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GRAMEEN DIALOGUE

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Education and Healthcare for the Poor

Muhammad Yunus

The following is excerpted from a speech by Professor Yunus delivered at the World Health Care Congress in Washington DC on January 30, 2005.

“Grameen Bank lends money to extremely poor people, particularly women, without collateral, without any legal instrument, without any group guarantee, without joint liability, and so on. But it works, and the borrowers themselves own it. It has more than four million borrowers—96% of them women—taking loans from the bank and moving out of poverty. More than 50% of the people who have joined the Grameen Bank, so far have moved out of poverty.

One thing we focused on right from the beginning was to make sure that the children of Grameen families go to school. In the early years when we had a very small number of borrowers, we sat down with the borrowers and tried to understand what their daily problems were, what they were looking forward to. We'd go through days and days of this discussion among them, and that culminated into something called the **16 Decisions**. These decisions were not taken on one single day. It was spread over several years, and for each one we had a long series of discussion.

One of the decisions was, “We shall send the children to school”. We encouraged everybody to make sure that we honored that decision, sending 100% of the children to school. In Bangladesh, literacy is very low. If you are looking at the poor people, the literacy rate is pitiful. So in those families, we're trying to create 100% literacy. And luckily for us, it worked. People responded very warmly to that. One rea-

son for that as I look back, is that our borrowers are women. Women paid a lot more attention to their children than their fathers.

A few years later, we noticed that not only were the children going to school, they're now going to colleges as well. Many of them are going to higher educational institutions; they are going to medical schools to become doctors and engineering schools to become engineers. So, we introduced scholarships for students who are at different levels in high schools and colleges, and performing at the top. They are recognized and applauded with these scholarships. **Then we introduced student loans, so that the students can continue with their higher education without worrying whether their parents would be able to finance their education or not. At this moment, there are more than 5,000 Grameen students who are under the student loan program going into medical, engineering, and other departments in universities.** And each day the number is increasing because more and more students are coming as days go by.

Many of the 16 Decisions are related to health issues. One big health issue was the availability of drinking water. At that time, drinking water meant surface water, and surface water meant polluted water, which caused many diseases. One disease you hear about in Bangladesh is diarrhoea. Luckily for us, at that time oral saline had already been invented, so we could promote oral saline in a massive way.

For example, if you look at the back page of the Grameen Bank loan passbook, it shows pictures of how to make oral saline solution. Every family is trained to make oral saline in case they

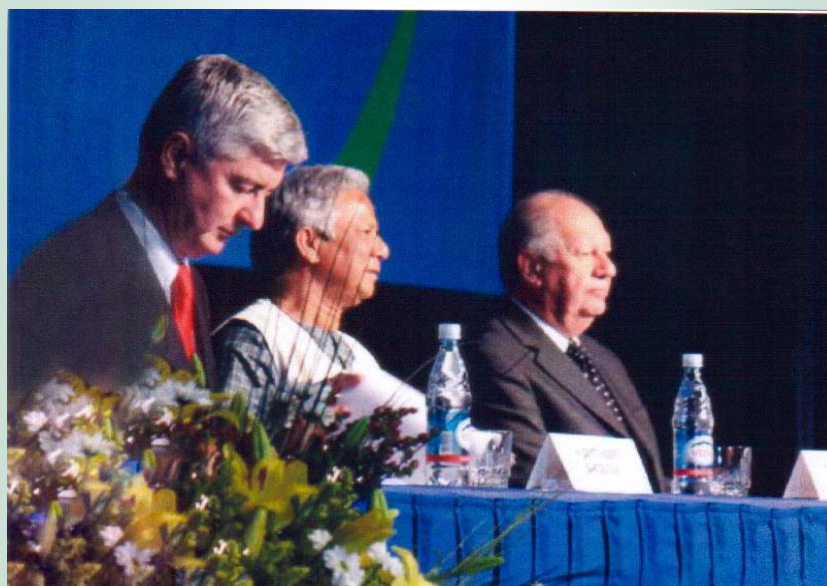
Latin America/Caribbean Region Microcredit Summit Meeting of Councils: Envisioning a Poverty Free World

As the **Latin America/Caribbean Region Microcredit Summit Meeting of Councils (LACRMS)** drew to an end, in its closing ceremony Professor Muhammad Yunus, founder of Grameen Bank, called the summit a historical one, as the **Microcredit Summit Campaign (MCS)** has entered its second phase by extending its operational period to 2015, to help achieve the **Millennium Development Goals**. He said, "We now dream of the third phase, when the number of poor people in this world would be reduced to zero." Professor Yunus called on the Chilean President, **His Excellency Ricardo Lagos**, to make Chile the first country in the world to be poverty free, and to have the world's first poverty museum, to be inaugurated by the last person to cross the poverty line in the country.

In return, President Lagos expressed his gratitude to Professor Yunus for making everyone believe in the human ability to conquer poverty. He pledged to do everything in his power to put an end to poverty in his country, and start thinking about the location where the first poverty museum will be built!

The Summit took place in Santiago, Chile, on April 19-22, 2005. Organized in collaboration with **DESAFIO**, the summit brought together some 1,100 participants from 38 countries, to review the progress of the **Microcredit Summit Campaign** goal of reaching the 100 million of the world's poorest by 2005. **Her Majesty Queen Sofia of Spain**, an ardent supporter of

microcredit and various Grameen initiatives, also spoke at the opening ceremony. At the summit, six plenary sessions, 18 workshops, 14 associated sessions, as well as several day long courses were organized, covering a wide-range of the most relevant topics in the field of microcredit and how these have affected the Summit's goals. The Director of **MCS**, Sam Daley-Harris, officially announced the decision to extend the Campaign until 2015.



From left: Javier Etscheberry, President of Banco Estado of Chile, Prof. Muhammad Yunus, and His Excellency Ricardo Lagos, President of Chile, at the closing ceremony on April 19, 2005

In the workshop entitled "*Beyond Microfinance: Satisfying the Business and Social Needs of the Microentrepreneurs and their Families*," Professor H.I. Latifee, Managing Director, **Grameen Trust**, explained how the Grameen approach attacks poverty from all directions, not only through credit and savings, but also addressing the rising needs of its clients as they grow. The introduction of innovative products and

social development programs of Grameen have created a chemistry that works well in overcoming poverty from both economic and social perspectives.

Grameen Trust held an associated session on *Grameen Innovations for the Poor*, chaired by Professor Muhammad Yunus. The session was attended by over 300 participants, and speakers included Monica Pescarmona (**Grameen Mendoza**, Argentina),

Alvaro Sarmiento Sr. (**Fundación Latino Grameen**, Spain), Roberto Delu (**Grameen Aldeas Argentina**, Argentina), Patricia Ordóñez (**Viviendas Hogar De Cristo**, Ecuador), Teresa Criollo (**En las Huelgas del Banco Grameen**, Ecuador), Hugo Bellott (**Pro Mujer**, Bolivia) and Carina Sanchez (**GT Chiapas**, Mexico). In his concluding remarks, Prof. Yunus mentioned the **Grameen Star System**, which reflects all

the components necessary for the long-term sustainability of a microfinance institution that is committed to the cause of poverty elimination. The Stars are given for maintaining 100 percent repayment, earning profit, covering all costs through own finances, ensuring education for 100 percent of all members' children, and succeeding in pulling all borrower families over the poverty line.

