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# Inequality and Poverty Reduction

An analysis and comparison of World Bank projects implementing Microcredits  
and Conditional Cash Transfers in Bangladesh

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## Abstract

Conditional Cash Transfers (CCT) and microcredits are popular within the development community as poverty reduction instruments. Amartya Sen has proposed a holistic approach to development, poverty and inequality that does not see an increase in income as the aim of development. For this author, interpersonal inequality matters for the prospects to live a valuable life. Moreover, the concept of habitus explains motivations for the choices of individuals. In this study, two development projects implemented by the World Bank in Bangladesh are examined through a theory-driven evaluation. The assumptions that have been made in project documents are contrasted to a theoretical framework that is mainly derived from Sen's approach and Bourdieu's concept of habitus. Hereby, the purpose is to find out ways of how interpersonal inequality has an influence on the mechanisms of the projects. Moreover, the question is raised if one of the two examined project promotes a more favourable mechanism as regards interpersonal inequality. The main finding of this study is that the mechanism of the CCT project is less influenced by this aspect, especially in the context of Bangladesh which is characterized by a high inequality in many dimensions.

**Keywords:** inequality, conditional cash transfers, microcredit, Bangladesh, World Bank

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# List of abbreviations

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CAS	Country Assistance Strategy of the World Bank
CCT	Conditional Cash Transfer
GII	Gender Inequality Index
GNI	Gross National Income
HDI	Human Development Index
HDR	Human Development Report
IDA	International Development Association
IGA	Income-Generating Activity
IHDI	Inequality-adjusted Human Development Index
IMF	International Monetary Fond
ISPP	Income Support for the Poorest Project
LGD	Local Government Division of Bangladesh
MDG	Millennium Development Goal
MFI	Microfinance Institution
MF I	First Poverty Alleviation Microfinance Project
MFII	Second Poverty Alleviation Microfinance Project
MPI	Multidimensional Poverty Index
NGO	Non-governmental organization
PDO	Project Development Objective
PO	Partner Organization (of the PKSF)
PKSF	Palli Karma-Sahayak Foundation
SDG	Sustainable Development Goals
SSN	Social Safety Net
UNDP	United Nation Development Programme
WBG	World Bank Group

# 1. Introduction

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Global inequality is rising. Oxfam predicted that in 2016, the richest one percent of the population on a global scale will own more than 50 percent of the global wealth (Oxfam 2015:2). As alarming as these numbers are, the inequality that concerns the distribution of wealth and income is only one part of the story about areas in which people experience inequality. Globalization bears structural conditions such as curtailing of public spending in education and health and the privatization of these services (Feiner & Barker 2006). This creates obstacles in reaching equal access to those services and reproduces poverty (ibid.). The World Bank has been heavily criticized by Weber (2004) that in being a constitutive part of the international development community it reproduces global inequality through the extension of global capitalism (ibid:199). Microcredit is seen as such a policy reinforcing inequality through this pattern (Weber 2014).

Amartya Sen (1999) suggested an alternative view on inequality and poverty. He sees the aim of development in the expansion of the real freedoms of a person which enables her to pursue a life she values. This view is contrasted to the dominant discourse that the reduction of income poverty is enough to improve a life. Rather, Sen focusses on a holistic approach to poverty that includes more than insufficient income. In that, interpersonal inequality enables to assess the real choices of a person. These can be evaluated as even more “real” for the individual circumstances when applying Bourdieu’s concept of habitus (cf. Bowman 2010).

Not least with the launch of the Millennium Development Goals (MDGs) in 2000 the focus of development efforts has been set towards reducing poverty. In September 2015 these goals will be replaced by the Sustainable Development Goals (SDGs). Whereas the first aimed at halving the proportion of people living below \$1 a day the new set of goals point towards an eradication of poverty everywhere, applying a poverty line of \$1.25. The focus of both sets of goals on monetary poverty lines can be tied to what Sandberg (2015) calls “the recent paradigmatic shift towards evidence-based policy making” (ibid.:2) in that these numbers give a clear evidence if poverty reduction has worked. In contrast, evidence for the reduction of Sen’s understanding of poverty is more difficult to capture in numbers. In the development discourse of the last decades there has been a strong focus on poverty reduction whereof the World Bank has been crucial player (Weber 2004). Innumerable projects have been

implemented by organizations like the United Nations, World Bank or national development agencies with aims that are meaningful in terms of poverty reduction and relief and surely showed some success in lifting people out of poverty. However, no instrument has been proven to be a ‘magic bullet’ for poverty alleviation (Pantelic 2011:803).

The prevalence of poverty reduction in the current development discourse motivated my decision to examine two projects targeting that aim. Moreover, projects of the World Bank have been chosen due to its pivotal role in setting norms and standards in the field of poverty reduction and its practises on a global scale (cf. Davutoglu 2013:40, see also Wong 2003). Especially two instruments are on the fore: microcredits and conditional cash transfers (CCTs). The former has its roots in Bangladesh with the work of Mohammad Yunus and the Grameen Bank which disbursed small loans to the poor in order to become self-employed (Bateman & Chang 2009). In doing so, it is prospected that borrowers will have lifted themselves out of poverty. In 2006, Yunus received the Nobel Peace Prize for his efforts and his approach has been replicated by many development agencies. CCTs on the other hand disburse cash to the poor which is however not intended to cover for all the expenses of a household but rather seen as incentive to make sure the beneficiaries of those programmes fulfil a co-responsibility which is typically linked to school enrolment or health check-ups for the children in the household (cf. Sandberg 2015a). This shall lead to a break of the intergenerational transmission of poverty through human capital investments (ibid:4). Also this instrument has been widely implemented not least also because they are instruments requiring relatively few monetary resources (ibid.).

The consideration of inequalities rooted in structures or capabilities of the individual would be important because no matter how big the effort for poverty reduction and relief, some people’s livelihood cannot be improved without noticing the underlying inequalities they face directly and indirectly (cf. Sen 1999). Therefore, the emphasis of this thesis is on interpersonal inequalities than can take many forms besides that of income. Inequality is widely known as a synonym of income inequality, but this narrows the view away from different forms of inequality. Sen shows that this is insufficient to enhance development efforts and considers inequality that takes shape because people are different and have different characteristics (ibid.). Income inequality is regarded as being merely the symptom of other inequalities and is seen as a means among many to achieve a valuable life (cf. Sen 1999). Moreover, the same amount of income does not necessarily tell about the possibilities

and choices two individuals have (ibid.). Hereby the personal and external context is crucial (ibid.).

My interest in microfinance started with an internship in the Philippines in autumn 2014 where I worked in a project that intends to improve the regulations of pro-poor microinsurance markets in several Asian countries. With this thesis, I want to go to the roots of microfinance. Microcredits were the first products commercially offered which led to a wave of a more diversified portfolio of financial services. I am interested in scrutinizing the different implications of both cash transfers that do not need major “life changing” actions from the beneficiaries of the project, apart from the co-responsibility in scope of health or education, and microcredits that require a rather thorough shift in the daily lives of beneficiaries due to the conditionality of repaying the received money and additional interest rates. That is why in this study I compare microcredits and CCTs.

#### *Rationale of the study*

The rationale of this study has been informed by a diverse set of inputs. First, as will be discussed in chapter 4, some scholars have asserted a need to contrast human development thinking as advanced by Sen against the conception of development projects. That is why in this thesis the theoretical framework takes a starting point in Amartya Sen’s concepts of poverty and inequality. Furthermore, Johan Sandberg’s work on CCTs was inspiring. He evaluated the rationale behind a CCT project in considering the social context in Uruguay because he claims that it has not been done sufficiently (Sandberg 2015a:5f.). In this thesis I extend a similar procedure to the Income Support for the Poorest Project (ISPP) and Second Poverty Alleviation Microfinance Project (MFII) in Bangladesh by analysing the project appraisal documents (PAD). Both projects are financed through the International Development Association (IDA), a part of the World Bank. The focus is clearly away from the impact of the projects but rather on the influence of the social context especially in terms of inequality on the micro level of the mechanisms of the project. Therefore, general assumptions of the projects as far as they can be derived from the material are in focus to be contrasted against theoretical concepts in light of some specifications of the country context of Bangladesh in terms of a high inequality (UNDP 2014a, 2014b). Moreover, to my knowledge, no study has yet compared representative projects of microfinance and CCTs in light of interpersonal inequality. Therefore, the purpose of this study is to reveal how inequality on the micro level can influence the mechanisms of the two projects and if interpersonal inequalities matter more for one or the other project.



In this thesis, aligned to a study of Muniz Castillo and Gasper (2009), the social realities that constitute the context of a project are seen as heterogeneous in that every member assumingly reacts differently to the incentives of change given by the project. Both projects understand change as the reduction of poverty primarily in the respective target group. One could research innumerable aspects of the context of a project. I chose to focus on interpersonal inequalities because they are crucial for the pursuit of poverty reduction (cf. Sen 1999). This will become evident through the application of the chosen theoretical framework. Accordingly, by *influence* I mean how inequality can affect the effectiveness of the mechanisms of a project that are assumed to work. Projects promoted by the World Bank lend themselves well for this investigation due to their relatively big target group. Mechanisms are supposed to work for a huge amount of people. Hence, inequalities are assumed to matter and might result in that the project removes poverty for only some people which have a relative advantage that is favourable for the success of the mechanisms of the project. Others that are deprived of those advantages might not respond as well to the incentives given by the project to reach poverty reduction even though they are part of its group of beneficiaries. Although the theoretical framework is partly derived from concepts advanced by the economist Amartya Sen, through the applied micro perspective in light of inequality, habitus and empowerment, the attention is set on the sociological yield of his theories.

In sum, in this thesis the major discourses of development as understood by Sen and those of CCTs and microcredit as poverty reducing instruments are contrasted. Bangladesh is one of the poorest countries worldwide with half of the population living in multidimensional poverty (UNDP 2014a). Moreover, the country features a very high level of inequality amongst the population in the ability to live a long and healthy life, to acquire knowledge and regarding income (ibid.). In light of microcredit being widely implemented in Bangladesh since decades, one has reason to scrutinize the concept of microcredit especially in regard to inequality. Moreover, in light of the heavy critiques microcredit has received the question can be put whether CCTs could form an alternative to microcredit.

### *Objective & Research Questions*

The objective of this thesis is to scrutinize how the dynamics in the interpersonal inequality in terms of (dis)advantage influence the poverty reduction instruments that are promoted in the MFII and ISPP project, i.e. microcredits and Conditional Cash Transfers. Ultimately, the two projects are compared to reach a conclusion regarding the extent to which the mechanisms

entailed in the projects are more or less favourable in terms of interpersonal inequality. The term “influence” has been deliberately chosen instead of “impact” because in evaluation practise and literature, impact is associated with the effect of the project on its environment. Development projects often are evaluated from this perspective. In contrast, this study approaches the issue from the other side, examining the influence of the context, or environment, on the project.

The research questions are as follows:

- *What are the main assumptions of the mechanisms of the MFII and ISPP project in terms of poverty reduction and empowerment?*
- *In what ways can interpersonal inequality have an influence on the mechanisms of the MFII and ISPP project?*
- *Is one of the projects promoting a more favourable mechanism in terms of interpersonal equality?*

These issues lead different parts of the study. The first one guides the part of theory-driven evaluation and document analysis that carves out the underlying project theories of the projects. And the second and third subsequently lead the analysis.

### *Outline of the study*

After these introductory notes, an insight into the previous research will be given. After that, the study continues with a country background of Bangladesh shedding light on the general situation in terms of poverty and inequality. Furthermore, the two projects will be briefly introduced. The subsequent chapter discusses the theoretical framework the assumptions of the projects will be contrasted with. This entails Sen’s understanding of poverty and inequality as well as Bourdieu’s concept of habitus and the importance of group affiliation for inequality. Moreover, the feminist conception of empowerment will be introduced. This is followed by elaborations on the methodological aspects of theory-driven evaluation and project theory. In the analysis, each project will be discussed against the theoretical framework to merge these findings into a comparison of the projects. The study will be finalized with some concluding remarks.

## 2. Previous Research

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This chapter introduces in some recent research in the area of human development and development project evaluation, inequality as a frame for microcredit and CCTs and studies that compared those two instruments.

