

Questions by critics on Grameen Bank and the facts

Recently many questions on various issues have been raised regarding Grameen Bank, Grameen companies and Professor Muhammad Yunus in different forums and media. Perhaps because they are not informed of the facts, many are engaging in severe criticism based on fabricated information. The people of the country are being confused by this.

To inform the public we have compiled here the questions of the critics and are sharing the facts on Grameen Bank, Grameen companies, and Professor Yunus in response to those questions. We hope that these information will be able to clarify the confusion and make the discussion more factual.

It is natural that there will be discussions and varied opinions on Grameen Bank, Grameen companies and Professor Yunus. The discussions will be fruitful if sufficient care is taken to ensure that the opinions are not based on false or distorted information.

The information and facts presented herein are collected from previously published materials and documents on Grameen Bank. Various government regulatory authorities also have these information. More detailed information can be collected from those sources. If needed, Yunus Centre may also be contacted.

Sincerely,

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Yunus Centre

Q1: Why is there such resistance and criticism of the government's move to investigate Grameen Bank? Is Professor Yunus above the law for being a Nobel Laureate?

Answer: Generally when serious allegations of corruption are widely raised against an organization only then is the organization investigated. There have been no such cases against Grameen Bank. Grameen Bank is well known in the country of being a corruption free institution. Every year Bangladesh Bank (central bank) has closely audited the Grameen Bank. Two internationally recognized audit firms also audit Grameen Bank every year. No audit team has ever brought forth any issues of irregularity. On the other hand the head of the government has been directly and indirectly making various hateful comments against Grameen Bank and Professor Muhammad Yunus in the parliament, outside the parliament and in the international media. Keeping in view these comments isn't it only normal to doubt the intentions behind the investigation? Wouldn't such comments affect the investigation? Only because of these reasons have distinguished personalities of the civil society expressed their concerns, and not for any other reason.

Professor Yunus is not above and beyond investigations by being a Nobel Laureate. Those who have objected to the investigation have only done so because of the hateful comments and possible motivated intentions behind these investigations.

At the time of taking oath of the Honorable Prime Minister and the Ministers vow 'I will preserve, support and protect the constitution, and will lawfully and properly behave with all, without fear or favor, and without love or hatred'. It is the intention behind the application of the law that is causing the worry, not the investigation itself. Is it not a duty of all citizens to protest the gross deviation from norm set by the constitution?

Q2: Grameen Bank is a government bank. As the managing director of a government bank, Professor Yunus is a government servant. Why didn't he abide by the rules and regulations of the government?

Answer: The present government is insisting that Grameen Bank is a 'government bank'. No previous government, even when the current political party was previously in power, had ever claimed such a thing. Grameen Bank has been operating as a private bank since 1990. Now these previous notions have been turned around using verdicts from the higher courts. The reasoning that is being mentioned for the current claim is that Grameen Bank was established through a government ordinance and that makes it a statutory body of the government.

After the amendment to the Grameen Bank Ordinance in 1990, the government, Bangladesh Bank, and Grameen Bank all sides accepted that Grameen Bank had become a private bank and it started operating accordingly. No one objected to this. Finance ministry, Bangladesh Bank, external auditors- no one had any hesitation in accepting Grameen Bank as a private bank.

Not only was the ownership of the bank transferred to the majority private shareholders (currently owning 97%) by the amended law, the entire responsibility of managing the bank was also given to the board of directors.

One characteristic of any government entity is that it must take approval from the government for making its rules and regulations. This provision was eliminated in the 1990 amendment of the Grameen Bank Ordinance.

On public interest the Government may give various directives to any government entity from time to time. This was revoked from the Grameen Bank Ordinance.

As a result, Grameen Bank has been operating under private ownership and governed by the rules and regulations approved by its board of directors. The employees of the Grameen Bank work under the service rule of the Bank (as

approved by the board). The board of directors set the salary scale and benefits for the employees. In almost all cases these are completely different from the government norms. For example, in Grameen Bank, any employee can retire with pension and gratuity after ten years of service. Neither the Ministry of Finance nor the Bangladesh Bank has ever raised any question regarding this. All decision-making powers of this organization were vested in the board of directors. The government did not keep any power to itself. This is the reason why Grameen Bank has been able to continue on its course of success. There was no interference from the government at any time.

The board appoints the managing director. This power has been vested upon it by law. The rules and regulations outlining the appointment and duties of the managing director are elaborated in the Grameen Bank Ordinance. Managing director is appointed under a contract with conditions set by the board. There is no age-limit for the appointment.

We can give an example of another organization that was created under a special law like that of Grameen Bank, and that is the Asian University of Women (AUW). AUW, located in Chittagong, was created under a special law passed in the Parliament. AUW is not a government organization. Its employees are not government employees. Its Vice Chancellor is not a government employee. The VC does not have to follow the rules and regulations of the government universities.

There can be academic discussions about whether Grameen Bank is a government bank or not. The main point is that it has been operating as a private bank till 2011. Grameen Bank could achieve success in its work because there was no doubt about its being private on the part of the government, Bangladesh Bank and Grameen Bank. If it is asked now to assume the character of a government bank and thus change its basic character, then it will be doomed.

If the legal experts think that according to the existing law there is no way that Grameen Bank can operate as a private bank, and that this bank was being operated as a private bank till now was a mistake, then the law should be amended to make it a truly private bank. Grameen Bank cannot exist in any other way.