"Microcredit is not the goal, but the means — the goal is to end poverty!"
- Muhammad Yunus

Microcredit Summit Campaign Extended to 2015

The Microcredit Summit Campaign was launched in 1997, with the goal of reaching 100 million of the world’s poorest families with credit by the end of 2005. By the end of 2005, we are hopeful that we will achieve that goal.

On April 19, The Microcredit Summit Campaign announced in Santiago, Chile, that the Campaign has been extended until 2015. This decision was made after a Campaign-wide consultation, with a view to achieving the Millennium Development Goals (MDGs). Adopted by 180 heads of state at the Millennium Summit in 2000, the first MDG calls for halving the number of people living in absolute poverty (below US\$ 1 a day) by 2015.

The call for extending the campaign was made in 2003. In view of the overwhelming support from everyone, the campaign has been extended to 2015 with two new goals:

- **Reaching 175 million of the world’s poorest families, with credit for self-employment and other financial service.** With an average of five members in a family, this would improve the lives of 875 million family members.
- **Ensuring that 100 million of the poorest families move to above US\$ 1 a day,** which would help achieve the MDG on halving absolute poverty.

The official re-launch of the Campaign will take place at the Global Microcredit Summit to be held on November 12-15, 2006, in Halifax, Nova Scotia.



From left: Javier Etscheberry, President of Banco Estado Chile, Juan Acuna, Gidsekka Ambul, Carmel Milan, Patricia Valdes, and Prof. Yunus

Muhammad Yunus Microentrepreneurship Award

The Banco Estado of Chile has launched the **Muhammad Yunus Microentrepreneurship Award** in 2005 to recognize outstanding achievements in entrepreneurship in the country. Professor Yunus presented the first awards, which will be given annually to four outstanding entrepreneurs, at a ceremony in Santiago on April 21. The President of Banco Estado of Chile, Mr. Javier Etscheberry, presided.

The winners in 2005 are Juan Acuna in the category “Creativity and Innovation”, Gidsekka Ambul for “Outstanding Woman”, Carmel Milan in the category “Agricultural World” and Patricia Valdes for “Spirit and Enterprise”. The winners were selected from more than 14,000 entries this year.



Ricardo Lagos, President of Chile, signs the Bill regarding programs of assistance to the poor in the face of oil price crisis in Chile, in the presence of Prof. Muhammad Yunus, and surrounded by the poor beneficiaries of the bill

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Former US Secretary of State Colin Powell, with Prof. Yunus; the two met during Prof. Yunus’ visit to the US following the Chile Summit

Kosovo: Grameencredit in a War Torn Region

Interview with Abdul Hai Khan

Project Director, KGMAMF

GD: *What are the reasons for the success of microcredit and KGMAMF in Kosovo?*

HK: If you look at all the MFIs working in Kosovo, **KGMAMF** is actually the leading microcredit organization there. Why? Well, the major reason for **KGMAMF**'s success is that we are the only organization that went **directly to the village level**, and targeted the **most vulnerable women** who fell victims to the war.

KGMAMF is also the only organization that has 100% women members. In Kosovo, much like elsewhere in Eastern Europe, women play an important role in the family, and felt the ravages of war the most. So, appropriate targeting is a key success factor of **KGMAMF**.

Before **KGMAMF** was established in Kosovo, women were not viewed as equal to men. They did nothing but housework. When our colleagues first went to the village women and explained the Grameen system, they showed no interest. Their sentiment was that "we are women, what will we do with credit?" They now know that not only will their family income increase, they will also have a better role in the family decision making. So, helping women empower themselves is an important element of our success.

Access to **KGMAMF** microcredit has led to small enterprise development at the village level in Kosovo. The members are not only generating income for their family, some have employed others as well, thus benefiting other families. So microcredit has a multiplier effect in that through one member, we have benefited many.

Another important success factor is that following the Grameen philosophy, **KGMAMF** goes to the client, instead of the client coming to us. If you look at other MFIs in Kosovo, the clients go to the office, and the procedure is very cumbersome. So following the Grameen

model is key to our success.

GD: *Can you give us an example of one extraordinary member?*

HK: I have worked for more than one year in the project, and have visited many homes and businesses. As I recollect, we have given a microenterprise loan to a member of the *Prizren* branch, Ms. Florije Hodaj, for her carpentry shop. Before she joined us, her condition was very bad. Her husband used to work as a day laborer, and everyday he went to the market to stand for hours without anyone hiring him. But he had experience in carpentry. When she joined **KGMAMF**, she initially used the credit to buy a milch cow, and then gradually built a carpentry factory. She now has a small shop where she and her husband work together to make tables, chairs, sofas, kitchen cabinets and all types of household goods. And when she took the microenterprise loan of €4,000 in September 2004, her factory already had equipment worth more than €30,000! On average, her monthly net income is €400 – €500. If you see this in the context of the Kosovo economy, it is a large amount, as even a doctor there earns only €20 per month.

This is only one story of success; there are many more from among our 5,000 borrowers.

GD: *What, in your opinion, is the greatest challenge for microfinance in such a difficult setting as Kosovo?*

HK: Since Kosovo is still recuperating from the devastating effects of war, there are a lot of challenges for the microfinance sector. The first challenge is the fund problem, not only for **KGMAMF**, but also all other MFIs in Kosovo. Since it is still under **UNMIK** rule, no donor or financial institution is coming forward to lend money to MFIs. This is one of the major challenges of the microfinance sector in Kosovo.

Second, the unemployment rate in Kosovo

is very high. More than 70% of the population is unemployed and the market is still very much undeveloped, without any major industry. The main occupation is basically trading; for example, people own grocery shops, cafés, or internet cafés, instead of other established industries. So, the absence of variation in economic activity is another challenge for microfinance.

Finally, due to the uncertain economic and political situation in Kosovo, people are shying away from making investments there. So, with persisting unemployment and lack of scope, it is a challenge for microfinance to build upon people's ability to create self-employment.

GD: *What are the personal difficulties you have faced in a particular setting such as Kosovo?*

HK: Basically, the first and greatest difficulty is that in Bangladesh, we have never experienced temperatures below zero. In Kosovo, people have protection against the cold and are used to it. In our country, people do not need heavy winter clothing, but in Kosovo, it is cold round the year. So, the continuous harsh winter is a problem I feel personally.

Just this February, we had very bad blizzards for a week. Everything had to stop, even though all our center meetings were closed for the winter anyway, as rural roads are usually not cleaned by the government (**UNMIK** or **KFOR**) after heavy snowfall.

Besides, Kosovo is very mountainous. We have to always travel up and down, sometimes even climbing 1000 feet high up. We are not used to traveling in this way, but gradually we are becoming habituated to such conditions.

GD: *What are the challenges you have faced in running the program by local staff? How did you overcome such problems?*

HK: When I took over as Project Director in December 2003, **KGMAMF** already had all local staff, including branch

Zambia

Grameen in Africa: Experiences from the UNV-Grameen Trust Initiative

The **Microfinance for Poverty Reduction Project Zambia**, a **Grameen Trust (GT) Build-Operate-Transfer (BOT) project** in collaboration with the **United Nations Volunteers (UNV)**, was set up in July 2004. It aims to provide 3,000 poorest Zambians with microfinance services over a three year period, in an effort to lift them out of poverty. The project set up two branches: one urban branch in the Zambian capital *Lusaka*, and a rural branch in *Chongwe*, and disbursed its first loans in January 2005. Two senior staff from Grameen, each with over 15 years' experience, were assigned to run the program.

