

# G8: Returning to its roots



PRIME MINISTER DAVID CAMERON

ONE year on from the Olympics, the eyes of the world will again be on the United Kingdom next summer, as we host the G8 at Lough Erne in Northern Ireland. Some people ask: does the G8 still matter, when we have a G20? My answer is "Yes." The G8 is a group of like-minded nations who share

a belief in free enterprise as the best route to growth. And as eight countries making up around half of the world's entire GDP, the standards we set, the commitments we make, and the steps we take can help solve vital global issues, fire up economies and drive prosperity all over the world.

Lough Erne 2013 will be focused on three ways in which we can support the development of open economies, open governments and open societies to unleash the power of the private sector. Advancing trade, ensuring tax compliance and promoting greater transparency.

First, trade. There is no greater stimulus for growth in the world economy than trade and no more important battle than the fight against protectionism. As the G8, we have a collective responsibility to drive forward trade liberalisation. I am already leading EU efforts to finalise a free trade agreement with Canada and to launch negotiations with Japan and America over the next year. I want G8 leaders to seize the opportunity of the discussion at Lough Erne to agree how we will accelerate progress across our ambitious trade agenda.

To take just one example, the EU and US together make up nearly a third of all global trade. And an ambitious deal between the two could provide an enormous boost to jobs and growth adding over £50 billion to the EU economy alone.

Second, taxes. People rightly get angry when they work hard and pay their taxes, but then see others not paying their fair share. So this G8 will seek to maintain the momentum generated by the G20 on information exchange and the strengthening of international tax standards. We will look to go further including, for example, on tax havens by improving the quality and quantity of tax information exchange. And we will work with developing countries to help them improve their ability to collect the tax that is due to them too.

Third, transparency. The G8 has a long history of advances on development -- and this G8 will be no different. The UK is meeting our commitment to spend 0.7% of our gross national income on aid from 2013 -- and we will be holding other countries to account for their promises too. We will also be leading the way in the battle against hunger with a special event on food and nutrition a few days before the main meeting, to follow up on this year's Olympic Hunger Summit.

But I believe the UK's track record on aid gives us the legitimacy to use this G8 in a radically different way by

supporting what I call the "golden thread" of conditions that enable open economies and open societies to drive prosperity and growth for all. These include the rule of law, the absence of conflict and corruption, and the presence of property rights and strong institutions.

Transparency and accountability are vital for this. Too often, development at the G8 has been about rich countries doing things to poor countries. But at Lough Erne, we in the developed world will concentrate on issues that involve us putting our own house in order

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and helping developing countries to prosper. Take the issue of mineral wealth. We need to make sure that, for developing countries, this is a blessing not a curse. So the UK is leading efforts in the EU to require oil, gas and mining

companies to publish key financial information for each country and project they work on. And I want this G8 to drive greater transparency all around the globe so that revenues from oil, gas and mining can help developing countries to forge a path to sustainable growth, instead of fuelling conflict and corruption. These defining advances in trade, tax and transparency could lay the foundations of long-term growth and prosperity for generations to come. But to achieve them we also need to cut through the bureaucracy of traditional international summits. So Lough Erne 2013

will return the G8 to its roots. The original leaders' fireside chat which inspired today's G8 gatherings took place at the Chateau de Rambouillet in 1975, organised by the then French president in response to the need to address worldwide economic problems. They held searching discussions, and issued a succinct declaration just 15 paragraphs long. Nearly forty years on, we will go back to those first principles. There will be no lengthy communiqué. No mile long motorcades. And no armies of officials telling each other what each of their leaders thinks -- or should think. Instead we will build on the approach taken by President Obama at Camp David this year: one table and one conversation with G8 leaders holding each other to account and ensuring that good intentions really do become vital actions to advance growth and prosperity across the world.

I look forward to welcoming my fellow leaders to Lough Erne and to showcasing Northern Ireland to the world as a modern and dynamic part of the United Kingdom that is open for business, with huge potential for investment and tourism. Northern Ireland's transformation over the last two decades was made possible by the courage of so many people across all sections of its community. Their determination and leadership has inspired the world. And we must show the same resolve to make sure this G8 delivers growth and prosperity for the United Kingdom, for Bangladesh and for the world.

The writer is Prime Minister of the United Kingdom.

**BITTER TRUTH**

## The bell tolls



MD. ASADULLAH KHAN

DHAKA, once the hub of dream and optimism, is becoming a nightmarish city. People here, before long, will feel like being driven away by the accelerating deterioration in the quality of life caused by clogged roads, eye-stinging smog, polluted streets, parks, and lakes, unaffordable housing, overcrowded

schools, colleges and hospitals and polluting industries. The very qualities that lured millions to Dhaka 30 years ago are threatening to disappear. In this winter season, auto exhausts and chemicals hang lower and longer than before, affecting human health.

