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Transcript of interview with

MUHAMMAD YUNUS

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By: John Lewis, Richard Webb, Devesh Kapur

FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

Mohammad Yunus
November 19, 1991 - Verbatim

*[Begin Tape 1, Side A]*¹

YUNUS: . . . not much. I didn't go that way. I was always hopping around from one town to another . . .

LEWIS: I see.

YUNUS: . . . mostly with people in Washington and New York; that's where my time goes. And there are some Grameen replications in the States in different places, so they invite me to come and look at their work. So we go around and see them, Chicago, Arkansas, South Dakota and all those places, California. So that's what takes me around.

LEWIS: You've had in the Bank--IFAD [*International Fund for Agricultural Development*] has been a partner, hasn't it?

[Pause to adjust recorder]

LEWIS: I was asking, in terms of outside partners for the Grameen Bank, IFAD, I think, has—is that right—a major one?

YUNUS: In the beginning was IFAD, but gradually their participation [both speaking at once]

LEWIS: Went down?

YUNUS: Theirs went down; other participation went up. I think the major participants right now are Swedish SIDA [*Swedish International Development Cooperation Agency*] and NORAD [*Norwegian Agency for Development Cooperation*] and then KfW [*Kreditanstalt für Wiederaufbau*] and GTZ [*Deutsche Gesellschaft für Technische Zusammenarbeit*].

LEWIS: Yes, yes, yes. That's a good set of progressive European donors. I knew all of them when I was at DAC [*Development Assistance Committee of the Organization of Economic Cooperation and Development*] and thought very highly of them.

You've grown enormously, haven't you?

YUNUS: Yes, we've moved pretty fast, and we were worried and people are worried about us, whether we are going to kind of crash land someplace! [*Laughter*] So, so far we have avoided that crash landing, and we have moved from that one village situation in 1976 today to 24,000 villages in Bangladesh, which has 68,000 villages.

LEWIS: How many thousand villages now?

¹ Original transcript by Brookings Institution World Bank history project; original insertions are in []. Insertions added by World Bank Group Archives are in *italics* in [].

YUNUS: We are in 24,000.

LEWIS: 24,000.

YUNUS: Yes. The total number of villages: 68,000 in Bangladesh. And also we--right now we have a staff of over 13,000, and we serve over a million borrowers. Ninety-two percent of our borrowers are women, so that is roughly . . .

LEWIS: Are you geographically all over the country?

YUNUS: Almost all over, almost all over. There are certain pockets that we have not started operating, but generally it's . . .

LEWIS: And there are other NGOs [*non-governmental organizations*]--not as large as you--but doing somewhat similar things.

YUNUS: Oh, yes. Yes.

LEWIS: What's the leading one, BRAC [*Bangladesh Rural Advancement Committee*]?

YUNUS: BRAC is one of the big ones in NGOs, PROSHIKA is another one. And there are lots of smaller and medium-size NGOs, which are--almost all NGOs of one kind or another have credit programs.

LEWIS: Are you networked with them? I mean, do you . . .

YUNUS: Not with us because we operate almost independently as we do the work ourselves, but I proposed an institution called Palli Foundation [*Palli Karma-Sahayak Foundation*] to the government to create a fund to lend out to the organizations, government or non-government, to lend money to those organizations to lend out to the poor people. So this Foundation is created now. And they borrow--lots of NGOs are borrowing from this organization to lend out to those poor people because finding a small money is a very difficult problem. If you are a medium size or large size NGO, you can attract donor funds. But if you are small or you are just beginning, nobody touches you. So this organization is trying to fill that gap, particularly in the area of credit for the poor. So lots of smaller NGOs have ties with this particular Foundation.

LEWIS: Right, right. Its resources are government?

YUNUS: This is exclusively government resources. The government has given a kind of endowment fund, so it's a government-created NGO.

LEWIS: I see.

KAPUR: And it's very new.

YUNUS: It's very new, yes. It's about a year now.

KAPUR: A lot of the things which one sees—whether it's in the Bank records or almost any other development, in a sense—there's a small-scale project on a pilot scale which is enormously successful, and then everyone, then people say, "Let's replicate it."

YUNUS: Sure.

KAPUR: And then when you see after that it is almost repeated all over [*inaudible*] programs. And that seems to make this institution very different and the replicability issues sort of resolved much more. Do you see that, and your sense of the Bank, where it also has tried, in many cases, small projects, and then it tries to expand. The small ones have done well and then the replicability issue is very different. How do you sort of see that, sort of your experience? And I'm sure you must have access to [*inaudible*]

YUNUS: Well, I cannot generalize much because I don't know what other projects are. I'm saying that in our case it was a very--I thought it was a very simple thing. The idea is you can lend money to the poor and they will pay you back. And we demonstrated that it works. And the question of expansion or modular expansion, you do the same thing. So there is no extra coming. It's almost--as one time we were saying it was almost like franchise business, the same thing all over again, Kentucky Fried Chicken or McDonald's. It's the same old thing. So there is--probably this kind of work has this advantage, that if you have 20 people or 30 people you can have a Grameen bank right there, you see. Other kinds of things you are saying probably it's not that way, it's not modular in pattern or it can't be broken down into a modular pattern that you can take it as a complete whole.

One of our Grameen Bank branch could be an individual entity; it doesn't need to have tie with anybody else. All it needs is to be borrowing money from somebody. At the moment they borrow from the head office and lend it out to the borrowers. But it's a profit point, and they're absolutely independent in their own way within the franchise steps, independent in the sense you have to do this, this, this, the quality of the work, design of the work, and so on and so forth. So I'll say this has that advantage. So if you can break it down, a health program in a similar way or an education program similar way, probably, I don't see any problem of replication. And the replication probably one was too ambitious, wanted to do it right away and overnight; that's a problem. You have go slow, step by step so that you build up your own knowledge base, experience base.

