

Report of the Review Committee
on
Grameen Bank

Dhaka, 25th April, 2011

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Preface

1. The activities of Grameen Bank began in 1976 under a project to assess the feasibility of bringing the rural landless people within the ambit of credit distribution. In one phase (in 1979), the Bangladesh Bank (Central Bank) offered help to the project. With this project, the idea of offering collateral-free loans and assuring their recovery was born. It created the opportunity to empower women in rural areas and increase their demand. The Government of Bangladesh took steps to open a new horizon of micro credit programs by transforming the project into a bank. With a view to giving a timely and sustainable shape to the structure of loans and savings in society, Grameen Bank was founded by the Government by an Ordinance in 1983. The microcredit program of Grameen Bank acquired world fame, and Grameen Bank's Managing Director and the Grameen Bank won the Nobel Prize for Peace in 2006.

2. The activities of Grameen Bank were not seriously evaluated after it was set up. Recently, newspapers published various reports concerning Grameen Bank. In response to the media coverage, the Government formed a high-powered Review Committee with five members to learn about the overall management and situation of the Grameen Bank through a Circular of the Bank and Financial Institutions Division on January 10, 2011 via Circular no. 53.007.027.00.00.012.2010-15 (Appendix: A) as follows:

Serial	Name and Designation	Position in the Review Committee
1	Professor A K Monaw-war Uddin Ahmed, Former Chairman, Economics Department and Dean, Social Science Faculty, Dhaka University	Chairman
2	Md. Nazrul Huda, Deputy Governor, Bangladesh Bank	Member
3	Mrs. Begum Rokeya Deen, former Deputy Comptroller and Auditor General	Member
4	Professor R M Debnath, Former Professor BIBM, and columnist	Member
5	Advocate Mr. Mohsen Rashid, Lawyer, Supreme Court	Member

3. The Terms of Reference of the Review Committee mentioned in the circular were as follows:

- 1) To prepare a report after investigating and reviewing the statements of the Norwegian authorities in response to the Norwegian Television news regarding the transfer of funds from Grameen Bank to Grameen Kalyan, news in national media and international reaction, and in the light of relevant laws and regulations;
- 2) To prepare a list of all organizations of the Grameen Family, identify the relation of Grameen Bank with them (such as the Packages Corporation), after detailed examination of the other agencies with which Grameen Bank or its chief executive has personal relationships, to find out the real situation, and if any irregularities occurred, then to offer recommendations after thorough investigation;
- 3) To prepare a report after analyzing the rate of interest on loans and deposits of Grameen Bank, the determination of the interest rate, the rules regarding the charging of interest and giving interest to the depositors; and to articulate recommendations to redress any irregularity or exceptions in Grameen Bank that might have occurred with respect to interest rates and other charges relative to the practices of other microcredit agencies licensed by the Microcredit Regulatory Authority;
- 4) To prepare recommendations after assessing the control, management, transparency, accountability, etcetera of Grameen Bank as a microcredit organization in view of the Microcredit Regulatory Authority Act, 2006.

4 The circular mentioned the procedures to perform the tasks of the Review Committee as follows:

- a. The Review Committee will review the documents of the concerned ministries, divisions, and agencies;
- b. May gather opinions and testimonies of individuals concerned with microcredit (including members of civil society);

- c. The Bangladesh Bank will provide all necessary secretarial and organizational support to the Review Committee on behalf of the government;
- d. Bangladesh Bank will conduct a special audit of Grameen Bank to assist the Review Committee.

5 The circular mentions that the Review Committee would submit the report in 3 (three) months. However, the Ministry of Finance, by its memo no. 03.0073.027.00.00.012.2010-136 dated April 17 has extended the time by one (1) month. (Appendix-B)

6 The Review Committee convened ten meetings to discuss and analyze the issues to perform its duty. The Committee reviewed the relevant documents of Grameen Bank in light of the laws and regulations. Opinions and testimonies of 10 distinguished individuals connected to microcredit programs, including members of the civil society were obtained. An Inspection Team constituted with executives of Bangladesh Bank carried out a special inspection of Grameen Bank. (Appendix C).

7 This report has been prepared according to the government's guidelines and the Terms of Reference assigned to the Review Committee. The Review Committee has prepared this Report after reviewing

- a. the documents relating to Grameen Bank;
- b. the report of the Special Inspection of Grameen Bank carried out by Bangladesh Bank;
- c. the opinions and views of different people and institutions connected to microcredit, including members of civil society; and
- d. the information obtained from various sources that the Review Committee deemed credible and accurate.

8 The government assigned a vast scope of work to the Review Committee for making recommendations. The Committee consisting of part-time members had a short time to prepare the report. For this reason, light has been shed on priority issues mentioned in the circular.

9 The members of the committee are grateful to the government for giving them an opportunity to contribute to the review of national issues by being included in the Review Committee. The Honorable Minister of Finance has constantly encouraged the Committee to carry out its duties. Bangladesh Bank has efficiently and promptly assisted the Committee with the secretarial, inspectional, and all other supports. Distinguished individuals including members of civil society spontaneously offered their views. The Review Committee expresses sincerest gratitude and thanks to all of them.

1.00 Introduction:

- 1.01 Grameen Bank was founded in 1983 under the authority of the Grameen Bank Ordinance 1983 to provide credit and other associated services to the rural landless. (Appendix D). According to Article 152 of the Constitution of Bangladesh, it is a statutory public authority. At present, Grameen Bank has 2565 branches, 22 thousand employees, 83 lakh members (clients), 6800 crore taka in outstanding loans, and 10500 crore taka in deposits (December 31, 2010). With the deposits taken from the members and general public and with national and foreign grants and loans, the bank has expanded its activities. To expedite the credit delivery and to improve the welfare of the members and employees, Grameen Bank established two not-for-profit organizations named Grameen Fund and Grameen Kalyan. Later, Grameen Fund and Grameen Kalyan, singularly or jointly created 34 other organizations by giving equity and credit support.
- 1.02.1 Notably, to study the feasibility of bringing the rural landless people under the ambit of institutional credit distribution, a project was launched under the guidance of Dr. Muhammad Yunus in 1976. The success of the project created an opportunity to offer collateral-free loans to the rural landless in Bangladesh and to empower the women as well as to increase demand in the rural economy. To give timely, institutional, and sustainable corpus to the social organization of savings and credit, Bangladesh Government founded Grameen Bank through the Grameen Bank Ordinance in 1983. Grameen Bank's microcredit program was admired throughout the world. For their efforts to create economic and social development from below, Dr. Muhammad Yunus and Grameen Bank jointly received the Nobel Prize for Peace in 2006.
- 1.02.2 Since its establishment, Grameen Bank has received grants and credit on easy terms from national and international donor agencies. The goal of those grants and credit facilities was to provide microcredit to the members and to provide equity and credit to the associated projects. With the grants and credits from the donors as well as from its own funds, Grameen Bank created two agencies named Grameen Fund and Grameen Kalyan. The Grameen Fund and Grameen Kalyan singly or jointly established 34 different agencies.

2.0 Organizational Structure

2.01 The Structure of Grameen Bank

Grameen Bank is a statutory public authority established under the Grameen Bank Ordinance of 1983. According to the said Ordinance, the objective of Grameen Bank is to provide credit facilities to the rural landless and carry out activities incidental to credit delivery. After its promulgation, the Ordinance was twice amended in 1986 and 1990. These amendments reduced the power of the government and conferred greater power to the Board of Directors of Grameen Bank. It is remarkable that the power to formulate Regulations' (rules and procedures) was bestowed on the Board of Directors by annulling the requirement of obtaining government approval. This reduced the accountability of Grameen Bank to the government.

2.02 Share Capital of Grameen Bank

According to the Grameen Bank Ordinance 1983, the authorized capital and paid up capital of Grameen Bank was respectively 10 crore and 3 crore taka. (Appendix E and Appendix F). Currently, the authorized and paid up capital respectively are 350 crore and 54.77 crore taka respectively. According to the original ordinance of 1983, the proportion of the shares of the government and the members of Grameen Bank were 60% and 40 % respectively. The 1986 amendment increased the share of the members of Grameen Bank from 40% to 75% and reduced the share of the government from 60% to 25%. But on December 31, 2010 the proportion of shares of the government and the members stood at 3.29% and 96.71% respectively. This is not consistent with the 7th article of the ordinance. This situation has arisen because the government did not take its shares.

2.03 The Organization and Formation of the Board of Directors

The Board of Directors of Grameen Bank consists of 13 members including the Managing Director. Among them, 3 members including the chairman are selected by the government, 9 are elected from the shareholders of Grameen Bank, and the Managing Director (as a non-voting member) is included ex officio. All 9 of the directors elected by the shareholders have low level formal education. The Board meetings present the annual reports, various important documents, and contracts with national and foreign institutions. The shareholder-directors are not found to actively take part in the decision making of the Board with proper and adequate understanding of the significance of the complex issues and in carrying out careful reviews and analysis. The review of the minutes of the meetings of the Board also does not reveal active participation of the government nominated members. After reviewing more than 30 of the minutes of the meetings of the board, no active participation of the 9 shareholder members and 2 of the 3 government appointed members were found. Though the board has 13 members, the government appointed chairman and the ex-officio Managing Director were the active ones. Though there is a mention of the procedure of electing shareholder members in ‘the Grameen Bank (Election of Directors) by-laws 1987’, there is no mention of fit and proper test criteria of directorship.

2.04 Appointment of the Managing Director

2.0.4.1 According to the Grameen Bank Ordinance 1983, the Managing Director was appointed by the government. According to the amendment of 1990, the Board of Directors appointed the Managing Director with the prior approval of Bangladesh Bank. Accordingly, the Chairman of the Board of Directors sought approval of the Bangladesh Bank to appoint Dr. Muhammad Yunus as the Managing Director on August 14, 1990. Bangladesh Bank issued no objection to the appointment of Dr. Muhammad Yunus subject to the following conditions:

- a. The terms and conditions of employment of the Managing Director shall be regulated by the regulations made as per Article 14(4) of the Grameen Bank Ordinance of 1983;
- b. The Board of Directors shall make regulations according to Article 36 of the said Ordinance; and these will come into after publication in the government gazette;
- c. If the terms and conditions of the appointment of the Managing Director made by the said regulations are not similar to the present terms and conditions, fresh approval of the Bangladesh Bank must be obtained.