If such amendments are made to make it a private bank without any confusion, then Grameen Bank can continue as a strong sustainable bank serving the poor women. This action is needed for the national interest. If Grameen Bank it is asked to assume the character of a government bank, it will be a national disaster.

Q3: Grameen Bank operates with funding from the government. Besides this, it also receives millions of dollars in foreign funding. Is it not the responsibility of the government to review how these funds have been used?

Answer: Grameen Bank does not operate with funding from the government. At the time of establishing the Bank every attempt was made to establish it with full ownership of the borrowers. The then government did not agree with this. At the time of its establishment in 1983, the government kept 60% ownership of the Bank. Professor Yunus did not agree to involve himself in Grameen Bank with 60% ownership of the government. He was assured by the finance minister that once the Grameen Bank was operational, majority shareholding would be given to the borrowers. It was done so in 1986. The government divested its majority ownership by amending the Grameen Bank Ordinance and transferring 75% ownership to the borrowers. Professor Yunus continued with his effort of bringing down the government's stake to a token 5%. As a result of which in 2008, the government holding was reduced from 25% to 15% by amending the ordinance. Since the current government hadn't placed this as a bill to the parliament the amendment had its natural death; borrower shares, as a result, went back to 25%.

When Grameen Bank was established, the Government of Bangladesh invested in GB shares worth Tk. 12 million (US\$ 0.50 million; 1983*). Sonali Bank and Krishi (Agricultural) Bank each invested Tk 3 million (US\$ 0.123 million; 1983) totaling Tk. 6 million (US\$ 0.24 million; 1983). So the total of the government's investment came to Tk. 18 million (US\$ 0.74 million; 1983). While the government did not add to equity beyond this Tk.18 million (US\$ 0.74 million; 1983). Borrowers continued to buy additional shares. As a result, percentage ownership held by the government came down to 3%.

*Using average exchange rate of this year

At the request of the government Grameen Bank agreed to take loans and grants from various foreign sources. Grameen Bank was sometimes pressured to take loans and grants from foreign sources. This has been documented in various publications. The foreign loans have been repaid as per the agreed schedule. Grameen Bank has never defaulted even for a day in repaying its loans.

In 1995 Grameen Bank decided that it will no longer accept any new foreign loans or grants. The ongoing loans and grants continued until 1998. Since then, Grameen Bank has not taken any foreign loans or grants. Grameen Bank has never taken any grants from the Bangladesh government.

The source of paid-up capital of Grameen Bank is the funds received from the borrowers who continue to buy shares of the bank. The price of each share is Tk. 100 (US\$ 1.71; 2003). As the government had set the ceiling of paid-up capital in 2008, Grameen Bank could not offer any borrower more than one share. Since Grameen Bank pays a dividend of 20% to 30% on each share, the borrowers want to purchase more shares.

Q4: Are all eight millions of borrowers of Grameen Bank genuine shareholders? Or is it all fake?

Answer: Majority of Grameen Bank borrowers are shareholders of Grameen Bank. The number of borrowers who have bought shares stands at 5.5 million. There are currently 8.4 million borrowers in Grameen Bank. Those who have not yet purchased a share will eventually buy one each. There is no rush or pressure to do this. Collectively the borrowers own 97% of the shares of Grameen Bank. If more borrowers buy shares, the ownership stake of the borrowers will surpass 97%.

When a borrower's savings go beyond Tk 100 (US\$ 1.71; 2003) then she purchases a share worth Tk. 100. In the borrower's pass book this transaction is recorded as a deposit of Tk.100 (US\$ 1.71; 2003) under the share account. After this, the borrower's name is listed on the share holders' registry. The

voter list for the election for membership in the board of directors is prepared on the basis of the share holders' registry.

Q5: If there are shareholders why have they never been paid any dividends? Have the money from the profits been embezzled by Professor Yunus and his accomplices?

Answer: The Grameen Bank has always been paying dividends to its shareholders.

Each borrower of Grameen Bank may buy a share of Grameen Bank worth Tk.100 any time. Out of 8.4 million borrowers, 5.5 million have already bought shares. By purchasing shares worth Tk. 550 million (US\$ 9.39 million; 2003) they have become owners of 97% of the paid up capital. The government and government percentage of shares is reduced to 3% since their contribution to equity remained fixed at Tk. 18 million. (US\$ 0.74 million; 1983)

So far the Grameen Bank has paid the government Tk. 25.2 million (US \$ 0.37 million; 2008) in dividends for their investment of Tk.12 million (US\$ 0.49 million; 1983). Sonali and Krishi Bank received Tk. 6.3 million (Us\$ 0.26 million; 1983) in dividends for their investments of Tk. 3 million (US\$ 0.12 million; 1983) each.

The borrower-shareholders have received Tk. 770 million (US\$ 11.18 million; 2008) in dividend against the Tk. 550 million (US\$ 9.39 million; 2003) worth of shares they bought (the borrower shareholders received comparatively less because those who have purchased shares after 2006 missed the 100% dividend in 2006, and have received dividends for a shorter period of time). Grameen Bank makes sure that each borrower-shareholder receives her dividend personally each year.

At the time of approving the annual budget at the meeting of the board of directors, board decides what percentage of the annual profits should be distributed among the shareholders as dividends. From its inception till 1996 the profit was not large enough to give a reasonable amount dividend to each

shareholder. From 1997 till 2005 in order to comply with government orders, dividends could not be provided. Grameen Bank had to fulfill the government's condition of depositing the entire amount of the profit which is available for dividend to the Emergency Mitigation Fund in order to qualify for tax exemption. Therefore dividends could not be provided during this period. Since this condition was revoked in 2006, dividends of 100% in 2006, 20% in 2007 and 30% in each year of 2008, 2009 and 2010 were paid. In order to maintain a stable rate of dividend distribution a Dividend Equalization Fund was formed. Till 2010 an amount of Tk. 694.6 million (US\$ 9.84 million; 2010) has been accumulated in this fund.