LEWIS: I suppose that is really the key, isn't it, that the prototype has to be simple enough . . .

YUNUS: Very simple, yeah.

LEWIS: . . . so that it can [both speaking at once] doesn't take charismatic leadership to

recreate it.

YUNUS: Yeah. You see, the Grameen not only is expanding within its own location in Bangladesh. It's also people are picking up that idea and transplanting it in other places. I've not heard of serious crashes all over the place. People are doing it, but very slow, step by step. And we also caution them, "Don't rush. Don't try to be Grameen in 1991 on the first day. You have to start at Grameen 1976; we were struggling and trying to do things in a way and trying to learn from our own mistakes."

One has done pretty good in Malaysia, among [*inaudible*] Malaysians. Now it's a big program in Malaysia and doing very good.

WEBB: At the same time there are many people who haven't succeeded in going beyond their initial--I remember in Guatemala (I was there in '73, I think) was a Penny Foundation, the whole idea is to make very, very small loans in villages.

LEWIS: This was Sol Tax's, wasn't it?

WEBB: That was before. That was a study called "Penny Capitalism."

LEWIS: Yeah, yeah, yeah. Okay.

WEBB: But it was an American entrepreneur, Sam something [*Samuel Greene*], who went down, retired businessman, and started this foundation. Then it did all right, but it just didn't go very far.

LEWIS: Now, the Foundation which you started is going to take on a variety and in a sense more complex substances . . .

YUNUS: More complex and more varied.

LEWIS: Yes, yes, varied, yeah.

YUNUS: Like Youth Ministry is also a borrower of the Foundation, whereas a tiny, village-based, unknown organization, for the first time taking some outside money, is also a borrower of the Foundation. IDRS, which is a big international NGO operating in the north of Bangladesh, is also a borrower of the Foundation.

KAPUR: How do you spell it?

YUNUS: P-O-L-L-I Foundation. There's one more word in between, but we skip that because it's—Karma-Sahayak Foundation, Palli Karma-Sahayak Foundation. So briefly Palli Foundation.

LEWIS: What does Palli mean?

YUNUS: Palli Foundation. Village. Rural foundation. “Grameen,” “Palli,” these are more similar words.

LEWIS: I see.

YUNUS: Then we have set up a trust here which is called Grameen Trust which sort of looks after the international reputation of Grameen so there are lots of people always coming and going and so on. We are having what we call a dialogue program this month which will be for two weeks. People from seven countries will come, those who are trying to start Grameen replication programs there, so they will be looking at Grameen [drowned out by loud noise] Grameen branches and talk among themselves what are the possibilities and what are the dos and what are the don'ts and how do you go about it and so on. So this is facilitated by Grameen Trust. We also publish a newsletter which kind of gives each other's news.

LEWIS: The NGOs in the U.S., as you know, have been there for a long time but they've been sort of becoming more salient. Recently I think that there seems to be kind of an NGO era almost, and one--I don't know how much the two things have gone together--but one aspect of this strengthening of the NGO movement has been the emergence of the environmental NGOs, very strong voices in the U.S. and in some other. Has that reached Bangladesh very much?

YUNUS: Yes. Environment is a big issue because, again, international organizations are paying a lot more attention to that issue. International donors are paying a lot of attention to that, so any project you want to design, you have to say something about the environmental impact, so that becomes an issue, then, like women in development or women aspects is a consideration. So this comes from the West with the donor money and donor things, so this becomes part of it because we take money from outside, so you have to satisfy those conditions. So it didn't come by itself within the country.

LEWIS: I see. I see.

KAPUR: You've often been quoted as saying that after some education that you had and what you did, you had to sort of unlearn . . .

YUNUS: Oh yes, very much.

KAPUR: How do you see that? Or what was it that you felt you had to unlearn?

YUNUS: Perhaps all the stream of general understanding of processes of Bangladeshi society came with conclusions which we found were different than what the reality is, like, for example, to give you one, that poor are poor because they don't have the skill, poor are poor because they don't have the initiative, they don't have the--they're apathetic, they're more of . . .

KAPUR: Frivolous?

YUNUS: Frivolous and so on. So you have a picture of why poor people remain poor, conservative and so forth. But you go around, you see an entirely different kind of people. People are working very hard. People are willing to take a chance, willing to take risks. I would say the poor are most risk-takers than the rich because they have very little to lose and, unless they take the risk, there is nothing else they can do. So that's a different kind of world that you see than what is depicted in your conventional talk.

Then comes the women. Women again branded in a certain way, that women cannot become income-earners in the Bangladeshi context. They will simply take the money and give it to their husbands or their sons or their brothers and so on. They won't do anything because they don't know anything. Again, in our experience we see the situation is very different.

Take, for example, people who say very strongly--today probably it's milder than they did before--saying that rural societies are—you cannot approach the poor in the rural societies bypassing the rural elites. So rural elites is kind of a big Berlin Wall around each village that you cannot go in. You go there, you hardly see any elite around. You work there for years, elites don't know whether you are there. They say, “Oh, you worked in our village? I didn't know that.” After several years. So it's not that kind of place. People say, “Oh, the power structure in the village will kill you or crash you.” It's not there. So these are the kinds of things.

So what you have been taught in your school in your post-graduate classes and so on, you see, it's not there. So people keep saying that, “Look, maybe you have avoided those things.” I think--then it's not a wall if I could avoid--it's not, you know, one village or two villages. If I have avoided it in 24,000 villages, you have to rewrite your story. This story doesn't fit in. So these are the kinds of things, just to give you an example.

KAPUR: Then when you see that even as--when you see an institution like the World Bank, what's your reaction? I mean, given the way you see it and then given at least the relative influence of the World Bank in Bangladesh so [*inaudible*], how do you react to that?

YUNUS: Now, this I don't see right away at the level of the World Bank issues. The World Bank comes in because the World Bank is a very powerful financial institution, not by its own financial power, also because it has tremendous influence . . .