2.04.2 After receiving the approval (or no objection) from Bangladesh Bank, Grameen Bank issued an appointment letter on August 29, 1990 in favor of Dr. Muhammad Yunus, subject to certain terms and conditions. In that appointment letter, a condition was attached that Dr. Muhammad Yunus in the position of Managing Director would be regarded as a regular employee of Grameen Bank, and that he would be entitled to the same monthly salary and other remunerations and facilities within the customary pay scale then in force.

2.04.3 Later, on July 20, 1999, the 52nd meeting of the Board of Directors adopted the resolution to the effect that Dr. Muhammad Yunus would remain in the position of Managing Director until the Board adopts another resolution. The minutes of the 52nd meeting of the Board of Directors are remarkable. The minutes of the meeting stated the following:

“Upon being informed of the date of retirement of the Managing Director of Grameen Bank Professor Muhammad Yunus, the honorable directors discussed and made decisions as follows:

During the discussions, Director Regina Akhtar Khanam said: “As Grameen Bank is a private organization with reputation at home and abroad, and Dr. Muhammad Yunus is its founder, there is a need for him to continue as the Managing Directors. Age of retirement is not an issue here.” At that time, Director Mohammad

Muhammad Haque said: “It is necessary to know about the employment by-laws of the bank, and how Managing Directors are appointed by other banks and NGOs in the country.” After his observation, the Chairman of the Board - Professor Rehman Sobhan- said that Grameen Bank is unlike other banks. It is a private bank. 93% of its ownership belongs to the landless. The government directly and indirectly owns only 7%.” The Chairman wanted to know what the terms and conditions of appointment of the Managing Director were in the Grameen Bank Ordinance. The Chairman was informed of the terms and condition of appointment of the Managing Director. Further, the Deputy Managing Director of the Bank, - Mr. Mohammad Khaled Shams - read out Article 14 of the Grameen Bank Ordinance. It read: “There shall be a Managing Director of the Bank who shall be appointed by the board with the prior approval of Bangladesh Bank.”. The Chairman said: “The Ordinance has empowered the Board of Directors to appoint the Managing Director. Because Professor Muhammad Yunus has been appointed by the Board, therefore the retirement terms described in the service rule will not be applicable to his case.” He said: “Professor Muhammad Yunus is an internationally reputed personality. This bank has been established with his efforts. There is a need for him to continue as Managing Director of this bank. At this time, the bank may fall in danger if some other person is appointed as Managing Director.”

He wanted all the Directors present in that meeting to express their views. All the Directors present in the meeting expressed unanimity to keep Professor Muhammad Yunus in the position of Managing Director. After hearing the opinions, the Chairman of the Board of Directors Professor Rehman Sobhan said that, Professor Muhammad Yunus shall remain Managing Director as long as he is willing to continue work. He further said that there is

a need to make regulations to decide how to appoint a Managing Director later on.

In this matter, after the above discussions, the Board of Directors took the following resolution:

“The Board of Directors has not specified any time limit on the appointment of Professor Muhammad Yunus as Managing Director. It is hereby decided that unless the Board of Directors take another decision, Professor Muhammad Yunus shall continue as Managing Director.

To avoid future problems in the appointment of Managing Director, let necessary actions be taken to prepare regulations with the advice of Legal Advisors in the light of the Grameen Bank Ordinance.

It is remarkable that the government appointed members of the Board acted with incorrect ideas about the nature of Grameen Bank. They regarded a statutory public authority as a private organization.

- 2.04.4 Notably, on July 22, 1999, the age of Dr. Muhammad Yunus was 59 years 22 days (date of birth 28 June 1940). At the time of adoption of the above resolution of the Board of Directors, the applicable law in force being the Grameen Bank Service Rules published on March 1, 1993, the retirement age of the employees was 60 years. Grameen Bank took no steps to retire the Managing Director after his age crossed 60 years on June 27, 2000, thereby violating the service rules then in force.
- 2.04.5 In an inspection report on Grameen Bank prepared by Bangladesh Bank in 1999, several irregularities including the continuation of the Managing Director after crossing the age of retirement were mentioned. Though the issue was brought to the notice of the government, no effective steps were taken.

2.04.6 Eleven years after the issuance of guidelines, on November 19, 2001, a Regulation concerning the appointment of the Managing Director was published in the Bangladesh Gazette. The following are notable among the terms and conditions:

- a. The appointment of the Managing Directors shall be contractual;
- b. The Board of Directors shall specify the duration of appointment of the Managing Director in the letter of appointment. However, the duration shall not exceed five years. The Board of Directors may renew the appointment after the expiry of the duration of appointment. The terms and conditions of appointment of the Managing Director may be newly made at the time of renewal of appointment.
- c. There shall be no specific limit on the age of the Managing Director. The Service Rules of Grameen Bank shall not be applicable to his case.

2.04.7 The terms and conditions of service of the Managing Director as mentioned in the appointment later of 1990 (that the Managing Director is a regular employee of the Grameen Bank) are different from the terms and conditions mentioned in the Regulation of 2001 (that the appointment shall be contractual, that there will be no age limit for the Managing Director, and that the Grameen Bank Service Rules would not apply to him). According to the no objection letter of August 25, 1990 issued by Bangladesh Bank that fresh reapproval of Bangladesh Bank must be obtained if the terms and conditions of appointment of the Managing Director in the new regulations differ from existing ones, obtaining reapproval of Bangladesh Bank was required; but this was not followed.

2.04.8 The Regulation of the appointment of Managing Director 2001 mentions that the Board of Directors shall specify the duration of service in the letter of appointment, and the duration shall not exceed five years and that the Board may reappoint the incumbent in the same post after the expiry of the term. But no new appointment letter was issued after the issuance of the said regulations (indeed since 1990). Hence the Article 14(4) of Grameen Bank Ordinance has been

violated. Further, the Regulation of 2001 regarding the appointment of Managing Directors appears mala fide.

2.04.9 It is noteworthy that the Managing Director of Grameen Bank must be regarded as a Public Servant with the same meaning that the Bangladesh Penal Code 1860 Section 21(12)(ii) uses the term Public Servant. Further, according to Article 152 of the Constitution of Bangladesh, the Managing Director is a Public Officer. On the basis of various data, records and testimony obtained by the Review Committee, it is ascertained that Dr. Muhammad Yunus seriously violated the terms and conditions of his service as a Public Servant in the following manners:

- a. Frequent absence in the place of work as a full time public officer;
- b. Foreign travel without permission of proper authorities;
- c. Taking funds in his own name from abroad without permission;
- d. Failure to represent himself as a full time Public Officer of Grameen Bank when building up various affiliated companies and institutions.

3.00 The Financial Situation of Grameen Bank

On December 31, 2010, the financial situation of Grameen Bank (unaudited) was as follows:

Amount in Million Taka

Serial	Particulars	Amount
1.	Paid up capital	547.7
2.	Total Capital (Equity)	7321.8
3.	Total Assets	125411.4
4.	Total Outstanding Loans and advances	68445.9
5.	Loans past due	632.5
6.	Percentage of past due loans	0.92%
7.	Total Deposits	105023.0
8.	Profit	741.1
9.	Expenditure on salaries, allowances	5234.8
10.	Number of members	8.3 million
11.	Number of employees	22000
12.	Number of Branches	2565
13.	Ratio of Loans to Deposits	65.17%

Source: Appendix C of this Report

3.01 Management of Assets and Liabilities

The main goal of asset and liability management is to manage liquidity risk and interest rate risk. Though apparently Grameen Bank currently has satisfactory liquidity position, no institutional arrangement is in place to forecast the liquidity risk. No contingency plan was found to exist in order to deal with liquidity crisis. Further, there is no institutional strategy or organizational structure to confront interest rate risk by analyzing the interest rates on deposits and loans in view of the overall economic situation of the country.

- 3.01.1 Grameen Bank took in deposits 55630.3 million taka interest rates of 10.25% to 12.00% in 2009. On the other hand, loans of Taka 29361.6 million were given at interest rates 8.50% to 10.00%. Here, a negative impact has fallen on the earning of the bank because of accepting deposits at high interest rate and giving loans at low interest rates.
- 3.01.2 In 2012, the amount of deposits taken at 12% interest rate was about 44870 million taka. On the other hand, in the same year, investment in fixed deposits at interest rates of 8.75% to 11.50% stood at 39000 million taka. Investments at higher interest rates were only 769 crore taka. Grameen Bank could earn more if it invested the same in loans and advances. Therefore the bank has incurred losses by taking deposits at high rates of interest while investing in fixed deposits at low interest.
- 3.01.3 Notably, on December 31, 2010, the main component of deposit was the Grameen Pension Scheme (GPS) with 3840.07 crore taka, on which 12% interest is paid.
- 3.01.4 On the whole, though the interest paid to deposits is higher than the interest charged on loans and advances, the overall earnings of the bank was not affected much. This is because the second largest component of deposits (savings deposits) is paid lower interest than the balances. As per bank rules, the interest is paid on the lowest balance in any given month. Otherwise, the interest paid to deposits would have been much higher.

3.02 Internal Control and Monitoring

Some weaknesses were found in the internal control and monitoring system of Grameen Bank. Though there are zonal audit offices at the divisional level, there is no audit committee constituted with the Board Members to strengthen internal control. The internal audit reports are not presented to the meetings of the Board of Directors. Lack of monitoring was found in respect of the implementation of the recommendations offered in the reports of the internal audits and inspections. The audit division and the monitoring division of the bank are not independent.

