

The need for statesmanship



THE Bangladesh Bank's notice to Grameen Bank to remove Prof. Yunus as its Managing Director has

shocked the nation and seriously disturbed its millions of low income owners. The act has also become global news and is exposing the Government of Bangladesh (GoB) to much adverse commentary across the world, which has hardly served to enhance our image. From presidents to taxi drivers, questions are being asked about the nature of a government, which had hitherto been reasonably well regarded, both as to its economic performance and for its secular governance.

The global nature of this event was personally brought home to me at Delhi airport, on March 3, on my way back to Dhaka, as I handed in my passport to an immigration officer, a Bengali, who sadly enquired: "Why is your government seeking to remove your Nobel Laureate?" The global community is inexorably forming a perception of our government, which may be unfair, but which is unlikely to be erased by press conferences convened in Dhaka or indeed the outcome of our judicial process, and is likely to haunt this regime for the rest of its tenure. It appears that no computation of the costs and benefits to the government of this damaging conflict has been attempted.

So why has the government taken such an extreme step without even waiting for the outcome of the report of a Review Committee on Grameen Bank set up by the finance minister? The grounds for Yunus's removal did not relate to his efficiency as a manager or the quality of performance of the Bank under his stewardship in the last three decades. The grounds cited by Bangladesh Bank, related to the decision by the Board of Directors of Grameen Bank, the legally empowered body to superintend the organisation, to impose no age limit on the continuation of Yunus as its chief executive, that this "did not have the prior approval of the Bangladesh Bank."

The government claims to be aspiring to uphold the principle of the rule of law and good governance. It has, thus, been argued that the government is asserting its powers, under the statutes governing Grameen Bank, in its actions against Yunus. But are these assertions of state authority consistent with the GoB's own policies? This and previous governments have been committed to the privatisation of the financial sector. The government has privatised several nationalised banks while the remaining commercial banks, such as Sonali and Janata Bank, still under government ownership, are under orders to sell their shares in the stock market to private buyers.

The finance minister, just a few weeks ago, threatened to take disciplinary action against the CEOs of these state owned banks if a big portfolio of the government's shareholding was not placed on the capital market for sale. In such circumstances it is paradoxical that this government would suddenly assume a command economy posture by asserting its authority in its dealings with the Grameen Bank, where the government holds only 25% of the subscribed capital which has been reduced to 3½% of the paid up capital.

The government has so far invested only Tk.1.8 crore, at the inception of the Grameen Bank, in its capitalisation. Since then it has not invested another cent in the bank. In contrast, the borrowers of Grameen Bank, mostly poor women, who own 75% of the shares, have continued to increase their subscription to the capital base of the Bank, drawing on their meager savings and have gradually enhanced it to Tk.53 crores. As a result, these women now own 96.5% of the paid up equity of the Bank.

Beyond contributing to the enactment of the Ordinance of the Bank in 1983 and making its initial invest-

ment, the GOB has contributed little to the development of this Bank over the last 30 years.

Grameen Bank now raises capital, through occasional bank borrowings or flotation of debentures from commercial banks, including some state owned banks, which are invariably repaid in full and on schedule. This may be contrasted with the thousands of crores, drawn from tax payers' revenues, which the government was compelled to inject into the state owned banks to rebuild their capital base, depleted by the massive defaults of their elite class of borrowers.

Over these years the Grameen Bank has, thus, required no government bailouts or even interventions in soliciting external resources. Donors have themselves come to the Bank with offers of funds. Annual audits commissioned by the Bangladesh Bank have indicated that it is well managed and its financial dealings are in good order and above board. Nor has the government received any complaints from the majority owners of the Bank or its borrowers that the bank was being mismanaged or that their resources were being misused.

