

## Transcript and translation of “Brennpunkt” 30.11.2010 title: “Caught in micro-debt” from <http://www.nrk.no/nett-tv/klipp/688333/>

Transcript and translation by Unni Beate Sekkesæter, Microfin Consulting, Norway.

### Introduction:

(Commentator Snorre Tønset from Brennpunkt): Muhammad Yunus used Norwegian aid money to start a mobile company together with Telenor in Bangladesh. The fight against poverty is work for peace of the best kind.

(Commentator Snorre Tønset from Brennpunkt): Welcome to “Brennpunkt”. In one week the Nobel Peace Prize will be given here in Oslo City Hall (behind in the picture) without the winner being present. Four years ago the winner was present in a very strong manner. Professor Muhammad Yunus got the Peace Prize in 2006 for having lifted millions of people in his home country Bangladesh out of poverty with so called microloans. His bank, Grameen Bank, was built on, among other, 400 mill Norwegian aid kroner. Tonight we ask if micro loans actually are helping the poor, and why Norwegian government the last 12 years have kept secret a delicate fight with Yunus over what the Norwegian money actually was used for. The last two years the Danish film maker Tom Heinemann and “Brennpunkt” have done research into the case.

(Pictures from the Nobel Prize ceremony) The Norwegian Nobel Committee has decided that the Nobel Peace Prize for 2006 shall be divided between Muhammad Yunus and the Grameen Bank for their work to create social and economic development from below.

(Interview with Mjøs) To give small loans to the poor and to contribute to their ability to repay the money we felt was a good case.

(Obama in speech) 35 years ago Muhammad Yunus founded Grameen Bank, a bank that has disbursed more than 8 billion dollars lifting millions of people from poverty with microloans.

(Nobel Ceremony) One of the borrowers, Marceda Begum has said: My parents gave me the birth, but Grameen Bank gave me a life!

(Yunus, Nobel speech) This idea that started in Jobra has spread around the world. There are now Grameen type programs in almost every country in the world.

Hilary Clinton got on the band wagon, kings and queens got on the band wagon, Bono got on the band wagon, all these big names, Hollywood stars left and right all said this is wonderful, this is great. That Dr. Muhammad Yunus wins the Nobel Peace Prize for this, how can it be bad? It must be good!

### Title comes up: “Caught in micro debt”

Commenter: “Give the poor a microloan and they may lift themselves out of poverty. For decades the man and the idea has been praised all over the world”. (Yunus in speech): “If I could make so many people so happy with such tiny amount of money, then why shouldn’t I do more of it? (Yunus in speech in Copenhagen): We became a bank and called it Grameen Bank – the village bank. Today that bank is a big bank – a nationwide bank in Bangladesh. We have nearly 8,5 mill borrowers in that bank.

Can really loans of a few hundred kroner bring millions of people out of poverty?

For the last two years “Brennpunkt” has travelled worldwide to try to find answers.

We start in the small village of Jobra in South-Eastern Bangladesh. Here the cornerstone of the success story about microcredit and Grameen Bank was laid. In 1976 the young economist Muhammad Yunus lent 27 dollars to 42 women in Jobra.

And in Jobra we meet the daughter of Sufiya Begum, the women Professor Yunus has mentioned numerous times as an example of how a micro loan from Grameen Bank could help somebody out of poverty.

Interview with Narrunnahar Begum (in Bengali with Norwegian subtitles. Timeline 4.48):

Q: Have you met Dr. Yunus?

A: "Yes, when he got the Nobel Peace Prize. I gave him flowers. The village had collected the money".

Q: What did he say to you?

A: He had promised my mother a house.

Q: Did he promise you that?

A: Yes, and I have told Grameen Bank, but nothing happened in three or four years.

Commentator: According to local media Sufiya Begum died in deep poverty in 1998. In the middle of the discussion with the daughter, the neighbor suddenly gets involved in the conversation.

(Abdus Salman says): "I just wanted to say that he (Yunus) has used my house as an example of microcredit. Grameen Bank says that my house belongs to Sufiya Begum, and they say that they have built the house for her (Pink nice brick house in the picture). They have shown my house and made millions! "

Q: So has Grameen Bank cheated you?

A: Yes, more than one time. They have done so the last three years.

Commentator: A day's travel from Jobra, South West in Bangladesh lays this small village. In 1995 the village received very distinguished visitors from the US because of the story about how Yunus and the Micro loans had helped poor women. The First Lady of USA at the time, Hillary Clinton, is on a tour (footage from the visit of Hilary in 1995), and Muhammad Yunus is proudly showing the small village.

Hillary Clinton to the villagers: "Rumors about what you have achieved have reached all the way to United States".

Commentator: (Footage of Clinton and Yunus) The US president at the time, Bill Clinton, was just as enthusiastic. From year 2001 he suggested Yunus for the Nobel Peace Prize year after year. We visit the village 13 years after Hillary Clinton to find out how things have developed. All the time since the village has been named just "Hillary village". During the visit of the First Lady, many villagers were offered a micro loan from Grameen Bank to build a house. In the outskirts of the village we meet Kartik and his family: (Bengali with subtitles – 7:04)

"When Hillary Clinton was here, they promised to help us building a house. They (Grameen) do not keep their promises. They promised to help 60 families that are living here. Five or six got help, the rest got nothing."