In Zambia, the poor are defined as those who are landless, earning a daily income of less than \$1 a day. In fact, poverty is so extreme that the daily wage of the poor is actually way below one dollar. The scarcity of water is so acute that people have to walk distances of even 5-6 km, simply to collect water for survival. People are engaged in various economic activities including part time work in the agricultural sector, trading dry fish, poultry, vegetables, clothes, etc. The targeting criteria for the **Microfinance for Poverty Reduction Project Zambia** was thus defined as women who were permanent residents in and around the branch area, with an income of less than 5,000 Kwacha (which roughly translates to below \$1) a day.

The project was able to implement the *Grameen Generalized System (GGS)* from the very beginning.

This is because the deputed Grameen Managers were trained in GGS during its formative stage; therefore, they have a firm grasp on how the system works. So far, the average size of the basic loan is \$62 over a one year term. The borrower will be eligible for a fresh loan after 6 months as is the practice with GGS. The project already has 350 members and is confident of reaching its final target within three years.

Meeting Challenges

Zambia is a very sparsely populated country; in the rural areas, often the distance between two households is 1-2 km. In *Lusaka*, the poor all live together in one area, called a "compound". Therefore it is easy to access the poor in these compounds for providing microcredit. On the

other hand, the *Chongwe* branch, situated about 40 km away from the capital, has its members scattered over a radius of 60 km. As the Grameen approach relies on the branch staff to physically visit members' homes for targeting and monitoring purposes, such big distances pose a serious threat to the project's sustainability, as operational costs increase tremendously.



Rashidull Alam, Manager of the Chongwe Branch, disbursing one of the first loans to a Project Member

For the *Chongwe* branch, it becomes very difficult to meet its monthly target of attaining 100 new members, because there are simply not that many people around!

Savings is another issue, as the Zambians have yet to grasp on to the savings culture, so microcredit becomes difficult to implement, because people tend to spend their daily earnings right away, not willing to make investments in productive activities.

Another problem is that the family relations are weak in Zambia. The majority of the project's female borrowers are unmarried, but with 3 or 4 children. Therefore, there is no support system for the family to help in the proper utilization of loans through income generating activities. Since the family structure is weak, if any money comes in to the hands of the male

member of the family, it is immediately spent on recreation, instead of productive investments.

Now, over 60% of the Zambian population is affected by HIV, with over 200-300 people dying from AIDS everyday. An entire generation is being wiped out by the AIDS pandemic, and this has a huge impact on the economy. The young generation, capable of working and utilizing microcredit, is being wiped out, making it difficult to generate income using micro-loans.

Also, in the bush, there are no roads, no connection between villages or members' homes. The Manager has to walk through tall grass and fields, filled with wildlife, including snakes and bugs. So these treacherous conditions make traveling to peoples' homes to increase outreach extremely difficult.

The work ethics in the country is also an issue, because people are not yet accustomed to working long hours or overtime. So this leaves lots of unfinished work for the day, hampering the branch operations.

Factors Conducive to Success

The project's success in the country's microfinance sector can be attributed to the positive response that microcredit has had since it was introduced in 2002. Already, there are 19 MFIs in the country, but *only* the Zambia Project is implementing microcredit directly at the village level. This has had an even greater impact on the poor than the other MFIs.

Also, the interest rate charged by the project is the lowest in the country. At the national level, the rate of interest is 60% on a declining basis, whereas the Zambia project charges 40%, making its product more attractive and attainable for the poor.

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Education and Healthcare for the Poor

Continued from page 1

need it. So it became a constant reminder for them, and they expressed it in rhymes because you don't forget the rhymes. Bangladeshi people love rhymes, and remember them very well. Today, diarrhoea still exists, but not the terrible kind of epidemic that it used to be.

We also promoted tubewells and gave loans for sinking tubewells for drinking water. Every Grameen family can access drinking water because now they can have their *own* tubewells. But something else emerged on the way, which was the arsenic problem in water. The underground water is now producing arsenic, and has become a big health hazard. We had to come up with an alternative – pitcher filters. For this, we had to make a little amendment in the **16 Decisions**. Not only do you have tube wells for your drinking water, but also filters to purify the water from arsenic and come up with relatively safe water.

In Bangladesh, a latrine is a kind of rare commodity in the villages. Right

from the beginning, we introduced one practice in Grameen Bank: if you are becoming a Grameen Bank member, one of the first things you do to show your good faith in Grameen Bank, is to dig a hole and build a latrine. In the beginning, there was a lot of opposition to it. We explained the risk of going to the toilet outdoors, how that spreads diseases and so on. They were still very reluctant to agree, but we promoted this as a condition for joining Grameen Bank. Then, gradually, people accepted it as a part of their routine.

A few years later, while I was visiting a village, a woman rushed at me and hugged me. She was saying something I couldn't understand. In Bangladesh, a woman hugging a man in front of everybody is quite a scene. So I was feeling embarrassed, but she wouldn't let me go. She was saying something in the local dialect that I couldn't understand. A local colleague persuaded her to stop and explain. Then she said, "You are a great savior. You saved women from the punishment of Hell." I

asked, "What does it mean?" She replied, "Because of those latrines that we built, because you insisted on it... Look, men can answer the call of nature anytime they want, day and night, but women had to wait until the darkness of night. No matter what problem she has, she couldn't do the same because women are not allowed to do that. Now she can answer the call of nature anytime she wants." **I looked at her, and it really gave me something to think about. We argued about the latrines and so on, so passionately on the health grounds. We never even realized what a difference it makes, on women in a society that restricts them from coming out of the house, and what a punishment it is for that person.**"

In 1984, we introduced housing loans and it became obligatory that along with each house built, you must have a sanitary latrine attached. So all the houses that have been built with Grameen housing loans ever since then, have always had a sanitary latrine.

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Kosovo...

Continued from page 4

managers and loan officers. The international team built up the capacity of this staff to work with microcredit, so they had already gathered experience.

Although I did not face many problems, there were still some issues relating to field level credit operations, central to MFIs, that needed to be dealt with.

Language was another problem. Since we carry out our operations in English, our colleagues have taken English courses, but some problems still remain. For example, when we conduct Grameen training program for the staff, all our training materials and manuals are in

English. Even if our colleagues can converse in English, it becomes difficult for them to process the materials if English is used so extensively.

So, how did we manage to overcome these problems? Well, from the beginning of my tenure, we conducted many training programs for our staff members. We arranged training on how to handle a microfinance branch operation in a strict, professional manner; we also arranged other programs on problem solving methodologies, preparing our colleagues to cope with the types of problems faced by an MFI.

To overcome the language barrier, we encouraged our local colleagues to speak in English instead of Albanian when they are all together, even outside of

KGMAMF settings. In this way, they have improved their fluency in English.

Also, while introducing new methods, we did this year in our year-end closing, we conducted extensive staff meetings, skill development programs for the accountants, branch managers, and other staff. This is a continuous process, so we will continue our efforts till ultimately the staff are well equipped to work with microcredit.

(End of part one)

The remaining part of this interview will be published in the next issue of *Grameen Dialogue*.

Interview by Lamiya Morshed, Tasmina Rahman and Tania Sharmin

Dominican Republic Esperanza International: Grameencredit in a Tropical Paradise

Dominican Republic is considered an island paradise, but behind the serene visions, more than 60 percent of its 8.5 million people live in poverty. Over one third are unable to cover even their basic food requirements. A ten-hour-shift in the sugar-cane fields yields barely \$4. For poor Dominican households, there are limited opportunities to create better life for their families. Microfinance development programs offer hope to these poor, but there is clear need of expansion as microfinance only reaches about 6% of all poor households, even fewer in rural areas.