In such circumstances it remains inexplicable as to why, after 30 years of interacting with the Grameen Bank as a minority and sleeping shareholder, the government should now wake up to assume a proprietary role over this organisation. Such actions are traditionally reserved for mismanaged organisations facing financial difficulties. Why a government facing a host of problems such as stock market scams, an energy crisis, rising inflation, the return of our Libyan expatriates and the endemic mal-governance which plagues most of our public institutions, should choose to pre-occupy itself with the management of a well run and financially solvent institution, where it is only a minority shareholder, remains a mystery.

Squandering a corporate asset

In resorting to a legal technicality to seek the removal of Prof. Muhammad Yunus, as the Managing Director of Grameen Bank, a successful and widely renowned organisation, the GoB appears to have given scant attention to the concerns or financial stake of the majority owners of this organisation, the 8 million women who actually own the Bank. Nor did they enquire as to why the Board of Grameen Bank, in 1999, took the decision to request Prof. Yunus to continue as Managing Director for as long as he was capable of discharging this responsibility. Let us reflect on why the Board took this decision.

It was, at that time, clear to all members on the Board that Grameen Bank was no ordinary bank and Prof. Yunus was no ordinary chief executive in the mould of the managing directors of other state owned banks. Way back in 1976 Grameen Bank had been conceived as a unique idea by Yunus, then a Professor of Economics at Chittagong University, built upon the principle of collateral free banking to serve the resourceless. It has, since then, been transformed from a social experiment into a legally incorporated financial institution at his initiative.

In building a commercial bank for the resourceless rather than an NGO, Yunus took the initiative to involve the government in the hope that the government would become stakeholders in serving the resourceless. In this task Yunus initially received enlightened and active cooperation from A.M.A. Muhiith, who was then the finance minister, who enacted a unique Ordinance which set up a commercial bank, partly owned by its resource poor clients, who could thereby borrow without collateral from such an organisation.

From the inception of this experiment and extending over the next quarter of a century, Yunus has laboured day and night, assisted by a team of dedicated associates, to transform Grameen Bank into the biggest and most famous organisa-

tion of its kind in the world, culminating in the award of the Nobel Prize to him and the Bank. The Grameen model has since been replicated around the world, including in the USA.

In this process, particularly in the first two decades of building the organisation, Yunus traveled across the length and breadth of rural Bangladesh getting to know the millions of women who became the borrowers and owners of Grameen Bank, and learning of their myriad problems. In the process he established a personalised relationship of trust with the Bank's women owners, which earned their confidence in doing business with Grameen Bank.

To persuade millions of poor women to come back to an organisation, year after year, over 30 years, to borrow and then repay Tk.51,000



Some of the more than 8 million shareholders of Grameen Bank.

The measure of a leader is the ability to transform a perceived adversary into an ally. The measure of a statesman is a leader who can join hands with an adversary in building a better tomorrow for the generations to come.

crores and to retain their confidence to invest Tk. 5000 crores of their hard earned savings in this Bank, is a monumental achievement in a country where virtually 100% of these low income women had never seen the inside of a bank. For these millions of borrowers Yunus, in his person, was their security blanket, in this alien world of institutional finance.

To be suddenly confronted with the knowledge that Yunus, at the age of 60, would no longer be the person managing an organisation in which they had invested their hopes, fears and savings, was unacceptable to these borrowers/owners and was conveyed to the Board, in no uncertain terms, by the 9 women who represented the millions of women who owned and invested in the bank. 12 years later another 9 such women, who have filed a case on behalf of the Bank's majority owners over the issue of the removal of Prof. Yunus, from the position of Managing Director of the Bank, were seen on the TV screens demonstrating solidarity with Prof. Yunus during his appearance in the courts.

For the government to assume the posture of an all powerful state which can treat the opinions and concerns of these millions of women, who today contribute 96% of the equity of this bank, with such contempt is neither sensible corporate or democratic governance. The usurpation of their corporate and democratic rights may, thus, hardly be characterised as just. These women are the majority owners of this bank, they are also voters, a fact which has not escaped the attention of the leading opposition party.