A critical examination of a development project's conception and operation against an approach of human development is more and more necessary because the general development thinking is already one step ahead of project management (Ferrero Y de Loma-Osorio et al. 2014). The authors suggest *a process freedoms approach* as a methodology to be integrated into development policies and projects with the purpose of mainstreaming Sen's capability approach. Besides that, Muniz Castillo and Gasper (2009) suggest a new criterion for development projects: the *human autonomy effectiveness* which indicates the degree of sustainability of projects in terms of human development. Hereby it is important to include the target group as individuals with different values and different personal contexts. In this tradition, Muniz Castillo (2014) scrutinized four water and post-disaster reconstruction projects in Latin America in using qualitative and quantitative data from the projects logical framework and a field visit. The author thus tested the project theory, i.e. the underlying assumptions that lead to practise, against a theoretical framework of human autonomy derived partially from Sen's approach. She concludes that if a project limits the objective opportunities of the target group and the subjectively felt capacities, the impact of the project, thus the envisaged development, cannot be sustainable. As this study recommends the deliberate selection of autonomy-supportive practises in the design of development projects (ibid:95) another study (Fernández-Baldor et al. 2014) suggests to include several targets in the design of projects such as the expansion of agency and recognizing gender inequalities. This research has been centred around mainly field research on four renewable energy-based electrification projects in Peru. The capability approach has been used to test the project design. The authors conclude that technical projects can have a different effect on individuals in terms of the expansion of capabilities with gender being a relevant factor. Moreover, the selection of technologies should be sensitive since the use of some have the ability to empower the target group more than others. The present study took several of these inputs as inspiration such as contrasting Sen's approach against development projects.

Due to the vigour of Sen's approach his influences are noticeable in the current development debate. However, in this study, several aspects of Sen's theory especially economic inequality are applied to two specific cases of development projects of the World Bank in Bangladesh, in that it tests the project logic, thus the main assumptions, with that framework. Accordingly, this research follows the aforementioned tradition. To my knowledge, not much research has been done tackling inequality and microcredit and CCTs upside down in approaching projects from how interpersonal inequalities could influence the mechanisms of the instrument. However, Sandberg (2015a, 2015b, 2012) linked the labour market condition and access to health and education in Uruguay to a CCT project and argues that CCTs cannot have the intended impact if the external conditions of public provision of education and health are not provided for. The rationale of this thesis is highly influenced by the work of this author. For reasons of text economy details of his studies will be presented in the analysis.

It has been noted on some occasions that structural inequality can be a reason why microcredits do not work as intended (McGregor 1989 in Weber 2014). Davutoglu (2013) seconds that in asserting that microcredit neglects structural inequalities as reasons for poverty. Due to its market-based mechanisms such as micro-entrepreneurship in the informal market it crowds out state interventions (ibid:45). Feiner and Barker (2006) as well highlight that the focus on the individual of the market disables poverty reduction interventions that supports the poor through income support or mass employment measures. Globalization is conditioned by state withdrawal in public provisions and privatization, and microcredit goes in line because it does not intend to change that (ibid.). As poverty is seen as individual responsibility, its alleviation is as well (ibid.). The authors call for more state provision rather than market-based poverty reduction but however acknowledge that the instruments can work for some individuals. Lastly, Weber (2014) asserts that the MF I project, the antecessor of MFII, is an integral of neoliberal development in Bangladesh in that it facilitates financial sector development and oppresses any resistance from the population towards neoliberalism and privatization with the microcredit minimalism (ibid:549). Not least through the tremendously high interest rates the organizations connected to the project charge, the poverty alleviation focus is scrutinized and poverty is increased. Instead the people on the other end of microcredit investments gain profit. This has been accepted by the World Bank along with the own findings that microcredit has very limited scales of operations especially since it is aimed at pushing borrowers into the informal labour market (ibid.). Microfinance links global and local policy levels for the overall aim of global neoliberal development (ibid:546). This thesis

acknowledges Weber's efforts in analysing the MF I project since the MFII project is similar. However, the focus is more specifically on inequality. Her view on the country-specific context of Bangladesh is seconded, especially the huge informal sector that is supposed to absorb self-employment efforts resulting from microcredit. Lastly, Hsu (2014) approached microfinance from the perspective of the relationship of debtor and creditor in rural China and concludes that microfinance reinforces inequality and cannot be useful for the poor. Moreover, social pressure inherent in the group lending structure was not coherent with the importance of social relationships in the examined village which results in a high social cost.

The analysis will conclude with a comparison of the two instruments. Pantelic (2011) compared microcredit and CCTs in Latin America and calls for a combination of both. Microcredits are more effective for those living on more than \$2 a day and CCTs are better for the extreme poor. She highlights that long-term investments in education and health can only "[...] happen indirectly by providing the financial relief necessary to allow the 'luxury' of such investments" (ibid:796) for microcredits. For CCTs they are provided by design but she admits that those can only be effective when economic opportunities of quality are provided after graduation (ibid:801). Moreover, if the quality of education is not sufficient the instrument loses effectiveness in its attempt to alleviate poverty of the next generation. Apart from this, studies strictly comparing the two instruments are lacking.

## 3. Country Background Bangladesh

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### 3.1 The projects

#### 3.1.1 Second Poverty Alleviation Microfinance Project (MFII)<sup>1</sup>

This project is the follow-up measure of the Poverty Alleviation Microfinance Project (MF I) that lasted from 1996 to 2000 (World Bank 2000). MFII ran from April 2001 until June 2005 and received an additional credit in 2007 to extend it for two more years. The main theme is poverty reduction, and it has a budget of US\$151 million. It is intended to reach 1.2 million new borrowers of microcredit that live below the poverty line (World Bank 2000:9). The project's development objective is: "Sustainable microfinance provided and used by the target groups" (World Bank 2000:31). The project is comprised of 5 components: 1) rural microcredit i.e. the vertical and horizontal expansion of microcredit<sup>2</sup>, 2) urban microcredit, 3) microcredit for the hard-core poor<sup>3</sup>, 4) microenterprise lending and 5) institutional development of Palli Karma-Sahayak Foundation (PKSF) and its partner organizations (POs). The last component is of less importance for this study because the focus of this component is not on the direct delivery of microcredits to borrowers. PKSF provides funds to its partner organizations for their microcredit programmes and was established by the government of Bangladesh (PKSF 2014). The POs are non-governmental organizations (NGOs) and microfinance institutions (MFIs) with microcredit programmes (World Bank 2000:2).

#### 3.1.2 Income Support for the Poorest (ISPP)<sup>4</sup>

The Income Support Project for the Poorest is a rather recent and to date ongoing<sup>5</sup> project. It is set for a period of 5 years, from March 2015 to June 2020. With a budget of US\$ 300 million it is much bigger than the microcredit project. The theme of poverty reduction is apparent although not explicitly stated in the summary. The official themes are mainly social safety nets but also human development e.g. nutrition and food safety as well as child health. The PAD states that poverty reduction can be achieved through well designed and targeted social safety nets (SSN) (World Bank 2014:1). Thus, it is still the overarching aim. The

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<sup>1</sup> The information of this sub-chapter is derived from the Project Appraisal Document (PAD) of the MFII project: World Bank 2000.

<sup>2</sup> I.e. the increase of borrowed amount and the inclusion of more borrowers (World Bank 2000).

<sup>3</sup> Not included are the "ultra hard-core poor", the bottom 5-10% of the population measured in income (World Bank 2000:11).

<sup>4</sup> The information of this sub-chapter is derived from the PAD of the ISPP: World Bank 2014.

<sup>5</sup> As of August 2015.

implementing agency is the Government of Bangladesh through its Local Government Divisions (LGD). The project is comprised of three components namely the CCTs, local government capacity enhancement and monitoring and evaluation of the project. Due to the focus of this study only the first component will be scrutinized. Regarding the development aim of the project, the PAD states the following: “[t]he Project Development Objective is to provide income support to the poorest mothers in selected Upazilas<sup>6</sup>, while (i) increasing the mothers’ use of child nutrition and cognitive development services, and (ii) enhancing local level government capacity to deliver safety nets” (ibid.:7).

The beneficiaries of this income support program are poorest pregnant women and mothers with young children below the age of 5 of the last two expenditure quintiles in selected Upazilas. Also, poor tribal households are targeted. The project acknowledges the family planning policy of the government whereupon the number of children per mother should not exceed two. Therefore benefits are only paid for the first and second child (World Bank 2014:8).

### **3.2 Human development, poverty and inequality in Bangladesh**

This chapter gives an insight into the country specific contexts the projects have been implemented in. Main reference for this elaboration is the Human Development Report 2014 of the United Nations Development Programme (UNDP) which contains indices that include an account for inequality in Bangladesh. Therefore they are regarded as useful measures for this study. Admittedly, this introduction cannot account for regional differences and all the social and political complexities that constitute Bangladesh as a country. Besides that, the projects cover many regions. For this reason, numbers and facts representing the country as a whole will be presented. In that, it follows the call of some authors (e.g. Muniz Castillo 2014, Sandberg 2015a) to scrutinize the context of a development project rather than only the project logic.

Human development in Bangladesh has increased over the past decades as it is expressed in the Human Development Index (HDI) that measures the dimensions long and healthy life, knowledge and a decent standard of living with the indicators life expectancy at birth, expected and mean years of schooling and Gross National Income (GNI) per capita (UNDP 2014c:1). Between 1980 and 2013 all those categories have been pivotally improved (UNDP

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<sup>6</sup> Upazilas are rural administrative units in Bangladesh (World Bank 2000:7).



2014b). The upward trend and the fact that the HDI indices have been fine-tuned over the years in terms of the inclusion of inequality measures and a rather multidimensional approach to poverty are the reasons to only referring to data from 2014. Indices for 2001 cannot depict any level of inequality in Bangladesh.

The IHDI, the inequality-adjusted HDI, represents how much human development is lost due to unequal distribution within the population in terms of life expectancy, education and income in the country<sup>7</sup> (UNDP 2014c). In 2013 Bangladesh ranked 142 out of 187 assessed countries in the HDI. That being said, the actual human development which is represented in the IHDI tells that almost 30 percent of potential development is lost due to inequality with an especially high loss in education but also the dimensions life expectancy and income show a high inequality in the country (UNDP 2014b). The overall loss is above the regional average in South Asia and is higher than the indices of Bangladesh's neighbour India (UNDP 2014a). Thus, Bangladesh shows a high inequality amongst its population in living a long and healthy life, acquiring knowledge and earning the average income. That points towards limitations in the access to the education system and health care.

The Multidimensional Poverty Index (MPI) shows how many people live in poverty considering the dimensions living conditions, health and education. Half of the population (49.5 percent) live in poverty of which 21 percent live in severe conditions. Additional 18.8 percent live close to the poverty line, contrasted to roughly 43 percent that live below \$1.25 a day (UNDP 2014a). Half of the population are poor because their living conditions, their education and their health are below a poverty line<sup>8</sup>. Poor people in Bangladesh are especially deprived in living standards but also education and health show relatively high numbers (ibid.). Furthermore, women have less chance to achieve the average human development<sup>9</sup>. In sum, Bangladesh shows a high multidimensional poverty which includes more people compared to applying the standard monetary poverty measure of \$1.25 a day. This indicates that roughly 6 percent less of the population are poor if considering only this line (UNDP 2014b). However, between 2007 and 2011 the percentage of people living in

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<sup>7</sup> However, the IHDI cannot capture overlapping inequalities which means that it cannot represent if a single individual has unequal access to both health and education (UNDP 2014c:5).

<sup>8</sup> In contrast to the IHDI the MPI is able to include overlapping deprivations, thus one individual is deprived in all dimensions.

<sup>9</sup> Differences are shown in both in the Gender Development Index and Gender Inequality Index (GII). "The GII can be interpreted as the loss in human development due to inequality between female and male achievements in the three GII dimensions" (UNDP 2014b:4), which are reproductive health, empowerment and economic activity (ibid.).



multidimensional poverty could be reduced by 10 percent (ibid.). A huge part of potential achievable human development is lost due to high inequality in income, health or education.

Microcredit has a long tradition in Bangladesh. The global spread of this instrument can be tracked back to this country through the innovative work of Mohammad Yunus and the Grameen Bank (Bateman & Chang 2009). Over a time span of two decades the rate of households participating in a microcredit programme developed from roughly one quarter in 1991/92 to 70 percent in 2010/11 (World Bank 2013a:125). Microcredit as a poverty alleviating tool dominates Bangladesh's development paradigm (Matin 2002:4). MFII and the expansion of microcredit was an integral part of the Country Assistance Strategy (CAS) of the World Bank for Bangladesh around the millennium whereas implementing CCTs have not yet played a major role at that time (World Bank 2001). Social safety nets which include CCTs reached coverage of 13 percent of the population in 2005 and 24 percent in 2010 with a clear upward trend beyond (World Bank 2013a:108, 110). The CAS of 2011-2014 includes the improvement of social service delivery as a strategic objective (World Bank 2010).

This chapter demonstrated a short outline of some of the social factors in Bangladesh. In sum, many people live in poverty in all dimensions marked by a high inequality in education, health and living conditions.