Commentator: Close by Khude and his family lives. He also got a housing loan from Grameen Bank. We are shown his bank ledgers, and they tell that they still owe the bank more than NOK 400 (US\$ 58).

Q: Did you talk to Hillary Clinton?

A: No, I was just sitting here working when she was visiting. They took a lot of photos, and then they left.

Commentator: A few days after the visit of Hillary Clinton in 1995 the little village receives a new visitor from the US: A researcher who heard about the First Lady's unusual visit.

Jude Fernando, PhD, Development Studies, Clark University: "I was very curious as to why this particular person, Hillary Clinton was brought in, so I went and interviewed a lot of women. They said that Microfinance was not very popular before she came in, and most of the women who spoke during Hillary Clinton's visit were not from the village. Most of the women were taken by buses from outside.

Q: What kind of development took place because of micro loans?

Khude A: What I have seen so far is that four persons have built houses (pointing towards four houses). Otherwise there are no developments here. Nothing else.

Q: How many took loans?

A: Here, there were about 50-80 persons

Q to Kartik: You know a lot of people her, how many managed in a good manner?

Kartik A: Only four families. Many did not manage well.

Q: How many took loans?

Kartik A: About 60 families took loans

Q: How are the families managing?

Kartik A: Some have sold their houses. Others just left, and so on.

Commentator: Today around 100 million poor people around the world have taken a micro loan. Many of the so called "micro banks" have been inspired by Grameen Bank, but how does the loans work for the poor? Are we supposed to believe the stories from Jobra and Hillary village? We have asked numerous experts around the world. In Washington we find a great admirer of Muhammad Yunus.

Alex Counts, Director, Grameen Foundation: "13 years ago I started a foundation called Grameen Foundation, and it was meant to help support organizations that were trying to apply the Grameen principles and the Grameen strategy to other countries because most of the world's poverty is outside of Bangladesh in places like India, Nigeria, Indonesia and Pakistan. So I wanted to help people who were trying to apply what I had seen work so well in Bangladesh in other contexts."

Commentator: In New York we meet an economist who for many years has researched how the micro loans are working.

Jonathan Morduck, Professor, New York University: "Having access to credit has proven to be powerful. People are thinking about finance all the time, they need finance, they want finance, and microcredit gives it to them.

Commentator: In London we meet a sharp critic of micro loans. Recently, Milford Bateman launched a new book where he argues that the micro banks are exaggerating how good the system is for the poor.

(Milford Bateman, Research fellow, Overseas Development Institute): "The microfinance institutions publicize the tiny number of successes, but what they are not telling us is about the much, much larger number of failures. We don't tend to see the bad side of the story. We only get to see the small successful side of the story.

Commentator: And in Paris we meet a development researcher who has long experience in fighting poverty from among others The World Bank and the UN

Thomas Dichter, International Development Consultant: "It almost has an irresistible magic to it. The magic goes like this: You give a little money to a poor person, the poor person invests, he or she the makes money and they pay the money back. What could be better than that? A low cost, if not non cost investment, and "boom" poverty is solved."

Commentator: Grameen Bank's head courter in Dhaka rises above most other buildings in the capital, a good proof of the bank's appeal. The Western countries have contributed a lot to the success of the bank. Until the mid 1990s the bank for the poor received more than 1 billion kroner as aid money.

Jonathan Morduck: "There were a lot of grants that were coming in directly, so I started to see that there were various places where subsidies were coming in, so over the time period that I was looking at from early 1990s to mid 1990s there were about 175 million dollar worth of subsidies that was coming in"

Commentator: Little Norway is one of the countries that have contributed most grants for Grameen Bank. In the period from 1986 to 1997 Norway donated the Norwegian Government nearly 400 million kroner (US \$66 mill) aid donations to the bank. The Norwegian enthusiasm had its peak moment in 2006 when both the bank and its founder were awarded the Nobel Peace Prize.

Ole Danbolt Mjøs (during Nobel speech): "Numbers may grow rapidly and become very high, but behind every number there is a person. Every individual on this planet has potential and rights to have a dignified life. The fight against poverty is Peace work of the best type."

Norwegian Prime Minister, Jens Stoltenberg(2006): "It is both a great and vice allocation of the prize. Muhammad Yunus and the Grameen Bank do very important work, especially by giving women the chance to live off their own enterprise earnings by being self employed. It started in Bangladesh and has spread all over the world and is a fantastic instrument"

Commentator: Muhammad Yunus got a fantastic celebration and a successful Norwegian aid project had become an internationally recognized peace project. But there was another story the Norwegian people did not get to hear. This story was hidden in the archives of Norad. After a comprehensive process Brennpunkt has managed to get access to hundreds of documents from the end 1980s and later. They tell a different story about the Grameen Bank that was not "rosy red". Already in 1993 NORAD warned that the poor might end up in a "debt trap".

