Grameen Bank Under Threat

Since 2010, the Government of Bangladesh has waged a campaign against the globally respected microfinance institution Grameen Bank. Currently owned by the bank’s poor, rural borrowers – 96 percent of whom are women – the Government is threatening to take control of the bank. This move would undermine Grameen Bank’s longtime success, the power of the women who run it, and the independence of civil society throughout the country and microfinance institutions around the world.

Over the last two years, the Bangladeshi press has created a sustained drumbeat of pressure opposing the government’s plans by consistently publishing statements from leaders around the world defending Grameen. Continued international media attention is essential to efforts to prevent the Government from taking over Grameen Bank.

Members of Congress must publicly speak out in support of Grameen Bank and its 8.4 million borrowers by:

- Demanding Prime Minister of Bangladesh Sheikh Hasina end the attacks on Grameen Bank.
- Telling the Government of Bangladesh that Grameen Bank must remain independent. The bank’s clients must retain ownership of the vast majority of the bank’s shares, and the client-shareholders must remain in control of a majority of the seats on the board of directors.
- Urging Secretary of State John Kerry and the U.S. Administration to make it clear to Prime Minister Hasina that the U.S. supports the independence of Grameen Bank and that the U.S. will not tolerate a government takeover of the bank.

Background:

In the mid-1970s, Professor Muhammad Yunus helped establish the concept of microfinance through a personal loan of $27 to 42 destitute weavers and merchants in Bangladesh. In 1983, Yunus founded Grameen Bank, fueled by the belief that credit and access to financial services is a fundamental human right. Today, Grameen Bank has nearly 8.4 million members – 96 percent of whom are women – and has lent over $12.5 billion, allowing millions of women and their families the opportunity to lift themselves out of extreme poverty. The Grameen model has been replicated in more than 100 countries around the world and now benefits tens of millions of others. In 2006, Yunus and the borrowers of Grameen Bank were awarded the Nobel Peace Prize for their groundbreaking work. In April 2013, the United States Congress awarded Yunus the Congressional Gold Medal.

Despite this success, since 2010 the Government of Bangladesh, under the leadership of Prime Minister Sheikh Hasina, has led a politically-motivated campaign of intimidation against Grameen Bank and Yunus. After a series of attacks by the Government in the spring of 2011 targeted specifically at Yunus, he was forced to resign his position as managing director of the bank in May 2011. In May 2012, the Government appointed a Grameen Bank Commission to review the operations of the bank and make recommendations as to its future. The Government went further in August 2012 when the Bangladesh Cabinet, presided over by Prime Minister Hasina, passed an amendment to the law governing Grameen Bank. This amendment transferred power to choose the next managing director of the bank from the existing board of directors, in which nine of
the 13 members are women elected by the bank’s client-shareholders, to the government-appointed Chair of the board. By removing this decision from the board, the Government significantly weakened the power of the shareholders, who control 97 percent of the shares to the Government’s 3 percent, to govern their own institution.

After releasing an interim report in February 2013, the Grameen Bank Commission issued a working paper this June with recommendations as to the future of Grameen. Their proposals include restructuring the bank so the Government holds 51 percent of shares in the bank and a majority of seats on the board of directors; breaking up the bank into 19 or more totally separate bank entities with no legal relationship among them; and transforming the bank into a private company. Each of these scenarios would undermine the bank’s independence and jeopardize the success of the bank, its borrowers, and as many as 18.5 million family members.

This attempt to take over the operations of Grameen Bank from its clients and shareholder-run board of directors is an extremely worrying threat to civil society writ large in Bangladesh, and the independence of microfinance institutions worldwide. Further, it would undermine the progress that Grameen Bank has made empowering poor women in Bangladesh and providing them the means to lift themselves out of poverty. The international community must strongly defend the independent operations of Grameen Bank and its millions of shareholders.

Examples of Recent Congressional Action:

➢ Press Statement from Representative Rush Holt (D-NJ), June 20, 2013

HOLT: BANGLADESH GOVERNMENT MUST HALT ATTACKS ON GRAMEEN BANK
Efforts To Control Or Break Up Pioneering Microcredit Granting Institution Misguided

(Washington, DC) Rep. Rush Holt (NJ-12) today issued the following statement on the latest efforts by the government of Bangladesh to control or dismantle the world-famous Grameen Bank, whose microcredit programs have lifted millions out of poverty around the world:

“It is past time for the government of Bangladesh to cease its efforts to destroy one of the true economic marvels of our age: Grameen Bank. I call upon Secretary of State Kerry to make it clear to officials in Dhaka that America supports Grameen Bank and its work for the poor in Bangladesh and elsewhere in the world,” said Holt. “If the government of Bangladesh persists in its attacks on the bank and Professor Yunus, our government should reevaluate the wisdom of our current push to deepen political and security ties to the current government.”

This week, Nobel laureate and Congressional Gold Medal winner Professor Muhammad Yunus published an op-ed in the Dhaka Tribune condemning proposals for a government takeover or outright break up of Grameen Bank, which Yunus founded over 30 years ago to help poor women in Bangladesh and elsewhere create their own small businesses and rise out of poverty by providing small loans at generous terms.

