthropic and humanitarian assistance for the poor gave these organisations the financial impetus essential to expand activities and provide the goods and services generally associated with the obligation of the state to its citizens. Over a period of time, the development organisations have either taken control of or have become major partners of the state in the provision of services and goods to citizens. These organisations are involved in commercial and entrepreneurial ventures and have entered into local business markets—a shift from not-for-profit to profit-generating ventures. Because of the shifting nature of their work, they have become stakeholders in the local economy as well as the global market economy and polities.

Previously, these organisations successfully maintained an apolitical posture but the new economic realities and financial stakes are pushing them to exert pressure on the state and to play an active role in shaping the policies that affect development strategies and social and labour market policies. Their stakes in the local and global economic agendas call for a role in policy-making and the implementation mechanism controlled by the nation–state, and requires them to protect these interests. The need to encourage a healthy institutional, political and economic condition, promoting organised business interests to support progressive social policy and inclusive development strategies, has changed their relationship with the state from non-engagement to active engagement. Not-for-profit organisations are entering into a state-regulated sector in which other actors (business houses) are already engaged in lobbying to protect commercial interests and prepared to compete with them. There has been a confrontational relationship between regulated businesses and unregulated not-for-profit commercial ventures; the former being regulated by the state, operating under existing labour laws and paying taxes and thus contributing to public revenues, while the latter receive financial assistance as development organisations from donor agencies and benefit from tax exemptions. With the introduction of a regulatory framework in Bangladesh (Microcredit Regulatory Authority Act 2006), it is envisioned that the state will play a significant role in future, though it would be premature to predict its long-term impact.

This article argues that increasing commercial activity would reshape the development sector in Bangladesh, even overhaul the dynamics of the socio-economic and political scene. The increasing economic stakes would further the political ambitions of development actors to make them comparable to bigger corporations and business houses as active political agents in Bangladesh. Recent controversy surrounding the financial transparency of Grameen and the political victimisation of Nobel Laureate Dr Muhammad Yunus suggest that such developments are already taking place. His supporters claim that his previous political ambitions led to increased victimisation by the current regime; this may also be viewed as an indication of the shifting nature of developmental politics.

In the context of this scenario, one needs to explore whether the labour organisations and the state in Bangladesh have lost their capacity to discipline business in a socially responsible fashion, and also the contradictions or compatibility (if any) in the lobbying practices of development sector organisations vis-à-vis local businesses. It would be useful to examine if there are any outstanding differences between the social policy preferences of development sector organisations, domestic/local businesses and the political–bureaucratic elite. One has to look at the options available to development sector organisations involved in organised commercial ventures for lobbying for favourable policies, and analyse whether the development sector is emerging as a new countervailing centre of power to regulate business and promote social pacts conducive to inclusive development. It may even be a situation where the state is trying to assert its regulatory regime on the development sector, especially microcredit institutions, to extend its influence to the development sector.

Governance, Social Responsibility and Accountability

The development sector in Bangladesh has assumed some of the role previously ascribed to the state, requiring a new analysis of the rights, accountability and transparency debate. These organisations receive generous support from local and global donors and rarely contribute to revenue collection through taxation, yet remain key players in socio-economic spheres. Therefore, the people—in whose name these organisations receive global and local assistance, tax exemptions, and role recognition at various levels apart from any significant socio-economic and political clout—have claims for legal entitlements regarding accountability and the socio-economic distribution of the goods and services offered.

I intend to invoke a new political metaphor/imagery to map the world not merely as a system of mutually recognising sovereign states but as a system of socio-economic and political actors dealing directly with people, providing goods and services, and lobbying and representing them at international forums. Socio-economic processes shape people's lives, at times overflowing territorial boundaries. To articulate the needs of these people and the role of NGOs and multinational corporations is no different from examining the role of the state. It raises the urgency of a rights-based approach to evaluate and make development sector organisations accountable to people whose lives are affected by the socio-economic phenomena generated through their global–local nexus of activism. These non-state players are able to operate outside the regulatory and taxation regimes of territorial states, raising the need for a new framework of accountability, justice and human rights. The new framework needs to include territorial state and non-state development actors, and to form new structures rather than reframing the existing ones.

Development sector organisations support the existing social structure, the social class hierarchy, failing to negotiate principles of equality based on the equal moral worth of human beings. They deny the people participation as peers and facilitate the processes that keep them as clients at the sites of their eradication of poverty projects. Poverty is not created by the poor but by existing institutions and policies, and unless alternative institutions and policies replace these structural impediments, poverty will continue to flourish (Hussain, Maskooki and Gunasekaran 2001). Poor people lack assets, social relations, even self-confidence; they not only need credit but also support. For these reasons, the strategies to engage the poor and ultra poor vastly differ from strategies to engage the lower-middle and middle class. Micro-credit combined with a social programme of skills training, education and social awareness would have long-term positive outcomes for families and communities.

