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Case Study 11

The Role of Development NGOs: BRAC and the Grameen Bank

In this case study, we examine two of the largest, most innovative, and most acclaimed developing-country-based development NGOs in the world, both based in Bangladesh but with global reach: BRAC, a quintessential multidimensional development organization, and Grameen Bank, like BRAC a microfinance pioneer that has engaged in other innovative initiatives.

The BRAC Model

BRAC, previously known as the Bangladesh Rural Advancement Committee, is an extraordinary NGO whose mission is poverty reduction. The BRAC model illuminates how comparative advantages of NGOs can function to support poverty reduction and illustrates conditions under which NGOs extend their activities in the face of deficiencies of government and private-sector actors. BRAC is consistently ranked as among the top-rated NGOs in the world, number one in a 2012 *Global Journal* survey.

BRAC was founded in the early 1970s to aid displaced persons in the aftermath of civil war and famine. The organization's leaders soon understood that the problems of the rural poor were chronic and structural, and they turned their attention to long-term development and poverty alleviation efforts. BRAC originally operated in the rural areas of Bangladesh, where government is characterized by low capacity and high corruption. In contrast, BRAC has grown steadily, attracting funds because of its reputation for competence, dedication, innovativeness, accountability, and effectiveness.

With tens of millions of people and some regions of Bangladesh caught in complex poverty traps, BRAC has had to innovate continuously to bring needed services to the poor. Through helping the poor identify their own needs and priorities, BRAC has developed high-impact and widely emulated program innovations in education, nutrition, health, credit, legal rights, advocacy, and other fields.

By some measures, BRAC is now the largest NGO in the world. BRAC's activities contribute more than half of 1% of Bangladesh's GDP. As of 2013, BRAC had over 120,000 employees, making it the country's second-largest employer. Just over half of BRAC employees are primary teachers in its widely emulated nonformal BRAC Education Program. While BRAC programs such as "microcredit-plus" have been widely replicated in other countries, none operate on BRAC's scale. BRAC is a complex organization, with over 8 million grassroots members (usually one woman per household) and over 6 million microfinance borrowers. These members participate in BRAC's basic units, the Village Organization (VO). There are nearly 300,000 VOs, each consisting of 35 to 50 women from a village or neighborhood. BRAC currently works in most of the country's 80,000 villages through a system of 14 training centers and over 2,800 branch offices, with a budget of approximately half a billion U.S. dollars.

Once highly dependent on donors, BRAC has responded to donor demands for greater self-reliance. BRAC is now more than 70% self-supporting. The major source of its internal revenue is a growing network of productive enterprises that it has established, with the twin aims of poverty reduction and net income generation for its poverty programs. BRAC owns or co-owns and operates several small and medium-size enterprises with the explicit aim of direct or indirect poverty reduction as well as its

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income-generating mission. BRAC rural enterprises produce goods such as chalk, seeds, shoes, and sanitary napkins. Although these are all classic private goods, an extended role for NGOs has emerged due to Bangladesh's often dysfunctional private sector. BRAC's activities supply needed inputs for nonformal schools and farms and more affordable basic consumer goods for local people while providing employment for poor women.

Fazle Hasan Abed originally founded BRAC to provide assistance to victims of famine and displacement. Soon, however, Abed and his organization concluded that poverty was a chronic and entrenched problem, and they turned their attention to development and poverty alleviation. Abed has won international recognition for his work, including the Ramon Magsaysay Award, the Noma Prize for Literacy, the Feinstein World Hunger Award, UNICEF's Maurice Pate Award, and the 2004 Gates Prize. Aware of the need for sustained leadership, BRAC is developing a new generation of professionals who continue to innovate in poverty alleviation programs while increasing the efficiency and effectiveness of existing programs.

BRAC has helped fill the vacuum sometimes left by government, taking on many of the functions of good governance—targeting public goods, providing common-pool (or common-property) goods, and advocating for the poor. The influence of BRAC has been so great that a popular saying in Bangladesh is that "we have two governments," the formal government and BRAC. Despite its size, BRAC remains very flexible. When catastrophic flooding hit the country in August 2004, BRAC temporarily reassigned virtually its entire organization relief activities.

The linchpin program, microfinance for the poor, started two years before the Grameen Bank. The program is targeted to individuals owning very little land and typically involved in rural nonfarm activities such as door-to-door sales and small-scale vending from their homes or markets. These women borrowers often had very little inventory because they could afford to hold little; thus their sales would be so low that they could afford no more inventory the next day.

