Global mobility of microfinance policies

Beatriz Oikawa Cordeiro

Universidade Federal do Rio de Janeiro (UFRJ), Instituto de Pesquisa e Planejamento Urbano e Residencial - IPPUR/UFRJ, Rio de Janeiro, Brazil

ABSTRACT
Throughout the 1970s in South Asia and Latin America, there was a surge of experiences of offering small loans through innovative practices. Following these successes, the dissemination of microfinance institutions is seen all over the globe. Brazil stands out for being a pioneer in this field, having developed a microcredit program even before Grameen Bank, from Bangladesh, the main institution responsible for the spread of microfinance worldwide. This paper aims to understand the social practices, power relations and institutional infrastructure surrounding microfinance, taking the Global South as a starting point and focusing on Brazil. In so doing, it looks at the policy mobility of microfinance, shining light on how policy diffusion and transfer are entangled in the practices and processes of different institutions, actors and networks. It identifies two approaches within the formulation and practice of microfinance historically. Four illustrative cases are discussed in order to present the mobility of microfinance policies in Brazil drawing from the international scenario. The paper's point of departure for the analysis of the mobility of microfinance is that policy trajectories are fraught with ambivalence and contradiction. They are part of a complex universe permeated by hybridism over time and space.

KEYWORDS
Policy mobility; policy diffusion; microfinance; Brazil; Global South

Introduction

Throughout the 1970s in South Asia and Latin America, there was a surge of experiences of offering small loans through innovative practices. The South Asia experience, led by Bangladesh, becomes emblematic for what is considered the ‘new wave’ of microfinance. In Latin America, Brazil stands out as the pioneer in the sector, having started its microcredit activities even before Bangladesh. Therefore, the first wave of diffusion of microcredit has poles in two different continents. Bangladesh is the most known and influential of the two. Mostly led by non-state actors, the diffusion of microfinance starts with what's considered the ‘social rights’ approach. Following these successes, the dissemination of microfinance institutions is seen all over the globe (Lima, 2009). Distinct waves of dissemination of microfinance, especially since the late 1980s, have gained ground in social development and poverty reduction policies worldwide. Since then, led by organizations such as the World Bank (WB), United States Agency for International Development...
(USAID) and later the United Nations (UN), the ‘market efficiency’ approach becomes mainstream in the microfinance sector. This diffusion also began to gain momentum in the financial sector at the turn of the 21st century.

In this ‘new wave’, two different understandings regarding the methodology and practice stand out. On the one hand, there is the defense of the access to credit as a right, aiming to ‘put poverty in museums’ (Yunus, 2006). On the other hand, there is the argument that microfinance, also with the ultimate objective of fighting poverty, should be considered within the business world, and should be understood as a market opportunity within the capitalist system (Drake & Rhyne, 2002; Robinson, 2001).

Currently, microfinance is disseminated globally within what has been termed as financial inclusion policies. In 2015, during the WB and International Monetary Fund (IMF) meeting, the Universal Financial Access by 2020 initiative (UFA2020) was launched. Seeking to promote global financial inclusion through different mechanisms, programs and partnerships, UFA 2020 focuses on countries where the most financially excluded populations live (UFA2020, 2018), such as Brazil. Of significance is the partnership with credit card networks (Visa and MasterCard), telecommunications companies, private banks and microfinance institutions.

Looking at the policy mobility of microfinance implies understanding such policies as not simply invented in a place (the nation) and later adopted in others. Rather, it is necessary to look at microfinance policies as part of a multipolar regime in continuous transformation, as well as to understand the global mobility of microfinance as a whole.

As an old practice, policy diffusion has more recently been understood as largely benefitted by globalization and the development of communication technologies, making it possible to argue ‘that globalization and policy diffusion are phenomena that tend to reinforce each other’ (Oliveira & Faria, 2017, p. 13). Understanding processes of policy transfer and diffusion also means understanding the mechanism through which legitimacy is built. As for Howlett (2000), understanding instrument choice requires ‘understanding the “dialectic of legitimacy” or the manner in which not only state actors but also societal ones must inspire trust and loyalty if policy-making processes and outcomes are to remain effective’ (p. 425). Recognizing the spaces of interaction where actors debate and dispute over perspectives and interests is key to understanding the outcomes of the production and the mobility of policies.

Distinct research traditions and approaches define the concepts of transfer, diffusion and circulation differently. Porto de Oliveira and Faria (2017), considering the scale of policy displacement, acknowledge that policy transfer “deals with rather restricted processes involving a few political units and their interactions”; policy diffusion considers a broader process ‘that encompasses several states, eventually from distinct continents’; and policy circulation ‘frames rather diffuse and multidirectional processes’ (p.16). From the perspective of critical geography and urban studies, Peck and Theodore (2015) argue that policies belong to a politicized, specialized and dynamic field, through which transformations take place within the scope of the state and society. The critical analysis of policy mobility presents a great methodological challenge, since it implies tracing processes that are fluid and move with uncertainty, being defined not only in specific places, but through networks and time.

International organizations (IO), government agencies and international non-governmental organizations (NGOs), like the WB, the Inter-American Development
Bank (IDB), USAID, Acción International, Oxfam and Kiva, among others, have been insisting on the need to expand credit supply under the banner of financial inclusion, framed as a necessary mechanism to fight poverty in the Global South. The current phase of microfinance includes the active participation of actors such as consulting networks, international NGOs, IO, philanthropic foundations and specialized private agencies.

The loci of policy making have become more mobile. IO and also deterritorialized spaces such as international summits and meetings play important role in the production, legitimation and diffusion of policies. As stated by Oliveira and Faria (2017), ‘transnational spaces where policymakers interact have constituted a locus of production, circulation and legitimation of ideas, models and instruments for public action’ (p.15).