Non-state actors include and exclude people through project planning and implementation, finding it easier to demonstrate success through project evaluation. Their decisions cannot be challenged, being largely unregulated and free from the ambit of existing accountability and judicial structures (Fraser 2005); however, that may change under the new framework. The people cannot appropriate claims over rights and demand justice from non-state actors as the entire development process is based on a proclaimed moral superiority over the state in servicing the poor. They are also left out of the development mechanism engineered by the state. Replicating the existing structures to draw political boundaries, the development sector has drawn boundaries around the community and set principles for inclusion; yet there remains a significant portion of people excluded from both these structures. As a result of 'direct engagement' with donors, corporations, outsourced development jobs, transnational networks and alliances, a process of 'reversed engagement or disengagement' with people/communities is taking place, shaping new operating frames.

The state, on the other hand, remains subject to the rules of accountability, transparency, human rights, indexation of democracy and human development. Development actors are exempt from similar democratic control, putting them above and beyond the rules of engagement with people/communities. Development actors have generated a state-like power relationship with communities, rooted in economic structures and a status order that inherently lacks a democratic spirit. It has to be recognised that communities have a legitimate claim over the goods and services provided by the development sector. The existing pattern of structural inequalities will continue in both tiers of governance unless new rights-based structures are formed.

North–South Development Nexus

Globalisation is widening the wedge between territorial state and development actors, which are gaining more acceptability in global arenas as efficient managers and effective governance tools. The affluent North has a willing partner in the South to dispense Western models of liberal democracy and efficient economic management by strengthening civil society and advocating human rights through development actors. However, by weakening the state, it has strengthened and unleashed non-democratic forces that have the potential to derail the whole process. The current situation in Bangladesh is a significant case study, as improving socio-economic and social indicators, a firm human development index (HDI) and civil society organisations find themselves in a situation where the power of a weak state is controlled by the military, the bureaucracy and politicians. The political process is fraught with regular disruptions and political vendettas of the major political parties, and with a parallel state in the form of the development sector.

People in weak states, despite a thriving development culture, experience injustice resulting from non-territorial powers that interrupt their lives and are unaccountable. The cosmetic gestures and window dressing of some humanitarian projects highlight the moral dilemmas faced by people who experience injustice wrapped in global benevolence and delivered by the midwives of development. Community voices are included and excluded simultaneously, as donors respond to the needs of the community employing participatory and empowerment approaches, yet the agendas are prioritised and donors unilaterally determine the nature and direction of development excluding the very people they intend to serve. The people in these states experience globalisation by living through social, cultural and economic changes—a different experience from the Western world where terrorism, off-shore call centres, cheap labour, tourism, cheaper goods and services, and the developing world's poverty dominate the debate. New avenues of sharing cultural experiences have created a renewed sense of disparity between North and South and greater vulnerability in the South.

Berman's argument that 'privatisation and the retreat of the state have evacuated the public sphere, which used to offer some counterweight to the unbridled discipline of the market' remains valid in the current context in Bangladesh, where people are left to deal with globalisation forces and the market economy. In such a delicate situation, micro-credit organisations are claiming to eradicate poverty, aiming to 'put it in museums' by 2030. When these organisations make such naïve claims, it is hard to understand how small loans would enable people to increase productivity to meet the changing demands of the market and enable sweet-shops to compete with aggressive productivity within the Asian region.

Small business ventures, cottage industries, fish farms, fruit and vegetable growers and vendors in Bangladesh lack the powerful manufacturing–export engine of China, India and Vietnam or a thriving local industry. Despite the repeated poverty elimination claims by development organisations, it seems that they may not even be able to sustain poverty at a manageable level in the future. Bangladesh would not be able to subsidise the agriculture sector either through state assistance or development organisations even if the development organisations continued to provide small loans to maintain fish farms or to produce fruit and vegetables to be exported through the commercial ventures of NGOs. Lack of agriculture subsidies would not allow small farmers to continue to supply fruit and vegetables, fish, prawns or shrimps to be exported to the Middle East or Europe, as they would not be able to produce enough to feed their own families and have a surplus for exporting to global markets. These smallholdings have never been able to cope with natural disasters (seasonal floods), currency devaluation or economic failure that accelerates the exodus of the rural population to the urban centres.

