

From Orangi to Grameen Bank : An alternative route to pro-poor development

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It is difficult to trace the historical fact exactly when “micro-credit” started. However, at the very inception of human race, i.e., in Band society, we find the principle of cooperative enterprise. Though the society was highly “traditional” in the eyes of the modern world, every single person of a band regardless of age and sex enjoyed an equal access to property and power. Gradually that notion of egalitarianism submerged in the wake of a few powerful elite who enjoyed higher power and control of property, and precluded the powerless masses. This led to an emergence of class society as well as poverty. From ancient slavery to feudalism to modern capitalism, the existence of class was justified and ramified in the mainstream political discourse. To make it more clear, a small set of controlling elite should enjoy more power and prestige by having maximum ownership and control over property, while the majority masses should not, was made an inevitable destiny of human races. Therefore, historically the enjoyment of a powerful few came because of the dire exploitation of powerless masses.

Modern capitalist mode of development, despite having tremendous success and progress, is criticized because of its bias towards a powerful few. It has generated an enormous wealth, but made them confined to a few hands. Consequently, the gap between minority rich and majority poor has widened more than ever, and this conspicuous phenomenon is within a country and between countries. Capitalism is thus a system that produces both property and poverty. Secondly, a west-centric bias is very evident in the discourse of “development”. That is, the west is the one that defines what development is, and takes the destiny of the world in its own hand. From colonization to globalization, it is definition of development changes over time, but leaves no room for a “non-

west” perspective of development. Though severely criticized, this west-centric bias and its racial arrogance are dominating the “global managers” (World Bank, IMF, WTO, and the US government), as they have “deployed” developments projects on the “non-western world”, termed as the “Third World” albeit in a derogatory sense, without taking the local conditions, knowledge, and culture into consideration. This top-down approach by imposing development resulted in massive failure in Asia, Africa and Latin America. Ironically, the blame for failure was attributed to the local poor and their culture, rather than to the arrogant global managers who ignored local conditions and failed to include local poor’s participation. Hence, a down-up approach to development consistent with local conditions and culture was of paramount necessary.

Bangladesh’s Akhter Hamid Khan was one of the first few who understood the limitation of elite-centric development and the importance of a grassroots-centric development. His Orangi Pilot Project (OPP) is still bearing a path-breaking legacy for an alternative route to pro-poor development. It is a great example of uplifting the Orangi people, the biggest group of the katchi abadi (unauthorized urban settlement in Karachi, Pakistan), who, mostly emigrated from rural areas, were virtually destitute, without any monetary help at the first place, but by giving them only technical support. Akhter, invited by the Bank of Credit and Commerce International (BCCI) to start a new pilot project in Orangi, started this project to test and develop an approach for developing katchi abadis, which flourished around Karachi and other urban centers, but for which no institutional solutions have been found within the framework government-run municipal services and official development agencies.

The unique features of this project were that it was started with virtually nothing: no preconceived set of program activities, no preconceived models in mind, and even with no staff, no office, no connections and no contracts even with the people who were set out to serve by the project. The whole community was submerged in acute poverty in terms of basic foods supply, education, health, nutrition, women participation and status, housings and so forth. However, the project was launched first with “learning and then teaching” in a gradual manner with “continuous and active involvement of the local residents”. The basic strategies were threefold:

1. To develop, in consultation with area residents, an appropriate and affordable solutions that is technically sound and also culturally acceptable.
2. To help in the development of suitable social organization that builds upon existing political, social and commercial networks, and that can implement the suggested solutions.
3. To support the formation of autonomous local institutions to deal with each program activity. As these autonomous institutions have come into being, the project has gradually withdrawn from its direct involvement in these activities. These institutions work under the project umbrella, but are autonomous in their day-to-day functioning.

This grassroots-based development project is based on the active participation of the local people, creating awareness regarding their own problems through education and formulating solution from their own capacity, simple technology and simple engineering skills. The project only guides people with no notion of enforcement, and therefore goes against the conventional modernist notion of top-down development strategy.

For the low-cost sanitation, the OPP took an amazing 4-step process: (a) Social motivation:

through meeting with local people, motivating them to form an organization, providing technical help, recruiting social motivators to motivate others in their own community, training them to use low-cost technology and simple engineering concepts, organizing lane-meetings, avoiding antagonism with the local political leaders; (b) Formation of Organization and Selection of Lane-manager: with no monetary help, but just only technical help and supervision; (c) Data Collection: OPP technical staff surveyed the lane, established the benchmarks, prepared plans and estimates, and handed over these data to lane manager; and finally (d) Sharing money: the lane manager collected money from the people. Each lane organization was free to device its own arrangements. The result was dramatic. It virtually solved the sanitation problems, and cost was 5 to 7 times less than what municipal authorities charged. Gradually OPP got massive recognition. Later on the project was extended to other problems of the community. The project was simple, but effective; it was not concerned about the growth of GDP at the first hand, rather about solving the basic problems of the community. OPP left numerous lessons for world development planners.