3.03 Management of Information Technology

The overall accounts of the 2565 branches in 268 areas are kept by the Information Technology Management Centre. The responsibility of keeping the accounts of all branches of Grameen Bank is entrusted to a company named Grameen Communications Limited. The latest contract for establishment and operation of an IT centre was concluded between Grameen Bank and Grameen Communications Limited in 2009. The contract stipulates making daily, weekly, monthly, half-yearly, and annual reports and various management reports and data backup. However, the bank has no IT policy and no separate IT department.

3.04 Transfer of Funds from Dividend Equalization Fund to Borrowers Investment Trust

Article 19 of the Grameen Bank Ordinance 1983 permits Grameen Bank to purchase 'shares of any Board of Directorsy corporate, the objective of which is to provide services to landless persons.' In the 84th Meeting of the Board of Directors of Grameen Bank held on 16th September 2008, a decision was taken to create Borrowers Investment Trust to facilitate the participation of Grameen Bank members in the share market through purchasing shares of Grameen Phone. Grameen Bank gave taka 50,000 to the Trust as initial capital. Later, a total of taka 79.11 crore were transferred from the Dividend Equalization Fund in two trances: taka 69 crore in the first trance, and taka 10.11 crore in the second trance, as grants to the Borrowers Investment Trust through Pre-IPO Placement. The transfer of funds to purchase shares of public limited companies is not consistent with the aforesaid Article of the Grameen Bank Ordinance. Further, the Financial Report of the Grameen Bank did not disclose this fund transfer as per Bangladesh Accounting Standards-24.

The original goal of the creation of the Dividend Equalization Fund is to equalize the dividends of different years and the Fund is created by transferring part of the profits of the bank. Therefore the shareholders of Grameen Bank alone are to be the beneficiaries of this fund. But the Trust document mentions both the shareholders and borrowers of Grameen Bank as the beneficiaries.

3.05 Statutory Reserve Fund

According to Article 15 of the Grameen Bank Ordinance 1983, Grameen Bank is required to create a statutory reserve fund by accumulating a fraction of the profit as determined by the board of Directors. But this fund has not been created by Grameen Bank.

3.06 Rehabilitation Fund

The government offered tax exemption to Grameen bank from income tax, super tax, and profit tax on condition of creating a rehabilitation fund. After the creation of this fund, the amount of distribution in 5 years between 1999 and 2003 was merely 0.013 crore taka. The disbursement from this fund even after the devastating flood of 1998 was very meager. The government's objective was not fulfilled. Out of the loans disbursed to the borrowers affected by natural disasters, 72% was given in housing rehabilitation and 88% of that has been recovered. Out of the disbursed credit, 14% has been given as relief and grant. Except the grant and relief, all other assistance was given on condition of repayment in good times. For oral saline, fitkiri, and water purification tablet, a sum of taka 0.0878 crore was given out and Taka 0.0399 crore recovered. In the past years, the country was visited by severe natural disasters like devastating floods, hurricane Sidr and Aila; but in the last 11 years, only 28% of the rehabilitation fund was distributed. Overall, the rehabilitation fund was not properly and adequately utilized.

4.00 Transfer of Funds

from Grameen Bank to Grameen Kalyan

4.01 Background

Grameen Bank was established under the Grameen Bank Ordinance 1983. Currently, the bank has 2565 branches, 22225 employees, 6844.59 crore taka in outstanding loans and 83 lakh members. At different times, the activities of the bank expanded with the support of grants and loans from domestic and foreign sources. From 1986 through 1997, Grameen Bank received grants of 39.83 crore Kroner or 219.60 crore taka from Norway's donor agency the Norwegian Agency for Development Cooperation (NORAD). On November 30, 2010, Norwegian state television (NRK) broadcast a documentary film named 'Caught in Microcredit' "(Fanget i Mikrogjeld)". In this documentary, it was mentioned that Dr. Muhammad Yunus transferred 10 crore US dollars from the NORAD grants to an organization controlled by Yunus. The matter was prominently published in national and international media.

4.02 Chain of events

4.02.1 By virtue of a contract between the Government of Bangladesh and the Government of Norway to expand the activities of Grameen Bank, at different times from 1986 through 1997, Grameen Bank received from NORAD the sum of 39.83 crore Kroner or 219.60 crore taka (at the exchange rate at time of receipt) as loans that were subsequently converted into grants.

4.02.2 Using the grants and loans at zero or low interest received from NORAD and other donor agencies, and by imputing 2-6% interest on the same, a fund called Social Advancement Fund (SAF) was created inside Grameen Bank for the purpose of promoting the welfare of the members and employees of Grameen Bank. By 1996, the funds transferred to SAF stood at taka 44.25 crore.

- 4.02.3 The balance of the SAF stood at taka 44.25 crore and that of the Revolving Fund (the grants from the donor agencies) was 347.18 crore in 1996. On December 31, 1996, the funds were transferred to Grameen Kalyan, which was a separate company registered under the Companies Act. The transfer was shown to have been conducted according to a contract between Grameen Kalyan and Grameen Bank concluded on May 7, 1997. In the balance sheet of Grameen Bank, the transfer was shown as a debit from the Revolving Fund and a credit to “Borrowing from Grameen Kalyan”. Grameen Kalyan on the other hand showed this in its accounts by crediting Endowment Fund and by debiting ‘Loan and Advance- Grameen Bank’.
- 4.02.4 On December 15, 1997, the Norwegian Embassy of Dhaka raised objections in a letter against the contract between Grameen Bank and Grameen Kalyan. It said that there was no scope to transfer the fund because the contract between the Government of Bangladesh and the Government of Norway stipulated that the grant money shall be used for the purpose of housing through the Revolving Fund. The letter raised questions about the reduction of the equity of the bank in the financial statement of 1996. Further, objection was raised against not informing the Norwegian Embassy about the transfer of funds to Grameen Kalyan.
- 4.02.5 In response to the objections, Grameen Bank informed the Norwegian Embassy via a letter dated January 8, 1998, that steps were taken to promote the welfare of the members and employees of Grameen Bank, to utilize the Revolving Fund, and to reduce the potential tax burden et cetera. Later, a letter dated May 26, 1998 from the Norwegian Embassy said that no objections of the Norwegian authorities would remain if kroner 17 crore were returned from Grameen Kalyan, if the contract with Grameen Kalyan were amended, and if the fund for housing credit were reestablished in Grameen Bank

4.02.06 By dint of a contract made between Grameen Kalyan and Grameen Bank on June 17, 1998 (effective retrospectively from December 31, 1997), Grameen Kalyan returned the funds that were given to it from the grants of NORAD (taka 75.46 crore), and Grameen Bank informed the Norwegian Embassy about his in a letter of June 18, 1998.

4.02.7 The remainder of the fund transferred to Grameen Kalyan (taka 271.99 crore) were returned on November 1, 2003. By these reimbursements, the 347.18 crore taka transferred in 1996 to Grameen Kalyan came back to Grameen Bank

4.03 News in national Media

A documentary film was broadcast by the Norwegian State Television (NRK) on November 30, 2010 under the title ‘Caught in Microcredit’ “(Fanget i Mikrogjeld)”. In one segment of this documentary, it was mentioned that Dr. Muhammad Yunus transferred 10 crore US dollars from the NORAD grants to an organization controlled by Yunus. Under the headline “Yunus siphoned Tk 7 bn aid for poor’, the web-based news portal bdnews24.com published news report. Afterwards, nearly all major national news papers including Prothom Also, Kaler Kantha, Samakal, Jai Jai Din, The Daily Star, Jugantor carried news reports with prominently. The news papers carried nearly identical news reports on December 1 and 2, 2010. The gist of these reports was follows:

An accusation has been raised against the transfer of 700 crore taka from Grameen Bank by Dr. Muhammad Yunus out of grant from Europe. The accusation was made by a Danish Newscaster Mr. Tom Heinemann in a documentary film titled “Caught in Micro Debt” aired by the Norwegian state television NRK. The world premier of this documentary aired on November 30, 2010. A number of European countries gave massive sums to Grameen Bank as grants and loans of easy terms. From the funds given by Norway, Sweden, the Netherlands and Germany, more than 10 crore USD was diverted by Dr. Yunus

from Grameen Bank to his own company named Grameen Kalyan. In the face of objections raised by the Norwegian Embassy and NORAD in Dhaka, some of the funds came back to Grameen Bank, but more than 7 crore USD still remained with GK of Dr. Yunus. Thereafter, Grameen Bank borrowed this money back from GK.

At one segment of the documentary, Mr. Heinemann displayed copies of letters exchanged between Grameen Bank and NORAD and Norwegian Embassy in Dhaka. Referring to a letter written by Yunus on April 1, 1998 to NORAD, it was mentioned that he sought the help of NORAD so that the news of the difference of opinion between Grameen Bank and the donor agencies regarding the transfer of funds is not publicized. The documentary noted that NORAD, the Norwegian Embassy and the concerned authorities of the Bangladesh Government remained silent on this matter.

Dr. Yunus also offered an explanation of the accusation raised against him regarding the transfer of 10 crore USD. In a letter of January 8, 1998 to NORAD, he stated that if the grants of the donors stayed in the Revolving Fund under the management of Grameen Bank, then it will bear a massive tax burden owing to increasing tax rates. After spending money out of the Revolving Fund, it can reuse the funds obtained in its exchange for the same purpose. The fiscal year does not apply to this fund.

Afterwards, newspapers continually carried reports about the transfer of donor funds by Yunus. In them, news and views were published with respect to the enquiry conducted by the Norwegian government regarding the transfer of NORAD funds, the press conference of Yunus and related issues. In a press conference on December 12, 2010, Yunus informed that Grameen Bank did not use the grant funds for any unethical or corrupt purposes. He mentioned that the Norwegian Government and NORAD cleared him of any accusations after due investigation following the release of news about the transfer of funds in the Norwegian television documentary. He further noted that the matter was resolved 12 years ago. On December 13, 2010, the statement of Dr. Yunus at the press conference was carried by nearly all national dailies.