Social Welfarism

NGOs have played an active role in social welfarism since the inception of Bangladesh. The trauma of independence emphasised the need to join hands and work in partnership at state and local levels, giving legitimacy to non-state actors as active agents in rehabilitation as well as the nation-building process. The post-conflict society needed time, support and logistics to normalise, rehabilitate and strengthen its socio-economic and political institutions. However, political actors remain engaged in post-independence politics, leaving space for social organisations to consolidate and network across the globe and engage in much-needed support for rehabilitation of the traumatised nation. Thus began a long-term state–NGO relationship, a relationship of convenience and at times rivalry due to the rent-seeking attitude of political powers controlling state machinery. The state never assumed significant control of essential goods and services provision to its citizens, owing to lack of resources and underdeveloped mechanisms, and it continued by relinquishing social responsibility towards its citizens to willing partners. Policy-making processes remain subject to the lobbying practices of big business; therefore, the idea of social responsibility towards citizens and stakeholders continues to be contested. Big business and policy-makers join forces to protect business interests in the name of national development, employment opportunity and national interests, and have lost their appeal for the millions of Bangladeshi people living below the poverty line and struggling to survive. In this scenario, development sector organisations remain the major source of reprieve for people in need of being rescued from the clutches of poverty.

Over the years, poor people have learnt to rely on the goods and services provided by NGOs; they, therefore, tend to trust the commercial ventures and regulated/unregulated business practices of development organisations. Grameen, Bangladesh Rural Advancement Committee (BRAC) and similar other organisations are heavily engaged in a rural/urban anti-poverty drive through micro-credit, and have improved the lives of many by giving them access to credit without collateral conditionality and the provision of goods and services such as education and health. They maintain that micro-credit helps reduce the number of people living below the poverty line by enabling them to engage in business and to have an income that allows them to further expand and stabilise their business or even undertake more productive endeavours—ultimately lifting them from poverty. They assert that micro-credit decreases unemployment and increases working capacity as people contribute to the overall economy of the country (Srivastava 2005). Although the levels of success remain contested, there is little doubt that the absence of socially responsible practices at various levels has allowed the development sector to fill the social services gap and perform many functions generally associated with the state—changing the nature and scope of the state as well as the state–citizen relationship. These new dynamics are not only reshaping the role of the state but have also opened the debate regarding the social responsibility and accountability of non-state actors.

Social Business: Grameen and New Centre of Powers

Despite its humble beginnings in the 1970s, Grameen was quickly able to become an independent bank in 1983, with Yunus serving as the government-appointed managing director. His role continuously evolved along with the growth of the bank and the reduction in government ownership, eventually shifting bank headquarters to Dhaka's financial district. Grameen suavely expanded its business empire from rural to urban areas, a calculated move to generate profit through the upscale urban market, finding space for its operations through existing structures as well as creating new ones. Grameen started replicating its own programme through the Grameen Trust, initially funded by the MacArthur Foundation. Its business enterprise began by taking over a fisheries project from the Bangladesh government, Grameen Motsho (Fisheries) Foundation. Other principal subsidiaries include Grameen Telecom for-profit consortium, 51 per cent owned by Norway's Telenor since 1997. In 1999 it received $10.6 million from the Soros Economic Development Fund to expand rural businesses. Other Grameen enterprises are Grameen Cybernet and Grameen Communications, Grameen Shakti to develop solar energy, Grameen Uddog, Grameen Securities Management Company (GSMC), Grameen Foundation USA, Grameen Shamogree (Products) and Grameen Kalyan (Welfare) (Richardson, Ramirez and Haq 2000). Despite numerous efforts by Grameen, successive Bangladeshi governments refused to allow credit operations in urban areas, although other business products (Phone, Cybernet and GSMC) are available in upscale urban markets along with other business competitors' (BRAC) products.

Grameen and BRAC, like micro-credit organisations, provide micro-loans, claiming that the poor are trustworthy, capable and merely need capital to materialise their business ideas. However, their claims are refuted by many fieldworkers who point out the lack of essential skills transfer through training, identifying two reasons: cost and time—the need to generate profit within a fortnight of receiving the first loan. Many borrowers cannot afford the time or travel costs to attend these skills training programmes even if the event is free. The lack of skills transfer reduces the likely ability of poor borrowers to manage a business. This partly explains the reality of debt dependence despite claims that borrowers graduate from the loan cycle and move out of poverty in five to eight years on average. Micro-credit institutions (MCIs) claim to transfer skills, and to monitor and evaluate business, yet evaluation is focused on repayments, and the peer pressure of group liability is used to ensure timely repayments. They offer restructuring of loans to those failing to repay through natural disasters or illness, although every service incurs an additional fee. When loans are refinanced or offered as flexi-loans, the reporting procedures mask the repayment issues through non-standard accounting practices. MCIs are not subject to a formal regulatory system, thus it is hard to measure their loan portfolio of 'at risk' loans. Unlike traditional accounting practices, MCIs tend to regard home expenditure loans as productive and not consumption loans—home being women's workplace. There is lack of sufficient evidence that such loans can produce something in return and enable women to repay loans in a productive manner. Likewise, data about concurrent borrowers of more than one MCI are not available, making existing claims regarding graduation and poverty reduction more unreliable—although Grameen claims that less than 5 per cent of borrowers are involved in securing loans from multiple sources, dismissing it as an insignificant issue (Tesfatsion 2006).

