

# Talking to the 1997 Fanfani Man of Peace

An Interview with Prof. Yunus in Rome by Neeman A. Sobhan

Prof. Mohd. Yunus of the Grameen Bank was recently in Rome to receive the Fanfani award. This award is given by the well known Foundation called "Insieme per La Pace" (Together for Peace Foundation) which aims at international socio-cultural solidarity. In a ceremony where the chief guest was Senator Toia, Vice Minister for Foreign Affairs, Prof. Yunus received the Man of Peace award for 1997 from Mariapi Fanfani, who is the founder of the Insieme per La Pace Foundation, and has been the driving force behind it since its inception in 1988. The Woman for Peace award was given to Aung San Suu Kyi, the political leader from Myanmar.

During his brief stay, Prof. Yunus spoke to Neeman A. Sobhan of The Daily Star. What follows is a transcript of the interview.

Daily Star (DS): Dr. Yunus, you are a much lauded and awarded man who stands in the midst of a success story. But you have not sat on your laurels but have rather broadened the scope of your vision and objectives by speaking of the complete eradication of poverty, from the whole world, and not just from one corner of it.

You have been called a visionary, but you see yourself as a pragmatic man who subscribes, as you often say, to the 'worm's eye view' of the world. As a visionary, one can understand the world you would like to see, it's a world we would all like to see — one where, to use your words, our children would go to museums to see what poverty was like. But as a practical man and a realist what are the challenges that you foresee in the actual realization of this world. What obstacles do you see, what are your fears and worries?

Prof. Yunus (PY): Let me see if I can address the issues you have raised. One of the things that I keep repeating is that, poverty is not created by the poor. It's created by the institutions, by the concepts, by the policies that we pursue. One of such concepts is a vision of ourselves. In the past, we have convinced ourselves that the poor are a permanent feature of Mankind, a part of Mankind's heritage, and that it will remain so. In other words, the poor shall be with us, we've all accepted this, we created a world which always contains the poor, because that's the way we imagine the world. It's a self fulfilling prophecy. And I am saying that if we had imagined that poverty and civilized world are inconsistent concepts, then if you are a civilized society, you cannot have a poor person, then the civilized world would be a world free of poverty. We would all have worked towards it if we had imagined that in the first place. So, to me it's very important to first believe in what we imagine. Then we start building concepts, institutions, policies to support that vision, that dream. A dream doesn't get realized overnight. It's hard work, it happens in stages. It has a certain process, and you create the process. And this process has a certain pace, it can have a slow speed now. But it can gain momentum and bring you there. On the other hand, if you don't have a dream, you do not continue. You can only create things that you imagine. So today, when I talk about a poverty free world, that's my dream.

DS: Like a blueprint?

PY: No, not a blueprint, a dream. I'm making a distinction, because a dream is more flexible, but that's where I want to go, eventually. Not in my lifetime, probably, but in the next generation's lifetime, or the next. But at each stage, every year we should be a step closer to the dream. But that's not what we are doing. Poverty is increasing, globally. Everyone admits that. So if we say that we are moving towards a poverty free world, we are cheating ourselves. So in order to do what we are doing, we must ask ourselves: Is the number of poor people in the world constant? Or is it increasing? Decreasing? And there you have your answer. If the number is increasing, we are not moving in the right direction. We are moving in the reverse gear. So how do we change the gears? We have to identify what it is that is pushing us in the opposite direction. These could be institutions, policies, concepts.

Certain institutions are at fault, that's what created the poverty. And I identified one institution: financial institutions are at large responsible for creating poverty. By denying the poor access to credit. And I am saying that this is a financial apartheid. You don't notice it, but in the case of S. Africa you do, because it's so glaring. And there is moral outrage everywhere, with a world condemning it. But the financial apartheid is done in such a subtle, sophisticated way that no one notices it, or does anything about it.