In 2003, at the invitation of the Bank of Reserves of the Dominican Republic, Grameen Foundation USA (GF-USA) was asked to explore the possibility of developing a microfinance program in the country, based on Grameen philosophy. Through a selection process involving 25 institutions, **GF-USA** and the **Bank of Reserves** evaluated 9 of the most promising NGOs for initiating a fast track expansion. **Esperanza International** obtained the highest overall rating in key areas of program evaluation.

Expansion Program

In fall 2003, the Executive Director and other top managers of Esperanza were invited to **Grameen Bank** in Bangladesh, to study its operational systems as a means of strengthening their current program. Their group lending program had begun in 1997, and was serving 2,800 clients. In early 2004, H.A. Shah Newaz, a Deputy General Manager of Grameen Bank and a technical advisor to Esperanza contracted to serve as resident technical advisor for the project, and Andrea Findley, **GF-USA** Country Representative, worked with **Esperanza** to define their 5-year expansion plan to reach over 23,000 households.

Esperanza began this expansion in May 2004, and by the end of the year had

increased its outreach to 1,339 new clients. Cumulative disbursements totaled US\$235,000, and active loan portfolio was about US\$125,000. On-time repayment remains high at 99.6%, and more than US\$15,000 has been deposited in savings by new members since May.



Borrowers of Esperanza at a Group Meeting

The Dominican Republic context is unique in two respects. First, there are many *single mothers* in the country. Many Dominican men leave their partners after having children, and families among the rural poor comprise on average 5-6 members. Another feature is that there are many *immigrants from Haiti*, both legal and illegal, who are interested in receiving microcredit, because they are among the poorest in the country. Many have lived in the Do-

minican Republic for more than 20 years, but they do not have citizenship in the country and face fierce discrimination. Single mothers and Haitian immigrants thus form an important target group for the project.

A Big Opportunity for Esperanza

Since initiating the expansion, **Esperanza** has had the fastest growth of any of **GF-USA**'s Latin American partners. Four new offices have been established in the eastern part of the country and a total of 12 full-time credit advisors are forming groups daily. The fast track approach, if funded adequately, is expected to lead to extensive outreach and sustainability in a short period. The dedication of its leadership, coupled with hands-on technical assistance and support from **GF-USA**, has produced significant improvements in overall operations.

Based on its five-year business plan, **Esperanza** will strive to serve nearly 10,000 total active clients by the end of 2005 and 22,500 by end of 2008. In total, US\$ 4.3 million will be needed for this rapid expansion plan; of this, US\$ 1.4

million for 2005 alone. **Esperanza** is looking for potential funders. This is an excellent opportunity for individuals and institutions to become significant stakeholders in a promising pro-poor MFI in the Dominican Republic.

Report by H.A. Shah Newaz and Andrea Findley, technical advisors of GF-USA at Esperanza International

Addressing the Challenge of High Dropout Rates

H.I. Latifee

Continued from Grameen Dialogue 60

Dropout costs

No matter whether it is the dropout of the clientele or the staff, there is a cost in both human and business terms; and it is not desirable for the institution. No MFI enrolls any member and recruits any staff just to say good bye. It invests time, energy, and money in selecting and training them so that it can have a well motivated clientele, and a professional staff who will serve the clientele with commitment and dedication.

When someone drops out, it is a loss for the program. In case a member drops out, it not only decreases the total number of members and borrowers, but also causes a decrease in the amount of loans outstanding and operating income for the MFI. Dropouts create incomplete groups and, in turn incomplete centers, leading to breakdown of credit discipline and contribute to low productivity of the staff. It sends a wrong signal to other members and a wrong message to the community.

Staff dropout is also a loss for the organization. It affects the MFI's operation and slows down its growth, decreases efficiency, increases costs and also damages its image. It delays sustainability and contributes to the overall lowering of morale within the program. Not only does the operation of the MFI suffer from the dropouts, but also its progress is hindered and its long-term plans disrupted.

Strategies for prevention or reduction of dropouts

Dropout is clearly a problem and should be taken seriously. Effective strategies must be developed from the very beginning to prevent or reduce member and staff dropouts. Every effort must be made to make certain that both targeting and recruitment are based on focused criteria, specific guidelines, and solid principles of neutrality, objectivity, and sincerity of purpose.

Members

Appropriate targeting is very important in maintaining group solidarity and in retaining members. If the clientele do not come

from the same socio-economic group, if they do not know each other well and if some of them are not poor, there is always the danger of misunderstanding and disintegration, resulting in getting out of the program.

The clear understanding of rules and requirements of the program and for that matter, the proper clientele training is very important in keeping the dropout rates under control. The amount of loan size, quick approval and disbursement of loans, are also important in reducing the number of dropouts. If members are really needy and if they are sufficiently trained and motivated that they can overcome poverty by availing microfinance opportunities, they will never quit the program except in dire circumstances. The problem of overlapping may be solved through regular communication, information sharing, dialogue and discussion with other microfinance organizations working in the same area.

If any member decides to leave for family reasons, she can be persuaded to change her decision and continue with the program by making the program flexible and by motivating her family, especially her husband, to support her. That this strategy works is evident from the experience of Grameen, which has brought down the drop out rate to a very insignificant level. It has done so by not only continuously motivating members, but also motivating their husbands, treating them respectfully and making the system more client friendly.

Grameen tries to understand the real problem of these members who want to drop out. Grameen staff maintains close contacts with the borrowers, visits their homes, uses the group and the center as the problem solving forum, and organizes workshops for husbands. Grameen also tries to find out whether the problem has arisen due to its own system and takes corrective measures for adjustments within the system without any delay.

The onus is on the institution to be innovative and to make its system and products client-friendly. One such innovative and flexible solution is the *Grameen Generalised System* (GGS), also known as *Grameen*

Bank II, that introduced the 'Microcredit Highway' concept.

Grameen Bank II offers basic and flexible loans, loan ceilings, student loans, housing loans, microenterprise loans, different savings products including a pension fund, loan insurance savings, and loan insurance fund. It also developed a life insurance fund and introduced scholarships for the children of its clientele. All these products are very attractive to the members. The provision of flexible loan provides so many options that even the defaulting borrower has the opportunity to be back on the microcredit highway to enjoy all the facilities associated with it.

In Grameen, the borrowers/clientele are the shareholders of the bank. They are the owners. So, why should they leave? It is their institution. They stay with it even if some of them are no longer borrowers of Grameen Bank. The sense of ownership encourages them to remain with the program.

Staff

The matter of retaining staff and ensuring best possible services from them depends on well defined service rules and job requirements, salary structure and benefit packages, incentives in terms of appreciation, promotion, and awards. No staff would want to leave an institution unless the institution fails to provide a congenial, competitive and creative working environment and gives a salary commensurate with those offered by others in the microfinance industry. A clearly defined career development path is also important in this respect.

A shining example of how appreciation even without any financial remuneration can really propel the staff to achieve and excel, may be seen from the working of the 'Star System' in *Grameen Bank II*. It has transformed their vision and glorified them with a sense of achievement, honor and distinction. It is very rewarding to earn a 'Star' in Grameen.

Conclusion

The problem of dropouts can be overcome. The number of dropouts can be reduced if the problem is clearly understood, identified, and analyzed early on by the MFIs; and the steps taken to resolve it are realistic.