The business opportunism highlights another factor: the long-term viability of small-scale/home-made products in the market. It seems that local markets for such products are not expanding, while the number of people engaged in such ventures has reached a saturation point. One can observe this phenomenon on major intersections in cities, where people travelling in taxis, cars and auto- and pull-rickshaws are inundated by youth and women selling napkins, tea towels, table mats and numerous other such products. These cash-starved people even accept charity that many believe amounts to begging. In an increasingly globalised economy and abundance of cheaper products in the markets, the sustainability of small ventures remains uncertain, exacerbated by the fact that these people are more vulnerable in situations of natural disaster, seasonal flooding and financial crises. Lack of access to basic goods and services (food, shelter, health, education) and changes in the demand for these products exacerbates fears of ultra-poverty and failure to repay loans, leading to a life of continuous mental exhaustion and agony.

Poor people living in slums, shacks and huts or being homeless has become a 'normal' social phenomenon and therefore acceptable as long as it does not affect rapid urban development in major cities. There seems to be a consensus that the state has failed to provide affordable housing or even a tin roof for the poor in both urban and rural communities, as one can witness growth, contraction or forced eviction of slum communities in the inner city as well as on the outskirts of Dhaka. Despite the real estate ventures of development organisations, there are no affordable low-cost housing schemes for the poor, as businesses invest in European style apartments for the urban rich. Municipal services such as waste removal and disposal, drainage, levelled roads, access to water (not clean drinkable water—just tap water) and electricity continue to be managed by the state; therefore, state involvement remains a critical feature. Rural areas continue to rely heavily on the informal sector, local communities or NGOs to deal with such issues.

In urban areas, slums pop up, grow or even disappear, pushing a huge number of people into permanent displacement—moving from one slum to another. This constant mobility within urban areas or between urban and rural areas excludes those people from becoming an essential component of any group or social formation; therefore, they remain outside the ambit of state and development sector organisations. They become non-citizens as changing forms of access to goods and services through the state or NGOs necessitate being part of a community. These people lack access to a permanent space to make legitimate claims for rights or services (Berman 2006). A conservative estimate of a million homeless people living on the streets of Dhaka is part of the daily experience of local communities, who view them with disdain if not as a 'nuisance'. The metropolis of Dhaka has become a dumping ground for surplus rural population who work in the unskilled, unregulated, unprotected and low-wage service sector. The only invariable factor in their existence is the mobility that leads to their exclusion from most of the data collected by organisations. These people are refugees of their own kind, internally displaced people belonging to no place as they are landless villagers, who have nothing to go back to. These are the people 'who have left but not arrived'.

Then there are the poor who have a temporary base, a fluid location and identity that can be punctured by the state at its will or convenience.[1] The future of such conurbations lies as much in slums and sewers as in high-rise buildings, sprawls of houses in rapidly developing housing schemes and European-style apartments. Neither the State nor NGOs have debated urban planning and the existence of slums; therefore, the issues of accommodating these people and providing goods and services remain outside the wider debates of urban development. Lack of collaboration between the state and the development sector has led to more problems for the poor as both fail to have any consultative engagement. Development interventions by the international organisations in collaboration with the state, without understanding the local dynamics or taking into account the socio-economic impact on involved communities, exacerbate poverty.[2]

International institutions tend to blame bad governance and corruption as prime reasons for poverty while ignoring that it also results from global structures and is not merely a local phenomenon. Poster pictures of the poor, conditions of poverty, natural disasters such as floods, underdevelopment and human suffering due to epidemics such as HIV and Hepatitis C plus the generosity of international donors as providers facilitate a continuous supply of material resources from those guilty of material accumulation—a band-aid approach rather than addressing the role of the creators of poverty and inequality in global North and South. Development organisations remain critical of local power structures that create inequality while working in connivance with global power structures and enjoying enough political clout to remain in such partnerships without being questioned for their role in perpetuating inequality.

Structural adjustments in the 1980s not only pushed more people below the poverty line but also generated a cycle of exclusion and inclusion as the 1990s observed increased donor money for development projects in some of the worst affected communities. The global development agenda of state retreat worked well for the growth of local development organisations, creating new power structures and hierarchies. The notion of strong central or local national government celebrated in the West has been made less relevant and dysfunctional in the developing world, as direct investment in collaboration with development organisations has marginalised the state.