DS: But you have been able to show this up, and made breakthroughs, the whole Grameen experience has successfully proven your thesis, and you have helped the poor overcome this financial apartheid to a large extent. But some of your detractors and critics talk about the poor people who you say have crossed the poverty line. They say that these people are not able to consolidate themselves and sustain their position there. You say that after about twelve or fourteen Grameen loans they are able to cross over. But, after having moved, these borrowers attain a sustainable and secure position beyond the poverty line, or are there regressions, do they keep coming back and not graduate to other conventional financial institutions?

PY: Well, several things can happen: A very small percentage slip back over the poverty line, others continue; large numbers slip back, small portions make it; sometimes entire groups go across or fall back. So



within six years, they must handover the shares to Grameen Telecom so that it becomes the managing buyer of the company, and own at least 51 per cent of it. Grameen Telecom is a not-for-profit company, and no body owns it. But our aim is to create a for-profit company under the non-profit companies, and sell the shares to Grameen borrowers. Grameen Bank is owned by our borrowers, so will the Grameen Phone. A Grameen Bank borrower will have a share of Grameen Phone. When Grameen Phone becomes a public company a 1000-taka share will become a 1000-taka. And who shall become the beneficiary? The borrower.

And when dividends come from Grameen Phone, it will be quite substantial. And if the borrower buys five shares of the

in 35 per cent equity, and by we mean Grameen Telecom and not Grameen Bank, because Grameen Bank has got nothing to do with it. In fact some of the Grameen Bank staff, say, why can't we get a job with Grameen Phone, I say, well why don't you apply, because that's another company. You see they thought that all of us are Grameen, that we are all cousins. But that's an international company. Their salary is almost 10-15 times our salary. So everybody wants to work in the Grameen Phone! But just because you work in one Grameen company doesn't mean you are qualified to work

in any other bank and they will give you loan, they say, but why should I go elsewhere? I get whatever I need from this bank, it's the bank I grew up with. Nobody will go to serve me in my house. I have to go and line up, make applications and fill forms I don't understand; with the Grameen Bank I understand everything. It's a company-client loyalty. And whatever their needs we can finance our borrowers all the way. Money or funding has never been a problem.

DS: Then there is another criticism labeled against you which is that the infusion of micro-credit to the system is so low that you would not be able to break the cycle of poverty. What do you say to that?

PY: Well it takes time...I mean, you compare not low with large, but zero with low. The alternative is not to give the loan. So whether it's a better strategy not to give the loan or give a loan that happens to be small because the borrower cannot afford anything larger. But if the borrowers move on to bigger loans, bigger enterprises, then it's a sign of hope.

DS: In the last few years we see that the Grameen Bank has diversified into the Grameen family of companies. Do you see a diminishing return to your primary portfolio of poverty alleviation through direct credit disbursement?

PY: I understand the thrust of your question, but I think right at the beginning I need to make some clarifications. You see, Grameen Bank has not created any company. It doesn't own any of these companies...

DS: Does it sponsor them?

PY: No, it doesn't even sponsor them. You see, Grameen Phone, or Grameen Cybernet or Grameen Textiles or Check, these are absolutely independent companies, they don't even borrow from the Grameen Bank. Grameen is a kind of symbol that says that we are involved, infusing it with the same sort of philosophy. I am the Chairman of every company that we float; that is the common denominator. All these companies are working towards a common vision. But they are separate entities. Take Grameen Phone. It is owned by a company called Grameen Telecom, which is a creation of some of us. We borrowed from commercial banks; we had a syndicate of commercial banks, because a single commercial bank didn't want to put so much money in the venture, so we negotiated with a whole group of banks to provide Grameen Telecom with funds to buy the share of Grameen Phone. This created the company which is a joint venture with TeleNor of Norway and Marubeni of Japan. We put

support another four or five students. There is no compulsion. You see these are the different ways we are trying to create an enabling environment. And we have to bring up and put on its feet the second generation. Reaching and helping the first generation is not enough. They are only the preparatory stage, the real answer is the second generation. For them education is really important to build up their level. To the High school students of Grameen families, we cannot give 100 per cent support, but we offer scholarships, and keep announcing that if they keep doing well we will support their cost later on. So we try in every way, with every available opportunity and resource to help these people. We are still experimenting with health services for Grameen families. So the diversification you mentioned are only other supporting ways to create an enabling environment and has nothing to do with our credit disbursement activities.