Since Professor Yunus or his colleagues do not own any share of Grameen Bank they do not receive any dividends. They receive their salaries as Grameen Bank employees. This is all they get, nothing more.

Q6: Professor Yunus served as managing director of Grameen Bank despite government's rule for retirement age limit of 60 years. Is it not illegal? Receiving salary and allowances for this additional period is it not illegal too?

Answer: The government's ownership in Grameen Bank was reduced from 60% to 25%, and the ownership of the borrowers was raised from 40% to 75% after an amendment in Grameen Bank ordinance in 1990. Under the new ordinance, the authority of appointing the managing director was vested to the board of directors with prior approval from Bangladesh Bank. According to the provision in the amended ordinance, a request letter was sent to Bangladesh Bank on August 14, 1990 for their prior approval to appoint Professor Muhammad Yunus as the managing director. In a letter of August 25, 1990, Bangladesh Bank provided their prior approval to appoint Professor Muhammad Yunus as the managing director of Grameen Bank. In the approval letter, Bangladesh Bank did not mention any age limit to appoint Professor Muhammad Yunus as the managing director. Accordingly he was appointed as the managing director without mentioning any age limit. In the board of directors meeting of Grameen Bank, held on July 20, 1999, Professor Yunus, at his own initiative drew the attention of the board to his retirement age. The board of directors decided that he will continue as managing director until the board takes any other decision.

In the same board meeting it was decided to develop a regulation for appointing the managing director. In the regulation, no age limit was imposed for the position of managing director. In an audit based detailed inspection report of December 31,1999, Bangladesh Bank raised an objection that approval was not obtained from the bank to appoint Professor Muhammad Yunus as managing director. A joint meeting was held on January 15, 2001 in presence of 3 officials each from Bangladesh Bank and Grameen Bank to discuss a few unresolved issues raised in an Audit and Inspection report of Bangladesh Bank in 1999. The issues were discussed and some of them were resolved. It was also decided in the meeting that remaining issues will be considered as resolved after Grameen Bank submits few documents requested by Bangladesh Bank. Accordingly Grameen Bank submitted a supplementary report on January 16, 2002 along with all the relevant documents to Bangladesh Bank as requested in the joint meeting. Bangladesh Bank considered the issue of managing director's appointment resolved after reviewing the documents received from Grameen Bank. Professor Muhammad Yunus was 61 years and 6 months old at that time, but Bangladesh Bank never asked for post-facto approval. Later on Bangladesh Bank never raised this issue in any of their detailed inspection reports.

It is to be noted that Professor Yunus exceeded 60 years of age during the last tenure of Awami League Government in 2001. But the government never raised the issue of Professor Yunus's age

Bangladesh Bank never raised the issue in the next 11 years. But the issue was raised in 2011. At this point Dr. Yunus submitted a writ petition to the high court. The court refused to accept the petition for hearing on the ground that he does not have Locus Standi, which means he is not eligible for submitting the petition. He appealed to the Appellate Division but his appeal was refused on the same ground.

Professor Muhammad Yunus decided to resign from the position of managing director of Grameen Bank on May 12, 2011.

Is it his fault that he stayed on as managing director for 11 years beyond the "age limit" of 60 years or is it the fault of the board which appointed him to

do the job? Or is it the fault of the central bank which approved his appointment as the managing director? Or nobody is at fault at all. These questions need to be resolved.

Q7: How many elected representatives are there in the Grameen Bank board? Who are they? How do they come to the board?

Answer: According to the law governing Grameen Bank there are nine elected members in the board. The election process within Grameen Bank is specified in the Grameen Bank Election Rules. The borrower shareholders of Grameen Bank are divided into nine constituencies. The election is held in three tiers in each of these constituencies. An election commissioner conducts these elections. Returning officers and polling officers are appointed. The voter list is published. Only those who acquire shares of the bank get enlisted in the voter list.

One representative is elected from each tier. The elected representatives of the first tier become the voters for the second tier. One representative is elected in each of the second tier. Representatives of the second tier candidate constitute the council of representatives in the third tier. Candidate elected in the third tier is the representative in the board from that particular constituency. The one who gets elected as a member of the board has to get elected in each of the three tiers. A member of the board has to come through a rigorous election procedure. The voters elect representatives in each tier by carefully assessing different attributes of each of the candidates.

Borrowers of Grameen Bank are well accustomed to the election procedures. If one looks at their participation in the local government elections one will get easily convinced. In the last Union Parisad (village council) elections 13 Grameen borrowers were elected as chairmen and 4,022 were elected as council members out of a total of 12,000 elected members of Union Parishad in reserved seats for women. In the upazilla elections, (sub district local government) 98 members got elected as women vice chairmen and one member contested independently against a male candidate and won the position of vice chairman. Additionally, one got elected as a pourasabha (city municipality) chairman and 148 as pourasabha councilors.

Apart from this, amongst the family members of Grameen Bank borrowers 47 were elected as chairmen and vice chairmen, and 248 as councilors.

These statistics are only of those who have been elected. The figure of those who contested but did not win the election is, of course, much higher.

Grameen Bank borrowers are closely involved with the election and leadership process. Those who are trying to depict them as uninformed, helpless women are completely wrong.