The MCIs' claim regarding graduation out of poverty—when people have a house with a tin roof, clean drinking water, a sanitary latrine, warm clothes for winter and mosquito netting for summer, about $75 in a savings account and schooling for the children—is not substantiated by the statistics. Grameen reaches 20 per cent of rural people (1 per cent of the total population) and claims to have lifted 5 per cent of borrowers out of poverty annually. As the population is growing at 1.8 per cent annually, the overall effect would be to contain rather than eliminate poverty. It reflects an attitude of development professionals who have greater faith in market-based development projects than in state-led development programmes. Although participation of both development sector and state are essential, MCIs can provide credit, while the state can play a significant role by investing in infrastructure improvement and introducing land reform (Tranovich 2005).

The provision of affordable health services for the poor has been established as a fundamental right in the West; however, the situation is vastly different in the developing world. The International Monetary Fund (IMF) and the World Bank (WB) continue to push their governments to increase the cost of education and health services in the public sector, thus making these inadequate services unaffordable by the poor. In Bangladesh, development organisations with the assistance of international donors invest in local health facilities, usually focusing on reproductive health. Grameen invested in Kalyan (a not-for-profit service) pre-paid health service insurance for its clients, an innovative mechanism devised to provide health cover. Its viability and success were guaranteed by requiring that borrowers have to buy this service. Non-borrowers can buy the same service by paying a little extra premium and renewal fees. Grameen also claims to provide free preventive services, family planning and health education irrespective of subscription to the health insurance scheme. Kalyan proved to be another success, and Grameen claimed to have recovered over 70 per cent of the operational cost (Islam 2003).

Another innovation is a dairy project, Grameen–Danone; small yogurt tubs to be sold to the poor 'exclusively'. It is stated that 'we must stay alert so that the product does not reach the richer segments of the society in Dhaka, Chittagong or other big cities', overlooking market forces in this hyperbole. A Bangladeshi critic has rightly suggested that 'micro-credit is the modern day cousin of money lenders [of olden days] that provided working capital for the rural poor' with exaggerated claims of putting poverty in the museums by 2030 (Wahid 2007). Grameen also claimed to have moved around 85,000 people out of professional begging and into door-to-door sales in rural areas. In the absence of any empirical data, it is hard to confirm these claims. In a rush of new-found global political clout, Yunus has naïvely claimed that he can achieve peace by eliminating poverty, which would lead to the end of terrorism. He even argued that modern communications technology—mobile and borderless—is one of the most powerful tools available for eradicating poverty.

Yunus asserted the need for a separate stock market for micro-credit, oriented to the welfare of street children, and suggested the need to enact a law to set up a separate stock market and a bank to fund the needs of micro-credit. He called for a separate stock exchange to cater for investors willing to buy shares of locally designed innovative organisations run by students to eradicate poverty. He explained that the greater innovation of Bangladeshi youth would enable them to tap into global opportunities that can be accessed through possessing intellectual property. He encouraged people to invest in social businesses from which they would not get profit but would obtain satisfaction from helping other people. He added that the conventional stock markets only cater to companies pursuing profit, so a separate stock exchange is needed for social business. The profit from social businesses would be used to expand and develop the projects instead of putting it into the coffers of the shareholders (Bhattacharya 2007).

Borrowers can buy shares (each valued at $3 in 2001) that can be sold back but dividends continue to be deposited and can only be used to expand the business. This business practice benefits the Grameen Empire but is of little practical use to borrower investors, despite contestable claims that 'The Bank had set out to ensure the wellbeing of the poor not to suck money from them…[The poor] are the real owners of this bank and the profit it makes goes directly into their purse, not into the pockets of bank staff' (*The Daily Star* 2007b). Grameen advocates ethical financial practices, suggesting that money collected from rural areas to be lent in the same area contradicts the criticism that the inability of shareholders to move dividends on their shares and savings limits their control over savings and investment but gives unlimited control to the Bank to invest in any project. Such common practices are not considered corrupt or dishonest but sound investments. Borrowers, on the other hand, cannot sell the shares they own and they also pay a 5 per cent contribution to a cell group fund plus 1 per cent to a savings fund that pays no interest (Sriram 2006). Financial practices considered corrupt and exploitative in the West are approved as being practical and compassionate in Bangladesh. Tucker identifies fatal operational assumptions: that the poor need to be self-employed rather than working for wages, that they need loans as opposed to savings and insurance, that an enterprise can be built with credit rather than entrepreneurship and management, and that it leads to self-sustaining institutions—he predicts dependence on regular credit loans (Tucker 1995, 2006).

