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Divider Title: **"Women's Economic Empowerment" Panel**

THE WORLD OF WOMEN"
Interviews with Influential Women from Around the World

A 13-Part Radio Series (13 programs x approx. 30:00 each)

Program #9: Ms. Noeleen Heyzer (UNIFEM), Singapore

Produced by the Population Reference Bureau
1875 Connecticut Avenue, NW, Suite 520 • Washington, DC 20009 • USA
202/483-1100 (tel) • 202/328-3937 (fax)

MARLOW: WELCOME TO "THE WORLD OF WOMEN," A SERIES OF CONVERSATIONS WITH INFLUENTIAL WOMEN FROM AROUND THE WORLD ON THEIR LIFE AND TIMES. TODAY'S GUEST IS NOELEEN HEYZER. SHE'S THE DIRECTOR OF THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN, UNIFEM.

BASED IN NEW YORK AND WITH REGIONAL OFFICES IN ASIA, THE PACIFIC, AS WELL AS AFRICA, WESTERN ASIA, LATIN AMERICA, AND THE CARIBBEAN, UNIFEM PROVIDES DIRECT TECHNICAL AND FINANCIAL SUPPORT TO WOMEN'S INITIATIVES IN THE DEVELOPING WORLD. IT ALSO SEEKS TO BRING WOMEN INTO MAINSTREAM DEVELOPMENT PLANNING AND DECISIONMAKING.

A NATIVE OF SINGAPORE, MISS HEYZER PREVIOUSLY SERVED AS HEAD OF THE GENDER AND DEVELOPMENT PROGRAM IN THE ASIAN AND PACIFIC DEVELOPMENT CENTER IN MALAYSIA. SHE IS A FOUNDING MEMBER OF DAWN -- D-A-W-N -- DEVELOPMENT ALTERNATIVES WITH WOMEN FOR A NEW ERA, A NETWORK OF WOMEN LEADERS FROM THE SOUTHERN HEMISPHERE. MISS HEYZER RECEIVED A MASTER'S DEGREE FROM THE UNIVERSITY OF SINGAPORE AND A PH.D. FROM CAMBRIDGE UNIVERSITY. BOTH DEGREES ARE IN SOCIOLOGY.

WELCOME TO THE PROGRAM, MISS HEYZER, AND HERE NOW TO TALK WITH YOU IS THE PROGRAM HOST OF "THE WORLD OF WOMEN," SHELLY CRYER.

CRYER: MS. HEYZER, WELCOME AND THANK YOU FOR JOINING US TODAY.

HEYZER: Thank you very much for inviting me.

CRYER: UNIFEM HAS REGIONAL OFFICES AROUND THE WORLD, AND THE ORGANIZATION'S PROGRAM WORK COVERS EVERYTHING FROM TREE PLANTING PROJECTS TO ACCESS TO CREDIT. GLOBALLY, ARE THERE ANY COMMON DENOMINATORS IN TERMS OF WOMEN'S BASIC NEEDS?

HEYZER: Well, one can say that we are entering the 21st century with very many serious problems, and one of the most serious is that 70 percent of the world's 1.3 billion poor are women. Poverty has a female face. And that's what we're confronted with. So if there is a common denominator linking many of women's lives in the world today, it's the fact of their increasing poverty.

CRYER: WHAT ARE SOME OF UNIFEM'S PROGRAM WORKS TO ADDRESS POVERTY?

HEYZER: Well, we have worked for many years -- in fact, we have been in existence for 20 years now -- and we started off by investing very much at a community level in terms of micro-level development, community development, credit programs, micro-enterprise development, skill formation, trying to prepare women to have access to income generating work, to employment. And we've done that for the first 20 years of our existence as a voluntary fund.

And after that, one of the key lessons that we learned was that we can't just invest at a micro level; we have to move upwards to make sure that we have gender sensitive or gender responsive national policies and programs, because you need a very enabling environment at a macro level to allow the type of work to continue, the work that empowers women at community level to continue.

Some of the investments, if they are not done correctly at a national level, are gender blind and they can affect women negatively, and we have to prevent that. We have to insure that the type of development that takes place at a national level gets built on women's realities and confirm and affirm women's rights.

CRYER: WHY WAS UNIFEM FORMED 20 YEARS AGO?

HEYZER: It was one of the most innovative directions taken after the First World Conference on Women in Mexico. Women felt that no longer can they remain neglected. They will no longer accept slogans of support. They wanted a definite commitment in terms of resources.

And therefore the voluntary fund was established as a very innovative fund to put money directly in the hands of women. And eventually in that process it also became a very strong advocate of women in the U.N. system. It was born out of the dreams of many women. It was born out of the dreams, the hopes and aspiration of the international women's movement at that time, and they wanted it to be part of the United Nations in order to influence national development agendas, to influence international development agendas, and therefore we moved on from the community level to the national level, and increasingly in the '90s to the international agendas where when international debates were taking place, where international development agendas were set, we make sure that gender was put onto the international agenda.

And this was done at the World Conference on the Environment where, when we talked about sustainable livelihoods we had to make sure that this was an issue that has its roots on women's livelihoods; we had to make sure that women played -- was recognized the role that they played in sustaining the environment was recognized. And when it came to the whole Conference on Human Rights, UNIFEM was there to make sure that women's rights were recognized as human rights and that the issue of violence against women was addressed in a very serious way and that in so doing we had to break down the barriers between the public and the private, the types of relationships that took place at household level and make that visible.

When it came to the Cairo meeting on population, we had to make sure that the whole issue of population policies was seen and practiced within the context of women's empowerment. And eventually in Copenhagen when people talked of poverty, of employment, it had to be seen from the eyes of some of the poorest women in the world.

CRYER: AND WE ARE NOW QUICKLY APPROACHING THE UNITED NATIONS' FOURTH WORLD CONFERENCE ON WOMEN. WHAT HAS UNIFEM DONE TO PREPARE FOR THIS CONFERENCE?

HEYZER: UNIFEM has played a very, very catalytic role in the preparations of this meeting. It was very key in all the regional preparations throughout the world -- Latin America, Africa, Asia -- and what it did was that it acted as a kind of a mediator, a kind of a bridge to prepare women to participate in U.N. conferences. In fact, many of these conferences are not something that women know how to participate in and to lobby in, and therefore there was a big effort on UNIFEM's part to demystify what had to take place in these conferences in order to get your issues in.

At the same time, we worked extremely hard to make sure that this was not just another conference but that the processes that were put in place had to be put in place at a local level, at a community level, at a national level, and therefore we prepared -- helped countries to prepare national reports. We helped to make sure that the women at a community level had their voice in those reports. And this is something that we've been doing for a long time, beginning with the UNCED process, with the environment meeting. We made sure that the peasant women themselves were present at that U.N. meeting. So in a sense it's a closing of gaps of different realities, if you like.

CRYER: HOW IMPORTANT ARE NONGOVERNMENTAL ORGANIZATIONS IN IMPLEMENTING POLICY DECISIONS MADE AT INTERNATIONAL CONFERENCES?

HEYZER: Well, many of these U.N. conferences gives opportunities to nongovernmental organizations to put their voices in as a new -- women have worked extremely hard to create new political spaces where they can shape international agendas and subsequently national agendas as well.

And this is extremely important because they very often are in touch with some of the issues that can be easily forgotten, and what we would like increasingly is to insure that in the implementation of recommendations that come out that there has to be a strong partnership between governments and civil society.

CRYER: HOW WOULD YOU EXPLAIN TO A WOMAN FARMER OR A FACTORY WORKER HOW THE FOURTH WORLD CONFERENCE ON WOMEN COULD AFFECT HER LIFE?

HEYZER: What is important is to try and insure that the lives of people at the community level, at the local level, can be transformed because there were these conferences.

And it's not just the Fourth World Conference, but I would like to go back and say that there have to be almost a synthesis of the other world conferences as well and that the Fourth World Conference has to be a place where the synthesis and the recommendations that come out, or the gains that have been made from the other world conferences, get reflected.

And we have to make sure that issues of sustainable livelihoods, issues of women's empowerment, issues of violence against women, recommendations about how do we deal with poverty, eventually all get translated at local level. And it makes a difference because it assists us to understand local realities. It assists us to understand that we can't talk about these issues in the abstract but that we have increasingly to reflect the lives of people at the everyday level and we have to make a difference to those lives.

CRYER: ARE THERE ANY PROJECTS OR ORGANIZING EFFORTS THAT UNIFEM HAS BEEN INVOLVED WITH THAT STRIKE YOU AS PARTICULARLY INSPIRATIONAL?

HEYZER: Well, there are a large number of projects that we have been very much involved in, and I think the fact that we brought in peasant women to the UNCED process is a very major achievement, because what they brought -- they brought issues like access to land, they brought issues of indigenous women, they brought issues of water, of livelihoods, that national and international leaders had to be confronted with.

At the Conference on Human Rights, people didn't want to hear trafficking of young girls, stories of the "comfort women," stories of violence, and yet we pushed it through.

At a local level, most of the women in the world are still farmers. They are the ones who deal with pesticides, they are the ones who deal with toxic material, and nobody ever thinks of the need of educating people to handle these issues, but UNIFEM has. We have a big project on pesticides. There is a Pesticide Action Network.

We tend to forget that many of the information and media miss out on the diversity of women's lives and it does not capture some of the realities in the remote areas, and we have a major program, a radio program, in Asia doing just that.

MARLOW: A REMINDER NOW THAT YOU ARE LISTENING TO "THE WORLD OF WOMEN," A SERIES OF CONVERSATIONS WITH INFLUENTIAL WOMEN FROM AROUND THE WORLD. OUR GUEST TODAY IS DR. NOELEEN HEYZER. SHE IS FROM SINGAPORE. SHE'S THE DIRECTOR OF THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN, UNIFEM. HERE AGAIN IS OUR PROGRAM HOST, SHELLY CRYER.

CRYER: MISS HEYZER, YOU ARE A NATIVE OF SINGAPORE. FORMER PRIME MINISTER LEE SAID HE REGRETS HIS DECISION TO PROVIDE EQUAL OPPORTUNITIES IN EDUCATION FOR WOMEN 35 YEARS AGO BECAUSE NOW WOMEN GRADUATES ARE HAVING TROUBLE FINDING HUSBANDS WHO DON'T FEEL THREATENED BY THEIR EDUCATION. WHAT KIND OF MESSAGE DOES THIS SEND TO WOMEN WHO ARE SEEKING TO EMPOWER THEMSELVES?

HEYZER: Well, the country had a problem in terms of that -- the fact that women, many educated women, were deciding to be single, and the country made that an issue. But increasingly, many women have said that one of the reasons is to look at the difficulties women have dealing with the fact that we have to work in the labor market and the cost of bringing up a child is so expensive, is extremely expensive, and there's not enough support systems.

And therefore, instead of focusing on investment in education and so on, or regretting that, the attention has shifted on now to the support system, and this is -- frankly, this message is not one that Singapore would go along with, and it -- he was a personal regret of the former Prime Minister, but he, to be very honest, had invested a lot in women, and Singapore, precisely because it did not have natural resources, did not have the luxury of not investing in every single human capacity they could find, the country could find. And every single women were given the opportunity of equal education -- and I benefitted from that. We invested, and we invested very, very strongly, on skill formation, and if Singapore today is one of the highest growth country in the region, it's precisely because the country invested in women and women in the country have -- are increasingly becoming articulate leaders.

And -- but obviously there are, with modernization, with changing family structures, a breakdown in the extended family. Child care, the cost of taking care of the young, the sick, the old, have all increased, and it's getting more and more difficult, and women -- one of the choice that they have now with their new confidence is not to choose marriage as the only option.

So I would see that as one of the consequences of diversity of choice in the country.

CRYER: EARLIER IN YOUR CAREER YOU WERE BASED IN MALAYSIA AS THE HEAD OF GENDER AND DEVELOPMENT FOR THE ASIAN AND PACIFIC DEVELOPMENT CENTER. HOW ARE THE NEEDS OF WOMEN THROUGHOUT ASIA DIFFERENT?

HEYZER: They -- Asia is a continent of great diversity. It houses some of the highest growth countries but it also houses half of the world's poor. And therefore to understand the situation of women in Asia, one will have to put them within the context of diversity of development experiences.

And I can offhand classify that development experience into four different types. The first would be the high growth countries that have invested in social development, in education, in health care, in housing, and these would be the countries like Singapore, Korea, Japan, and so on, and in these countries there are obviously new opportunities for the educated. There's been a growth in the middle class, and women have benefitted in new employment structures -- but with other problems which you have just discussed.

There are another set of countries that are the -- what I call the fluctuating growth countries but that have also invested in social development, and these would be countries like Thailand, Indonesia, Malaysia, fluctuating growth because they shifted -- they were very much economies that were based on commodities, and they shifted increasingly to the industrial sector. And here what you see would be a large rural urban migration, increasingly young women leaving the rural areas. You will find, again, that some countries have invested in rural education, and this would be Malaysia, and women have benefitted in that, so that when there is that rural/urban drift, there are -- they are able to enter into some of the growth areas in the urban economy, like in the newly industrial kind of work force.

But in other countries, because of the deep problems of centralizing growth only in one area, the gaps between the rich and the poor exist, and Thailand, for example, you'll find that most of the growth have occurred in the central basin around Bangkok area, and the problems of increasing poverty takes place in the northeast. And many of the rural/urban drift in that situation gets concentrated not in your formal sector employment but more in your informal sector employment and takes the face of traders, it takes the face of young women in prostitution.

And Asia too has another group of countries, the economies that have shifted from the command economies to your market economies. These would be your economies in transition where there were originally investment in social development but increasingly that's breaking down. And here there are, again, two different types, like in Mongolia they had the big bang experience of transition where the shift was too fast and social security nets were all broken very quickly before new things could be put in place.