Healthcare for the Poor

Continued from page 6

This was a time when night blindness was rampant in Bangladesh. So we started talking to doctors about it. They explained that it's a Vitamin A deficiency; the only cure is to have vitamins for the children. So we talked to UNICEF and they said, "Okay, we'll give you vitamin tablets, as much as you want, and you can distribute through your channels, reach out to the children." We decided not to take any Vitamin A tablets from UNICEF. Our argument was that, "Let's not make people dependent on tablets. Then every time something happens, they will ask for tablets." And, UNICEF might run out of money and say, "Sorry, we don't have the tablets." Then what do we tell people?

We remembered the other advice we got: "Why don't you promote cultivation of vegetables by the families, so that they can eat colored vegetables? These will supply Vitamin A and the night blindness will be cured." So we started campaigning that each Grameen Bank family must grow their own vegetables and eat plenty of them. Then people said, "We don't have the seeds. Where do we get the seeds?" So we started collecting seeds, and came out with little penny packets of many different seeds. These are beautiful packets with little instructions on them. When we brought these to our weekly central meetings, people loved it.

But we have so many borrowers that gradually demand for vegetable seeds became so big that the government seed supplier couldn't cope with it. So we became the largest seed supplier in the country. We have been importing and growing our own seeds for the members. In the process, night blindness in Bangladesh became history.

Most of the studies made on Grameen

Bank show how people move out of poverty. But one study showed how people couldn't come out of poverty, even after 10 years or more in Grameen Bank. This researcher found that in the cases where people couldn't come out of poverty, the major reason was health. There was a perennially sick person in the family. They have to be cared for, and so whatever money she earns goes into maintenance of the sick person and she cannot bring the family out of the trap of poverty.

We always knew health is a big issue in getting poor people out of poverty, but we didn't realize it so clearly until this research came to us. So we created a separate health program, introducing health insurance. If we made it expensive, nobody would care for it, so we made it very cheap. A Grameen family has to pay \$3 a year for the entire family to come under the coverage of health insurance. You might think that is easy to bring people into health insurance at that cost. But you have to argue and explain why they have to pay \$3 to bring the whole family under health insurance coverage.

With that money coming in, we had a whole health company attached to the Bank, with fully qualified doctors, paramedics, health workers, a pathological lab, a medicine supplier, discount prices for medicine, and so on. We have done this for 30 Grameen Bank branches in different areas. Our aim is to recover the whole cost through this operation. By today, we have succeeded in recovering 80% of all operational costs. It's also available to the non-Grameen people, but they have to pay double the Grameen premium rate. We are trying to popularize it among the non-Grameen customers so that we can get more and more clients, and better cover the cost.

Along with health insurance and clinics, we are adding safe delivery practices as a priority. I think 95% of the children in Bangladesh are born at home. As a result, maternal mortality is very high, and so is child mortality. So we offer a place where the mother can have a child delivered safely. And to make it attractive, we're using digital cameras to present them with a picture of their newborn baby. The mother gets very surprised that you can have a photograph of the baby right away. We're also issuing a birth certificate in a nice little frame. In Bangladesh, very few people have a birth certificate.

Healthcare is becoming more and more important for us, particularly when we go into villages. We realized we could easily pay immediate attention to certain issues like cataracts. We trained some doctors to perform cataract operations and intraocular lens implantation in the villages. It costs about \$28 for the lens, the surgeon, everything. People are amazed when those who considered themselves blind suddenly have their eyesight restored. And it's so easy to have it done as an outpatient. It's done in a schoolhouse or any other enclosed place. It is cleaned up a little bit, we assemble all the patients together and we do the operation.

We are trying to move into a more formal, institutionalized way of doing things. One particular company in Japan is very eager to work with us, and we have just signed an agreement. We'll have two hospitals and build up a whole healthcare system, covering the villages and provide medicare all the way to the highest level of hospital care, and try to bring absolute state-of-the-art healthcare to the poorest people at an affordable price.

Health is a major issue. Unless we address this, I think we have not done our duty as human beings and fulfilled our

Scholarship Winners Earn GPA 5

Nargis Akhtar's father died when she was in 9th grade. Her mother could barely earn enough to support the family of eight. There were days when Nargis went without food, let alone have money for textbooks or school uniform. **Shumi Shaha**'s father sells molasses from a roadside stall. **Habibur Rahman**'s father has been pulling rickshaws for 20 years. These three were among a group of 15 **Grameen Shikkha** [*Grameen Education*] scholarship winners who had come to Dhaka from all over Bangladesh last August to attend an annual scholarship banquet. **Grameen Shikkha** scholarships, given to bright children from poor families, have allowed the laureates to focus more on their studies. In 2004, 20 **GS** scholarship winners took the Secondary School Certificate (SSC) exams with 4 scoring A+, 9 scoring A, and 2 A-. All three: Nargis, Shumi and

Habib, earned A's in the national 10th grade exam. **GS** has so far given out scholarships to more than 254 poor children in grades three through university with support from 73 sponsors from 7 countries, including Bangladesh.

Under the scholarship management program, each sponsor creates an endowment with **GS** and can specify which geographic region, gender, field of studies, duration of scholarships and other particulars of the beneficiaries. Students for these scholarships are selected according to the instructions of the sponsors. Students can be from any type of families. These families do not have to be families of Grameen Bank borrowers. Sponsors receive a report on each recipient of the scholarship each year.

HM Queen Sofia of Spain is also a major patron of the scholarship program. A scholarship bearing her name provides monthly stipends to 60 bright children from very poor families. The scholarship management program is gaining popularity



*Grameen Shikkha Scholarship Winner
Nargis Akhtar*

among Bangladeshi expatriates as well. So far 17 ex-pat Bangladeshis have sponsored scholarship through **GS**.

Those interested in sponsoring the scholarship program can e-mail **Grameen Shikkha** at nurjahan-gs@grameen.com or phone/fax at +880-2-8011425.

GBB Loan Guarantees for Grameen Children

Grameen Byabosha Bikash [*Grameen Business Promotion*] began in March 2001, to promote small enterprise ventures and meet the demand of GB borrowers who wanted to scale up their businesses. It currently operates in every GB zone. Besides providing loan guarantees, for which it charges a 5% premium above the GB rates, it also provides valuable business services, skills training, and technical assistance, which is provided free of charge. By April 2005, **GBB** had issued 152,276 loan guarantees for US\$ 89.55 million, of which US\$ 39.97 million has already been repaid (US\$1 = Tk60). **GBB** has so far organized 72 hands-on training programs: 28 on dairy farming, 28 on poultry and 16 on fisheries, and trained 1,440 members, 720 GB staff besides its own field staff. This year **GBB** organized two livestock camps in Bogra where 400 heads of cattle were vaccinated by the local district livestock officer. **GBB** also provides loan guarantees to Grameen Bank's Struggling (beggar) members. Besides GB members, all **GBB** loan guarantees and services are also extended to the children of the mem-



*Left: Ms. Saleha Begum, Managing
Director, GBB, Right: Sarwar Rahman*

bers who have received GB's student loans. **GBB** organized six mobile phone repair and maintenance training workshops for the members' children. Already 39 of the 44 who received training have started their mobile phone servicing businesses.