KAPUR: No, but I mean more the way of doing things.

YUNUS: Well, the World Bank doesn't look into those things that we--we're talking about two different worlds because the World Bank will build you a bridge; they will not talk about the village rural structure and blah, blah. World Bank will set up a power plant or a dam. So they will bring the engineers, they will bring the technicians, they will bring

the designers, they will send the consultants. “What is a good bridge? What is a good dam?” So those questions, whether women work or not, whether women are more energetic, these are irrelevant issues for the World Bank.

LEWIS: Well, they at least think that they are quite concerned about women in development issues and rural development in a broad sense, education, but they don't get down to the grassroots that you've related. It's very difficult for them to do that, I think, in their organization.

Before we pursue too much the World Bank thing, I would like to know, given this enormous growth that you've had, the 24,000 villages, something is working very, very well, and your--the news is that it is very successful. I don't know--and perhaps because I haven't been reading enough--what sort of impact do you see that you are having in terms of sort of the conventional development indicators? Are these villages, are incomes higher? Is there greater literacy? Is health better? I mean, what are the positive contributions, sort of, of their taking these loans and paying them back?

YUNUS: Well, there are lots of researches that have been done on Grameen because Grameen probably tickled the curiosity of people, how it works. BIDS [*Bangladesh Institute of Development Studies*] has done a series of studies on many different aspects and hired lots of graduate students who--to do their Ph.D.s and so on. But in all the studies they all agree on one thing, that the differences that have been made in their lives in every indicator you take, the figures are way, way up and so on. So you take any one indicator, there is some study somewhere saying that it has jumped. So that way there is no question about it that it has done well.

At the same time, from the bank's side, without being a researcher, you can say that this bank itself is owned by those borrowers, one million borrowers that we have, so they are the owners of this bank. This is one accomplishment. Plus besides being owners they also have saved lots of money, over 30 million dollars worth of Bangladeshi currency in their savings accounts of the borrowers. So this is something net gain, but it's not only what asset gain they have made in terms of more cows or a bit of furniture there or something, a few more pieces of clothes to wear or something like that, but in addition the bank accounts, I'm sure that this is a . . .

And then education for the children.

We also have what we call the housing loans. We have given more than 100,000 housing loans to our borrowers, so of a million borrowers, 100,000 people have Grameen-financed tin-roofed houses with sanitary latrines, and the repayment record is still 98 percent. So in that way at least these 100,000 people live in decent housing and with sanitary latrines which is unheard of, poor people having, using sanitary latrines. So that at least living conditions are for this—if not everybody else, they have not used their own money, and we fixed their house and so on. At least this is a brand new house that they made with concrete pillars, tin roofs, sanitary latrines, and so on.

Mohammad Yunus
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So you can see those things right away, and then self-confidence and the dignity that, “I don't depend on anybody else. It's me; I take care of myself and hope that I can take care of my own self and my family, changes I can bring to my family,” that sort of thing.

LEWIS: I should know these things. I'm sorry. Is there a means test kind of qualification for membership?

YUNUS: Yes. Grameen's charter says that one cannot borrow from Grameen unless one is a landless person, and “landless” has been defined in the charter saying that the family who owns less than half an acre of land is a landless person, and there's another criterion saying that all the assets of that family be valued at the market price. The total value of all the assets together should not exceed the value of one acre of medium-quality land in that area. So that gives the . . .

But in operational sense what we try to do, we try to address people coming from families not owning any land at all except for the homestead land. So that's our first priority. The motto we follow that, “Poorer you are, the more high priority you get.” [drowned out by aircraft] So this is the limits within which we work.

LEWIS: And you say the elites really have not beaten up on you?

YUNUS: No, no. If you ask who are the people who opposed us in our work or they still do, I would list it this way. It's usually a man, and the man whose wife we are negotiating with, so comes from the same family, but the husband—husband is opposed to our work because he feels it is him who should get the loan, not his wife. So he's terribly upset that we want to get the woman into our group not the man.

And the next person that we will have difficulty with is the religious person, not because they dislike Grameen as such. They dislike the idea that we are giving money to women, and that is the factor that annoys them terribly. They think it's a conspiratorial bank charter to the extent--or they will say, “It's a missionary bank. So don't take their money because what they're trying to do is destroy our religion and convert you into Christianity because who ever heard of anybody giving money to a poor person without any papers or something and not even a guarantee from a rich guy from the village--nothing! So they must have some ulterior motives. And they are doing it deliberately to reach the women because if women start coming out of the house, her religion will be destroyed. And this is how they are trying to do.” So again it's the religious person, not the moneyed guy who is--moneyed guy doesn't care.

A third one probably I would mention is the moneylender, and in Bangladesh moneylender is not a rich guy. Moneylender is anybody who is selling some money to play around with. It's always a hush-hush business; it's not even a--in India the way it's more organized; money lending is not here in Bangladesh. But money lending is what is fact. So they feel unhappy about our work because we are giving money to the people, and they think eventually their business will be suffering from our work. So they start spreading rumors. They don't come and directly confront us, but they spread rumors or

support the religious people saying that, “Hey, that’s true.” That sort of thing.

So it’s--in the whole thing you’ll not see saying that it is the village matbar or the village chief or somebody who decided Grameen should not work in their village. It’s not like that.

KAPUR: What’s the basis on which you exercise, say, quality control of your whole franchises, in a sense, say, in a village might be some criteria which you have that, “Look, this village unit of the Grameen bank there is not doing well”?

