

## Musharraf makes bold on Kashmir

His icebreaking proposal merits building on

HERE is something new in the air. Pakistan seems to be willing to move away from its long entrenched position on plebiscite for embattled Kashmir. Pakistan President Pervez Musharraf has outlined his bold new vision for a denouement to the intractable Kashmir problem. He has spelled out a range of new options for the divided bone of contention between India and Pakistan that triggered two of the three wars between the South Asian neighbours. Musharraf has spoken of three alternative solutions: independence of Kashmir, joint control with India and demilitarisation. He set aside the hitherto vaunted consideration of LOC as recognised international border between two Kashmirs saying it is unrealistic.

How much of Pakistan Musharraf carries with him, more precisely, how much of the army is with him when he speaks of independence of Kashmir as one of the options? It is conceivable that he has had consultations with his inner circles by virtue of which he said things that were never uttered before. For, it could even rock his political boat into a virtual capsiz. He probably has been assured of a reasonable degree of support from the army.

In moving away from the decades-old position that had almost become a synonym for Pakistan nationalism Musharraf has shown a rare forward-looking flair. It is a new tryst with history the Pakistan President wants made along with India to write a new chapter of peace for the South Asia region. But what is crucially important is that all manner of Kashmiri leadership must be taken on board, so that the Kashmirs become the final arbiter of their destiny.

Can Musharraf deliver on his proposals that have already come under fire from the opposition leadership in Pakistan, mostly on the ground that they needed to be consulted before he spelt out the options to India?

India, the chief stakeholder on the other side, has reacted to Musharraf's latest overture saying the Pak president had better put it on the table. Let it be a part of the ongoing composite talks between the two countries, the New Delhi spokesman added. We will urge India not to take a cursory view of the new opportunity on Kashmir. Let her build on Musharraf's bold new initiative.

## Containing monga

The JS body's advice should be paid heed to

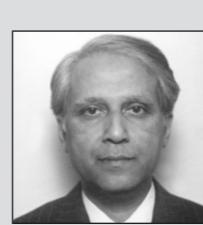
THE parliamentary standing committee on agriculture ministry has been critical of the way the government has handled the near-famine situation in some areas in the northern districts.

Lawmakers from both the treasury bench and the opposition took part in the discussion on the monga which is a recurring phenomenon, particularly during the months of September and October, in certain areas of the north-western region. The poor farmers are unemployed, or without any alternative source of income to keep themselves afloat during the critical period.

The parliamentary standing committee has very rightly observed that the people in distress need immediate help and has questioned the validity of the government plan to extend financial assistance to them after Eid. The rationale behind such delayed assistance programme is obscure; for, the victims of the monga have nothing at their disposal to survive, as the critical period began in early September. It is not clear why the planners want to skip the holy month of Ramadan when such a large number of people are in desperate need of help.

The steps like increasing the number of VGF cards for the destitutes must also be taken immediately to prevent the crisis from blowing into a humanitarian disaster of much greater magnitude.

We join the standing committee members in urging the government to immediately implement its financial assistance programme in the monga-hit areas. It should also conduct a survey to assess the situation correctly and adopt a long-term plan to arrange alternative employment opportunities for the people who seem to face the same situation every year. The pockets in which the poorest among the poor live are beset with certain disadvantages which have to be removed to make sure that they are not left without jobs, or any means of survival, for such a long time.



MUHAMMAD ZAMIR

dent, Aslan Maskhadov, took this one step further. He alleged that western governments had to share responsibility for this latest bout of terrorism because of their silence about Russia's human rights violations in Chechnya. He went on to state that double standards were in vogue among western nations with regard to state-sponsored violence in different parts of the world.

Nevertheless what is important is that Chechens appear to have several influential friends both

Russia's ancient suspicion about possible encirclement. His response was that terrorists were trying to leave Russia without defences either to the east or the west. He was also bitterly critical of the prevailing status within the internal administrative structure. He not only blamed the rash of bombings all over Russia and the Beslan disaster as having resulted from Russia being 'weak' but that 'the weak always get beaten'.

This frustration and anger have

colleagues and senior bureaucrats have now jointly initiated steps to agree on 'appropriate measures on foreseeing and preventing terrorism in any form'.