But people stuck in working-capital poverty traps may face several other types of poverty traps at the same time. Thus, BRAC has designed a strategy that it calls *microcredit-plus-plus* to convey the scope of its interrelated village programs seeking to meet a variety of poverty reduction goals. As Ian Smillie shows, although some of the programs in credit, health, and education evolved somewhat separately, they have been packaged together effectively.

In Bangladesh 30 years ago, attending school was an unimaginable luxury for most of the poor. Even in 1990, fewer than half of all children in the country completed primary school. By 2003, about two-thirds were completing school. BRAC has been one of the major driving forces in this transformation through its education program. BRAC began establishing highly innovative village nonformal primary schools in 1984, in response to the needs and requests of the village women with whom it works. A major reason that parents do not send their children to school is that their work is needed at home and on the small family farm plot to help the family survive. A second reason is the intimidation and alienation that uneducated parents and their children feel in traditional school settings. A third is harassment of girls.

The program structure was developed to respond to schooling problems identified by mothers taking part in other BRAC programs. BRAC schools teach the children of poor, often landless families. Well over two-thirds of the students are girls. In the earlier years of the program, the schools typically operated for only a few hours a day so that the children can help at home and in farm or nonfarm activities. Parents decide whether classes will be held in the morning or the evening, depending on the nature of the village's needs. Little homework assigned, as homework requirements were identified as a major stumbling block to keeping children in school. BRAC hoped to make up for shorter school hours with a higher-quality education featuring a significantly smaller class size of about 30 to 35, engaging teaching styles, and the care shown for the pupils.

The school program has grown steadily, and today there are over 1 million pupils enrolled in some 8,000 schools, with over 65,000 teachers. There are now also about 700,000 students in BRAC's preprimary school program.

Many BRAC schools have bamboo walls and a thatched roof; others are bamboo-framed, with tin sheets for walls and roof. Inside, decorations are hung from the roof. Lessons and papers are posted on the walls. The children typically sit around the

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periphery of the room. In addition to lessons, all are expected to participate in recitations, traditional dances, and other engaging activities.

Nearly all the teachers (about 97%) are village women who are trained and supervised by professional staff. They are required to have had nine years of education, less than required by public schools but sufficient for the materials being taught. Outside evaluators of the program have concluded that the quality of teacher supervision is one of the keys to the program's consistent success. This paraprofessionals-based program design keeps costs low and quality high while providing useful employment for village women who have obtained somewhat more education.

The education program has evolved over the years to reflect the changing needs of the rural poor. At first, the program lasted three years, usually between the ages of 8 and 10. This was a year or two later than students start public school; the reason for this, BRAC officials explain, is to identify students who would for some reason likely never start public school or would drop out almost immediately. The greatest emphasis is on literacy and numeracy, health and hygiene, basic science, and social studies. The program was designed in part to establish a foundation from which students could enter the fourth grade of the public school system. There is also a system of basic education for somewhat older children, aged 11 to 14.

In 1998, the schools expanded to a four-year program, covering the five-year primary curriculum in less time. This redesign was in response to the large number of BRAC graduates interested in continuing their education at the secondary level. BRAC says that today more than 90% of its graduates continue in the formal system.

BRAC is also well known for its health care innovations and programs. Here, too, BRAC used paraprofessionals from the villages in which it works—for example, in large-scale activities such as the directly observed treatment short course (DOTS) for TB and training for oral rehydration therapy (ORT). The DOTS program exemplifies the roles in BRAC of monitoring and evaluation, waiting until a program is working smoothly and shows clear evidence of positive impact before replicating it so as to reach a very wide population. BRAC then proceeds to relentlessly work to reach a very wide population, a process known as "bringing to scale."

To bring needed services to the poor, BRAC has had to innovate. Many of BRAC's programs, including its "microcredit-plus," nonformal primary education, health, and legal education programs, have been emulated in other countries, though not yet on the same scale. BRAC continues to innovate with new ventures such as the Targeting the Ultrapoor program.

Ian Smillie depicts BRAC as a "learning organization." He quotes David Korten as saying that BRAC "comes as near to a pure example of a learning organization as one is likely to find." Smillie describes remarkable cases of BRAC's honesty to funders and others about the organization's failures rather than the usual defensiveness and exaggerations. Of course, being able to explain the causes of failure convincingly, made possible by careful investigation, and offering credible next steps that put into practice the lessons learned from failure were necessary conditions for getting further funding under such circumstances. Success stories can be helpful, but so can failure stories. Smillie describes several, such as the purchase of poorly designed motorcycles from China and ventures such as production of silk, tubewells, and pumps. This honesty and behavior as a learning organization were both effective and of great appeal to donors, who provided critical resources to implement what had been learned. Smillie reports that some foundations, including smaller ones, provided funds for experiments, and larger funders helped bring successes to scale.