This paper draws on semi-structured interviews held between February 2017 and March 2018 with members of the National Bank for Economic and Social Development (BNDES), the IDB, the Brazilian Development Association (ABDE), the Bank of the Northeast of Brazil (BNB), and the NGO VivaRio. For the privacy of the interlocutors, their identities aren’t revealed. With many years of experience in these institutions, however, the interlocutors expressed their own opinions, which should not be attributed to those of the institutions, its executives or its management. The author takes full responsibility on the ideas expressed in this paper. Alongside the interviews, a vast analysis of legislation, institutional documents, literature reviews, electronic sources and databases as well as federal reports was carried out.

This paper is divided into five sections, asides from the introduction and conclusion. The first three sections focus on the international scenario and main approaches to microfinance worldwide, starting in the 1970’s. Asides from presenting the main changes in the sector chronologically, these sections aim to shine light on the dual function of some IO and government agencies. Independently of their approach to microfinance – they serve simultaneously as generators (while also disputing) of the sector’s ‘best practices’, and as intermediary actors in the diffusion and circulation of microfinance policies.

The final two sections focus on microfinance policy mobility in Brazil. Asides from the chronological framework, four case studies are discussed: Programa UNO, the first Brazilian experience of microcredit; Credamigo, currently the largest productive microcredit program in South America; VivaCred, the first microcredit institution in the state of Rio de Janeiro; and Fundo UPP Empreendedor, whose name refers to the project of the Pacifying Police Unit (UPP) from the Security Secretariat of the State of Rio de Janeiro. These experiences illustrate the local dynamics and the influence of IOs, state agencies, the role of the state and international NGOs in Brazil.

**International scene**

The first examples of what is now called microcredit and, more broadly, microfinance, goes back to the 15th century. In that period, charity funds in England provided loans with low interest rate to specific groups of entrepreneurs (mainly traders), mostly young men (Hollis & Sweetman, 1999; Lima, 2009; Silva & De, 2007). Most of these funds were administered by municipal councils or commercial organizations and operated at zero interest, being completely philanthropic and urban. With the development of the
banking system, these initiatives lost strength. The 18th century marked the creation of the Irish Loan Fund System, a system of funds for small Irish farmers who did not have real guarantees to participate in the conventional credit system. In the 19th century, credit cooperatives in Germany (Raiffeisen cooperatives) emerged and inspired other similar initiatives throughout Europe (Lima, 2009).

However, it is in the recent period, especially from the last quarter of the 20th century on, that microcredit is being considered a worldwide phenomenon, being treated as a ‘panacea’ (Robinson, 2001) to address the issue of poverty worldwide. Since then, many different actors are identified, interacting in different arenas. From philanthropic foundations and multilateral agencies, to international consultants and think tanks, the global mobility of microfinance is permeated by distinct actors and interests. The famous case of the Grameen Bank, formalized in 1983 in Bangladesh, played a major role in this current ‘new wave’ of development oriented microfinance, that started in the 1970s.

Thus, analyzing microfinance as oriented towards development, as to its objectives, premises, modes of operation and impacts, two different approaches and waves of diffusion can be observed (further on described).

Microcredit in the global south and the social rights approach: Grameen Bank and the microfinance sector in Bangladesh

The Grameen Bank started from the work of the professor and economist Muhammad Yunus, who began lending small amounts of money to residents of a poor village near his university in 1974. In 1976 Grameen became a regularized credit operator and in 1983 a bank regulated by the monetary authority of Bangladesh (Lima, 2009). Since its inception, the institution has received technical and financial support from different international institutions and investment funds, mostly located in the Global North. However, from 1995 on, the Grameen Bank stopped receiving external donations and funds, considering itself from then on to be self-sustainable. Outstanding characteristic of the methodology developed by the Grameen Bank and incorporated by most of the institutions that follow the ‘social rights’ approach, is that the credit is not based on monetary or physical collateral, but rather in ‘trust’ and social capital, the loans being given for groups, not individuals.

It is argued that the financial revolution stemming from the work of Professor Yunus consists of giving credit to work, when, in fact, credit has always been given to capital. Ideally, microcredit doesn’t offer direct credit to the consumer, but rather to production, focusing on investments in tools and raw materials. Initially, microcredit didn’t target women, but early in its trajectory, considering the international context where women’s empowerment was gaining ground in development policies, especially those developed by the Global North and applied in the Global South, Grameen’s action quickly turned to the issue of gender (Karim, 2008).

Another key player in this scene is Fazle Hasan Abed, founder of the largest development-focused NGO in the world, the Building Resources Across Communities (BRAC), also based in Bangladesh. BRAC began to operate microcredit in 1974, also acting in different areas (such as financial inclusion, education, health, sanitation, women’s empowerment, etc.). Throughout its history, it counts with the financial
support of several institutions and even governments of countries from the Global North. Another NGO stands out in Bangladesh. The Association for Social Advancement (ASA), founded in 1978. Since the 1990s, following an earlier movement of self-critique, it transformed its objectives and turned its focus to microfinance, being today a big entity in this field.

The performance of these three large entities (or development institutions, as in Roy, 2010), Grameen, BRAC, and ASA, all founded in the 1970s, stands out for the scale they have achieved over the years. Starting in the Global South and reaching millions of poor families while taking a leading role in formulating development strategies and policies, these three entities marked the first wave of diffusion of microfinance starting in mid-1970s, setting the ground for the policy ecosystem that would shape this approach to microfinance. Having started their work in Bangladesh, they achieved a global scale, with emphasis on South Asia and Africa. More than that, they participate in the scenario of consolidation of global development policies, especially in microfinance related to financial inclusion. The models practiced in Bangladesh are usually associated with the approach of ‘credit as a social right’ and Bangladesh is considered a circuit of dissemination of microfinance globally (Roy, 2010).

**Microfinance from the Global North to the Global South: the market efficiency approach**

Another approach understands microfinance mainly as a market tool. Here microfinance is considered following a strong belief in the market efficiency, understanding poverty as a business that, like any other, should be profitable. It is emphasized by actors such as Bill Gates and Pierre Omidyar, microfinance enthusiasts and global financiers through their foundations. This approach gains momentum towards the late 1980’s and 1990’s, becoming today considered ‘mainstream’ microcredit.