Citation from Norad letter from 21. December 1993: "A study among 40 women with 10 years membership shows that almost all had to take private loans to pay the interest."

Part of the NORAD leadership are worried about many poor having to take repeated loans in order to manage to repay the loans – they call it "pyramid loans" and claim that they may result in an institutional collapse (Norad, 21. December 1993)

Commentator: We travel to a small town in Northern Bangladesh. There we meet a number of women who tell that they have several overlapping loans from several institutions.

One woman in interview mentioning ASA, Gram Bikash, Pollisiri, Bohumukhi, BRAC, Islamic Bank and others.

Commentator: We also get to see these women's bank ledgers. Most of the loans have to be repaid in a year, and the installments usually start the week after the loan has been received.

Woman in interview (15:14 in Bengali): "I bought a small piece of land. After the investment I found that I did not earn so much. I had to take one more loan in order to pay the installments."

Yasmeen (in Bengali 15:29): "I took a loan. Then I took another loan to cover the costs of the first one. I have debt with five organizations. The three other (loans) I have already paid"

Commentator: Every week the women meet in the village to pay their installments. The group provides guarantee for each other and the rule says that nobody may receive a loan without being member of such a group.

Tom Heinemann asks:"If somebody in the group does not pay, what happens?"

Woman (standing with 5 other women) answers: "One in the group did not have the money to pay the installment. The money was withdrawn from another group member. Tensions raise and Women lose their friendship as others in the group are affected. We become enemies"

Tom Heinemann: "How do you like Grameen?"

Women: "None of them are good for us. (Discussion maybe not translated in full:16:27) Grameen Bank pushes its members. We have to pay a high interest. At the same time we have to save with them. They do not accept installments unless we save. And we have to buy insurance for the loans. Many problems arise"

Commentator: And that's why many end up with the expensive local loan sharks.

Woman: "Earlier the loan sharks did not take such a high interest. Now all have used all their money so the interest has increased"

Milford Bateman, Research fellow, Overseas Development Institute: "Those people now are taking microloans in order to repay older loans or to repay microloans to other microfinance institutions. And the poor are gradually becoming trapped in a web of micro debt"

Commentator: Today microloans are a number of different products. You may borrow money for education, to build a house and not least for consumption. And there are many needing help. In Bangladesh alone more than 80% of the population lives on less than \$2 a day. The supporters of microloans claim that they are offering just the thing that these poor people need.

Alex Counts, Grameen Foundation: "What microfinance is trying to do with very little subsidy from the philanthropic sector is trying to provide a service on a commercial basis, on a business basis to give them a better deal. And I think most MFIs succeed. In fact if they were not succeeding people would not borrow from them, so that is the best evidence that we have."

Commentator: In 2007 a number of economists in Bangladesh published a large survey related to microcredit. The report includes 2500 poor who had taken microloans. More than 1/3 of them had loans from Grameen Bank.

Interview with Q.K Ahmad, PhD Economy, about the study: "We found that for most of the people it had not added to their assets at all. And there had been many, maybe about 1/3 or more whose assets in fact went down. And we also found that the health and sanitation situation was not good. The children going to school but they are dropping out after a while. And their food intake also has not improved very much. The reason being, they told us, that they have to pay their installments every week. So the main thing they were trying to do was to find money to pay the installments disregarding other needs of the family, because installments have to be paid, otherwise there may be punishment awaiting them or their colleagues, the members of the group.

Commentator: The survey showed that even though the microloans are small according to our standards, the poor are having a difficult time managing to meet their obligations.

Q.K Ahmad: "When the first results came, I did not believe that – I said it can't be, because this is microcredit, it is known all over the world and it is so much praised by everybody, and then the results say that people have not done any better. They are remaining either where they are or going back. Only few making it good"

Commentator: And it is the sky high interest rates that the poor are struggling with. In Grameen Bank many borrowers pay more than 30% effective annual interest. A chief editor who follow the microloan marked closely tells that there are huge sums of money to be earned.

Nurul Kabir (New Age Magazine): "In a commercial bank for instance, if you take a loan in Bangladesh you have to pay 12 to 13% interest. If you take a micro credit you have to pay back – it ranges from 40% to in some cases 125%, so microcredit is a big, big business."

Commentator: And it is not only in Bangladesh that interest of microloans are sky high. Investigations show that in Africa 100% interest is not uncommon, and in Mexico it may pass 200%.

In the University in Cambridge in England we meet a well recognized Korean economist who claims that the high interest is bringing the poor straight into a debt trap.

Ha-Joon Chang, Associate Professor, University of Cambridge: "They will never get out of poverty because when you have to pay 40-50%, sometimes 100% interest rate, what business makes that kind of profit? Unfortunately, the whole game has been set up in such a way that beating the local moneylenders has been seen as a success. And I think that the whole thing has to be reexamined."

Commentator: In Bangladesh the criticism against microloans is rising, especially among the organizations who want to strengthen the rights of women.