But you also have the gradual transitional economies that were located very closely to the high growth economies, like Vietnam, and here they have taken advantage of new opportunities, of new investments, so that while you have a situation where there is -- there'll be cuts in social security systems, in education, in health care, this is also compensated by new opportunities of employment. But this does not reduce some of the costs, because the people who benefit and the people who lose are different.

There are also countries, like in the South Asian countries, where you have low growth and you have little investment in social development, where most of the poverty occurs in your rural area where you have high rural landlessness, a huge proportion of your population existing as casual agricultural workers, and here the experience, again, would be different.

So I would see the Asian experience as providing a vast diversity of different systems of economic growth, economic patterns, rates of growth, and at the same time different investments. What you do with that economic growth has also differed, and different capacities in investment in your human skills, and these have obviously brought about different phenomenons and different status of women, different hierarchies. There are some countries that have more severe agenda hierarchies that have interacted with new economic opportunities. There are countries where women are relatively equal and there are others where they are not, and therefore the whole diversity of gender division of labor and so on again would differ.

CRYER: IS THERE A WOMEN'S RIGHTS MOVEMENT IN SINGAPORE?

HEYZER: In Singapore itself, let's say that there are very vocal women that have brought the attention of violence against women onto the national agenda, and there's something especially now that the country is very involved in trying to create stable families. Many of the women say stable families means violence-free families, and that means that you have to deal with the interaction that takes place at your household level.

CRYER: AND HOW DOES THE WOMEN'S RIGHTS MOVEMENT IN SINGAPORE COMPARE TO WOMEN'S RIGHTS MOVEMENTS IN PERHAPS MORE DEVELOPED COUNTRIES OR OTHER COUNTRIES EVEN IN ASIA?

HEYZER: Say that in Singapore -- it's an affluent country, it's a very affluent Southeast Asian country, where women are given new opportunities, and therefore it is not as well established as, say, countries in the Philippines where you have a thriving women's movement that have dealt with issues of international migration, that have dealt with issues of poverty, of debt crisis, that have dealt with new women in the agricultural sector, in the export zones, and so on.

CRYER: MISS HEYZER, HOW HAS YOUR LIFE BEEN DIFFERENT FROM YOUR MOTHER'S LIFE?

HEYZER: Well, I -- I'm the first person in my family that has been given the opportunity of a university education, so obviously I think that that opportunity has come at a high sacrifice for my family and I'm able to articulate much better than my mother, for one thing. I speak English better than her. I have more opportunities. I've traveled more, I feel more committed in making difference -- a difference to the world I live -- the world that I live have opened up many doors.

Hers was more concentrated in keeping the family together. It was very much linked with trying to -- with survival issues, basically. And she didn't survive; I mean, she died when she was 26, so that is a difference. I'm 47 and her life expectancy was 26, so that's the answer.

CRYER: YOU ARE THE MOTHER OF TWO DAUGHTERS. HOW DO YOU SEE THEIR LIFE AS DIFFERENT FROM YOURS?

HEYZER: Well, I grew up at a time where there was a sense of social responsibility and the new opportunities given to us was not seen as luxury when we -- I know the price that was paid for the opportunities which I have. And therefore the sense of social commitment is a lot more, the sense of responsibility, of shaping nations, of shaping systems, and all that. And I continued in that, so maybe just say that I'm very much a period -- a child of my history and a child of the period that I was born in into.

And my daughters are the same way -- people of their own period -- and they come, I am relatively a liberal mother, so they've gone very much into the creative field. They are -- they write their songs, they are poets, they deal with art, they are more expressive, they have a fantastic command of language and all that. But hopefully they feel as passionately as I do for some of the issues. I mean, they are vegetarians, they are very involved with the environment. So I -- they are too young at the moment to have an understanding of many of the issues that face humankind but they are very aware of the issues facing youth, and they are coming with me to Beijing, which is an indication of their wanting to wanting to know. So what they have in front of them is obviously the wanting to understanding, and that I think is healthy.

CRYER: YOU HAVE SERVED AS DIRECTOR OF UNIFEM FOR LESS THAN A YEAR, SO IT'S EARLY ON, BUT WHAT DO YOU HOPE WILL BE YOUR MARK ON THE ORGANIZATION AS YOU LOOK AHEAD?

HEYZER: I would like to build this organization on a very strong foundation, on the very long-term viability of this organization in terms of its direction. I think this is a fantastic opportunity to synthesize much of the gains from the other world conferences and to think of how UNIFEM can play a catalytic role in bringing about the recommendations, converting these recommendations into programs and projects on the ground to make a difference to women's lives.

I would like to build up its resource base. I feel that a fund of 11.6 million after 20 years to do the type of work that we do is extremely limited. I would at least like to double it during my watch. Try to bring in new countries, the richer Asian countries, into the work of UNIFEM. Trying to build greater commitment. Trying to build better partnerships within the U.N. system.

CRYER: MISS HEYZER, THANK YOU SO MUCH FOR JOINING US TODAY.

HEYZER: Thank you very much.

MARLOW: YOU HAVE BEEN LISTENING TO "THE WORLD OF WOMEN," A SERIES OF CONVERSATIONS WITH INFLUENTIAL WOMEN FROM AROUND THE WORLD. WITH US TODAY HAS BEEN DR. DR. NOELEEN HEYZER FROM SINGAPORE. SHE IS THE DIRECTOR OF THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN, UNIFEM.

"THE WORLD OF WOMEN" WAS BROUGHT TO YOU BY THE POPULATION REFERENCE BUREAU IN WASHINGTON, D.C. THE PROGRAM HOST IS SHELLY CRYER. THIS IS MIKE MARLOW. THANK YOU FOR JOINING US AND WE LOOK FORWARD TO HAVING YOU WITH US FOR THE NEXT PROGRAM IN THIS SERIES, "THE WORLD OF WOMEN."

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UNIFEM

United Nations Development Fund for Women
Fonds de Développement des Nations Unies pour la Femme
Fondo de Desarrollo de las Naciones Unidas para la Mujer

UNIFEM PRESS RELEASE

NOELEEN HEYZER IS NEW UNIFEM DIRECTOR

Noeleen Heyzer, an experienced leader of the international women's community, was named director of UNIFEM, the UN Development Fund for Women, effective October 15, 1994.

A former head of the Gender and Development programme in the Asian and Pacific Development Centre (APDC) in Kuala Lumpur, Malaysia, Ms. Heyzer is the author of ten books and scores of articles and papers on development and women's issues. She has played a leading role in preparing for the UN Fourth World Conference on Women, to be held in 1995 in Beijing.

A native of Singapore, Ms. Heyzer is a founding member of Development Alternatives with Women for a New Era (DAWN), a network of women leaders from the South. She brings to UNIFEM a long tradition of establishing networks of women's groups, creating credit and development programmes and establishing training and research centres, all fundamental to UNIFEM operations.

UNIFEM, created in 1976 as the UN Voluntary Fund for the Decade of Women, formally joined the UN family of agencies in 1985 as UNIFEM, an autonomous association within the UN Development Programme (UNDP). Based in New York and with regional offices in Africa, Asia and the Pacific, Western Asia and Latin America and the Caribbean, the Fund provides direct technical and financial support to women's initiatives in the developing world. It also seeks to bring women into mainstream development planning and decision making.

Ms. Heyzer received a Master's degree from the University of Singapore and her PhD from Cambridge University, both in sociology. She was Visiting Fellow at the Institute of Development Studies (IDS) from 1979 to 1982 and co-directed the IDS' International Workshop on Women and the Informal Sector. She was then with the Social Development Division of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok, Thailand, before moving to the APDC in 1984.

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Mrs. Esther Ocloo is the Board Member of the International Federation of Business Women, Chairperson of the Sustainable End of Hunger Foundation, and Managing Director of Nkulenu Industries, Ltd. in Ghana. Mrs. Ocloo is the Co-winner of the 1990 Africa Leadership Prize for Sustainable End to Hunger. In 1942, she was the first person in Ghana to start a food processing factory; she began with only 10 shillings, and the objective of making of 100% profit. Mrs. Ocloo is also the Founder and President of the Ghana Manufacturers Association, and has served on various local and international committees.

Ms. Noeleen Heyzer is the Director of the United Nations Development Fund for Women (UNIFEM). An experienced leader of the international women's community, Ms. Heyzer was named director of UNIFEM on 15 October 1994. A former head of the Gender and Development Programme in the Asian and Pacific Development Centre (APDC), Ms. Heyzer is a founding member of Development Alternatives with Women for a New Era (DAWN), a network of women leaders from the South. She has a long tradition of establishing networks of women's groups, creating credit and development programmes and establishing training and research centres, all fundamental to women's empowerment.

Mrs. Ela Bhatt is the Founder and General Secretary of the Self-Employed Women's Association (SEWA) in India. She is also founder of SEWA Bank which has been a leader in opening financial services to poor women. Mrs. Bhatt was the first woman appointed to the Indian Planning Commission and has also served as a member of the Indian Parliament. Mrs. Bhatt chairs the Board of Trustees of the Women's World Banking, and co-chairs the Steering Committee of the International Coalition on Women and Credit.

Professor Muhammad Yunus is the founder and Managing Director of Grameen Bank in Bangladesh. Grameen is one of the largest and most successful financial intermediaries focussing on economic participation of the rural poor. The "Grameen Model" of lending through groups is now being practiced in many other countries. Prior to founding the Grameen Bank Project in 1976, and the Grameen Bank in 1983, Dr. Yunus headed the Economics Department at the University of Chittagong. Dr. Yunus is a member of many international advisory committees and boards.

United Nations Development Fund for Women
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Fondo de Desarrollo de las Naciones Unidas para la Mujer

UNIFEM FACT SHEET

About UNIFEM

The United Nations Development Fund for Women (UNIFEM) provides direct technical and financial support to women's initiatives in developing countries. It also seeks to bring women into mainstream development planning and decision-making.

UNIFEM was created in 1976 as the Voluntary Fund for the UN Decade for Women. Based in New York, and with 11 regional offices in Asia and the Pacific, Western Asia, Africa, Latin America and the Caribbean, the Fund became an autonomous organization in association with the UN Development Programme (UNDP) in 1985.

Goals and Principles

UNIFEM was born in response to the call of thousands of women for a Fund within the United Nations System to help improve the living standards of women in developing countries and to address their concerns. It was set up to be an aid to and advocate for women of the developing world -- to give them voice and visibility.

UNIFEM believes that the best way to help women in developing countries is to strengthen the organizations they create and control, while fostering links and partnerships at every level. It recognizes that women are critical actors in families, communities and economic systems, and that they need access to resources as well as to social services.

UNIFEM improves the quality of life for all people by helping women to achieve equality through economic and social development.

UNIFEM in Action

UNIFEM works primarily in three programme areas: agriculture and food security, trade and industry, and macro policy-making and national planning. The Fund seeks to promote women's access to training, science and technology, credit, trade, information and other tools for development. It also links grassroots women to national and international policy-making bodies and into global debates on issues such as poverty alleviation, the environment and human rights.

UNIFEM's Programmes

At any given moment, UNIFEM manages several hundred projects. Funding of projects range in size from less than $1,000 up to a million dollars. Below are some examples of UNIFEM's diverse activities.

In Africa:

UNIFEM's Africa Investment Plan 1994 - 95 addresses problems of special significance to African women as well as the role they play in development. It focuses on the following areas: agriculture and food security, trade and industry, environmental sustainability, and refugees and displaced persons.

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In Asia and the Pacific:
UNIFEM's Asia and the Pacific Development Plan 1994-95 aims to strengthen the institutional mechanisms that link women at the local level to formal development-planning and decision-making structures in the following areas: agriculture and environment, trade and industry, national planning and women in politics.

In Latin America and the Caribbean:
UNIFEM's Participatory Action Programme for Latin America and the Caribbean 1994-95 focuses on the following areas: poverty alleviation, environmental management, violence against women, and citizenship and democracy.

At the Global Level:
UNIFEM focuses on credit and financial systems, science and technology, women's rights as human rights, trade and industry, and sustainable development. The Fund networks with parliamentarians to increase their awareness of UNIFEM's development work and ensures that women are on the agenda and help shape the outcome of key international conferences such as the 1992 UN Conference on Environment and Development in Rio, the 1993 World Conference on Human Rights in Vienna, the 1994 International Conference on Population and Development in Cairo, and the 1995 World Summit on Social Development in Copenhagen. UNIFEM is currently active in preparations for the 1995 Fourth World Conference On Women in Beijing.

Operations and Funding
UNIFEM is overseen by a Consultative Committee of five General Assembly Member States, one from each of the world's major regions. UNIFEM also reports directly to the Administrator of the UN Development Programme and, through him, to the UNDP Executive Board as well as the UN General Assembly.

UNIFEM's 1994 income was approximately US $11.9 million. UN Member States are UNIFEM's main contributors; along with cost-sharing contributions from UNIFEM National Committees. Additional funds come from donations from women's organizations, foundations, corporations and individuals, and interest income. Project delivery costs comprise the bulk of UNIFEM spending.

Any group or person can contribute to UNIFEM; Governments are invited to contribute to UNIFEM at the annual UN Pledging Conference.

FOR FURTHER INFORMATION:

Information Officer
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Or contact UNIFEM National Committees in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Ireland, Japan, New Zealand, Norway, the Philippines, Sweden, Switzerland/Liechtenstein, the United Kingdom, and the United States. Committees will soon be established in Italy, Luxembourg, the Netherlands, Portugal, and Spain.

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CREDIT FOR WOMEN AND DEVELOPMENT FINANCING

Almost all low-income women are economically active, but they have not benefited from economic globalization and restructuring. Increasing their access to credit and economic participation will help to build the confidence and capacity of women to use their voices to reshape their lives and society at large.