Technology and innovation stand out in this approach, as well as the search for hegemony in the dissemination of what is considered the ‘best practices’ within the field. Digital financial services gain more and more space within this approach. The solution via digital technologies such as cell phones, mainly for rural communities, has been increasingly advocated. In this perspective, the Microcredit Summit Campaign (MSC) stands out. MSC is a non-profit organization whose objective is to bring together diverse players within the microfinance sector worldwide, aiming to promote best practices and stimulate knowledge exchange. As a good example of a deterritorialized space of interaction, this summit brings together distinct actors from the Global South and Global North almost every year (with some exceptions) since 1997 in different locations.

The main disseminator of this approach is the Consultative Group to Assist the Poor (CGAP), founded in 1995 and headquartered at the WB. CGAP is a consortium of donors and microcredit practitioners designed to promote microcredit globally in terms of its ‘best practices’, being considered a think tank on poverty and financial inclusion from the WB (Roy, 2012, p. 31). Its goal is to solidify microfinance globally and in an integrated way to financial markets, influencing ideas as well as policy decisions globally. As member organizations of CGAP are the Bill and Melinda Gates Foundation, the Omydian Network, Citi Foundation, Ford Foundation, the UNCDF,
UNDP, IDB, USAID, the European Commission, among the 38 members (CGAP, 2018). As the headquarter of many of this IO, state agencies and non-state actors, Washington D. C. is identified as the main circuit of dissemination of this approach.

It is also worth noting the role played by the Boulder Institute of Microfinance, originally founded in the United States and today based in Italy. Launched by CGAP, it is aimed at training ‘microfinance leaders’, disseminating CGAP’s vision of best practices and benchmarks (Roy, 2010, 2012). In addition, CGAP is highlighted by Roy (2010) as an important actor within what she calls the ‘Washington Consensus on Poverty’. The WB and its agencies, texts, reports, trainings and policies, act directly to produce knowledge about issues around poverty and have being acting in the translation and dissemination of microfinance programs and policies worldwide.

USAID was one of the first agencies to enter the field of microfinance, popularizing globally what they considered as the ‘best practices’ of this ‘new wave’ (starting in the 1970s) of microfinance. Other institutions, such as international NGOs, also based in the USA, quickly focused their approaches on microfinance when it comes to poverty reduction.

By the end of the 1980s, the WB entered the microfinance scenario globally, working mainly with technical and financial support for new microcredit projects worldwide. The first time the WB used microcredit in its portfolio of structural adjustment policies was in Bolivia in 1986.

The UN also joins this new phase by offering microfinance funds through some of its agencies (such as the United Nations Development Program – UNDP and the United Nations Development Fund for Capital – UNDFC). Subsequently, in November 2004, the UN General Assembly declared 2005 as the ‘International Year of Microcredit’, seeking to promote financial inclusion and entrepreneurship through microcredit, particularly by linking microcredit to the quest for women empowerment and thereby link it to the Millennium Development Goals (MDGs). In 2006, following the growing popularity of microfinance, Muhammed Yunus and the Grameen Bank won the Nobel Peace Prize, being popularly recognized as ‘the banker of the poor’.

Starting in the 2000s, the microfinance sector opened up for financial investors. ‘In July 2006, the first microfinance loan portfolio was securitized, allowing Citigroup to buy one-third of a $ 180 million BRAC loan portfolio.’ (Mader, 2015, p. 66). Another well-known case occurred in Mexico, after the IPO of the largest microfinance bank in Latin America, the Compartamos Bank. In 2007, Compartamos opened its capital by putting 30% of its shares in the Mexican stock market, raising $ 473.9 million, becoming a milestone in the history of microfinance.

The Compartamos Bank is often used as an example of success, an organization that begins its activity as an NGO, within the premises of credit as a social right, constituting its fund from donations from international institutions and, throughout its history, builds its path in search of autonomy and sustainability. It is understood as one of the most efficient microfinance organizations in the world. However, it’s worth noticing that its IPO allowed its major shareholders (Acción International; IFC, one of the five institutions that make up the World Bank Group, and the managers and directors of Compartamos Bank) to regain about 12 times the book value of their shares (Mader, 2015). Sinclair (2012) points out that as the main investor of Banco Compartamos, Acción ‘saw an investment of one million dollars grow to 270 million’ (p.75). This author also points out that of this investment of
1 million, about 800 thousand was a USAID donation to Action. As a result, Acción participated mainly as an intermediary of this amount, but guaranteed its participation in the profits.

Still during the 2000s, Roy (2010) calls attention to the microfinance sector in the context of the Middle East, with emphasis on Afghanistan and Iraq after the 9/11 attacks. It is there that the ‘war on terrorism’, according to this author, seems to find a great ally, the ‘war on poverty’. Considering the region also as a circuit of dissemination of microfinance, Roy demonstrates how, since the war in Afghanistan, declared in 2001, the US media is beginning to publicize microfinance as not only a good development policy, but also a security policy.

In 2002, the United States Department of State launched the Middle East Partnership Initiative (MEPI), aimed on promoting economic and educational reforms on the region, under the objective of empowering the people of the Middle East and North Africa regions, under the pretenses of providing stability and prosperity. Writing about MEPI, Roy (2010) points out: ‘With its twin goals of economic and democratic reform, MEPI is one example of a “kinder and gentler” imperialism that seeks to use instruments such as microfinance.’ (p.145).

