

Search for the right size of cabinet government

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THE form and membership of the cabinet largely vary in the developed and developing countries. In English speaking Commonwealth countries, a cabinet is an assembly of senior party managers or a group including technocrats (also Austria, France, and Spain), or a combination. In some countries, following Westminster model, parliamentarians are appointed as ministers while in other countries, in particular Spain and Austria, outside experts can be brought in the cabinet. In France, Norway, Gambia, and Mongolia, there is an incompatibility rule that one cannot be both minister and Member of Parliament. The cabinet system in the USA is more like a disparate collection of individuals who are beholden together only by loyalty to a particular individual; however, earlier to this century, this was not the practice. In Bangladesh cabinet is being formed with Parliament members with provision of having maximum 20 per cent cabinet members from the professionals and technocrats.

The debate over the size of the cabinet is considerable. It is argued that large cabinets allow powerful stakeholders to influence policy making as Campbell (1996) argued "a large and broadly representative cabinet at least gives doubt a sense that their position have received consideration in the secrecy of cabinet deliberation". Campbell identified seven general opposition to the reduction of cabinet size. These are, (i) constitutional or legal obstacle; (ii) easier to distribute 25 posts than 14; (iii) reduction in the scope of Prime Ministerial patronage; (iv) a good coordination within super ministries can be achieved by a trade off; (v) the larger ministries may lead to the emergence of independent power bases to intensify the political stakes in case of conflict; (vi) reduces the chief executive's ability to devise supportive coalitions, and (vii) reduces visibility of junior ministers and hence the capacity of the cabinet to identify their talents or weaknesses. Opponents of larger cabinets argue (i) it loses general image of the highest decision making body; (ii) it may be helpful to entrenched

corruption; (iii) the bureaucrats, creating cliques among politicians, mostly take advantage of handling the administration to isolate people from the politicians; (iv) the large cabinet offers opportunity for creating inner or "kitchen" cabinet an inner core of the most powerful ministers, friends and family members of the prime minister; (v) larger cabinets become expensive in the foreign aid syndrome developing and corrupt countries. Currently, most cabinets in the OECD countries have around 20 ministers. By contrast, the average size of the cabinets in the European

its cabinet in 1993. The Hungarian cabinet was reduced from 20 in 1987 to 15 in 1999.

Bangladesh scene

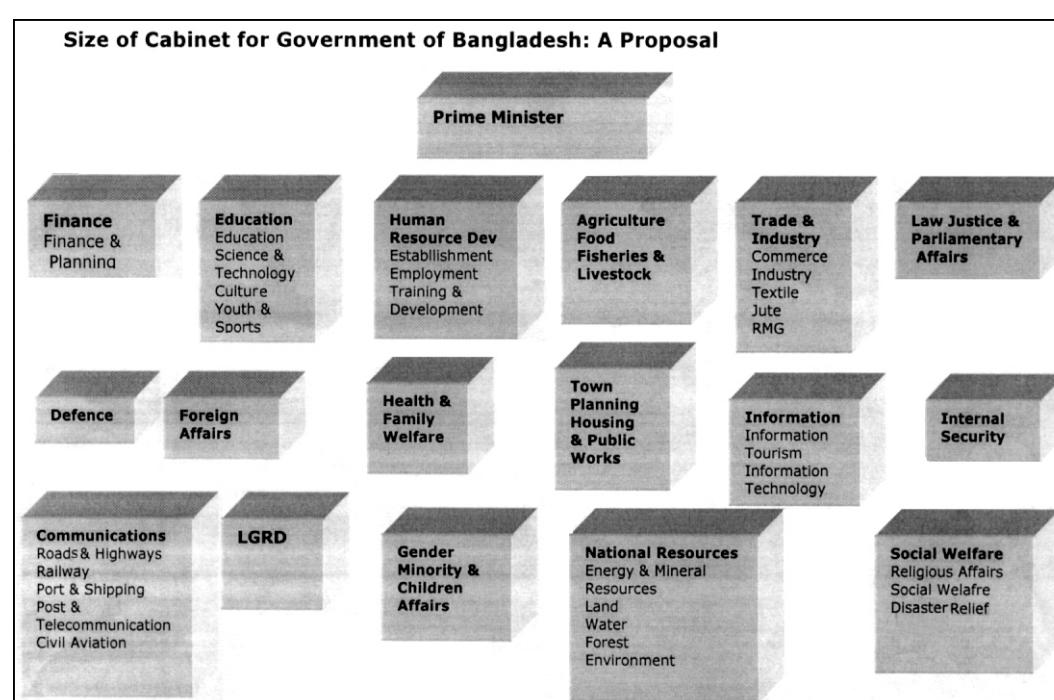
Until recently, the government of the People's Republic of Bangladesh has been running with 231 office organizations under 36 ministries. An analysis of the 231 office organizations reveals that 48 are under supervision of Ministry of Finance, 20 Law and Justice, 16 Health and Family Welfare, 11 Home Affairs, and 10 Education. Ministries of Establishment, Defense, and Cabinet Division each have nine