Increased access to credit and economic participation is central to UNIFEM's Women's Development Agenda for the 21st Century, having particular relevance to the building of sustainable livelihoods and stable communities. A woman's economic position determines her access to education, health and housing, her ability to act against violence, and her bargaining position in the family and in the community at large. Furthermore, studies show that women spend 90 percent of their earned income on food, medicine and the education of their children. Yet more than one-half of the billion women living in poverty today lack access to economic resources including credit and depend on self-employment in the informal sector for their survival.

UNIFEM's Economic Empowerment Programme

The focus of UNIFEM's global work in credit and development finance is to create an enabling environment to ensure that the full range of financial resources – including savings, loans and other types of financing – flow into the hands of poor rural and urban women producers. Strategies include the formation and activities of networks, the production of cutting-edge research and reports, and the spearheading of global meetings at which impediments to women's economic empowerment are identified and addressed.

UNIFEM's economic empowerment programmes operate on two levels: **micro and macro**. At the **micro** level, UNIFEM has helped non-governmental and governmental organizations to design and implement microenterprise projects; conducted a Global Workshop on Women and Credit in Amman, Jordan for managers of 24 UNIFEM-funded microenterprise projects in 1994 under the patronage of H.R.H. Princess Basma Bint Talal; and produced a training manual, "A Question of Access", on the economic empowerment of women. UNIFEM has also funded research on women and credit unions, women entrepeneurs, village banking and comparisons of credit approaches. In addition, one of the major products of the first International Conference on Village Banking, organized by the Small Enterprise Education and Promotion (SEEP) Network, in Guatemala in 1994, was a UNIFEM-supported working paper on the "State of the Practice", which describes how banks and programmes can incorporate gender-sensitive practices into village banking.

In addition, UNIFEM has worked with ACCION International, a network of affiliated NGOs in Latin America, to conduct research on, and extend, credit to women in Bolivia, Brazil, Colombia and Guatemala; has supported institutional and community development programmes and training for rural women in Nepal; and has helped to implement a sustainable credit program of land purchases and savings incentives in Tanzania.

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The International Coalition on Women and Credit

At the **macro** level, UNIFEM founded the International Coalition on Women and Credit, representing 32 of the world's leading micro credit and business NGOs with more than 200 affiliated organizations, which has provided more than 3 million of the world's poor with the funds to begin and sustain entrepeneurial *ventures*. The Coalition has called on governments and multilateral financial institutions to:

- Remove barriers to women's economic participation, particularly as they relate to property rights, other assets, inheritance laws, credit policies and labor and zoning laws.

- Open financial systems to low-income women and their local institutions.

- Support institutions through capitalization, refinance, and institutional development support.

During the past year, the Coalition has worked with delegates to the World Summit on Social Development and the Fourth World Conference on Women on drafting the language for their Programmes and Platform for Action; has organized workshops and conducted case studies in preparation for these conferences; and has produced videos to bring the voices of women entrepeneurs from Bolivia, Bangladesh and Kenya to Beijing. The message is that women microentrepeneurs are good business women and, given a chance through access to credit, will increase their profits, enlarge their businesses and improve the lives of their families.

By the year 2000, the Coalition hopes to have helped 100 million poor families by providing credit for women entrepeneurs.

UNIFEM Activities at the Fourth World Conference on Women

UNIFEM activities on economic empowerment at the Fourth World Conference on Women in Beijing include a panel discussion, **"Banking on the Poor: Women's Economic Empowerment."** Speakers include Ela Bhatt, General Secretary of the Self-Employed Women's Association (SEWA) and Muhmammad Yunus, Managing Director of the Grameen Bank.

At the NGO Forum, UNIFEM and the Coalition will co-sponsor a **Credit Corner** to facilitate the informal sharing of strategies on how to reach women microentrepeneurs with credit, and the starting of a dialogue with policy makers. The Credit Corner will emphasize the importance of concrete commitments to implement the sections of the Platform of Action on women's access to credit and property.

UNIFEM

United Nations Development Fund for Women
Fonds de Développement des Nations Unies pour la Femme
Fondo de Desarrollo de las Naciones Unidas para la Mujer

UNIFEM: 20 YEARS OF ACCOMPLISHMENT

In the 20 years since its creation, the United Nations Development Fund for Women (UNIFEM) has funded numerous projects throughout the developing world that promote the political, economic and social empowerment of women. These have ranged from small, grass-roots enterprises that improved working conditions for women, to public education campaigns and the design of new census and marketing systems. Highlights have included:

INNOVATIVE PROJECTS BENEFITING WOMEN

- **Taking the lead in developing and disseminating improved food-cycle technologies to women's farmers and entrepreneurs in Africa** by working with women in the Sahel to design and disseminate a new type of wood-burning stove that saved time and household energy, easing the burden on women, by using less wood for cooking.

- **Pioneering the use of revolving loans** within the UN system to make credit, and access to commercial sources of credit, available to women in developing countries.

- **Supporting a two-year study of violence against women in Latin America** by the Women's International Service for Information and Communication (ISIS), and international NGO based in Chile. The resulting database became a major resource for the Latin American and Caribbean Network Against Domestic and Sexual Violence, which works to have violence against women addressed in the public policies and legal reforms of 21 countries.

- **Supporting a gender-awareness training** programme of the Venezuela Association for Alternative Sexual Education (AVESA), which has trained more than 500 police officers and University security personnel to work with battered women in Caracas. This has led to more sensitive handling of rape victims and an increase in the reporting of rapes.

- **Promoting the development of new approaches to food production, marketing and resource use in the Andes** through an Andean Regional Women's Food Technology Contest, in which more than 50 women's agricultural production groups took part.

- **Greatly improving working conditions for women in Cameroon** by helping them to acquire improved equipment and techniques for processing fresh cassava, a traditionally backbreaking task, from their West African sisters in nearby Ghana. UNIFEM also joined with the United Nations Development Programme to finance the establishment of a cassava processing plant by AID Cameroon, a local women's group. The improved technology eased the workload of the women involved, increased their productivity and provided them with a way to earn their own income.

- **Planning and sponsoring national summits for landless, tribal and peasant women** in Bangladesh, India, Nepal and Pakistan, which led to a Peasant Women's Summit on Environment in Lahore.

-more-

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INCORPORATING WOMEN INTO MAINSTREAM DEVELOPMENT ACTIVITIES

- **Training World Bank staff** to successfully work with tribal women throughout India in sericulture projects based on UNIFEM's model programme in Udaipur, India where the Fund's silk production project which combined marketing strategies with environmental regeneration, health, population and education activities, put women in charge of their own economic and social development.

- **Working with Economic and Social Commission for Western Asia to launch a small biogas technology project** in the Republic of Yemen that has had an impact on the entire country. By channelling animal dung into biodigesters, the project generated a reliable supply of gas which burned smoke-free, freeing women from the chore of gathering fuel, and helping to rid the environment of unhealthy wastes. As a result of its experience with the project, the Yemen government created a Department of Renewable Energy in its Ministry of Electricity and Water.

- **Securing official recognition of the economic contributions of women in India** by working with the Registrar General's office to sensitize statisticians and census enumerators to the previously unrecognized work of rural and urban women, especially in the informal sector, and through a pre-census media campaign designed to elicit more accurate answers to questions about women's work. As a result, the official number of economically active women increased by 44 percent.

- **Providing technical support and funds to the National Commission on the Role of Filipino Women (NCRFW) for development of a training, advocacy and analysis model for gender-responsive planning,** which has been shared with trainers in India, Indonesia, Laos, Pakistan and Vietnam.

- **Establishing an Advocacy Facility to produce books, manuals, papers and a newsletter** for the sharing of lessons learned. The Advocacy Facility in turn funded the creation of Women, Ink., which markets resource materials dealing with women and development.

- Co-published **Putting Gender on the Agenda: A Guide to Participating in UN World Conferences** with the UN Non-Governmental Liaison Service, which provides specific, practical information on how United Nations World Conferences operate and how NGOs can enhance their participation.

- **Creating the African Women in Crisis Umbrella Programme (AFWIC),** which works with the UN High Commissioner for Refugees and other UN agencies and NGOs to focus on the trauma of dislocation, while providing skills that will be useful when the women are able to return home.

BUILDING PARTNERSHIPS AND NETWORKS AMONG WOMEN, GOVERNMENTS AND THE INTERNATIONAL COMMUNITY

- **Initiating, supporting and participating in the Once and Future Action Network** (OFAN), a consortium of technology institutes, development organizations, international agencies and women's groups, which works to strengthen the position of women in science and technology and to develop environmentally sound strategies.

-more-

• **Founding and supporting the International Coalition on Women and Credit**, which has worked with more than 200 organizations worldwide to expand and institutionalize gender-sensitive financial services and resources for women.

UNIFEM'S ROADMAP TO THE YEAR 2000

• **Issuing a Women's Development Agenda for the 21st Century** as a blueprint for the future for action in the next century and beyond. This important document provides concrete strategies for the achievement of a sustainable and gender-equitable world in the next generation.

For more information on these and other UNIFEM activities, please contact:

Melanie Roth in New York through 25 August at 212-906-6897 or in Beijing 27 August-15 September at 86-10-491-5588 or Sarah Burd in Beijing at 86-10-532-6836.

Women's Banks Stage Global Expansion

'Micro' Lenders Target Farmers in Fighting Poverty

Zhou Xueren, a male government bureaucrat, never expected the antipoverty program he started in his farm county of Yixian, China, to focus on women. It just turned out that way.

"We wanted to help the poor. We didn't think about whether that meant men or women," Mr. Zhou says. But in China, poverty has a woman's face. And Mr. Zhou, one year after opening a peasant bank in this part of Hebei province, has become a crusader for a women-first school of poverty relief.

"Men waste money on liquor and card games," he says. Women, he adds, put aid

By Wall Street Journal reporters Joseph Kahn in Yixian, China, and Miriam Jordan in Ahmedabad, India.

dollars to work. Women stay on the land while men flock to the cities. Women scrimp to pay back loans.

Opportunities for Women
Some women's bank projects around the world:

SPONSOR	LOCATION	DESCRIPTION
World Bank	Global	Raising $200 million fund to support women's banks and other 'micro-loan' projects
Agency for Int'l Dev. (U.S. Gov't)	La Paz, Bolivia	'Pro Mujer' communal bank provides seed money to businesses run by women
Accion International	14 countries	Cambridge, Mass.-based group support women's banking efforts, especially in Latin America
Save the Children	Gambia	Westport, Conn.-based group is one of first to sponsor such projects in Africa
Women's World Banking	40 countries	New York-based charity supports 50 women's banks
Coalition for Women's Economic Development	Los Angeles	Provides loans averaging $2,300 to women in Southern California
Grameen Bank	Bangladesh	Bank started by Muhammad Yunus in the 1970s pioneered women's banking as poverty relief

Source: World Bank, United Nations

As the United Nations convenes its International Conference on Women in Beijing next week, the economic status of women will top the agenda. Two out of three of the world's 1.3 billion desperately poor are women, the U.N. says, with the ratio increasing. Though the conference lament a "feminization of poverty," it also herald the feminization of anti-rty programs.

Women's banks are sweeping the world. Perhaps 50 countries now have some variation of "micro banks" that lend primarily to women, most of them farmers, according to the World Bank. Gambia, Bolivia, India and Pakistan all have variations. They even exist on Chicago's South Side and in Southern California.

Muhammad Yunus, an academic-turned-banker in Bangladesh, planted the seeds in the 1970s. His Grameen Bank has loaned small sums to three million women in 37,000 villages around Bangladesh, with half the recipients lifting themselves out of poverty. Grameen is now expanding internationally. Last year, Mr. Yunus lent Yixian County $50,000 to set up China's pilot women's bank.

Aid agencies including those under the U.N., the World Bank, Save the Children, Women's World Banking, the Ford Foundation and others have hailed micro banks as the most effective recent innovation in poverty relief. The banks eliminate middlemen—Mr. Yunus estimates that three-quarters of the $60 billion in traditional annual aid returns to donor countries as payment for goods and services — and put money in the hands of the people who need it most. The programs also encourage work, not dependency, supporters say.

Banks on the Grameen model go where commercial banks won't. In China, the state-run Agricultural Bank provides no loans to individual farmers, only to local governments and companies. In a play on words, Mr. Zhou calls his bank in Yixian the "Neng Hang," or "Can-Do Bank," to contrast it with the Agricultural Bank, the Nong Hang.

Mr. Yunus targeted women to lift their status in Bangladesh's conservative Islamic society. Mr. Zhou found it made practical sense in China, where male farmers migrate by the tens of millions to major cities.

Grameen-style banks make small loans to individuals for projects like raising sheep or knitting shirts. Customers don't need much collateral and pay low interest rates, but repayment terms are strict. Most of the banks report good loan performance, with 97% on-time repayment in China and Bangladesh.

Consider India, where women traditionally can't receive loans because they rarely own land. Banks are ill-equipped to serve them: Two-thirds of all Indian women can't read or write, twice the rate of illiteracy among men.

The Self-Employed Women's Association, or Sewa, thinks they are bankable anyway. With two decades of experience lending to poor women, the bank—based in Ahmedabad, a dusty textile city in the western state of Gujarat — is one of India's most innovative credit institutions.

Vegetable vendors, embroiderers, scrap-paper collectors and other self-employed women queue up to borrow as little as 500 rupees ($15.70). All they need to get a loan is a Sewa savings account with 10% of the desired loan. Interest runs about 16.5% a year, compared with annual inflation of about 10%.

Like most customers, illiterate Nanuben Vitthalbhai could offer Sewa bank only a thumb print to sign for her first loan to expand her used-clothes business in an Ahmedabad slum.

Flush with all of $10 from Sewa, Ms. Vitthalbhai bought a bundle of tattered saris, trousers and shirts. She washed the garments, stitched them by hand, and sold them at a local market for a profit.

Seventeen years and 13 loans later, the mother of four has elevated her family from a mud hut and can feed them more than one meager meal a day. She owns two sewing machines and the biggest house in the neighborhood. Her savings account at Sewa bank has swelled to 40,000 rupees.