4.04 International Reaction

International news media publicized numerous reports on the transfer of funds from Grameen Bank after the airing of the television documentary and subsequent release of news. The Wall Street Journal, The Economist, The New York Times, The Atlantic, the Guardian, the Times of India and other international newspapers and magazines published the news and views. The gist of those is as follows:

The image of the pioneer of microcredit, the 2006 winner of the Nobel Prize for Peace Dr. Muhammad Yunus has been questioned. He has siphoned off 700 crore taka from Grameen Bank to another organization in contravention of the rules. A storm of criticism has been brewing in his own nation and in other nations on the basis of a documentary aired by the Norwegian state television regarding the transfer of funds given by NORAD. There is a conflict of interest in the contract concluded between Grameen Bank and the Packages Corporation, which is a family property of Dr. Yunus. After the broadcasting of the documentary, extensive discussions of Grameen Bank and Dr. Yunus took place in the donor countries. The matter was also raised in the Norwegian Parliament. Bangladesh and Norway are scrutinizing the transfer of funds given by the donors. An investigative report of NORAD mentions that Grameen Bank did not use the funds for any unintended purpose, and that there was no corruption in Grameen Bank.

4.05 The Statement of the Norwegian Authority

The Norwegian Embassy in Dhaka, in response to the communications following its objections raised in a letter of December 15, 1997, issued a letter on May 26, 1998 to say that no objections of the Norwegian authorities would remain if kroner 17 crore were reimbursed from Grameen Kalyan, if the contract with Grameen Kalyan were amended, and if the fund for housing credit were reestablished in Grameen Bank

After the broadcast of the documentary titled Microcredit trap' "(Fanget i Mikrogjeld)" by the Norwegian state television (NRK), Norway's Minister of

Environment and International Development Mr. Erik Solheim instructed NORAD to submit a report regarding the transfer of funds from Grameen Bank to another organization by Dr Muhammad Yunus. NORAD submitted a report on December 7, 2010. Mr. Solheim stated in a press release that the funds given by Norway to Grameen Bank were not used for unintended purpose and that no evidence was found about Grameen Bank's involvement in corruption or embezzlement of funds. He further stated that the matter was resolved in 1998 when Grameen Bank recovered the NORAD funds from Grameen Kalyan.

4.06 Analysis of Events

On December 31, 1996, Grameen Bank transferred to Grameen Kalyan a sum of taka 317.18 crore from the Revolving Fund given by different donor agencies including NORAD. In the bank's balance sheet, Revolving Fund received from donor agencies was debited and Borrowing from Grameen Kalyan was credited to reduce the bank's equity and to increase liability. By this act, the ownership of the fund was transferred. Without imposing a liability on Grameen Kalyan or getting compensation, the fund transfer was really a grant to Grameen Kalyan.

It was reasonable to repeatedly use the Revolving Fund. Further, there was no provision to transfer the fund to any other organization in the contract concluded between the Government of Bangladesh and NORAD. Hence this act of Grameen Bank was ultra vires (beyond the authority). Therefore the objection raised by the Norwegian Embassy on December 15 appears to have been reasonable.

In the letter of Grameen Bank sent to Norwegian Embassy on January 8, 1998, it was stated that the efficiency of the fund would improve if the Revolving Fund was transferred to another organization and then used by Grameen Bank as a credit borrowed from others and that the burden of tax would be reduced.

The letter of 8th January 1998 stated that the transfer of funds in favor of Grameen Kalyan and borrowing back the same at 2% interest had reduced the tax burden of

Grameen Bank. The bank was exempted from income tax until 1996. But on May 22, 1996 the Ministry of Finance rejected the application for tax exemption for the period October 1, 1996 to December 31, 1996. However on January 14, 1997 exemption was allowed for 3 remaining months of 1996 and on April 13, 2000, exemption was allowed for the years 1997 and 1998.

The fear that the transfer of funds to the SAF inside Grameen Bank would be subject to taxation if not spent led the action to make the fund really interest-bearing by transferring it to Grameen Kalyan and borrowing it back at 2% interest. It was beyond the authority of Grameen Bank to transfer the funds without prior approval of the donors on the plea of tax reduction. Further, it is unreasonable to transfer funds to another organization to repeatedly use the Revolving Fund.

In response to the objection raised in the letter of December 15, 1997 and the instruction to recover the 17 crore kroner from Grameen Kalyan as per the letter of May 26, 1998, Grameen Bank recouped the funds (taka 75.46 crore) from Grameen Kalyan on June 17, 1998. It appears that the complaint against the transfer of funds donated by NORAD was settled by the recovery acts of Grameen Bank on June 18.

Later, Grameen Bank recovered the remaining taka 271.99 crore on November 2003 from Grameen Kalyan. By this, the same amount (347.18 crore) that was transferred from the Revolving Fund in 1996 was returned back to Grameen Bank. On the other hand, the same amount of liability of Grameen bank to Grameen Kalyan was reduced.

In reaction to the broadcast of the documentary by the Norwegian state television, Norway's Minister of Environment and International Development instructed NORAD to submit a report on the matter. In the report submitted by NORAD, it was stated that the matter was satisfactorily resolved in view of the letter of Norwegian Embassy to Grameen Bank dated May 26, 1998. In his statement, the Minister said: "According to the report, there is no indication that Norwegian funds have been used for unintended purposes, or that Grameen Bank has engaged in corrupt practices or

embezzled funds. The matter was concluded when the agreement concerning reimbursement of the funds was entered into in May 1998 under the government in office at the time.”

It appears that the complaint of Norwegian authorities against the transfer/ utilization of the funds given by NORAD to Grameen Bank was resolved. However, the transfer of funds to another organization was ultra vires (beyond lawful authority) for Grameen Bank.

5.00 Affiliated Organizations of Grameen Bank

Grameen Bank was established under the authority of Grameen Bank Ordinance of 1983. According to that Ordinance, the objective of Grameen Bank is to offer credit facilities to the rural landless. After the establishment of Grameen Bank, it received grants and loans from donor agencies including IFAD, NORAD, SIDA, CIDA, USAID, and Ford Foundation. These grants had the objective of providing micro credit.

The foreign donor agencies NORAD, SIDA, CIDA, USAID, and Ford Foundation created a donor consortium to establish Social Venture Capital Fund (SVCF) out of the grants from the consortium. In 1994, Grameen Bank created Grameen Fund as a not-for-profit company limited by Guarantees with that transfer of taka 49.10 crore from the SVCF.

In 1996, a company named Grameen Kalyan - registered under the companies act, and as limited by guarantee- was created by Grameen Bank by transferring taka 44.25 crore from the Social Advancement Fund (SAF). This fund was created with the funds received from donor agencies with low or no interest and by imputing interest on the same.

Later on, Grameen Fund and Grameen Kalyan individually and jointly established 34 organizations with equity and credit support. Furthermore, there are 11 organizations founded by Dr. Muhammad Yunus with the concept of Grameen Bank nationally and internationally. And Dr. Muhammad Yunus and officers of Grameen Bank are involved in their management. All in all, there are 48 organizations in which officers of Grameen Bank including Dr. Muhammad Yunus are engaged as Director or chairman.

5.01 Flow of Funds to Affiliated Organizations

Grameen Fund has financed 15 organizations. Grameen Kalyan has funded 15 organizations. Furthermore, Grameen Telecom financed by Grameen Kalyan has in turn financed 12 organizations. The next page portrays the flow of funds among the Grameen Family of Companies

5.02 The relation between Grameen Bank and its affiliates

A summary account of the relationship between Grameen Bank and its affiliates is given below:

- 5.02.1 Grameen Fund
- 5.02.2 Grameen Kalyan
- 5.02.3 Packages Corporation
- 5.02.4 Grameen Bebsa Seba Limited
- 5.02.5 Globe Kids Digital Limited
- 5.02.6 Grameen Biotech Limited
- 5.02.7 Grameen Cybernet Limited
- 5.02.8 Grameen Information Highway Limited
- 5.02.9 Grameen Samagree
- 5.02.10 Rafique Autovan Manufacturing Industries Limited
- 5.02.11 Tulip Dairy and Food Products Limited
- 5.02.12 Grameen Bebsa Vikas
- 5.02.13 Grameen Capital Management Limited
- 5.02.14 Grameen Knitwear Limited
- 5.02.15 Grameen Star Education Limited
- 5.02.16 Grameen Telecom Limited
- 5.02.17 Grameen Phone
- 5.02.18 Grameen Udyog
- 5.02.19 Grameen Solutions Limited
- 5.02.20 Grameen Samagree Purbanchal
- 5.02.21 Grameen Samagree Uttaranchal
- 5.02.22 Grameen I T Park Limited
- 5.02.23 Grameen Danone Foods Limited
- 5.02.24 Grameen Healthcare Services Limited
- 5.02.25 Grameen Distribution Limited
- 5.02.26 Grameen Fabrics and Fashions Limited
- 5.02.27 Grameen Healthcare Trust
- 5.02.28 Grameen Telecom Trust

- 5.02.29 Ganosasthya Grameen Textiles Mills Limited
- 5.02.30 Grameen Shiksha
- 5.02.31 BASF Grameen Limited
- 5.02.32 Grameen Veolia Water Limited
- 5.02.33 Grameen Krihsi Foundation
- 5.02.34 Grameen Matsya O Krishisampad Foundation
- 5.02.35 Grameen Employment Services Limited
- 5.02.36 Grameen Ukiguni Muitaki Limited
- 5.02.37 Nobel Laureate Trust
- 5.02.38 Grameen Trust
- 5.02.39 Grameen Credit Agricole
- 5.02.40 Grameen Communications Limited
- 5.02.41 Grameen Intel Social Business Limited
- 5.02.42 Grameen Shakti
- 5.02.43 Yunus Center Trust
- 5.02.44 Grameen America Incorporated
- 5.02.45 Grameen Technology Lab GMBH
- 5.02.46 Grameen Caledonia Nursing College
- 5.02.47 Grameen Shakti Samajik Bebsa Limited

5.03 Review and Analysis

- 5.03.1 The Review Committee reviewed the details of the Minutes of the Meetings of the Board of Directors of Grameen Bank from the 30th to the 62nd meeting. In the 31st meeting, a decision was taken to create Grameen Matsya Foundation. In that meeting, a decision was taken to create a separate trust for the management of the Social Venture Capital Fund (SVCF). In the 32nd meeting, an executive committee was constituted with the government nominated members of the Board of Directors of Grameen Bank. In the 33rd Meeting, the program of creating a separate organization under the name of Grameen Fund was continued. In the 34th Meeting, in answer to a question of Member Dr. Saadat Hussain, the Managing Director told the meeting that it was not possible to run Grameen Fund, Grameen

Udyog and Grameen Matsya Foundation within the rules of Grameen Bank. Basically, the name of Grameen Bank will be used as the founder of those organizations.