Khushi Kabir, Director, Nijera Kori: "Here the outside institutions take your saving and control your savings, who control what type of loans they are going to give you and insist that you start repaying from week 1. So my question is if Microfinance was such a positive thing, why is it that money lending exists in the villages and the interest has not gone down?"

Commentator (while showing film of groups of very sad women): In several trips to Bangladesh we have made interviews with more than 30 families, and we have seen numerous bank ledgers that confirm claims about sky high interest rates, interest rates that makes it almost impossible to pay the weekly installments. And when the poor we have met take a loan, few know what kind of deal they are entering into.

Q:Tom Heinemann: "Can you read and write?"

A: "No"

Q:Tom Heinemann: "So you don't know what is in the documents?"

A:"I can only sign my name"

Q:Tom Heinemann's interpreter:"Have you signed any loan documents?"

A: Mahfuza:"I have signed many places.

Q:Tom Heinemann's interpreter:"Can you read or write?"

A: Mahfuza:"No, I can only sign my name"

Q:Tom Heinemann: "Can you read and write, Madame?"

A: Anwara: "I can just sign my name"

Q:Tom Heinemann:"So how do you know what is in the documents?"

A: Anwara:"I cannot read. I just sign in order to have the money in my hand."

Commentator: North in Bangladesh we meet Hazera. She is also fighting to pay the annual interest rate of 30% in Grameen Bank:

Hazera: I have had loans from Grameen Bank for 15 years. "I have paid the installments in time. One time I got problems paying. Grameen staff were saying bad things to me, saying they would take away the roof of my house and leave me on the street. They said many bad things. I got scared and sold all my belongings and paid my installments. My house is falling apart, it is a hole in my roof, and I do not have anything left in the world (crying in her house). It has been raining through the roof. If I only had some money! I have nobody to help me."

Thomas Dichter, International development Consultant: "Most people in the world are not entrepreneurs. Not all of us can become Bill Gates. Why do we expect that poor people are different? If you ask them what they really want, they want a stable economy, they want an

opportunity to get a job, they want security. They don't want to get out in the hot sun and sell a bag of rice standing next to 20 other people selling the same bag of rice and making pennies a day"

Commentator: We are back in Hillary Village, the village that got a celebrity visit by the US First Lady. Kartik's family also have loans from Grameen Bank. It is difficult to pay the installments in time when the group loan has to be paid.

**Kartik (Timeline 24:50): "Some of the group members want to beat me. They talk angrily to me and say I will not get any more loans. Then I have to borrow money privately to repay the loan. I explain the situation and promise to repay soon."**

Q:Tom Heinemann's interpreter:"Do you get furious because of this?"

**Kartik:"It does not help."**

Q:Tom Heinemann's interpreter:"How are you feeling now?"

**Kartik:"I feel like wanting to take suicide. When I cannot pay, the whole group are putting pressure on me."**

Commentator: "A person taking a micro loan does usually not need collateral. This is part of the idea. But when borrowers guarantee for each other, small investments in businesses that fail may have huge consequences for the poor.

Mallika: "Those who do not manage to pay the installments have to flee from the village. This is the case for many from Munshipara. We know three people from here who have fled.

Khushi Kabir, Director, Nijera Kori: "They use the group as collateral, so one member of a group's default is the entire group's default. It means that in that group everybody will lose their savings."

Commentator: From the modest beginning in the 1970s Grameen is today among the world's largest microfinance banks. The bank has also created a basis for a number of companies where the Grameen system is cooperating with large multinational corporations. Almost 8.5 mill customers in Grameen bank give large opportunities for future business.

Muhammad Yunus (from speech in Valencia, 2010): "We created a lot of companies. Particularly now we have done it with multinational companies like BASF in Germany. We have a Grameen BASF company. Also we do that joint venture with Addidas."

Commentator: More than 50 different Grameen companies produce anything from textiles, water and yoghurt to health services, insurance, solar energy panels and mobile phone services. In the Grameen family one says that this is contributing to eradicating poverty.

Alex Counts: "Grameen Bank continues to grow, continues to work both with credit and saving side, and continues to innovate to contribute the most it possibly can to reducing and one day eliminating poverty in Bangladesh."

Commentator: Many poor customers have taken a loan to buy a mobile phone from Grameen Phone. This has become a "golden egg" for the owners. Telenor is the majority owner of Grameen Phone. Telenor has over the last 8 years taken out 855 mill kroner (US\$ 141 095 721) as profit.

Milford Bateman, Research fellow, Overseas Development Institute: Grameen Bank has certainly expanded, and it now has 7 or 8 mill clients, and these clients can be used for all other sorts of activities, and it is well known that he links them up with other companies and insist that the poor borrowers have to take loans from Grameen Bank. But still there is no evidence that people are getting out of poverty by association with any of these other companies that have been set up by Grameen Bank.