## 4. Theoretical Background

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As a highly influential thinker Amartya Sen offers an alternative conception of inequality apart from that of income inequality. This section sheds light on some of his concepts and his approach to inequality. However, this cannot be explained without touching the concepts of capabilities, functionings as well as his understanding of poverty as capability deprivation. According to Nussbaum (2004:14) the capability approach challenges the idea of development only understood as economic growth and changed the focus towards human development. Although Sen first and foremost is an economist his concepts qualify for a sociological study like the present one. His account of development, poverty and inequality incorporates concepts such as empowerment and the rather holistic take on inequality which are prominent in sociology. The present study is rooted in that discipline and uses the concepts in that tradition according to the research questions. This chapter is furthermore concerned with the concepts habitus as advanced by Pierre Bourdieu, group belonging and a feminist notion of empowerment. These are used as addition to Sen's concepts to allow for an appropriate sociological analysis. Sen's concepts allow considering interpersonal inequality in a unique way through its consideration of various aspects of this topic. Deciding factors can be found both in the individual as well as in her environment (Sen 1999). This is required to be considered in this thesis to allow for a holistic evaluation and comparison of the projects. The applied set of concepts in combination allow for a relevant discussion of both individual and structural factors of inequality.

### 4.1 Development as freedom

Amartya Sen offers an alternative approach to development. In his approach not only material resources play a crucial role, that is, the means to live. Rather, development is understood “[...] as a process of expanding the real freedoms that people enjoy” (Sen 1999:36). He further writes that when assessing development – which is done in this thesis – one has to include this principle. A designer of a development project needs to keep in mind that achieving freedoms for the target group is an end itself (cf. *ibid.*:38ff.). Thus, he needs to integrate it in the development objective and design the whole project for the intention of expanded freedoms and therewith having reached a state of development (*ibid.*). Moreover, the designer will have to consider how the instrument and the freedoms it mobilizes, contributes to the overall aim of development (*ibid.*). Even more, the interrelations of different

freedoms have to be considered (ibid.). To expand one freedom presupposes the expansion of others in turn (ibid.). Considering expansion of certain freedoms as means of development makes the project more effective in reaching the goal (ibid.).

Sen lists five freedoms that directly and indirectly determine the overall freedom of people as the end of development. These are political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security (ibid:38). A person living in fundamental freedom should have a certain degree of all (ibid.). Development practise has to consider their mutual reinforcement in both negative and positive directions (ibid.). The insufficiency of one leads automatically to an insufficiency of another (ibid.). The objective of a project can make them important but one needs to consider the linkages amongst them (ibid.). For the analysis of Microcredit and CCT projects it would be important to consider all of them. However, the scope of this thesis does not allow a detailed scrutiny of all of them. *Political freedoms* and *transparency guarantees* are considered as being not as important to the topic of this study as are the other three. The former entails freedoms to decide who governs the society according to which principles and the latter holds notions of trust when dealing with each other with disclosure being an important part of this freedom (Sen 1999:38f.). Although I agree with Sen that those freedoms are immensely important for the pursuit of a valuable life, their consideration in this analysis would not give much of an input in reply to the research questions because they describe different aspects of development.

In this theoretical introduction the emphasis is therefore set on three of them. *Economic facilities* ascribe opportunities to make use of economic resources for the purpose of production, consumption or exchange (ibid:39). This freedom and the linked entitlement highly depends on what resources the person has individually available. Moreover, access to finance is crucial. The second freedom, *social opportunities*, “...refer to the arrangements that society makes for education, health care and so on, which influence the individual’s substantive freedom to live better” (ibid). This freedom is closely aligned to human development (ibid.). Lastly, *protective security* refers to social safety nets provided for the economically worse-off (ibid.).

Thus, this approach offers an alternative angle of perceiving development. Economic resources are only one aspect that complements others in the overall picture of development. The next chapter will briefly shed light on the grasp of poverty as advanced by Sen.

## 4.2 Poverty as capability deprivation

Throughout his work, Sen fights against the generally still deep-seated conception of poverty being determined on how high a person's income is. The World Bank for example has declared to "end extreme poverty: the percentage of people living below \$1.25 a day to fall to no more than 3 percent globally by 2030" (World Bank 2013b:7) as a part of its twin goal. Sen on the contrary defines poverty as "deprivation of basic capabilities" (Sen 1999:87). Therein, income as a measure is still relevant but not the sole indicator of living in or out of poverty. Income is not equivalent to capability. Capability is the substantial freedom that allows a person to pursue the kind of life she wants to live (ibid:74). This includes both notions of doing and being which Sen calls functionings (ibid:75). The functionings available to a person are determined by his capability to achieve those.

Moreover, Sen adds a moment of individual validation on what one wants to achieve which crucially depends on the achievements already undertaken (Sen 1997:394). This process includes weighing of the options available. These are not unlimited but become more specific in focusing on one area of significant functionings. The more capabilities a person has the more she can choose between different combinations of functionings. Thus, she has a greater freedom to achieve whatever she "has reason to value" (ibid:74). However, the mere fact a person has access to health care does not contribute to her well-being per se. Using it as a means to achieve health as a functioning includes assessing it as something of value for her and, crucially, having the agency to make use of it (cf. Fernández-Baldor et al. 2014:15).

When the capabilities are deprived a person lives in poverty. Sen and Foster (1997:210) assert that a person who is not able to provide for her housing and food can be seen as poor. Income can create capabilities but cannot be seen as the only factor having an impact on capabilities and moreover, achieving income in this sense cannot be seen as an end of poverty removal as development (Sen 1999:87). If development is defined as the expansion of real freedoms then instruments aiming at removing poverty should intervene in the expansion of a person's capabilities to achieve the functionings she values (ibid.). Thus, the more alternatives a person has of living a life that she wants, the higher is her substantial freedom (ibid.). Yet, what other factors are influencing the capabilities? This leads us to the five freedoms mentioned above. Being more free means to be able to better serve the ends i.e. the functionings that one wants to pursue (Sen 1999). Importantly, income and other capability creating instruments such as education and health care are interrelated inasmuch they mutually presuppose each other

(ibid.). Better health and education leads to a better life but also enables to generate more income which in turn influences capacity for a better life which ultimately also leads to increased income (ibid:90).

The issue of poverty calls for scrutiny of why some individuals live in conditions of low quality of life whereas others do not. This leads to a short discussion on economic inequality and why it is not enough to only look at the income but instead apply a rather holistic view on the context of an individual.

### **4.3 A holistic take on inequality**

Inasmuch as poverty cannot be regarded as only income poverty which does not tell much about a person's well-being, also inequality has to concern more than asserting that one person has a lower income than another. When Sen talks about inequality he points towards one amongst individuals. Sen calls this the "interpersonal comparison of advantages" (Sen 1999:70). The author clearly rejects the sole view of income inequality and replaces it with the notion of economic inequality (Sen 1997:384). He highlights that making a conclusion of the inequality between individuals highly depends on the "space" one chooses to assess (Sen 1999:93). These can be inequalities of "[...] well-being, freedom and different aspects of the quality of life (including health and longevity)" (ibid.). Thus, the assessment of inequality between two persons can be strikingly different depending on if one compares for instance incomes or education status. In terms of income the richer of both is more advantageous than the less affluent although it only tells about how many resources she has at her disposal (ibid.). Yet the scenario can change drastically when assessing education instead, the richer can be poorer than the less affluent.

The quality of life can be compromised by different factors and income is one of them (Sen 1997:389). Thus, for Sen, economic inequality entails many aspects of the quality of life that can be examined. Yet, income still affects them profoundly. Income is one of the means that enables to shape one's life the way she wants which makes it belonging to the category of primary goods (ibid:393). Thus, in that, he highlights income being a means to a different end than itself. It helps to the achievement of other functionings such as health, the absence of hunger etc. (ibid:390). The central question is around the conditions that explains why two persons having the same income most likely cannot achieve the same quality of doings and beings.

“If the object is to concentrate on the individual’s real opportunity to pursue her objectives, then account would have to be taken not only for the primary goods the person holds but also of the relevant personal characteristics that govern the conversion of primary goods into the person’s ability to promote her ends (Sen 1997:393).

This brings us back to the discussion on capabilities. What one can achieve depends on different social and personal dissimilarities and ultimately, they determine the degree of real freedoms mentioned above (ibid.). Hence, these characteristics permit a conclusion on why a person is better-off than another. Sen introduces five variations<sup>10</sup> but only two are important to the present discussion. *Personal heterogeneities* concern needs deriving from disability, age, gender, illness (Sen 1997:385) and social roles (Sen & Foster 1997:211). Hereby, more money is needed to compensate for the disadvantage that might derive from that and additionally, these features can hinder a person to earn money at all or at least impact the ability to earn an income. With *variations in social climate* he considers social conditions such as public health care and epidemiology, education system, level of crime and violence as well as nature of community relationships. It is concerned with the level of public provisions that support or hinder the development of capabilities in general. Thus, whether or not a person lives in a social context providing for equal access to health care and education is crucial to assess her real freedoms and moreover determines the worth of her income.

These are determinants of the conversion of income into functionings. Moreover, they influence her choice of functionings over others. He further asserts that opportunities do not only depend on the income a person has but primarily on her social and economic environment (Sen 1997:389). This whole picture makes income only a part of the story. Income contributes to the real options and choices a person has but for assessing those, the whole context has to be included (Fernández-Baldor et al. 2014:16).

The importance but not sole attention on incomes makes Sen’s approach useful for the research of this thesis. The examined instruments both include monetary resources transferred to the beneficiaries although with different purposes. Sen suggests a view on the social and environmental context of a person that allows for judgements about the individual advantages i.e. achievements in the quality of life. How income can be converted into well-being depends

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<sup>10</sup> Apart from the two mentioned here Sen (1997) additionally considers *differences in relational perspectives* as an inter-societal comparison, *distribution within the family* and *environmental diversities*.

on five different factors that ultimately determine the capability to live a life of value i.e. the substantial freedom (Sen 1999). Thus, it is crucial to extend the interpersonal comparison of incomes by a comparison of the overall environment a person faces to explain why she is worse-off (ibid.). Naturally, this is a highly complex task and an assessment can probably not entail all the aspects of the context. Hence, the inequality assessment can be done in terms of access to educational or health facilities which reflects some components of the overall picture.

#### **4.4 Individual vs. group (dis)advantage**

Sen has been criticized of solely focussing on the individual in his theory (see e.g. Stewart 2002:2). For a sociological discussion, group belonging is crucial and can be a result of outside attribution by others and a self-identification as part of the group (Stewart et al. 2005:3). The restriction of provision of resources from the social, political or economic sphere can identify certain groups experiencing similar disadvantages (Stewart 2002:3). These resources are transferred in functionings. Thus, in restricting a group structurally from resources, the capability and therewith the substantial freedoms of the individuals of the group are deprived and moreover, the individuals cannot exercise choice as others (UNDP 2014:70f., see also Berik et al. 2009). Inequality between groups is called horizontal inequality (Stewart et al. 2005:3). This is integral to the sum of inequalities an individual experiences which means that a person is more advantageous compared to another because she belongs to a group that is more privileged (ibid:5). Moreover, the individual advantage is a crossing of experienced inequalities resulting from different group affiliations (Berik et al. 2009:3).

The subsequent analysis cannot provide an in-depth analysis of the different groups in the communities due to methodological limitations. However, group inequalities will be considered when focussing on the mechanisms and assumptions of how the instrument is intended to work, following the structure that *because* a person has certain characteristic which makes her belonging to a group, e.g. the elderly, she experiences certain restrictions in the capability to live the life she wants. Some of those characteristics are taken from the descriptions of the target groups in the PADs such as gender, location or ethnicity. Others can be taken from Sen's approach on what constraints a person's ability to convert income into well-being and functionings, such as health status, age or social roles. Stewart et al. (2005:5) highlight that attacking horizontal inequalities in the process of poverty reduction is crucial



e.g. by instruments such as microcredit. However, as scholars have noted for both CCTs and microcredit, structural inequalities are explaining the limits of the instruments (e.g. Sandberg 2015a, McGregor 1989 in Weber 2014; Davutoglu 2013)

To conclude, the analytical unit of this thesis is the individual. Nevertheless, the group belonging is considered with its structural disadvantages it may experience which is apparent in a degree of inherent capability deprivation (cf. Stewart 2002). The next chapter focusses on how Bourdieu's concept of habitus can enrich the analysis in contemplating what makes sense to achieve given the group belongings and personal experiences (Bowman 2010:13).

#### **4.5 The importance of habitus for personal choices**

Bowman (2010) proposed an analytically valuable addition to Sen's capability approach by Pierre Bourdieu's concept of habitus. It does not suggest a different approach. Rather, it gives Sen's approach a fine-tuning (ibid:6) that it cannot offer itself.

