

SAARC Summit

Hoping for an effective regional cooperation

TILL the very last moment the Summit looked uncertain. That, in our view, says all about the status of this regional body. It still remains a body subjected to the whims and caprices of a section of its members. Those who can contribute the most are the very ones that neglect it. Both Pakistan and India seek resolution of their problems outside SAARC and thereby marginalise all its activities. As for the rest of us, we can only look helplessly on as these two countries dominate the regional agenda with their animosity. Nepal must be given a lot of credit for hosting it in spite of the devastating events that rocked the country only a few months back. We think it deserves the collective gratitude of all SAARC countries for this rare commitment to this regional body.

Regrettably once again what will not be discussed will dominate the news rather than what will be. The Indo-Pak leaders and their non-discussion will be covered to the last detail while concerns of the smaller countries, namely enhancing trade and economic co-operation will hardly be noticed. However it should be our effort not to allow the Indo-Pak conflict sidetrack our aim to make SAARC much more effective than it has been so far. We think Bangladesh should rally Nepal, Sri Lanka and others and make our voice rise above the Indo-Pak acrimony. The issues of economic co-operation must take centre-stage in this summit and some genuine steps must come out of it.

The pre-summit ministerial level meeting recommended SAFTA to form the lynchpin of the discussion by the leaders. We fully endorse it. But the question remains as to how serious are we about it. It is a shame that while most regional bodies have moved forward with their economic agenda we have been unable to make any headway in this direction. Here again the sincere participation of the two big players, especially that of India, the biggest economy in the region, is the key.

However modest be its outcome we are glad that the Summit is taking place at all. Even if the Indian PM and the Pakistani President do not talk directly indirect communication is bound to take place which, however modestly, is bound to cast a positive influence on the present crisis. Our Prime Minister will no doubt underscore the need to shun violence in bilateral relations and revive the process of dialogue, which appears to be the path that India and Pakistan are opting for. We urge the leaders to realise that in the era of globalisation there is no alternative to co-operation. However bitter be our past, the future belongs to constructive engagement. That is the lesson of the present day world.

Arsenic in urban water sources now

Needed a new plan to meet a new emergency

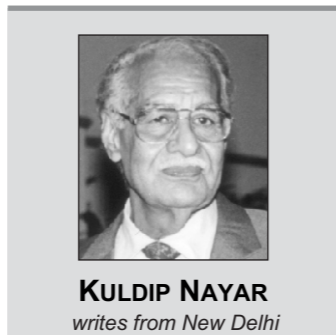
ARSENIC has now been found in a number of urban water supply reservoirs. They have been traced in deep tubewells which many water experts had once thought always safe. The water tests carried out by Dhaka Community Hospital in co-operation with The Daily Star indicates that not just tubewells but piped water to city homes could also be unsafe if we stick to the wisdom of the pre-arsenic contaminated era. Immediate redesigning of water supply plans is needed.

Ever since the arsenic crisis hit Bangladesh, it has had only a rural image and the policy makers and the elite had felt relatively safe. The latest findings reveal that the problem has a greater dimension than that and can affect us wherever we may live. What makes the latest information a cause for despondence is that the experts, local and foreign, had denied this possibility for long despite many warnings. A review of past records will show that most official wisdom has been based on the safety of deep tubewells rather than an overall management of all safe water sources. This has led to the near total neglect of surface water sources that have been abused beyond repair in many cases.

The government has admitted that the urban water supply in at least eight municipalities can be arsenic contaminated but it seems that a fresh review is needed in the face of this finding. It also seems that the threat is not only from the arsenic in the groundwater but the fossilized mindset of the policy makers and implementation managers. They are unable to operate with the emerging facts with their business-as-usual attitude. The near failure to run the arsenic mitigation programme with any degree of success is a good example of that.

Clearly, the crisis hasn't reached any critical level. Till it becomes a political issue, it will remain at this level of neglect. It has to move from the domain of activists and agencies to that of the common people. There is not much hope of any concrete progress till people exert their clout on their elected representatives.