Q8: Are not the women who are elected to the board of directors of Grameen Bank puppets in the hand of Professor Yunus? Do they have any actual role in the board?

Answer: A set of interesting issues come to the Grameen Bank board for decisions. There is no need for decisions on loan proposals at the board level. Such issues are settled at the branch and area office level. The board handles issues of visioning, planning, policy proposals and budget. At board meetings, board members openly discuss, question, and express their opinion over all issues. Many Grameen Bank policies have been changed and many have been formulated on the basis of the opinions and suggestions of the elected board members.

The elected members provide life to the board. The chairman and government representatives make sure that all issues are resolved to the satisfaction of the elected members. After all, the bank is owned by them, and created for their benefit.

The board has a total of 13 members, including the chairman and two other government representatives, usually at the level of secretary to the government. All decisions are taken after reaching a consensus.

From the very beginning, highly respected individuals were appointed as the chairman of the board of directors. Through the elaborate rules and procedures laid down for election, it has been ensured that the representatives

in the board are elected in a transparent manner from among the shareholders. Elected board member have been fulfilling their duties with excellent record. Presence of the nine borrower shareholders Grameen Bank creates a distinctive environment for discussion. Meaningful discussions relating to the operations of the bank can be held with them. No one else in the world possesses such deep personal knowledge and expertise on the operation of Grameen Bank. They are the direct owners of the bank. They are directly affected by the decisions taken in Grameen Bank. Their lives are tied to Grameen Bank. Their presence compels the discussion to be life-oriented.

From the very beginning elected representatives from the borrower-shareholders of Grameen Bank have all played a vital role in all decision making in the board. One has to remember that it is through their capable management that it was possible for Grameen Bank reach the height of receiving a Nobel Prize. When the elected board members formulate a policy, pass a resolution and go back to their respective villages, they know very well if their policy decisions do not please the borrowers of Grameen Bank of their village and of the villages around them, they will be under severe attack. They know that each of them will be alone out there to face the fury of their electorate. They live with them and attend weekly meetings with them. The elected representatives will never do anything to make their friends become hostile to them.

Q9: Hasn't Grameen Bank been extorting money from poor people through very high interest rates just like the money lenders?

Answer: Of all microcredit organizations, governmental or non-governmental, Grameen Bank's interest rate is the lowest. The highest rate of interest in Grameen Bank is 20%. This is a simple interest. The interest is determined at a declining method. At a flat rate method this comes to 10%. Bangladesh Microcredit Regulatory Authority (MRA) has set the highest interest rate for any microcredit institutions in Bangladesh to be 27%. Grameen Bank's rate is 7% lower than government fixed rate.

Grameen Bank's housing loan has a yearly rate of 8%. Grameen Bank also has a higher studies loan program, which during the period of education is 0% (i.e. no interest) and after completion of studies is 5%. Loans given to

beggars have an interest rate of 0% (in other words no interest is charged). Grameen Bank's interest is the lowest among all the microcredit institutions of Bangladesh, and it gives the highest interest on the savings (ranging from 8.5% to 12%).

These information are available in various policy papers and the website of Grameen Bank for a long time now. These information are known to Bangladesh Bank and other relevant regulatory authorities as well. Yet many highly placed people take freedom to quote, in the national and international media, imaginary higher interest rates, as they please. This is very unfortunate indeed.

It should be mentioned here that even after the retirement of Professor Yunus from Grameen Bank in 2011, the interest rate charged and collection methods applied by Grameen Bank have remained unchanged.

Q10: Aren't the borrowers of Grameen Bank being oppressed by forcing them to participate in a compulsory savings programme?

Answer: Grameen Bank started with a policy of compulsory savings. Over time the amount of compulsory savings was reduced. Since the borrowers became habituated in savings and wanted to save more and more as they were attracted by its benefits, the compulsory savings scheme was eventually abolished. Now savings is no longer compulsory in Grameen Bank. From the very beginning Grameen Bank has provided an interest of 8.5% to 12% on savings (Microfinance Regulatory Authority has set 6% to be the minimum interest on savings for all microfinance institutions in Bangladesh.)

The borrowers of Grameen Bank are interested in saving more, than less. For example, members show a lot of enthusiasm in the pension fund savings. They get a return of 12% on this. Their savings grow faster. Many members save in long-term saving programme. The money in savings account can be withdrawn at any time, even one day after it has been deposited. Currently the total amount of savings by Grameen Bank borrowers is Tk. 70 billion (US\$ 851 million). Since there is no compulsory savings, how does the issue of oppression through forced savings arise?

Q11: Haven't many women committed suicide due to failure of repayment of Grameen Bank loan installment? Haven't many left their homes and working as maids in the cities? Aren't many women in hiding after leaving their villages and homes?

Answer: A borrower of Grameen Bank may commit suicide, may be in hiding, or on the run, or may be working as a house maid somewhere. But it would be incorrect to think that they have had to do so because of Grameen Bank.

Why would a borrower of Grameen Bank be on the run? Have they ever been tortured by Grameen Bank? Have they ever been handed over to the police? Has Grameen Bank ever filed any cases against them? In the 35 year history of Grameen Bank, has anybody ever heard Grameen Bank file any case against anyone? Though the government has given the authority to Grameen Bank to file certificate cases against loan defaulters (which is a very harsh legal measure authorizing the bank to take over any property of the borrower; this provision was included in the law because of lack of understanding of the basic philosophy of Grameen Bank), Grameen Bank has never applied that legal power against anyone.