The 2000s are also marked by a succession of crises that begin to happen in the microfinance sector in various countries. Bolivia in 2001, Morocco in late 2007, the Lahore region in Pakistan and Nicaragua in 2008, Bosnia in 2009 and the region of Andhra Pradesh, in India, in 2010. Each of these cases present different geographic and historical contexts, however, it is possible to identify some factors common to all. Worth noting is the accelerated increase in the number of loans by institutions that have overstretched their operational capacities; the reduction of risk aversion on behalf of institutions that begin to act more aggressively; and clients receiving multiple loans (from different institutions working in the same region). In addition, there is a growing competition not only between MFIs but also with alternative sources of credit, such as government programs and commercial banks.

**Microfinance in Brazil**

Brazil has a trajectory that stands out in the microfinance world. The policy ecosystem, differing from other countries in the Global South, is distinct due to the fact that the state plays a major role, either through subsidy policies to the sector or through the control of interest rates, and more broadly, by strategically leading the sector. However, that wasn’t always the case.

Starting in the 1970s, Latin America, and Brazil in particular, started its first projects to fight poverty through microfinance (Lima, 2009). Since then, some authors (Feil & Slivnik, 2019; Lima, 2009; Marques, 2009) point to changes in the general characteristics of these projects. Initially, there was a greater presence of IO and NGOs, such as the WB, IDB and Acción International, acting either through funding or technical support. This presence, however, declined drastically over the years, with the growth of the state’s presence in the sector, mainly after the Worker’s Party (PT) government (starting in 2003).

Throughout the 2000s, in a context of growth of formal employment and income, due mainly to the valorization of the minimum wage and implementation of minimum income federal programs, the use of the banking system was intensified in Brazil. The
government encouraged the agents that comprise the ‘National Financial System to create new products, such as bank accounts, credit lines and credit modalities, specifically targeted to the low-income segments of society.’ (Muller, 2017, p. 90). Added to this is the stimulus for the development of microcredit oriented to income-generating activities, based on new legislation and resource allocation (Ibid).

Luiz Inácio Lula da Silva’s (Lula) administration (from 2003 to 2010), is marked by the increased protagonism of the federal government through legal frameworks that encouraged the expansion of microcredit supply by commercial banks. Feil and Slivnik (2019) point out that what is known as the microcredit sector in Brazil is currently mainly a product of what was developed from 2003 on.

Due to the importance attributed to state intervention in the Brazilian microfinance sector, Feil and Slivnik (2019) report that Brazil receives much less attention or publicity from mainstream microfinance (CGAP and USAID, for example). This is because the greater presence of the state, either through subsidy policies to the sector or through the control of interest rates, are not compatible with the neoliberal methodologies of the best practices disseminated by these institutions. Thus, these authors point out that in choosing to follow their own neoliberal recipe within financial inclusion policies, the Brazilian experience has been largely ignored internationally.

In spite of the pioneering Brazilian microcredit initiative in the 1970s, through the Programa UNO (described in more detail below), policy instruments especially aimed at promoting microcredit activity were structured by the federal government only in 1996. As a major player within the sector, BNDES created the Popular Productive Credit Program (PCPP), ‘with the objective of fomenting a microfinance industry in Brazil, offering funding for microfinance agents’ (BNDES, 2018). From then on, BNDES has targeted microcredit through different programs.

Marques (2009) highlights the role of the BNDES and the Central Bank of Brazil (BCB), working on the institutional strengthening of microfinance in the country since the 1990s. BNDES, in a partnership with the IDB, played an important role in the consolidation of the infrastructure of the sector, promoting trainings and supporting financially many microfinance institutions. The BCB focused on the regulatory framework needed to better ‘harmonize the legislation that structures our financial system’ (p. 30). It is also worth noting the role of the Brazilian Micro and Small Business Support Service (SEBRAE), which ‘encourages the institutional development of the sector and fosters partnerships that complement and multiply the resources available to Brazilian microfinance institutions’ (p. 31).

In 1999, the ‘Third Sector Law’ (Law 9,790/99) included microcredit as one of the objectives of the Civil Society Organization of Public Interest (OSCIP). As a type of non-profit entity, OSCIPs were not subjected to the Law of Usury (that limited interest at 12% per year for nonprofit organizations).

In 2001, the National Monetary Council creates the Credit Society to the Microentrepreneur (SCM), regulating the participation of private enterprise in the microfinance industry (Resolution 2,874/2001). OSCIPs are now authorized to control SCMs. Marques (2009) sees this authorization as a way for the OSCIPs to offset their non-profit activities with the SCM’s profits. According to the same author, this decision is inspired by the Bolivian experience of Banco Sol (private commercial bank specialized in microcredit for formal and informal entrepreneurs). As a result, microfinance
institutions able to obtain OSCIP status were able to receive public funds to finance microcredit activities, an important factor for the development of the sector.

In 2002, due to the growth in the number of non-profit organizations and other entities working with microcredit, and mainly due to the demand for a public policy to support the popular economy, the Brazilian Association of Managers and Operators of Microcredit, Popular Solidary Credit and Similar Entities (ABCRED) was founded. Since then, it became an important player within the sector, standing out in the consolidation of the norms and laws for the sector.

Marques (2009) affirms that there is a ‘complex weaving of the microfinance fabric in Brazil, in which market and social policies, public power, private initiative and civil society intersect’ (p.11). He also notes that there was an (initial) period of experimentation, where the work of IO and specialized NGOs was fundamental, having been carried out in partnership with civil society associations or with local public authorities (p.26).

Two legal milestones shape the sector in Brazil until today. First, the Law 10.735/2003, according to which all financial institutions (commercial banks, multiple banks with commercial portfolios and the Caixa Econômica Federal – the Federal Economic Bank) are required to allocate 2% of their direct deposits to microcredit. These are called the Inter-finance Deposits of Microcredit (DIM). Its objective is to stimulate the performance of the private financial sector in the microfinance sector. Second is the creation of the National Program of Productive Oriented Microcredit (PNMPO), by the federal government, institutionalized by the Law 11.110/2005, which expands the resources directed to the microcredit sector and formats its operations, limiting, for example, the interest rate at 2% per month.