The shake-up, biggest since Putin came to office four years ago, is likely to concentrate power in one pair of hands. Other far reaching steps will include the FSB (formerly KGB) controlling the border and playing a more central role in defining core administrative policy in the name of creating unity.

culties with his southern neighbours and the expanded EU. In the Caucasus, Russia's frontal and strong-arm tactics to re-establish authority will meet with greater resistance from dispossessed Chechens, not because of Islamic fundamentalism but more because of their nationalistic belief. Similarly, the new nationalist government in Georgia is unlikely to help seal its frontier (in the Pankisi Gorge) with Russia when it is trying to remove the Russian troops from the disputed

Putin. There will be criticism of Putin's new policies. Vladimir Pribyovski, head of the think-tank Panorama has said that terrorism is being used as a pretext to change the federal structure of the country. Others are also alleging that the planned measures will probably lead to changes in the Constitution which will enable Mr. Putin to try for a third term in office in the elections in 2008. Presently, there is restriction to two terms only.

The US Administration, as expected, has made mild noises about Russia 'pulling back on some domestic reforms'. President Bush also remarked that Kremlin's security overhaul could 'not only undermine democracy' but also affect the delicate balance in Russia within the central government 'between the executive branch and the legislative and judicial branches'.

Whatever be the view of others, Putin and Russia appear to have drawn a line. The recent decisions reiterate that the Caucasus is vital to Russian interests -- its southern border is strategic and that it continues to be Russia's road to the Middle East and crucially to the oil resources of Azerbaijan. Putin now believes that, should Chechnya become independent, the whole Caucasian powder-keg could explode with Russia losing for ever its ancestral power over the south.

## POST BREAKFAST

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within Russia and abroad, and that is slowly being taken cognizance of by Russian authorities. This group includes pro-US Russian critics like Boris Nemtsov and Vladimir Ryzhkov (men associated with the extreme neo liberal market reforms) and neo-cons like Boris Berezovsky and several US neo-cons like Richard Perle, Eliot Abrams, Kenneth Adelman and US Thinktanks like the Carnegie Endowment, Rand Corporation and the American Committee for Peace in Chechnya. These organisations in particular, have been assiduous over recent months in arguing against Moscow's claims that there is a link between the Chechens and the Al-Qaida. These prominent voices use the Chechen rebellion as a stick with which to beat Putin.

The latest Beslan atrocity appears to have given Putin the necessary handle, not only to re-evaluate policy but also to agree upon decisive steps to centralise a more hierarchical approach to administration.

In the wake of this catastrophe, President Putin's reaction appears to have been evoked by two factors - nostalgic Soviet patriotism and

been reflected in Putin accelerating efforts to create a more authoritarian and centralised form of rule.

Critics have, however, suggested that such measures have been introduced to divert common Russian citizen's attention from rising social and economic tensions and quell public dissatisfaction and anger. In this context, they are pointing fingers at the many structural economic reforms that Russia will require to undertake in the coming years -- rise in domestic price of oil and gas which will hit people's utility bills, privatisation of medicine, potential closure of kindergartens and even schools in smaller towns, mainly in the northern Caucasus (in areas prone to potential violence).

Whatever the criticism, Putin appears to be quite firm about his agenda to stop the 'disintegration of the state, the break-up of Russia'.

He believes that the changes that are being introduced will be crucial for future stability and will have to be undertaken even if Russians cannot live in as carefree a manner as before!

Regional governors, cabinet

Efforts will now presumably also be taken to create a Russian version of the US Department of Homeland Security, through a strengthened FSB, which will coordinate the different ministries and law-enforcement agencies who are associated in curbing terrorism. Steps will also ostensibly be taken to raise the profile of Russia's Security Council or 'the little Politburo' which is chaired by Mr. Putin and includes all the 'power' Ministers -- defence, interior, foreign affairs as well as the Prosecutor-General.

President Putin has already changed the Parliament's Upper House and the Federation Council so that regional Governors and legislative leaders no longer sit in it. One anticipates that this progressive evolution might eventually lead to the President appointing Governors rather than these officials being elected.

Such steps would in a manner of speaking, restore within Russia, the Soviet system of hierarchical party rule from Moscow.

I believe that Putin's restrictive steps might be accepted with some degree of calm within mainland Russia but is bound to lead to diffi-

territory of South Ossetia, which was within Georgia's borders in Soviet times. Georgia in fact, has already stated its concern over Russian pre-emptive action.

Azerbaijan may also be unwilling to help clamp down on its Chechen Diaspora as Russia appears to have failed in getting Armenian troops out of large areas of Azerbaijan, which they occupy.