The habitus is immanent in an individual and is a "system of lasting and transposable dispositions which, integrating past experiences, functions at every moment as matrix of perceptions, appreciations and actions [...]" (Bourdieu 1977:117). Since, as already acknowledged, a person is affiliated to different groups, she summarizes the habitus of different groups in herself. This leads to certain practises that have been accumulated throughout history that makes it possible for a person to approach a problem (ibid.). Her habitus makes a person miss or take an opportunity (ibid:118). The agent i.e. the individual, and the social structures, are mutually reproducing themselves through the "exercise" of the habitus through social practise (Bourdieu 1973:258). Thus, habitus reflects a person's experience as well as what she can do due to the group affiliations (Bowman 2010:6). In that it is both social and individual (ibid.) it emphasises "[...] the social and cultural nature of choice (ibid.:9). The concept of habitus shows that individual and structural factors of choice are interrelated and cannot be thought separately. The combination of personal and collective history (ibid.:6) makes it hard – if not even impossible – to trace back whether a choice has been motivated by personal or structural factors. However, for this thesis this distinction is not essential. What is important to be noted is that project mechanisms are likely to be successful for some people than for others due to the individual setup of the habitus. Moreover, it can also show why some people chose to use the proposed instruments for the improvement of their personal situation.



The merit of integrating the concept of habitus into the analysis of inequality lies in the fact that it recognizes the valuation of what is possible or reasonable due to one's belonging to a group and due to personal experiences (Bowman 2010:13). Hence, not only does it depend on the personal characteristics on how one is able to convert income into a functioning but also the mere judgement of whether this functioning would be reasonable or even possible for a person crucially depends on group affiliations and personal characteristics such as ill health or disability (ibid). This judgement is influenced by the habitus and it determines the value to pursue this functioning and the freedom to achieve (cf. ibid:14). "[T]he social and cultural nature of choice" (ibid:9) determines how a person values a certain form of doing or being. Even more so, this approach can also include the experience of ongoing deprivation which does not seem to make the achievement of an option possible (ibid).

#### 4.6 Empowerment

In recent years, the concept of empowerment became an essential part of the development discourse. Especially the empowerment of women is prevailing not least because many poverty reduction instruments precisely target this group, as typically do microcredits and CCTs. Sen (2001:39) sees empowerment as expansion of capabilities for the enhancement of freedom and well-being. Agency must be thought before empowerment in that it makes the individual responsible to exert action or choosing not to (ibid.). For Ibrahim and Alkire (2007:388) empowerment is the expansion of agency. The authors note further that in development practise it is often seen as instrument leading to the intended outcomes, e.g. poverty reduction, which is a linkage that typically has just been assumed (ibid:395, see also Rowlands 1996:86). This will play a crucial role in the analysis later on.

Obviously, the concept of empowerment is closely linked to power. Wong (2003) constructed a feminist framework of power. Therein, power is understood in four different interrelating dimensions: power-to, power-from-within, power-over and power-with. Power-to specifies the ability to take action, thus the productive capacity. Hence, it examines the general availability of choice for a person (Sen 1997:389). Power-from-within is closely linked to the psychology of an individual and its self-trust to be able to do things. Moreover, it concerns the question how much agency one has to make changes in their own life (Ibrahim & Alkire 2007:394). The third dimension is aligned with the ability to exert force over others, but also how much a person is able to decide over her own life and how much external power

structures such as patriarchy influence the own decisions (Ibrahim & Alkire 2007:388f.). Lastly, power-with highlights the collective forces to tackle problems (Wong 2003).

Rowlands (1996) notes on the feminist comprehension of empowerment, which is focussed on in this thesis, that it is “more than simply opening up access to decision-making; it must also include the processes that lead people perceive themselves as able and entitled to occupy that decision-making space [...]” (ibid:87). Thus, the process of enlarging a person’s capabilities must also entail a self-reflection on those possibilities (ibid) which is further determined by the accumulated history and experiences in one’s habitus. To empower a person means to free her from negative social constructions of her abilities, thus, initiate her power-from-within (ibid). Moreover, this entails an understanding of an individual’s oppression from others. Rowlands understands empowerment as a process that needs individual development which enables to reflect on the own situation and to lay open the needed change. However, despite all the efforts in development work, full empowerment can only come from inside a person although it can be externally supported (ibid). It is highly crucial to understand what the individual perceives as being possible to her given the economic and social context as well as her own abilities (ibid.). Here, this feminist framework intersects with the concept of habitus. To offer the option of economic activity does not lead to the internalization of this as a real option she can choose to take (Rowlands 1996:89).

Sen (1999:189ff.) noticed that giving agency to women enables for their own well-being – which comes for example through more independence and emancipation – but more so, in empowering women for active agency it allows the whole society to change. Active agency primarily concerns the individual responsibility to act or, in turn, not to act to achieve something of value. In this way, the well-being of women is enhanced but also that of everyone. In that manner, inequalities that limit women’s freedom to live a life she values can be equalized (ibid:193). However, agency is important to remove all kinds of inequalities (Sen 2001:40). For the subsequent analysis the gender distinction will be not the only category informing the discussion. On individual ground a degree of empowerment can enhance the individual advantage, thus, reduce inequality (cf. Sen 2001).

#### **4.7 Summary and operationalization of the concepts**

After this introduction in the theoretical concept, the question remains how exactly one can use them in testing the assumptions that have been made in the project conceptions. The main

reason to make use of Sen's account is his holistic perspective on people's lives. If it would be only to assess whether or not the projects are intended to increase the incomes as a way to decrease poverty of the beneficiaries one would not even have to go into detail of the project papers. For this, it would certainly make more sense to rely on numbers of how many persons the project has reached rather than a look at the conception of the project. This study on the other hand wants to contribute to the discussion around the importance of applying a holistic view on poverty and inequality by contrasting the project logic to this framework and suggesting insights on how and why interpersonal inequality influences the mechanisms of the projects. Integrating Bourdieu's concept of habitus necessarily limits the approach slightly in adding the notion of what one values also depends on what she finds reasonable. This is enlarged by Stewart's notes on restrictions in the access to capabilities for groups. The feminist framework of power and empowerment has been chosen to highlight that its generation cannot only be assumed to happen. The diversity of power and its translation into empowerment contributes to the individual enjoyment of substantial freedoms (cf. Rowlands 1996).

If development is understood as expanding people's real freedoms and choices then poverty and inequality cannot be viewed only in terms of income. Inasmuch income as a means to achieve those freedoms can be converted into states of doing and being that are individually valued crucially depends on five variations in the characteristics of people themselves and their circumstances (Sen 1999). Empowerment as the expansion of people's agency is significant for a person to reach a life that she values (cf. Sen 2001). A person belongs to a different set of groups. The characteristics of groups in the access to certain capabilities are incorporated in the habitus and thereby in the daily life of a person (Bowman 2010). The functionings she values and she sees as reasonable to achieve for her situation depend on that habitus and the experiences she has made in her life (ibid.). The document analysis of the PADs intends to find out how the project is supposed to work and is led by questions that are informed by the theoretical concepts. These will be described in the next chapter. The aim is to uncover how the project designers understand poverty reduction, empowerment and the mechanism of the instrument in context of that specific project to be able to make conclusions on how interpersonal (in)equality could potentially influence the project mechanisms.

The individual-structural divide is bridged through the use of the outlined set of concepts. Whereas Sen mainly focusses on the individual (Bowman 2010), group belonging and habitus

account for a rather precise take on structural inequalities (cf. *ibid.*). As has been stated above, the unit of analysis of this study is the individual due to its focus on interpersonal inequalities. Nevertheless contributes the view on structural inequalities to the explanation of why an individual might be deprived of resources and capabilities. Hence, the individual can be understood as bearer of a set of inequalities which often intertwine both individual and structural factors. For example, when Sen talks about variations in social climate which describes e.g. the individual access to health care or education, considering structural exclusion of certain groups of the population helps to explain the reality this person is experiencing. Accordingly, the analysis focusses on the individual considering possible structural factors that prevents her to acquire needed capabilities and therewith, substantial freedoms. As habitus is both social and individual it helps to explain the interrelation of individual and structural factors that motivate choice (Bowman 2010:6). For the evaluation of mechanisms of poverty reduction projects this sociological understanding is crucial to highlight the diversity of individuals in the target groups of the project. Moreover, this approach allows for a conclusion regarding if and why individuals are responsive to the mechanisms of the project as they are intended by the project designers i.e. if and why it can be assumed that microcredit or CCT can actually improve the situation of a person.

## 5. Methodology

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This chapter introduces into the methodological considerations of this study. The implications for the selection of appropriate projects and the kind of documents are discussed. Furthermore, an overview of theory-driven evaluations and project theory will be given, as well as document analysis to process the data. This chapter concludes with a consideration of limitations and biases. In this study, knowledge is produced from the standpoint of social constructivism because there is no objective truth about the theory of a project (Weiss 1998). Reality is constructed differently by individuals (Luckmann 2008). It allows for the acknowledgement that the examined material is composed by World Bank staff that might have a different understanding of reality than me.

### 5.1 Selection of the projects and the type of documents

Certain criteria were applied when selecting the appropriate projects. First, the project's approval date should not be before 2000 to ensure actuality. Second, the instrument should be directly financed through the budget of the WBG. Hence, mainly institution strengthening projects could not be considered. Third, the overall aim should be poverty reduction/alleviation which is why projects such as those rather strengthening the education system had to be dropped. Fourth, the project promotes either microcredit or CCTs. Moreover, the project should not be a pilot project. Finally, the main target group and beneficiaries should be described as living in poverty. Furthermore, the PAD of this program should be publicly available. According to the *Project and Operations* search engine of the World Bank, one project promoting microcredit and one promoting CCTs were left which are the MFII project and the ISPP.

Since I only have access to publicly disclosed material of the programs in question I cannot follow the suggestion by Caulley (1983:25) to examine internal documents. As Bowen (2009:33) states, documents of any form cannot be regarded as complete record of a phenomenon. They will have to be placed into context and what they actually mean. For the document analysis, the project appraisal documents (PAD) were selected. They are prepared by World Bank staff for the Bank management to approve or reject the project (Bretton Woods Project 2004). In the cycle of a programme its issuance is to be situated between a preparative phase in which the social and political context of the potential project is assessed,

amongst others, and the final negotiation phase between the Bank and the borrowing government in which the terms and conditions of the loan agreement are decided upon (ibid.). However, the loan agreement is less extensive in the descriptions of the projects modes of action. The PAD is regarded as sufficient because the research question asks for the main assumptions of the project and not for the status of implementation or success of reaching the indicators or impact. Moreover, to ensure the approximate same amount of information flowing into the response to the research sub-questions no other project documents have been consulted. The documents have been derived from the respective project page that is embedded in the *Projects & Operations* sub-page of the official web-site of the World Bank Group<sup>11</sup>.

A PAD provides detailed information about the project itself and the country-specific context the project will be placed in. It entails a discussion of the components, indicators and objectives as well as a detailed consideration of the collaboration with the implementing partners in the country. Furthermore, the budget allocation is discussed. Overall, it gives a detailed analysis of why the project will be implemented and how and which stakeholders are considered. Typically, the considerations are backed up with studies conducted before to aid the justification. This extensive elaboration on rationale and objective of the project makes this type of document useful as considered material in the present study. Through the given details it is possible to reconstruct the mechanisms of how the project is assumed to work as seen by the designers. No other available type of project document is able to provide for such a detailed concept.

## 5.2 Theory-driven evaluation

Evaluations typically collect data about the assumptions underlying in the project (Weiss 1998:58). In this study the main assumptions of the projects will be developed and subsequently discussed within a theoretical framework. Program Theory evaluation by definition consists of the logic model that explains the project as well as an evaluation that is partly inspired by this model (Rogers et al. 2000:5). However, in practise there have been innumerable ways of evaluating practise using program theory with a missing consensus of the labelling (Brousselle & Champagne 2011:71)<sup>12</sup>.

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<sup>11</sup> For MFII: <http://www.worldbank.org/projects/P059143/second-poverty-alleviation-microfinance-project-microfinance-ii?lang=en>, and for ISPP: <http://www.worldbank.org/projects/P146520?lang=en>.

<sup>12</sup> Theory of change, project theory and program logic, to name only a few are listed by the authors. The terms are used interchangeably in this thesis.

Since theory is crucial for this study the approach of theory-driven evaluation is followed because like that, "...evaluation contributes to social betterment by way of knowledge development" (Donaldson/Lipsey 2006:66) and perhaps adds knowledge to the theory and practise of how to tackle societal problems (ibid:63). Viewing the particular projects through the specific theoretical lens might bring some insights useful for the conceptualization of further projects through the recognition of the importance of interpersonal inequality.

A wide understanding of theory is applied which includes both social science theory as understood by Chen and Rossi (1983) and research evidence that, if not conducted on projects of the same kind, at least traces the principles of action (Rey et al. 2012:66). Chen and Rossi (1983:285) highlight the value of social science theory for theory-driven evaluation that explain the generation of social problems and how human organizations work. Project theory can be proven to be consistent with social science theory even though there might not be theory that exactly fits to the context of the project in question (ibid.). To judge whether or not a projects goals are plausible, social science theory is indispensable (ibid.:290). In this study the concepts economic inequality, habitus, poverty (reduction) and empowerment will be applied which will be supported by a few studies that explore the link between the respective instrument and those concepts.