DS: Some of your critics have said that the 20 per cent interest rate you charge is too high, and that sometimes there is coercion in getting this back. What do you say to that?

PY: If they mention coercion, then that must be an aberration, because a system cannot

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Grameen Phone she will have five times as much. Then we will have the Grameen Cybernet, which is a for-profit company, and the shares will go to the Grameen borrowers. So will that of other companies. That's our intention. Ultimately Grameen borrowers will have a portfolio of assets, owning several companies. This becomes an old age protection. A woman doesn't have to depend on her sons or daughters or relatives, because she has enough dividend for money, and she can take care of herself decently, not just mere survival. And she can also unload some of this whenever she is in difficulty.

We have created another company called the Grameen Securities Management Company, to have mutual funds, so that a group of people will be managing the borrowers' assets, and be of service to her. Then we have other companies like Grameen Check, which emerged out of the special needs of the weavers, and because of that we have created another company called Grameen Textiles which is dealing with Flannels because that has a bigger market. The share holders are again the Grameen borrowers. We cannot reach other women because they are not organized. We will soon have mutual funds exclusively for Grameen Borrowers and Grameen Staff. But another will be for poor people. Grameen, not Grameen alike.

Another aspect where we are trying to reach out to is in education. Many of the Grameen children are now coming to colleges, universities, Medical colleges. So we have announced a programme that anybody who gets admission to any of the higher educational institutions, their entire educational expenses will be borne by Grameen Bank. This is an interest-free loan, which they can pay up at any point in their lives when you have a job. And this will be put in a kitty to be used for another student. And if the student is very successful he may want to put in enough to

the cities. My fear was that as soon as it becomes a Bank, I would be pushed out, and a banker would be brought in to run it. And since a banker would not understand the rural areas, would bring everything to the urban areas, changing it. So, in fact, to protect it, in my draft of the legislation I put down the explicit condition that this bank will not operate in urban areas. There was an-

other reason, at that time, against Grameen functioning in cities. We thought if we worked simultaneously in rural and urban areas, the urban Grameen would be more visible, because the results would show up more there. And we would be attracting poor people all over Bangladesh, specially from the villages, to crowd into the cities. We did the reverse. We said, if you go to the cities there is no Grameen there. But if you remain where you are, or go back to the villages, there is a Grameen to help you earn a livelihood. So we not only discouraged people from rushing to Dhaka, for example, but rather even encouraged many in Dhaka, to return to their roots.

DS: What impact, positive and negative, has the economic enfranchisement of women had on the socio-political framework of the villages? We hear of reactions against the empowerment of women by the fundamentalist elements in the villages.

PY: Over all, the impact has been positive. We did something very new, very unusual in the villages, and it is natural that conservative elements would react. In fact the reaction proves that we have been able to make an impact, get the people's attention. And the fact that this has not discouraged the 2.5 million women from coming forward to better themselves, is a positive sign. In fact, I am surprised that people have been so tolerant about the economic independence of their women. The conventional attitude has always been that a woman's voice should not be heard, and

function on coercion. And if that aberration exists, then we should all try to root it out. As far as the interest rate being too high, I don't think so. Let's look at the lending system of the Grameen Bank. A borrower takes 1000 taka, she pays it back over 50 weeks, in installments of 20 taka. Plus 2 taka interest. You borrow two thousand and you double it, you borrow three, you triple it. That's the standard procedure. So you notice that within a year, you pay back 1000 in 50 weeks, plus 100 as interest rate. As far as the borrower is concerned she borrows 1000 taka, and she pays back 1100. Her interest burden is 100, which is 10 per cent. But in mathematical calculations it works out to be 20 per cent. That's for the intellectuals to decide whether that's good or bad. Incidentally, our housing loans are on 8 per cent interest rate, but nobody mentions that. Many make allegations against us saying we give subsidised loans. But one third of the total outstanding loans of the Grameen Bank are housing loans. Not tiny amounts, but loans for almost 400,000 housing. Because it's a large loan — on an average that's about \$500, where normal loans are approx. \$50. So when we charge 8 per cent on 1/3 of our outstanding loans and 20 per cent on the remaining loans, the weighted average comes to about 15 per cent — which is the market rate in Bangladesh. So I don't see why people complain. And we give services that the conventional banks don't, like delivering to the homes of the borrowers. We have to cover our costs.