Similarly, the expanded EU, which now includes many east European states and even some Soviet republics will be watching events in Russia with great caution. Emergence of inflexibility and rigidity in Russian politics will definitely not be received enthusiasm.

Latvia has already been vocal about Russia's conduct of security operations and some others have also expressed serious concern about Russia's handling of the protracted Chechen crisis. They have already expressed their doubts about internal military solutions rather than the pursuit of international mediation and talks between the Russian government and Chechen political representatives. Such advice, quite understandably, have not been received with any enthusiasm by

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## OPINION

### Published accounts of banks

Some questions for Bangladesh Bank

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THE banking sector is a key pillar of any economy. Compliance with the Bank Company Act (BCA) and instructions of Bangladesh Bank (BB), the prime regulatory agency, is imperative for all commercial banks. The Bank Company Act has prescribed financial statement forms, and Bangladesh Bank issues procedures for loan rescheduling, creating loan loss provision, disclosures to be made in annual accounts, etc.

This article is based on published annual reports of year 2002 of some randomly selected banks. The financial statements included in the annual reports show non-compliance with Bangladesh Accounting Standard (BAS) 30 - Disclosures in the financial statements of banks and similar financial institutions. BAS 30 is adopted from International Accounting Standard (IAS) 30, and the Securities and Exchange Commission (SEC) requires that listed companies comply with International Accounting Standards. Contraventions of generally accepted accounting principles and financial reporting norms can also be observed.

The first instance of non-compliance is the presentation of "loan loss provision" and "interest suspense" as a liability on the balance sheet, and not as a deduction

from the gross value of "Loans and Advances." Loan loss provision and interest suspension increases per BB guidelines as the quality of the loan portfolio decreases. But since these are not shown as a deduction from the loan outstanding amount on the balance sheet, the financial statements cannot show a true and fair view of the bank. I/BAS 30 clause 45 states:

*It is inevitable that in the ordinary course of business, banks suffer losses on loans, advances and other credit facilities as a result of their becoming partly or wholly uncollectable. The amount of losses which have been specifically identified is recognised as an expense and deducted from the carrying amount of the appropriate category of loans and advances as a provision for losses on loans and advances. The amount of potential losses not specifically identified but which experience indicates are present in the portfolio of loans and advance is also recognised as an expense and deducted from the total carrying amount of loans and advances as a provision for losses on loans and advances.*

Again, some BB instructions on provisioning of re-scheduled loans are quite questionable even to the layman. Banks are required to create a general provision on unclassified loans and advances at the rate of 1 percent and on bad/loss

loans and advances at the rate of 100 percent. However, under the current policy of BB even a "bad" loan requiring 100 percent provisioning can be re-scheduled to become an "unclassified" loan with just 1 percent provisioning requirement, provided 5 to 15 percent of the outstanding amount is paid.

It is well known that this system was introduced as a compromise for high profile loan defaulters wanting to contest public elections. A clear line needs to be drawn between ambitious loan defaulters wanting to contest national elections and the financial statement of a bank. What is acceptable from a socio-political viewpoint cannot and should not be allowed to have such an unacceptable effect on the financial statement of a commercial bank. BB may consider persuading the government to revise the instructions for the sake of better, more transparent, and acceptable reporting of the financial performance of the banks.

Pending government approval, BB may on its own at least instruct the banks to disclose the rescheduled loan amount separately against each classification category.

The third question relates to disclosure in the annual audited accounts of significant concentrations of loans and advances. The relevant BB circular gave as an example four categories of concentration: Directors and others, Man-

aging Director or Chief Executives, Customers by group, and Industrial groups. However, instead of reporting their own exposures, all the banks have disclosed the loan concentration only as per the above four classifications.

Clause 41 of I/BAS-30 states: "Customer disclosures may deal with sectors such as governments, public authorities, and commercial and business enterprises." BB needs to inform the banks that the disclosure for customer and industrial groups is unique for each individual bank and the objective of the disclosure is to report the uniqueness. All banks need to analyse their loan portfolio and report the categories with high percentages separately and the categories with low percentages together as "others."

Loans and advances to Directors and Managing Director are already reported under "Particulars of Advances" and generally is not large enough to be considered a "significant concentration" and so need not be duplicated here. Some examples of concentration groups applicable for Bangladesh could be government, state owned enterprises, cotton and textile industries, readymade garments and accessories, poultry feed and hatchery, trading, cement manufacturing, etc.

