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**Bangladesh generals plan anti-corruption drive**

By Felix and Jo Johnson

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Five days after Bangladesh's president, at the insistence of the army, declared a state of emergency, resigned his post as head of the caretaker government and cancelled the elections that were due to be held next Monday, the full implications of the latest twist in Bangladesh's political drama are only just becoming clear. Few now have any doubt that the country is set for a lengthy period of military-backed technocratic rule.

Fakhruddin Ahmed, a former World Bank official and ex-central bank governor summoned by the generals on Friday to replace President Iajuddin Ahmed as de facto prime minister, is now framing rules to determine how authoritarian this regime will be. Diplomats say the army charged him with executing a five-point agenda that the generals presented to the president in a tense three-hour meeting the previous day.

No one yet knows how long this period of suspended democracy will last. Under the constitution, there is no time limit to Mr Ahmed's technocratic rule, as the emergency was declared when parliament had already been dissolved. Donor countries say the answer depends on how sweeping are the changes that the military now plans to impose.

The foreign newspaper (FT) has already given a title to Fakhruddin Ahmed's government. In their eyes it is a technocrat government. However, I beg to differ with them. In my eyes it is an oligarchy pure and simple. When only a handful of people manage the government it is known as oligarchy. True to its definition, the CA's relatives are among the advisors. Why did the military not take power? The answer lies in the fact that Bangladesh military had received lucrative contracts from the UN to serve as peace-keeping mission in various war-torn nations and they thought that had they grabbed the power through coup d'etat, the military would face trouble in this regard.

A.H. JAFFOR ULLAH

THE vicissitudes of Bangladesh politics since late October 2006 surprised the most political pundits. No one could have predicted the way things have turned out in just 75 days. Naturally, the question that confounds any analyst of Bangladesh politics is: who is behind the sudden change in direction? Who persuaded President Iajuddin to relinquish his duty as the chief advisor of the caretaker government, which neither he nor his party (BNP) wanted him to forgo? One may recall that right before the declaration of emergency by Iajuddin quite a few of the advisors wanted to meet the CA but Iajuddin was not in a mood to see them. Thus, a few of the dejected advisors were thinking about resigning from their position. Now it is becoming crystal clear why Iajuddin avoided meeting his advisors. Preceding the January 11 declaration of emergency, the

top brasses of army, air force, and navy met Iajuddin and offered him an unpublished five-point demand. The president took into cognizance the demand and acted accordingly. In a short speech addressed to the nation, he resigned from the position of CA of the CG, which was not music to the ear of the BNP. Trust me, I have not unearthed this news sitting from the comfort of my house located thousands of miles away. The news was published by London's respected financial newspaper, Financial Times (FT) on January 17. I found the piece on Yahoo news site bright and early on the same day. In the way of introduction the FT news piece wrote: "Five days after Bangladesh's president, at the insistence of the army, declared a state of emergency, resigned his post as head of the caretaker government and cancelled the elections that were due to be held next Monday, the full implications of the latest twist in

Bangladesh's political drama are only just becoming clear. Few now have any doubt that the country is set for a lengthy period of military-backed technocratic rule." According to FT it was the army who summoned Dr. Fakhruddin Ahmed to take the charge of chief advisor of the caretaker government. Dr. Ahmed is a technocrat who lived in America from 1971 through 2001. He joined the World Bank in late 1970s and worked there until 2001 when he retired from active duty. He was appointed by the BNP government in 2001 to the post of the governor of the State Bank. His tenure ended in 2005 and he joined an NGO that is involved in poverty alleviation in Bangladesh. It is also not very clear who recommended the names of the advisors for Fakhruddin-led caretaker government. There are three probable answers: army, Iajuddin, and Fakhruddin. In the newspaper it was reported that Iajuddin placed