Campregher, Jatobá and Baldasso (2016), analyzing the most recent national scenario, argue that the microcredit sector numbers in Brazil are still very limited. They highlight the advances in the legal framework as well as in institutional development, but understand that commercial banks haven’t made much progress due to high operating costs, preference for real guarantees, high risk perception, among other factors.

Notwithstanding, Brazil had a pioneering role in the creation of the ‘new wave’ of microcredit as well as in regulating its sector much sooner than most countries of the Global South.

**Brazil – illustrative cases**

To complement the systematization of the theoretical discussion about microfinance at the international level as well as the national level, four illustrative cases in Brazil were selected. These cases are used here to illustrate the predominant trajectory of microfinance initiatives in Brazil. In addition, it is important to highlight the multiplicity and specificity of each case, reaffirming the certainty that the classification of the ‘different approaches’ to microfinance is carried out only for a better systematization and understanding. In practice, these different approaches coexist, being possible to highlight predominant characteristics of each, but for the most part, not exclusive. As shown below, there are multilateral agencies, institutions that compete for the production of ‘poverty capital’, actors linked to the state, as well as NGOs, whose principles and practices are much more related to the approach of credit as a social right, despite
working in partnership with an IO, which operates in line with the market efficiency approach. As expected, it is a complex universe.

**Programa UNO**

The *União Nordestina de Assistência a Pequenas Organizações* (UNO), stands out for being the pioneer microfinance program in Brazil, beginning its activities in 1973, even before the beginning of the work of Professor Muhammad Yunus in Bangladesh. In addition to the Programa UNO (microcredit), the non-profit association also worked with vocational training. The main objective of the program was to offer a small credit line for informal businesses, initially around the city of Recife. According to Feil and Slivnik (2019), it was a very advanced idea for that period.

As an initiative promoted by Acción International, at the time called AITEC, and in partnership with businessmen and state banks (from Pernambuco and Bahia), it started its activities in Recife and later also expanded to the interior of Bahia, being a non-profit civil association. The program’s pioneering spirit had an impact on its visibility in Latin America, leading the production of knowledge in the field, inspiring experiences and transferring knowledge to neighboring countries such as Peru and Bolivia.

UNO is also recognized for having formed credit agents specialized in the informal market, something that didn’t exist until then. Subsequently, these agents acted in other experiences, disseminating the experience acquired in at UNO. In addition, the program received investments from the WB, it gained attention from the Brazilian federal government under the military regime, integrating the Polonordeste Project (the Program for the Development of Integrated Areas of the Northeast of Brazil), at a time when microcredit was not yet widely disseminated (Marques, 2009).

The pioneering of the program led Acción International to point out that it was through this initiative that the term ‘micro-enterprise’ was coined and that the practice of offering small loans began. In their analysis, these were the first loans that launched the field of microcredit. This program existed for eighteen years, however, for Barone et al. (2002), the absence of sustainability as a pillar for the program, lead to its closure in 1991. The authors highlight the operationalization with inappropriate interest rates as the main cause of the program’s deactivation, but they neglected the fact that Brazilian legislation at the time did not allow NGOs to operate interest rates over 12% per year, even for non-profit goals.

The Programa UNO, as well as other microfinance experiences that took place in other countries during the 1970s and 1980s, can be related to the approach of credit as a social right. It was a non-profit that did not prioritize its economic sustainability, acting through mechanisms other than only the microcredit offering. Similarly, the state didn’t play a significant role, but the presence of IO and international NGOs was fundamental in both funding and technical structuring. Acción International, in the 1970s and 1980s, participated in the founding of several other microfinance initiatives, such as BancoSol in Bolivia. Today it has a big influence on the field of knowledge production and best practices within microfinance.
Crediamigo

Starting in 1998 with a focus on the urban reality of the Northeast region of Brazil, it is the first initiative of ‘social bank’ carried out by a Brazilian public bank, the BNB. Nowadays, it is among the most well-known Brazilian experiences in microfinance. Its scale of coverage and representativeness in the sector stands out, in addition to being part of a bank controlled by the federal government, which is the largest regional development bank in Latin America. The starting point is a partnership held by the WB and BNB in 1996, when the WB decided to explore microfinance within its anti-poverty activities in northeastern Brazil. Chaves (2013) highlights the context of a high level of unemployment and the degree of poverty in the 1990s, with special emphasis on the Northeast region, as a backdrop for the creation of Crediamigo.

In 1997, a joint mission from the WB and CGAP went to the BNB with the objective of evaluating the bank’s potential for a microfinance platform (Schonberger & Christen, 2001). Some of the first professionals to work at Crediamigo, as part of this initial support, were trained at the Boulder Institute. Also through WB funds, BNB participated in some field trips to successful microfinance institutions in Bolivia, Chile, Colombia, and Indonesia. This enabled BNB and its initial team to become familiar with different approaches and different consultants in the area. BNB also had a partnership with Acción International, mainly regarding technical assistance. After these initial years, and mainly because of the development of regulatory frameworks by the federal government after 2003, the BNB got less and less dependent on international actors such as the WB and Acción International, contributing to the independence of the Brazilian experience in the field of microfinance. The BNDES also became an important actor for the growth of Crediamigo.

In 2003, the BNB partnered with the Instituto Nordeste Cidadania (INEC), an OSCIP (Civil Society Organization for Public Interest), which since then has been operating the bank’s microcredit programs. In an interview with a member of the board of INEC, it was reported that the WB was very important for the beginning of Crediamigo, not only due to the resources made available, but mainly for the support and training. In this process, CGAP played an important role within the theoretical framework, in sharing experience and as a consultant.

About the partnership with Acción Internacional, the interviewee explained that it was a South American network (nowadays broader) of microfinance entities. He pointed out that among the main entities were Crediamigo and the Compartamos Bank, from Mexico. The network’s objective was mainly to exchange experiences and knowledge and was very important at the beginning of Crediamigo. Over time, however, the network weakened due to competition between the participating entities.