Thousands of poor Indian women in Gujarat state have benefited from Sewa bank, and thousands more are starting to benefit from a surge in informal bank lending in rural areas. "They're illiterate and poor, but they have a very good banking performance," says Ela Bhatt, Sewa's 62-year-old founder. Many of them ask the bank to hold their savings passbook, to keep their money from their husbands.

"Poor women aren't recognized as an economically active group in India," says Vijay Lakshmi Das, director of the Indian chapter of New York-based Women's World Banking. "We're trying to prove they're bankable."

In China, Mr. Zhou's informal bank in Yixian has no precedent in the country, where the Communist government keeps a tight rein on financing. But with women now running two-thirds of China's farms, Beijing decided to experiment at this site in Hebei, one of China's poorest provinces.

Among the first loan recipients was Gou Xianghua, 39. Mrs. Gou's husband spends most of the year building roads in Beijing, leaving her to scramble to feed herself and two sons. Broad-shouldered but slumped, she tills a fraction of an acre of rocky hillside where her mud-walled house sits precariously.

China to Allow Demonstrations 30 Miles From Conference

BEIJING—(AP) China said it will allow demonstrations during the U.N. women's conference — but only at one specific spot 30 miles from Beijing and only as long as protesters don't slander China.

Though China is allowing only a token site for protests, the concession was noteworthy coming from a government that hasn't allowed demonstrations since it crushed the pro-democracy movement in Beijing in 1989.

Tian Qiyu, vice minister for public security, said protests would be allowed at a school in Huairou. Huairou is the site of a separate, but related private conference of nongovernmental women's organizations that begins today. The U.N. conference begins Monday.

"Within the designated area, relevant organizations can have processions and demonstrations, but these activities should not infringe upon the sovereignty of the host country and should not attack or slander the state leaders of the host country," Mr. Tian said.

Organizers of the private forum have said 36,000 people applied to attend. But Chinese officials said they sent only 26,000 confirmation letters.

About 9,000 people are expected to attend the U.N.-sponsored conference.

World Bank Plans Small Loans to Poor

Direct help for people in developing countries to set up small businesses.

By CHRISTOPHER S. WREN

UNITED NATIONS, July 14 — The World Bank is leading a drive to raise more than $200 million from international donors to provide small loans to help poor people start their own businesses in developing countries.

Donors met on June 27 and 28 at the World Bank in Washington and created a group to oversee the program, which would provide the money to local banks that specialize in loans, training and advice to help poor people achieve self-sufficiency.

The loans would be as small as $100 and would be repaid with modest interest in as little as a year, generating capital for other borrowers. The group estimates that the $200 million in cash and programs pledged so far could finance credit for a million prospective entrepreneurs a year.

No money is available yet, because the agreement is awaiting approval from governing boards of the donor institutions. Ismail Serageldin, the group's chairman and a vice president at the World Bank, said the group would meet again in January 1996 to allocate funds.

"The bank is the only one of the financial institutions that works on a global basis rather than a regional basis," Mr. Serageldin said in an telephone interview from Washington.

He said the program was "new to the extent that we've never done this before, but it's not an abandonment of our philosophy" of working through governments of developing countries.

The program will tap the successes that specialized local banks have experienced in making modest loans, often without collateral, to poor applicants in countries like Bangladesh, Kenya, Indonesia, the Dominican Republic and Colombia.

The most prominent of them, the Grameen Bank in Bangladesh, had assisted two million cooperative members of the bank, most of them women with families, as of last year. The bank's loans, which average $100, help poor people support themselves by livestock and poultry-raising, handicrafts, shopkeeping or trading.

The World Bank's charter requires it to channel financial assistance through governments. The bank, which has been accused of not reaching those who most need help, described its new effort to help the poor more directly as "an important complement to the current efforts" in its development aid.

In addition to the World Bank, prospective donors include the United States Agency for International Development, the United Nations Development Program and Capital Development Fund, the International Fund for Agricultural Development, the African and Asian Development Banks and the governments of Canada, France and the Netherlands.

In Possible Signal, China Releases an Ailing Dissident

By SETH FAISON

BEIJING, July 16 — China freed a prominent dissident this weekend, and human rights advocates are taking his release as a signal that Chinese leaders may be willing to take a softer stand in their diplomatic dispute with the United States.

Yang Zhou, 51, the best-known dissident in Shanghai, was allowed to return to his home on Saturday, apparently because he is in poor health. Mr. Yang said today that prison doctors had diagnosed a tumor in his throat but that he did not know if it was cancerous or benign.

Speaking by telephone in a strained whisper, and sounding like someone in considerable pain, Mr. Yang said he hoped to go overseas for medical treatment because he did not trust doctors in China to give him proper care.

As China's first political prisoner to be released in months, a time during which several other well-known dissidents have been apprehended, Mr. Yang may represent a hint that Beijing wants to stop the free fall that its relations with Washington have suffered in recent weeks.

Zhang Weiguo, a journalist who was jailed in Shanghai after the democracy movement was crushed in 1989, said the handling of dissidents was a sensitive issue in the power struggle among leaders anticipating the death of Deng Xiaoping, China's paramount leader.

"At this point in Chinese politics, each small step has something to do with the larger situation," said Mr. Zhang, who now lives in Berkeley, Calif. Mr. Yang's release, he said, looks like a gesture to the Americans.

The thorniest issue between Beijing and Washington is the fate of Harry Wu, the American citizen and former Chinese political prisoner who has been charged with spying after entering China in June. Mr. Zhang said this weekend's release could be a way of broaching the issue of Mr. Wu, who had previously documented prison conditions in China.

At the same time, Mr. Zhang said, China sometimes paroles political prisoners who are seriously ill because the authorities fear being held responsible if prisoners die in custody.

Asked if he thought his release had anything to do with American-Chinese relations, Mr. Yang said: "It's possible. It would be a way for China to gain standing in the international community, by treating people in a proper legal way."

Robin Munro, who monitors China's treatment of political prisoners for Asia Watch in Hong Kong, noted that Beijing's attitude toward dissidents had been particularly stern in recent weeks.

"It's odd timing," Mr. Munro said, adding that he was unsure if Mr. Yang's release was a diplomatic signal. "It's possible. He's No. 1 in Shanghai, but not that well known internationally."

Kept at a labor camp in Dafeng County, about 150 miles north of Shanghai, since he was apprehended in May 1994, Mr. Yang said he suffered from constant fever and from kidney problems and had become unable to eat more than small amounts of food because of the pain in his esophagus.

In October Mr. Yang, a longtime activist who helped to set up a human rights group in Shanghai, was sentenced without a trial to three years' imprisonment.

Beijing F

To : Hillary Rodham Clinton

From : Muhammad Yunus

Date : April 2, 1995

1.0 Welcome to Bangladesh. Thanks for coming to Bangladesh.

I did not realise that you are so popular with the people of Bangladesh. They are going wild to get a glimpse of you. You are number one topic everywhere in Bangladesh.

2.0 Thanks for going to Copenhagen. That made a big difference to the Summit. Your remarks made big impact in the Summit.

3.0 Thanks for your Copenhagen speech. Your mention of Grameen has put us on the world map. Now policy-makers are paying attention to what we have to say.

4.0 Beijing has to be built upon the groundwork done in Copenhagen. I request you to take a lead role in Beijing to focus on credit for poor women.

5.0 Credit-for-Poor-Women issue needs to be promoted in many areas :

a) *World Bank*
b) *Regional banks*
c) *Commercial and special banks*
d) *International finance market*
e) *Foreign aid*
f) *Development policies*
g) *Employment policies*
h) *Welfare programmes*
i) *Academic circles*
j) *Media*

We need to create a network of committed people in all these areas. You can play a strategic role in creating this network.

6.0 Preparation for Beijing is in full swing. Credit-for-Poor- Women Caucus needs to be organised and orchestrated to achieve concrete results. You may pay your attention to this. US delegation can provide leadership in the Beijing conference.

7.0 RESULTS, a group of committed American citizens, are organising programmes to influence decision-makers. Jan is familiar with their work. They wish to play an active role in Beijing to draw attention of decision-makers.

8.0 RESULTS will organise a "Micro-Credit Summit" in May, 1996. They want you to participate in the "Summit". If you agree they can contact you.

9.0 UNIFEM was very active in Copenhagen on Credit-for-the-Poor-Women issue. They wish to become more active in Beijing. They want your help. They can organise a day-long Seminar/Workshop which you can address.

10.0 While visiting Grameen Bank borrowers in Jessore you may make the most significant statement of your entire trip to the press indicating your total commitment to promoting credit - for- the- poor- women all over the world.

11.0 With your and President Clinton's support we can create a poverty-free world much earlier than anybody ever expected.

12.0 Your Copenhagen statement and your visit to Grameen have already made a major impact.

13.0 Let us plan to reach 100 million poor people, preferably women, with credit by year 2005. If we can get to anywhere near that number, we can change the world.

14.0 I hope you and Chelsea will enjoy your stay in Bangladesh.

BANGLADESH: VISIT TO GRAMEEN BANK VILLAGE

CONTEXT OF MEETING

The village of Moishahati (MOY-shuh-HA-tee), in Jessore (juh-SHORE) District, is typical of the villages where Grameen Bank works. Grameen programs began in Moishahati four years ago, so the Grameen program is still developing. This happens to be a Hindu village.

Borrowers in Moishahati use their loans for a variety of purposes, including pottery, bee-keeping, small-scale manufacturing of fishing nets, wooden toys, and bamboo products; weaving, and dress making.

The recovery rate on loans in Grameen Bank villages such as Moishahati is at least 95 percent. Grameen borrowers are typically poor women between 20 and 35 years old from landless families, although the family may own a home without agricultural land. Borrowers are usually married women with some skills which may be used to generate income for themselves herself and their families.

Grameen Bank was established in 1983 to provide loans to the poor. As you know, the Bank's founder, Dr. Mohammed Yunus, believed that lack of access to credit is the biggest constraint for the rural poor, and that the rural poor could make productive use of small loans, borrowed without collateral, that they would repay on time. He also maintained that the poor can themselves best judge how to increase their incomes. Grameen Bank uses these principles to mobilize the poor in such a way that poor men and women can receive credit by identifying a source of self-employment and by agreeing to guarantee and monitor others in the group.

The growth in Grameen Bank's membership has been phenomenal, from 171,622 members in 1985, to 1,915,020 in 1994. Grameen Bank has 1,042 branches covering members in 34,243 villages (about half the villages in Bangladesh). About 94 percent of the membership is women. More than 287,600 houses have been built with Grameen Bank loans. In 1994, Grameen Bank crossed the billion dollar mark in cumulative loan disbursements among its members.

YOUR OBJECTIVES

- See how Grameen works in Bangladesh.
- Highlight our support for a proven way of helping women in Bangladesh, the United States, and elsewhere break the poverty cycle and better their families' lives.

TALKING POINTS

(WITH GRAMEEN BANK WOMEN BORROWERS)

- Why did you join Grameen Bank? How has it changed your life?
- Are your families supportive of the Bank's work in the village? Was this the case at the beginning?
- What do you do when a borrower doesn't have the money to repay her loan?
- Do all your school-age children go to school? Did Grameen Bank loans help make education for your children possible?

(WITH GRAMEEN STAFF)

- How many women here receive Grameen loans? How are they used? What's the loan repayment record? What problems do borrowers face in making timely repayments?
- What are the visible and positive changes here since Grameen started working here?
- Why do you think that the Grameen Bank model has been so successful in Bangladesh? Is the model adapted to each of the villages or is it the same everywhere?
- I am pleased to announce the donation of a computer to enable the Grameen Bank field office to continue to support its village programs.

OPTIONAL COMMENTS TO VILLAGERS AFTER OBSERVING GRAMEEN PROGRAM

I am delighted to come today to your village to see the Grameen Bank program in action.

Grameen shows clearly how important credit is in dealing with poverty.

I am particularly pleased to note that so many of Grameen borrowers are women--women who have otherwise lacked access to credit, and to see what you have done with the loans.

We in the United States of America look to the Grameen concept as a way to help women escape poverty.

Dozens and dozens of banks in the United States have used the Grameen model or variations of it to help American women climb out of a cycle of poverty.

A trip to Bangladesh by the South Shore Bank of Chicago led to the Chicago Women's Self-Employment Project.

That bank and Professor Yunus then went to Arkansas and helped establish the Arkansas Goodfaith Fund--again patterned after Grameen.

The U.S. government is now providing funds to help Grameen replicate its concept in still other countries around the world.

The idea of Grameen, created in Bangladesh, is reverse foreign aid. My country has a good deal to learn from Bangladesh in this area.

I am grateful to the villagers of Moishahati for showing me Grameen programs in action. Thank you.

(NOTE: We could turn the final text into Romanized Bengali that you could easily read aloud with short practice, or we could add a Romanized Bengali introduction or close to an English text. We would provide simultaneous interpretation for a speech delivered in English.)

General Points Regarding Micro-finance Programs and Poor Women

* In most developing countries, poor women have no access to financial services, i.e., savings and credit services. As a result, options to meet their business and household goals are severely constrained. Savings services allow depositors to store current income as assets for future use, while credit services allow clients to invest or consume now, drawing on expected future income.

* Poor women often need savings services even more than credit services, i.e., there are no institutions available that will take very small deposits. Women use savings services to smooth consumption, cover emergencies, and to safeguard surplus from the demands of others and from theft. In terms of savings, women need conveniently-located facilities, simple and fast procedures, and no restrictions on withdrawals.

* Most poor women operate very small enterprises to generate needed cash income. They need easily accessible, short term, small loans, mainly to cover shortages of working capital.

* Women are good borrowers. They generally repay their loans at high rates and on time--more so than do men.

* Women invest the additional income earned from loan funds in family welfare--again, more so than do men. Women's extra income goes for food, clothing and housing, education and health of children, sanitation etc. By implication, therefore, making small loans to poor women is a highly effective way of improving the welfare of poor families.