The fourth and last question is about annual accounts of banks with a qualified audit opinion. Of the

eleven annual accounts considered for this article, two banks had qualified audit opinion stating that provision against advances was not made to the tune of Taka 2,073 million and Taka 445 million respectively. Most non-accountants look at the net profit amount and do not bother to look at the audit report.

After all, the auditor has affixed his signature at the bottom of the profit and loss account and the balance sheet. Those who read the financial statements and the audit report with understanding are shocked at the deliberate deception of the management. The position reported by the banks, and the effect of the audit report is further explained below:

Million Taka	
Bank X	Bank Y
Net profit shown in the signed accounts	24
Shortage in loan loss provision per audit report -2,073	65
Net loss per audit	-445
	-2,049
	-380

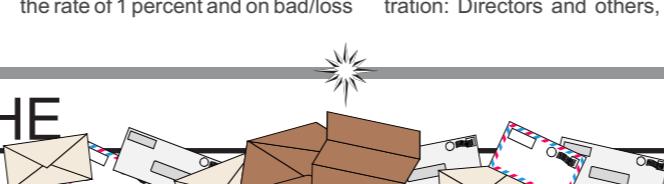
To make it more clear, the profit and loss account signed by the bank management and the auditor shows a profit of Taka 24 million for Bank X and Taka 65 million for Bank Y. However, this profit has been reported without making the full provision for bad and doubtful loans as required under BB instructions. This short provision amount is disclosed by the banks in the annual

accounts. As the accounts belong to the management, the auditor can only issue a report qualifying his opinion about whether the financial statements present a "true and fair view." It is only the layman who is deceived. The banking regulator, and/or the SEC, needs to discourage management from issuing such misleading financial statements to ensure financial discipline in the banking sector.

Improving the quality of the published financial information of banking companies results in greater transparency and accountability and leads to better performance of the whole financial sector. Bangladesh Bank, as the prime

regulatory agency, needs to address the anomalies discussed in this article expeditiously. We all need to understand that commercial banks may be operated by the directors as the majority shareholders, but it is the depositors who provide the funds to run the bank, and have a financial stake many times more than the share capital.

## TO THE EDITOR TO THE EDITOR TO THE



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Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words. All letters will be subject to editing.

### Same old story

I am back with the same old sordid story of shame and humiliation. How much more shame, in the shape of cricket, has to be piled on this poor nation's head? Isn't there anyone at the helm who has a little shame, or we have all ostriches? If at all we have to play cricket, bring in some school boys from the village for a national eleven after kicking out all from the cricket board. They cannot do any worse. At least we will know we are not spending any money in the shape of Whatmores/Whatless and the bunch of useless cricketers. Why can't you - the press people - start a campaign to stop this farce in the name of cricket in Bangladesh? Have we not had enough? Or else play with Afghanistan, Timbuk Tu and score innings victories. At least there will be something to cheer about. Or are we destined to follow the TI rating in all fields?

in the public or private sector, due to human weaknesses. We are weak in system regulation.

For many decades, all regimes had been trying to improve the situation with various schemes and projects, but the overall improvement is hardly noticeable or long-lasting. It is a management issue, not a high-tech one needing costly import of equipment or consultants. It is a common problem in all agricultural countries, specially those in the third world. The UN agencies are well aware of the problems of implementation, and the ministries are well informed to brief the donors of the conditions. Then where is the level.

These days it is worse, due to two factors, absence of political consensus at the national level; and, the cult of terrorism and violence which apparently runs politics today. There are two main areas of erosion: no respect for discipline and rules; and, breakdown of the monitoring and regulatory roles (bribery and corrupt practices -- Bangladesh is No 1 in corruption for the last four years, according to TI; what a shame!). Further frustration: the delays in the courts to settle cases quickly to act as deterrent. Now there are complaints that there are small 'black holes' in the quick-action courts.

The irony is that the politicians in position and in the opposition, keep busy amongst themselves in internal conflicts, so that there is not enough energy left for attending to routine public services, which is their main task and responsibility (not infighting).

No prize for a new political system which works in the LDCs? We have "Development Economics", and now degree is available at some private universities in Bangladesh on "Development Studies". But how to develop the politicians in the way the citizens and voters like, not the way the powerful politicians wish to develop and control everything?

There are problems with the worker, method, tools, and the practice.

**A Mahasen**  
Dhaka

**Construct a road or fly-over from Sadarghat to Gulistan**  
The road from Sadarghat to Gulistan has become unsuitable for the plying of vehicles on account of crowd of people and vehicular movements. People need one and a half hours of time to reach Gulistan

along the