Though one can question how it is possible for BRAC to do so many things without losing its management discipline and poverty focus, BRAC can hardly be blamed for taking so seriously the insistence of donors that it become more self-sufficient. And rather than charge the poor for "full cost recovery" of basic medical and other services for the poor, as the development agencies advised in earlier years, BRAC views it as a better option to subsidize services for the desperately poor with profits from productive enterprises that themselves provide employment and guarantee inputs that poor farmers need and help find markets for the products of the poor. There are very strong penalties for unethical behavior, and BRAC is considered to hold to an unusually high standard of probity. However, it is difficult for an outsider to be sure where all the

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cross-subsidies are going under the current system of accounts.

One of the most important factors in BRAC's success has been the high quality of BRAC management. Abed is one of the most impressive management talents in the country, and BRAC has been able to recruit many other highly competent managers from all sectors of Bangladesh. It seems that BRAC is so much better than management in the private sector that it has repeatedly been able to find untapped opportunities and to profit from them. (This is true not just of BRAC but of other leading NGOs such as the Grameen Bank.) The most effective scope for a company depends not just on the type of activities it specializes in but on the management skills available in the rest of the country. If one organization's talent is high while that of its competitors is low, one company or NGO can participate in many activities that in another country would constitute an inefficient distraction away from its "core competencies." But one can find no hint of a negative attitude toward the private sector at BRAC; instead, BRAC is actively working to foster its growth.

BRAC is working to improve the efficacy of government as well. For example, although the public schools are in some sense competitors of its education program, BRAC is working actively with interested government officials to infuse the public schools with some of the ingredients of its own success.

Among its ventures, BRAC has established a university, a bank, and a program for assisting private small and medium-size enterprises. Finally, it has established international affiliates in Afghanistan, Sri Lanka, Uganda, southern Sudan, Tanzania, Pakistan, Siera Leone, and Liberia. Launched in June 2006, BRAC Uganda is already one of the largest NGOs in that country, working in microfinance, primary education, health, and agriculture. Most staff are Ugandan nationals.

The low cost of BRAC's activities in Africa is remarkable; for the case of Tanzania, Smillie describes how the organization saves money while maintaining quality. He notes that staff all are "experienced, top-notch professionals in their fields." He stresses that "BRAC's overheads are minuscule in comparison to other international NGOs because all of their staff lives together in shared accommodation, and they do not bring their families with them. [Staff] get sizable premiums for working abroad and home leave every six months," but "they are still paid on the basis of their Bangladeshi salaries, so BRAC's staff costs are tiny in comparison with other agencies." BRAC has demonstrated that it can thrive inside and outside Bangladesh; it remains to be seen how many other developing-country-based NGOs can go national in scale, widen in scope, and even eventually go global.

BRAC faces several challenges. As BRAC's first generation of founders retires, replacements must be found who have the same special combination of talents and commitment. As BRAC continues to grow and diversify, it will confront management problems that would prove challenging in any environment, but particularly for a poverty-focused organization operating in rural areas of low-income nations. But BRAC has consistently served as a pioneer, both in innovation of specific programs and in widening the vision of development practitioners around the world about the possible range and scope for the work of NGOs in developing countries.

Making Microfinance Work for the Poor: The Grameen Bank of Bangladesh

One of the major obstacles facing the poor and those not far above the poverty line is access to credit (see Chapter 15). The Grameen Bank of Bangladesh is an excellent illustration of how credit can be provided to the poor while minimizing the risk that resources will be wasted. Microfinance institutions (MFIs) targeting the poor such as the Grameen Bank have expanded rapidly throughout the developing world since the 1980s. But nowhere has this expansion been more striking than in Bangladesh, which has been transforming itself from a symbol of famine to a symbol of hope, due in part to the success of its MFIs.

Muhammad Yunus conceived of the Grameen Bank in the mid-1970s when he was a Chittagong University economics professor. Yunus had become convinced from his research that the lack of access to credit on the part of the poor was one of the key constraints on their economic progress, a conclusion that has been supported by later studies from around the developing world. Yunus wanted to demonstrate that it was possible to lend to the poor without collateral. To determine the best system for doing so, he created the Grameen Bank as an "action and research project." Today the Grameen Bank is a

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chartered financial institution with over 8.25 million borrowers among the poor and formerly poor.