### 5.3 The project theory – the assumptions

Project theory is relevant to explain the projects and to carve out the underlying assumptions that guide an intervention to the intended change (Donaldson/Lipsey 2006:64). It is "the set of beliefs that underlie action" (Weiss 1998; cited in Brousselle/Champagne 2011:71.). To test the project theory by means of a theoretical framework is what Rey et al. (2012) call *logic analysis*, a method belonging to the family of theory-driven evaluations (ibid.:63). It is typically conducted before other evaluation activities take place but can also be conducted as a stand-alone method because the research question is targeted at the validity and appropriateness of the program (ibid:62). The attention of logic analysis is on whether a program's theory is plausible through the assessment of the causal link between intervention and intended effects (ibid.). In this process, the logic, thus the underlying assumptions are contrasted to the theoretical framework (ibid.; Brousselle/Champagne 2011). In this study also unintended effects and impacts are of importance (see Donaldson 2005:74). Thus, in choosing the theoretical framework that emphasizes inequality it can be revealed how this can have an effect on the mechanisms that comprise a project.



This study does not intend to carve out a fully-fledged project theory. Rather, the approach is informed by Sandberg (2015a) who asserts that evaluations should focus rather on the “underlying rationale behind the interventions” (ibid:6) to include prospects for long-term impact. Additionally, the present procedure has been influenced by Muniz Castillo and Gasper (2009, also Muniz Castillo 2014). They claim that project documents reveal explicit project logic and the actual practises the implicit one (Muniz Castillo & Gasper 2009:12f.). Moreover, project logic is not complete without talking to target groups and development staff. However, the specific method applied here does not claim to grasp the complete project logic because the data have been derived from the PADs which can only show assumptions of the mechanisms before implementation. Hence, the focus is on the main assumptions derived from the explicit logic whereas the resulting limits of the method are acknowledged.

The two projects are treated as cases revealing how the World Bank conceptualizes the instruments although one should be careful regarding conclusions that the institution follows the same set of assumptions with the appertaining component specifications in every cultural context. Special focus is set on the targeted groups and on the mechanisms of how poverty is attempted to be reduced to reveal the activities the targeted population is supposed to be engaged in in order to improve their situation. Furthermore it will be examined how the document describes poverty and what changes have to be made to achieve a positive change towards reduction of poverty. Additionally the understanding of empowerment will be scrutinized due to its importance to development (cf. Sen 1999, 2001).

#### **5.4 Document Analysis**

Before reconstructing the project theory it is important to keep in mind that there is not only one solution for how one views a project’s modes of action (Weiss 1998:61). The assumptions in this study are rather general which is an implication of the kinds of documents examined and the scope of the study. Other methods e.g. connected to field work would certainly reveal a rather fine-tuned set of assumptions. Leeuw (2003) suggests document analysis to outline statements indicating why it is believed a program works towards reaching an overall goal. Donaldson and Lipsey (2006:65) highlight the utility of the development of detailed program logic especially when it has to serve a purpose indicated by stakeholders (ibid.). Since this is not the case, the description of the project logic is much simpler in the form of the formulated assumptions. Rogers et al. (2000:7) assert that the minimum requirement to such a model is to



state one intermediate outcome of the project through which the overall outcome is supposed to be achieved in a causal chain.

The logic analysis applied here asks for document analysis in a qualitative way to reconstruct the project logic as a source of data (cf. Rey et al. 2011:70). Generally, document analysis is a method essential for program evaluation (Caulley 1983:28, see also Hurworth 2005:118)<sup>13</sup>. Documents can provide the best possible way to provide a retrospective of a program (Caulley 1983:19). Facts are selected from documents that help to understand the objectives and rationale of a project and subsequently interpreted which is the purpose of the evaluation (ibid.).

In this kind of analysis, elements of both content and thematic analysis are combined (Bowen 2009). However, in this study closer attention is paid to content analysis which “...is the process of organizing information into categories related to the central questions of the research” (Bowen 2009:32). Thematic analysis would be rather used in material where themes would have yet to be identified which is not the case in this study (ibid.). The categories are determined by the theoretical framework. Document analysis creates empirical knowledge and understanding through the examination and interpretation of the documents (Bowen 2009:34, 27). Bowen suggests the following procedure: After skimming through the documents perhaps already indicating where to find some of the categories the texts are read more thoroughly for a better development of the project theory. Hereby, useful content has to be distinguished from the less useful. Lastly, the data are interpreted and analysed.

As noted, the attention lies on the underlying assumptions. Not being able to talk to the project designers provides a difficulty because the assumptions they have made have to be extracted from the project documents. These can be implicit or explicit (Chen 2005:16). Chen (ibid.:16f.) distinguishes between descriptive and prescriptive assumptions inherent in a project design. The former describe assumptions about *how* the project works and what causal processes are needed to reach the project's aim. Its main utility is to describe the project's rationale (ibid:17). On the other hand, prescriptive assumptions are rather practically oriented and describe details and requisites of day-to-day procedures of the project. To make a project work, both sets of assumptions have to be valid (ibid:19). For the purpose of this study,

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<sup>13</sup> Hurworth (2005) even claims that evaluation cannot be done without document analysis.

descriptive assumptions will be in focus thus, only one part of the program theory as understood by Chen will be reconstructed.

When examining the documents, there must be some guiding questions that are of importance for the analysis (Caulley 1983:19). Since the documents entail a highly extensive discussion on the concept of the project, not all chapters are able to provide the required information for this study i.e. information useful to reconstruct assumptions of how the project is supposed to work. However, all chapters have been examined in the analysis but only some provided essential information, especially the parts discussing the project development objective, rationale, project description, analysis of social aspects of the projects and the project design summary entailing indicators and outcomes, amongst others. The following questions are sub-questions of the first research question of this study that asks for the assumptions of the projects. They are understood as guiding questions for the reading of the material but should not be confused with the actual research questions that are stated in the introduction. The following questions have been informed by the theoretical framework introduced above.

- *Who exactly is targeted with this programme? How is the target group described?*
- *How is the functionality of the instrument described in its intention to reduce poverty?*
- *How is poverty reduction described?*
- *How is empowerment described?*

As noted earlier, not all the components of the projects were included in the analysis. The questions were guiding the reading of the PADs according to the procedure suggested by Bowen (2009) that has been introduced above. Suitable text passages were categorized into the themes which are the just presented sub-questions (Labuschagne 2003, in *ibid*:28). In doing so, the following assumptions could be derived from the analysis of the PADs.

For the MFII project:

1. Borrowing removes poverty
2. Borrowing leads to self-employment
3. Borrowing empowers.

For the ISPP project:

1. Participation removes poverty and contributes of human development.

In the analysis these assumptions will be scrutinized by means of the theoretical framework.

## 5.5 Limitations of the method

One great advantage of logic analysis is its contribution to the understanding of scientific knowledge (Brousselle/Champagne 2011:75f.). To apply it to a practical case, theoretical concepts get a shape. Moreover, to simply construct the project theory usually shows stakeholders an idea of the flaws and advantages. This can lead to a reflected subsequent choice of further evaluation topics (ibid). Even though the present study did not consult stakeholders and was furthermore not commissioned, the presented findings are useful to inform project designers about the importance of the interpersonal inequality among the target group of microcredit and CCT projects, and to possibly draw conclusions regarding the design of a project. However, generalizability should not be taken for granted (Brousselle/Champagne 2011:77). Even though other projects might have similar logics of action, there are certainly deviations that should be acknowledged (ibid.)

The validity of this method is based on the researcher's ability to include a diverse base of knowledge from different perspectives in the conceptual framework even some concepts might be contradicting (Brousselle/Champagne 2011:76). Also, the choice of concepts is biased by the researcher's original training. Since I enjoyed a fundamental education in sociology but also in Global Studies as an interdisciplinary field combining different traditions of social science I try to bring in the required diverse knowledge base. However, logic analysis cannot provide a final interpretation of the project also due to the infinite amount of aspects one could bring in (ibid.).

When an evaluation is commissioned the stakeholders have a huge impact on the topic of the study and therefore decide on the kind of information (Brousselle/Champagne 2011:70). Since this is not the case in the present study I had a rather free choice of what information I am interested in. The selection of the social science concepts and research is led by the research questions and general themes of this study. For this research it is not possible to consult any relevant stakeholders of the projects such as representatives of the target population or project implementers as suggested by Donaldson and Lipsey (2006:65) which is why only publicly available project documents are examined. However, it would be of value to be able to carve out the implicit project logic as suggested by Muniz Castillo and Gasper (2009) in examining the actual practises of the project. This could have been done through a field visit in Bangladesh that includes for example interviews or observations. Also Bowen (2009:28) asserts that document analysis is usually accompanied by another qualitative

research method for the sake of confirming findings with another way of gaining knowledge in order to be able to triangulate the methods. Since the MFII project is finished already this would not have been feasible. Moreover, the time constraints of this study did not allow for field work.

When constructing a project theory one has to have in mind that there is not only one theory (cf. Weiss 1997, in Brousselle/Champagne 2011:76). Different stakeholders have different theories about how and why this project is supposed to work. Moreover, the theory is rationalized (ibid.) in the reconstruction because a project's reality in the field is much more diverse than it can be shown in a single description. The one I propose is only one possible alternative that is limited by the choice of material.

Bowen (2009:29) states that document analysis can also be valuable as a stand-alone method. Due to its selective rather than collective features this method is efficient compared to e.g. interviews or observations (ibid:31). Other advantages are the lack of reactivity of documents and the exactness of facts and data (ibid.). Hurworth (2005:119) also includes the advantage of the production of data from documents being less exposed to the researcher's bias. Features of this form of analysis being detrimental include the lack of detail because they were not produced as part of the research (Bowen 2009:31). Furthermore, the selection of documents that have been made available by the World Bank on the projects is biased due to internal policies of the institution (ibid: 31f.). There might be internal documents of more use than the one publicly disclosed.

The researcher has to have in mind that the data that are gathered through this form of analysis are always somewhat subjective depending on the selection of the author of the documents (Caulley 1983:20). For the PADs it is assumable that for example the studies that are listed to support the project's provided mechanisms have been chosen selectively. After all, the approval for the implementation of the project from the World Bank's management is appealed for (cf. Bretton Woods Project 2004) which is why studies showing rather negative impacts of the instruments will not be highlighted in the PAD.

## 6. Analysis

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This analysis will contrast the theoretical framework that has been developed above with the assumptions of the projects that have been derived through the document analysis. The examination of both PADs shows one important commonality: The instruments are assumed to work according to the specific mechanisms without an extensive consideration of the diversity of the target group. Both are depicted as rather homogenous group with each member expected to react in the same way to the incentives provided by the project. This analysis, in answering the research questions, aims to challenge this overall assumption. It will show that, when applying the theoretical concepts, reality might look different than expected. Interpersonal inequality matters especially when focussing on the individual setup of the habitus which allow for an explanation of why the mechanisms of the project might be successful for only a part of the target group and why some also might not choose the proposed instrument to improve their own situation.

### 6.1 Microcredit project MFII

#### 6.1.1 Assumption: *Borrowing removes poverty*

When Sen (1999) understands development as the expansion of real freedoms we can see that the project clearly provides the preconditions to obtain one of the freedoms. It must be called preconditions because the real expansion includes notions of empowerment and agency (Rowlands 1996) which will be discussed later on. Especially the opportunities to make use of economic resources are obviously provided for with a microcredit in that a limited amount of money is given to the beneficiaries although with the condition of repayment including interest rates. It provides the access to credit that Sen mentioned as being pivotal (Sen 1999:39). It does not contribute to protective security because microcredit is not included in the definition of social safety nets<sup>14</sup>, nor does it grant any of the other freedoms. Thus, the project contributes to development in providing for opportunities to make use of economic facilities.

As Sen (1999) argues, the five freedoms are interlinked and influence each other. Thus, access to educational or health facilities or the provision for social safety nets positively determine

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<sup>14</sup> The World Bank defines them as “non-contributory transfers in cash or in kind targeted at the poor and vulnerable” (World Bank 2015a)

the ability to make use of economic resources (ibid.). The implementation of microcredit providing projects thus has to consider the circumstances in this scope. As shown in chapter 2, people in Bangladesh living in multidimensional poverty are often deprived of sufficient health and education. The health care in Bangladesh does especially not serve the poor (Hadi 2004:4). In 2001, the Government of Bangladesh spent approximately 1.4 percent of the GDP on social protection. In 2013, ca. 2.2 percent have been allocated for this purpose (World Bank 2013a: 110). Bateman and Chang (2009:12) assert that in Bangladesh, many basic social welfare programmes have been replaced by microcredit. Considering 21 percent of people living in severe poverty (UNDP 2014a) and the quite low percentage of the population covered with safety nets (World Bank 2013a)<sup>15</sup>, one can conclude that a low amount of people enjoy the freedom of protective security which would contribute to the enhancement of the freedom to make use of economic facilities provided by microcredit.