DS: Implicitly the Grameen Bank is for the alleviation of rural poverty, but what about urban poverty? In the US, for example, the Grameen model has been replicated in urban centres. What about in the cities of Bangladesh, are you doing something here?

PY: Yes, there are a lot of our programmes in the urban areas. When we began, our intention was not to bring Grameen into

here they are shouting slogans! So, given the age old attitudes in villages, I feel that reaction to the changes happening is remarkably tolerant.

Of course we have had violent reaction from Mullahs and also from leftist elements, who burnt our offices. They think it's a capitalist conspiracy, and that we are selling off the future of Bangladesh, giving the opium of capitalism into the hands of the people etc. Well we used to joke, and say that look we have only reached 500 villages, you better reach get, your act to-

gether and have your evolution quickly before the rest of the villages are gone. So that's the way we communicate with them, that you can't wait for the revolution to come, other things will take place in the meantime.

DS: There has been a recent trend among NGOs to get directly involved in the politics of the country. What is your opinion on this?

PY: I don't think that NGOs should get directly involved in the politics of a country. They have a different mandate entirely, they should be politically neutral. If you abuse that neutrality, you threaten the entire NGO community who will then all be looked at with suspicion. So I don't think this is at all desirable. But if an NGO wants to join the politics of the country, they must form a political party. But NGOs have foreign funding and people will have the suspicion that you are propagating some foreign views. That suspicion will be there.

DS: You often use the term "social-consciousness-driven entrepreneurs". Could you elaborate a little on this.

PY: This is what I believe in, and this is what I'm trying to build. All the Grameen companies that you see are social-consciousness-driven companies. The motive is not profit. If we wished we could own it. Telecommunications through-out the world is a very profit making area, and a telephone company is a profit making venture. We had offers to share and own a telephone company. But that was not our purpose, we

are not here to make money ourselves, but to bring money into the service of the people. What I am trying to show is that you can have absolutely free market capitalist enterprise, dedicated to social objectives.

DS: In one of your speeches about the 'alternative vision of the capitalist world' you mentioned that we must imagine a world that is composed of not only profit driven 'greedy' people and, perhaps a small portion of those who may be naturally disposed to altruism, but a large share of those who could swing either way, and therefore "if societies can build a good reward system for works of collective good, they will easily take on more good work than those of a selfish kind. When we accept this configuration of the world, we'll build our values, institutional, educational and social system consistent with this configuration." Well, you look at the world primarily as an economic market place, but there is the political market place where the players play for a different profit motive, power, and have an impact on the overall configuration of the country, on the institutions and values that are generated. What is true of the economic paradigm could be true of a political paradigm. So what kind of reward system could we build in political terms, to encourage the kind of socially beneficent world we wish to see?

PY: I can think of something specific. Let's say national awards, like an Independence Day award or the Ekushey Padok. We could create awards for those who involve their creativity in solving a social problem, or successfully create a company to reach a social objective without profit to himself. And the more people you reward the more you raise their awareness in this direction and at every level of society, among the youth, among students... A reward can give incentive and focus to the many talents in a society. There can be other kinds of social recognition and publicity to works of public and social good.

DS: As we enter the new millennium, how do you see Bangladesh?

PY: Well, I feel that in the past, we could have done better. But we are still on the track, and if we can put our acts together, we can catch up. The present is a very critical time for us.

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