Yunus said in an interview that "all human beings are born entrepreneurs. Some get the opportunity to find this out, but some never get this opportunity. A small loan can be a ticket to exploration of personal ability. All human beings have a skill—the survival skill. The fact that they are alive proves this. Just support this skill and see how they will choose to use it."

Yunus began the operation in 1976 after convincing the Bangladeshi agricultural development bank to provide initial loan money, the first loans guaranteed personally by Yunus. A series of expansions convinced the government of the Grameen Bank's value, and the Grameen Bank was formally chartered as a financial institution in 1983.

Today, a public-cooperative bank 94% owned by its borrowers, the Grameen Bank continues to grow rapidly and now has over 2,400 branch offices throughout the country. It works in about 78,000 villages. Today, the Grameen Bank finances all its outstanding loans from borrowers' deposits. The branch office, covering 15 to 20 villages, is the basic organizational unit and is responsible for its profits and losses. Each branch has a number of village or neighborhood centers, comprised of about 8 solidarity groups. Each solidarity group has 5 members, so there are about 40 borrowers in each center. The 5-person group size was not decided arbitrarily but on the basis of experimentation. Initially, loans were awarded directly to individuals, but this required too much staff time to control the use and repayment of the loan. After the idea of mutual responsibility was developed, groups of 10 or more were tried at first, but this proved too large for intimate and informal peer-to-peer monitoring to be effective. Groups of 5 proved in practice to work best. Since 1998, the Grameen Bank has been placing greater emphasis on individual liability.

Since its founding, the Grameen Bank has enabled several million poor Bangladeshis to start or upgrade their own small businesses. Ninety-seven percent of the borrowers are women. Borrowers are generally limited to those who own less than half an acre, and this seems to hold for 96% of borrowers. Representatives of the Grameen Bank's branches often go door to door in the villages they cover to inform people, who are often illiterate and very reticent about dealing with banks, about the Grameen Bank's services.

Before opening a branch, the new branch manager is assigned to prepare a socioeconomic report covering the economy, geography, demographics, transportation and communications infrastructure, and politics of the area. Among other things, this ensures that the branch manager becomes familiar with the region and its potential borrowers before the branch begins operations.

The Grameen Bank (*grameen* means "rural" in Bengali) is incorporated as a publicly supported credit union, with borrowers owning 94% of the bank's stock and the government owning the remainder. Once borrowers reach a certain borrowing level, they are entitled to purchase one share of Grameen Bank stock. The bank sets its own policy with strong borrower input, independent of government control. The Grameen Bank's total annualized interest rate on its basic working-capital loans has been kept at 20% (on a declining basis). The current interest rate is 8% on home loans and 5% on student loans. A special recent program provides zero-interest loans for beggars.

To qualify for uncollateralized loans, potential borrowers form five-member groups. Each member must undergo a two-week training session before any member can secure a loan, and the training sessions are followed up with weekly group meetings with a bank officer. Many microfinance providers rely on what could be called the "collateral of peer pressure." However, under Grameen Bank II, the redesigned and more flexible payment system introduced in 1998, borrowers in the solidarity groups do *not* have to cosign or jointly guarantee each other's loans. Observers have nevertheless reported that strong social pressure is placed on members to repay. Members know the character of other group members and generally join groups with members who they believe are likely to repay their loans.

In its early period, peer oversight contributed to the Grameen Bank's high repayment rate, reported to be 98%. Although the exact repayment rate has been a matter of some controversy in the literature, there is no doubt that repayment has been far higher than the national average for bank loans to much wealthier borrowers.

There are also additional financial incentives to repay loans in a timely manner. Each individual

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borrower can increase by 10% the amount she can borrow each year if she has repaid loans in a timely manner. For the group, if there is 100% attendance at meetings and all loans are repaid, each borrower can increase her borrowing by an additional 5%, thus raising her borrowing ceiling at a rate of 15% per year. An additional increment is provided when there is a perfect record from each of the eight or so borrowing groups in a center. The desire of many borrowers to take advantage of these higher borrowing ceilings presumably does lead to some peer pressure for all to repay in a timely manner.