The MFII project focusses on income as the main indicator for poverty reduction: “The project will alleviate poverty by integrating the poor into the economy through income generating activities that result in economic growth and create employment” (World Bank 2000:8). Employment is mostly created through the development of established microenterprises whose entrepreneurs are targeted with the component of microenterprise loans (ibid:2). The impact of the PDO which is “sustainable microfinance provided and used by target group” (ibid:31) will be measured in “poverty reduction as measured in higher GDP, lower unemployment, and better quality of life” (ibid:2). The project’s grasp of poverty reduction is not in line with Sen’s account of poverty as capability deprivation. The project focusses on increasing income as a means amongst others to achieve a valued life to alleviate poverty. It has been shown that the project’s beneficiaries could improve the income by 13 percent and they showed less food shortages than non-participants (Kumar et al. 2015:35). However, in case the target population manages to actually set up a business, a matter that will be discussed below, one has to be advised caution that an increase of income automatically leads to a better quality of life of every beneficiary. This highly depends on what other freedoms a person has (Sen 1999). If access to health or education is restricted because of merely no establishments in the region, or if a person experiences a limitation of that freedom due to restriction of access due to her belonging to a group, offering microcredit cannot contribute to more than having widened the opportunity to make use of economic

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<sup>15</sup> It is indicated that in 2005, 13 percent of the population were covered by safety nets which suggests a similar low or lower percentage in 2000 given the increasing trend (World Bank 2013:108).

facilities. Thus, according to Sen, she still experiences a deprivation of capabilities and consequently should be still regarded as living in poverty.

That being said, considering income as important part adding to a person's freedom to achieve a valued life (Sen 1999), the PAD does not note on the expected duration to reach an exit of income poverty. Islam (2011) asserts that the longer a borrower stays in a microcredit scheme the more likely is an increase in income. This is closely linked to the time needed for self-employment activities to generate higher returns (ibid:859f.). Thus, poverty alleviation with microcredit takes time. What is more, the poor as a group is not a homogenous one (Matin 2002). Matin (2002:5) highlights the mobility of the poor within this group but also sometimes temporarily outside of this group which is true for Bangladesh due to the fact that many people depend on work in agriculture which is coined by seasonality. Thus, combatting income poverty with microcredit is a highly individual process.

The project objective clearly points towards the creation of opportunities to make use of economic resources. However, the PAD acknowledges the envisaged social development outcomes. “[They] would include improved quality of life, sustainable poverty reduction, empowerment of the poor and women, equity and inclusion in society, strengthening of social capital and cohesion, and promotion of accountable and transparent institutions” (World Bank 2000:20). That being said, it shows that the social development is rather a by-product of the actual objective (see also Pantelic 2011). In sum, the project prioritizes income effects that come with giving microcredit over social and empowerment outcomes. Thus, it is claimed that the increase of the monetary means enhances other such means like quality of life and social capital. As Sen noted, the means as much as the freedoms interrelate with each other, thus, the claim can be seen as partly theoretically valid. Hadi (2004) showed that both access and the actual use of health facilities by beneficiaries of microcredit programmes in Bangladesh have been higher than for non-beneficiaries. However, the programme examined by this author explicitly included health care for the participants (ibid.), which is not the case for MFII.

In the case of education, Islam and Choe (2013) showed that microcredit in Bangladesh can even reduce the percentage of children enrolled in school and work in the microenterprises established by their family instead. That being said, Khandker and Samad (2014:36) showed that the children of participants do have a higher enrolment rate than non-participants. The



strength of Sen's approach is to acknowledge that increased income can lead to better health and education. However, the scenario can be turned around in better health and education in the first place will lead to an increased ability to earn income which is not directly provided for in the project. It has to be understood what structures perpetuate and increase poverty to understand the limits of microcredit for poverty reduction (McGregor 1989 in Weber 2014:545f.). Moreover, the structural inequalities reproduced by globalization which are an effect of e.g. privatization of essential public services and cutbacks in health or education are materialized in continued poverty in poor regions in the world (Feiner & Barker 2006, in Davutoglu 2013:44). Thus, the MFII project cannot remove income poverty and least of all multidimensional poverty of every beneficiary because of the obviously insufficient health care and educational opportunities.

The loan of IDA goes to PKSF which disburses it to its partner organizations which are NGOs or MFIs. Seemingly, the World Bank trusts the organization in appropriately targeting beneficiaries (World Bank 2000:66). Copestake (2002:744)<sup>16</sup> asserts that access to credit can be biased in that the organizations might prefer those clients who are expected to do better with the given credit i.e. the economically better-off candidates and drop those who are not successful. Through this selection inequality is created. Due to the fact that the beneficiaries of MFII are supposed to continue taking up microcredit even the project has finished (World Bank 2000), the suspicion of selection bias suggests itself towards those potentially more successful. However, the "ultra hard-core poor" i.e. the last 10 percent of the population, are not included (World Bank 2000:36). Generally, especially the extreme poor are rather invisible (Matin 2002:15). Sympathy towards certain groups is a crucial factor which is why targeting is likely in favour of those even not so bad off but experiencing a shock and fearing downward mobility (ibid). By the same token those somehow close to organization functionaries might be favoured. Matin (ibid:9) further suggests that in light of being expected to be successful with the microcredit, elderly and physically disabled did not get the chance. In excluding the poorest of the population and through the expected selection bias it can be asserted that the MFII project creates inequality in access to economic opportunities already before there was an objective chance to try it out. Nevertheless, as will be discussed below, subjective choices also play a pivotal role.

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<sup>16</sup> For this kind of selection bias see also Matin (2002:16) and Hsu (2014:254) who noticed selection bias in China.



Notably, the funds directed for microenterprises and hard-core poor were redirected into rural microfinance because PKSf was not able to manage these components (Kumar et al. 2015:18). Furthermore, the project failed to include the unserved regions in the north and southwest (ibid:47). The pre-selection through the World Bank and the assumed selection bias of PKSf make the targeting intersect with inequality and interpersonal advantage of those selected who at least get the possibility to try to use microcredit to get out of poverty. Thereby there is the possibility that only those promising were selected as borrowers that are already advantaged compared to those not selected because after all, they receive one more opportunity to get out of poverty, although this depends on the personal situation as we will see later on.

To sum up, the project sees poverty mainly as income poverty and social development rather as a by-product of income generation. It does not consider the holistic understanding of poverty being the deprivation of more than just income, thus other means to achieve a valuable life such as education and health and the capabilities to make use of the means. It can be asserted in conclusion that the assumption of the project that borrowing removes poverty is not valid throughout.

### *6.1.2 Assumption: Borrowing leads to self-employment*

The linear conclusion of converting a credit into a successful business has been heavily criticized (e.g. Weber 2014). The assumption that the borrowing leads to self-employment is prevalent in the programme with training given to only a portion of borrowers. The main causality regarding the functioning of microcredit is as follows: The beneficiary takes up a microcredit and invests that fund in an IGA for which the loan is provided for (World Bank 2000:44). “Borrowers are expected to make profits from their investments and repay loan instalments from income. Additional income is used for consumption and savings” (ibid.). As Weber (2014) already asserted for the case of MF I, also for MFII the interest rates were inflated (Kumar et al. 2015:19) which creates a burden to repay the credit.

Applying the theoretical framework to the process of engaging in self-employment opens up to see it as a highly individual one. Offering microcredit with the clear aim to establish a business can be seen to offer an option to a beneficiary (cf. Rowlands 1996). That being something the person values depends on her other options. Since she could not manage to improve her situation through other means, this could actually be something she values.

However, many poor would actually prefer wage employment over self-employment (Karnani 2007, in Hsu 2014:249). However, to make it a real opportunity in Sen's understanding, she needs to have the capabilities to pursue this option. The PAD sees two factors that potentially make self-employment a successful endeavour for the target group: the enabling environment in terms of market and the training as capability enhancement. The first factor is described as follows: "[T]he rural poor have the capacity to invest and manage micro-businesses and ... there are opportunities in the rural economy for such investments" (World Bank 2000:44). For the urban segment of the target group it is stated: "...the potential for growing out of poverty through microcredit is high in urban areas, given their closeness to large markets" (World Bank 2000:5). Thus, the external environment is given for both rural and urban poor. However, these assumptions contradict several aspects of the nature of the market in which the activities will be conducted in.

Especially in Bangladesh many microenterprises are situated in the informal sector (Bateman & Chang 2009:11; Weber 2014). "In short in the logic of microfinance the poor's one and only chance to get out of poverty is to become small entrepreneurs in informal sector" (Davutoglu 2013:43). The activities the borrowers are engaged in are mainly "[...]poultry and livestock rearing, petty trade of numerous items, weaving/handicrafts/pottery, agro-processing and rural transport (rickshaw/van)" (World Bank 2000:44). It stands to reason that most of the beneficiaries will end up running businesses in the informal market (Bateman & Chang 2009:12f.). By definition this sector does not provide for any social protection or monitoring which is why any attempt to earn income is highly precarious (cf. Sandberg 2015b:15f.). Moreover, the sector the activities are situated in has a limit of scale (Bateman & Chang 2009:7). Thus, when the MFII disburses a bunch of microcredits in the same community, the market will be quickly saturated which leads to a high turnover of microenterprises in one region. This is connected to many personal failures of investing the credit as supposed which can result in even more intense poverty than before borrowing (ibid:12). Furthermore, this over-supply resulting from hyper competition in the informal sector results in deterioration of incomes and prices (ibid:8ff.) which in turn makes it harder to repay the credit. Thus, in the PAD it is indirectly acknowledged that borrowers will end up in the informal sector (see also Weber 2014) but no counteracting measures are implemented.

The second factor, the enhancement of capabilities to pursue this functioning is, according to the PAD, only given to the rural population and to the group of microentrepreneurs<sup>17</sup>. The rural target group receives training by the POs “to sufficiently undertake microcredit activities” (World Bank 2000:66) which include “skill development and social awareness training, and access to market information” (ibid:21).

“The project will also improve the capability of beneficiaries, assist them in selecting appropriate investment, diversify their income generating activities, help them to identify social and community issues, and encourage group action, thereby improving social cohesion and unity not only among beneficiaries, but also in the community. POs will focus on balancing economic and social agenda for sustainable improvement in the quality of life of beneficiaries” (World Bank 2000:21)<sup>18</sup>.

However, the training for the beneficiaries is not comprised in a separate component of the project. Moreover, it is neither represented in the intended outcome of the project nor as an indicator. Seemingly, the kind of training depends on the available capacity of the partner organization since it does not become evident in the PAD that the organizations receive additional training on capacity building for the borrowers. It is important for the beneficiaries to get at least a basic financial education (see Hsu 2014:254). Due to the fact that training is offered only marginally to a portion of the target group the project follows the principle of microcredit minimalism (Weber 2014). One can assume that some of the beneficiaries already have the capabilities to successfully establish a business, either through experience, previous education or even talent. However, given the literacy rate of adults of 47 percent in 2001 (World Bank 2015b), the assumption that people already have the capability to set up a business cannot be valid for all of the beneficiaries.

With Bowman and Bourdieu it has become evident above that what a person values as reasonable to do or be highly depends on group affiliation and habitus. Objectively, her options might have widened with the possibility to acquire a microcredit for self-employment (cf. Rowlands 1996:89). However, there might be subjective reasons preventing her from taking up the credit at all. This has implications for interpersonal inequality and advantage. Here, Sen’s and Bourdieu’s concepts intersect. A person confronted with the choice of

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<sup>17</sup> The group of microentrepreneurs will be neglected in this discussion since this component has been dropped in the course of the project (see Kumar et al. 2015).

<sup>18</sup> It is assumed that training is provided only for the rural poor because it is only addressed in the detailed description of the credit for this group (World Bank 2000:66ff.).

participating in the project might opt not to become a beneficiary due to her group belongings. As discussed, group affiliation can be result of both a categorization by others or by the individual (Stewart et al. 2005:3). For example, one could take into consideration the norms of what is expected and what is legitimate to do due to her affiliation to the group of women. Hereby, there is the possibility that the habitus would not “allow” for her participation. On the one hand, since according to Bourdieu (1973) the habitus is framed by social practise, the outside attribution by other individuals or groups that primarily regards the expectation of what is appropriate to do for a person due to her group belonging can influence the decision to take up a microcredit. This consideration can also explain, as mentioned before, why some people prefer wage-employment over self-employment and therefore do not become beneficiaries of the project. On the other hand, self-awareness as member of a group, may it be women, the elderly or class and her personal experiences might make borrowing seem to be an unreasonable endeavour (cf. Bowman 2010:13). Furthermore, one could consider the own ill health status and conclude that it would not be reasonable to attempt to establish a business because the functioning of being healthy might be more striking at the moment. There are innumerable scenarios why a person subjectively does not value self-employment as reasonable for her in general or in this moment. This is because one assumes perhaps to not have the capabilities to do it or because the habitus of this group does not consider this option as reasonable or even valuable. What is more, due to the stated purpose of the credit being self-employment, borrowing can be regarded as a risky endeavour. It can be either a success or a failure. Moreover, this engagement requires a change in the daily lives of the borrowers. This fundamental notion of the mechanism as promoted by the MFII project makes the habitus matter to a great extent. The aspect of reasonability of the option to establish a business that is attributed from outside or the individual itself plays a major role for whether or not becoming a borrower. As showed above in chapter 4, structure and individual thus interrelate in the just mentioned points. For the present case it is important to note that there are interpersonal inequalities that are rooted in the habitus of a person that make her become a borrower or not.