Sunshine and shadows



KULDEEP NAYAR
writes from New Delhi

PRIME Minister Atal Behari Vajpayee's main strength is his liberal image. His Bhartiya Janata Party is outright communal and most of its leaders are parochial. But he is seen rising above them and reflecting the spirit of pluralism. However, the manner in which he flaunts at times his loyalty to the Sangh does not go down well. Still he is acceptable because he seems far more accommodating than anyone else in his party. At the meeting of the BJP's National Executive a few days ago, Vajpayee was the only person who could rebuke the hawks for wanting to go to war against Pakistan.

"On our side also people talk irresponsibly," he admitted publicly. Again, on December 25, Vajpayee's birthday, he took his party workers at his residence to task when they raised the slogan to undo partition. Yet the general impression is that Vajpayee is pally with the RSS. Whether it needs him or he needs it, the equation between the two is seldom doubted. He is never seen joining issue with the RSS and puts up with its most provocative statements. RSS chief KS Sudershan urged the government to impose a fortnight-long economic blockade on Bangladesh to stop the "atrocities against Hindus."

What the fundamentalists did in

Bangladesh in the wake of electoral victory by the Bangladesh Nationalist Party (BNP) is deplorable. I was recently in Dhaka and found regret and shame writ large on the faces of Bangladeshis who admitted that the administration had failed to protect the minorities. But the recipe that the RSS chief has suggested means that the entire nation must be punished for the act of some goons. Will he accept a similar action by other countries if and when some

there are too many leaders wanting to stick a knife on his back.

They are quiet because they know that they cannot stay in power if they pull him down. Vajpayee can strengthen himself only by being more liberal. Vajpayee's credibility in the neighbouring Muslim-majority countries, Pakistan and Bangladesh, is high. It would go higher if he were to speak out against all elements which are trying to saffronise the Indian society. Vajpayee is still

we shall not traverse solely on the beaten track of the past." How I wish Vajpayee had applied his advice to rise above the debates of yesterday to issues relating to India. But his government has promulgated the same Prevention of Terrorism Ordinance (POTO), which evoked a countrywide protest and criticism.

The National Human Rights Commission said that such a measure was unnecessary. Parliament was divided. The government was

Bihar would do. The former cheated Parliament, the latter the assembly. That is the only difference. In his article, Vajpayee has said that India will "not advance any partisan agenda at the expense of others but to protect and promote mankind's most cherished universal ideals."

Indeed, they are very laudable thoughts. They should apply to domestic situations as well. Tolerance is a worldwide belief. It is applicable against even the hiss of

makers and the parties concerned. Eminent Muslim opinion, however, does not seem to be in favour of building the mosque even if the court gives decree against the Hindu claimants. Regarding the settlement between the two communities, I believe some effort is being made. But it is too little and too slow. The jingoism of the Vishwa Hindu Parishad (VHP) and the Bajrang Dal stands in the way of a quick settlement though the government has given an assurance to parliament that the temple will not be allowed to come up unless there is a settlement. But there were firmer assurances in the past and they did not prevent the demolition of the Babri masjid.

True, after the demolition of the masjid the demand for destroying the mosques adjacent to Mathura and Varanasi temples has receded. But the agitation can always be revived if the matter is not put out of the way. There has been a suggestion for some years to amend the constitution to guarantee that no religious place existing on August 15, 1947 the day when India was partitioned would be altered in any way. At least such a provision in the constitution should have been included after the demolition of the Babri masjid. Even now it should be done unilaterally to evoke confidence. The Prime Minister should initiate a constitutional amendment on these lines on the very first day of the budget session in the third week of February.

The VHP, the Bajrang Dal and other members of the Sangh parivar should also submit affidavits on behalf of their organisations to reaffirm the constitutional amendment when effected. This may mollify the Muslims. If their faith is restored, they may make some gesture.