A member who is unable to repay is allowed to restructure her loan, repaying at a slower rate, with some limited refinancing as needed. This has reduced defaults to essentially zero, according to the Grameen Bank. In addition to peer pressure, most borrowers wish to reestablish their credit and resume their rights to borrow increasing sums, so they work hard to get and keep their loans up to date.

The group structure facilitates the formation of cooperative ventures among the participants, permitting the undertaking of ventures too large or too risky for poor individuals to shoulder alone. Grameen also works to facilitate the accumulation of savings among its members through savings requirements or incentives for its borrowers to save.

Group members are trained in such practical matters as bank procedures, the group savings program, the role of the center chief and the chairperson of the five-member group, and even how to write their signatures. In addition, training has a moral component, stressing the bank's 16 principles, known as "decisions," to be adhered to by each member. These decisions were formulated in a national conference of 100 female center chiefs in 1984. They emphasize mutual assistance and other modern values, including self-discipline and hard work, hygiene, and refusal to participate in backward practices such as demanding dowries. Adherence to these principles and attendance at rallies featuring the chanting of the decisions were not formal requirements for receiving loans but in the late 1980s and 1990s were said to have become effective, implicit requirements.

The 16 decisions cover a wide range of activities. Here are a few:

3. We shall not live in dilapidated houses. We shall repair our houses and work toward constructing new houses as soon as possible.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
6. We shall plan to keep our families small.
8. We shall always keep our children and the environment clean.
11. We shall not take any dowry in our sons' weddings, neither shall we give any dowry in our daughters' weddings. We shall not practice child marriage.
13. For higher income, we shall collectively undertake higher investments.*

A major debate in the microfinance community concerns whether microcredit institutions should limit themselves to making loans or also engage in other social development activities. The Grameen Bank, which is technically a type of bank rather than an NGO, is usually grouped among the minimalist institutions, but the 16 decisions show that there is a much broader social component at the Grameen Bank as well. Other institutions have sought to actively combine very different activities; BRAC, examined earlier in this case study, is one of the world's most comprehensive NGOs.

As of 2010, the average loan size was $384. Mahmoub Hossain found that 46% of loans went for livestock and poultry raising, 25% for processing and light manufacturing, and 23% for trading and shopkeeping; thus, almost no loans went to finance farm crop activities. Grameen Bank borrowers have had notable success in capital accumulation. Cattle raising is a major activity of borrowers. Hossain found that the number of cattle owned increased by 26% per year. Though the numbers involved are small—going from 61 per 100 borrowers before becoming a Grameen Bank member to 102 per 100 borrowers at the time of the survey—these are impressive improvements for Bangladesh's poor. The working capital of borrowers tripled on average within 27 months.

But completely landless agricultural laborers appear to remain significantly underrepresented in the pool of borrowers: Hossain found that they represent 60% of the Grameen Bank's target group but only 20% of its actual borrowers—and this includes those who reported hired agricultural

*The full list, with their pictorial presentation for villagers, can be found on the Grameen Bank Web site at http://www.grameen-info.org.

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labor as a secondary economic activity as well as those who reported it as a primary economic activity. Note that in Bangladesh, most laborers own a small plot of land for their house but too little to form the basis for a viable farm. Some 60% of Bangladeshis are "functionally landless" in this sense. Landless farm laborers are extremely hard to reach for any development program in any country. They also tend to be the least educated and are probably the least well prepared to move into viable entrepreneurial activities.

The Grameen Bank's emphasis on serving poor women is especially impressive. According to Hossain's survey, half the women borrowers said they were unemployed at the time they became Grameen Bank members (compared with less than 7% of the men). An impact evaluation carried out by Mark Pitt and Shahidur Khandker concluded that microcredit for women from the Grameen Bank and two other lenders had a larger effect on the behavior of poor households in Bangladesh than for men. In a representative finding, they concluded that annual household consumption expenditure increases 18 taka for every additional 100 taka borrowed by women from credit programs, compared with just 11 taka for men. In addition, availability of microcredit also helps households smooth consumption over time so that family members can reduce suffering during lean periods. In other research, Pitt and his collaborators found that credit for women had a positive effect on children's health in Bangladesh, but credit for men had no comparable effect. (Related issues were examined in Chapter 8.)

Mir Salim presents econometric evidence that both the Grameen Bank and BRAC act in ways not predicted by purely profit-maximizing behavior, but instead tilt in favor of poverty alleviation.