the nomination, which no one really opposed. From the news briefing given by the advisors it seems as if Barrister Mainul Hosen, the publisher of New Nation, is the de facto spokesperson of the newly formed CG. Indeed, Mr. Hosen was given the portfolio of information. Lately, Mr. Hosen has mentioned to the press that he doubts whether the Election Commission will be able to conduct a fair and transparent election within the stipulated 90-day period. He said that it might take six months or more. He justified his remarks by saying that the constitution was breached before so it is not an issue whether the same will be breached again. The prime duty of the CG is to offer to the people a transparent election after preparing a correct voter list. Strangely, Mr. Mainul Hosen's newspaper, New Nation, was mum about the irregularities in the voter list and the EC reform. In fact, his newspaper used to peddle the BNP position through and through. The FT news piece has another paragraph, which to me is a treasure trove of information. It reads: "Fakhruddin Ahmed, a former World Bank official and ex-central bank governor summoned by the generals on Friday to replace President Iajuddin Ahmed as de facto prime minister, is now framing rules to determine how authoritarian this regime will be. Diplomats say the army charged him with executing a five-point agenda that the generals presented to the president in a tense three-hour meeting the previous day." The five-point demand of the army consists of: 1. A drive to clean up the country's biased electoral machinery; 2. A pledge to improve governance in the civil service; 3. An anti-corruption drive that would cleanse the nation's politics; 4. The depoliticization of the judiciary; and 5. Reform of the crippled power sector. We already have seen some action on depoliticization of judiciary. The first step in that direction is the separation of judiciary from the executive branch of the government. What the BNP could not do in 5 years, the Fakhruddin Ahmed administration did it in less than a week. Talk about efficiency! The army is now busily apprehending the godfathers of crime who have political connection. The news of the arrests of petty criminals, student cadre members, ward

commissioner, etc is being published in all newspapers to keep the appetite of general mass. Any time a military regime comes into power, it does it with such finesse. Mr. Mainul Hosen already mentioned that it might take more than six months to reform the EC and prepare a sound voter list. The new CG will be able to depoliticize the civil service by removing the partisan officers and improve the performance of every branch of the government. It is not known for sure how long will it take to revamp the aging and crippled power sector. In the past no matter which government came to power, they milked the power sector to make personal gain. Maybe, the government run by technocrats will be able to make a dent in the problem. The foreign newspaper (FT) has already given a title to Fakhruddin Ahmed's government. In their eyes it is a technocrat government. However, I beg to differ with them. In my eyes it is an oligarchy pure and simple. When only a handful of people manage the government it is known as oligarchy. True to its definition, the CA's relatives are among the advisors. Why did the military not take power? The answer lies in the fact that Bangladesh military had received lucrative contracts from the UN to serve as peace-keeping mission in various war-torn nations and they thought that had they grabbed the power through coup d'etat, the military would face trouble in this regard. The FT article mentioned that if things do not move in Bangladesh the way the army wants, they may apply the Musharraf-tested principle of removing both Khaleda Zia and Sheikh Hasina Wajed from the country following Pakistani military style which sent both Nawaz Sharif and Benazir Bhutto abroad. Khaleda Zia may find solace in her heart knowing that Saudi Arabia may take her in. On the other hand, Hasina may join her daughter and son to spend her early retirement in America. Has the drama been acted out? Not quite so. The curtain was raised and it is act one now. Therefore, view the drama with inquisitive eyes. I'm not so sure when the election will be held. Let us hope it is sooner than Mr. Mainul Hosen thinks.

Dr. A.H. Jaffor Ullah, a researcher and columnist, writes from New Orleans, US.

# The African front



Enough US-bashing in the media in the Muslim world is taking place regarding the unfolding events in Somalia --that it is a US conspiracy to get a foothold in the horn of Africa. Nothing can be further from the truth. Granted, the US has worldwide interests, and in the region too, but one must underline that she already has a base in nearby Djibouti and does not need one in Somalia, of which the US has painful memories of murders of its servicemen in early 1990s. US military strength is already stretched paper thin and it cannot conceivably desire or manage another military presence elsewhere.

SAAD S KHAN

NEW year's eve on 2007 coincided with the Muslim festival of thanksgiving, Eid-ul Adha. For the Muslims of Somalia, which is one of the rare countries with 100 per cent Muslim population, there was another reason for thanksgiving. The internationally-recognized interim government of the country for the first time entered the capital Mogadishu -- although in Ethiopian tanks -- giving the country a semblance of normalcy. For months after the 2004 accord establishing an interim government, Somalia's presidential palace used to be a luxury suite in a posh hotel in Nairobi, the capital of neighbouring Kenya. The government tentatively moved to the town of Jawhar inside Somalia, only to be uprooted by the forces of the "Union of Islamic Courts" (UIC) -- the Somali Taliban. The interim government then positioned itself in the town of Baidoa -- the seat of the transitional parliament. In recent days, the Ethiopian air force bombed out the UIC forces from the capital and ultimately from their last stronghold of Kismayo deep in the south. The UIC forces now find themselves trapped in the southern triangle of Somalia hunted and hounded by the joint Somali-Ethiopian advancing from the north, while the western flank has been covered by Kenya as it has sealed its border and the eastern coastal flank has been blocked by the US navy. The story in Somalia resonates some familiar chords. Let's compare it with Afghanistan. By the mid-1990s, things had reached the nadir and a reaction and counter-movement to the chaos had to emerge. Initially, the students from religious seminaries started performing voluntary duty to restore order in towns, patrol the streets to raise alarm when burglars entered, or to control traffic. Gradually, it became a loosely organized movement and spread like wildfire. People like Mullah Umar, who had their own agendas, gained control and became undisputed leaders of the country. They restored order and the people started tolerating them as the least evil. Devoid of funds, they turned to al-Qaeda to finance the government, in return for asylum and safe passage. The US and the