Kuldeep Nayar is a leading Indian columnist

BETWEEN THE LINES

Last week when people in Bangladesh feared war between India and Pakistan they expressed confidence in Vajpayee's sagacity to me. They were confident that he would not allow things to go out of hand. I find a proof of that in Vajpayee's article appearing on New Year's day. His appeal to Pakistan not to get "bogged down in the issues and debates of yesterday" requires response... How I wish Vajpayee had applied his advice to rise above the debates of yesterday to issues relating to India. But his government has promulgated the Prevention of Terrorism Ordinance (POTO), which evoked a countrywide protest and criticism.

fundamentalists kill members of minorities in India? Extremists in Bangladesh are spoiling the atmosphere. They are hell-bent on a confrontation with New Delhi. The RSS chief is only playing into their hands. Why the RSS chief alone, even Human Resource Development Minister Murli Manohar Joshi is a sacred cow to Vajpayee. The latest from Joshi is that the historians, against whom he has started his *jehad*, are more dangerous than the terrorists who attacked Parliament. But Vajpayee has not said a word against him. Is it because Joshi is close to the RSS or is it because Vajpayee does not want to add to the number of opponents he already has in the party? Vajpayee should have realised by now that

considered a force against the rising tide of Hindu chauvinism. Last week when people in Bangladesh feared war between India and Pakistan they expressed confidence in Vajpayee's sagacity to me. They were confident that he would not allow things to go out of hand. I find a proof of that in Vajpayee's article appearing on New Year's day. He underlines the same message of peace and understanding as his musings from Kumarakom, Kerala, did last year. His appeal to Pakistan not to get "bogged down in the issues and debates of yesterday" requires response. People in Pakistan should note his reiteration that "in our search for a lasting solution to the Kashmir problem, both in its external and internal dimensions,

so sure of being defeated in the Rajya Sabha that it did not introduce the measure in either House. It is sad that the President of India has signed the ordinance without even asking any question. People pin a lot of hopes on him. He should have at least returned it to the government for reconsideration. Even legally, the re-promulgation of the ordinance is questionable. The Supreme Court has come down heavily on the state governments which have issued ordinances after the assembly has ended. Under the constitution, an ordinance lapses after six weeks if a Parliament or an assembly does not endorse it. The Vajpayee government has done the same thing which a Laloo Yadav government in

hatred against minorities. Everything should be done to build their faith. But the Sangh parivar, to which Vajpayee belongs, is already igniting the fuse of hatred, which will destroy the nation. A campaign is building up for erecting a temple at the site where the Babri masjid was demolished nine years ago. How can this partisan agenda go with a pluralistic society the ethos of India? The Prime Minister is quite right in saying that either the court should settle the Babri masjid problem or the two communities Hindus and Muslims should be involved in some kind of give and take. As far as the court is concerned, there is not even a semblance of effort to speed up the proceedings on the part of the policy

OPINION

Grameen Bank: Culture and counter culture in banking in poor countries

M SHAMSUL HAQUE

PROFESSOR Yunus took great pains to explain Grameen's position in The Daily Star of December 20, 2001 in response to an article published in the Wall Street Journal on November 27. The WSJ article raised a few questions on the quality of Grameen's loans, repayment and accounting standards and predicted falling performance as it was not making adequate loan loss provisioning. As a professor of finance this writer maintains an interest on banking and capital markets and would like to make some observation on the subject to clarify further that model of micro-credit pioneered by Grameen has been an important innovation in banking in the later part of 20th century. In poor countries such as Bangladesh it has created a sustainable financial architecture for extending credits to millions of small operators, specially for the rural women. It has certainly helped to increase productivity of the millions in rural areas and provided a base for faster economic growth. As explained by Professor Yunus, flexibility introduced to the old system of rigid lending and recovery after two decades of operation was an extension of services under the "New Generalised Grameen System". That system is a natural outgrowth in the line of micro-credit business and some aberrations in its result and reporting need not be a

subject of major concern as the WSJ raised. Flexibility however will require greater managerial inputs for the borrowers and bank staff.