There is a criticism against Grameen Bank by banking experts that it reschedules the loans frequently so that the borrowers are not categorized as 'loan defaulters'. This is true. This is a part of the main philosophy of Grameen Bank. Grameen Bank believes in the dignity of people, particularly that of the poor. Based on experience, Grameen Bank has found that poor people default more frequently due to the circumstances they find themselves in, rather than default willfully. Their loans are rescheduled or new loans are provided to recover the lost capital. Each time the duration of loan is extended, provisions are made for an amount equaling 50% of outstanding loan, meaning this amount is treated as expenditure. Thus, no matter what the arrangement is with the borrower, the financial treatment in the book of accounts remains transparent and conforms to international standards.

So why would a borrower be in hiding if she is not a defaulter?

Another thing to be kept in mind is that in addition to being a borrower a member is also a regular depositor. She has enough money in her savings account to repay weekly installments. Then why would she be on the run for not being able to pay installments?

There are many problems in the lives of poor women. Bangladesh is one of the countries that ranks highest in violence against women. A woman may commit suicide due to various reasons. But there is no reason to commit suicide because of Grameen Bank. In the past 35 years not a single case has been filed or no one was handed over to the police for failing to repay. The reason behind the suicide may be guessed more clearly after one checks the deposit balance of the deceased. Generally it is found that the balance in her savings account is by far larger than the outstanding load amount at the time of her death. Does this look like an evidence of death by suicide by a person who was under extreme harassment for not being able to pay her loan?

Q12: Didn't Professor Yunus keep Grameen Bank out of tax nets using different techniques and wasn't he severely criticized and condemned because of this?

Answer: Grameen Bank was kept as a tax-exempt institution until 2010, with the cooperation from the government. This was granted to Grameen Bank to support the cause of the poor women. During 2010-11, critics severely criticized and condemned him for “evading taxes”, and taking undue advantages from the government. Grameen Bank applied for the continuation of the status in 2011, but government did not respond. In May, 2011, government compelled Grameen Bank to pay an advance income tax of Tk 100 million (US\$ 1.37 million; 2011). But when Professor Yunus left the bank, government again granted tax exempt status for the period 2011-2015. This time the critics did not utter a word.

Q13: Isn't Grameen Bank performing better since Professor Yunus's departure? Haven't the interest rate and the repression on borrowers come down since then?

Answer: Due to the innovative decentralized management practices introduced by Professor Yunus, there has not been any short-term crisis in

management in Grameen Bank since he left. There is no basis for such a crisis. Grameen Bank is still diligently following the same interest rate, operational practices, loan disbursement, loan collection practices, etc. as per the policy and practices innovated by Professor Yunus. Those who are currently running Grameen Bank have all been trained by him. The interest rate is just as it was when he was there; there has never been repression before, nor is there now. Hence there is no question of reducing repression.

But the long-term prospects for Grameen Bank management are different. Central leadership and decision-making are very important for long-term success. If the central leadership falls into wrong hands, and it makes wrong decisions or puts in place wrong policies, it'll lead to disaster.

Q14: Who own the companies with ‘Grameen’ names?

Answer: Most of the Grameen companies are registered under the Section 28 of the Company’s Act. Companies formed under this act have no owners. No one is allowed to take out profit personally. These companies are categorized as ‘non stock company limited by guarantee’. The directors of these companies provide personal guarantees, but are not allowed to take profits.

There are some Grameen companies which are registered as ‘for-profit’ companies. These are owned by a few of the non-profit companies mentioned above. As a result the profit from these for-profit companies goes to the non-profit companies, and can never go to an individual.

Q15: Don’t all these 54 companies belong to Grameen Bank because they have used Grameen Bank’s money and reputation?

Answer: The 54 companies with Grameen names, have received no investments from Grameen Bank. The equity for these companies has come from different sources. For many of these companies equity has come from contributions from donor institutions. For some, it has come from loans. Others have had investments from other companies. None of the companies have any investment from Grameen Bank.

The source of funding, utilization of the funds, and all other details are given in the audited annual financial reports of these companies. These annual reports are submitted to the government every year.

The name 'Grameen' has earned a goodwill from the success of innovative creations by Professor Yunus. He had been using the name 'Grameen' long before the birth of Grameen Bank. The branch of Krishi Bank that Professor Yunus was operating in the Jobra village was named as 'Experimental Grameen Branch'. When he developed the project for the central bank, he named the project as "Grameen Bank project". Grameen Bank was born from the Grameen Bank Project. Professor Yunus has been putting the name 'Grameen' to all his initiatives, at home and abroad. This Bengali word became a very familiar word in all parts of the world. Not only it became a well known word, it also became a well respected word everywhere.

Q16: Who will inherit the 54 companies created by Professor Yunus? Who would be the owner of these companies in his absence?

Answer: None of these companies are personally owned by Professor Yunus. He does own a single share in any company; as a result there is no need to be concerned about his heir or successor. The majority of the 54 companies created by Professor Yunus are 'not-for-profit' companies, registered under Section 28 of the Company's Act. This type of companies are not owned by anyone, hence there is no question of inheritors. If a position falls vacant in the governing board or general body then it is filled up according to the procedures elaborated in the legal framework of the company. Thus, the company continues to function without hiccup.

There are a few 'for-profit' companies which are in turn owned by other non-profit companies. Since the not-for-profit companies which own the for-profit companies, continue to function upto perpetuity, there is no scope for a vacuum in the ownership of these companies.