YUNUS: Oh, yes. We do the monitoring pretty regularly. We look at how many borrowers you’ve got in your branch and loan disbursements, repayments, and the regularity of repayments. Any kind of irregularity is a bad sign. All our loans are paid back in weekly installments so you can monitor it very closely, what’s happening. Or if we see that there are other indicators like there is something called “16 decisions” which are more a socio-economic aspect of life, saying that--one of the 16 decisions will say, “We shall not take any dowry when we’re marrying off our sons. We shall not give any dowry when we’re marrying off our daughters.” So this is one of the 16 decisions. “We shall grow vegetables all year round and eat plenty of it and sell the surplus.” So goes down the line. So you see how many vegetable seed packets that branch has sold. We sell seed packets. One packet packages all kinds of vegetables. We package them in one package and make it available to the branch. So if you see that the seed packets are not being sold as much as another branch, we’ll say that branch is not paying attention to the social health and other aspects of the borrowers. And how many dowry-less weddings have taken place? This is another indication that what we do. Or children in school? I mentioned that Grameen borrowers set up their own schools for their own kids. They pay for the teachers and so on. So how many schools are in operation? [aircraft noise] Have closed down? Started one but couldn’t continue with it? Closed down] other indications that the initiatives are falling, slackening down. So these are many different ways that you try to list them in order to see how they do.

KAPUR: Do you get weekly reports from those 24,000?

YUNUS: No, we don’t get 24,000 all the way, but there is a high-level office where it will come. We get the monthly reports. We have something called our “monthly statement” that we publish like this--October ended. Now, today is the 19th. By this time we’ll have our monthly statements for October 30th or 31st. By the middle of the next month we must produce this statistical information and circulate all over again. This we have started early, early in our work. We continued with it despite the fact that we are operating in 24,000 villages. So we had to start our own kind of mail service so that we can get this information quickly and correctly because this is really important information that we make decisions on and also take actions on and so on. So that way we are very prompt in exchanging information.

LEWIS: I will guess your accounting at the village level is completely open, is it?

YUNUS: Very open, yes.

LEWIS: Everybody has access to the books.

YUNUS: It's like this. Even if you put them all open, back to front, people hardly can read. We're dealing with illiterate people.

Each borrower has a passbook. So her name and all the details are given about the loans when she took it. And every week when she pays 50 takas, her installment, the person who is collecting the money puts the signature against it, saying that, "This is the balance. We decided on fifty taka. Here is the balance amount left. Here is the signature and date." So it remains with her.

And then after--all our work is done at the borrower's doorstep. We don't do any work in our offices. Our principle has been that people should not come to the bank; the bank should go to the people. So all in 24,000 villages, it's us who go to their doorsteps. So we are collecting at their doorsteps. The passbooks are with them. We keep our records and bring our records and the money with us, walk few miles or ride bicycles to come to our office, deposit this money, enter every account according to their ledger number and so on and so forth and *[inaudible]* number. So we keep another set of information there. So there are three sets already: one with the borrower, one information I carried with me, another is more formal entry into the books and so on. At the end of the week all these will be [drowned out by traffic noise] data, and reports are sent out to the next higher office to help.

LEWIS: Do you have membership meetings at the village level very much?

YUNUS: Every week, yes. That's where all the business is taken . .

LEWIS: That's how it gets done?

YUNUS: *[inaudible]* business is done.

LEWIS: As you talk, it's not such a simple design, you know. [both speaking at once] *[Laughter]* I don't know whether you've ever thought of this analogy, but I have a daughter in AA *[Alcoholics Anonymous]*. Do you know AA?

YUNUS: Yes, I know it.

LEWIS: It has some of the sort of same kinds of characteristics. Your 16 decisions. *[Laughter]*

YUNUS: Well, human organization! Look at their own problems, see how to solve their own problems. AA has their own problems; we have our own problems. *[Laughter]*

WEBB: Can I ask you about NGOs?

YUNUS: Sure.

WEBB: I'm getting closer to coming back to the Bank.

LEWIS: We should come back to the Bank eventually!

WEBB: Yes, one stepping stone. It's a whole new world. It seem to fill a sort of vacuum. Just as point of information, are the great majority of NGOs here foreign?

YUNUS: No, local.

WEBB: A lot of locals?

YUNUS: Yes.

WEBB: Who starts them? What kind of people are they?

YUNUS: Oh, an individual. You see, lots of our NGOs have nothing to do with foreign money. Bulk of the NGOs have nothing to do with foreign money. It's a local initiative; they want to start a sports club or a library. It's always a young kid from high school who's a good reader and wants to read more books, so he thought one way to read more books is to inspire other people to read books and get some money, buy some more books. So that's how one starts. And as soon as he can find--every year he can get 2,000 taka from the social welfare department if he registers it, so he finds a way how to register because 2,000 taka is a lot of money for him. So this is an NGO.

WEBB: Where I come from in Peru, we talked a lot about base organizations, groups in the neighborhood, in the slums or in communities, women who get together to do something, sometimes self-help. So here NGOs means, really goes into that category. But would you call--an NGO has to be a little more formal by definition? No?

YUNUS: You see, when you come to what is understood by "NGO" in general, then we come to a very different picture because formally, in a legal sense, an organization which is registered or created under the Societies Act, he's an NGO. And that is done through the Social Welfare Ministry. This is registered under the Societies Act. And there is another act which is called Companies Act, so you could be also registered under Companies Act. So either way you are an NGO. This is one.

Number two, probably a restriction will be made that all organizations which are not for profit-making will be considered as NGOs. So under Companies Act you could be an organization who will be profit-making organization, so you do not want to consider that as an NGO. So that's another characteristic: it's a nonprofit organization. But most of the time when you're talking about NGOs, you're not going into that legal sense of NGO. [aircraft noise throughout this section] We are talking about NGOS which are receiving foreign funds, and that's what the worry [*inaudible*] But this is only a small fraction of

the total NGOs.

WEBB: And they have some—they allege, at least, to have some public service intention.

YUNUS: Sure, because as I said, this could be health. This could be sports. This could be education. It could be many other things, like somebody set up a school.

WEBB: Okay. Now, do you have a general view on this phenomenon?

YUNUS: It's good if people finish it. Let them do it as much as they want.