Crediamigo doesn’t operate with subsidized interest rates and, according to the interviewee’s information, BNB is able to operate microcredit at lower interest rates than any other program in the country because of the scale the program has reached, for being part of a bank that is the size of the BNB.

The BNB’s Microcredit Annual Report of 2016 informs that its microcredit programs are based on the PNMPO. And perhaps, more than that, PNMPO is based on Crediamigo’s performance. In an interview, it was reported that ‘much of our experience, of emphasizing the role of the agent, the whole modeling of the law [11.110] is
very much drawn from us [Crediamigo]. We discussed it a lot with the government at the time. Much has also been discussed now with the Ministry of Social Development.’ It is also important to highlight that INEC is part of ABCRED. Regarding the importance of the Law 11.110, which established the PNMPO, the interviewee emphasized Brazil’s pioneering role in regulating microfinance among other Latin American countries and the fundamental importance of this law for the development of the sector.

Over the years, the performance of the Credamigo solidified to the point of being expanded to other states, including some outside the Northeast region, transferring its methodology to other regions of the country. In Rio de Janeiro, Crediamigo worked in a partnership with VivaCred from 2009 until mid 2014. Crediamigo stands out for its scope, being nowadays the big name within Brazilian microfinance.

VivaCred

Founded at the end of 1996 as an initiative of the NGO Viva Rio, VivaCred is a non-profit institution that operated in Rio de Janeiro offering microcredit focused on urban micro-businesses, centering its activities on favelas. It started its activities in Rocinha – the largest favela in the country. VivaCred had other five units, always giving preference to the implementation of agencies within communities, but not restricting their actions to favelas.

In an interview held on 6 September 2017, the interviewee explained that the NGO Viva Rio began to become interested in microcredit in 1995, when its coordinator, Rubens César Fernandes, first got in touch with microcredit initiatives outside Brazil. Initially, VivaCred had financial support from the BNDES, from Unibanco (a private Brazilian bank that was later bought by Itaú bank, resulting in the forming of Brazil’s largest private bank, in 2008) through Fininvest, and from IDB, which also played an important role with strategic support and which indicated the technical and legal support of the German consultancy based in Frankfurt, the International Projekt Consult (IPC). The partnership with IPC also led to a partnership with the Bolivian organization Caja Los Andes.

The IPC also assisted in the training and qualification of three credit analysts, an accountant and a cashier who was responsible for VivaCred’s operations (Carmo & Do, 2005). A visit was made to the Bolivian institution for the training of the first credit agents. Caja Los Andes initially was an institution with a focus on consulting and subsequently started to operate in the microcredit sector, being one of the main competitors of the well-known BancoSol. As the main methodological difference, Caja Los Andes didn’t work with group loans, but individual loans. This was also the model adopted by VivaCred, which began operating in early 1997.

The interviewee reported that Unibanco donated to VivaCred R$100,000 through Fininvest and at the inauguration ceremony of VivaCred, among others, Pedro Moreira Salles (Currently president of Itaú Unibanco) attended the event. During its eighteen years of operation, BNDES was the main financier of the institution. The institution also signed an agreement with SEBRAE in the year 2000, and in 2005, with the State Government ‘through Casa da Paz, serving as intermediary of subsidized credits, and with Banco do Brasil, functioning as an outpost of the Banco Popular do Brasil, also lending credit at subsidized interest rates’ (Carmo & Do, 2005, p. 107). From the beginning of 2009, VivaCred’s operations were merged with those of Crediamigo, then being operated in partnership with BNB, who became not only the financier but
also the operating controller of VivaCred. This partnership went on until July 2014, when BNB changed its strategy and decided to close its operations outside the Northeast region.

VivaCred’s trajectory is a good example of ‘hybridism’, demonstrated by the partnership between a local institution, founded by a civil society initiative, that had the support of private banks, federal bank, multilateral institutions, international consultancies, among others. The non-profit institution, which emerges from the work of an NGO, received support from the IDB, as well as a donation from the private bank of one of the country’s oldest banking families, Unibanco. In addition, other important players are part of the partnerships of this organization, such as the BNDES, SEBRAE and the Municipal Secretariat of Labor and Employment of Rio de Janeiro (SMTE), and, of course, the partnership with the public bank BNB. In addition to these particularities, its mission challenged the social structures born within the capitalist economic system, but its organizational form follows a traditional and quite common model within the system.

**Fundo UPP empreendedor**

Unlike the other cases examined, this item analyzes a fund, not an institution. Created as a policy of the state of Rio de Janeiro, Fundo UPP Empreendedor began to be implemented in early 2012. The Fund was administered by the State Development Agency of Rio de Janeiro S.A. (AgeRio). Despite its short duration, it is relevant because it’s a program linked to another state government policy related to the military control of territories traditionally marginalized. Although formally not part of the project of the Department of Public Safety of Rio de Janeiro, known as the Pacifying Police Unit (UPP), (which emerges with the premise of fighting drug trafficking and violence in the state, with a focus on the favelas of the city of Rio de Janeiro), the Fund has the UPP acronym on its name as part of the effort to further the acceptance by the population of this program of territorial control.

It should also be noted that the UPP Social program was created within the UPP’s acceptance strategy, or the ‘consolidation of pacification’, conducted by the Rio de Janeiro City Hall and coordinated by the Pereira Passos Institute (IPP) in partnership with UN Habitat (the United Nations Organization for Human Settlements). Intended to coordinate social, cultural and environmental actions, the program was designed within the scope of the State Department of Social Assistance and Human Rights at the end of 2010. At its background is the idea that social actions should be developed in parallel with police actions, creating peculiar interaction between police authorities, community leaders, human rights activists, NGOs, as well as middle-class conservative sectors.

Before starting the operation of the Fundo UPP Empreendedor, according to an interview conducted on 03/06/2018, AgeRio was operating with its own fund with the objective of operating microcredit in partnership with municipalities of inland cities of the state of Rio de Janeiro. This process took place quite slowly.