GRAMEEN BANK
A Bank for the poor

The rural landless poor generally remain outside the orbit of the banking system, although they are usually in dire need of credit. This is particularly true in a country like Bangladesh, where an estimated 80 per cent of the population live below the poverty line. These people have no control over their destinies. In this country, where land ownership, to a large extent, defines socio-economic status, over 50% of the population are landless. The conventional banking system fails to provide them with any kind of service because it is generally held that the poor are a high-risk category to lend to. They are, therefore, required to provide collateral in order to obtain a loan, although they are frequently not in a position to do so. They are exploited by money lenders who may charge an interest rate of up to 10% a month.

It was in order to challenge conventional banking wisdom with its emphasis on collateral and to dispel some of the myths that exist about poverty (e.g. that the poor do not pay back loans properly) that Dr. Muhammad Yunus set up the institution known as the Grameen Bank. As a professor of Economics at Chittagong University in 1976, Dr. Yunus launched an action-research project which aimed to explore the possibilities of, and design a framework for a system which would bring the rural poor within a viable banking network. He reasoned that if financial resources could be made available to landless people at terms and conditions which were appropriate, then it would be seen that "these millions of small people with their millions of small pursuits can add up to create the biggest development".

The action-research project which he called the "Grameen Bank Project" came into being with the following objectives in mind :

1) To extend banking facilities to poor men and women.

2) To eliminate the exploitation of the money-lenders.

3) To create opportunities for self-employment for the vast unutilized or underutilized manpower resources.

4) To bring the disadvantaged people within the folds of some organizational format which they can understand, and operate within, and can find socio-political and economic strength from, through mutual support.

5) To reverse the age-old vicious cycle of "low-income, low savings, low investment, low income" into an expanding system of "low income, credit, investment, more income, more credit, more investment, more income".

The project demonstrated its strength in the village of Jobra and some neighboring villages in Chittagong between 1976 and 1979. Then with the sponsorship of the Bangladesh Bank and the support of nationalized commercial banks and the Bangladesh Krishi Bank, it was extended to Tangail in 1979. After its success in Tangail, the project was extended to several other districts, including Chittagong, Patuakhali, Rangpur and Dhaka.

In September 1983, the Grameen Bank Project was transformed into an independent bank, with the name of "GRAMEEN BANK" The authorized and the paid up capital of the Bank are Tk.25.00 crores and Tk.15.00 crores respectively. Of the total paid up share capital GB borrowers share holders own 88% and the remaining 12% is owned by the government.

The Bank's loanees are landless men and women, who must form groups of five, in order to receive loans which are given without any type of collateral. The group members are persons who are like-minded and have similar socio-economic background. Any person whose family does not own more then 0.5 acres of land or the value of one acre of medium quality land in the area is eligible to apply for a loan. These loans can be used for any income-generating activity.

Before loans are given to the eligible borrowers they have to undergo an intensive training for the duration of one to two weeks about the philosophy of Grameen Bank and its rules and procedures. The group members then have to pass a "test" before the group is given recognition. During this test the members must convince the Bank staff of their integrity and seriousness and demonstrate their understanding of the principles and procedures of the Bank and their ability to write their own names.

Each group selects its own chairman and secretary who organize the meetings where the attendance of all the members as compulsory. Several members in the same village are federated into a "centre" and from among the chairmen of the groups are elected the "Centre Chief" and the "Deputy Chief". Their duties include the conducting of the weekly meetings of the centre, recommending loan proposals, supervising loan activities and assisting Bank workers in their works.

Grameen Bank (GB) members create a number of savings accounts. These include the Group Fund, the Emergency Fund, the Children's Welfare Fund, Special Savings and Personal Savings accounts. The total amount of savings in these funds (in taka) are as follows:

Group Fund=1307.80 million (US $35.27 million); Special Savings=264.90 million (US $7.21 million); Personal Savings=1781.98 million (US $47.99 million); Children's Education Fund=145.82 million (US $3.95 million); Emergency Fund=190.10 million (US $5.24 million).

Each borrowers must save one taka per week in the Group Fund. The Bank pays 8.5% interest on this money. Apart from this, any member of the group may borrow money from the Group Fund for any purpose provided he/she has the consent of the other members. No interest is normally charged on loans from the Group Fund.

Beside the Group Fund, the group members establish another fund called the Emergency Fund. The amount every Tk 1000 of the loan amount beginning from Tk.1001 The Fund operates as an insurance fund for be GB loanees to cover them against death, disability and other accidents. The Fund is intended to ease the material or mortal damages caused by unforeseen events

An established GB branch usually has nine persons to carry out its business: a branch manager, a senior assistant, six bank workers/assistants (three of who are preferably women), and a peon-cum-guard. According to the principle of the Bank that the Bank should go to the people rather than the people coming to the Bank, all banking transactions are done at the centre meetings, which are attended by bank workers. The branch borrows money from the head office at a rate of interest of 12% whenever it needs funds and it on-lends at the rate of 20%.

The structure of GB is decentralized. The Bank has 12 Zonal Offices. Below the zonal office is the area office and below that is the branch office. Each area office supervises around 10-15 branches. The number of area offices currently in operation is 108. The number of GB branch office upto December 1992 was 1015. The number of villages that have been reached is 30,619. These villages are located in 52 districts out of a total of 64.

The Bank serves about 1.5 million borrowers. Ninety four percent of them are women, in contrast to only 46% in December 1983. This is the result of a conscious policy on the part of the Bank's management who have observed that women tend to be more scrupulous about the repayment of their loans than their male counterparts. In addition, it has been noted that when women are the loan recipients, the benefits resulting from additional income are usually spread more evenly over the household as a whole i.e. her husband and the children also receive a major part of the benefits accruing from the loan utilization. In contrast men tend to spend the money mainly on themselves. Therefore, lending to women provides a more effective means of improving the position family as a whole.

The Grameen Bank has disbursed a total of 15,434 million taka (US $416.05 million) as loans until December 1992. The average rate of recovery of GB loans is 98%. This has overwhelmingly proved that poor people are indeed bankable and that they are in fact better customers than their richer counterparts. The only condition required to bring them into a viable banking system is an appropriate credit delivery-recovery mechanism.

Grameen Bank members have taken loans for over 450 different activities for which they already possessed the necessary skills. The average loan size is about 3000 taka, Grameen Bank currently disburses around US $15 million in loans per month.

Generally the biggest loan for an individual does not exceed Tk.10,000 but members can jointly take larger loans for collective enterprises. To date, such joint loans have been given for over 100 different activities. These include the purchase of shallow tubewells, deep tubewells, rice mills, oil mills, the leasing of markets, ponds and land; the purchase of power tillers, wheat thrashers etc. By December 1992, 147.17 million taka (US $4.05 million) had been disbursed to fund these activities.

The Bank has also introduced housing loans for the poor. This is of immense significance for the borrowers. A shelter is a basic recruitment for a person to experience any kind of fulfillment or security in life as a place to organize his/her life and to undertake any important plans and programmes. The ownership of shelter provides poor people with a degree of confidence, a sense of dignity and a conviction that they can improve their lives. The fact that, for many members their house is also their workplace, has prompted the Bank to offer housing loans to its borrowers. Around 157,334 such houses have been constructed, with a total amount of 1659.69 million taka (US $44.74 million) being disbursed for this purpose.

Alongwith economic activities, the Grameen Bank also has a strong social component to its work. GB members are encouraged to pay attention to their health and nutritional needs in addition to their -socio-economic situations. These principles are codified in the "Sixteen Decisions" which were formulated at a national workshop of female centre chiefs in 1984. The Sixteen Decisions stress the following elements:the need for discipline, unity, courage and hard work; the growing of vegetables all year around and the plantation of as many seedlings as possible; keeping the environment clean, drinking boiled water or tubewell water and introducing physical exercise in the centres; the importance of an adequate shelter; refusal to pay or accept dowries or to consent to child marriage; planning to keep families small and to provide children with education, the need to bring prosperity to the family and to collectively undertake bigger investments to increase family income; the importance of mutual support and unity among GB members.

The members are encouraged to implement the Sixteen Decisions in their own lives as far as possible. GB has successfully illustrated the point that poor women work hard if they are given a chance, because they are concerned about their children and their future.has an all-Bangladeshi staff of about 12,000 people at all levels.

Grameen Bank An important part of the Bank's success is due to the dedication and hard work of its bank workers.

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Human Resources Development and Operations Policy

HRO

Working Papers

Is Grameen Bank Sustainable?

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Baqui Khalily
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February 1994
HROWP 23

Contents

Introduction

Grameen Bank is a rural bank in Bangladesh that has attracted worldwide attention with its innovative and successful group-based credit program for the rural poor. It provides credit and organizational input to the poor who are otherwise excluded from the formal credit system because of their lack of material collateral. Grameen Bank has replaced the requirement of material collateral by group responsibility where individual access to credit is determined by group repayment behavior. By organizing and training the poor in groups, Grameen Bank has created both social and financial preconditions that enable the poor to receive loans based on group performance. Grameen Bank also provides social development inputs to the poor so as to make them individually and socially accountable. While this financial-cum-social intermediation improves the productivity and income of the poor, it also improves their loan repayment behavior and hence, contributes to the financial viability of Grameen Bank. Its loan recovery rate has been consistently over 90 percent, one of the highest among development financial intermediaries (DFIs) providing credit.

Because of the failure of most DFIs to effectively reach the rural poor, Grameen Bank of Bangladesh has attracted widespread attention as one of the more successful banks catering to this target group. In addition to its phenomenal expansion in Bangladesh over the last decade, with over 1.6 million members and 1,030 branches by June 1993, the Grameen Bank model has been replicated in many other countries. The World Bank has also recognized the potential of such a model of financial intermediation for the poor and has recently provided an "exceptional" grant of $2 million to the Grameen Trust for the replication exercises.

What are the sources of success of Grameen Bank? What makes its loan recovery so high compared to the low recovery rates of many DFIs that have been long supported by many bilateral and multilateral donor agencies? Is Grameen's success as a bank for the poor sustainable? Is the Grameen Bank model replicable? Moreover, as Grameen Bank has been relying on subsidized funds (often grants and concessionary funds) for institutional development, is it possible for it to continue functioning if these cheap sources of funds are dried out? How dependent is Grameen Bank on the leadership of Dr. Muhammad Yunus, the founder and managing director? Is leadership a critical element in the successful replication of Grameen Bank or development of similar programs elsewhere?

These are some of the issues that are being investigated in an on-going World Bank research study with the active participation of the Bangladesh Institute of Development Studies.[1]

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[1]Other than the sustainability issues, the study also looks at the household and intrahousehold impacts of Grameen Bank using household surveys from 87 villages in Bangladesh. The purpose is to identify program effects on household outcomes (such as income, wealth, asset accumulation, and hence, poverty reduction) and individual-level outcomes (such as employment, education, health, and nutrition) to see whether a credit program such as Grameen Bank produces desirable impacts at the household level that help reduce poverty and increases the human capital of the rural poor. The study also looks at the participation of women and the ensuing effects on household and intrahousehold outcomes. The study also examines the success or failures of two other major programs — Bangladesh Rural Advancement Committee (BRAC) and Rural Development (RD-12) project of the Bangladesh Rural Development Board (BRDB). The household-level impact studies and the program-level analysis of BRAC and RD-12 are in progress.

This paper discusses some of these issues based on a report on Grameen Bank prepared as part of this on-going study in the Bank.[2] The report is based on Grameen Bank data, collected from its aggregate-level records and a selected sample of its branches (118 branches) for the period of 1985 - 93. These branch- and program-level data have been used to analyze the sustainability of Grameen Bank in its dual role as an effective financial institution for the rural poor and as a poverty alleviation program. The fundamental finding of this study, based on different aspects of Grameen Bank performance, is that it is possible to reduce poverty through sustainable financial intermediation targeted towards the poor.

The Grameen Bank Model

Grameen Bank is a bank for the poor. Understanding the sources of its success (or failure) requires an evaluation of how it works as a financial institution and as program for poverty alleviation.

Grameen Bank operates in a credit market that is characterized by imperfect information and imperfect enforcement; two common sources of the failure of many DFIs in many countries. Lending entails high risk of loan default. The viability of lenders, therefore, depends on the selection of borrowers, their incentive to repay loans, and the ability of lenders to enforce the loan contract (Hoff and Stiglitz 1990). But formal lenders are not part of the community and hence, do not have ability as well as means to collect information about the borrowers and their activities. Thus, the formal lenders often lend based on asymmetric information and are handicapped in their ability to enforce contracts in the absence of an effective legal system for contract enforcement.

Grameen Bank has developed ways of tackling both problems of asymmetric information and imperfect enforcement. It offers group-based credit where an individual's access to credit is tied to group responsibility and repayment behavior. Grameen Bank's lending process starts with five self-selected persons who own less than 50 decimals of land and who agree to form a group where they guarantee and monitor each other. Each group is organized and trained by Grameen Bank workers in weekly group meetings about the Grameen rules and regulations and how to keep individual, financial and social discipline. Advantages of the group-lending approach are that it satisfies the self-fulfilling expectations of like-minded groups of people, and makes borrowers' activities transparent to bank workers. Group lending essentially uses peer pressure to monitor and enforce contracts, provides an incentive structure for the borrowers to repay, and helps screen good borrowers from bad ones, all of which would be costly for the bank to accomplish otherwise.

Also, unlike many other DFIs, Grameen Bank adheres to savings mobilization as an integral part of lending. While this provides an internal source of funds for on-lending, Grameen's savings mobilization scheme is also designed to address both production risk as well

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[2] See Khandker, Khalily and Khan (1993), "Grameen Bank: What Do We Know?"

as market imperfections that exist in credit and other markets. Each member is required to save Taka 1 each week which is deposited at the weekly group meeting. Moreover, 5 percent of the loan amount is levied for the "group fund," while Taka 5 for every 1,000 Takas above loan size greater than 1,000 is charged for the "emergency fund" contribution. The group fund is managed by the group and provides an additional source of loanable funds for the poor when mutual agreement is obtained. The emergency fund is managed by Grameen Bank and is used as an insurance against default owing to death or disability or natural disaster.