WEBB: They're helping.

YUNUS: True.

WEBB: Including foreigners who come in from all different churches and . .

YUNUS: They're most welcome.

WEBB: . . each with their own idea of sort of let a hundred flowers bloom or let a thousand flowers bloom?

YUNUS: As long as people are happy with them, why not?

WEBB: You see, this is so new, it's obviously moving and questions arise as to where it's going. How do you see that going here, vis-à-vis the government, vis-a-vis the World Bank, for instance?

YUNUS: I don't know about the World Bank because I don't know the NGO-World Bank relationship, but I could give you some idea about how they feel at the government level. The government feels antagonistic to NGOs. They think these people is up for grabbing money in the name of doing something--education, health, or poverty, environment or whatever it is: "They're just paying themselves fat salaries, buying themselves beautiful cars or ships and things, photocopying machines and fax machines and so on, and having a ball. But the real service provided is minimal. If this money could have been given to the government, it would have been used much better."

And NGOs likewise have just the opposite view: "Any money given to the government is wasted. At least we are trying to do something. We know the people. We work with the people, and it works." So this is--that two positions are very strongly maintained in both camps. Sometimes there will be marriages of convenience: attending seminars, making big speeches, telling how government has been generous in helping NGOs and government talking about how NGOs have been very effective in helping poor people or somebody overcome their difficulties. But basically the relationship is a kind of strained relationship.

WEBB: Do you see incipient organization coordination developing amongst NGOs, or a lot of rivalries, conflicts? [aircraft noise]

YUNUS: Among NGOs?

WEBBS: Yeah.

YUNUS: It's natural because NGOs belong to so many different political ideas. For example, some NGOs we have in Bangladesh will simply hate Grameen Bank right away because they are anti-credit. They think credit is an opiate; if given to the poor people, it will destroy them, keep them the way they are, so you are playing in the hands of the American interests or some capitalist interests, hampering the possibility of having a revolution in the country and that sort of thing. So they are totally anti-credit. So just because I do credit, so I become an enemy for them. Somebody is anti-consciousness-raising. This is bullshit. It makes no sense. People are very aware of what they want, so you don't have to come from town and tell them what they should be doing. So those kinds of philosophical differences and things will keep NGOs away from each other. But they belong to the same general category of being NGO--not that they take up the whole idea, no. This is genuine difference [*inaudible*] this is what's the case.

WEBB: Do you see the possibility of more cooperation or working together with the World Bank to NGOs?

YUNUS: As I said, I don't know what is the World Bank/NGO relationship, whether there is a problem of relationship, that I don't know, and how much the World Bank encourages NGOs.

LEWIS: Well, the Bank has been worrying a lot about that. They have a special officer there and unit. They have meetings with NGOs and so on. I gather that has not percolated to Bangladesh very much.

KAPUR: In a more philosophical sense, I mean, when the Bank started off the idea of the development process was that the [aircraft noise] state was supposed to do it, the Bank deals with states, the states then . . .

Now as the experience has been over decades and states either become very weak or are unable or unwilling to do, and the NGOs have become a force reckoned in their own right, their own importance, either because the state apparatus has weakened or stratified or whatever. And insofar as the institution is looking for mechanisms, it has been forced to acknowledge the existence of this, and one might imagine that almost invariably that has to increase, so long as the state apparatus is not seen to deliver.

YUNUS: Sounds reasonable, but I don't know how far they want to go.

LEWIS: We heard a little bit about your Foundation, and there's a failure to agree

between the Foundation and the Bank about resources for the Foundation. Is that right?

YUNUS: The Palli Foundation?

LEWIS: Yeah. I take it there it was not that you're not allergic to resources, but it was a case of scale or speed in part?

YUNUS: You want to talk about the background of that Foundation?

LEWIS: Yeah.

YUNUS: Okay. Let me go back then. It's a long story.

LEWIS: Okay.

YUNUS: The story started in 1984. A World Bank mission led by Mister Om Nijhawan submitted a proposal--or it was a report--that they want to set up something called Upazila Employment and Resource Centers, U-E-R-C. So there's a thick volume, and one could comment in reaction to that. So the government circulated that around. It came to me for my comments. So looking at it I was very unhappy.

[End Tape 1, Side B]

[Begin Tape 2, Side A]

YUNUS: . . . this was supposed to be operated or managed by an NGO. An NGO was selected, the International Child Welfare Association, which is a Swiss international NGO operating in Bangladesh. And I said, "After saying all those good things, then finally it appears International Child Welfare Association, which is a Swiss-based organization, to run a credit program which has nothing to do with credit. It is not a child program. I see no logic. If they had looked for an NGO, they have already talked about BRAC, how good it is. Why don't they ask the BRAC to do that? Or, if they don't like BRAC for some reason, give it to PROSHIKA." I gave several names. I said, "There are so many good NGOs in Bangladesh who can take this job." Then, final thing what I said in a twelve-page memo, I said, "To me, it is simply a blueprint for disaster, so I would recommend that government look at it carefully."

So I have written that memo in a sarcastic way, so it was a lot of fun reading that. So everybody enjoyed reading it; so read it to each other and so forth. And everybody saw the point because it's obvious, everything. So obviously, that didn't get off the ground. Nobody took the whole thing seriously.

So Om Nijhawan's mission came back again, wanted to start all over again. So this time they thought upazila has to be shut down because upazila is really a big problem. It's a government and city at the subdistrict level. So they can't run a credit program through government office functionaries. So they thought they will take two upazila, or two subdistricts, and create a foundation out of which this will be operated, not the

International Child Welfare, but a foundation would be created. The foundation would look after the operation of these two upazila programs. Everything else remains the same, that they will give training as BRAC does and give credit as Grameen does, and this would be managed by the foundation for everybody.