The interviewee reports that:

along with the issue of security, it was necessary to have an entrance into the communities, in pacified communities. Not only the police needed to get in, but the whole state, all the
public services had to go there and mainly this credit issue. Because, whether you like it or not, unfortunately the traffic moves the community [economically]. (...) And you would also have to enter with resources there to move the productive activity, the commerce, (...), and to promote new businesses also. So, it was also a way for us to enter, a form of a public policy, and also aimed at the social level. To enter there through the issue of microcredit. (Interview held on 03/06/2018).

AgeRio, then claims the need to form a state fund, including thinking in terms of market competitiveness, as reported by our interviewee. The state had to be involved to enable lower interest rates. With the support of the state government, the fund was formed. The interviewee reported that the fund was intended to last for many years. However, dependent on budgetary resources of the state of Rio de Janeiro, with the fiscal crisis of the state, this fund ended up running out of resources. Despite its short duration (2012 to 2015), this case draws attention to its similarities with one of the circuits analyzed by Roy (2010). Here, microfinance is located at the intersection of a policy of territorial control carried out by force, as the militarization of favelas and the UPP can be understood, and a policy intended to fight poverty, through the promotion of entrepreneurship via credit. It is an unprecedented case-study in Brazil.

Final considerations and conclusion

International organizations, mainly from the Global North, have been playing an important role promoting compliance in the microfinance sector through its agenda towards financial inclusion policies and best practices in the microfinance sector. Originating in the Global South, microfinance was incorporated by IO, state agencies and international NGOs from the Global North starting in the late 1980s. As part of the development agenda, it was incorporated by the ‘Washington Consensus on Poverty’, being implemented by USAID, WB and UN. These IOs and others, brought together by similar interests and approaches by CGAP, act for example to spread ‘soft forms of transfer’ (Stone, 2012). At the same time, these institutions dispute for the narrative of best practices in the sector, opposing the approach adopted by NGOs originated in Bangladesh.

The ‘global agora’, a set of ‘transnational policy spaces’ as defined by Stone (2013), is characterized by having no center but merely multiple arenas for policy making. In that sense, this paper highlights some of the multiple and diverse spaces in which microfinance policies are debated and constituted. As in Hadjiisky, Pal, and Walker (2017), understanding ‘micro processes that may be shaping local action’ while understanding ‘macro factors’ (p.18) not only internationally, but also nationally, seems to be a way to better understand the mobility of microfinance policies. Moving beyond rational-choice models of policy transfer, the analysis of the microfinance sector as seen from the Global South, highlights the social constructions and complexities of a neoliberal context.

It is common to find literatures that briefly indicate that microcredit was born in South Asia in the 1970s, focusing on the approach of credit as a social right, and in Latin America in the 1980s, where the market efficiency approach dominated. However, the first experience of microcredit in Latin America dates to the early 1970s, specifically in Brazil, and with more features of the approach of credit as a social right than the one focused on market efficiency. The beginning of microfinance in Brazil, as in most other
countries, is addressed with the support of international NGOs and/or IO. Brazil stands out by virtue of its early development of microfinance and has been influenced by both approaches, while building its own path.

It is possible to analyze the development of the microfinance sector in Brazil from two levels. On the one hand, from the vantage point of the organization and its peers, and on the other hand, from the vantage point of the state and its influence and legislation on the sector. These two levels of analysis enable shedding light on the transfer and diffusion of microfinance in Brazil while also considering the mutual influence of both levels on one another.

In places like Brazil, the microfinance sector grew largely based upon state initiatives, following a broader policy of financial inclusion. By regulating the sector (a lot sooner than most countries in the Global South), directing subsidies, stimulating the private sector to operate microcredit, capping interest rates in order to avoid 'shark' loans, and directing the credit to productive activities (rather than credit for consumption), the federal government has shaped the microfinance sector in Brazil. Nevertheless, such regulations come after thirty years of multiple national experiences, culminating with a demand for a legal framework and mobilization from within the sector. Programa UNO leads the production of knowledge on the methodology adopted by microfinance in Brazil. Later on and until today, Crediamigo is an important player in the transfer of knowledge and experience, reflected in the PNMO that shapes the practice and legal framework of microfinance in the country. Meanwhile, another approach in Brazil, exemplified by the Fundo UPP Empreendedor, is reminiscent of the one that took place in the Middle East, where microfinance is inserted within a broader policy of military control of territories.

Regarding the national policies focussing on the democratization of access to credit in Brazil, Lavinas (2017) argues that the microfinance sector contributes to the process that she defines as the 'financialization of social policies'. Despite its long trajectory, microfinance in Brazil is still a very small sector considering its representation in the Brazilian Financial System (Feil & Slivnik, 2019), a situation that leaves a big potential for growth. From the illustrative cases presented, it is possible to identify more characteristics of cooperation (in knowledge transfer, sharing human capital and experiences) than competition (also given that most of them did not coexist – chronologically or physically).

The illustrative cases presented demonstrate the national tendency, throughout the development of the sector and its regulatory frameworks, to distance itself from the support or influence of international actors such as the ones that form the CGAP. The microcredit sector in Brazil seems to be choosing a different path from what mainstream microfinance considers as best practices, distancing itself from the international scenario while having strong influence of the state.

In addition to identifying the actors involved in the transfer and diffusion of microfinance policies in Brazil, the interviews conducted for this project contributed to elucidate not only who, but also how this diffusion and transfer is happening through institutional spaces, trips, networks, think tanks, etc. Microfinance is constituted by multiple scales, distinct actors, national and transnational institutions. In Brazil, it is no different. For a better understanding of the complexities of the global mobility of
microfinance, it becomes necessary to understand how policy-making is assembled, enacted and challenged discursively, materially and emergently.

**Disclosure statement**

No potential conflict of interest was reported by the author.