Sarwar Rahman took advantage of the **GBB** policy to extend credit services to the Grameen children. His mother **Sufia Begum** has been a Grameen Bank member for over 11 years. Sarwar, a bright student, had scored "star-marks" (grade A in all exams) in both 10th and 12th grade national exams. When he enrolled to study Fisheries and Marine Resources Technology at the Khulna University, his poor parents

could not afford his expenses. Sarwar took out a US\$ 1,200 *student loan* from Grameen Bank. To supplement his income while at the university, he began tutoring other students at a "coaching center." Coaching centers are lucrative businesses in Bangladesh. In 2003, Sarwar and a friend leased a franchised coaching center in Khulna city. That business went so well that in 2004, Sarwar, then studying in the fourth year at the university, decided to buy a coaching center franchise for himself. He had saved US\$ 1,700 from his various tutoring jobs. **GBB** gave him another US\$ 1,700 under small enterprise loan guarantee to get the loan from Grameen Bank to buy his own coaching center. Now he earns more than US\$ 5,000 a year from his own coaching center.

Ms. Saleha Begum, Managing Director, **GBB**, is optimistic about the organization's future plans. Noting **GBB**'s popularity among the GB members, she said that **GBB** has plans to expand its loan guarantees and services to half a million GB members by the end of 2005.

Report by Tamim Islam



Letter from Turkey

The **Turkish Grameen Microcredit Project (TGMP)** has disbursed a total of over one trillion Turkish Lira, equivalent to US\$ 732,857, by the second week of March 2005. This is a tremendous achievement for us. Earlier, in November 2004, we crossed the 1,000 member mark, and hope to have at least 2,000 members by the end of this year. You will be happy to note that already by March, we have increased our outreach to 1,594 members, so we may actually exceed our expectations.

We have also been successful in disbursing microenterprise loans. This month, we gave out two microenterprise loans for an ice maker/refrigerator, and a mobile grocery shop. We hope these loans will attract other members to expand their activities.

It is a relief to us that the cold, harsh winter of Turkey is now almost over. The weather is pleasant, and now is the time for businesses to boom. Until last month, our members could not do well in their

ventures because of the cold. In fact, the Local Government and Social Solidarity Foundation donated coal to our members for heating their homes. The local government has been very supportive of **TGMP's** activities. When the new Governor of Diyarbakir, Mr. Efan Ala, visited our branch there, he commented on the effectiveness of **TGMP** in helping the poor, and pledged government help.

A good news for **TGMP** is that Prof. Dr. Aziz Akgül has arranged for 6 computers for our branches. This will be extremely helpful for us in facilitating our work and making it more efficient.

I extend to you and all at Grameen our best wishes on the International Year of Microcredit 2005.

Shamsul Alam Khan Chowdhury
Project Director
TGMP
March 20, 2005

Jamey's Grameen Journal

As I sat before my first center meeting on January 4th of this year, I worried that my life might never be as amazing as that one single moment – cross-legged on the floor, completely humbled by the Grameen borrowers squatting before me. The women stared in silent curiosity. I was eager for their life stories, wanting to know everything from when they took out their first loan, to when they pierced their nose or first wore a sari, when they were married and if they were mothers. Overwhelmed, my first question probed the history of the center – a trepid start but still a beginning.

For the last three months, tracing over the landscape of Bangladesh, I interviewed borrowers of all ages and backgrounds, male and female, eager to share their business ventures and Grameen stories. While these heroic accounts prove Grameen's success at poverty alle-

vation, I found the staff to be the most remarkable aspect of the Bank. In a country where governance is synonymous with corruption, Grameen exemplifies the capability of an institution dedicated to the perseverance of goodwill and the human character.

The employees of the Grameen Bank inherently possess a real sense of self-worth in their work, deriving pride and empowerment from their abilities and their accomplishments. These qualities sustain the pursuit of goodwill, characterizing Grameen's work at all levels as personal, sincere, and honest.

Here in Dhaka, with 14 million people vying for a spot on the sidewalk, it often feels like a fight for space let alone individuality. Beyond the growing population, Bangladesh often lacks reliable modes of expression both from cultural conservatism and political oppression.

Cycling on the Microcredit Way

Our association, *Sur la route du micro credit*, aims at promoting microcredit during the year 2005, and wishes to raise funds for MFIs as well as finding new ways for French companies to invest in microcredit. You met one of our members during your meeting in Bangalore, at **Grameen Koota**, and you showed some interest in meeting four young French fellows cycling around the world to publicize microcredit.

Again, having an interview with you and meeting some of your staff could be very helpful and valuable to our project. We sincerely hope that we will manage to arrange a date for a meeting with the 'father' of microcredit. We plan to be in Bangladesh and Dhaka around the 5th of February. Again, I appreciate your interest in our project and thank you in advance for your kind involvement.

Sebastien Motte
www.micro-credit.fr
contact@micro-credit.fr
January 16, 2005

Thus, for Grameen to host 14,000 staff representing the marginalized members of their society, expressing the needs of their borrowers and their peers, and engaging in their communities as empowered agents of change, contributes as much to the development and well being of this country as the two million borrowers who have crossed the poverty line.

With the deepest gratitude, thank you Grameen, for the last few months and for the years to come – you, each of you, inspires greatness.

Jamey Mavis Lowdermilk
Intern at Grameen Bank International
Department, January-March 2005
330 Gloucestershire Road
Winston Salem, NC 27104
jameymilk@hotmail.com

Loans to Wives of Political Prisoners

I am trying to arrange a small interest-free loan for the wives of political prisoners held in Manila. The women plan to use the loan to buy a sewing machine and set up a little shop. I have the money ready to send and I am not asking for funds.

Although I do not require the money to be repaid to me, I should like the women to understand that it is not a simple hand-out, and have arranged that a human-rights NGO – *Task Force of the Detainees of the Philippines* – should receive repayments in order to lend to other needy groups.

The group of women are barely literate, and regular business plans are quite inappropriate for them. If you have any simple agreement forms that I might copy, I should be grateful. I do not require anything else.

I am a British subject, resident in UK and would be glad of any useful information about sending money to Asia.

Marilyn Miller

millerm@dsl.pipex.com

February 14, 2005

Keen on Training

I am Abhijit Das, working as Project Coordinator of 3H (Health, Hunger & Humanity) Project at Kolkata, India. The said project is funded by Rotary Foundation, USA, and governed by Rotary Club of Calcutta Metropolitan, as host partner. We have microcredit as an independent project along with various other activities, e.g. literacy, health care, environment, sanitation & safe drinking water, infrastructure etc. We are working in four poverty stricken villages of *Barasat & North 24 Parganas*, in West Bengal, India and are on the threshold of launching microcredit in a sustainable way.

In this regard, I feel the need to equip myself with Grameen Bank Replication (GBRP) models and teaching methods, so as to comply with the duties I'm given for successful implementation of microcredit by taking active part in GBRP's Training-Workshop/Dialogue program in Bangladesh. I'd be very much indebted to Grameen Bank if they allow me to take part in "Training/Workshop/Dialogue" program at a Grameen site for at least two weeks.

Abhijit Das

Project Coordinator, 3H

Rotary Club of Calcutta Metropolitan

Kolkata, West Bengal, India.

abhijit_das09@yahoo.co.in

December 5, 2004

UNV-Zambia...

Continued from page 7

Despite having a low level of education in rural Zambia, the project staff did not face any language problems because the medium of education here is English. This is not only a remnant of Zambia's British colonial tradition, but also a medium of mass communication where 72 different languages are spoken.

Specifically for the *Chongwe* branch, the work environment is also a conducive factor, because the Manager and his staff all live together in one bungalow, where they have also set up their office. This has facilitated cohesion and understanding among the staff members, and has instilled the Grameen philosophy of teamwork, in spite of long working hours.