First, the genuine development can not take place by subsidizing the costs of any activity; people themselves should be prepared to pay for what they want.

Second, the project should observe and investigate, but it can only advise, not enforce. It can organize people but only on a voluntary basis.

Third, self education regarding their problems and solutions is of paramount need for the local people before any project of development is introduced. This belief has to be inculcated in the minds of the people that the outcome of the projects is primarily and eventually for the interest of the local people (and not for the interest of the capitalists).

Fourth, a strategy for development that relies on the strengths and resources of the residents is needed to be developed. For that, the residents

will have to be convinced of the need to act for themselves, and of their ability to do successfully.

Fifth, development can be pursued with simple technology and simple engineering skills, easily understandable by the local residents. The local people have to be trained to use them. High level of technical skills and technology can worsen the project and they might displace the labors from their jobs. The technology should not be regarded as an “alien” and “inimical” to them. It removes the veil of technical sophistication.

Sixth, rather than depending on, or enforcing, the ‘models of development’ and preconceived programs of development projects, the development can be pursued slowly. One advantage of starting slowly is that mistakes can be identified, and solutions be developed and then monitored for feasibility.

Seventh, development can be pursued without donors’ help. In case of OPP, the Orangi shared the total cost of the low-cost sanitation.

Finally, it takes time to convince the people to make them aware of their own problems. OPP took 3 months to convince the residents, and three years to get recognition.

Along with OPP of Akhter Hamid Khan, micro-credit enterprise was popularized and institutionalized by reverent Nobel Peace Laureate Dr Muhammad Yunus, left a path-breaking legacy for the development planners all over the world. Though the idea of micro-credit is largely traced back by some authors to the Kabuliwala who came from Kabul and used to lend money to villagers in Bangladesh and subsequently collect with an interest, Dr Yunus gave an institutional shape and use it to fight poverty albeit differently.

Dr. Yunus uses “Grameencredit” different form other micro-credits, and claims: (a) It promotes credit as a human right; (b) Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women; (c) Most distinctive feature of Grameencredit is that it is not based on any

collateral or legally enforceable contracts. It is based on “trust”, not on legal procedures and system; (d) It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption; (e) It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be “not creditworthy”. As a result it rejected the basic methodology of the conventional banking and created its own methodology, (f) It provides service at the doorstep of the poor based on the principle that the people should not go to the bank, bank should go to the people; (g) In order to obtain loans a borrower must join a group of borrowers; (h) Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid; (i) All loans are to be paid back in installments (weekly, or bi-weekly); (j) Simultaneously more than one loan can be received by a borrower; (k) It comes with both obligatory and voluntary savings programmes for the borrowers; (l) Generally these loans are given through non-profit organizations or through institutions owned primarily by the borrowers. If it is done through for-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at a level which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors. Grameencredit’s thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate market interest rate is taken as the reference rate, rather than the moneylenders’ rate. Reaching the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints; (m) Grameencredit gives high priority on building social capital. It is promoted through formation of groups and centres, developing leadership quality through annual election of group and centre leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers,

something similar to the “sixteen decisions”, it undertakes a process of intensive discussion among the borrowers, and encourages them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children’s education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology, like mobile phones, solar power, and promote mechanical power to replace manual power.

Grameencredit is based on the premise that “the poor have skills which remain unutilized or under-utilized”. Poor should not be blamed for their poverty, but rather “it is created by the institutions and policies which surround them”, Dr Yunus thinks. Grameen believes that charity is not an answer to poverty, but only helps poverty to continue. It creates dependency and takes away individual’s initiative to break through the wall of poverty. “Unleashing of energy and creativity in each human being is the answer to poverty”, he added.

Currently, there are around 7 million clients of grameencredit, of which 97% are women. By breaking the traditional barriers of poverty and culture, these poverty-ridden women “chose not to remain poor” with the help of grameencredit. The recovery rate of the Grameen Bank is astonishingly good. Grameen Bank has grown

into over two dozens enterprises represented by Grameen Family of Enterprises including Grameen Trust, Grameen Fund, Grameen Communications, Grameen Shakti/Energy, Grameen Shikkha/education, Grameen Telecom, Grameen Knitwear Ltd., and Grameen Cybernet Ltd.

Currently more than 100 million people all over the world are fighting poverty by replicating Dr Yunus’s “Grameencredit” model. This model is also extended to Islamic banking system by installing the principles of mudaraba, and bimuzazzal. Aside from Islamic Bank Bangladesh Ltd., many cooperative societies, including Kapotakhha Cooperative Society Limited (KCSL), are giving loans to small entrepreneurs by using aforesaid Islamic principles. Both Grameencredit and the OPP have left ground-breaking legacies for both poor and development planners all over the world. There are questions as to whether both are congruent or different, but there is no question that both are alternative route to “poor development”, models devised by the poor themselves.

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