western countries became alarmed, started a proxy war with local disgruntled warlords plus a partner country (Pakistan) and routed the Islamist government. Lawlessness, looting, and massacres followed. The leaders of the Taliban and al-Qaeda, purportedly trapped at Tora Bora, all made good their escape, and the ordinary people bore the brunt of the resulting mayhem. The story is only marginally different in Somalia. Instead of poor students, it was the rich businessmen in Mogadishu who pooled money to fund functioning Islamic Courts in the capital, in order to bring to justice the profiteers, money launderers, mafia men and extortionist criminals. The enterprise was a success: in weeks, daylight robberies and kidnapping-for-ransom were banished from the streets, and so were the multiple illegal checkpoints established by greedy warlords for extortion. With lightening speed, the arrangement was replicated across the country and people started supporting the system. But through a dangerous mix of lack of international support, economic crisis, and mismanagement, the Union of Islamic Courts (UIC) became hijacked by extremist anti-American elements -- although not related to al-Qaeda. The figurehead of the UIC, former army colonel Sheikh Hassan Dahir Uwaysi and the head of its executive council, Sheikh Ahmad Sharief, a former school teacher-turned-revolutionary, are both moderates. In the absence of clear structure and hierarchy, it is not known how much, if at all, these two gentlemen or any other UIC leader, for that matter, exercise control over the organization. The UIC remains as enigmatic as the Taliban and likewise was swayed by elements who banned music and football in search of some fanatical medieval brand of Islam. Fears of al-Qaeda presence led the West to become supportive of their overthrow. Substitute Ethiopia for Pakistan and the game was familiar. The UIC was as easily, speedily and dramatically uprooted as the Taliban were. But they too claim it a tactical withdrawal and promise prolonged insurgency. So this is not the end of the game, rather the beginning of a new phase of warfare a la Iraq and Afghanistan. The crisis is political and social and no military means can find a solution. The Islamists are not a biologically different species who can be identified and apprehended in the tightening noose of the US-backed actors in the region. They were ordinary peasants, school teachers, and shopkeepers who genuinely thought that UIC would

give them an Islamic government that will restore peace and order, that the interim government was perceived as inept and incapable of doing. The moment the UIC was defeated, of course, the leaders ran away and the rank and file evaporated into thin air. Everybody merged into society. Note the striking similarities with the Taliban fiasco. Now the fruitless hunt for Islamists can only result in further dividing the society as people will settle old scores, spy on each other, and criminals and outlaws will make hay. One must understand that Islamism is not a breed or a creed, it is the name of a transient social phenomenon and must be treated and tackled as such. Now that the interim government is in power, the time is to forget and forgive the past and try to heal the wounds. The Ethiopian troops should withdraw sooner than later, and an Ethiopian-free, Nato-funded, and AU-manned peacekeeping force must be deployed. If the war on terror is to be won, for the time being fanciful ideas like trapping the Islamists and capturing the UIC leaders should be forgotten. The time is for statesmanship, not maverick and eccentric gimmickry. The announcement last week by the interim president calling on all Somalis to lay down arms (since withdrawn as unworkable) was, at best, a joke, and at worst, a betrayal of his pathetic mental health. Somalia has had enough of its share of misfortune and misery. The time calls for a mature understanding of the situation. Before summing up, another pivotal comment is in order. Enough US-bashing in the media in the Muslim world is taking place regarding the unfolding events in Somalia --that it is a US conspiracy to get a foothold in the horn of Africa. Nothing can be further from the truth. Granted, the US has worldwide interests, and in the region too, but one must underline that she already has a base in nearby Djibouti and does not need one in Somalia, of which the US has painful memories of murders of its servicemen in early 1990s. US military strength is already stretched paper thin and it cannot conceivably desire or manage another military presence elsewhere. Plus, conspiracy is something that four or ten or hundred people can undertake. A vibrant democratic nation of 290 million people cannot unite in conspiracy against anyone, let alone, the UIC or Somalia. Uniting in stupidity, however, is another matter.