Distinctive features of Grameen: "Grameen is owned by 2.4 million borrowers, 95 per cent of them women. It is almost like a co-op. It is like a closed club. Borrowers save, they borrow. ... Today 85 per cent of the 2.4 million borrowers are paying back their loans with clockwork precision. Only 15 per cent of them are having difficulties in paying back" said the paper. It was mentioned that those having temporary difficulties in maintaining repayment schedule were due to the application of old standard methods in a national disaster situation, the massive flood in 1998 that devastated half of the country. Fresh loans were disbursed to help those affected borrowers without recovery of old loans. It was decided to convert the old loan into a long-term loan. However the accounts were not changed accordingly and borrowers were being asked to repay on both new and old loans. That proved to be too hard for some borrowers and some of them stopped repayment altogether, the paper said.

That is what had drawn attention of some critics including the WSJ. On loan loss provisioning Grameen makes "more generous provisioning" than the central bank requires as per industry standards in Bangladesh, wrote Professor Yunus. The State Bank of Bangladesh never complained against

Grameen, he pointed out. Whereas default is known as a culture in the formal banking system in Bangladesh.

Fundamental soundness of Grameen is rooted in its ownership structure. That is, borrowers are also its depositors and they have Tk.6.5 billion as balances in their savings accounts. As mentioned these depositors cum borrowers are also the owners of Grameen. This is the counter-culture from modern banking system of the western countries. In the traditional banking system a few rich people provide equity capital as owners and a bank collects deposits several times more than the equity capital from the public and lends to businesses mainly with some assets to acquire more assets. Equity share has to be maintained at 8 per cent of risk adjusted investments only. How do you measure risk and who measures them are difficult matters when dealing with value of the assets in future.

It is doing business with OPM, other people's money. Human behaviour is such that we do not take as much care and caution with OPM as we do with our own money. The issue of "moral hazards" in banking primarily arises out of this practice. It has proved to be disastrous in many cases in many countries. In Bangladesh reports indicate technical bankruptcy for the entire banking system due to massive loan defaults, the state owned banks leading the herd. A colossal sum of money is spent every year for loan

supervision and operating financial courts with negligible results. Recently several new banks started functioning in Bangladesh. It is unlikely that these club of the rich will do any better unless stakes of the owners are raised significantly.

Grameen and many other NGOs have established the micro finance architecture, a new theory and practice in banking for the poor who otherwise remained outside formal banking services since the beginning of modern banking originated two hundred years back. It is difficult for western analysts to appreciate the role being played by micro finance in creating millions of self-employing jobs for the poor people. As mentioned above Grameen is like a co-op and that is how Grameen model minimises the other economic problem in modern banking. That is the problem of "information asymmetry" where two parties do not share equal information. Grameen uses supervision by its members in extending credit and supervising. Hence its operations have attained the level of success that was unheard of in modern banking. Recently this writer visited TMSS, an NGO near Bogra town that has emerged as another multi-sector organisation including micro credit. TMSS's annual report shows that it has a cumulative loan collection of Tk.2.5 billion by the end of June 30, 2000. About 400,000 people, all women, are its beneficiaries. BRAC, Proshika, ASA and several other NGOs have much wider coverage of clients all over

rural areas where formal banking hardly exists. It is unfortunate that the WSJ took notice of the temporary difficulties of Grameen Bank arising out of the devastating flood. In a primarily agricultural country half the country remained submerged under water for about three weeks. Many were apprehensive that the micro-finance architecture would be wiped out by the flood. That did not happen although difficulties were faced in the aftermath of the national calamity.