According to Stewart (2002), capabilities can also be objectively restricted due to group affiliation. As noted above, Sen sees the means to achieve a valuable life interrelating, such as income, education and health. Thus, when a group is restricted access to the latter, they have less capability to enhance their income. Since the project targets the poor, inequality in access compared to the better-off makes it already hard to use the credit productively. As has become

apparent, access to the health sector in Bangladesh is rather restricted especially for the poor (Hadi 2004). Moreover, this gets over-layered by the personal characteristics of for example being healthy resulting that the need to access health facilities is less striking at the moment compared to others (cf. Sen 1999).

What is furthermore important to note are the personal heterogeneities in the conversion of income to functionings (Sen 1997). Several aspects such as physical characteristics, recent affection by natural catastrophes or the availability of public provision of education and health determine how much of the income a person actually can use to achieve the functioning she values because these aspects need compensation which creates interpersonal inequalities (ibid.). Implications from MFII can be seen prevailing on two levels. First, this combination of individual advantages and disadvantages determines how much money one needs to live a life she values (Sen 1999). Thus, if she has a disadvantage, she must create more money from her self-employment to actually achieve her imagination of a good life due to the required compensation (ibid.). Ultimately, this determines the success of getting out of poverty in general (cf. Sen 1999). The relative disadvantage to achieve a valuable life in other means might be balanced through more income but if she simply does not have access to health and education as those means, she cannot get out of poverty (ibid.). Consequently, it might be harder for some to get out of both income poverty and poverty in general. Relative disadvantage makes it also more likely to use the credit for consumption rather than production, a scenario that is not intended by the project, because the need to balance out these advantages might be more urgent than investing the funds.

In sum, the assumption that the target group can use the microcredit productively to get out of poverty is not very plausible for every individual case. Individual advantage over others as well as the habitus reflecting what is reasonable for the individual is highly diverse. Thus, simply offering the opportunity to take up a credit does not explain the real opportunities the individual has because it does not consider the individual capabilities to make the use of microcredit to get out of poverty a successful endeavour.

### *6.1.3 Assumption: Borrowing empowers*

This chapter discusses if the project theory shows any implications on empowerment in general; and if yes, how it is understood. For MFII empowerment is an integral of the social development outcome. Poor and women will be empowered through the project (World Bank

2000:20) because they can “participate more actively in the mainstream economic activities” (ibid.:2). Empowerment, next to peer pressure from the group is the crucial factor for using microcredit efficiently (ibid:66). Also, training empowers, in this project particularly to support the sustainability of vertical and horizontal expansion of credit, i.e. a higher number of borrowers and a higher amount that is borrowed (ibid:21). Previous studies show, as cited in the PAD, that empowerment is promoted through access to and availability of microcredit services (ibid:20). Moreover, the project intends to have an impact on the empowerment of women in particular. “Microcredit facilitates women's empowerment by increasing their mobility, income generation and decision making in the family and community, and improving gender relations” (ibid:20). Moreover, if women are trained they can take control over their investment and income generated from the microcredit, against the male dominance (ibid.).

Research shows that the assumption recovered in the project that microcredit empowers women per se is weak. Without a clear concept of empowerment there cannot be any impact expected (Ali & Hatta 2012:119). That is not to be found in the concept. In stating that microfinance in Bangladesh has failed to empower women Ali and Hatta (2012) imply that capacity building needs to be integral in microcredit programmes. They suggest a separate governmental provision of capacity building towards the empowerment of poor women which in turn would enhance the productivity necessary for successful investing the funds from the microcredit. Thus, MFII should have included a more holistic training approach since government empowerment facilities are not in place and microcredit per se does not empower.

The theoretical framework offers another perspective to look at the proclaimed empowerment of the project. As we have seen above, the habitus is crucial to make the personal choice of taking out a credit for self-employment. In that, a person can subjectively consider her own advantages and disadvantages in terms of what makes sense to her given her capabilities that might be restricted do to her group affiliations. To remove the inequalities, Sen (2001) sees empowerment as crucial. The project claims that the use of microcredit empowers. In the understanding of Rowlands (1996), this cannot be a valid assumption. Empowerment entails much more than simply opening up the possibility of establishing a business (ibid.). To truly empower the beneficiaries it would be needed to make them aware of the options they have from which they can ultimately choose from (ibid.:89). Also Wong (2003:316) asserts that the

microcredit schemes of the World Bank primarily focus on the power-to dimension of empowerment and disregards the interrelation between the other dimensions. Maybe the potential borrower has decided that it is just not appropriate for her to take the loan due to norms or missing capabilities. True empowerment from a feminist perspective would make her self-reflect on what restricts her capabilities, thus, it would make her realize what structures exert power-over towards her (Rowlands 1996). Thus, it would create power-from-within because she would examine her own abilities detached from negative connotations that the habitus imposes on her. It would enable her to independently reflect upon what she can do and what she values doing or being to make decisions (cf. Bowman 2010).

In accordance to Wong (2003) and Rowlands (1996) I argue that the MFII project misses the mark to empower not only women but any of the beneficiaries because empowerment is primarily seen as participation in the economy. The option of self-employment is rather just imposed on the target group without giving time to realize whether this is a good option or if there are other options much more suitable for the individual situation. Empowerment in the explicit understanding of the feminist framework is not accounted for in the project.

## 6.2 Conditional Cash Transfer Project ISPP

### 6.2.1 Assumption: *Participation reduces poverty and contributes to human development*

The understanding of the project regarding poverty is twofold. The following passage shows how the CCT is perceived to work in terms of poverty reduction:

“The ability of SSNs to reach a large number of poor populations with income support along with an emphasis on child nutrition and cognitive development outcomes promises a potentially winning formula in the fight against both current and future poverty” (World Bank 2014:4)

Furthermore,

“[t]he project is expected to have (i) a short term impact on poverty; (ii) a medium term impact on selected nutrition indicators, and (iii) a longer term impact on human capital and earnings of beneficiary children” (World Bank 2014:15)

Thus, income poverty and poverty as deprivation of other means and capabilities are thought together. In regards to Sen’s grasp of development the project offers a rather holistic take in that it expands, to a certain extent, three substantial freedoms. Economic facilities are expanded in that the project pays out an amount of cash that is primarily intended for consumption. Social opportunities are enlarged because the beneficiaries receive health



check-ups for their children and educational sessions. And lastly, the project is a protective security in itself because it is a safety net for the worse off.

The following chain of actions is derived from the PAD:

1. Beneficiary mothers receive a full transfer as incentive upon enrolment
  - i. Depending on the age of their children, the mothers will have to attend specific health check-ups against a benefit.
  - ii. all beneficiaries have to attend monthly child nutrition and development education sessions against a benefit
2. through the education the household consumption has increased and is of better quality (immediate outcome)
3. The mother's awareness and knowledge of child nutrition and growth leads to improvement of health and development of their child (medium term impact)
4. Through the enhancement of human capital of their children the earnings ability of the children is improved. (long-term outcome)

The action required, or co-responsibility, does not presuppose the existence of capabilities that leads to fulfilment of the requirement, except the willingness to participate. In receiving an amount of money the short term impact on income poverty is immediately apparent which enhances the motivations of the beneficiaries. However, the size of transfers are with 15-23 percent of the monthly average expenditure (World Bank 2014:8f.) designed so that it cannot replace any productive activities because it is not possible to live on the transfer (World Bank 2014:62).

The ISPP does not limit the freedom to achieve but enhances it in providing means in form of income and capabilities in form of better nutrition and on long term, a better earning capability of the child. Thereby, the beneficiary is rather free to fulfil any functioning she regards as valuable such as being nourished. Thereby, the interpersonal advantage of converting income into functionings plays again a crucial role. Whether or not she is of ill health, or whether or not the region has been struck by a natural catastrophe influences how much money she can spend to achieve functionings of value. "Because CCTs provide a steady income, they have helped protect poor households from the effects of unemployment, catastrophic illness, and other sudden income shocks" (World Bank 2014:62). This confirms that the cash transfer is seen as an additional income attempt to equalize whatever cannot be managed with the normal household income.



Furthermore, the restrictions of the habitus in choosing what is reasonable (Bowman 2010) are not striking. The both short and long term benefits are quite obvious and can hardly be seen as not reasonable to pursue. The mechanism promoted in the ISPP does not require a change in the daily life of the beneficiaries. Cash incentives are received when complying with co-responsibilities that do not demand a huge amount of time. Moreover, there is not much risk involved in this endeavour. This makes it hard to imagine that the habitus of a person matters much for this process. Both individual and collective histories that constitute the habitus (Bowman 2010:6) would most likely not argue against the participation in the project.

In that the concept does not stipulate any capabilities to take part in the project, the restrictions of capabilities that a person experiences due to her group affiliations are not relevant at least for the short and medium term outcome. “To help mothers who are expected to have limited educational background, these sessions will introduce a single nutrition and a child cognitive development related topic each month” (World Bank 2014:26). Thus, knowledge as a means is expanded.

In terms of economic inequality it depends what “scope” one wants to review (Sen 1999). Soares and Zepeda (2007) have shown that CCTs reduce income inequality in Latin America. Even though it is too early to make any assumptions on this impact of the ISPP, through the disbursement of cash transfers, if targeted at beneficiaries of the two lowest income quintiles as planned it will become evident that their income increased. When taking a look at other areas such as access to health, the picture points towards a negative direction in the long run. For the duration of 5 years, the implementation period of the project, young children below 60 months will have access to health check-ups through their mothers. But after that period or whenever the child reaches the age of 5, the transfer, health check-ups and the child nutrition and development education sessions will stop. Thus, for a certain amount of time, access to health is equalized, but no general improvement of the health care system of Bangladesh has been developed. One has to note that the community clinics responsible for the sessions receive a capacity building to deliver the sessions and services (World Bank 2014:9). This is important for the quality of the services connected to the project, but has not necessarily an impact on how the clinic handles its services in general. Hence, inequality in health care is removed for a certain amount of time but not on long term.

In terms of empowerment the PAD only offers two instances. The empowerment through the programme is seen in that the transfers are paid out to women (World Bank 2014:11). The reason for that is that the money will be spent for the benefit of the children (ibid.). The second passage connects the payment method to empowerment. “Bio-metric enabled electronic payments solutions will improve the financial inclusion and literacy of poor women, and thereby have a transformational impact on their empowerment” (ibid:6). Consequently, in providing a smart Postal Cash Card it is expected to enhance the women’s financial inclusion and literacy. Regarding the latter one has to exercise caution on the extent to what it can actually expand literacy without proper financial education. In consequence, the claim of empowerment through financial inclusion and literacy has to be damped. That being said, the project does not make a generalizing claim of CCTs automatically empower women.

When viewing the project through the lens of the theoretical framework it can be ascertained that it has the potential of empowering more and in different ways than it claimed in the PAD. If empowerment is the expansion of capabilities enabling for a valuable life (Sen 1999) then the project empowers the children. This is, because the project points first of all to capability enhancement of the children through a better physical and cognitive development. In doing so, they are intended to finish more years in school and have better paid jobs in the end. Hence, the capability to live a valued life is enhanced. This process though depends on the agency of the mothers. What is needed is their responsibility to act on behalf of their children’s future well-being and enrol in the programme, a decision that is incentivized by the cash transfer. Even though the women are not necessarily empowered in the feminist sense, their agency, although limited, can improve the well-being of the society as a whole (Sen 1999) which would be the case if children’s physical and cognitive development is improved.

As noted, a self-reflection on power structures that limit the subjective perception of personal ability and choice as demanded by the feminist empowerment approach (cf. Rowlands 1996) cannot be found in the project. Hence, the fact that the World Bank emphasizes power-to over power-over and power-from-within can also be found in this conception (cf. Wong 2003:316). Seemingly, the overall purpose of this project is to enhance the chances to include the children in economic activities, which highlights the power-to dimension of the project. In that the children’s interpersonal inequalities to lead a valuable life are removed to a certain extend.

How capabilities and the interpersonal difference of having capabilities available for the long term outcome of the project can be illustrated with inputs from different scholars. These are mainly concerned with the prospected impact on increased years of schooling of the children and resulting increased productivity which will lead to higher lifetime earnings through better paid jobs (World Bank 2014:66).