Environment and Forest. Five Ministries, such as, Disaster and Relief, Religious Affairs, Planning, Youth and Sports and Culture each have three offices under their supervision. There are only two offices under each of the Ministry of Post & Telecommunications and Women & Children Affairs. Eight Ministries running with one office under them are Foreign Affairs, Food, Textiles, Hill Tracts, Civil Aviation & Tourism, Science & Technology, Social Welfare, Water Resources, and the Prime Minister's Office. In addition the Parliament Secretariat and Election

very small administrative support unit; UK 100 people at 10 Downing Street that include policing and secretarial staff; in Ireland three to four advisors and a handful of professional civil servants; Norway nine civil servants and five political advisors; Austria 30; Canada 85 and Germany 453. In 1930 White House staff in the USA were three confidential secretaries, a stenographer, and a handful of clerks which has expanded since Roosevelt's election victory in 1932. In the next 60 years the US presidency has generated a staff that is of the size of a large village. Critics raise question whether PMO in Bangladesh is heading for creation of large village in competition with that of the US presidency.

These are the few facts and information on the ministries of different countries as well as Bangladesh. The size of newly elected government in Bangladesh does not indicate a good start. For delivery of better service to the nation, establishing good governance with transparent and accountable supervision and monitoring system the number of ministries should be within 17. All of us are talking about reduction in the size of the Government as well as public sector. Finance Minister of the new Government, since day one, has been blaming the large size public sector and started closing the branches of NCBs, but has, however, shut his mouth to comment on the largest size of the Cabinet in the world's poorest country. It is perceived that the function of public sector reform first should start from reshaping the Cabinet from functional viewpoint. After functional analysis of GoB organs, the number of ministries should range from 12-17, which was proven to be smoothly working during three caretaker governments of Bangladesh in the years 1991, 1996 and 2001 in addition to the living examples OECD practices. Functional analysis of GoB organs do not support current huge size of the cabinet when the Finance Minister is downsizing Annual Development Programme for the welfare of the common people.

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and African countries were just over 18 during 1987-95. The highest size of cabinet during that period in Canada was 32 and smallest was Switzerland, just below eight. Following some four decades of expansion after 1945, there had been a trend toward further reduction in the cabinet size of the OECD in the past decade. The Australian government reduced the number of government departments from 28 to 18 in July 1987 and cabinet portfolios 16. The cabinet was further reduced to 14 in 1996. Similarly, Canada radically reduced the size of

offices under their supervision with the Prime Minister being the in-charge for all of these 27 offices. Ministries those have seven offices under them are Communications, Information, Housing and Public Works, Shipping and Agriculture, Labour & Manpower and Commerce are two Ministries who supervise six offices each. The Prime Minister being the in-charge of Power and Energy Ministry has five offices under them. Ministries which have four offices under each of them are LGRD, Industries, Fisheries and Livestock, Land, including

Commission each have two offices and one office work under Bangladesh Public Service Commission.