These organisations have become loan sharks that have created a debt trap for borrowers, charging a high rate of interest and no guaranteed graduation out of the debt net or poverty. At the same time, these organisations have become corporate, brand names locally as well as globally, at the cost of the poor. MCIs do not pay any corporate tax that is about 20 per cent, which puts them in an advantageous position over commercial banks and businesses that have to pay the taxes. Grameen supporters argue that even though the interest rate is high, it still benefits borrowers since they own the bank. Development organisations transforming into corporations have embraced expressions like 'social business' and 'corporate social responsibility', yet their practices seem far from responsible (Tucker 1995, 2006). Development rhetoric in Bangladesh reflects current changes in the idiom at the global level, and is increasingly engaged in the rhetoric about social business to transform the economic dynamics in favour of poor people. However, it is unclear how social business would benefit poor people if their business practices were no different from others.

> It'll do business like other companies, and the difference is that the owner of the company will not take profit or dividend from this company…The owner may take out his capital from the company, but not the dividend or profit…the profit will remain there to expand the company. And its salary structure will be the same as other companies. (*The Daily Star* 2007c)

Yunus's international clout and fame after receiving Nobel Prize has given him the confidence to aspire for a bigger role locally and globally. These aspirations have led to statements on regional economic cooperation and a vision for the future economic development of Bangladesh. Yunus predicted that in the future the big companies will be owned by the poor by listing Grameen trust institutions in the stock market and mutual funds, as they would have guaranteed dividend facilities and easier process than shareholding. This demonstrates the problems associated with the practices of development organisations in business collaboration with global partners and the kind of control they can have in regulating business locally. Such innovative banality makes one sceptical about the future success of the innovative business projects outlined earlier.

Development organisations have organised people in rural and urban communities through various development schemes and business ventures and have considerable control over their lives—credit, home loan, education and health services, especially reproductive health. Grameen experienced the power of the people's collective (non-payment) when it imposed dramatic increases in the cost of loan repayments and it has strongly resisted any move by borrowers to unionise. People are borrowers and owners (without financial decision-making power) yet have no right to social formation through unions (resented by MCIs), and remain vendors, self-employed entrepreneurs and eternal borrowers.

These new forms of control deprive people of the opportunity to invent survival strategies suitable for their needs. Despite celebrating human development, one can witness increasing social inequality and disparity among people and between the formal and informal sectors of the economy. New social formations centred at MCIs and development organisations would deny the right to collectively bargain with them as clients/members/borrowers/owners. The actual macro-economic trend would continue, which is the sustainability of poverty not elimination (Bowman and Stone 2007; Hussain et al. 2001). Keeping in view the increasing income disparity between rich and poor, critics also suggest, 'microfinance is merely a palliative measure, which does nothing to bring about the large societal reforms necessary to reduce poverty—and even serves to preserve the status quo, by making the lives of the poor more tolerable' (Bruck 2006).

The arguments for the lesser role of the state as advocated by international financial institutions ignore the fact that developing countries lack essential infrastructure, provision and investment in infrastructure will continue to remain the responsibility of the state along with law enforcement to provide justice and a conducive investment environment to regulate business for the benefit of its citizens (Rashid 2007). Suggestions for limiting the role of the state to law enforcement and justice, national defence and foreign policy, leaving the rest for a 'Grameenised private sector' have raised serious concerns, especially in the wake of Yunus's efforts to promote biotechnology and agrochemical products in collaboration with Monsanto (in 1998). Public pressure and groups lobbying for the rights of indigenous communities over local knowledge and culture hampered these attempts, and Yunus's critics have raised similar concerns regarding the World Bank's African Peasant Credit Program (Bond 2006).

The unregulated financial market in Bangladesh before the Microcredit Regulatory Authority Act (MRA 2006) had given MCIs enormous influence over local institutions and has led to increased interest from commercial financial institutions, including Citigroup and Deutsche Bank. This could potentially increase poor communities' access to credit, even attract private capital and reduce costs and interest rates, necessitating appropriate regulatory regimes in Bangladesh.[3] Through subsidised loans, donors and global financial institutions have strongly supported development organisations involved in microcredit schemes. This support augments the urgency for greater transparency and efficiency in banking systems, tightening regulations detrimental to abusive practices (*Knowledge@Wharton* 2006).