Hoffman (2012) discusses that the impact of CCTs in Latin America should not be overestimated due to the fact that formal employment is rare and informal employment on the fore which is as we have seen a comparable scenario for Bangladesh. Also Sandberg (2015b:15f.) acknowledged that there is a need to create employment opportunities outside of the informal labour market for CCTs to be effective. ISPP projects a better employability of the children in the future through the human development initiated by the project. However no consequences for the improvement of this domain are included in the conception. Sandberg further asserts more generally that "...any effort to break the intergenerational transmission of poverty must address the underlying structures and processes that reproduce chronic poverty and exclusion" (Sandberg 2012:1355). He points out that next to employment opportunities, also access to and the quality of education – which plays a major role for ISPP in that the children are expected to have increased years of schooling as precondition for enhanced productivity – needs to be addressed by the public space (ibid:1355f.).

The main argument of CCTs programs has been that it can break the intergenerational transmission of poverty (Sandberg 2015a, 2015b, 2012, Pantelic 2011). The ISPP claims that poverty can be reduced within one generation due to better nutrition and cognitive development of the children. However, besides the already noted problem of the expected discontinuation of health care at least for those having general limited access after the project ends, Bangladesh must also ensure to implement policies that ensures equal chances of employment in the formal sector as well as equal access to education for the project to be successful on the long run. The government must ensure the freedom of social opportunities which determine the freedom to make use of economic facilities which overall determines the substantial freedom of a person (Sen 1999). In sum, as Sandberg (2015a, 2015b) asserted for Uruguay, the ISPP in Bangladesh will only be throughout successful if employment possibilities outside the informal market are provided for. Furthermore, the underlying structures reproducing inequality and poverty need to be removed through an equal access to health facilities and education (ibid.).

## 7. Discussion

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The analysis of the MFII project and ISPP contrasted the assumptions that are underlying in the PAD to a theoretical framework that has been informed by Amartya Sen's approach to development as freedom, poverty as capability deprivation, economic inequality considering more areas than income and highlight interpersonal differences and partly his grasp on empowerment as enhancement of capabilities. Bourdieu's concept of habitus and the feminist framework of empowerment complemented the approach. The objective was to investigate how interpersonal inequality can have an influence on the mechanisms of the projects. Overall, this has asked for the consideration of inequality among individuals in making the respective mechanism work for the improvement of the personal situation. In this discussion, the analysis will be summarized in comparing the projects attempting to find an answer to the question if one of the projects promotes a more favourable mechanism than the other in terms of economic inequality.

MFII clearly advances the idea of income poverty as most striking deprivation a person can experience. More so, social development is rather seen as a by-product of the supposed chain that entails borrowing which leads to self-employment which ultimately leads to poverty alleviation. The very first intention of income creation is to be able to repay the credit and any surplus can be used for consumption that can be used for health care or education. Hence, the enhancement of other freedoms can be pursued but is not directly included in the chain. This stands in contrast to ISPP. Income poverty is still important to be reduced which is intended to be achieved through the cash transfer as short term poverty reduction and with the prospect that the children can increase their income in the far future. However, in this approach, the freedom that comes with social opportunities is highlighted as well. In that, health care for the children is given to additional knowledge sharing with their mothers to improve their children's nutrition status and cognitive development. Hence, their prospective chances to live outside income poverty are believed to be enhanced but also, the evolution of health in a human development context is based in the promoted efforts in early childhood which can enable ensuring a better health status throughout the life. The ISPP showed that development in practise can be seen as the promoted interlinkage of freedoms albeit the extent of sustainable health development has still to be proven long after the project's end (cf. Sandberg

2015a). The conception of the MFII in contrast offers no direct link to more freedoms apart from economic opportunities.

Both projects offer money to the beneficiaries. However, the enjoined conditions are different. Microcredits need to be paid back whereas the CCT is non-contributory. This presupposes a different mind-set in terms of failure of compliance with the instrument logic for the beneficiaries. If a microcredit borrower cannot establish a microbusiness that yields enough profit to repay the loan, she might have to engage in multiple loans which create the risk of ending up in more severe poverty than before the loan has been taken out (Bateman & Chang 2009). To be successful using the instrument, both projects imply an activity from the beneficiaries. That being said, the establishment of a business is linked to much more external conditions and risks than to comply with the co-responsibility to attend health check-ups and educational sessions. Both offer opportunities to achieve more well-being but ISPP offers a rather “real” opportunity for a greater amount of people since taking part in the programme demands less capabilities in the first place. On the contrary, to be successful with a microcredit the capabilities to establish a business are needed. The project provides training to balance out this deprivation although not to every beneficiary and seemingly in a quite restricted mode. Moreover, more capabilities are needed than financial knowledge or skills to be engaged in a profit-creating activity. For example, a person might miss the capabilities to achieve to be healthy because she does not have sufficient access to health care, or she might be illiterate due to a deprivation in the means of being more educated in a restricted access to the education system. Those capabilities might be restricted due to her group affiliations. Many factors can play a role in the achievement of a functional business which are coined very individually. This shows that not everyone has an equal chance to make use of microcredit to achieve the alleviation of poverty. There are innumerable interlinkages with other means to achieve a valuable life which results in high interpersonal inequalities in the abilities to make the instrument work individually. The instrument microcredit as promoted by MFII mostly ignores those interlinkages – except perhaps the training component – which indeed are crucial for the fulfilment of its claim to alleviate poverty. Providing financial means in form of credit is not enough to initiate self-employment for everyone.

The conception of ISPP does not consider those inequalities on the part of the mothers. But on the contrary to MFII they do not play a crucial role because the beneficiary can make the instrument work for her and her children with not much effort at least on the short term. Thus,

interpersonal inequalities do not affect the mechanism of the instrument as consisting of cash transfer and compliance to the co-responsibility as they do for the MFII project. On long term however, as regards the ability of their children to get out of poverty, interpersonal inequalities matter inasmuch as they determine their means to reach a life they value. The CCT has then already attempted to set a basis for individual health and education. However, supply-side factors in health, education and employment play a pivotal role (Sandberg 2015a)

The habitus of a person becomes more important for the beneficiaries of the MFII than for those of ISPP. This is because it determines what seems reasonable to achieve for a person (Bowman 2010). A person that is offered a microcredit might perceive her abilities restricted and does not see it as a real opportunity for her, thus her choice is limited. Even though she might have the capability to make the mechanism work for her she might decide not to. Thus, interpersonal inequality is created. To take on the choice to participate in the ISPP is less linked to such obstacles due to the fact that not as much capabilities are needed. Therefore it might be rather seen as a reasonable endeavour. Hence, the habitus of a participant of the ISPP matters less because the supposed action is less risky and demands a rather minor change in the daily life of a person compared to the situation a borrower of the MSII project has to face. According to that, inequalities understood as reasonability to be participant in the project are not relevant for the ISPP.

Furthermore, MFII claims that the microcredit is empowering whereas ISPP does not allege that for the CCT. From a feminist framework, both projects highlight the power-to dimension and prefer it over power-from-within and power-over (cf. Wong 2003). On this note, neither of the projects can be regarded as strictly empowering instrument although as it has been shown that the children are indirectly empowered to a certain extent through ISPP and the human capital investments.

To sum up the differences of the instruments and to answer to question if one of the projects promotes a rather favourable mechanism in terms of interpersonal inequality it can be ascertained that inequality plays a pivotal role for both instruments. Yet, the deciding moment is not at the same time in the progress of the project. Whereas inequalities matter already in the beginning of the MFII project they become relevant in a much later point of time for the ISPP. To reduce poverty with the microcredit is generally harder for a member of the target group due to the heterogeneous composition of capabilities and means to invest the money in

an income-generating activity. Reducing poverty with the ISPP is more promising on the short term especially by means of the transfer which is intended to ease and improve consumption. Less conditionalities can hinder to achieve that except the non-compliance to the co-responsibility. Hence, interpersonal inequality is less crucial for ISPP than for MFII on the short term. On the long term, inequalities matter also for the CCT due to the interrelations of means and freedoms of the children to achieve a valuable life. However, if the project turns out to be successful in increasing the human capital of the children they do have a better basis to achieve a valuable life.

Both cases show that there is tremendous need to improve public health care system, the education system and employment opportunities outside the informal sector as examples what enables people to lead a life they value because it ensures the freedoms to do so. Sandberg (2015a) asserts that for Uruguay in context of evaluating a CCT programme. This thesis extends this demand to Bangladesh and to the effectiveness of both projects. It has been highlighted by several authors that structural inequality is a reason for poverty but neglected by microfinance (Davutoglu 2013:44; Feiner and Barker in *ibid.*) and that one needs to consider those to explain the limitations of microcredit (McGregor 1989 in Weber 2014:545f.). Whereas those are crucial already in the moment of the uptake of the credit, for ISPP they become decisive especially later on when the benefitted children are supposed to enrol in schools and take up work (cf. Sandberg 2015b). Sandberg furthermore asks whether a CCT crowds out other social and labour market policies. Whereas he states that this needs more research (*ibid.*:15), Sen (1999:46) suggests that the public provision of education and health facilities is indeed manageable due to the low labour cost in developing countries. Also Bateman and Chang (2009:24) claim that through the far-reaching expansion of microcredit other rather progressive policies are ousted from the policy agenda.

Only through more provision of affordable health care and education and additionally through removing the inequality of accessing the services, both projects would have a higher chance to achieve the intended poverty alleviation. Whereas interpersonal inequality plays a crucial role to make the project's mechanisms work for the individual in the MFII project at a very early stage the importance of this influence is shifted to a later point for the ISPP. This is especially important in a highly unequal country like Bangladesh where a big part of the potential human development is lost due to inequality in life expectancy, education and income.



As the focal point of development efforts of the World Bank is the power-to dimension due to its project rather than process logic it emphasises the rather short term orientation (Wong 2013). Moreover, as Sandberg (2015a:5f.) asserts, social policy-making has shifted towards an evidence-based approach. Both projects are designed in that one quickly can get evidence especially from the income poverty domain. Human development whether or not a part of the narrow logic of the project needs time to become evident. However, in that ISPP even includes the human development space makes it not only almost independent from inequalities in the take-up phase, it does have a potential in Sen's understanding to alleviate poverty of the children, because it needs more than income to get lifted out of poverty. However, I do not want to deny that for some, microcredit might be the best option to get out of poverty in a sustainable way. Bateman and Chang (2009:1) also see the mechanisms of microcredit work for some lucky few. However, the comparative analysis has shown that a project designed like the MFII has less chances than a project like ISPP to improve the poverty status of a person due to the fact that internalized and external interpersonal inequalities play a pivotal role very early in the chain of mechanisms.



## 8. Concluding Remarks

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The present study contributed to research and discussion of inequality and poverty reduction through the comparison of a microcredit project and a CCT project. It has been shed light on why people participate in these projects and how interpersonal inequalities matter for that. Habitus has been used as a core concept explaining why ISPP advances a rather equality-promoting instrument since inequality does not matter greatly for its mechanisms. The examined cases can be categorized into microcredit and CCTs with the co-responsibility for health check-ups for children. Although the discussion and analysis was centred on the specifications of both projects they still can be treated as a representative of the respective category. In doing so, what conclusions can be drawn for each as a poverty reduction instrument? In the introduction the question was posed whether CCTs can be an alternative to microcredits. In a highly unequal country such as Bangladesh where people suffer from an unequal distribution in income, education and health, CCTs can be a better measure since inequalities do not have a huge influence in the mechanism of the instrument to achieve an improvement in the income and, if implemented well, on the health status of the children of the beneficiaries. On the other hand, inequality influences many factors of microcredit to be successful. Development programmes of the comparably huge size as the two that have been examined intend to reach a great number of beneficiaries. In doing so, it is hard to consider all interpersonal inequalities that prevail among the target group. In conclusion, as has been shown, CCTs can be truly beneficial for a heterogeneous group of people which is why they can be better delivered to the target population through big projects. The conception of microcredit would benefit more from a smaller scale with a clear conception of empowerment including all power dimensions to enable the beneficiaries to become aware of what they are capable to do (cf. Rowlands).

It has been asserted that the provision of equal access to education and health services as well as the expansion of the formal sector would be beneficial for both projects. Besides the political willingness often also means are missing to ensure this provision. To turn to the global stage once more, there are suggestions how to balance global inequalities. Stephan Lessenich (2015) argues that the “global north” could only reach such a successful development due to social and ecological exploitation of the south that created tremendous inequalities. As he argues, there is room for the idea of prompting a monetary redistribution

between north and south. This is arguably not development aid in the traditional sense but rather a needed historical equalisation payment (ibid.). Even though such a transfer is hardly imaginable to happen it would enhance the situation in many developing countries. Bangladesh would be entitled for such a payment due to the garment production for western firms and its infamous exploitation of the workers. These resources could be used to promote the alleviation of multidimensional poverty and to ensure that everyone has equal possibilities to ensure her substantial freedoms.

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