Is Grameen subsidized, and how much subsidy makes sense? Some analysts argue that microfinance institutions should not provide loans at subsidized rates so that as many total loans can be made as possible, plowing back all the profits into new loans. Others argue that the poorest of the poor cannot afford to borrow at unsubsidized rates because they do not yet have access to sufficiently profitable activities. Although the Grameen Bank seems uneasy with the idea that they provide, or pass through, any subsidies, Jonathan Morduch has examined the evidence and has concluded that there have indeed been subsidies. For example, he calculated that total subsidies in 1996, evaluated at the economic opportunity cost of capital, amounted to between $26 million and $30 million. The Grameen Bank insists that no subsidies remain at this time. Over half of the Grameen Bank's loans are made possible by members' savings accounts.

Costs at the Grameen Bank are quite high by commercial bank standards. They have been estimated at 26.5% of the value of loans and advances. This is some 10% higher than the nominal interest rate charged, meaning that 39% of the costs of lending are subsidized from all sources. Adding in estimated opportunity costs, Hossain has calculated an effective subsidy of 51%. About half of the excess of costs over interest receipts is attributable to the expense of opening new branches, which should be treated as a capital cost. Whether a significant fraction of poor borrowers could pay higher interest rates and remain profitable remains uncertain.

Since funds for subsidies are limited, the more the subsidy per loan, the fewer subsidized loans can be made. There may be some combination of reduced operating costs, modest increases in interest rates, and continued subsidy that is optimal for creating the most welfare gains with the available resources. However, a public subsidy of Grameen Bank loans may be justified on the basis of the loans' effect on absolute poverty alleviation and positive externalities.

The Grameen Bank does face some challenges. Bangladesh remains subject to environmental shocks such as severe flooding that will continue to test the resiliency of the Grameen Bank's borrowers and the Grameen Bank itself. As MFIs expand and new private and quasiprivate credit providers enter the market, competition among microcredit providers is growing. Adapting to this new environment will be challenging. In Bolivia, another country where microfinance is highly developed, increases in competition, especially from private consumer credit companies eager to piggyback on MFI membership lists, were widely viewed as at least partly responsible for a financial crisis there.

Cultural challenges are also important. Rising women's incomes, self-esteem, and business clout have caused some backlash in the conservative Islamic culture of rural Bangladesh, in which women are expected to be secluded from social activities.

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The Grameen Bank and other programs, such as the nontraditional schools run by BRAC, are seen as a challenge to this traditional status quo over which men have traditionally presided. Schools have been burned, and women have been driven out of their villages or even harmed for challenging traditional cultural norms, including participating in market activities. Yunus has stated that some husbands have viewed the Grameen Bank as a threat to their authority. In some cases, "the husband thought we had insulted him and were destroying his family. We had cases of divorce just because the woman took loans." A fundamentalist cleric in Dhaka claimed that "we have no objection to improving the lot of women, but the motives of the Grameen Bank and other organizations are completely different. They want to eradicate Islam, and they want to do this through women and children." The future of the Grameen Bank will depend on a creative response to this difficult environment of economic and cultural change in which many development problems remain.

The Grameen Bank has been highly innovative—for example, by bringing cell phones to rural Bangladesh via its phone ladies loan and service program. This program played the key facilitating role in the now remarkably high penetration of cell phones throughout rural Bangladesh, even among quite poor people.

The Grameen Bank has also proved flexible and responsive to the borrowing needs of its members. For example, the Grameen Bank has established a life insurance program, as well as a loan insurance program. The Grameen Bank housing program finances houses being built or rebuilt—adding iron roofs, cement pillars, and sanitary latrines. The houses generally have mud walls, but these are thick and, properly maintained, can last many years. The houses are substantial in size, with an electric fan overhead and usually other basic appliances in electrified villages. Grameen has also started offering higher education loans for its members. An increasing number of parents are witnessing the first members of their families to ever go to college and graduate in fields such as computer science and accounting. It is a remarkable transformation.

In 2006, the Grameen Bank and its founder, Muhammad Yunus, were jointly awarded the Nobel Peace Prize, a well-deserved honor. ■

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Concepts for Review

Aggregate growth model
Comprehensive plan
Corruption
Cost-benefit analysis
Economic infrastructure
Economic plan
Economic planning
Exchange rate
Government failure
Input-output model (interindustry model)
Internal rate of return
Market failure
Market prices
Net present value
Nongovernmental organizations (NGOs)
Partial plan
Path dependency
Planning process
Political will
Project appraisal
Rent seeking
Shadow prices (or accounting prices)
Social profit
Social rate of discount
Voluntary failure