**Commentator: In 1996 Muhammad Yunus creates a new company controlled by himself. He calls it Grameen Kalyan. Muhammad Yunus has got a problem. An agreement with the Government of**

**Bangladesh is about to expire. This is evident from a number of letters that Brennpunkt has got access to and that never before has been public. In full silence Yunus taps Grameen Bank for 608 million kroner and transfer the money to the new company Grameen Kalyan. The transaction takes place in December 1996. But there is one big problem: The money is aid money given by Norway, Sweden and other international donors. Grameen bank gives away the money and borrows it back. In this way the bank saves tax, and the new company gets interest income. In February 1998 the Norwegian Embassy in Bangladesh “blows the whistle”. By a coincidence, one of the officers at the embassy finds that 608 mill NOK has disappeared from Grameen Bank. Half of the money has been given by Norway.**

The 10<sup>th</sup> of February 1998 the Norwegian Ambassador, Hans Fredrik Lehne, writes a confidential letter to NORAD. He states that it is clear that the money that were meant to be lent to the poor has been transferred to a company controlled by Yunus. “Grameen Bank has transferred the right of disposal and ownership of the funds to Grameen Kalyan(...) This is not acceptable”. (note that only a citation from the letter is shown in the film, and a part where the dots are is taken away!) so we don't really know what is not acceptable!

In a letter to the embassy Muhammad Yunus writes himself that the transaction has been done to enable a more responsible management of the funds by Grameen Bank and to avoid paying tax on the aid donations from the West.

Extract from Muhammd Yunus's letter dated 8. January 1998: “with gradual higher interest rate charged (...) more and more money will have to be paid out as taxes in the future” (note that the part left out as (...) says: “on the revolving loan fund”, and the rest of the sentence after future says: “if the loan fund remained within Grameen” – added by Unni from Yunus's letter.)

Both NORAD and the embassy react in a strong manner to the fact that Yunus has transferred the control of the aid money to another company to avoid paying taxes. In a note from the law department of NORAD dated March 3<sup>rd</sup> we may read: “It is non-acceptable that NORAD has to read and find such changes by itself (...) long time after the changes have taken place. (NORAD 3<sup>rd</sup> March 1998)

When “the whistle was blown” Grameen Kalyan had already transferred 50 mill NOK of the aid money to build the mobile company Grameen Phone. This was far from the intention with the Norwegian support for micro loans.

Letter from the Norwegian Embassy 10. February 1998: “Grameen Kalyan (has) got the possibility to draw funds from Grameen Bank (...) to partly finance the mobile project of Grameen Telecom/Grameen Phone.”

Commentator: From the comprehensive exchange of letters taking place in the winter and spring of 1998 it is evident that Norway demanded that Yunus should repay the full amount of money to Grameen Bank. In confidential minutes from a meeting between the embassy and the Government of Bangladesh it was agreed that the “agreement between Grameen Bank and Grameen Kalyan was breaching the agreement between Bangladesh and Norway” (Embassy, 16<sup>th</sup> March 1998).

On April 1<sup>st</sup> Yunus in a personal letter to Tove Strand Gerhardsen, Head of NORAD at the time, asks for a meeting with her. In the letter Yunus warns about the consequences of the case becoming public:

**31:48 (Showing parts of letter from Muhammad Yunus, 1. April 1998)” Dear Tove: (...)**

**I need your help (....) If people, both inside and outside the Government, who are not supportive of Grameen Bank get hold of this letter, we will end up in deep trouble in Bangladesh.”**



Norad and the embassy put considerable pressure on Yunus to make him refund the aid money to Grameen Bank. But after Yunus's visit to Oslo something happens:

The 26<sup>th</sup> May the Embassy writes a letter to Yunus and says that NORAD accepts a compromise. Only 170 of the 608 million kroner are returned to Grameen Bank.

(Extract from Letter from Norwegian embassy, 26. May 1998): "The embassy is happy to accept the compromise (...) about transfer of funds from Norway to Grameen Bank"

Commentator: 438 million kroner was never returned to Grameen Bank contrary to the agreements for use of the aid, and NORAD kept silent. They stamped all the documents related to the Kalyan case "restricted". In April 1998 the embassy and Grameen Bank agree to "put a lid" on the case: (Letter from the Embassy, 1<sup>st</sup> April 1998) "The case should be solved as soon as possible so it does not become public"

The year after Norad publishes an evaluation report that describes the effect of the Norwegian aid to Grameen bank. But the controversy between Norway and Yunus about tapping money from Grameen bank is not mentioned with one word. Not even the man who had the task of heading the evaluation knew about the case:

(Interview with Arne Disch, former leader of Norads evaluation): "This was a joint evaluation – that much was clear. Also three members from Grameen bank were members of the team. And certainly yes, to some extent they influenced just by being there, and possibly that was a mistake."

Q: from Tom Heinemann: "Do you know about the documents that exist from Norad and the embassy relating to this?"

A: from Arne Disch: "No, we did not look at Kalyan, it was not in our terms of reference to look at the Grameen family of companies, so we kept, rightly or wrongly, to what we were asked to look into."

Commentator: Norway as the largest contributor to Grameen Bank did not have much to say.