From Not-for-Profit to Politics

Poor people in rural communities and urban slums perform an active political role in local as well as mainstream politics. New social, economic and political formations are taking shape in established slums and people are formulating innovative ways to make use of these opportunities. In a highly volatile political climate, one can rent a rally, a sit-in protest, a half-day strike participant, dawn to dusk protestors and the list goes on. Around election time, people bargain, exchanging a promise to vote in favour of a political party or a particular candidate for goods and services, even gifts of saris. However, there are occasional explosions of dissatisfaction, which remain spontaneous, short-lived and localised rather than organised and sustainable, as staying away from productive work for half a day would have a long-term impact on their meagre existence. Slum dwellers have a unique relationship with local political forces; their existence largely relies on the support of a local power broker (*Mastan*) who controls the formation and entry rights to a slum, collects rents, negotiates collective bargains and is a go-between for slum dwellers, police and political groups. Some urban slums have become lawless zones for criminals trading drugs and ammunition with the connivance of police and local power brokers. Poverty, internal displacement and lack of reasonable access to housing, water, electricity and food negatively impact on the self-worth of the poor and their relationship with the wider society and state. These disenfranchised poor urban communities are vulnerable to violence inflicted by local thugs and the state.[4] Local displacement swells the number of homeless people on the streets, giving rise to another informal community.

Grameen's borrowers are largely in rural areas, while BRAC is involved in both urban and rural areas. The Bangladeshi rural elite is not a major power broker in the political machinery, and development organisations have had free access to rural communities. Grameen vigorously encourages its members to participate in collective activities as well as in local councils. Bank staff has encouraged borrowers to organise into groups to participate actively in local politics and to contest union *parishad* (UP) elections—the basic unit of political administration in Bangladesh. A rough estimate suggests that Grameen member's representation is around 6.5 per cent (such data for BRAC or other MCIs is not available) of the total union *parishad* seats in Bangladesh. It also reflects an emerging trend from the previous situation when the percentage of women voters and union *parishad* representatives was far outnumbered by men. Grameen's incorporation of local politics has ensured that the social, economic and political priorities of its members are collectively organised by the Bank. Yunus had a brief encounter with the power of politics in 1996 as part of the caretaker arrangement, a move that probably resulted in an astonishing 75 per cent voter turnout in rural constituencies. When Yunus made his maiden bid to enter politics, it seemed a logical step to enter politics after consolidating a local base in rural political institutions (Thorat 2005).

Yunus has frequently commented on local and regional political affairs. In 2004, when Transparency International (TI) ranked Bangladesh as a top-ranking corrupt state, he commented that only a small segment of people are corrupt in Bangladesh, refuting TI's rating for Bangladesh as the most corrupt country (Bhattacharya 2007). However, before his initial bid to join politics, he refused to criticise corruption, stating that one has to bribe to get things done; it had become a part of life. His condemnation of politicians for not having any ideological positioning and being in politics to wield power, to make money and get a 'bigger booty' was vehemently criticised by politicians, suggesting that Grameen's licence was issued on merit, without any bribe (*The Daily Star* 2007a). On the political crisis in the country in 2007, Yunus commented that the imposition of a state of emergency and the suspension of fundamental rights was a relief than a cause of alarm, as otherwise the country would be in the grip of blockades, shutdowns and violence. He claimed to have refused to be a part of the interim government, despite the fact that it would have given him the opportunity to 'clean up an electoral bureaucracy riddled with corrupt officials' (*The Daily Star* 2007d).

In February 2007, Yunus wrote an open letter to citizens, praising the caretaker government, expressing hope for the country and hinting at the formation of a political party if desired by the people of Bangladesh. He asked for people's opinion regarding grass-roots popular involvement, the formation of a transparent and honest political party with a democratic internal structure, and the prevention of government employees from participating in party politics. He suggested that unless he received strong popular support, it would not be possible to weed out existing corrupt politics. His open letter was widely criticised for being out of touch with the reality of the majority, who did not have access to computers/Internet, since he had asked people to reply via e-mail—implying that he was trying to reach urban middle-class people and not the base of his power in rural communities (Rahman 2007). Initially, Yunus was quite ecstatic with popular response and vowed to unite people in achieving future goals; he also mentioned his strong political base in rural areas as the source of his strength. He promised that he would reduce his involvement with the Bank and that Bank staff would not be involved in his political party (*The Daily Star* 2007e), hinting that he would contest the election as an independent candidate if he could not form a political party before the election. He confirmed tremendous public support for forming a political party and declared he would stand for common people (Dewan 2007).

Yunus's political vision included exclusion of corrupt candidates from participating in elections and urged an anti-corruption commission to provide guidelines to the election commission for identifying corrupt candidates. He envisioned that his party's candidates would give media interviews and would campaign to defeat corrupt candidates and would withdraw 'if political parties nominate competent candidates in their constituencies'. His party would contest in constituencies where the political parties failed to nominate competent candidates. He also identified the Centre for Policy Dialogue (CPD) as his potential secretariat, as well as a governing committee and executive body to deal with daily affairs (*The Daily Star* 2006). After few weeks of hype, he declared he was quitting politics, citing the failure to garner enough support to form a party and that initial public enthusiasm had also faded. There were suggestions that his brief encounter with politics and the public scrutiny of his work led him to retreat from politics. This brief political encounter has been cited as the prime reason for his dismissal as Managing Director of the Grameen Bank, ostensibly in violation of the retirement policy.