Compared to bench mark of other countries, the Cabinet and Prime Minister's Office (PMO) of Bangladesh is enormously large in size with 287 number of employees. The Public Administration Reform Committee further recommended increasing it to 386. In Sweden, since 1969 PMO have 10 staff members excluding typists and service staff; in Denmark three permanent secretaries in addition to

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Corporate governance, roles of CEOs and accountants

Shifting focus on fundamentals?

M. SHAMSUL HAQUE

jacket more.

On January 17th 2002, Harvey L. Pitt, the Chairman of Securities and Exchange Commission made the following public statement on "Regulation of the Accounting Statement": "Over the last decade or so this country's vaunted system of disclosure, financial reporting, and corporate governance and accounting practices has shown serious signs of failing to keep up with the needs of today's investors

porate giants like Comrod (listed in Germany), Waste Management, Cendant, Xerox, Enron and the number one company General Electric and many others have been black listed in the City of London and Wall Street. "They all have lied wholesale to investors who have now become suspicious of all accounts." It wrote. One of the lists includes "all companies whose chief financial officer had been recruited from one of the Big Five

system remained unquestioned. On the other hand the big accounting firms have been resisting changes by lobbying politicians all over the world. For example, Mr. Levitt, the immediate past Chairman of US SEC, tried in vain vigorously to restrict accounting firms to work as consultants for the same company. After the Enron-Anderson collapse Mr. Paul Vicker, a former Chairman of Federal Reserve System is heading a com-

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likely to be misused. When introduced earlier the tax savings were to be invested in government securities. Down the road it was changed to allow investment in new plants. Logic of collective actions as propounded by late economist Monchur Olsen can explain such a change only to benefit a few in the companies and others in accounting and taxation services.

As a nascent profession in Bangladesh we have to invest in raising its quality besides discipline. An ADB paper disclosed that only five accounting firms in Bangladesh are capable of applying International Accounting Standards. Whereas the actual number of accounting firms might have exceeded hundred. Some of them have been charged with negligence and fraudulent practices. Like it is being tried in the USA after the recent events we must also adopt two prong steps to improve accounting functions in Bangladesh. That is to bring "discipline" and "quality control" since we have to rely on their services under the market based economic system. This has strong links with the quality of education in the country that is recognised by all to have gone down. Discipline, of course, will be harder to achieve as can be surmised from the incidents in the western developed nations.

May be a new paradigm will emerge out of the present crisis in the developed countries in changing the nature and context of financial reporting and accounting services as a whole. Changes in the field of economics also are in the right direction. The recent award of newly established Milton Friedman Prize for Advancement of Liberty to an old and bold economist, Lord Bauer of Cambridge, is worth mentioning here. His works remained unnoticed for the last 30-40 years for being a critic of aid and development in poor countries. He bluntly discarded the concept of vicious-circles. "All countries were poor, he argued. If vicious-circle theory were true, mankind would still be living in Stone Age. Opportunities for private profits, not government plans held the key to development. Government though had the limited crucial role in protecting property rights, enforcing contracts, treating everybody equally before law, etc..." Economist, same issue. Protecting property rights of small investors in the share market and stopping misuse of tax holiday money through strong oversight roles fall in that category of functions called good governance.

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tors..... The latest example a most tragic and unprecedented one the failure of Enron". In 4th para he wrote: " Today, disclosures are made not to inform, but to avoid liability. We need to move to a system of current disclosures. The present system, which has been in effect for 67 years, does not provide for current disclosures. Most importantly he pointed out that " Financial disclosures are dense, impenetrable. We have failed for plain English financial statements".

The Economist of London (May 4-10 issue) in a special report on company accounts has said the works done by accountants are "badly in need of repair". It said cor-

accounting firms". It seems the scam resembles what is known as insiders' deal in stock markets. You send your men to boards and support them with creative accounting services including external auditing "with the aim of producing profits that increase steadily over time". Along the line you beguile the investing community perhaps with help from comrades in arms there also to push market prices of shares much above book values. The chart in the paper showed average price/book ratio of S&P 500 companies rising by 6 points in the 1990s before it declined in 2000. Part of this rise is traceable to charismatic CEOs such as Jack Welch of GE, Kenneth Lay of Enron, Bernie Ebers of Worldcom, J-M Messier of Vivendi Universal (France) and Percy Barnevik a Swede. These and many such fallen idols are being blamed for greed and deceit. The other part was the accounting standard setters and their cohorts in oversight functions such as SECs and related government agencies.