Arne Disch: "All that was done was done by Grameen Bank, and this is the basis for all the given aid support. Grameen Bank comes with ideas and suggestions, Norway discuss to see if they agree to support it or not. In this case when it comes to Grameen bank, Muhammad Yunus has been very clear that if Norway and others wish to support Grameen bank it has to be on the bank's terms. Norway has to a low degree got involved in leading and has had little to say when it comes to the development of Grameen bank. But we have been a very good partner, and came in with funding early in the process and been very supportive of the strategic goals that Grameen bank set out to reach and that Norway wanted to contribute to."

Commentator: What really happened in the meetings between Norway and Bangladesh?

What really happened in the meeting of Norad Director, Tove Strand and Muhammad Yunus? And why was only about half of the Norwegian Aid money transferred back? Brennpunkt has a number of times tried to find answers to these questions from those responsible for Norwegian Aid policy back in 1998. We have talked with the Development Minister at the time, Hilde Frafjord Johnsen and former Foreign Minister, Knut Vollebæk. Both say they did not know about the case. But we manage to get an appointment to have an interview with the former Norad Director. However, two hours before the interview, Tove Strand cancels the interview without giving a reason. (footage showing Tom Heineman talking to her on the phone saying): "What are you saying? We had an appointment today at 14.00."

Commentator: We have also tried to get a comment from the current leadership of Norad, but none of them wish to participate in this documentary. Norwegian Governments have been front of the line in offering aid for Grameen Bank, but have the micro loans benefitted the poor? In Washington we are meeting a development researcher who claims that we are tricked into believing that it is beneficial.

(Interview with David Roodman, Senior Fellow, Centre for Global Development): “I think Westerners have been lured(?) and misled by the story telling. On the other hand it is also partly our fault. The reason many of the promoters keep telling the stories is that they work.

We decide who we give money to based on who tells the best story that makes us feel good about where our money is going. We usually don't give our money to the people who have the best scientific evidence that it actually works.”

(Interview with Ha-Joon Chang, University of Cambridge): “I mean people with a good will to help developing countries, especially Scandinavia, have been kind of, sorry to use this word, but they are duded(?) into believing that this is the ideal solution for poverty.

Commentator: In Dhaka we meet a group of day laborers. Like many others they have gone to the capital to find work. They are here because they have micro loans that the family does not manage to pay. (Interview with group of unnamed men)

Q: Why are you in Dhaka?

A: To find work

Q: You are in Dhaka because of the installments?

A: Yes, correct. If I don't pay the installments, I have to sell all I own. We have to pay or they will stay on in the house.

Q: Who lent you the money?

A1: Grameen Bank A2: I Hangemara

Q: Do you manage to repay?

A: No, we ask for understanding, but they don't care.

Q: Are you pressured if you do not pay?

A: Yes, we have to sell our house. They scold us. They stay on in the house until they get the money. They just keep sitting. Then one ends up borrowing money from a moneylender to pay the installments. It does not count whether one have money for food or not. The loan must be paid.

Q: How long are you going to stay in Dhaka?

A: Until I have paid all my debt.

Q: Do you think you will manage?

A: I hope so if my health keeps good. Otherwise I will not manage.

(Thomas Dichter, International development consultant): “Microfinance as an industry wants everyone to continue to believe it is important and useful, and therefore deserves subsidy and the generous support of the public. The public is not interested in hearing the details of this thing. They want to see the smiling face. And that's why the smiling face will continue to be there (showing many poor people with sad faces).

Commentator: Microloans have made Muhammad Yunus world famous and given him a Nobel Peace Prize and a huge corporation with more than 50 companies. For the poor borrowers the value of micro credit is more difficult to find.

(David Roodman): “35 years into the microfinance movement we don’t have any clear evidence that microcredit – microfinance more generally reduces poverty on average.”

(Jonathan Morduch): We are getting increasing anecdotal evidence – stories of families that are getting into trouble, on families that are taking on too much debt, on families that are starting to sink as they get more capital and are not able to handle it effectively.

(Ha-Joon Chang): People have this notion that we can transform not only individuals lives by allowing them to become one person entrepreneurs but it also transforms the whole economy and makes countries developed. Neither of these things have happened.

Commentator: Muhammad Yunus is a busy man but we finally find him in an exhibition in Valencia. He is here to receive one more prize for selling solar panels in Bangladesh. For months we have been trying to get an interview with the man to get answers to our questions.

(Unknown person escorting Dr. Yunus in the exhibition hall – seeing Yunus in the background): “He does not want to do it today. It is not possible today. Send it to me and I will take care of it”

Commentator: We have repeatedly sent written questions regarding the critics from borrowers and experts towards the bank. But neither Grameen bank nor Muhammad Yunus wish to take part in this documentary. But in a short mail Grameen Bank explains that the it was not trying to avoid paying tax when the case about Grameen Kalyan came in 1998. This does not fit with what Muhammad Yunus wrote himself in several letters to Norad and the embassy. Grameen Bank also informs that they have never had to pay tax in Bangladesh. And the only person in the Grameen family that we managed to talk to is convinced that the small loans are really working.