In the 35th meeting, the situations of the following 12 projects were discussed:

1. Jaisagar Matsya Khamar;
2. Dinajpur Matsya Khamar;
3. Satkhira Chingri Khamar;
4. Chakaria Chingri Khamar,
5. Matsya Vij Utpadan Khamar;
6. Service center;
7. Daxminanchal Krishi Prokalpa;
8. Baufal Krishi project;
9. Griha nirman upakaran project;
10. Nivir Madhu Utpadan project;
11. Resham project;
12. Packages corporation

5.03.2 In the 37th meeting, the proposal to make Grameen Bank the guarantor of credits from another organization to an organization created by Grameen Bank was approved. The decision was taken that Grameen Bank could offer guarantee to a maximum of taka 25 crore in respect of loans obtained by Grameen Udyog from another organization. The Managing Director was given the power to issue guarantee of a maximum of taka 25 crore in favor of Grameen Udyog. That meeting also gave responsibility to Grameen Trust to run Grameen Health Project. The Managing Director was given the power to determine the terms of credit and to approve credit to Grameen Trust to run the health project.

The 39th meeting approved the proposal to establish a separate organization named Grameen Samagree. The 41st Meeting heard the annual accounts of

Grameen Udyog because Grameen Bank was its guarantor. It also approved a proposal to lend taka 30 crore out of the SAF to Grameen Telecom. The 42nd Meeting approved the proposal to establish a separate organization Grameen Shakti. In all the above meetings, Dr. Akbar Ali Khan presided.

5.03.3 In the 47th meeting, the approved ceiling of guarantee given by Grameen Bank to Grameen Krishi Foundation for loans borrowed from other lenders was set at a maximum of taka 10 crore. The authority to offer the guarantee was given to the Managing Director. In the 48th meeting, the Directors were informed of the audited annual accounts of the companies created by Grameen Bank. The minutes of this meeting (April 16, 1998) are especially noteworthy. The meeting was presided over by the Chairman of the board Professor Rehman Sobhan. It was mentioned that there had been a resolution of the 35th meeting that the annual accounts (earnings and expenses accounts, and balance sheets) of the companies created by Grameen Bank- for whom Grameen Bank would stand guarantor for loans taken from other lenders- must be presented regularly to inform the board of directors. The Minutes of the Meeting are as follows:

“As per decision taken in the said meeting of the Board of Directors, the audited annual reports of the 4 companies Grameen Udyog, Grameen Telecom, Grameen Krishi Foundation, and Grameen Matsya Foundation were presented to inform the Board of Directors because Grameen Bank is the guarantor of them. During the discussion, Director Mr. Shamsuzzaman Chowdhury said that the reports did not mention what amount of guarantee was given for which company, and what benefit Grameen Bank was getting. The audit reports presented to inform the board members do not provide clear ideas about their activities. It appears from these audit reports that these organizations took loans from Grameen Bank at different times, but they are not explained in the audit reports. He suggested that in the future, those matters should be presented in more definite, informative, and constructive ways.

On the same issue, the chairman of the Board of Directors – Professor Rehman Sobhan opined that because these organizations were created with the approval of the Board of Directors of Grameen Bank, it is necessary that the Board be informed of the activities and progress of the organizations. In this connection, the Managing Director remembered that in one of the past meetings, a decision had been taken that the organization created by Grameen Bank would submit annual reports on their activities and progress for the information of the Board of Directors. In this regard, he instructed the Secretary of the Bank to examine the past decisions and to take necessary action.

After discussion of the above issues, the Board of Directors adopted the following resolutions in the meeting of 16-04-98:

Regarding Grameen Udyog, Grameen Telecom, Grameen Krishi Foundation, and Grameen Matsya Foundation for whom Grameen Bank stood Guarantor, the directors were informed of the following:

(In Crore taka)

Serial	Name of affiliate	Amount of Guarantee	Duration of Guarantee	Ceiling of Guarantee	Service Charge	Remarks
1	Grameen Udyog	24.0	1 year	25.0	0.50%	Guarantee expired
2	Grameen Telecom	20.00	6 years	30.00	0.50%	..
3	Grameen Krishi Foundation	10.00	1 year	10.00	0.50%	..
4	Grameen Matsya Foundation	0.50	8 years	5.00	0.50%	..
Total		54.50				..

- b. The Board of Directors has been informed of the audited annual accounts (earnings, expenditures, balance sheets) of the four organizations mentioned above.
- c. The Directors were further informed that since the guarantee given to Grameen Udyog has expired, for the remaining 3 organizations, the amount of guarantee has been shown in the bank's balance sheet as contingent liability.
- d. In the future, at the time of presentation of the audited accounts of companies for which Grameen Bank will issue guarantee of loans taken of from other lenders, a summary of the audit report with important information about annual accounts must be presented to the Board of Directors.
- e. From now on, for the companies created with the approval of the Board of Directors of Grameen Bank, annual reports on their activities and progress must be submitted regularly each year for the information of the Board of Directors.

5.03.4 In the 56th Meeting, Grameen Bank was authorized to become the sponsor of Grameen Mutual Fund. In the 59th meeting a draft regulation regarding the appointment of Managing Director was approved. The meeting decided that there would be no age limit on the service of the Managing Director, and that the Grameen Bank Service Rules would not apply to him.

5.03.5 It is found from the analysis of the minutes of the meetings of the Board of Directors that decisions were taken about the affiliates after discussion in board meetings. Yet Dr. Muhammad Yunus told the Review Committee that there was no relation with Grameen Bank. It further appears from the minutes that the elected female members played no role in the meetings. It appears that the female members elected by the shareholders are merely present in the meetings. It is seen that the 3 members nominated by the government and the Managing Director are involved in all activities. An executive committee was created with the government nominated members. There is no correspondence between the

objectives and policies of Grameen Bank with the affiliates. This is observed from the record of discussions.

The Review Committee found that the following companies/organizations were created by guarantees of Grameen Bank and its directors:

Serial	Name of Company formed by Guarantee	Amount of Guarantee
1.	Grameen Trust	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
2.	Grameen Bebsa Vikas	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
3.	Grameen Kalyan	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
4.	Grameen Krishi Foundation	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
5.	Grameen Matsya o pashusampad	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
6.	Grameen Shakti	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
7.	Grameen Siksha	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
8.	Grameen Telecom	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
9.	Grameen Fund	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
10.	Grameen Udyog	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
11.	Grameen Samagree	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman
12.	Grameen Communications	Tk. 6000 by Grameen Bank and Tk. 1000 each by all directors including chairman

It is matter of great regret that though there was no lawful authority to issue guarantee, it happened in the presence of government nominated directors.

5.04 Observations

- 5.04.1 It is sufficiently clear that Grameen Bank's own funds were separated to create G Kalyan and G Fund. Later on, these two companies created more companies by financing them with equity and loans. It is noteworthy that according to the Grameen Bank Ordinance of 1983, the creation and financing of these organizations are ultra vires (beyond lawful authority).
- 5.04.2 As per the Grameen Bank Ordinance 1983, Article 14(4), the Managing Director is a full time of Grameen Bank. Managing Director took responsibility of managing the organization of the Grameen family without the permission of the Board of Directors of Grameen Bank until 2003. On September 30, 2003, he was given post facto permission to serve as Chairman of 20 organizations. Beside the Managing Director, other officers of Grameen Bank performed duties as directors of 30 organizations. There was no permission from the Board of Directors of Grameen Bank for these officers to serve in other organizations. Since the creation of Grameen Fund Grameen Kalyan was without authority under the Grameen Bank Ordinance of 1983, the Board of Directors of Grameen Bank had no authority to give permission to the Managing Director and other directors to serve as Chairman or Directors of those organizations. It therefore appears tat the Board of Directors of Grameen Bank acted without authority (ultra vires).
- 5.04.3 12 of the companies among those affiliated with Grameen Bank were registered as companies limited by guarantee. Various officers including the Managing Director of Grameen Bank issued guarantees in favor of those organizations. Because they are full time regular officers of Grameen Bank, their issuance of guarantee in favor of new companies without the permission of the Board of Directors of Grameen Bank was beyond their authority.

- 5.04.4 The funds of Studies, Innovation, Development and Experimentation (SIDE) and Social Venture Capital Fund (SVCF), and Grameen Fund (created by transforming SVCF) of Grameen Bank were used to finance equity and loans to various companies (such as Packages Corporation, Mainamti Himgar, Grameen Samagree). According to the Grameen Bank Ordinance of 1983, loans can be given only to the rural landless and in support of financial services to their income-earning projects. Most of the SIDE and SVCF projects were large and they had no connection to the rural landless.
- 5.04.5 Packages Corporation is a family enterprise of Yunus. This corporation was given 9.66 crore taka loans from 1990 through 2005. In 2006, Grameen Bank wrote off 1.3741 crore taka of the loan. From 1990 through 1997, Grameen Bank performed the task of managing this company. There is conflict of interest in managing the company, purchasing goods and services from it without competitive bidding, financing it, and writing off its loan.
- 5.04.6 Purchases from Packages Corporation and Grameen Samagree without open tender violated the bank's own procurement policy.
- 5.04.7 Grameen Bank incurred financial losses by renting 11000 square feet of office space at nominal price for the personal outfit of Yunus (named Yunus Center).
- 5.04.8 Grameen Bebsa Vikas charges 1% Service Charge for guaranteeing loans given by Grameen Bank. Since this company was created with Grameen Bank finance and supervision, the payment of 1% service charge to Grameen Bebsa Vikas amounts to a transfer of funds.
- 5.04.9 The market price of a share of Grameen Phone stood at taka 170.40 on April 3, 2011 against its face value of taka 10 per share. The market value of the 46.18 crore shares of Grameen Phone held by Grameen Telecom was nearly 8000 crore taka. But Grameen Telecom is a company limited by guarantee and has no

shareholders. There is no certainty about the proper management and utilization of the massive wealth of Grameen Telecom.