Then again it was circulated around. I gave my comments that, “It still doesn't look like this is going to function because the way you define that foundation itself doesn't look like a foundation which can handle credit kind of things. So you need to change those things. And also you have made committees in upazila right now, and the committee is headed the upazila nirbahi officer, the upazila chief functionary.” I said, “Nobody can work a credit program with a committee headed by upazila nirbahi officer as the chief of it.” So I said, “Any touch of the government is a complete no-no for a credit program, so you do not even imagine that.”

Again, it hangs around. It didn't get anybody's support, neither in the finance ministry. Oh, the first original one, that liaison ministry, the ministry which is overseeing this, was the cabinet division . .

LEWIS: Which?

YUNUS: Cabinet division, which is the ministry which looks after the local government institutions and also which coordinates between the cabinet and all other ministries.

LEWIS: I see.

YUNUS: I said, “That's also very funny because I would understand if this was done with the Youth Ministry because they are training youth and so on. I would understand if it is under Finance Ministry, fine.” I would have understood--there are a lot of ministries--or Women's Ministry, or whatever--but I couldn't understand the logic of why it should be placed under the cabinet division. So this is another disaster.

Cabinet division thing has not been changed in the second version, also. So again I said, “Look, cabinet division has nothing to do with a credit program.” So again this didn't get off the ground.

For a while it remained very silent. All of a sudden there became--it was a negotiation time or something--oil minister giving pressure to the government that you must make a decision on it, said they are writing notes, memos, and so on. So the government set up a committee to look at it. As government does, committee never assembled, never gave any views. So that season was over.

The following season--I don't know if it was '88 or '89 or something--the World Bank all of a sudden became very aware of this, and they wanted to make sure that, “Unless you have a decision made on this one, we are not going to have the negotiations with you.” And that message was sent to the President, and President was briefed that World Bank is terribly mad: unless we make decision on this, nothing will go through, so we must make

a decision.

So President asked what will happen, what was the status of it.

Said there was a committee, and the committee never met.

So he made another committee with three ministers, three secretaries, and put me into it. So there were seven people. And he asked immediately to meet and make a decision.

So I was called in, joined that, came in. So whole story again narrated there, what was the situation and the latest position. "They have this proposal. We must give our views."

Then my point was--I spoke in the committee, I said, "Look, what they are saying, what the World Bank is saying, this too will allow us, if you were, that would help improve the condition of the poor. They don't say it very strongly but somehow implies that this is a poverty alleviation program. To me the question is: is the government of Bangladesh interested in poverty alleviation? That's the first half of the question that comes. Naturally, practically everybody would say yes. And [drowned out by aircraft noise] if I see that the committee's answer is 'yes,' my next question would be, 'What is the best way to alleviate poverty?' Forget about what World Bank says. What is the wisdom that is in this country?"

So naturally everybody answered "yes" to the first question. Second question, everybody got stuck: "What is the best way?"

I said, "What is the reason for doing this two upazilas here. We are trying to do it in an institutional way, and Grameen in doing, BRAC is doing. There are lots of other NGOs. Can we find a system which will support us rather than tinkering around with these two upazilas?"

So everybody else spoke, and one minister was very strongly--no, this wasn't a minister, it was a secretary, yet—he was in very strong terms, said, "I looked at this proposal, and I'm going to say a strong 'no' to it, but now that the discussion is switched, but I still say what I wanted to say. I have calculated it. The total money they are giving, 74 percent of that money is reserved for the consultancy. So who wants a project with 75 percent, 74 percent as consultancy money? And who needs consultancy to have a credit program in Bangladesh, to give some guy from Washington or somewhere to come here and tell us what is a credit program for the poor when everybody else is coming to Bangladesh to learn what the credit programs are like? So if you need consultancy we'll request Doctor Yunus to give us the consultancy. Tell us what we should do. And probably he won't ask for money."

So everybody said, "That's a crazy idea, putting so much money in consultancy for a credit program in Bangladesh." So immediately it was rejected.

Then, what should we do if we are interested in the poverty alleviation. So I was given

the responsibility to write up a proposal that government will approve whatever I have to say on this one. And I was saying that we can create a new institution which supports this program.

He said, "Go ahead. And write whatever you want."

So I tried to squeeze out of it. I said, "Planning commission is there to write all those kind of things. Why should I be doing that?"

And the planning minister was presiding. He said, "No, no, nobody can do that. You do it, and we will support you." And I was given 48 hours . .

WEBB: Forty-eight hours!

YUNUS: . . to write the proposal. So I came back, and I wrote up the proposal because I understood what was to be done. And I sent it over right away.

And immediately another meeting was convened. Everybody liked that idea of creation of a foundation which will lend money to any organization: government, nongovernment, whoever wants to lend money to the poor. And in my proposal I said, "Anybody who will lend money to the poor with the same methodology as Grameen" so that a methodology is also defined. And then said, "If anybody has any other alternative methodology, any object that proves their work, fine, no problem."

And the committee was very happy with it, immediately approved.

Then the World Bank mission came over right away. Om Nijhawan wanted to see that what is the proposal.

And I was telling the committee members that, "Please, there's no reason why we should be talking to World Bank because it needs only small money. We don't need any money from the World Bank. So it should be your money, government's own money, which would start it and do it. And in future if you need more money which you cannot provide, then you talk to the donors. Why should you do it now?"

But government officials, they had already started talking with the World Bank people, started exchanging these memos and so on, what we have done, what are our plans.

Then the World Bank came up with saying, "Well, you have to change this aspect of it. You have to have the board in such and such a way."

When it was passed on to us, as a committee member I said, "Who asked the World Bank to give us all this advice? We didn't ask for any advice from the World Bank. This is our organization. We want to make it with our money. So we don't have to listen to this."

And it was a crazy thing what was suggested, that there should be three donor

representatives in the board.

I said, "Why? Who asked for the money? We didn't ask for any money. Why should we have in the board three members of the donor community?" I said, "I don't expect any board members to be from any donor country. If they like the organization, if they like the program, they come and support it. If not, they can stay out of it."