Since all of these companies have been formed under the existing laws, there are relevant regulatory authorities to oversee them. Even if there is a need to close any one of these entities, the procedures are laid down in the law.

Q17: Who is the owner of Grameen Phone?

Answer: One of the owners of Grameen Phone is a Norwegian company named Telenor. In turn, one of the majority owners of Telenor is the Norwegian government. The second owner of Grameen Phone is Grameen Telecom. This is a non-profit company registered under section 28 of the Company's Act (the details have been provided in a previous answer). The other owners of Grameen Phone are the numerous investors/shareholders of Bangladesh who continually trade its shares in the stock market. Professor Yunus has never owned a single share of Grameen Phone, directly or indirectly.

Q18: How did Grameen Telecom mobilise so much money for buying Grameen Phone shares?

Answer: Grameen Telecom mobilised funds for investing in the equity of Grameen Phone from three sources. First tranche of money came from George Soros, famous American investor. Professor Yunus requested him to provide a loan of USD 11 million from his foundation, to Grameen Telecom. This amount was invested in Grameen Phone. The loan was repaid to the foundation in due time. Loans were taken from various commercial banks to invest in Grameen Phone's equity, which were paid off in due time. Grameen Telecom also took loan from Grameen Kalyan. Grameen Kalyan is a company formed under the Company's Act, also without any owner.

Q19: Where does the money that Grameen Telecom receives as dividends from Grameen Phone go?

Answer: The money from the dividends received from Grameen Phone by Grameen Telecom was used to repay all the loans taken from commercial banks and other sources to invest in the equity of Grameen Phone.

Part of the money is given out as education loans to impoverished boys and girls. In addition, major initiatives have been taken in the health sector with these funds.

In order to ensure that the income of Grameen Telecom is properly utilized in creating various initiatives to help solve social and economic problems, a trust named ‘Grameen Telecom Trust’ has been established. Grameen Telecom donates its income to the Trust.

The Trust has already initiated various projects geared towards public welfare. Land has been bought in Savar to set up a health complex. Preparations are underway to set up a medical college of international standard, a nursing college, a medical support services college, a general hospital, a cardiac hospital and a cancer hospital within the health complex.

A plan has been taken up to set up a Health City to make all health services available to common people. In this regard, land acquisition is in progress in Dhaka’s Maona area; plans have been made to set up a hospital and healthcare facilities with international collaboration.

Investments are being made by Grameen Telecom Trust in equity of various social businesses set up to contribute to the solutions of various social challenges. A “Social Business Industrial Park” has been established to set up social business production units. Some of these factories are already functioning, and more are in the pipeline.

From the money that Grameen Telecom receives, part of it goes to Grameen Kalyan for the welfare programmes addressing Grameen Bank employees, and also for developing the primary healthcare sector of the country. So far, Grameen Telecom has given Grameen Kalyan Tk. 8.8 billion (US\$ 124.6 million; 2010).

There is no way that an individual can receive money personally from Grameen Telecom and/or Grameen Telecom Trust. The profit from Grameen Phone comes to Grameen Telecom, which has no owner, and then that money is handed over to Grameen Telecom Trust to ensure proper utilization. Grameen Telecom Trust uses this money for the welfare of the common people of the country.

One may remember that global sensation was created when Grameen Phone took mobile phones to the poor women in the villages of Bangladesh to create

a new income generating activity for them. This programme was managed by Grameen Telecom in collaboration with Grameen Bank. Under this programme Grameen Bank borrowers were buying airtime at subsidized rate and selling it at market rate, making significant income from the deal. Grameen ‘telephone ladies’, as they became known globally, entered digital age by joining telecom business as retailers. At its peak nearly half a million ‘telephone ladies’ were involved in this roaring business. It transformed the lives of half a million poor families financially, as well as transforming the traditional village life by introducing communication technology all over Bangladesh.

Grameen Phone paid Grameen Telecom for the service it provided; 80% of this income went to Grameen Bank for the service it provided. Grameen Bank received Tk. 2.9 billion (US\$ 40.06 million; 2010) from Grameen Telecom on this account.

Q20: Why don’t the borrowers of Grameen Bank get a share of the profits from Grameen Phone?

Answer: Initially Grameen Bank did not own any shares in Grameen Phone. A few years ago, when Grameen Phone released its shares on the stock market, the shares were bought on behalf of a trust formed for the welfare for the Grameen Bank borrowers’, named ‘Grameen Bank Borrowers Investment Trust’. The dividends from those shares have been regularly received by Grameen Bank Borrowers Investment Trust.

Q21: Do ‘Grameen’ organizations pay tax or VAT to the Government?

Answer: All of the organizations created by Professor Yunus regularly pay tax and VAT. They are all audited yearly. Just like any other business organizations, these organizations also come under the oversight of respective regulatory agencies. The companies that required approval from the Board of Investment received approval from the Board of Investment. Companies that are required to submit returns to Registrar of Joint Stock Companies (RJSC) do so regularly. Companies needing approval from the NGO Bureau have taken the approvals. No company is beyond the regulation of the government.

Q22: Hasn't Professor Yunus financially deprived Grameen Bank by setting up the office of 'Yunus Centre' in an eleven thousand square feet floor at the Grameen Bank Tower without paying any rent?