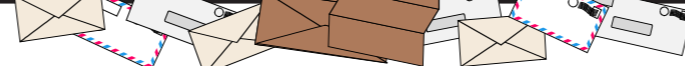
The New Generalised Grameen System: The experience gained from the repayment problem of some borrowers on their loans after the flood disaster of 1998 finally brought the changes to the old system lending for one year in rigid weekly collection. Under the new system, the Basic Loan can be obtained for variable maturity, from three months to three years, and varying weekly repayments. Borrowers facing repayment problems will be allowed to change to Flexible Loan, scheme to reschedule at negotiated terms. For this kind of loans 50 to 100 per cent provisioning will be made. The built-in mechanism of safety, deposit based lending will be effective in reducing defaults. However, longer maturity and flexibility will require closer supervision by bank staff. With computerised book keeping and MIS, specially with Grameen, this should be possible. The theory of micro credit that has been repeatedly tested in Bangladesh and elsewhere will break new grounds in

banking with the introduction of the two schemes outlined in detail in the paper. What may be needed for such flexible and longer loans to work smoothly is to provide some business development services to the borrowers as some of the projects may demand knowledge and skills that are not readily available among the borrowers. Grameen will have to look into this aspect seriously.

The traditional banking culture, a club for the rich, has brought immense sufferings to many people in many countries. Most recent financial collapse of Argentina and the financial crisis in Mexico, Indonesia, South Korea, Thailand and Russia in the 1990s are examples of failures in the banking system, among other things. The tragedy in those collapses is that it is the poor who suffer most in lost jobs and income. Grameen model of banking has proved to be sound, efficient and caring for the poor. The WSJ has been invited by Professor Yunus to send investigators to study seriously what might go wrong with Grameen Bank in the near future. This is a legitimate offer in the process of theory construction in sciences. It is hoped that this offer would be accepted by WSJ or anybody interested on the subject of banking by the poor and for the poor.

M Shamsul Haque is a professor of finance at BA, Dhaka University.

TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR TO THE EDITOR



Purdah not compulsory

Islam has not made wearing of veil compulsory for all the Muslim women. There are two verses (*Ayat*) in the Holy Quran on the veil of woman. *Ayat 60 of Surah An-Nur* (Light) says: "As for women past childbearing, who have no hope of marriage, it is no sin for them if they discard their (outer) clothing in such a way as not to show adornment. But to refrain is better for them. Allah is hearer, knower." (The Glorious Koran, translated by Mohammed Marmaduke Pickthall, published by The New American Library, Third print 1954, p. 258). From this *Ayat* we can see clearly that Muslim women who cross childbearing age, which is around 45, need not wear veil at their will.

The other *Ayat* (31) belongs to the same *Surah* mentioned above says: "And tell the believing women to lower their gaze and be modest, and to display of their adornment only that which is apparent, and to draw their veils over their bosoms, and not to reveal their adornment save to their own husbands or fathers or husbands' fathers, or their sons or their husbands' sons,

or their brothers' or their brothers sons or sisters' sons, or their women, or their slaves, or mail attendants who lack vigor, or children who know naught of women's nakedness. And let them not stamp their feet so as to reveal what they hide of their adornment. And turn unto Allah together, O believers, in order that yet may succeed." This *Ayat* has also permitted Muslim women to show their adornment, which are apparent.

We can also see from this *Ayat* that it's not the Afghan *Borka* (veil) that Islam prescribes as veil for the Muslim women.

The word 'compulsory' has special meaning in Islam as well as in any other religion. In Islam compulsory (*Faraz*) are those religious edicts (non-observance of which are punishable by Allah and only by Him. No person, authority or government has been given the power by Allah to punish the non-observers of any compulsory edict. If any person, authority or government tries to punish a person for non-observance of a compulsory Islamic edict, he/it is actually encroaching upon the power of Allah. A religious leader can only inspire a fellow being to obey

Islamic edicts, but can not punish him/her, without violating the will of Allah, for non-observance of those edicts.

Faruque Hasan
Dhanmondi, Dhaka

Our police department

There is no doubt that our police department is one of the most corrupt departments. But for this can we solely blame the police.

Before one judges the level of corruption existing in this department, one must seek the reason behind it. A monthly salary of 4,000 Tk or 2,740 is far from enough to live a simple ordinary life.

It is time we compensated them for their poor pay as well rewarded them for any commendable performance.