But in that meeting I proposed--and everybody supported--for the first five years of its life it will not even approach to any donor for any money.

But the World Bank was insistent: "There's 75 million dollars sitting there, and you must take this money."

We kept saying, "No, we cannot take that money."

Then the committee started working out the details of this fund.

They kept saying that, "Well, change this. Change this."

Every time it comes we said, "Look, it's our thing. You don't have to say anything. We are not asking for your advice on this issue."

Finally it was formed. The bylaws were made.

And still they fought over the bylaws: "Why don't you change this? Why are you doing it this way?"

I was insisting that it should be registered under the company law rather than the societies. They said it should be under the societies. I said, "It's crazy. Societies Act is a lousy act. If you're dealing as a business organization, you must feel like a business organization, not like a social welfare organization which is done under the Societies Act."

So everybody like the Companies Act idea. Even the lawyers said that the Companies Act would be better. We went ahead and discussed it with those lawyers, Companies Act.

And later on World Bank people came around and said, "Yeah, that was a good option; that's a better option."

Anyway, it was done. And it was born.

Right at the time this mission was going from here to negotiate in Washington, and they kept insisting, they are still trying to push that 75 million dollars to this thing. They kept insisting that the chief executive, the managing director of the Palli Foundation, must be a part of the negotiating team.

He got into a strange situation because he's a government employee who has been seconded to this foundation which is supposedly a private foundation and so on. He said, "What do I do now? The government is saying that I must go."

So he convened a meeting of the board. [M.] Syeduzzaman was the chairman of the board, who was a former finance minister.

He said, "What do we do now?"

I said, "My first question is: is it a government foundation or is it a private foundation?"

Everybody agreed that it's a private foundation.

"Then we don't care what the government says. We'll be saying what we want to say. Our question is: what do we think?"

He said, "Well, I think the government wants to say that."

I said, "No. The government will say this today; the government will say something else tomorrow. We can't do that."

So we decided we are not sending anybody.

And the government kept pressuring: "Please send someone, otherwise we will be in big trouble. We have a lot of difficulties with our energy sector, with this sector. If we annoy them in this, we're not going to get any money."

So another meeting was held. So I was persuaded to agree to let managing director be part of it. I said, "Okay, but he cannot negotiate on anything on the foundation."

They said, "Okay, okay, we'll not say on anything on the foundation."

I said, "Let's adopt a proposal." So I suggested we adopt a proposal that we don't need any money from World Bank now, and in future when we need, unless we get in touch with the World Bank, we have nothing to do with the World Bank. So we adopted that. We looked over the wording of it and so on. It was done. And I said, "Please make an official translation of this"--because it was done in Bangla--"and get it approved by everybody. Every time we are asked about the 75 million dollars or anything to do about the foundation, your mandate is you'll simply read out this as a statement. Nothing else. Not a single word more."

And he did that.

World Bank was terribly mad.

And then I saw that this guy was pushed around, and I start getting telephone calls from

Washington, D.C., from the delegation: “Please help us because we got stuck in this one.”

I said, “Nothing doing. I didn't do it alone. It was the whole committee, whole board did it.”

Said, “If you agree, we will convene a board meeting right away. I'll phone around everybody so that we can *[inaudible]*”

I said, “No, I'll . . .”

He said, “We are in trouble.”

So I see that they are in trouble. So I started--somebody called from Washington, so I told him--this is from U.S. side--I told him that we are in trouble, so, “Would you please help me at the World Bank, that this Bangladesh delegation is in trouble and under serious pressure from the World Bank. Please help them.”

So he immediately called people in the Congress and things, and they called up the president of World Bank and said, “Look, why are you pressuring these people? They want to set up their own poverty alleviation program and the World Bank goes around, pushes 75 million dollars down their throats. ‘You must take this money otherwise we will not talk on this.’ What kind of--it doesn't make sense to do.”

I think the president called up these people, and immediately an emergency meeting was convened and said, “We are withdrawing this from the agenda.” So that item was removed from the agenda of the World Bank. So they feel relieved of *[inaudible]* the negotiations.

So this was the story behind this. It is a terrible story. It is a terrible story. I have all the documents, all the papers, all the files. I am keeping it to show how the World Bank behaves.

And when they were rejected here and they couldn't find a way how to get in, and they took this to Sri Lanka, now Janasaviya Foundation comes up. Exactly the same way [all speaking at once] adopted whatever foundation thing we have done, took it around, and now it is Janasaviya Foundation in Sri Lanka.

KAPUR: Janasaviya?

YUNUS: Janasaviya. It's the same 75 million dollars. Same 75 million dollars.

LEWIS: They managed to move it.

YUNUS: Even though we were told, true or not, we were told by them, that, “If this project doesn't get through, *[Attila]* Karaosmanoglu has difficulty getting his promotion.

Om Nijhawan has difficulty in getting his confirmation” or something.

I said, “Look, we are not doing this for somebody's promotion or somebody's confirmation. We are dealing with things which is right for this country, not what is right for one guy or another guy. So please don't give me that kind of thing.” So this is the story.

And Mr. Willoughby knows it because he came to persuade me to support. He had just arrived at that time. Poor guy didn't know which way to go. He said, “I am caught in the middle.” *[Laughter]* Anyway.

LEWIS: What a story. That's been, I presume, the most vivid perception we'll have of the World Bank [all speaking at once]

YUNUS: That's the way I saw it, unfortunately.

LEWIS: Well, it's great to hear that story from you.

WEBB: If one looks at--beyond Grameen, I mean, the principle of self-reliance, the bedrock, has a lot to do with your position, but the situation in which Bangladesh as a whole is now seems to be just the opposite . . .

YUNUS: Right.

WEBB: . . . enormous tensions and prolonged--it's hard to judge these things. Would you judge that this situation erodes self-effort, resources . . .