5.04.10 On behalf of Grameen Shakti, Grameen Bank issued a guarantee of USD 750,000 in foreign currency to International Finance Corporation (IFC). As per Grameen Bank Ordinance 1983, the issuance of guarantee for another company is beyond the authority of Grameen Bank.

5.04.11 Grameen Bank wrote off and forgave the unpaid loan of 2.45 crore due from Grameen I T Park. This hurt the interest of Grameen Bank. The giving of loan to this company was beyond the jurisdiction of Grameen Bank. The Grameen Bank Ordinance authorized Grameen Bank to offer loans limited only to the rural landless.

5.04.12 The 52nd meeting of the Board of Directors of Grameen Bank considered an application of Grameen Krishi Foundation and a request of Grameen Fund. It gave permission to Grameen Bank to write off taka 9.30 crore from the loan given to G Fund on condition that G Fund would write off its outstanding loan to G Krishi Foundation by the same amount. The interest of the shareholders of Grameen Bank was not considered.

5.04.13 Yunus is a public servant as the fulltime Managing Director of Grameen Bank. But he showed his profession as business in the Memorandum of Association and Article of Association of Grameen Cybernet Limited and Grameen Bebsa Vikas. He declared his profession as professor in case of Grameen Trust, but as Managing Director of Grameen Bank in case of Grameen Udyog. He put his address as Medical College Road, Panchlaish, Chittagong (rather than his address in Grameen Bank Complex in Dhaka) in the Memorandum and Article of Association of Ganoshasthya Grameen Textile Mills Limited.

5.04.14 According to the Grameen Bank Ordinance of 1983, Grameen Bank can give loans only to the rural landless. It is not authorized to give loans to any organization such as Grameen Krishi Foundation, Grameen Matsya Foundation, Biggan Ganoshiksha Kendra or Packages Corporation.

5.04.15 It is observed that the affiliated companies created by Grameen Bank were created ultra vires (without lawful authority). Since most of those companies are not limited by shares, they have no ownership relations with Grameen Bank. They are not accountable to Grameen Bank or other agencies. The matter is of grave concern.

6.0 Interest Imputation on Loans and Deposits

The rate of interest imputed on loans given and deposits taken by Grameen Bank and the method of calculation are given below:

6.01 Effective Interest Rate on Loans

The effective interest on loans given by Grameen Bank is 20%. However, when the compulsory contribution to credit insurance before the disbursement of loan, compulsory savings, contributions to the construction of the center house etcetera are considered, the effective interest rate may be as high as 27.05%. When the borrowers repay installments, the interest is calculated on the reduced balance at 20%. Since the interest is not added to the principal, it is said that interest is imputed at simple rate. For full repayment and during the June and December closing, if there is any outstanding interest, it is deducted from the savings or collected in cash. So it is seen that

- The interest rate is 20% if only the interest on the loan alone is considered.
- Considering the premium for loan insurance, the effective interest rate is 22.95%. If the borrower takes advantage of the loan insurance for her husband, the effective interest rate stands at 26.24%
- If the compulsory savings is considered, another 0.32% is added to make the effective interest rate 26.56%
- If the contribution to the construction of the house in the center is considered, an additional 0.49% makes the effective interest rate 27.05%

6.02 Comparison of interest rate on loans of Grameen Bank and other microcredit institutions

#	Name of institution	Interest rate	No. of installments	Method of calculation of interest	Recovery policy	Application fee (Tk)	Passbook fee (Tk.)	Loan processing fee	Premium on loan insurance
1	Grameen Bank	10%, flat	44	weekly on principal balance. Interest not added to principal	No GP; recovery in 48 weeks	None	10	None	3%, Too add husband, Another 3%
2	BRAC	15%, flat	46	Annually, Tk 150 interest on loan of Tk 1000	1 week GP; recovery in 51 weeks	None	5	None	Tk 20 for loan upto Tk. 50,000
3	ASHA	15%, flat	46	Annually, Tk 150 interest on loan of Tk 1000	15 day GP recovery in 52 weeks	20 to 50	Non	None	1% of loan
4	Bureau BD	15%, flat	46	Annually, Tk 150 interest on loan of Tk 1000	1 week GP recovery in 51 weeks	20	5	None	Tk. 50 for loan upto 10,000; 100 for 100000; 150 for more
5	TMSS	12.5%, flat	45	Annually, Tk 125 interest on loan of Tk 1000	15 day GP recovery in 51 weeks	None	5	None	1% of loan
6	PMUK	12.5%, flat	45	Annually, Tk 125 interest on loan of Tk 1000	15 day GP recovery in 51 weeks	None	10	2 Tk per 1000	1% of loan
7	Caritas BD	12%, flat	45	Annually, Tk 120 interest on loan of Tk 1000	15 day GP recovery in 51 weeks	5	10	None	1% of loan

PMUK=Padakkhep Manabik Unnayan Kendra

GP=Grace Period

6.03 Computation of Interest Rate on Savings and deposits

Usually, interest on deposits is paid quarterly (in 3 months). But Grameen Bank computes interest at the end of the year. Hence the depositors are deprived of the true interest. Except for savings accounts, Grameen Bank offers interest at simple rate on time deposits. It is notable that computer software computes the interest on the deposits. The following procedure is applied to compute interest on deposits:

- By adding the lowest monthly balance for different months, the sum is multiplied by the number 0.0070833. However, the closing accounts are subject to the following formula for computation of interest

$$\text{Interest} = \frac{\text{PRODUCT * interest rate}}{\text{No. of days in the year *100}}$$

- As the interest is computed on the lowest balance of the account, it is not consistent with the declared rate of interest, because depositors get interest lower than the declared rate (as the deposits above the lowest balance are not given interest).
- No interest for the month is paid on savings accounts opened after the 7th day of the month. However, if the account is opened before the 7th day of the month, interest is computed for the concerned month from the date of opening.

6.04 A comparative analysis of the Interest on Deposits and Other Charges by Grameen Bank and other microcredit institutions

Except for long term deposits, Grameen Bank offers higher interest on deposits than any other microcredit institution. Whereas the interest on compulsory savings and short term deposits is 8.5% given by Grameen Bank, the highest rate offered by others (BRAC) is 6.5%. Only Jagarani Chakra Foundation offers a higher interest (12-14%) than Grameen Bank (10-12%) on long term deposits. The interest paid by Grameen Bank on time deposits (8.75-9.50%) is also higher than that paid by other microcredit institutions.

6.05 A Comparison of the Interest Paid by Grameen Bank and other microcredit institutions on Deposits

#	Institution	Interest accrual Rule	Interest on weekly Monthly (compulsory) savings	Interest on Short Term	Interest on long term	Interest on Time Deposits	Others	Remarks
1	Grameen Bank	Daily, monthly lowest	8.5%	STD 3% Others- 8.5%	5 yr : 10% 10 Yr :12%		Double in 7yrs	No interest on current acct
2	BRAC	Daily, monthly lowest	5.5% on upto Tk. 5000 6% on 5000-10000 6.5% above 10000	5.5% on upto Tk. 5000 6% on 5000-10000 6.5% above 10000			Double in 7yrs	..
3	ASHA	Monthly Lowest	4%	
4	JCF	Monthly Lowest	5%	
5	Bureau BD	Monthly Lowest	4.5%	6%			..	
6	TMSS	Monthly Lowest	5%-6%	5%-6%			..	

7.00 An Evaluation of the Activities of Grameen Bank in light of Microcredit Regulatory Authority Act, 2006 and Grameen Bank Ordinance, 1983

Grameen Bank is not within the scope of the Microcredit Regulatory Authority Act of 2006. This is because Article 2(21) of this Act did not include Grameen Bank as a microcredit institution. Hence this law has no effect on Grameen Bank. For the following reason, it is not possible to evaluate the activities of Grameen Bank according to the Microcredit Regulatory Authority Act of 2006.

- 7.01 There is a difference in the definition of the landless. According to Microcredit Regulatory Authority Act 2006 the landless is a person whose arable land is less than a specified amount. However, as per Grameen Bank Ordinance 1983, an individual or family whose family holdings of land is less than 0.5 acre are landless.
- 7.02 In article 2(21)(gh) of the Microcredit Regulatory Authority Act 2006, a microcredit institution is defined as one registered under the Societies Registration Act 1860, The Trust Act 1882, The Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961, Cooperative Societies Act 2001 and Company Act 1994. Therefore Grameen Bank is not a microcredit institution according to this Microcredit Regulatory Authority Act 2006.
- 7.03 Though Grameen Bank offers microcredit, it is not a microcredit institution according to Microcredit Regulatory Authority Act 2006. Hence it is not within the jurisdiction of the Microcredit Regulatory Authority Act 2006.
- 7.04 According to the Microcredit Regulatory Authority Act 2006, a microcredit organization cannot accept deposits from anyone other than its members. But Grameen Bank is allowed to accept deposits from the general public (non-members).
- 7.05 It appears that though Grameen Bank is very large organization, there is no regulatory authority to supervise and control its activities. Since the government imposed Article 44 and 45 of the Companies Act of 1991 on Grameen Bank, Bangladesh Bank cannot be regarded as its regulatory authority even as Bangladesh Bank has the power to inspect and instruct Grameen Bank.