Earlier this year, the Congress awarded America’s highest civilian award, the Congressional Gold Medal, to Yunus for his creation of microcredit and his life-long commitment to fighting poverty. Holt was the sponsor of the resolution authorizing the medal.

“Bangladesh needs more institutions like Grameen, and more pioneers like Muhammad Yunus. It’s past time for the government of Bangladesh to recognize those facts and work with Professor Yunus, not against him.”
Mr. President, I rise today to once again voice publicly my concern with actions the Government of Bangladesh has taken and is poised to take with respect to Grameen Bank and the Grameen family of companies.

Grameen Bank has for decades been the pride of Bangladesh and the envy of the world. The brainchild of Professor Muhammad Yunus, the Bank pioneered a concept of lending that helped the very poor help themselves. Uniquely, the Bank was owned and governed by those very borrowers, giving them both an opportunity to succeed individually and a stake in the success of others.

For this, both the Bank and Professor Yunus have been recognized across the globe with awards and honors. Both were jointly awarded the Nobel Peace Prize in 2006. The United States has recognized Professor Yunus with its two highest civilian honors— the Presidential Medal of Freedom and, most recently just this April, with the Congressional Gold Medal.

Sadly, since 2010, instead of showcasing Grameen’s efforts to lift countless Bangladeshis out of poverty, the Government of Bangladesh has instead engaged in what seems to amount to nothing more than carrying out a political vendetta against Grameen and Professor Yunus. This has resulted in Professor Yunus’ forced removal from his position as Managing Director and changes to the governance of the Bank. I and many of my colleagues in the House and Senate, as well as the Obama administration, have repeatedly raised concerns at all levels of the Bangladesh Government over these moves.

We now understand that in the face of our continued objections and those from a wide swath of the international community, the Government of Bangladesh plans to hold a meeting on July 2 at which it is reported that they will finalize plans to take control of Grameen Bank.

Such a troubling move could jeopardize the stability of the Bank and put millions of borrowers, mostly women, who depend on it at risk of sliding back into poverty. It would likely gut the self-government that has been such a critical part of the great success of the Grameen experiment.

The Government of Bangladesh should think twice before taking such action.

Today, the U.S. Government took action against Bangladesh over another issue that has caused great concern— safety of the garment industry in Bangladesh. In response to several high profile garment factory accidents, the administration announced today that it will suspend Bangladesh’s trade privileges with the United States.

I am certain this is not the image of Bangladesh that Prime Minister Hasina wants the world to see. In the last few years, Bangladesh has made great strides to rude poverty and to develop a vibrant civil society. The country has been contributed significantly to important international peacekeeping missions around the world.

It is a shame that the government’s campaign against Grameen and its slow response to critical labor safety issues overshadow such achievements.

I urge the Government of Bangladesh to end this campaign against Grameen Bank and the Grameen family companies. The United States and, truly, the world are watching.
Huffington Post op-ed by Senators Barbara Boxer (D-CA) and Durbin, July 1, 2013

“The Wrong Choice for Grameen Bank”
http://www.huffingtonpost.com/sen-barbara-boxer/the-wrong-choice-for-gram_b_3530528.html

As Members of the United States Senate who are committed to the economic advancement of women around the globe, we are profoundly troubled by recent proposals that would fundamentally alter the future of Bangladesh’s Nobel Prize-winning Grameen Bank.

For more than three decades, Grameen Bank -- headquartered in the capital of Dhaka -- has stood as one of Bangladesh’s most recognizable and remarkable achievements. It is a model institution for modern development -- providing life-saving loans to poor women and helping lift countless individuals out of poverty. For this reason, it has been replicated by others around the globe.

One unique aspect of Grameen Bank is that its shareholders are the very people who borrow from the Bank. To date, Grameen Bank has served over 8.4 million borrowers. Its shareholders -- the majority of whom are poor women -- are proud of its success and committed to its core mission. They understand the plight of poor and rural women because many of them have faced the same challenges.

We adamantly disagree with any proposal that would remove control of the Bank from the women borrowers who own a majority of the Bank's shares. The Grameen Bank Commission, which was created by the Bangladeshi Government with little obvious purpose other than to harass Grameen Bank and embarrass its founder Professor Muhammad Yunus, has recommended three options to radically restructure the Bank. The first would give majority control of the Bank to the Government of Bangladesh instead of allowing it to remain governed by its borrowers. A second equally devastating option would turn the Bank into a private company. The third option would break the Bank apart into 19 separate entities with no legal relationship between them.

If implemented, any of these recommendations would destroy the independence of the Grameen Bank and undermine the women borrowers and shareholders who have made the Bank what it is today.

Any effort to restructure Grameen Bank is the wrong decision and one that threatens the future of Bangladesh's most vulnerable and the tremendous strides the country has made toward poverty reduction and growing civil society.

We strongly urge the Government of Bangladesh to reject these ill-advised recommendations and instead allow Grameen Bank to operate with the respect and autonomy it has both earned and deserves. Doing so would send a clear message to the people of Bangladesh that their government is more interested in helping them achieve a better life than scoring cheap political points and it would signal Bangladesh’s desire to become a more integrated and influential member of the international community.

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