



**RAFI**

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## **GRAMEEN BANK AND THE MONSTER**

### **GRAMEEN REJECTS MEAN**

*The American Home "Monster" is held at bay in Bangladesh; but who is going to monitor the micro-creditors? Since when is "empowerment through indebtedness" a solution for poor farming communities?*

On 27 July Muhammad Yunus, managing director of the Grameen Bank of Bangladesh was reported by the BBC to have cancelled the Bank's planned relationship with Monsanto Corporation (often referred to as the American Home "Monster" following its announced merger with American Home Products earlier this year). The abandoned arrangement would have given the micro-credit bank U.S.\$250,000 to provide loans to poor farmers to buy Monsanto's agro-chemical and biotechnology products. Grameen's capitulation follows a month of intense international pressure that began June 25th when Yunus announced the Monsanto grant together with the Corporation's CSO, Robert Shapiro.

**RAFI's actions:** On July 2, RAFI wrote to Yunus calling upon him to drop the deal and to throw the Bank's support behind the right of farmers to save, exchange, and develop their own plant varieties - a right that would be curtailed if farmers were forced to accept Monsanto's controversial Terminator Technology. See RAFI homepage [www.rafi.ca/misc/terminator.html](http://www.rafi.ca/misc/terminator.html) When there was no reply from the Bank, RAFI released its July 7th news release ("Grameen Turns Mean?"). RAFI also copied its letter and news release to a number of persons influential to the Grameen Bank or with a history of agricultural cooperation with the Bank and Prof. Yunus. The list included a senior World Bank official. In mid-July, Prof. Yunus let it be known that he was consulting the World Bank official and that he would take the advice he received. Shortly thereafter, Grameen announced that the Monsanto agreement would be cancelled due to pressure from "environmental NGOs". "We believe that RAFI's move to involve key World Bank people in the negotiations was pivotal to Grameen's abandonment of the agreement," Pat Mooney, executive director of RAFI says. "The Bank was politically savvy enough to realize that the Monsanto connection was a blunder. It was in their own interests to get Grameen out of the mess," Mooney adds.

**Wide opposition:** Among those most prominent in persuading the Bank to change its tune was Vandana Shiva of the Research Foundation for Science, Technology and Ecology (New Delhi) who wrote personally to Muhammad Yunus on July 3rd eloquently urging the professor to reconsider his actions. Shiva's call was supported by a wide range of civil society organizations in Asia and beyond, including Diverse Women for Diversity and Britain's Gaia Foundation.

**Empowerment through indebtedness?** While Grameen's immediate problem over Monsanto and Terminator Technology may be coming to a close, the furor rekindled a range of much wider concerns regarding the role of micro-credit in community empowerment and in particular, in the empowerment of poor rural women. Although most critics would agree that the concept of providing micro-credit on reasonable terms to allow poor women to develop small income generating enterprises is a useful development "tool", many are concerned that the hype stirred by the World Bank in its call last year to extend micro-credit to more than 100 million poor families by the year 2000 turns the "tool" into a panacea for poverty alleviation. "Only the World Bank could term the act of placing a hundred million families in debt as 'empowerment'", Farhad Mazhar of UBINIG (a prominent Bangladeshi Civil Society Organization) asserts. "Unless it is handled with extreme care and sensitivity as part of an integrated community strategy, micro-credit in the hands of such clumsy characters as the World Bank will only extend the IMF's structural adjustment campaign to the family level. This is not a good thing."

**CIDA/IDRC call for caution:** Two recent academic studies give rise to concern for the impact of micro-credit on women. One doctoral study financially supported by the International Development Research Centre (IDRC, Ottawa), conducted among villagers in Bangladesh, suggests that about two-thirds of the micro-credit loans made to women are ultimately controlled by their husbands, fathers or other male family members. In many cases, the stringent pay-back requirement (that has allowed lenders such as Grameen to report a 98% loan repayment rate) has forced the women to meet their micro-credit obligations by resorting to usurious

money-lenders, thus driving them further into poverty. The doctoral thesis was defended by Aminur Rahman at the University of Manitoba on July 23 and a short description of the study is available at the IDRC home page. A Masters thesis from Corey Huntington at Carleton University, in Ottawa, this time based on research in Tanzania, has drawn almost identical conclusions. Coincidentally, this study was also defended in July at the height of the Grameen debate.

In response to the growing concern over micro-credit, some senior aid officials such as Huguette Labelle, President of the Canadian International Development Agency (CIDA, Ottawa) have called for caution in pursuing micro-credit as a solution to poverty and reminded other development aid agencies that true community development and poverty alleviation requires a holistic range of community initiatives. Says LaBelle, "We've got to be careful that we don't put everything we have in that [micro-credit programmes] and neglect the fact that... children in developing countries need to be immunized as well. That... you do need those rural roads otherwise the poor will... increase their agricultural yield, but they won't be able to take it to market".

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**UBINIG** is a Bangladeshi civil society organization working with a wide range of practical and policy issues throughout Bangladesh and South Asia. UBINIG coordinates in the South Asian Network on Food, Ecology and Culture - a network dedicated to sustainable food security and rural development.

**RAFI** is a non-profit international civil society organization headquartered in Canada. For more than twenty years, RAFI has worked on the social and economic impact of new technologies as they impact rural societies. Huguette Labelle quoted from CBC Radio World Report interview August 3, 1998