Alex Counts:”I would strongly disagree with the concept that there isn’t academic proof of the effectiveness of microfinance. In fact 5 years ago Grameen Foundation came out with an article, paper really, summarizing more than 90 academic studies that have been done on microfinance showing sustained impact of most of the MFIs on poverty and other human development indicators.

Commentator: When Muhammad Yunus got the Nobel Peace Prize in 2006 there was great happiness. But how much did the Nobel Committee know about what happened previously? And who said that Yunus and Grameen Bank was the best choice? It may take a long time until we get these answers:

(Ole Danbolt Mjøs, former head of the Nobel Committee): “That is something confidential, in fact not only for 20 years, but for 50 years. So the negotiations we had in the committee I cannot mention. I would prefer the time to be shorter – I would prefer the 50 years to be 20 instead, and even less too.

Commentator: We have met with many families during our travels in Bangladesh. Some of them we have followed over time to see how they are doing. In 2007 we met Jahanara for the first time in a really small village. Right before we met her she had sold her house in order to pay her micro debt. (Jahanara pointing to her former houses): This used to be my house and this one too. I have sold both houses.

Q: Who did you get loans from?

A: First I got from Pallimon(?). Then I got from Grameen, BRAC and Proshika. I borrowed 7000tk from Grameen.

Q: When did you get the loan?

A: A year ago

Q: How are you doing now?

A: People are coming to collect money day and night. They were so impatient. They did not understand why I could not pay. I had to sell all valuable things, and I could still not pay the debt.

Milford Bateman: We are now stuck in a model of development, and it is going to be very difficult to accept that for the last 30 years we have done something wrong, and move on to a model where we give people sufficient resources to actually set up some kind of income generating activity – a business to get them out of poverty rather than giving them a tiny amount of money that is just basically getting them into further debt.

Commentator: Earlier this year we went on our last trip to Bangladesh to see how Jahanara are doing. We meet her in a small simple house. She has managed to repay even more of her debt, but her situation is still very difficult.

Jahanara (Bengali with Norwegian subtitles 45:41): I have had a hard life. I have not been able to give the children sufficient food. I have just had enough money to give them food once a day. I have no land left to sell in order to pay my debt. I have ended up living in a slum quarter. Think about how I was living before. My father gave me the house but now I have sold all my inheritance. That's life. Nobody in the world can help us – only Allah (crying).

Commentator: we also go back to the small village in Northern Bangladesh. Here we meet Razia and her daughter. Also she has loan from Grameen Bank. Also she has sold her house.

Q: You told me you had to sell your house. Can you show me your house?

A: Yes I can

Q: Then we go. So Razia, how long did you have this house?

A: For 15 ½ year.

Q: Did you build it yourself – your family?

A: Yes, we bought the land and built it ourselves. I don't have anything more to sell except my pots. I had jewelry and a house. I sold it all to pay the debt.

Q: When you think back, do you sometimes feel that you should never have taken the very first loan?

A: Absolutely. I would not have been forced to sell the house if it wasn't for the loans.

Q: And now it has become a never ending story with you and your family?

A: That is correct. I am not able to get out of this situation. I have tried everything. I had no money to pay the installments. That is why I sold the house. The organizations never stop. They put a lot of pressure on me. They came to our home and were sitting there until they got the money.

(Muhammad Yunus from Nobel speech): "Grameen has given me an unshakable faith in the creativity of human beings. This had led me to believe that human beings are not born to suffer the misery of hunger and poverty. I firmly believe that we can create a poverty free world if we collectively believe in it".

(Thomas Dichter – international development consultant): Muhammad Yunus said that Credit is a human right. But he never said that debt is a human right. But the other side of credit is debt. Every time you take a credit you are in debt. Poor people don't like that anymore than you and I do.

(Ole Danbolt Mjøs): Debt is no human right, but what is a human right is to have a dignified economy in one's own life.

Q: Is it dignifying that the poor have to pay the double interest compared with you and me?

A: The questions about interest and repayment conditions and so on are clearly important questions. According to my thinking, the interest should be reduced as much as possible.

(Muhammad Yunus from Nobel speech): "In a poverty free world the only place you will be able to see poverty is in the poverty museums."

Commentator: It is the Parliament who makes decisions about Norwegian aid policy. And here in the Parliament it is the standing committee on Foreign Affairs who are dealing especially with aid related questions. Therefore, we have invited all the 17 members of the committee to see this documentary together with us. Welcome to you four who have come. How are you reacting to what you have seen today?

(Eva Kristin Hansen, Member of Parliament representing the Labour Party): "I think it is a very strong documentary that deals with very important questions. The debate that maybe will come resulting from this program will be very important in relation to how Norwegian aid policy are being made and that we are very critical of both the Norad reports and that all is supposed to be part of the reports before we grant money.

Q: from commentator Snorre Tønset: Should Norway support micro loans with 30-200% interest?

A: Eva Kristin Hansen: "I think it is totally unacceptable with these repayment terms. And I believe it is important that we have a discussion around microcredit. And I have always meant and thought that it is a good thing because one may help people in poverty to manage their own lives. But if one end up as slaves of debt because of it, then it is not helping people leave poverty.