Answer: Just as the government honors eminent personalities for bringing honor to the country and gives national recognition by giving awards, gifts, grants to winning athletes, sports teams for enhancing the country's reputation, in the same way the Grameen Bank board decided to donate this of the floors of its building to Professor Yunus for his permanent use, for bringing great honor to the country by winning Nobel Peace Prize. In order to preserve and expand Professor Yunus's thoughts, ideas and works a trust named 'Nobel Laureate Trust' was formed to which one floor was donated. the Nobel Laureate Trust then leased out the floor to Yunus Centre for its use at a nominal rent for twenty four years.

The main objective of the Yunus Centre is to spread Nobel Laureate Professor Yunus's vision at home and abroad, strengthen his programmes, sustain the pace of innovative activities he is engaged in to help humanity, and inspire young people in creating a new and better world.

Q23: Hasn't Professor Yunus earned millions of taka from abroad and shown this under the Wage Earners Scheme to evade taxes?

Answer: Professor Yunus earns a significant income every year from abroad. The sources of his foreign income are: 1) Speaking at different institutions and conferences, 2) Royalties from different books that he has written and published in different countries translated into various languages, 3) Prize money from the Nobel and other such international prizes.

Professor Yunus receives a very high fee for speaking at international conferences. In many places audiences have to purchase tickets to hear him speak. Several books written by him have been translated into 25 languages around the world. His books have been included in the *New York Times Best Seller* list.

He remits earnings from books, speeches and prizes back to Bangladesh through the formal banking channels. If a Bangladeshi remits his personal income through the formal banking channels, according to the tax laws, that income is tax-free. By law, therefore his foreign income is tax-free. He declares all his local and international earnings regularly in his income tax returns. He has been paying taxes to the income tax authority on all his taxable income on a regular basis according to the assessment made by the authorities. Authorities never objected to any item in his tax returns.

Q24: Isn't Professor Yunus deceiving the public by promoting social business without any legal framework?

Answer: There are no legal differences between 'social business' and traditional business. There is only one practical difference. In a traditional business, the owner personally takes the profits; in a social business the owner of the business does not take the profits. The profits are reinvested in the company and used for growth and development. This is a decision made by the owners of the business. Law plays no role in this. There is no need to make any new laws for social business. The existing laws governing traditional business is sufficient for social business. Professor Yunus does not want any special privileges from the government for any social business, in Bangladesh or anywhere else.

Social business is a concept developed by Professor Yunus. Anyone can set up a social business voluntarily. Many in Bangladesh and in other countries have set up social businesses. In an initiative that is completely devoid of any personal gains, how can someone raise the suspicion of deception? All the social businesses that have been established in Bangladesh have been set up following the existing laws of Bangladesh. Existing legal framework is good enough for social business in any country.

Q25: Professor Yunus has illegally earned a lot of money by serving as managing director of Grameen Bank despite government's rule for retirement age limit of 60 years? Why hasn't he made public the illegal income he has earned as salaries and benefits during this period?

Answer: Professor Yunus served as the managing director of Grameen Bank after crossing sixty years of age in the period between June 29, 2000 and May 12, 2011. In these 11 years he made Tk.5.3 million (US\$ 0.08 million; 2007) as salary and allowances. After deducting 7.5% of salary as maintenance expense and house rent, his take home pay was Tk.3.9 million (US\$ 0.06 million; 2007). His average monthly income (take home pay) for the eleven year period was Tk. 30,000 (US\$ 435; 2007)

Q26: Why did Professor Yunus cling on to the position of managing director of Grameen Bank personally? He should not have listened to the Board. Doesn't he realize that he has grown old?

Answer: Professor Yunus had tried to retire from the position of managing director of Grameen Bank a number of times. However he failed to do so owing to the resistance from the board of directors. In the end, he personally wrote to the current finance minister a few years back. He asked for his assistance in retiring from the position of managing director. The finance minister agreed to the proposal. But did not implement the plan (This letter was published in national dailies).

Professor Yunus's objection is not on having to stand down from the position. His objection was to the reason mentioned in the letter of his removal. He wanted to let the court know that the board of directors of Grameen Bank was eager to keep him as managing director, and Bangladesh Bank went along with them. The relevant supporting documents are available. He wanted to present these to the court. However, the honorable court refused to listen to his plea. He was already anxious to leave the position, so there is no question of insisting on staying. All was done to present the actual situation to everyone and to clarify his position.

Q27: Didn't Professor Yunus fail to groom a competent successor over the last 35 years? Didn't he do this intentionally so that he remains indispensable to Grameen Bank?

Answer: In Grameen Bank, the no. 2 position is the position of deputy managing director. There has always been someone in this position. When the position of the managing director falls vacant, the incumbent deputy

managing director takes over the responsibility of the managing director. So there is no scope for vacancy in the position of managing director.

People have different perceptions of the word ‘successor’. If we invite people to explain what they have in mind when they are talking about a successor, there would be no consensus. For example, the government is repeatedly saying that they will find a managing director for Grameen Bank through international advertisement. This implies that they are not expecting to find a competent candidate within the country. Maybe they already have some candidates from abroad in mind, which is why they are thinking in this way.

Grameen Bank was created and managed by local men and women. This is the only Nobel Laureate organization which was created within the borders of its own country, and not a single foreigner has ever worked there. Someone has to explain why a person from abroad has to be sought for the position of chief executive of this organization. Why is there a doubt on the competence of people within Bangladesh?

Professor Yunus never considered that his colleagues were not qualified enough for the top post. He believed that there are a lot of people within the organization, and within the country, who understand Grameen Bank’s methods, policies and philosophy very well, and who will be a good fit for Grameen Bank, in spirit and work ethics. They would not take this job for the attraction of an international salary (which is several times the local salary); they would not have a personal agenda of building a credential of being the chief executive of a Nobel winning organization to prepare for the next international assignment.