A no less relevant consideration for the Board was the international persona of Prof. Yunus and its value to the Bank. Even in 1999, Yunus was already a national personality of high stature as well as an international presence. This stature not only generated a degree of security among the women investors of the Bank but also had a capital value. Prof. Yunus, even a decade ago, was in a position to raise millions of dollars from any donor and many corporate investors. The asset value of Prof. Yunus's name was worth millions of dollars to a bank owned by poor women. It would have been

an act of monumental corporate unwisdom and fiduciary irresponsibility for the Board to have liquidated such an asset by permitting Yunus to retire as if he were some common or garden bank employee.

A decade later, with a Nobel Prize for himself and the Grameen Bank, a widely acclaimed and replicated institution around the world, Yunus enjoys access to every president and prime minister in the developed world and most such leaders in the developing world extending across China, India, South Africa, Brazil, Vietnam and even Venezuela. Today, Yunus can pick up his phone and call any CEO among the Fortune 500 list of top global corporations.

Such access is a bankable asset for which any of these Fortune 500 companies would pay Yunus millions of dollars to sit on their Board. Instead, Yunus chooses to stay in

ment of Yunus. The Bangladesh Bank could then have accorded its approval if it thought that Prof. Yunus was running the bank efficiently, based on positive reports of the Bangladesh Bank audits of Grameen Bank over the last 12 years. Why such a sensible step was not taken needs explanation. We are, consequently, witnessing these legal encounters which do not greatly enhance the credibility of our institutions of governance nor are they likely to resolve this needless crisis.

So where do we go from here? Given the historic role of Yunus to the development of Grameen Bank, the confidence he generates among its investors and the corporate asset value of his name, such observations as indicated by the finance minister or the Local Government Minister, Ashraful Islam or even by

All these public figures should have long been retired if the attorney general's declaration in court, that 60 was a universal retirement age, would have been recognised. Fortunately, all the above figures appear to be in the prime of life, enjoy the confidence of their party and government and appear quite capable of carrying on as long as they are willing to do so. To, therefore, apply some arbitrary age limit to the active engagement of Yunus with an organisation he has created from nothing, is neither fair nor good business.

In point of fact, Yunus himself, has declared that he is no longer interested in managing the day to day affairs of an organisation as large as Grameen Bank. He has repeatedly stated he wants to step down and hand over the position of CEO to a professionally competent person, selected through a fair search procedure, who can command the confidence of the millions of members who own the Bank.

In order not to shake the confidence of the members in the continuity of the organisation and to retain the presence of their most valuable capital asset with the Bank, ideally Prof. Yunus should be invited to assume the Chairmanship of the Board of Grameen Bank. In this capacity his presence will perpetuate the global reach of the Bank and retain its access to the policymakers of Bangladesh and the world as well as to the financial community. This would greatly reassure the Bank's 8 million members that their most prized asset remains engaged with the organisation which embodies their livelihood and life's savings. Any reluctance to accept such a logical and constructive solution to this gratuitously destructive confrontation would indicate to the world that other variables, unrelated to the interests of Grameen Bank, are in play.

The person who should initiate this constructive conclusion to this regrettable and damaging episode in our history should be none other than the prime minister, who could hardly be insensitive to the concerns of the millions of women who own Grameen Bank or to the political consequences of their alienation. Nor could she be unaware of the domestic political and diplomatic capital so painfully accumulated by her, which is being squandered over an issue which is quite peripheral to her immediate political agenda.

The time has come for the prime minister to re-evaluate the politically costly advice being fed to her. She has already demonstrated her maturity and statesmanship in her decision to resign from her government's unwise decision, based again on poor advice, to take over Ariel Beel. She should now decide to put this unsavory as well as destructive episode over Grameen Bank behind her and move on.

This may be done through an invitation to Prof. Yunus to meet with her and the finance minister, where all the misgivings she may have accumulated about Grameen Bank and Prof. Yunus should be discussed in a spirit of constructive engagement. The prime minister should then personally invite Prof. Yunus to assume the Chair of the Board of Grameen Bank and for them to open a new chapter in the relations between the state and Grameen Bank. Under such a dispensation the search for a managing director of international stature should be initiated.