In addition, each member purchases one Grameen Bank share worth Taka 100. These shares provide a stake in the ownership of Grameen Bank for the membership as well as their representation in its board of directors; over time, both the proportion of members' shares in total capital and in the representation have increased.

Transparency in credit transactions is a unique feature of Grameen Bank lending. The loan selection and applications are discussed by all group members at the mandatory weekly meetings of the centers.[3] All credit transactions and related discussions for each group are publicly administered at the weekly meetings, and decisions are made on a consensual basis. These open banking procedures severely mitigate any entrenchment of vested interests in the system such as have been the source of corruption and embezzlement of funds in many DFIs (Braverman and Guasch 1986).

With poverty alleviation as its prime objective, Grameen Bank has developed targeting and input delivery mechanisms to focus on the causes of poverty. Grameen Bank believes that lack of access to credit is the biggest constraint for the rural poor. It argues that rural poor, with too little land to support themselves as farmers, can make productive use of small loans, borrowed without collateral, that they would repay on time. Thus, with appropriate credit support, the poor can be productively employed in familiar processing and manufacturing trades, transport services, storage and marketing of agricultural produce, and livestock among other income-generating activities. Grameen Bank also maintains that if the rural poor are provided credit on reasonable terms, they can themselves best judge how to increase their incomes and need no more outside inputs except what they can purchase themselves. These principles are used to mobilize the poor in such a way that poor men and women can receive credit by identifying a source of self-employment and by agreeing to guarantee and monitor others in the group.

Grameen Bank targets the poor based on landholding of less than 50 decimals. The land-based targeting may not be an effective mechanism for the identification of the poor because landholding and asset information can be concealed. Grameen Bank's targeting is effective, however, because its credit delivery is group-based and allows only those people with equal or

[3]A center is typically comprised of five to eight groups, and it is headed by a center chairperson and a center secretary elected from the group leaders. Each center meeting is attended by a Grameen Bank worker, who visits several centers on a weekly schedule.

similar bargaining power to form groups.[4]

Although membership is free, Grameen Bank's group-based lending taxes those who have high opportunity cost of time as it involves weekly meetings and other activities that are time consuming. As the opportunity costs vary from person to person and is usually high for the landed households, program participation is highly self-selective and limited only to those who have very low opportunity costs. As the landless poor have low opportunity costs due to limited income earning opportunities, they usually participate in the program.[5] The lower loan size (which is usually limited to Taka 2,500, equivalent to US$65, for a first time loanee and a maximum of Taka 10,000, or US$250, for older members) also acts as a deterrent against the inclusion of richer individuals in the groups.[6] This self-targeting is effective for those who are willing to bear the costs of group formation, training and monitoring each other's activities, and who are satisfied with the relatively small sums they can borrow.

Grameen Bank creates a market niche for the low income groups who do not have alternative source of credit at the rate of interest charged (Von Pischke 1992). Grameen's creation of market niche is also due to its implicit targeting of women among the poor. Given the sociocultural environment in Bangladesh, women among the rural poor are predisposed to be poorer than men. Because of exclusion from market activities, a woman's opportunity cost of time directly depends on a household's landholding. Thus, for poorer households owning less than 50 decimals of land, women's opportunity cost of joining Grameen Bank is minimal.

Grameen's membership mobilization has worked to both women's and Grameen Bank's advantage. It is advantageous for the bank because women usually do not borrow from formal or informal sources (due to lack of collateral) and hence, Grameen's money does not go for past loan repayment. In addition, women are more risk averse than men in project selection and extra careful in maintaining good standing as a borrower. Grameen membership works to poor women's advantage, because for the first time many get a rare chance of operating their own independent income-earning activities which in most cases help improve their status in the household.

Parallel to its group-based credit and savings process, Grameen Bank has developed a comprehensive social development program. This program is disseminated as the "sixteen decisions," which are guidelines for codes of conduct and activities aimed at improving the social and financial conditions of the rural poor. A comprehensive training program has also

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[4]Otherwise, when member's active participation in the lending process becomes an important constraint for lending, unequal bargaining power only promotes the vested interests that would undermine the viability of groups as well as the bank.

[5]Hossain's (1988) study found that some 98 percent of the program participants actually meet the landholding criterion of program participation.

[6]Note that even if five richer households form a group and approach a Grameen Bank worker for a loan, monitoring at the center meeting of 6-8 such groups would make such effort difficult for the group.

been developed for women in maternal health, nutrition, and childcare. The outcome of this program is that greater demand for basic services provided by government and others have been created and the nutritional status of women and children has improved (Quanine 1989).

Grameen Bank responds to the needs of the poor. In addition to the one-year general loans for self-employment, longer-term house-building loans are also provided at lower interest rates for members to improve their living conditions by building better quality, low-cost housing. In some areas where the repayment capabilities of its members were affected by natural disasters, the bank provided special loans, food storage loans, capital recovery loans (including goats as loan) and destitute loans. Since 1992, new avenues of credit, such as short-term seasonal loans and family enterprise loans, were also introduced to help members augment their income.

Grameen Bank's Achievements

Since its inception as a bank for the poor in 1983, Grameen Bank has evolved as a large organization employing 10,531 men and women in 1992. As of June 1993, there were 1,030 Grameen Bank branches covering members in 32,529 villages (about half of the villages in Bangladesh).

Membership growth

The phenomenal expansion of Grameen Bank is evident in the 840 percent increase in its membership in eight years, as it grew from 171,622 in 1985 to 1,614,673 in mid-1993. About 94 percent of the membership is women and over the eight year period, growth in female membership was always higher than the growth in male membership.[7]

For Grameen Bank, membership means access to credit. This is indicated by the overwhelming proportion of members who are borrowers: by June 1993, as much as 98.2 percent of all members had taken loans, compared to 88.9 percent in 1985. The emphasis on female membership and group expansion is also evident in the growth of borrowers: the proportion of male borrowers among all borrowers declined progressively (from 34.9 percent in 1985 to 6 percent in mid-1993). The number of female borrowers increased by 1,205.3 percent in the 1985-92 period compared to 67.1 percent growth in the number of male borrowers.

Lending volume and portfolio mix

The disbursement pattern of Grameen Bank loans reflects its expansion as well as emphasis on providing credit to poor women. In 1985, of the total cumulative loan disbursement of Taka 948.5 million, a little more than half (Taka 492.4 million or 51.9 percent) had been

[7] For details on the achievements discussed in this section, see the main report, "Grameen Bank: What Do We Know?" by Khandker, Khalily and Khan (1993).

distributed to female borrowers. By 1992, women received 79.8 percent of total loans disbursed.

The disaggregation of cumulative disbursement up to 1992 by loan-types, as classified by Grameen Bank, shows that 81.6 percent of all disbursement has been for general loans, 0.79 percent for collective loans, 8.9 percent for house building loans, and 8.7 percent for technology loans.[4] The phenomenal expansion in overall lending was also reflected in average lending per branch which grew from an average of Taka 1.86 million in 1986 to Taka 6.27 million in 1992.

The growth of Grameen Bank operations is also indicated by the increase in the amount of its loans outstanding, from Taka 244.2 million in 1985 to Taka 7,029.6 million in June 1993. Between 1986 and 1991, this proportion was declining as the shares of house-building and technology loans outstanding rose from 6.7 percent in 1986 to 40 percent in 1991. The average loan outstanding for a branch increased from Taka 1.09 million in 1986 to Taka 6.82 million in June 1993, an increase of 525.7 percent over this period.

Savings mobilization

Grameen Bank experienced an enormous growth in savings mobilization between 1985 and 1992. Total savings mobilized increased by 2,920 percent during this period, from Taka 114.9 million in 1985 to Taka 3,478.8 million in 1992. In the first six months of 1993, total savings had increased by 30.9 percent to Taka 4,553.3 million.

If the amount of loans outstanding is an indicator of its lending volume, the savings and deposits mobilized in recent years is more than adequate for Grameen Bank to continue lending operations without any funds from external sources. In fact, given its savings and lending performance, Grameen Bank had attained the savings-lending equality in 1989, which was partly due to increases in members' savings and deposits. For comparison, it is interesting to note that the total savings mobilized by Grameen Bank was four times larger than the combined savings recorded for five major commercial banks in Bangladesh (Chen 1992).

Social development

Along with its financial services, Grameen Bank has implemented several programs aimed at promoting social development. It encourages its members to practice the "sixteen decisions" on a daily basis and trains them on the modus operandi of Grameen Bank as well as on improving their health, nutrition and productivity. It also encourages its members to operate nursery schools at the centers (six to eight groups), which also double as day-care centers, and distributes seeds and seedlings to promote kitchen gardens and tree planting.

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[4]Technology loans are generally used to fund large scale projects. The share of technology loans in total lending has decreased due to the creation of the Grameen Krishi Foundation, which promotes agricultural productivity and has picked up many of the technology projects funded by Grameen Bank.

As of June 1993, there were 16,169 center-operated schools, up by 386 percent from 3,326 such schools in 1985. Enrollment at these schools had increased by 543 percent over the same period, from 71,467 in 1985 to 459,405 in mid-1993. Grameen Bank had distributed 5,445,309 seeds and 1,998,324 seedlings between July 1992 and June 1993, compared to 781,628 seeds and 373,190 seedlings in January-December 1985. The implementation of the "sixteen decisions" have induced the number of marriages without dowries to increase - by June 1993, 18,616 such marriages had taken place compared to 2,738 in 1985.

Grameen Bank also organizes workshops in order to train members on various topics, including its operational rules and procedures, livestock and poultry care, health and nutrition, and other social issues. The total number of participants in these workshops have increased by 655 percent over the 1985-92 period.

Administrative structure

Serving 1.6 million members with credit, organizational help and other social development inputs is a big and challenging task. To serve the poor in an orderly fashion, Grameen Bank has expanded in a decentralized fashion. Its administrative structure consists of four tiers - the head office at its apex, the zonal offices, the area offices and the branches - with a distinctive set of functions for each. The head office, located in Dhaka, is the central unit and is headed by the Managing Director (Dr.Yunus), a Deputy Managing Director, a General Manager and about 240 other staff. The zonal offices, the area offices and the branches comprise the field-level units.

An important feature of Grameen's management structure is the high level of autonomy given to the field offices. The zonal office acts as a mini-head office regarding administrative decisions, while the head office is involved more in mobilizing resources from external sources and in providing training and major policy decisions. Each zonal office supervises about 5-10 area offices, each of which oversees 10-15 branches and is responsible for the formal loan approvals, based on the recommendation of branch managers.

The branch is the most important unit in Grameen Bank operations, as it is the field-level office with the most contact with its member-borrowers and the basic profit-making unit. A typical branch supervises 50-60 centers located in villages within walking distances of the branch, and is responsible for group formation, member training and loan supervision. A center consists of six to eight groups and each group, the lowest level in the management structure, is made up of five people.

As of June 1993, there were 1,030 Grameen Bank branches covering members in 32,529 villages. Between 1985 and June 1993, the number of branches increased by 355 percent and the number of centers expanded by 660 percent. Given the major role of its branches in the organizational structure and credit operations, 85 percent of the employees were assigned to the branches in 1992 (compared to 79 percent in 1985), with an average of 9 employees per branch. In addition to the branches, there were 110 area offices and 12 zonal offices by June 1993.

Sources of funds

Grameen Bank, since its inception, has been able to finance its activities through resources made available at concessionary rates by various external and internal sources. As of June 1993, the proportion of foreign funds amounted to 74.54 percent of total resources available for Grameen Bank; 43.2 percent of total funds (Taka 2714.6 million) were provided in the form of grants, both for on-lending and revenue.

Initially, Bangladesh Bank, which is the central bank of the country, and the International Fund for Agricultural Development (IFAD) provided funds at 3 percent rate of interest. Various donor agencies from other countries became important sources of Grameen Bank funding by the mid-1980s. By mid-1993, the suppliers of funding to Grameen Bank included the Dutch, Norwegian, and Swedish aid agencies and the Ford Foundation.[9]

Grameen's Sustainability

The sustainability of Grameen Bank, given its role as a credit program with the objective of poverty alleviation, can be seen as the ability of the organization to sustain its credit operations and other activities as a viable financial institution. Grameen Bank utilizes resources mainly from subsidized sources to finance productive activities for the poor. It cannot, however, continue to operate based on such sources for ever. In order to be sustainable, the bank must (a) promote its organizational development within given costs for its institutional viability; (b) operate efficiently, given the program design and institutional framework, to attain financial and economic viability; and (c) help generate sustainable benefits for its members to reduce their poverty and achieve borrower viability.

To be defined as financially viable, Grameen Bank must, at a minimum, equalize the cost of each Taka disbursed with the price (that is, interest rate) it charges for lending to its borrowers. On the other hand, it is economically viable if the economic cost of funds (measured at the opportunity costs of these resources) used for credit and other operations can be met with the income generated from on-lending.

Financial and economic viabilities are necessary but not sufficient for the viability of Grameen Bank as a credit institution. Its management and decision-making system is also important to its sustainability. Management cannot be dependent on a single individual; there must be an institutionalized system. Staff development and productivity are important measures of internal efficiency.

But these aspects of sustainability cannot be attained unless the benefits generated for its target group are also viable, given the close link between the viability of the borrowers and the viability of the lender which both depend on similar environment and production risks. If the

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[9] Funds were also borrowed occasionally from commercial banks in Bangladesh at the market rate of interest.

returns generated from the activities financed by the program cannot meet the borrowers' costs and if the borrowers do not have an incentive to repay the loan, the program will not be viable. Grameen Bank relies on the group-based organization of members to screen, monitor and provide incentives to the borrowers to repay their loans. Thus, Grameen's sustainability depends in part on the viability of groups and its members.