Most of all, the Zambian people themselves are a key success factor for the project. People are extremely polite and friendly, and they are willing to work together and aid the project staff in such difficult conditions. This makes working in Zambia a great experience for the Grameen staff, despite all the challenges they have faced.

Report by Tania Sharmin, based on discussions in March 2005 with Rashidull Alam, Branch Manager, Chongwe Branch, Microfinance for Poverty Reduction Project Zambia

Grameen Trust Chalks Out Post-Tsunami Rehabilitative Support Plan

A tremendous earthquake of the magnitude 9 on the Richter scale struck below the Indian Ocean on December 26, 2004, the day after Christmas. The resulting tsunami wreaked havoc in countries even as far as 3,000 miles away from the epicenter. Last estimates counted more than 250,000 casualties in 11 countries, before many governments officially stopped counting the dead. Besides lives lost, families broken and massive population displaced, the tsunami destroyed infrastructure: roads, highways, communications systems, hospitals, medical support and supply networks, food supplies and even structures that could have been used as temporary shelters. The tsunami also destroyed the economic infrastructure – the livelihood for some of the poorest people on earth.

In the weeks following the tsunami, Grameen Trust circulated an action plan that showed solidarity with the emergency relief efforts emphasizing the need for providing food, shelter, medical services and trauma therapy and efforts to reunite the families that were displaced. Based on its extensive experience in rebuilding destroyed and depressed economies and livelihood through microcredit interventions, in various places, including Myanmar and post-war Kosovo, GT is also chalking out a longer term two pronged approach for economic and livelihood rehabilitation of the tsunami victims. It has an Immediate Action Plan (IAP) focusing on supporting the tsunami victims through the existing GT partner network and a more extensive longer term approach: Grameen's Post Tsunami Support Plan (PTSP) that incor-

porates direct involvement of Grameen Trust, the possibility of forging new partnerships as well as leveraging the existing partner network. Grameen Trust has over 50 partner projects in six of the tsunami affected countries: Indonesia, India, Malaysia, Tanzania, Bangladesh and Myanmar, which it supports by providing training, technical assistance and funding microcredit initiatives.

Fundación Latino Grameen (FLAG) in Spain organized a fundraising concert and has formed other partnerships to support GT's post-tsunami rehabilitation efforts. In collaboration with its various donor partners, GT plans to begin implementing its programs in the tsunami affected regions in the coming weeks.

Report by Tamim Islam

Bulletin Board

Village Phone Program Crosses 100,000 Subscribers

The **Village Phone Program** of **Grameen Telecom**, a not-for-profit company set up to bring the modern cell phone services within the reach of **Grameen Bank** members, has experienced in recent months a very rapid growth. The number of subscribers doubled in 2004, with more than 120,000 active subscribers currently spread out in thousands of villages, including very remote locations in the coastal region of Bangladesh. The number is expected to double again in 2005.



A Customer Making a Call at "Nomita Telecom", the phone booth of a Grameen Village Phone Lady

GrameenPhone equity, while **Grameen Telecom** has the remaining 38% of the shares. This is a unique instance of a joint venture between a major telecom operator from a developed country, collaborating with a not-for-profit organization from the third world. The joint venture combines the business objective of making money from lucrative telecom investments, with the development objective of enhancing the income of the rural poor through access to ICT.

While GB provides the loan financing to enable its members to purchase the handset with mobile connectivity, **Grameen Telecom** provides them with the requisite support services. **GrameenPhone**, the operating company which has built the countrywide network, is now the leading telecom service provider in Bangladesh, with more than 3 million regular subscribers, who live mostly in towns and cities. **Telenor**

of Norway owns 62% of

of Norway owns 62% of

of Norway owns 62% of

Microcredit Organization Head named Central Bank Governor



Dr. Salehuddin Ahmed

Dr. Salehuddin Ahmed, until recently Managing Director of **Palli Karma Sahayak Foundation (PKSF)**, has taken over charge as the new Governor of **Bangladesh Bank**, the Central Bank of Bangladesh. He has been the Chief Executive of PKSF since September 1996. **PKSF** is the largest wholesale microcredit fund in the world, set up by the Government of Bangladesh in 1991. **PKSF** is financing more than US\$ 319 million to around 200 microcredit organizations in Bangladesh. All microcredit practitioners in Bangladesh greeted the news with great joy. *Grameen Dialogue* congratulates the new Governor.

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Please contact:
Grameen Bank
E-mail: g-cad@grameen.net

Grameen Trust at a Glance

Partner Organizations	131
Number of Countries with Replication Projects	35
Countries with BOT Projects undertaken by GT	Myanmar, Kosovo, Turkey, Zambia
Performance of GT Partners	
	Million US\$
Amount of Loan Disbursed	1,051.39
Amount of Loan Outstanding	161.64
Savings Balance	41.60
Women Members	96%
Average Rate of Repayment	95%

March 2005

Erratum

In the 60th issue of *Grameen Dialogue*, there were some unintentional printing errors, for which the following mistakes were made in the piece titled "Letter from Grameen Ecuadorean Network":

- Ricardo Patiño is responsible for **Coop. De Ahorro y Crédito "De todas"**, not "De Harro"
- Enrique de la Cruz is responsible for **Banco Grameen Amazonas**, not Amazoneas
- Cumulative amount disbursed by **FUDECE** is **US\$163,972.75**

The editorial team of *Grameen Dialogue* is deeply regretful for these inadvertent errors.

Grameen Mutual Fund IPO Awaiting SEC Green Signal

Grameen Bank will finally float the **Grameen Mutual Fund**. Currently, the **Asset and Investment Management Services (AIMS)**, the only private asset management company in Bangladesh, has submitted a proposal to the **Securities and Exchange Commission (SEC)** to raise Tk.30 million through this public float. The fund will be open to public subscription following SEC approval, and its size has been fixed at Tk.150 million, with a 10 year lifetime. **Grameen Bank will be the sponsor of the mutual fund, and Grameen Fund will be its trustee.**

The vision of Professor Muhammad Yunus, founder of Grameen Bank, was to create a dependable financial instrument for the poor clients of Grameen Bank, as well as the poor people of the country, to connect them with the macroeconomy of the country, give them ownership in the leading enterprises, and take advantage of the growth of the economy. Not only the poor borrowers of Grameen Bank will be investing in their own income-generating activities, they may also be part owners of the most attractive enterprises of the country. By owning units of the Mutual Fund, they can also build their own old-age protection. **Grameen Mutual Fund** has been created to fulfill this dream. This fund will enhance the earning potential of the savings of the poor savers by linking them with the national capital market in a structured and transparent way. It will also encourage other rural savers to take advantage of this new financial opportunity.

Grameen Trust Programs for 2005 Dialogue, Workshop and Training

Grameen Trust, in collaboration with Grameen Bank and the Grameen network partners, will organize the following **Grameen Dialogue, International Training and Workshop** programs for microcredit practitioners worldwide from May to December 2005. Interested organizations or individuals that wish to participate are requested to write to **Grameen Trust, Grameen Bank Bhaban, Mirpur - 2, Dhaka- 1216, Bangladesh; Fax & Telephone: 880-2-8016319; E-mail: or gtagmt@grameen.com, gt_repli@grameen.com**

Grameen International Dialogue Program	Date	Country
50 th Dialogue	Sep. 16-27, 2005	Bangladesh

Grameen International Training Program	Date	Country
Grameen Basics	August, 2005	China
Grameen Basics	Sep. 2-7, 2005	Bolivia

Grameen International Workshop Program	Date	Country
Grameen Generalized System	August, 2005	Nepal
Grameen Generalized System	December 16-20, 2005	Indonesia

Training on Grameen Bank II

Grameen Trust and Grameen Bank offer training programs on *Grameen Bank-II*, known as *Grameen Generalized System* in Bangladesh. The training program covers the innovations introduced by Grameen Bank in recent past with rewarding results.