YUNUS: It's a very difficult situation, see, because you see on the national level one set of policies and you try to do just yours in the background. And instead of being helped, your efforts are just washed off by these--to give an example, in Grameen Bank, with all those million borrowers that we have, almost half of the borrowers took their money to buy a cow. Cow is a very common in the agenda of a poor person because it's immediate gain, you can recover the money easily and you will become an asset-holder of a cow, own a cow. So they--and it's easy. So they always--the first or second loan would be a cow or repeated loans for cows. So they love cows.

And government imports huge amount of powder milk with hard currency. And I argued and argued with the government, “Look, this doesn't make sense.” I said, “There are many countries in the world--take all the EC countries, would love to give you powder milk free and bring you at their cost and give it to you. Why spend all this money on powder milk. And then you've destroyed our own industry, the cow industry, dairy, whatever *[inaudible]* because the selling price is so low because there are other alternatives all over the place.” I mean, they are promoting it in such a high-pitched campaign in television, radio, and so on. And I said, “Look at India. Operation Flood. They took those free gifts of powder milk and converted it into their own system.” I said, “We should learn from examples around us instead of just spending huge amounts of

money to buy powder milk.” It always goes into deaf ears, because the interest, milk interest, is so heavy that they make such good money from their investment into it, they take care of it.

So this is one example, how you try to promote it and the other policy stops on the top. And the policies in general taken at the national level have very little idea what people, how people would be affected down there. They’ll be doing it for their immediate interest, to see the lobbyists around them, the investors, the interest groups and so on.

So it is a tough issue, like entire handloom industry is threatened by the smuggled Indian saris and old clothes. It’s cheaper. It’s everywhere. But you’ll not stop it because your people make money in the smuggling trade. But the weavers, the traditional skill and everything which they--which you didn’t have to pay a penny for their training. Generation after generation, they are weavers. Now, flying workshops in Dhaka or *[inaudible]* So that’s another one.

WEBB: Could you really stop smuggling in Bangladesh?

YUNUS: Maybe not. Maybe not 100 percent, but to encourage it is criminal. We are fully encouraging it.

KAPUR: You hear the same story—I’m from Calcutta--and those in Bengal say the same thing as smuggling . .

YUNUS: *[both speaking at once]* true. What criminals? Anything you want to today, the next day will be delivered to your place.

LEWIS: Well, it’s a very big border to protect.

YUNUS: A big border to protect.

KAPUR: And both sides, the police are very corrupt.

YUNUS: I know, I know. You can get everything at border. Simple. You just pay the guy; he is waiting for the money.

LEWIS: I’m afraid you’ve got to learn to live with pretty open markets.

YUNUS: Then let’s call it open markets.

KAPUR: You know, that question which you raised was raised, was precisely the point raised in the '60s *[inaudible]* This was the mill sector in India, which is the Gandhian, you know, and this whole thing of the handloom, and then the farms, then the large hectares. A long struggle. I gather it’s sort of reasonably similar—although that was, whatever, Japanese nylon saris, in particular, if I remember, and now that’s transformed India and Bangladesh. It’s a very difficult issue because that--precisely because you

could not stop people, the legions, essentially large textile mills have nearly been forced to *[inaudible]* textile policies *[inaudible]*

LEWIS: Well, they blighted their internal industry by all sorts of constraints.

KAPUR: Right, and the mill industry actually *[inaudible]* Now it's sort of gone back but as a result, the effects of further domination in Bangladesh.

LEWIS: Well, I think it's very encouraging that you have a very large garment industry now that's evolving here. That's inherently much more labor-intensive than you had before and that probably has a very good future. What the comparative advantage of Bangladesh is with its population and resource endowment is not an easy question. It's . .

YUNUS: On the textile issue, see, one good thing about textile in Bangladesh was that about 80 percent of our clothing input for the whole population is produced by handloom. So you have the weavers, you have the ready market, their lungis and their saris and so on. So if something happens to that sector, we should be worried about it.

LEWIS: Oh, sure. I understand.

YUNUS: This is what I'm saying.

LEWIS: And handloom is enough of a differentiated product so it does have a fair amount of competitive capacity. Khadi, I'm afraid, is--can't make it.

YUNUS: No, not khadi. I mean, handloom *[both speaking at once]* Handloom is much better quality and so on.

LEWIS: I love khadi but *[all speaking at once]*

KAPUR: Khadi in India has not captured the middle class.

YUNUS: Yeah, this is another one. *[all speaking at once]* *[Laughter]* It's coming back as a kind of fashion.

LEWIS: Yeah, that's right. It's like jeans. *[all speaking at once]*

YUNUS: It's like jeans: the more torn it is, the better valued it is. *[Laughter]*

KAPUR: Yeah, I guess *[inaudible]*

WEBB: Something like that happened in Peru. The Indians of Peru wear ponchos, and when one saw a poncho in Lima it was poor, until in the '60s we had all these young Americans *[both speaking at once]* These young kids would buy these and walk around the streets.

YUNUS: Sure, the whole American market is flooded with ponchos.

WEBB: Then other teen-aged Peruvians would see these long kids, and they'd buy ponchos, too. *[Laughter]* It's just the same.

KAPUR: So I guess we just get the Americans [both speaking at once]

YUNUS: Yes, put it into the fashion, you see.

WEBB: Now Germany is flooded with ponchos.

YUNUS: If the Americans started wearing lungis, imagine what would happen to our lungis. *[Laughter]* [all speaking at once] If we could just convert some of the American kids!

KAPUR: *[inaudible]* Americans with saris.

YUNUS: Yes, saris.

LEWIS: We mustn't keep you longer. This is fascinating, absolutely.

WEBB: Marvelous stories.

YUNUS: I'll give you some of the . . .

LEWIS: Thank you.

[End Tape 2, Side A]

[End of interview]