The financial reporting regime including a balance sheet and income statement are vouchsafed by independent auditors (certified to do so by the professional bodies) has been failing to serve the stakeholders for long. "Our financial reporting model is broken," said Joshep Berardino, former head of Anderson, Enron's auditors. Further he said " Designed in the 1930s for an industrial age, financial statements, he argued, look backwards to historic costs; they give investors little clue about the future". And it is the future that we all are concerned in making investment decisions. However, excepting a few academics and regulators the weaknesses of the traditional

committee to do just that. There is a body of knowledge to overcome the subjective biases and manipulation of accounting figures "may be to look at cash, which is far harder to disguise or invent."

It is pity that like in many other things we tend to apply complex rules to simpler tasks that we all perform day by day. Cash is what goes out when we consume or invest and cash we want back as returns from investment in the future. The move towards estimation and disclosure of "fair value" of companies will necessarily involve forecasting future cash flows and appropriate rates of discount given the level of volatility of operating cash flows. This will put us back on the economic concept of income and value, rather than accounting profit, which is subject to manipulation and distortion as has recently been highlighted. Perhaps a reconciliation of values between economists and accountants will be an outcome of the recent debacles primarily engineered by methodological flaws in accounting as a discipline.

In the end of course it is governments in all these countries who are to be held responsible for allowing such an undesirable state of affairs to continue for so long all over the world. Earlier reports on China and the ASEAN also indicated gaping holes in accounting numbers. The recent announcement of withdrawal of tax holiday benefits by the finance ministry in Bangladesh due to its misuse by the companies may be noted here. Last year this writer submitted a report to the ICAB raising the same issue. Why no body in the government or in the chambers pointed out earlier that such provisions of allowing public money to be spent by the private sector was most

Children's call for changing the world environment

SHAIKAT RUSHDIE writes from Victoria, Canada

A BOUT 400 children from 60 countries made a clarion call on 22 May to world leaders, 'Let us change the world'. The children representing 36 different languages and varieties of culture, but they have a common concern -- the state of environment of the mother earth.

Another 251 delegates endorsed the call in the formal launching of the five-day International Children's Conference (ICC) on the Environment in Victoria, the capital city of the Canadian western province of British Columbia.

The opening ceremonies honoured the 75 registered countries, including Bangladesh, represented with a flag procession, followed by a traditional welcome prayer from the Songhees First Nations (the aborigines of Canada), musical choirs and address by the Deputy Executive Director of the United Nations Environment Programme (UNEP), Shafiq Kakakhel, who is also a UN Assistant Secretary General and other dignitaries.

The conference, produced together with UNEP, was held at the University of Victoria campus from 21-25 May. A key outcome of the conference was recommendations for legislative and policy changes to be presented to world leaders at the World Summit on Sustainable Development (WSSD), which will be held from 26 August to 4 September in Johannesburg, South Africa.

The UN Assistant Secretary General, Shafiq Kakakhel, focused on the special task of the conference as saying, 'The importance of this conference is to develop children's challenges for the World Summit (WSSD) later this year. These challenges need to be a

strong message to world leaders. This is a unique opportunity for children from around the world to make their voices heard'.

Shafiq mentioned that 65 per cent of the world population is children and most of them are from the developing nations and said, 'This is the right time to give the children a chance to voice their requirements, new ideas to improve the state of environment and what they can do'. He hoped that the participating children would also share their experience in their schools and communities to build up a strong networking of world children towards collectively voice their concerns for the environment.

The Honorary Chair and Feature Performer Raffi said in a message, 'We adults need to listen to the children, and honour the joy and intelligence of their views'. He called upon the people to make the world, the mother earth, children-friendly.