**Funding**

This work was supported by the Conselho Nacional de Desenvolvimento Científico e Tecnológico (CNPq).

**Notes on contributor**

Beatriz Oikawa Cordeiro received her BA in Economics at the University of São Paulo (ESALQ/USP) and her MA at the Urban and Regional Planning Research Institute at the Federal University of Rio de Janeiro (IPUR/UFRJ). Researcher at the Espaço e Poder research group and is the co-founder and executive director of Veredas Institute. She worked as a program manager for Instituto Olinto Marques de Paula, an education non-profit in São Paulo, Brazil before working as an educator for Waldorf pedagogy and serving as a Community Fellow at Wilson College, Princeton University.

**ORCID**

Beatriz Oikawa Cordeiro http://orcid.org/0000-0003-0969-3619

**References**

Barone, F. M., Lima, P. F., Dantas, V. (2002). *Introdução ao Microcrédito*. Brasília: Conselho da Comunidade Solidária

Bndes. (2018, July 4). *Histórico de atuação do BNDES no microcrédito*. Author. Retrieved from http://www.bndes.gov.br/wps/portal/site/home/financiamento/bndes-microcredito/historico-atuacao-bndes-microcredito

Campregher, G. A., Jatoba, P. H., & Baldasso, T. O. (2016). Microcrédito e empreendimentos culturais: estado atual e sugestão de ações incrementadoras. In *Valiati, leandro; moller, gustavo* (Org.) (p. 304). Economia criativa, cultura e políticas públicas. Porto Alegre: UFRGS.

Carmo, M. L., & Do, O. (2005) *Microcrédito como Tentativa de Democratização do Acesso ao Crédito, no Contexto da Economia Popular e Solidária: um estudo de caso comparativo com o VivaCred/Rocinha* Dissertação (Mestrado em Planejamento Urbano e Regional) Instituto de Pesquisa e Planejamento Urbano e Regional—Rio de Janeiro: Universidade Federal do Rio de Janeiro.

CGAP (2018, October 4) Our Members. Retrieved from http://www.cgap.org/about/member-organizations

CHAVES, Sidney Soares. (2013). *Características, convergências e divergências do crediamigo e do credibahia*. Salvador/ BA:Trabalho publicado nos anais do IX Encontro de Economia Baiana.

DRAKE, Deborah, & RHYNE, Elisabeth (Orgs.). (2002) *The commercialization of microfinance: balancing business and development*. Bloomfield: Kumarian Press

Feil, F., & Slivnik, A. (2019). Brazil: Latin America’s unsung hero. In *The rise and fall of global microcredit: Development, debt and disillusion* (pp. 93–112). New York: Routledge.
Hadjiiisky, M., Pal, L. A., & Walker, C. (2017). Public policy transfer: micro-dynamics and macro effects. Northampton, MA, USA: Edward Elgar.

Hollis, A., & Sweetman, A. (1999). Microcredit: What can we learn from the past? World Development, 26(10), 1875–1891. 3 fev.

Howlett, M. (2000). Managing the “hollow state”: procedural policy instruments and modern governance. Canadian Public Administration, 43(4), 412–431.

Karim, L. (2008). Demystifying micro-credit: The Grameen Bank, NGOs, and Neoliberalism in Bangladesh. Cultural Dynamics, 20(1), 5–29.

Lavinas, L. (2017). The takeover of social policy by financialization: The Brazilian paradox. New York: Palgrave Macmillan.

Lima, S. N. (2009). Microcrédito como política de geração de emprego e renda. Revista Do BNDES, 32, 47–76.

Mader, P. (2015). The political economy of microfinance: financializing poverty. New York: Palgrave Macmillan.

Marques, J. N. (2009) REGULAÇÃO DAS MICROFINANÇAS NO BRASIL: arcabouço institucional e articulação a políticas públicas de superação da pobreza Dissertação (Mestrado em Direito Econômico e Financeiro) Programa de Pós-Graduação em Direito Econômico, Faculdade de Direito—São Paulo: Universidade de São Paulo.

Muller, L. H. (2017). Bancos na favela: relações entre agências bancárias e moradores de uma região urbana alvo de políticas de “pacificação”. Tempo Social, 29(1), 89–107.

Oliveira, O. P. D., & Faria, C. A. P. D. (2017). Policy transfer, diffusion and circulation, research traditions and the state of the discipline in Brazil. Novos Estudos Cebrap, 36(1), 13–32.

Peck, J., & Theodore, N. (2015). Fast policy: experimental statecraft at the thresholds of neoliberalism. London: University of Minnesota Press.

Robinson, M. (2001). The microfinance revolution. New York: Open Society Institute.

Roy, A. (2010). Poverty capital: microfinance and the making of development. New York: Routledge.

Roy, A. (2012). Ethnographic circulations: Space–time relations in the worlds of poverty management. Environment and Planning A, 44(1), 31–41.

Schonberger, S. N., & Christen, R. P. (2001). A multilateral donor triumphs over disbursement pressure: The story of microfinance at Banco De Nordeste In Brazil. CGAP Focus Note Series, 23, 24.

Silva, R. V., & De, M. (2007) Disseminação de programas públicos de microcrédito: o caso da região metropolitana de São Paulo Dissertação (Mestrado em Administração Pública e Governo) São Paulo: Escola de Administração de Empresas de São Paulo, Fundação Getúlio Vargas.

Sinclair, H. (2012). Confessions of a microfinance heritage: how microlending lost its way and betrayed the poor. San Francisco, CA: Berrett-Koehler Publishers.

Stone, D. (2012). Transfer and translation of policy. Policy Studies, 33(6), 483–499.

Stone, D. (2013). Knowledge actors and transnational governance: the private-public policy nexus in the global agora. Hampshire: Palgrave Macmillan.

UFA2020 (2018) Overview: Universal financial access by 2020. World Bank. Retrieved from http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020

Yunus, M. O. (2006). Banqueiro dos Pobres. São Paulo: Ática.