8.00 Views of Individuals and Institutions Concerned with Microcredit, including members of civil society

During the review of the overall activities of Grameen Bank, views and opinions of individuals and institutions involved in microcredit, including members of civil society were compiled. They talked about the history of the formation of the bank, its successes, its standard of management, and its role in poverty alleviation, its expansion into affiliated organizations and companies, its future prospects, and its challenges and responsibilities. The following person expressed their valuable opinions:

1. Dr. Mohammad Farash Uddin, Former Governor, Bangladesh Bank,
2. Dr. Muhammad Yunus, Founding Managing Director, Grameen Bank
3. Dr. S R Osmani, Professor, Department of Economics, Ulster University, UK
4. Dr. Selim Rashid, Professor, Department of Economics, Illinois University, USA
5. Dr. S Mainul Ahsan, Professor, Department of Economics, Concordia University, Canada.
6. Dr. Zarina Rahman Khan, Professor, Department of Public Administration Dhaka University
7. Mr. Khondakar Muzammel Haque, Chairman of board of Directors, Grameen Bank
8. Mr. Muhammad Khaled Shams, ex Deputy Managing Director, Grameen Bank
9. Mrs. Nurjahan Begum, Deputy Managing Director, Grameen Bank
10. Dr. M M Akash, Professor, Department of Economics, Dhaka University,

When offering their carefully worded conscientious opinions, the aforementioned distinguished individuals reflected on their thoughts about the future of Grameen Bank and what it ought to do. The gist of the views and observations of distinguished experts on microcredit are given below:

- 8.01 Grameen Bank is a specialized bank. It has graduated from the difficult first phase and is now in its second generation. By ensuring a solid foundation and structure of operations, the bank must go forward. Without innovative character, it will be a failed organization.
- 8.02 There is a difference of opinion regarding the interest rate. Some have observed that the interest rate is too high. But some others have also opined that this rate is one of the lowest among the microcredit lenders. Many have opined that the determination of the interest rate should consider the cost of funds, the cost of operations, and the profits.
- 8.03 Several individuals raised questions how the borrowers of the bank came to be the largest shareholders. They have the view that if the same person is both an owner and a borrower, there is a conflict of interest.
- 8.04 Serious violation of law has occurred through the transfer of funds obtained as grants from donors by using the goodwill of Grameen Bank to the affiliated companies. It has severely damaged the interest of Grameen Bank. There is a need to balance the business profitability with the social advantages of financing affiliated companies. More transparency must be ensured in the accounting of the affiliates.
- 8.05 Borrowers of Grameen Bank are subjected to many hassles in the name of credit recovery. There are families that went destitute to repay the Grameen Bank loans; and some borrowers have even committed suicide.
- 8.06 Much doubt is expressed about the true extent of women's empowerment, despite the praise heaped on Grameen Bank's role in women's empowerment.
- 8.07 The Board of Directors of Grameen Bank takes decisions according to majority voting. While the views of the Chairman and the 3 government nominated

directors may appear reasonable to the 9 directors elected by the members, those may not be acceptable to the majority. The shareholder directors seem to lack voices.

- 8.08 In violation of the proportion mentioned in the Grameen Bank Ordinance, members have been given more shares than the government.
- 8.09 Financial irregularity has occurred in the act of transfer of funds to GK. While the Norwegian government may be satisfied with the resolution of the matter upon reimbursement of the funds, the Bangladesh government cannot ignore the attempt to evade taxes.
- 8.10 One has questioned the review of Grameen Bank. He remarked that the same complaints may be raised against Janata Bank Limited and Agrani Bank Limited. He further remarked that Yunus is not an ordinary man, but is a great social capital. He mentioned a liberal regulatory framework to maintain the independence and identity of Grameen Bank.
- 8.11 The success of Grameen Bank founded on the concept of microcredit has proved that it is possible to recover collateral-free loans in the rural areas. Grameen Bank has opened a new horizon in lending to the poor in the world of banking.
- 8.12 The affiliated companies created by Grameen Bank were created outside the ambit of law. The irregular creation of such companies has created serious problems of law. These must be immediately regularized.

9.00 Conclusions and Recommendations

- 9.01 According to Article 152 of the Constitution of Bangladesh, Grameen Bank is a statutory public authority on account of its having been created by the Grameen Bank Ordinance of 1983. It is not a non-government organization (NGO) or a private company, private bank, or bank-company, or a scheduled bank in the usual definitions. Though there is some similarity of its microcredit operations with the activities of some NGOs, there is 25% government ownership of it as per law. But the government ignored its right and has allowed it to be taken to a marginal position (3.29% of ownership). The government must rectify this.
- 9.02 An Inspection Report by Bangladesh Bank on Grameen Bank was submitted in 1999. It mentioned various irregularities including the continuation of service of the Managing Director past the age of retirement. But the government did not take any effective steps during the next decade. It goes without saying that had proper steps been taken at due time, the present situation would not have arisen. The issue of what social, political, or economic consideration kept the government silent and inactive deserves investigation.
- 9.03 Grameen Bank has become a large organization by expanding its activities throughout the country and in its extensive programs of action. But a clear tendency to violate laws and rules is observed in respect of administrative decisions, purchases, the participatory role of directors in the Board of Directors, the creation of various companies outside Grameen Bank, use of funds, inter-company fund transfer etcetera. In effect, the organization evolved as a person-dependent one instead of as a rule-dependent one. In these circumstances, it is necessary to draft a national policy regarding the scope of action of Grameen Bank to ensure the effectiveness of the efforts to provide collateral-free credit to the rural landless for poverty alleviation and to ensure successful recovery. In the formulation of this policy, the matters of microcredit, and the governance of Grameen Bank and its affiliated companies must be kept in mind. This policy should be followed up in the reform and amendment of the pertinent and requisite legal structure.

9.04 In the immediate future, by creating a Grameen Bank Reform Commission, new laws have to be enacted with the help of legal experts. This Committee is of the opinion that following steps deserve consideration:

9.04.1 It is necessary to have regulatory authority for any credit giving institution. It will ensure proper utilization of resources and good governance. Though Grameen Bank is a microcredit lender, it is not within the jurisdiction of the Micro Credit Regulatory Authority because it is not defined as a microcredit institution by the Micro Credit Regulatory Authority Act of 2006. The Micro Credit Regulatory Authority was established under the Micro Credit Regulatory Authority Act of 2006 with the purpose of supervising and controlling the activities of the microcredit institutions in the country. Since the original objective of Grameen Bank as per Grameen Bank Ordinance 1983 is to provide credit to the rural landless, by amending the Micro Credit Regulatory Authority Act of 2006, and the Grameen Bank Ordinance of 1983, Grameen Bank may be brought under the jurisdiction of the Micro Credit Regulatory Authority.

9.04.2 If the aforesaid recommendation is implemented, the gazette notification regarding the applicability of articles 44 and 45 of the Bank Company Act of 1991 may be repealed.

9.04.3 If Grameen Bank is brought under the regulatory authority of Micro Credit Regulatory Authority as per recommendation 9.04.1, by amending article 14(1) of Grameen Bank Ordinance 1983 concerning the appointment of the Managing Director, the condition may be imposed that the prior approval for the appointment must be obtained from the Micro Credit Regulatory Authority rather than Bangladesh Bank.

9.04.4 As per Article 36 of the Grameen Bank Ordinance of 1983, the Board of Directors is empowered to draft the regulations. By amending this article of the ordinance, the requirement of obtaining prior approval of the Micro Credit Regulatory Authority may be imposed afresh.

9.04.5 In order to create an effective Board of Directors, the Grameen Bank Ordinance may be amended to reduce the number of member-directors to six (06) and to include the appointment of three (03) new independent directors (from among experts of micro credit, rural economics, banking, law etcetera). This will make the management of Grameen Bank more transparent and accountable. The government appointed directors in the Board of Directors must be made familiar with their proper responsibilities and duties. Further, for the directors, Fit and Proper Test Criteria for directorship may be included in the amendment.

9.04.6 The absence of an age of retirement of the Managing Director in the Grameen Bank Ordinance of 1983 and the Grameen Bank Regulation of 2001 concerning the appointment of the Managing Director has created complications. Therefore, the 2001 Regulation concerning the appointment of Managing Director may be amended by fixing an age of retirement (which may be set at 65 years).

9.04.7 Necessary amendments may be made in the Grameen Bank Ordinance of 1983 to deal with the creation of affiliated organization of Grameen Bank so long as they are consistent with the core objective of Grameen Bank. At the same time, the bylaws of the affiliated companies may be amended to make them

consistent with the objective of Grameen Bank to provide loans and protect interests of the rural landless.

9.04.8 Grameen Bank and its affiliates together have acquired the standing of a conglomerate. It is necessary to restructure and redefine the same by the government. G F and G K may be reconstituted as divisions inside Grameen Bank by liquidating their existence as separate companies. By this reform, the two companies will become integral parts of Grameen Bank with their assets and liabilities; and their transparency and accountability will be ensured.

9.04.9 To ensure the proper management and utilization of the massive resources of Grameen Telecom (the value of Grameen Phone shares held by whom stands now at about 8000 crore taka), it may be reconstituted as a limited company limited by shares (rather than by guarantees). The equity of Grameen Bank in it must be ensured. By this reconstitution, Grameen Bank will gain the recognition of the ownership of Grameen Telecom, and the member-shareholders of Grameen Bank will be able to get the due advantages of its ownership directly.

9.04.10 Yunus is the Chairman of the majority of the affiliated companies of Grameen Bank. And a remarkable number of directors of the Board of Directors of those companies are officers of Grameen Bank. By way of mergers, acquisitions, and amalgamation, the number of these companies may be reduced, and their Board of Directors may be reconstituted in line with their activities

9.04.11 An audit committee made up of directors may be created to strengthen the transparency and accountability of Grameen Bank.

The terms of reference of this audit committee may be assigned by a regulation.

9.04.12 The separation of the audit division from the monitoring division of the bank is necessary. This will strengthen the implementation of the objections and suggestions raised in the inspection and audit reports.

9.04.13 The Bank should have its own independent IT Policy and IT Division to ensure successful use of information technology.

9.04.14 The bank should follow the recognized standards of accounting to ensure transparency and accountability of its financial accounts.