'Caught in Micro Debt' Controversy

In the development sector in Bangladesh, the stories about shifting funds from one successful Grameen project to another were common; therefore, the news of the financial dealings was not a surprise. What astounded people was the Central Bank of Bangladesh's decision to dismiss Yunus as Managing Director for violating rules and continuing the role well after passing the retirement age fixed at 60. The fact that the Central Bank had ignored the retirement rule for years and the reason it then became an issue have been attributed to a recent investigative documentary 'Caught in the Micro Debt' by a Norwegian journalist.

The review committee's report on Grameen and the response by Yunus makes an interesting read as it challenges many claims regarding women's empowerment, ownership by the poor and financial management. The situation highlights a number of concerns regarding competition between business communities and the expanding commercial ventures of the not-for-profit sector. Regulation of the unregulated business sector would not only increase revenue generation for the state but also give it a greater role in global development agenda setting. On another level, one could argue that the interplay of personality versus organisation has led many to believe that Grameen has become synonymous with Yunus and criticising one would amount to criticising the other. It also highlights the need to re-examine the sustainability of development sector organisations and the need for more transparency and accountability.

The situation demonstrates that the role of development sector organisations has been transformed over the last few decades and that they are involved in both for-profit and not-for-profit commercial ventures. These organisations are now competing with businesses for a market share, raising serious concerns regarding regulatory regimes for business and their absence or laxity for not-for-profit commercial ventures. Development organisations on the other hand are realising that they need political clout not only to protect their interests but also to be a part of local power structures to further expand their commercial ventures. This realisation is partly due to the restrictions on expanding business, criticism from non-development-oriented business houses and public awareness of business practices and social responsibility. It is paramount for the viability of their commercial ventures to have a transparent and successful business position in order to be able to generate new resources, business partnerships and opportunities as corporations. These organisations continue to employ the global language of corporate social responsibility and social business management, yet these organisations have been criticised and accused of creating cults that manoeuvre the locale to enhance their agenda in the guise of development. A global agenda to sidestep the corrupt state has failed to address the causes of corruption, creating new forms of micro-exploitation and corruption. Local organisations have created brand names and desire to play a vital role in shaping the socio-economic and political structures of the country by playing an active role in policy-making processes.

One can conclude that the existing local and global structures have failed to eradicate poverty despite heavy investments by donor agencies and global financial institutions. The failure to recognise and acknowledge the causes of widening disparity not only between North and South but also between communities in the Global South has led to a situation where development organisations, the state and local business are in a myriad of complexities. Global supporters of Yunus are pushing for a compromise to accommodate the Nobel Laureate, while the local dynamics are complex. On the one hand, local businesses demand that regulatory regimes be imposed by the state on all businesses (including the likes of Grameen's for-profit commercial ventures), while on the other hand, the state is trying to assert its power and be in charge of the development agendas. It would be hard to reach any compromise considering the myriad political and economic complexities, and the situation cannot be dismissed as a mere vendetta against Yunus's political romance.

Notes

1. During preparations for the SAARC summit in 2004, the government invented ways to keep urban slums away from the view of visitors. One could witness the sudden appearance of temporary boundaries to hide these 'urban eyesores', in total contrast to the beautification of the capital city. I never came across a statement issued by a civil society group or NGO condemning such a blatant exclusion of people from the landscape of Dhaka, although there were many pictures and statements appreciating the efforts of the regime to portray it as a beautiful mega city.
2. UNDP financed a traffic project to streamline traffic on major roads by reducing the number of rickshaws and providing alternate employment to rickshaw pullers, and to reduce the number of rickshaws on arterial roads in Dhaka. The project failed to appropriately assess that due to the high cost many rickshaws were using the same registration. Failing to identify the actual situation and to offer reprieve to all stakeholders, the situation worsened for rickshaw pullers.
3. 'Microcredit Is Becoming Profitable, Which Means New Players and New Problems', http://wharton.universia.net/index.cfm?fa=viewArticle&id=954&language=english&specialId= (accessed on 10 August 2007).
4. One urban slum where I have collected data was razed due to its close proximity to posh urban suburbs and the potential value by constructing high-rise apartment buildings. Previous help from a leading lawyer saved the area temporarily; however, locals were of the view that in the 2001 elections, because they did not vote for the political party chaired by the eminent lawyer, this time the requests for help were refused. I could not confirm the authenticity of the claim, although it is not an uncommon incident.

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