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## Executive Summary from Yunus' Keynote Address in 2006



**MUHAMMAD YUNUS**

**FOUNDER AND MANAGING DIRECTOR, GRAMEEN BANK;  
WINNER OF THE 2006 NOBEL PEACE PRIZE**

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# Microfinance: Improving Economic and Health Status in Developing Countries

## Overview

As seen by Grameen Bank in Bangladesh, microfinance has the potential to initiate a cycle that eradicates poverty. Through small loans that provide poor individuals with the opportunity to start businesses and unleash their potential, the poor are able to lift themselves out of poverty. They are able to achieve better health for themselves and their families and assure that their children receive an education. This can transform society.

Also transforming society are social business enterprises. These ventures are focused not on profit, but on doing good. Examples include Grameen Cell Phone and Grameen joint ventures with Dannon Whole Foods.

## Context

Muhammad Yunus described the history and expansion of Grameen Bank and microfinance in Bangladesh, and the important role of social business enterprises.

## Key Conclusions

- Grameen Bank is rapidly expanding the provision of microcredit in Bangladesh and beyond.**

Professor Yunus initiated microcredit in Bangladesh in 1976 with \$27 which he used to make loans to 42 poor people in one village. In 1983 he founded Grameen Bank, which is owned by and lends to the poor. Last year, Grameen's staff of 16,000 made six million collateral-free loans averaging about \$120; 96% of these loans are to women who use them to start small businesses. In 2005, 380 new branches were opened; in 2006 there will be 500 new branches. Each new branch achieves break-even status in roughly one year.

About two and a half years ago Grameen began a new program of targeting and loaning to beggars, beginning in amounts of about \$10. Loans have been made to about 70,000 beggars. These loans aim to help beggars stop begging: as beggars go door-to-door begging, they are encouraged to carry and sell merchandise. Grameen is also exporting microfinance to other poor countries around the globe.

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*"All human beings have the capacity to take care of themselves. They just need the opportunity."*  
— Muhammad Yunus

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- Grameen Bank is doing more than just lending money; it is transforming society.**

Professor Yunus' goal is to eradicate poverty. He is guided by a philosophy that people have enormous capacity and the power to achieve. Microfinance can unleash that capacity and give people the means to lift themselves out of poverty. Grameen's microcredit loans have broad reach: because the average household in Bangladesh has five people, Grameen's six million loans touch 30 million people.

But beyond the loans, Grameen is changing people's lives. Borrowers hold weekly village meetings in groups of 50-60. (Bill Gates, upon attending one such meeting last year, described it as "a religious experience.") Also, those receiving the loans are encouraged to consider "16 decisions." These include decisions such as whether or not to send their children to school. The result is that borrowers are sending their children to school, these children are staying in school, and many are going on to colleges and universities. Grameen is now providing more than 10,000 student loans to support these individuals. These children, born to illiterate parents, are now becoming doctors and engineers. The act of microcredit has helped people lift themselves out of poverty and focus their children on education, and is transforming society.

- Poverty and health are linked.**

Lack of health limits a person's ability to lift herself out of poverty; experience has shown that about 50% of the time when one of Grameen's borrowers doesn't repay a loan, it is due to a health-related issue. Having health gives a person the opportunity to escape poverty. At that same time, as people earn money, their health will improve.

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*"Income is the best medicine for the poor."*  
— Muhammad Yunus

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As microfinance has touched millions of people in Bangladesh, the health of the Bangladeshi population has improved. Despite India's outstanding doctors and hospitals, infant mortality in Bangladesh is lower than in India. In addition, in the United Nations Development Program's Human Development Index, Bangladesh ranks third in the world. Bangladesh also has one of the highest rates in the world for employment of women.

- Corporations can assist the poor and help eliminate poverty through social business enterprises.**

A social business enterprise is a business focused not on profit, but on doing good. An example is that Grameen and Dannon—one of the world's largest food companies—have recently formed a 50/50 joint venture to create fortified, nutritious foods to help malnutrition in Bangladesh. (Such an enterprise should not lose money, but Dannon may take its initial investment back and 1% of the profits.) Grameen is also working with Whole Foods on a social business program for Costa Rica and Guatemala.

In addition, Professor Yunus is helping start a chain of cataract hospitals in Bangladesh, and Grameen Phone Company, the largest cell phone company in Bangladesh with 6.5 million subscribers, is selling cellular phones and service to rural areas through 200,000 "phone ladies" who act as retailers. In the future, these phone ladies will also become food and nutrition retailers as they sell the Dannon fortified products to individuals such as pregnant women. In this way, social business enterprises are creating jobs and income, while providing products and services that improve people's lives.