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# Full disclosure

IFTEKHAR HOSSAIN

GRAMEEN Bank and its founder, Professor Mohammad Yunus, have received the Nobel Peace Prize. The micro-finance (MF) focus of the world is again spotlighted on Bangladesh. It is high time for the accounting profession of Bangladesh to ponder their contribution to this sector, and how they can also take benefit from it. To the international accounting community micro-finance is not important enough in comparison with the private for-profit sector, and so it does not appear in any of their publications. However, millions of MF beneficiaries and thousands of MFIs (micro-finance institutions) are globally involved in this sector. As citizens of the birthplace of modern micro-finance, and now the recipients of the Nobel Prize, the accounting profession of Bangladesh needs to wake up and take this opportunity of stamping their footprint in the international arena. In global accounting there are two major players -- the United States and rest of the world. The US based Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issue accounting standards, interpretations, exposure drafts, etc. The lead international agency for the micro-finance sector is

recognised to be CGAP (the Consultative Group to Assist the Poor). CGAP is a consortium of bilateral foreign aid agencies from 16 countries, 12 multi-lateral agencies and 2 private foundations, and is housed in the World Bank office in Washington DC. A provisional version of "Disclosure Guidelines for Financial Reporting by Micro-finance Institutions" was issued by CGAP in January 2001, a second version in July 2003, and the latest version, titled "Micro-finance Consensus Guidelines: Disclosure Guidelines for Financial Reporting by Micro-finance Institutions," was published in July 2004. It is available in the websites of CGAP (www.cgap.org) and SEEP (the Small Enterprise and Education and Promotion Network) www.seepnetwork.org. The need for these guidelines is due to the inability to assess the financial sustainability and loan portfolio of a MFI from the normal financial statements. The guidelines specify additional information that should be included in MFI financial reporting. The guidelines also emphasise that these are not accounting standards. It calls for the reporting of certain information, including the accounting method used in deriving that information, but it does not direct the choice of accounting method. The disclosure guidelines are

satisfied if the required information is included in the financial reporting of an MFI, regardless of the format or order in which the information is presented. Bangladeshi MFIs have annual audited accounts. The annual financial statements are prepared in accordance with Bangladesh Accounting Standards (BAS). The BAS are issued by the Institute of Chartered Accountants of Bangladesh (ICAB), the regulator of the accounting profession in Bangladesh. The latest publication was printed in July 2006, and the foreword states that the ICAB, being a member of the International Federation of Accountants (IFAC), is committed to adopting and promoting the use of International Financial Reporting Standards in general purpose financial statements. The ICAB adopts the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) after duly examining their applicability in the context of Bangladesh, and also after ensuring that they are not in contradiction with the local laws. The IAS and IFRS thus adopted are called the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). Compliance with the BAS and BFRS ensures compliance in all material respects with the IAS and IFRS.

The annual audits are conducted by independent auditors in accordance with Bangladesh Standards on Auditing (BSA). The BSA is issued by the ICAB, and the latest publication, containing 35 BSA and 5 Bangladesh Auditing Practice Statements (BAPS), was in October 2006. According to ICAB, compliance with the BSA and BAPS ensures compliance in all material respects with the International Standards on Auditing (ISA) and International Auditing Practice Statements (IAPS) issued by IFAC. The CGAP disclosure guidelines recommend that the statutory auditor of an MFI should be required to issue a clear statement to the effect that the audited financial statements

- Comply fully with the guidelines;
- Comply substantially with the guidelines, with relatively minor deviations; or
- Do not comply with the guidelines.

It also states that as the disclosure guidelines are not legally authoritative reporting standards, some external auditors could be reluctant to refer to them in their formal audit report, in which case the auditor could be asked to evaluate compliance with the guidelines in a separate letter. In the Bangladesh context, the regulatory agency for the MFIs is the newly formed Micro-credit Regulatory Authority (MRA) (set up under the Microcredit

Regulatory Authority Act, 2006, Act 32 of 2006) and for the auditors the ICAB. In addition, there is the apex micro-finance lending agency, the Palli-Karma Sahayak Foundation (PKSF). The MRA could review the CGAP Disclosure Guidelines for Financial Reporting by Micro-finance Institutions and make it mandatory for all MFIs. The MRA could also use other publications of CGAP to make the Bangladesh micro-finance sector compliant with the best international practice. In the process, the MRA would also have the opportunity to contribute to the global micro-finance industry, the Bangladesh best practices. The ICAB could, on its own or preferably in conjunction with the MRA, review the recommendations in the CGAP Disclosure Guidelines and other publications, and adopt them for Bangladesh as Industry Accounting Guide and Industry Audit Guide. As the regulator of the accounting profession in the country with the largest, and the most, MFIs in the world, ICAB is in a unique position to contribute to the national and global advancement of micro-finance.

Iftexhar Hossain, FCA is a partner of ACNABIN, Chartered Accountants.