



ROYAL NORWEGIAN EMBASSY
DHAKA

Inquiries to
Einar Landmark

Our Date
15 December 1997
Your Date

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Our Reference
97/00051 - 24
Your Reference

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Dr. Mohammad Yunus
Grameen Bank
Mirpur Two
DHAKA 1216

Dear Dr. Mohammad Yunus,

Re.: **AGREEMENT BETWEEN GRAMEEN BANK AND GRAMEEN
KALYAN**

Reference is made to the meeting in your office on 3 December 1997.

At the meeting the Embassy was informed about an agreement for transfer of funds, entered into between Grameen Bank and Grameen Kalyan. A copy of the agreement was handed over during the meeting. The agreement was signed on 7 May 1997 and became effective from 31 December 1996. The total amount involved is BDT 3,914 mill.

This agreement has relevance for the agreement between the governments of Bangladesh and Norway regarding support to Grameen Bank for providing housing loans to Grameen Bank members. According to the agreement between Grameen Bank and Grameen Kalyan, Grameen Bank has transferred all funds accumulated up to 31 December 1996 received from donors for revolving funds, to Grameen Kalyan. Grameen Kalyan has, at the same date as the funds were received, transferred the same amount back to Grameen Bank as a loan. The part of this loan, which is related to the revolving fund for housing loans, is BDT 1,927 mill, the equivalent of NOK 300 mill. The agreement concerning these transactions has not made provisions for any interest rate to be charged for this part of the loan, nor any terms of repayment.

In the agreement signed on 30 November 1994 by the governments of Bangladesh and Norway regarding support to Grameen Bank Phase IV Project, it is stated in Annex 1, Clause 4:

"The amount of the Grant used for housing loans will be used as a revolving fund."

The Embassy is concerned that Grameen Bank has entered into the mentioned agreement with Grameen Kalyan without informing or consulting the Embassy, since the agreement is contrary to the quoted clause of the agreement between the two governments. The accounts of Grameen Bank as of 31 December 1996 do not reflect that any revolving fund for housing loan is in operation in Grameen Bank.

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One effect of the agreement between Grameen Bank and Grameen Kalyan is obviously that the equity of the owners of Grameen Bank has been considerably reduced through the agreement. The type of ownership of Grameen Bank has been considered an important aspect of the empowerment strategy of the Grameen Bank concept. The ownership of Grameen Kalyan is of another nature, and Norway has not entered into an agreement with Bangladesh to provide funds to Grameen Kalyan for onlending to Grameen Bank.

The agreement has further left uncertainty about future repayment of the loan to Grameen Kalyan, since this is not regulated by the agreement. The agreement is also silent about Grameen Bank's use of the loan from Grameen Kalyan.

The Embassy considers the agreement between Grameen Bank and Grameen Kalyan as a change which affects the two current agreements between the governments of Bangladesh and Norway regarding support to Grameen Bank. Before further action the Embassy would like to receive a written explanation why Grameen Bank entered into the agreement with Grameen Kalyan, and of the consequences for the owners of Grameen Bank and the beneficiaries of the housing loans. It would be appreciated if such explanation could be received before the end of 1997.

Yours sincerely,



Hans Fredrik Lehne
Ambassador