The conference was based on four themes -- Water, Climate Change, Healthy Communities Healthy Children and Resource Conservation. A total of 385 children, aged from eight to fifteen years, and 251 adult delegates from 60 countries worked together in this five-day conference through Friendship Group discussions, field trips and presentations. Recommendations were finalized on the concluding ceremony on Saturday 25 May.

To celebrate the opening of the ICC, the UNEP launched a new line of children's products. These include: UNEP-UNICEF-WHO Millennium Report on children's health and environment; the results of a global survey on what children think about the environment; the Pachamama Teacher's Guide and CD-ROM; and a picture booklet for children by UNEP and the Foundation for Global Peace and Environment.

Perfunctory foreign policy

MOHAMMAD AMJAD HOSSAIN

DURING the last six months or so of the assumption of power by the present regime a number of visits by foreign dignitaries have taken place. The visit of Tony Blair, the Prime Minister of Great Britain, Zhu Rongji, the Prime Minister of the People's Republic of China, Dr. Kamal Kharrazi, Iranian Foreign Minister and the Vice-Foreign Minister of Vietnam Lecong Phung are worth taking note of. The mid-level visit from America of Assistant Secretary of State on South-Asian affairs Ms. Christina Rocca is considered to be significant in view of the growing concern of Bangladesh over the issue of quota free non-tariff entry of Bangladesh ready made garments to American markets. The visit of American Assistant Secretary of State to Bangladesh was in fact in response to the visit of Professor A.Q. Badruddouza Chowdhury, former Foreign Minister. The visits however, did not yield the results that were expected of, but the encounter with the leaders of the two countries and exchange of views on issues of national and international importance would certainly help improve the relations.

Unfortunately the timing of the visit of Bangladesh delegation led by the former Foreign Minister as well as the visit of Commerce Minister Amir Mahmud Khashru to Washington was ill-conceived and ill-advised. These visits took place at a time when Americans were passing through the psyche of terrorist attacks of 11 September, 2001. It would have been better had Bangladesh side gone there after having completed their home work and assessing the mind of American administration. The visit of American Ambassador to Bangladesh was in fact in response to the visit of Professor A.Q. Badruddouza Chowdhury, former Foreign Minister. The visits however, did not yield the results that were expected of, but the encounter with the leaders of the two countries and exchange of views on issues of national and international importance would certainly help improve the relations.

Secondly, the question of the transhipment of Indian goods through Bangladesh territory should not logically be linked with duty free access of Bangladesh products to Indian market. This reminds the fact that because of India's reluctance

the issue of transit corridor between Nepal and Bangladesh did not materialize in the past. If transit facility were accorded by India, Bangladesh would have access to the market of Nepal and also China by land routes and Nepal, on the other hand, could immensely be benefited by utilizing the facility of Mongla Port. Transhipment of Indian products through Bangladesh needs to be examined in its proper perspective.

Geographically Bangladesh is surrounded by India on three sides, with a small common border with Myanmar in the south east and the Bay of Bengal on southern side. Therefore, interests with neighbouring countries constitute important element in the conduct of foreign relations of Bangladesh. Viewed in this context there has been no improvement in the lukewarm relations with India. The visit of trade delegation headed by India's Commerce Secretary and the deliberations between the two delegations did not indicate the relations expected from a close neighbour. India's stature in the context of regional politics can not be ignored and Bangladesh as a small country should take initiative to resolve the outstanding problems in a friendly manner and from realistic point of view. Emphasis should be laid on mutual interest of both the countries in achieving the objectives. It is no use blaming Indian side for not offering duty free access to all items as proposed by Bangladesh. It appears that Bangladesh side did not seriously exercise in determining exportable products of Bangladesh. One wonders how come items like artificial flowers and such products, as reported by the print media, which are not produced in Bangladesh, could be included in the exportables?

As for now it seems foreign relations planning lack professionalism and appears to be perfunctory. Dynamism, which is an essential pre-requisite in the conduct of foreign relations, should not be lacking as such.

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