Institutional viability

The sustainability of Grameen Bank depends to a large extent on its institutional development and viability, and the vital role of Professor Muhammad Yunus in the growth of the organization. With the institutionalization of its management style, a high element of decentralization and its emphasis on monitoring, evaluation and adaptability in decision-making, innovative processes have been replicated at all levels of the bank's administrative structure. Combined with the extensive training at the field-level for new recruits and older staff based on problem-solving activity, Grameen Bank has created a cadre of dedicated professionals, who are as much motivated by the objective of helping the rural poor as by their pay and incentive structures.

The rapid expansion of Grameen Bank has been based on the institutionalization of its decentralized management process. With the expansion of branches and creation of area and zonal offices, more decision-making authority was delegated to these intermediate administrative units as the head office could no longer deal effectively with the volume and variety of issues involves. But, unlike most hierarchical bureaucracies, Grameen Bank did not have to initiate a deliberate decentralization exercise because it evolved into a decentralized organization as part of its growth process.

With the devolution of many decision-making roles to the field offices, the head office can focus on the broader issues of policy and development. At the top of the organization, the Board of Directors is responsible for guidance and as the members own share in the stock, their representatives are also on the Board. Most of the central decision-making functions, in turn, are based on field-level information, which is systematically collected, analyzed and disseminated by the monitoring and evaluation unit.

Monitoring and evaluation plays a crucial role in operations and expansion, providing continuous feedback from different operational and financial reports. Information on flow of funds, disbursement, repayment and default records of the branches is monitored from daily statements prepared by the branch managers for the head office. These reports, which are analyzed by the monitoring and evaluation unit, make it possible to keep track of each branch performance and compare with the aggregate data. Such comprehensive information and reporting forms the basis for the in-built process of learning and innovation that is reflected in the decision-making and policies of Grameen Bank.

The management style has evolved out of Grameen Bank's experience in trying to effectively provide a whole range of innovative programs to the rural poor. The evolved management structure has an in-built adaptability that has been refined through field-level experience and an innovative approach to training, which was also developed by Grameen Bank. It is a structured learning process based on trial and error with continuous fine-tuning, including hands-on training for new staff and re-orientation training for the experienced employees.

The performance of employees and the turnover rates may be influenced by their pay structure and incentive schemes, given the nature of the job. Although the employees are paid according to the rules and regulation of Bangladesh Bank, education and experience influence their wages. This underlines the presence of staff incentive for improved productivity.

The objective of poverty alleviation through credit often requires Grameen Bank to expand its operations in areas where agroclimate and locational characteristics would not be considered favorable by other financial institutions. Econometric results based on the impact of agroclimate and locational characteristics on Grameen program placement in various thanas (administrative units in Bangladesh) suggest that program placement has not been affected by these factors. In contrast, both government and commercial banks have been affected by agroclimate and locational conditions, including distance to district headquarters; using these factors to determine placement in order to reduce their transaction cost. Grameen Bank locates its branches irrespective of agricultural potential or risk. Consequently, making profit in some branches such as flood-prone areas may be a risky venture.

Financial and economic viability

The viability of Grameen Bank depends on the revenue and cost structures as well as the assets and financial structures. While the revenue and cost structures indicate the degree of financial profit or loss, the assets and financial structures measure the expansion of assets over time, the capital adequacy and the role of internal resources in financing assets. Viability also depends on the rate of loan recovery which is a necessary condition for profitability through high turnover of loanable funds and minimization of default costs. Profitability, an outcome of the differences between revenue and cost, in turn indicates the extent of financial subsidy involved in operation. However, the long-term viability of Grameen Bank depends on the extent of the subsidy received from low-cost funds (provided by donor agencies of different countries and the government) and its ability to operate without such subsidy.

Grameen Bank is financially viable if it is profitable (that is, the financial subsidy is zero or negative) and it is economically viable when economic subsidy net of profit is zero or negative; therefore, the bank may be financially viable but not economically viable if its profit is less than the economic subsidy. In this analysis, Grameen Bank's viability is evaluated using two parameters - profitability and subsidy dependency. The level of profitability indicates the extent of financial subsidy while the subsidy dependency indicates the extent of net subsidy (economic subsidy net of profit) involved in Grameen Bank operation.

The loan recovery rate recorded over time is critical when measuring the amount of financial subsidy required to sustain a credit program. While the recovery rates for banks and other development financial institutions in many developing countries, including Bangladesh, have been quite low (in the 25 to 50 percent range), Grameen Bank has recorded exceptionally high recovery rates (about 98 percent). Interestingly, the loan recovery rates are lower for male borrowers than for women, which contradicts the conventional belief that women in general are higher credit risks than men.

Grameen Bank suffered losses in 1991 and 1992 only; in all other years since 1986 it has turned profits. An analysis of the trends in profit for the period of 1986-93 shows that Grameen's profit is very much influenced by whether or not grants received for research and development, training, and monitoring and evaluation are included as part of revenue. If profit is calculated on the assumption that Grameen meets these costs from its generated revenue, then Grameen Bank has been making loses since 1987. In contrast, if operating profit is calculated without costs on these accounts and grants, Grameen Bank can be shown as a profitable organization. This finding suggests that if institutional development were financed by donors or government, Grameen Bank could earn profit, given its cost and revenue structures.

Subsidy dependency

Grameen Bank made losses in 1991 and 1992 and received financial subsidy for these two years. It has also enjoyed what we call an economic subsidy for all years as its funds for on-lending and institutional development were mainly subsidized. As mentioned earlier, a comparison of the opportunity cost of such funds and their actual cost determines the economic subsidy. The net subsidy is then defined as economic subsidy net of profit. Following the definition of Yaron (1992), the subsidy dependency index (SDI) can be defined as the ratio of net subsidy and the average revenue (defined as the product of loan outstanding and on-lending interest rate). The SDI helps measure the percentage increase in the on-lending interest rate required to compensate Grameen Bank for the elimination of subsidy. A zero SDI means that profit equals the social cost of operation and hence Grameen Bank has achieved full self-sustainability. In contrast, a positive SDI implies that the economic cost exceeds the profit in which case the on-lending interest rate or the amount of loan outstanding must increase by the amount of subsidy to eliminate subsidy. For example, an SDI of 100 percent means a doubling of the on-lending interest rate or amount of loan outstanding to eliminate subsidy.

The estimates of economic subsidy are influenced by how one defines the alternative cost of subsidized funds. Using two measures of the opportunity costs of subsidized funds, one is the long-term fixed interest rate and the other is the short-term savings deposit rate, the estimates of subsidy and the degree of subsidy dependency (SDI) were calculated.

The SDI estimates suggest that there was a monotonic increase in the subsidy dependency of Grameen Bank between 1987 and 1990, and then after 1991 the SDI fell. For example, in the case of long-term interest regime, the SDI decreased to 130.16 percent in 1991 from 165.94 percent in 1990, followed by further declines in 1992 and 1993; in 1993 it was estimated to be only 65.88 percent. The decline in the SDI in recent years was due to the large increases in loan disbursement and increased profit mainly due to increased lending rate from 16 percent to

20 percent. This suggests that the subsidy dependency of Grameen Bank has been reduced over the years through increased volume of lending and on-lending rate. However, such increases were not enough to eliminate the subsidy. Estimates suggest that if Grameen Bank were to eliminate the subsidy, it must double either its lending rate from 17 to 34 percent or annual disbursement from Taka 6.3 million to Taka 12.6 million per branch.

Whether Grameen Bank can double its lending rate or double its annual disbursement depends on the ability of its 1,030 branches to expand lending as well as the ability of borrowers to earn a positive rate of return on investment at the increased rate of interest. This requires an examination of branch-level profitability and borrowers' viability.

Branch-level profitability

The panel data of 118 branches, out of 1,030 Grameen Bank branches, for 1985-91 was used to analyze the issues of branch-level profitability and economies of scale. The econometric results suggest that it takes about five years for a branch to break-even.[10] Grameen's investment in staff training has a positive effect on branch-level profitability. Branches with technology loans, possibly because of their larger loan size, and better road infrastructure earn profits. Branches with only female borrowers make losses compared to branches with both male and female members.[11] In addition, the presence of other banks reduces the profitability of Grameen Bank branches.

An analysis of the cost data of these branches indicates that economies of scale exist in branch-level operation. For instance, the estimated marginal cost of mobilizing an additional member was estimated to be Taka 138, while the estimated marginal cost of lending an amount of Taka 4,000 was only Taka 64 with a total cost of Taka 202. Given the average interest income of Taka 600 at, say, 15.06 percent rate of interest for lending Taka 4,000 for a year, Grameen Bank branches are clearly operating at levels below where marginal cost equals marginal revenue. This suggests that Grameen Bank branches, which operate under profit maximization principle, would gain if they expand their business. The 1993 data suggest that Grameen Bank has successfully utilized this previously unused branch capacity to increase its lending by almost 70 percent in a single year. This has helped Grameen Bank earn profits in 559 branches out of 1,038 branches by December 31, 1993.

Borrower viability

But the sustainability of Grameen Bank and its branches ultimately depends on the viability of the borrowers. This can be judged in terms of outcomes relevant to the economic

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[10]This is usually the case for any bank even in the more developed financial market such as that of the United States. Thus, the argument that banking with the poor is not profitable is not true.

[11]This is again perhaps due to the size of loan. Women, on an average, borrow less than their male counterparts.

and social welfare of the members as well as their dropout behavior and loan repayment performance. The household-level welfare impacts of Grameen Bank are being quantified using household and individual survey data and are not yet ready. Some aggregate indicators of borrower-level viability such as members' dropout rate, loan default rate, and rural wage impacts are discussed in this paper.

The formation of a Grameen Bank group and its viability depends on the decision of each member to continue within the group-based system, given the costs and benefits of program participation. Members may dropout of the program for a variety of reasons, including "graduating," i.e., they no longer require Grameen Bank credit and its other services.

The aggregate dropout rates of Grameen Bank members increased from about 5 percent in 1985 to 15 percent in 1991. This rate is higher in the case of men: it was 22 percent in 1991 compared to 7 percent in 1985. In contrast, the corresponding dropout rates for women were 14 percent in 1991 and 4 percent in 1985. Overall, the dropout rate increased annually by 17 percent over the 1985-91 period; the average annual growth rate was 21 percent for female members and 18 percent for men. This suggests that the benefits must have been high enough; otherwise, the membership dropout rates would have been higher.

The branch-level data and information on local area characteristics were used to estimate the determinants of dropout behavior. The results indicate that the age of the branch is an important factor, as relatively new branches have higher dropout rates and the rate declines as the age of a branch rises. Increased salaries of branch managers and improved education infrastructure reduce the dropout rates of members from the program. However, rural electrification and the presence of commercial banks accelerate the rate. Thus, the more developed is the local economy and the more alternative income-earning opportunities, the higher is the dropout rate of Grameen Bank members.

The regular repayment of loans also determines the viability of the groups and the loan repayment record is another indicator of borrowers' viability. The proportion of defaulters (who have not repaid after 52 weeks) was nil in 1985-86. About 1 percent were defaulters in this category in 1987-89, but this percentage increased to 2 percent in 1990-91. Given the large number of borrowers, nearly 1.6 million, and the volume of disbursement, the default rate is almost negligible, which indicates the long-run viability of the borrowers and their groups. Estimates suggest that the default rate goes up with the age of the branch while increased managers' salaries and staff training, rural electrification, road length, education infrastructure, and rainfall reduce the loan default rates.

The rural wages in 25 Grameen villages were compared with those of 72 non-program villages.[12] The wage impact estimates show that Grameen Bank has a positive effect on rural wages, especially for male and child labor, even after controlling for possible influences of other

[12]The village-level wage is the average of all categories of labor (formal, informal and agricultural) by labor-type (male, female and child).

area factors. This means Grameen Bank has a net positive effect on local economic growth, leading to sustainable poverty reduction.

The savings mobilized from each member is another indicator of borrower-level viability. The per member savings was Taka 775 in 1992 compared to Taka 648 in 1987. As the borrowers' dropout rate is quite low and their loan repayment rate is high, this suggests that the benefits generated by Grameen Bank has been substantial and has been sufficiently sustained to keep its members enrolled in the program and also generate savings. The 40 percent annual growth rate of savings during 1985-92 can be treated as an indirect measure of borrower viability and program sustainability.

Given the extent of the benefits of Grameen Bank, the social cost of such program intervention is small. In 1992, Grameen Bank received about 11 percent subsidy for each Taka disbursed to its borrowers; this per Taka loan subsidy was 12 percent in 1987 and gradually increased to 14 percent in 1990. As Grameen activity is aimed towards the rural poor, its members actually receive this subsidy in the form of training and organizational assistance to improve their productive means, rather than as a direct transfer. In this sense, each member received the support equivalent to Taka 416 in 1992 compared to Taka 321 in 1987 (based on the estimates using long-term deposit rate). Note, however, that per member savings mobilization far exceeds (by two and one-half times) per member subsidy. Thus, if induced savings mobilization from the poor is a measure of social benefit, then social benefit exceeds the social cost of such a program placement.

Grameen's Potential for Expansion

Grameen Bank needs to expand both horizontally and vertically in order to be more cost-effective, especially when it will have to depend more on market conditions than a protected environment with help from donors and the government to finance its lending activities. However, the returns to activities financed by Grameen Bank are likely to decrease, given demand constraints, as more and more people join the bank and undertake similar productive activities. Thus, Grameen Bank expansion in Bangladesh entails risks that would threaten the viability of both the borrowers and the lender. As such, changes in the loan portfolio mix for more growth-oriented activities over time and the achievement of cost efficiency will be of major concern.