A Ahmed, on e-mail

Bangabhumii

Can we live in peace? We have flood, cyclone, political disturbances. Now Bangabhumii conspiracy. Are they trying to create another Sri Lanka? **Santu**

Dhaka

Bangabandhu Int'l Convention Centre

First, given the recent actions of BNP in purging Sheikh Mujib's name, I would like to make an early appeal not to change the name of the Bangabandhu Int'l Convention Centre.

Second, I would like to appeal to the government to put this white elephant to good use and allow it to be rented out for all sorts of civil functions. Everything, from machinery exhibitions to wedding receptions all should be allowed, to try and recoup the investment as much as possible. But the functions for which the Centre may be rented out should be made public to ensure transparency.

MA, on e-mail

Auditors' responsibility

A chartered accountant being an expert of accounts, finance and taxation is supposed to check and verify all the books and records of the company before issuing an audit report. He will carry out an extensive verification procedure to satisfy himself of the authenticity

and accuracy of the data obtained from the organisation. An audited financial statement is a reliable basis for the shareholders, government authorities, tax authorities and other related parties to evaluate the financial position of a company.

But the reality is that, most of the CA firms don't bother to verify the books of records adequate enough to make their audit reports true and fair. There is no inclination of the CA firms to maintain the auditing standard because of inadequate accountability and supervision. Most of the CA firms are engaged in an unjustifiable competition of increasing income by increasing their clients rather maintaining auditing standard. A fallacious and fabricated audit report can easily mislead the shareholders, government and tax authorities. Some companies also resort to tax evasion by collecting fraudulent audit report.

The worst things are happening in the NGOs. With the help of some unscrupulous chartered accountants and their irresponsible and untrue audit report the governing bodies and the management of some NGO's are misusing the foreign aids exploiting the donors

and the destitute. Irresponsible signing of audit report by most of the audit firms are discouraging the few that are still struggling to maintain auditing standard. ICAB, SEC and the government authorities are taking very little measures to resist such immoral practices of the chartered accountants.

As long as appropriate measures are not taken to make the chartered accountant keeping hold of the auditing standard, credibility of the audit report can't be expected.

Kowser Ahmed Khan
Dhaka

The world has benefited from US leadership

I am writing in reference to the comment "Pax America unlimited?" by Brig. Abdul Hafiz (December 31). (Brig) Hafiz has come out with the recycled argument by left-wing intellectuals like Noam Chomsky who find wrong with everything in American politics while enjoying plum American position at MIT. But like his mentor, Mr. Hafiz fails to realise that the United States has

done more positive things than negative ones.

While criticising the US for taking advantage of the situation in Afghanistan to impose Pax Americana after the September 11 terrorist attacks on the World Trade Centre and Pentagon, most critics remind us how many commentators used to criticise the US for imposing its hegemony in the name of countering the Soviet Union.

But the critics tend to forget that the Soviet threat was a real one and if the US had not responded to the Soviet threat, the result would have been catastrophic.

If the US had decided to withdraw within its borders after the World War II, as it did after the World War I, the Soviet Union, which emerged as the mightiest military power in Europe, would have certainly conquered the whole of Europe and the Middle East in the name of world communism. War-devastated western Europe's small countries would have been easily conquered by the Red Army and communist regimes could have been installed by using surrogate communist parties in western Europe in the same way the Soviet Union established its hegemony in

Eastern Europe. Militarily weak, oil-rich Middle Eastern states like Saudi Arabia, Kuwait, Iraq and Iran would have fallen easy victims to the Soviet super power.

China, in turn, would have imposed its own brand of Marxism in Southeast Asia. In short, totalitarian communism would have ruled much of the world.

It was mainly because of American military, political and economic clout and a will to assert it that such a catastrophe could have been averted.

The brilliant display of American air power, that broke the back of the brutal Taliban regime and its bin Laden-led terrorist gangs in Afghanistan and helped the Northern Alliance liberate their country, is another example of American leadership in the world.

The United States, for all its shortcomings, is the world's greatest friend and benefactor. Instead of criticising, we must thank America for carrying such a heavy burden of global security.

Mahmood Elahi
Ottawa, Ontario, Canada