9.04.15 It is necessary to immediately create a statutory reserve fund with a specified fraction of the profits as per article 24 of the Grameen Bank Ordinance of 1983.

9.04.16 In the determination of the interest rate on loans of Grameen Bank, the cost of funds, the administrative expenses, and a margin of 2 to 3% should be considered.

9.04.17 The organizations and individuals who are not members of Grameen Bank may also deposit their savings with Grameen Bank. There is no taxes and duties on the interest earned on these deposits at Grameen Bank. On the other hand, the interests earned on deposits in scheduled banks are subject to the taxes and duties. Regulations may be made to impose the taxes and duties on the Grameen Bank deposits from non-members.

- 9.04.18 The Grameen Bank Ordinance may be amended to modify the objective of Grameen Bank, by including social service in addition to development for the rural landless. This will expand the scope of work of Grameen Bank and its successes will spread further.
- 9.04.19 The bank must duly observe its purchase regulations in case of all of its purchases and procurements.
- 9.04.20 Separate policies need to be formulated to deal with the management of assets and liabilities, management of credit risks, prevention of money laundering etcetera. It is also necessary to prepare a contingency plan for the times of crisis.
- 9.04.21 To ensure sustainability and to maintain its own position, there must be a strong management structure of Grameen Bank. It must also have a Plan of Succession. Furthermore, to ensure good governance of the affiliates, an efficient management must be installed after properly determining the ownership of the affiliated companies. A regulatory authority must take over the monitoring of all these.
- 9.04.22 It is necessary to prepare a full-fledged report to identify the problems associated with the institutional and organizational structure, and the legal, regulatory, managerial, and financial matters of Grameen Bank and its affiliated companies. A consultant may be appointed to advise the government in this matter. Further, a thorough audit of all inter-company transfers between the companies (whose names carry the term Grameen) is necessary for the purpose of transparency.

9.05 The steps mentioned above are just a short checklist of the Review Committee. In Conclusion, we wish to state the following:

Grameen Bank was established by the Grameen Bank Ordinance of 1983. By expanding its activities beyond microcredit, it has been extended to a vast conglomerate of affiliated companies. This vast empire's evolution and expansion carries deep significance for the social economy of the country. Whether intended or not, and despite the undeniably far-reaching impacts on the social and economic conditions of the nation through its massive achievements, it appears from a review of its past performance that there is a tendency to disregard laws and regulations. In this circumstance, it is necessary to have a regulatory authority for the Grameen Bank. Grameen Bank was without a regulator since its inception. The result is the complicated situation of today. There, the Grameen Bank Ordinance must be amended. Furthermore, it has become urgent to determine and evaluate the financial and institution situation of the affiliated companies and to establish lawful authority of Grameen Bank over them. The Committee believes that the first task is to prepare a national policy to bring the microcredit operations and social business within the same institutional framework of Grameen Bank.

Signed/
(Mohsen Rashid)
Member

Signed/
(R M Debnath)
Member

Signed/
(Begum Rokeya Deen)
Member

Signed/
(M Nazrul Huda)
Member

Signed/
(A K Monaw-war Uddin Ahmed)
Chairman

Appendix-A

The Government of the People's Republic of Bangladesh
Ministry of Finance
Bank and Financial Institutions Division
Training and Discipline Section

No. 53.007.027.00.00.012.2010-15

Date 10-01-2011

NOTICE

1. The activities of Grameen Bank began in 1976 under a project to assess the feasibility of bringing the rural landless people within the ambit of credit distribution. In one phase (in 1979), the Bangladesh Bank offered help to the project. With this project, the idea of offering collateral-free loans and assuring their recovery was born. It created the opportunity to empower women in rural areas and increase demand. The Government of Bangladesh took steps to open a new horizon of microcredit programs by transforming the project into a bank. With a view to giving a timely and sustainable corpus to the structure of loans and savings in society, Grameen Bank was founded by the Government by an Ordinance in 1983. The microcredit program of Grameen Bank acquired world fame, and Grameen Bank's Managing Director and the Grameen Bank won the Nobel Prize or Peace in 2006.

2. The activities of Grameen Bank were not seriously evaluated after it was set up. Recently, newspapers published various reports concerning Grameen Bank. In response to the media coverage, the Government formed a high-powered Review Committee to learn about the overall management and situation of the Grameen Bank as follows:

Serial	Name and Designation	Position in the Review Committee
1	Professor A K Mona-war Uddin Ahmed, Former Chairman, Economics Department and Dean, Social Science Faculty, Dhaka University	Chairman
2	Md. Nazrul Huda, Deputy Governor, Bangladesh Bank	Member
3	Mrs. Begum Rokeya Deen, former Deputy Comptroller and Auditor General	Member
4	Professor R M Debnath, Former Professor BIBM, and columnist	Member
5	Advocate Mr. Mohsen Rashid, Lawyer, Supreme Court	Member

3 The terms of reference of the Review Committee is as follows:

- 1) To prepare a report after investigating and reviewing the statements of the Norwegian authorities in response to the Norwegian Television news regarding transfer of funds from Grameen Bank to Grameen Kalyan, news in national media and international reaction, and in the light of relevant laws and regulations;

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- 2) To prepare a list of all organizations of the Grameen Family, identify the relation of Grameen Bank to them (such as Packages Corporation), after detailed examination of the other agencies with which Grameen Bank or its chief executive has personal relationships, to find out the real situation, and if any irregularities occurred, then to offer recommendations after thorough investigation;
 - 3) To prepare a report after analyzing the rate of interest on loans and deposits of Grameen Bank, the determination of the interest rate, the rules regarding the charging of interest and giving interest to the savers; and to articulate recommendations to redress any irregularity or exceptions in Grameen Bank that might have occurred with respect to interest rates and other charges relative to the practices of other microcredit agencies licensed by the Microcredit Regulatory Authority;
 - 4) To prepare recommendations after assessing the control, management, transparency, accountability et cetera of Grameen Bank as a microcredit organization in view of the Microcredit Regulatory Authority Act, 2006.
4. a. The Review Committee will review the documents of the concerned ministries, divisions, and agencies;
 - b. The Review Committee may gather opinions and testimonies of individuals concerned with microcredit (including members of civil society);
 - c. The Bangladesh Bank will provide all necessary secretarial and organizational support to the Review Committee on behalf of the government;
 - d. Bangladesh Bank will conduct a special audit of Grameen Bank to assist the Review Committee.
5. This Review Committee will submit the report in the next three (03) months.

Signed-
(M. Shahid Ullah Miah)
Joint Secretary
Banking and Financial Institutions Division
Ministry of Finance
Bangladesh Secretariat
Phone: 7166754

Controller
Bangladesh Forms and Publications Office
Tejgaon, Dhaka
(For Publication in the Gazette)

For necessary action:

- 1 Professor A K Monaw-war Uddin Ahmed,
Former Chairman, Economics Department and Dean, Social Science Faculty, Dhaka University; House 13 J Fuller Road, Dhaka University
- 2 Md. Nazrul Huda, Deputy Governor, Bangladesh Bank, Matijheel, Dhaka.
- 3 Mrs. Begum Rokeya Deen, former Deputy Comptroller and Auditor General, House 17, Road 22, K Block, Banani, Dhaka.
- 4 Professor R M Debnath, Former Professor BIBM, and columnist; Easter Peace, Flat #1/302, 30 Shantinagar, Dhaka.
- 5 Advocate Mr. Mohsen Rashid, Lawyer, Supreme Court (Advocate and Legal Consultant), Bhuiya Mansion, 6th floor, 6 Matijheel, Dhaka-1000.

Distribution (In order of seniority):

- 1) Cabinet Secretary, Cabinet Division, Bangladesh Secretariat, Dhaka.
- 2) Principal Secretary, Prime Minister's Office, Tejgaon, Dhaka.
- 3) Governor, Bangladesh Bank, Matijheel, Dhaka.
- 4) Secretary, Prime Minister's Office, Tejgaon, Dhaka.
- 5) Secretary, Finance Division, Ministry of Finance, Bangladesh Secretariat, Dhaka.
- 6) Secretary, Banking and Financial Institutions Division, Ministry of Finance, Bangladesh Secretariat, Dhaka.
- 7) Chairman, Microcredit Regulatory Authority, Jatiya Krira Parishad Bhavan, (12 the floor), 62/3 Purana Paltan, Dhaka.
- 8) Chairman, Grameen Bank Board of Directors, Grameen Bank Bhavan, Mirpur, Dhaka.
- 9) Managing Director, Grameen Bank, Grameen Bank Bhavan, Mirpur, Dhaka.
- 10) PS to the Hon'ble Minister of Finance, Ministry of Finance, Bangladesh Secretariat, Dhaka.
- 11) PS to the Economic Advisor to the Hon'ble Prime Minister, Prime Minister's Office, Tejgaon, Dhaka.
- 12)

Signed/
(M. Shahid Ullah Miah)
Joint Secretary
Banking and Financial Institutions Division
Ministry of Finance
Bangladesh Secretariat
Phone: 7166754

APPENDIX-B

Very Urgent

By Special Messenger

The Government of the People's Republic of Bangladesh

Ministry of Finance

Bank and Financial Institutions Division

Training and Discipline Section

No. 03.007.027.00.00.012.2010-136

Date 17-04-2011

Subject: Extension of the Duration of the Review Committee regarding Grameen Bank

Ref: Chairman, Grameen Bank Review Committee, Bangladesh Bank's Letter No.

GRABARIK/1/2011-195 Dated 07-04-2011

In pursuance of the above mentioned subject and reference, the undersigned is directed to inform that in continuation of the Notice of the Banking and Financial Division date 10-01-2011, no. No. 53.007.027.00.00.012.2010-15, the time for submission of the report has been extended by one (01) more month from 09 April, 2011.

Signed/

(Gokul Chandra Dash) Joint Secretary

Phone: 7168603

Professor A K Monaw-war Uddin Ahmed,

Chairman,

Grameen Bank Review Committee

and

Former Chairman,

Economics Department and Dean, Social Science Faculty, Dhaka University;

House 13 J Fuller Road, Dhaka University