The empirical findings suggest that Grameen Bank could make more profits if it disbursed more money for technology loans than for general and collective loans. Similarly, branches that have both men and women borrowers make more profit than those branches with only female borrowers. As the average principal for a technology loan is relatively larger than for general loan and as men on average borrow more money than women, these findings clearly suggest that increasing the loan amount per borrower is one possible way of attaining both cost efficiency and profitability.

Increasing the loan amount per borrower depends on whether the borrowers can absorb increased volume of credit. This depends in turn on the entrepreneurial ability of the borrowers and the market opportunities that they face. But the economic growth of the economy shapes the nature and extent of credit demand of these borrowers, as the overall economic growth determines substantially the growth in rural nonfarm and agricultural-based enterprises that are being financed. Nevertheless, Grameen Bank can help accelerate the overall growth of the economy through portfolio diversification as well as increasing the effective demand for food and nonfood items of the poor.

Attaining cost efficiency is another major concern. If Grameen Bank is not cost-effective at the market rate of interest for loanable funds, it will become very difficult for it to continue its operation without subsidized funds for long. Besides, it would be a serious weakness for its long-term prospects if Grameen Bank would have to rely on funds from international sources.

One way of attaining cost efficiency is to increase membership for a given branch operation. Grameen Bank is currently attracting only 25 percent of the target households in its area of operation. This low participation may reflect constraints on both the supply and demand side. On the supply side, member mobilization is the single largest marginal cost of lending. Grameen's long-run cost efficiency thus depends on how effectively it reduces its cost of member mobilization. On the demand side, transaction costs of membership may be too high for potential borrowers to participate. Thus, Grameen Bank must find ways to reduce the transaction costs of membership in order to increase membership in each branch and thus help attain cost-efficiency.

However, the long-run cost-effectiveness of Grameen Bank depends on the long-run viability of borrowers who can absorb the increased cost of borrowed funds at the market rate of interest if Grameen Bank cannot absorb the full amount of increased cost through internal cost efficiency. This means, borrowers need to be efficient as well as capable of diversifying into new enterprises over time as the economy expands. Grameen Bank can help promote the entrepreneurial development of borrowers through relevant skill training, technology, and market promotion. It can also help promote marketing of their products by exploring and tapping potential export markets.

Policy Conclusions

Grameen Bank is a unique financial institution in Bangladesh that has succeeded in providing credit, without collateral, to over 1.6 million poor people and recording very low default rates. Grameen Bank is more than a bank, however. Its objective includes the alleviation of poverty of the rural poor through credit and social intermediation. Its success as a financial institution is its creation of a market niche. Its success as a poverty alleviation program, on the other hand, is its outreach to women among the rural poor who constitute over 94 percent of its membership.

What has been difficult for many DFIs to accomplish for several decades with the support of governments and various bilateral and multilateral agencies has been accomplished by

Grameen Bank in a decade. Although poverty alleviation through subsidized credit and economic growth was the objective of many DFIs, not much success was possible for a variety reasons. The principal reasons were the stringent asset-based collateral requirements and the organizational weakness of DFIs that caused the subsidized funds to be channelled to the rich, although these were earmarked for the poor. These better-off recipients used the cheaper money both for productive and non-productive purposes which did little to help the poor. These efforts not only failed to reduce poverty over time, but also could not ensure the viability of DFIs -- subsidy, low recovery rates, and the erosion of portfolios due to low (often negative) real interest rates undermined the solvency of these institutions.

Grameen Bank has directly attacked poverty by targeting credit and organizational assistance directly to the poorest people, at reasonable terms the poor find acceptable. The member dropout rate is low (15 percent), while the loan repayment rate has been consistently high (above 90 percent). The benefits from program participation must be high enough, given the cost of program participation; otherwise, the dropout rate would have been high and the loan recovery rate would have been low. The accrued benefits to the members are also high; as they save about 19 percent for each amount of loan disbursed.

Given the success of Grameen Bank in reaching the poor and alleviating poverty, the question is whether the program is replicable in other countries. This issue depends on the extent to which its program design is replicable and, to a large extent, on the role of Dr. Yunus in the development of Grameen Bank. If Grameen Bank is successful mainly because of the charismatic and committed leadership of Dr. Yunus, then the program is not replicable. Similarly, if the program design is unique and context-specific, it is also not replicable. As discussed earlier, the management of Grameen Bank is highly decentralized and major decisions are taken by managers in the field. Grameen's expansion in about 50 percent of all villages in Bangladesh is an example of its wide replication. Once the program was institutionalized, Dr. Yunus has played a limited role in day-to-day business. The issue of leadership is, however, more pertinent in the early stage of program design and in its development process.

What is more important is whether Grameen's group-based lending is replicable. Group-based lending is replicable in an environment where social intermediation is required for lending to the poor. It is also applicable in rural settings where asymmetric information and imperfect enforcement make credit transactions highly risky and costly. Group lending is also desirable for the poor where the economics of poverty is rooted in the socio-economic inequities of the societies so that existing social institutions cannot be used to deliver subsidized inputs to the poor. Group-based targeted credit and other inputs may also be necessary where there is a market failure.

However, the successful replication depends on the creativity and commitment of the leadership and its ability to carve out a market niche. The other crucial factor for successful replication is the availability of funds for on-lending to the target population. For institutional development and experimentation, the availability of grants and concessionary finance is necessary. Moreover, as shown earlier, a Grameen Bank branch takes about five years to break-even. A targeted credit program that works to improve efficiency in the case of a market failure must receive the seed fund for institutional development. It is in this context that the World Bank's grant of $2 million to Grameen Trust for replication exercises would help further poverty alleviation effort through targeted credit.

GRAMEEN BANK SOME STATISTICS (as of June 1993)

Number of Branches	1,030
Total Number of Employees	10,452
Number of Villages Covered	32,529
Number of Centers	
Total	54,819
Male	3,640
Female	51,179
Number of Members	
Total	1,614,673
Male	97,629
Female	1,517,044
Number of Borrowers	
Total	1,586,145
Male	95,803
Female	1,490,342
Loan Disbursement (cumulative)	
Total	Taka 23,979.2 million
Loans to Women	Taka 19,682.0 million
Loans to Men	Taka 2,581.4 million
Loans Outstanding Total	Taka 7,029.6 million
Savings and Deposits	
Total	Taka 6,659.5 million
Total Member Savings	Taka 4,553.3 million
Male Member Savings	Taka 1,307.0 million
Female Member Savings	Taka 3,246.3 million
Social Development	
Number of group-operated schools	16,169
Number of students in schools	459,405
Number of marriages without dowry	18,616

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 26, 1995

Remarks by First Lady Hillary Rodham Clinton at RESULTS Dinner Washington, D.C.

MRS. CLINTON: Thank you. Thank you. Thank you so much for letting me come here this evening. I am thrilled to see and hear all of you.

I'm also delighted to congratulate Sam and Shannon on their marriage and on the merger of Results and The Children's Defense Fund. That's a pretty powerful combination. I am also, as always, honored and delighted to be here with my friend, Muhammad Yunus, someone whom I have known and admired for nearly ten years -- about nine and a half -- and whom I am delighted to see finally break through those mental categories that were referred to earlier so that more and more people around our world can recognize and appreciate what Grameen means and what kind of a model it is for the rest of us.

I also want to thank each of you, each of you who are volunteers and partners, starting with Whitney who gave me flowers as I came in and a beautiful card which I was honored to see referred to me as a partner because you are really, you are really, the heart and soul, not only of RESULTS, but in Sam's words, of reclaiming democracy in this country and in many others because I don't think it's any surprise to anyone who has paid attention, as you have, to events unfolding in the United States and other nations how imperiled democracy is by a number of events all of which converge to make it more and more difficult for individuals to feel the essential power that lies at the root of citizenship, to be willing to accept the essential responsibility that goes along with being a citizen of a democracy.

We have so much information washing over us every day. Much of it delivered by voices that preach cynicism or apathy, that are looking for the eight second sound-bite, the quick turn of the phrase, the capacity to stun, to scintillate, to stimulate, but rarely to explain or to engage in the hard, often boring, work of democracy.

So what you are doing by the example you set goes far beyond even the programs and issues you are committed to because you are symbolizing what we need to rekindle around the world.

Most people in public life today, whether it is public life as elected officials or as appointed civil servants or public life as citizens, know that we are at a crossroads in our world development. We can either determine to make a difference on a day to day basis knowing that many of the goals we set will be difficult challenges to achieve but are worthy challenges and provide the necessary commitment for our journeys as individuals and as societies to be worthwhile. That is seeing the glass as half full or we can join too many of our fellow citizens in todays world in thinking there is little or nothing any of us can contribute. I believe there is growing below the surface, in many ways right underneath the crust of all the cynicism and apathy, the sense of possibility again. It needs to be nurtured. It has to be protected and each of us must help it grow to break through that crust. But I sense it. I sense it in so many different settings.

I certainly sensed it during my trip to South Asia where I met people who themselves had paid the ultimate price in the assassination of mothers, or fathers, or husbands, or brothers, or sons on behalf of democracy -- who themselves had been imprisoned, or exiled, or tortured, or ridiculed time and time again because they believed in the potential of democratic growth on behalf of their people.

I see it and hear about it from corners all over the world today. In many respects the so-called developing world has more of that energy than the so-called developed world. There is a little bit of democratic fatigue that has set in some of the developed world. A sense in which too many people are saying been there done that. It's too much effort to go on. But I think, and I trust, there is a second wind coming on in the developed world fanned by many, many people like yourselves. And part of what we have to work out is the proper role and responsibility of the different sectors of our society and the role and responsibility available for each individual to assume his or her place in our democracies.

In our country, at least, there is this false debate that goes on. Much of the time I believe it goes on to obscure the real issues underneath that debate. But the false debate which many of you are so well aware of tries to pit the individual and the family against the government and society. Arguing that our problems are either one or the other. Solutions have to be one or the other eliminating the acquired knowledge we have all gained over the years of how we must form a partnership -- a partnership among people, a partnership between institutions. That false debate is raging in our own capital today.

Many of you have visited with members of Congress today. And I was pleased to learn that before I came Congressman Gilman urged you to continue to talk with and work with members of Congress, particularly freshman members of Congress. I would echo his request to you. Many of the new members and newer members of Congress have never been outside of the United States, have never visited any impoverished section of our own country, have never met face to face with any individual who has, through the kind of grassroots efforts RESULTS has promoted, been able to make a difference in his life or the life of his community. So there is much work and education that remains to be done but it does pay off.

Today, as you heard from Dr. Yunus, we saw a great moment as the World Bank made a decision on behalf of micro credit. That did not happen overnight. It met with much resistance, much misunderstanding. It required the breaking of all kinds of categories and it only happened because there were enough persistent people who refused to give up time after time when they were told this will never happen. That's what its going to take on not only issues related to micro credit but every issue related to the eradication of poverty.

So take the success that we've had today and store it away as an energy source whenever you become discouraged -- to continue to go on, to raise your voices on behalf of programs and policies that we know can make a difference. I hope that in the months ahead as you talk with elected representatives, as you get those editorials placed, as you visit face to face with people who are making a difference in their own communities that you will always be thinking of how we can better communicate what you know and feel to others. That is one of our great challenges how do we break through the blizzard of communications going on now, to be able to pierce into the consciousness of enough people in our various countries so they begin to understand what you know, what you have seen, what will work. We have to, on behalf of these issues and the entire agenda of social development, think more clearly and strategically about how to communicate effectively. I wish we could take every member of Congress to Bangladesh. I wish we could take every member of Congress to many of the model programs that work here in alleviating hunger, in providing grassroots support for entrepreneurs, in doing much of the work that you know will make a difference.

I wish we could have the opportunity for every member of Congress and every member of Parliament to have known Jim Grant -- to have walked with him as he pulled out from his pocket his oral rehydration salts. But not everyone will have the experiences that many of us have had. We, therefore, have to be their voices, their eyes, their ears, their hearts and that is our primary challenge. Because, unless we can effectively explain what the RESULTS agenda is, what the Grameen Bank does, why Jim Grant was so effective with low tech cost efficient ways of saving children's lives, there will be too many who still feel the glass is half empty. They too need to be re-energized to believe again that they can make a difference.

So much of what I see ahead of us is a real struggle to communicate clearly and effectively what you already know. To take that message, as Sam was doing on the TV program whose clip we saw, into the board rooms, into the legislative chambers, into the television studios where we will be met, as I have been met over an over again with skepticism, with suspicion, with disbelief. But you know there is something about persistence. There is something about refusing to take any of the opposition personally. Take it seriously because you need to learn how to respond to it, but don't take it personally. Be as committed as you are tonight, as vocal as you are tonight, as enthusiastic as you are tonight and keep after it day after day after day.

Because as I said earlier, much of what we have to do is not glamorous. Not all of us will get to be on TV shows like Sam. Not all of us will be able to score any big victories even if it takes fifteen or twenty years like Muhammad but every one of us can help bring about those incremental changes, that light that goes on in somebody's head, that additional person reads that editorial, that individual suddenly decides being an involved citizen is better than just being a resident. And we may never know the names of all the people whose work you will have moved and created but it will happen. Because I think we at the end of this century are on the brink of tremendous positive energy so long as we don't flag or give in.

And there is no one who represents that better for all of us than the man we have with us tonight, who has just spoken to us, who it happens to be celebrating a birthday today. He wasn't going to tell you that, I bet. But I have my ways and I know that it would make him very embarrassed if we were to sing, "Happy Birthday" to him, but I think we ought to do it anyway and maybe we ought to do it with as big a voice, and as enthusiastic a singing turnout as we can so that it can be heard all the way to that village that he took me to in Bangladesh where, for me, I felt privileged to be there amongst so many people and particularly the women who were turning their lives around who just a few years ago never, ever could have stood and talked with us about what was on their minds and hearts. So, as we sing, "Happy Birthday," let's really re-commit ourselves to being able to sing and celebrate all of the results that will flow from the efforts we continue to undertake. Thank you all very much.

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