Q: You as the spokesperson on aid issues on behalf of FrP, what are you thinking about this?

A: from Peter N. Myhre, FrP: "This is modern slavery. What we see here are examples of aid working contrary to what it is supposed to do. Poor people become even poorer, and that there are sneaky bankers who get money from Norway and that way buy both people and property for next to nothing".

Q: But isn't microfinance really a good idea that is being damaged by chasing profits?

A: Petter N. Myhre: "There is always an unsecure side tied with offering people to borrow money. Especially when it comes to some of the poorest people in the world who are invited to borrow money with a very high interest, one is facing a high risk of these actions having the contrary effect to what it was supposed to have. And when we are even presented with information telling that Norad has known very much about the way of practicing this for almost 20 years, it is obvious that this has to be looked into in a serious way. We need to have all facts on the table, and the government has to help us in doing this.

Q: The fact that Norwegian Government consciously has restricted information for 12 years, what do you think about that?

A: Morten Høglund, Member of Parliament representing FrP: I think that maybe this is an issue that another committee in the parliament should judge and look into: The control and constitution committee. And the fact that the Foreign Minister and the Development Minister at the time say they did not know about these issues gives reason to worry. And this compromise one agreed upon with Grameen Bank is worrying information for us. And it gives reason to put a question mark with how the bureaucracy is dealing with these large sums of aid money.

Q: Should also the Parliament have been informed about this story when it took place?

A: Eva-Kristin Hansen: I think that when I see this program now that it would be natural since it is involving so large sums of money, and they obviously have not been used for the agreed purpose, and money have been transferred to some who were not supposed to have the money, and this the Parliament should have been informed about at the time.

Q: But this is the story about a man who has won the Nobel Peace Prize. Does it put this story in a special light?

A: Eva-Kristin Hansen: Absolutely, because one has thought, and I think very many people in Norway have thought that this has been very good things that took place, and now one sees that they have ended up in a very difficult situation. And it makes is very unique that the main character of the program has received the Nobel Peace prize. It makes an impression.

Commentator: Thank you to you. We have several times asked Tove Strand who was the Director of Norad at the time and who got a letter from Yunus with a pray for help, we have asked her to see the film and comment on the information in it. She has refused once more and asked us to contact the Foreign Ministry and to Minister of Development, Erik Solheim.

Q: What are you thinking in relation to Norway having supported Yunus and been a very important partner?

A: Erik Solheim, current Minister of Development “I think it has been right to be an important partner to Yunus even though much of the critique that is coming to the surface here is also part of the picture – the world is a difficult place, but I think Yunus stands for much good and right. My understanding of what Norad found out afterwards back in the 1990s was not that this was misuse of aid money. It was rather that one did not accept the money transfer between Yunus’s different companies.

(Commentator breaking in):” A clear breach of the agreement!”

Minister Solheim “yes, It was a breach of the agreement and not acceptable. 170 million kroner was then returned to Grameen Bank and the rest had been used for the cyclone aid and other purposes that Norad, when they looked into it, found to be correct. But I do agree that this is information that should have been given to the political authority and the Storting (Parliament).

Q: 50 million of this money was used for Grameen Phone where Telenor is the majority owner. Is that OK?

Minister Solheim: I cannot answer that question since it was long before my time, but...

Q (pushing): As Minister of Development, can you answer if it is OK when aid money is used for a commercial phone company?

A: Minister Solheim: “I would say that Grameen Phone is also a very large success story for the poor of Bangladesh”.

Q: and Telenor.

A: Minister Solheim: Also for Telenor, but the point about this is that it is not pure aid – it is business. The goal of microcredit is partly to assist people with loans in a difficult life situation. But it is also to enable them to start small businesses with this – anything from buying a milk cow in order to get milk, to small businesses.

Q: But would Development Minister Solheim support micro loans with interest from 30% and up to 200% interest

A: Solheim: An interest rate of 200% I find beyond anything. An interest rate of 30% I think, unfortunately, is realistically what one has to pay when we are talking about lending 50, 100 or 200 kroner- you lend very small sums of money for poor people...

(Commentator breaks off):”who becomes slaves of debt.”

Solheim: Some may become slaves of debt, but very many...

(commentator breaks off): And it is OK?

Solheim: No certainly, it is NOT ok, but this is not what is creating the poverty we find in Bangladesh.

Q: Commentator: Contrary to those we talked to in the Parliament, you seem to not be very surprised by what you have seen – why not?

A: Solheim: Maybe because I am in poor countries a lot more and know how desperate the situation is for the world’s poor, - Just as a few years ago Microcredit was presented as THEE ANSWER that would solve the problems of poverty once and for all – now sensible critique of it is coming forward, and the truth is somewhere in between. This is one useful tool to fight the world’s poverty, not the

final answer. But the program that you have made is also not giving a representative picture - you are picking out in a good way a few critical points against it.

Commentator: Thank You Erik Solheim. Brennpunkt is finished for tonight.