Within such a spirit of reconciliation, the prime minister should perceive Yunus not as her adversary, which he obviously cannot be as she is the democratically elected leader of the country, but as an asset in the building of a din bodol where poverty and injustice can be banished from Bangladesh. The measure of a leader is the ability to transform her perceived adversary into an ally. The measure of a statesman is a leader who can join hands with her adversary in building a better tomorrow for the generations to come.

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Yunus himself, of providing Yunus with an "honourable exit" from the Bank, appear to overlook the central issue, which is the well being of the Grameen Bank and the livelihood of its millions of members. About the last thing anyone with the best interests of the Bank and its 8 million members in mind, would want is the "exit," graceful or otherwise, of Yunus from Grameen Bank.

Any precipitate move to oust its founder could shake the confidence of its members in the Bank and expose it not just to a withdrawal of their savings but even a default on their debts. Such a run on Grameen Bank could have a contagion effect which could jeopardise the financial stability of other micro-finance institutions across the country. The relevant issue to be resolved is, therefore, not Yunus's exit but the terms and conditions which should govern his continuing role in Grameen Bank until he chooses to withdraw from any institutional involvements.

Under the prevailing circumstances what may be a sensible way forward? Prof. Yunus has already suggested such a path. At the age of 70 Yunus still has the energy and creativity of a young man. Even if he were to withdraw completely from Grameen Bank, he chairs a variety of Grameen branded institutions dedicated to serve the resource poor. He can mobilise millions of dollars from both international development agencies as well as Fortune 500 companies to partner any of these or further ventures he sets up. A person of his energy, reputation and fund raising capacity should, thus, be irrevocably bound to the Grameen Bank with hoops of steel and age should not be seen as a bar to his involvement.

Indeed, in Bangladesh as in many countries, age is no disqualification to discharging responsibility. Bangladesh's finance minister is 78 years old. Our planning minister is nearly 80 years old. Several of the ministers or ministerial level appointees serving the prime minister as advisors have either crossed or are approaching 70. The prime minister as well as the leader of the opposition have led their respective parties for 3 decades, longer than Yunus's tenure as Managing Director of Grameen Bank.

Bangladesh and lend his name to serve as a capital asset for the millions of women who own the Grameen Bank. It must take a unique level of insensitivity as well as lack of business acumen to seek to divest these millions of women of their most valuable asset, through reference to a procedural rule.

From confrontation to statesmanship

The spokespersons for the government, in their recent public pronouncements, have stated that the government has no political quarrel with Yunus. All they wanted to do was to preserve the rule of law. I would like to take these declarations on behalf of the government at their face value. If, indeed, the only issue was the rule of law then the principal deviation from the law, as cited in the Bangladesh Bank order, was the failure of the Grameen Bank to seek prior approval of the Bangladesh Bank in their reappointment of Yunus as managing director in 1999. The Bangladesh Bank raised this issue in its Annual Audit Report of Grameen Bank, which gave a full reply to the queries in the Report.

If the Grameen Bank's reply was at all problematic for Bangladesh Bank or the GoB, the Bangladesh Bank could easily have sent further notices to the Grameen Bank to formally correct such a legal anomaly. The Bangladesh Bank, during the tenure of three democratic governments, two caretaker governments and four governors who held office from 1999 to 2011, sent no further notices to Grameen Bank. This sustained silence by the Bangladesh Bank was quite reasonably interpreted by Grameen Bank as the acceptance of their response to Bangladesh Bank's audit report and the validation of the Board's decision on their continuation of Yunus's appointment as managing director.

Even today, there was nothing to prevent the Governor of the Bangladesh Bank from sending such a notice to Grameen Bank before seeking to remove Yunus from office. Grameen Bank could have explained its actions and/or it could have sought an approval for the continuance of the appoint-