Organizations interested to participate in the training program, please contact for details:

Managing Director
Grameen Trust
Grameen Bank Bhaban
Mirpur-2
Dhaka 1216, Bangladesh
Phone/Fax: 880-2-8016319
E-mail: gt_repli@grameen.com

Consultancy Services from Grameen Trust

Grameen Trust offers consultancy services to those organizations that work for setting up and implementing poverty focused microfinance programs in any country of the world. It also offers its services to directly implement microfinance programs in difficult situations and areas.

Organizations interested in receiving consultancy or other technical services from Grameen Trust, please contact for details:

Managing Director
Grameen Trust
Grameen Bank Bhaban
Mirpur-2
Dhaka 1216, Bangladesh
Phone/Fax: 880-2-8016319
E-mail: gt_repli@grameen.com

Grameen-Commonwealth Poverty Dialogue Program

The 49th **Grameen International Dialogue Program** was held between March 13 and 24, 2005, in Dhaka. This Dialogue was a special one as it was jointly organized by **Grameen Bank**, **Grameen Trust**, and the **Commonwealth Secretariat**. It was the 6th such Grameen-Commonwealth Poverty Dialogue, which took place at Grameen Bank (GB) Head Office and various GB Branches around the country. Grameen Trust has collaborated closely with the Commonwealth Secretariat since 1998 in organizing these joint Dialogue programs.

The Dialogue saw an interesting mélange of participants hailing from far corners of the world, e.g. Ghana, Kenya, Malaysia, Mauritius, Mexico, Pakistan, Seychelles, Sierra Leone, Thailand, Tonga, and Uganda. The 16 participants represented government organizations, ministries, development banks, and potential

Grameen replicators. They were all interested in either implementing or supporting microcredit through their organizations or government policies. Since many of the participants have been involved in microcredit policymaking in their countries, but have not seen how the Grameen system works practically, the program gave them a chance to compare and contrast their own experiences at home with that of Grameen at the field level.

Participants spent most of their time in the various branches of GB. They experienced how the Grameen system works step by step by observing center meetings, group formation, loan supervision, accounting methods, and management information systems. They also had a better grasp of the *Grameen Generalized System* (GGS), and examined different products such as the *Loan Insurance Scheme*, *Grameen Pension Fund*, *Struggling Member Program*, etc. There was a chance for them to

interact with the Grameen members directly, by visiting their homes, their businesses, and hearing their 'inspirational' stories of fighting against poverty with micro-loans. Furthermore, they had an opportunity to interview the Grameen field staff, including Zonal Managers, Branch Managers and Center Managers.

On their return from field visits, the participants engaged in intensive discussions with senior staff of Grameen Bank to fully understand the mechanics of Grameen microcredit, as well as sharing their field experiences. As a final part of their exercise, the participants proposed action plans on how to implement or support microcredit programs once they return home, given the information they have gathered during their stay in Bangladesh.

Report by Tania Sharmin

Microfinance Decree of Vietnam

Vietnam is now working on creating a framework for the *Microfinance Decree* of Vietnam. The aim is to create a legal framework for the microfinance industry, which will provide licenses to all MFIs, as well as permit voluntary savings. This is a concrete step by the Vietnamese government towards recognizing microfinance as a financial service for the poor.

The *Microfinance Decree* will allow Vietnamese MFIs to accept voluntary savings, which is a crucial aspect in the sustainability and financial viability of MFIs. Since the decree does not use the term "borrower" in conjunction with acceptance of savings, it implies that MFIs with this license can accept non-borrower deposits as well. However, there are restrictions, whereby a cap is set on the maximum amount that an individual can deposit with the MFI.

The minimum capital requirement for MFIs accepting voluntary savings will be VND 5 billion (US\$ 320,000), and for those not accepting savings will be VND 500 million (US\$ 32,000).

Under this decree, even non-profit organizations can apply for the license to accept savings, but the implications for this are still unclear. Whether these organizations currently under tax exemption due to their non-profit status will be able to maintain that status, and how their operating surpluses will be treated under the decree, still remains debatable.

As the details of this decree are still being ironed out, the **State Bank of Vietnam** will be holding a series of workshops to inform practitioners and get their feedback on the feasibility of this proposal in the Vietnamese microfinance sector. The upcoming **Microfinance Conference** organized by **CEP Fund**, a **Grameen Trust** partner, on June 6-8, 2005 in Ho Chi Minh City, will provide such a platform for the **State Bank** to address some of the issues regarding the decree.

In the end, Vietnamese MFIs, especially CEP, hope that this new development in the country's microfinance sector will give the industry a more concrete shape, recognizing that poverty alleviation must be the key to further economic development, and microfinance is a key tool in this process.

Microcredit at Luxembourg

Professor Muhammad Yunus attended the *International Microcredit Conference* held in Luxembourg on March 10, 2005. Organized by the **Association Luxembourgeoise des Fonds d'Investissements** (ALFI) and **KPMG**, the conference was graced by the Grande-Duchesse Maria Teresa of Luxembourg, along with Jean-Louis Schultz, Minister of Cooperation, with Professor Yunus as the guest of honor. Later, Professor Yunus gave a press conference, where he reiterated the cause of microcredit in alleviating poverty, and called on the investment funds of the country to back microfinance as a "profitable venture". The Luxembourg press hailed microcredit as one of the most important innovations of the 20th century in combating poverty. The Grande-Duchesse Maria Teresa first met Professor Yunus during her two visits in Bangladesh in 1998 and 2003, as a Goodwill Ambassador for the **UNESCO**.

Grameen Bank Monthly Update: April 2005

	Item	Million US\$		Item	Number
1.0	Cumulative amount disbursed	4,790.27	12.0	Number of branches	1,456
2.0	Cumulative amount repaid	4,294.37	13.0	Number of villages	51,687
3.0	Amount disbursed this month	48.80	14.0	Number of centers	86,459
4.0	Amount repaid this month	39.06	15.0	Number of groups	737,992
5.0	Balance of borrower deposits	237.21	16.0	Number of members Female Male	4,480,688 4,296,962 183,726
6.0	Balance of all deposits	360.02	17.0	Cumulative number of houses built with GB housing loans	619,106
7.0	Balance of loan insurance savings	18.24	18.0	No. of branches with more deposits than outstanding loans	755
8.0	Housing loans disbursed (cumulative)	199.53	19.0	Ratio of deposits and own resources to outstanding loans	131
9.0	Amount paid out from life insurance fund (cumulative)	3.41	20.0	Cumulative no. of student loans	5,773
10.0	Scholarships (cumulative)	0.25	21.0	Cumulative no. of scholarships	19,599
11.0	Higher education loans disbursed (cumulative)	2.16	22.0	Cumulative no. of village phones	118,842

GRAMEEN DIALOGUE

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You can get the latest information and statistical updates from the Grameen Bank website. The site also has information on various publications, including *Grameen Bank at a Glance* and monthly updates. An extended search utility on Grameen Bank and various enterprises belonging to Grameen family is available also. You can download the current issue of **Grameen Dialogue** as well. If you wish to be on the mailing list and receive Grameen Bank Monthly Updates every month, please send us your e-mail address.

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