The government has repeatedly assured the nation that Grameen Bank has been functioning better than before. Then why is the absence of a successor being felt? Why are we looking for people from abroad when we have qualified people at home? Are those who are searching for a managing director looking for someone who will fit in to their own society and speak their language? How can one say that Professor Yunus has not created his successors? His successors are doing pretty well. Each one of his successors have performed very well. He has actually groomed a series of successors, not just one.

Q28: Professor Yunus is said to have enormous leverage and connections abroad, but he hasn't used any of it for the nation. He has never been seen using his influence to solve any of the issues such as tariff-free entry of readymade garments into the USA, Padma Bridge financing, and the work permit problem for laborers working in Saudi Arabia. Why is he so averse to helping the nation?

Answer: If a citizen has some international influence, the government has a role in making use of that influence. The government has to give responsibility to this citizen, even if that is done informally. The government on the other side need to understand that the citizen in question is backed by his own government; his words and actions are in conformity with the policies and expectations of his government; the role of this particular citizen is only of deepening and widening the understanding between two governments, by using his good will. Fruitful discussions can progress under such circumstances. But the present situation with Professor Yunus is quite different. Because of the existence of very powerful media today, all governments of the world are already very conversant with the fact that Professor Yunus is treated like an adversary by the government in his home country. And they experience this too. Every time there is an event in honor of Professor Yunus in another country, the ministers of that country and the ambassadors of other countries posted there, eagerly participate in these events. But, inevitably, in hundred percent of the cases, the Ambassador of Bangladesh remains absent. Everyone wants to know why the Bangladeshi Ambassador is absent when he would be taking advantage of this event in promoting closer relationship with the host country, as one of the citizens of his country is being honored. Of course, it is not difficult for anyone to understand the reason. Thus, the message that things are not going well between the Government of Bangladesh and Professor Yunus gets reinforced.

Professor Yunus established a social business named 'Grameen Employment Services' three years ago. The objective of this was to export manpower to various countries after providing appropriate training to them. Companies in various countries expressed their willingness to import manpower directly through this company. Several companies sent advance demands. The governments of those countries expressed their enthusiasm in this initiative.

But this has not yet received the approval of our government. As a result, this company could never begin its operations. In the meantime everything has been arranged to open a “Training Centre” in collaboration with a Japanese company to train people in auto-mechanics and auto-engineering. We are not sure whether this company can get started under the present circumstances. In another case, a well-known German company had come with all preparations to invest Euro 20 million in Bangladesh in a collaborative work with Professor Yunus. They had to go back disappointed.

Three years ago a senior member of the Saudi royal family Prince Talal bin Abdul Aziz Al Saud, wrote a letter to Bangladesh government expressing his willingness to hold the Annual Prize Giving Ceremony of his “Arab Gulf Fund” in Bangladesh. The press from various countries, particularly Arab countries would be present there. He himself and many dignitaries from various Arab countries would be present there. He invited the Prime Minister of Bangladesh to inaugurate the event and gave all the details of the whole event to our government. Prince Talal is a longtime friend of Professor Yunus. He replicated Grameen Bank model by establishing Microfinance Banks in seven African and Middle Eastern Countries. The Government of Bangladesh informed him that the Prime Minister has gladly accepted the invitation, but no Bangladeshi other than the Prime Minister, Finance or Foreign Minister would be allowed to speak in the inaugural ceremony. This answer from our government angered Prince Talal enormously. He wanted to hold the event in Bangladesh as a way to honor Professor Yunus. He decided not to hold the event in Bangladesh since Professor Yunus would not be allowed to speak on the occasion, and shifted the venue to Kuala Lumpur. On 1st December, 2009 in the presence of Prince Talal, along with many dignitaries from the Arab world, the ceremony took place in Kuala Lumpur. The Malaysian Prime Minister extended every possible hospitality and led the function with high pomp and circumstance. Prime Minister Najeeb included a segment in the inaugural ceremony to honor Professor Yunus. The relationship of Professor Yunus with Prime Minister Najeeb’s family goes a long way back. In 1994 Professor Yunus was awarded the ‘Tun Adbur Razzaq Prize’ on behalf of his family. The prize is in memory of Najeeb’s father who was a great national leader of Malaysia.

Professor Yunus would be very happy to play a role in solving problems of Bangladesh. But someone has to make use of him.

Q29: Hasn't Professor Yunus proved himself to be a traitor to his country by using his influence on World Bank to stop the financing for the Padma Bridge?

Answer: Professor Yunus had already given a statement saying that Padma Bridge is a dream of the people of Bangladesh and that he would dedicate all his energy to realize this dream. There is no question of opposing this. Those who believe in the fiction that Professor Yunus has used his influence to stop the financing for Padma Bridge, have no idea about the functioning of international institutions. Some of those who are propagating this fiction add that while he may not be pressurizing the World Bank directly, he is doing so through his friend Hillary Clinton. In other words, he must have some sort of connection with World Bank's cancellation of the agreement.

The tough world of international decision-making does not depend on the wishes of two friends. However eminent a person Professor Yunus may be, whatsoever number of influential friends he may have, a three billion dollar project cannot be stopped just because he wants it. Such a story has been floated to divert people's attention from the real issue, which is being published in the newspapers every day. The World Bank has pointed fingers at some people for corruption. The Bank said it has credible proof in its hand, and that Bangladesh must investigate.

It will not be easy to divert the attention of the people from the real issue by making up wild fictions.