All indications are there that an environmental catastrophe looms over the country, and the ministries concerned and law enforcers must take urgent and effective action. Citizens are yet to be aware of the dangers that threaten their lives. Slowly and unconsciously, day in and day out, city dwellers are inhaling noxious poisons that are spewed out by the caravans of cars.

Despite the fact that regulations exist, indifference, inaction and failure in taking punitive measures against the offending drivers as well as vehicle owners has led to such a perilous situation. In most cases, failure or non-compliance in using catalytic converters that clean up the most damaging but invisible portion of the auto exhausts is responsible for this deteriorating situation. Shockingly, law enforcers appear to have become resigned to the appalling situation, although they are supposed to go into action. Surely, it is not a natural disaster or a disaster that cannot be tackled by human effort.

Industries without pollution control devices also poison the air, but they do not pose as much threat as the relentless increase in the number of vehicles. The city's vehicle population has almost increased ten times since 2000. A study in 2008 concluded that an estimated 15,000 premature deaths every year as well as several million cases of pulmonary, respiratory and neurological illness are attributable to poor air quality. Among the industries, the brick kilns are the major culprits, especially during the manufacturing season of October to March, contributing to about 40% of the total pollution. With about 700 brick kilns located to the north of the city and operating in flagrant violation of the environmental regulations, pollution peaks go up to 230 mg/cubic metre, especially in January.

Parents are greatly alarmed at the prospect that children are at higher risk because they breathe more times per minute. What can people do to avoid this catastrophic situation? They cannot leave the city and their work places, and they cannot stop children from breathing.

For millions there is no choice. Their lives, their jobs, their future depend on being here. At the same time, thousands of people from the rural surroundings arrive each day to the metropolis, desperate for

economic opportunities. Thousands more are born here each day. In some cases, families work on the streets and live there.

The government can't do what it must to end this problem. For a city like Dhaka, the nerve-centre of 15 million people, barring excessive cars, closing factories and bringing about remedial measures in public transportation are simply not an option. But as things get worse, the government has to do something, like prohibiting cars from plying unnecessarily, sometimes with no passengers, and taking stringent and punitive measures against vehicles spewing noxious fumes.

The main problem underlying the city's malaise is simple; the city is attracting far more people that it can absorb. A population of 10 lakh people in 1960 zoomed to 0.9 million in 1996 and then to 15 million in 2012. This influx ushered in a vibrant society, but it has also had dire effects. Denizens of Dhaka city have to scale back their dreams if they have to stave off the disaster that is looming.

Car pooling and mass transit would unclog roads and release less pollution into the atmosphere. The most urgent need is to run suburban trains from Kamalapur to Joydevpur and back to Kamalapur, with stoppages at Maghbazar, Tejgaon, Banani and Uttara. Double-decker bus from Kamalapur,

Gulistan, Azimpur to Mirpur and Tongi should be introduced with fixed stoppages. Buses have to be strictly forbidden to make unscheduled stoppages on the roads for taking passengers. Issuance of license and withdrawal of buses and minibuses that only accommodate 25 to 30 people for city transportation should henceforth be discontinued. This will remove road congestion, lessening number of deaths on the road, as well as result in cleaner air.

Housing needs and schools for children should be met by building multiple-family dwellings in areas where jobs are available or where jobs already exist and the environment is at less risk. Rajuk must now revise their ideas about allotting plots for housing purposes. Housing complexes with modest amenities tinged with architectural beauty, landscape design and good living environment that fulfill the need and aspiration of the people should henceforth be developed both by Rajuk and the developers at different locations of the city having access to transportation facilities. These should be sold to the government and private individuals on a long term payment basis. This will curb corruption among government employees in acquiring wealth by resorting to corrupt practices for buying a plot of land and building a house.

The country, especially Dhaka city, is passing through a perilous situation because regulations are lax, implementation slow, and evasion rampant. We feel concerned not only for our children who will turn sterile in future but for our own existence that is at stake. The city has become unlivable now and it is because of the fact that we are blithely ignoring the law.

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## Independent directors in NCBs, SBs and FIs

A.F. NESARUDDIN

IN order to ensure better corporate governance, efficiency, profitability and more vibrancy, the state-owned commercial banks were converted into public limited companies few years ago, giving more power and responsibilities to the board of directors. In view of this, the government formulated policy guidelines in April 2009 with respect to appointment of directors and chairman in nationalised commercial banks (NCBs), specialised banks (SBs) and financial institutions (FIs). These policy guidelines, inter-alia, include maximum number of directors, qualification and experience of directors, disqualification of directors, term, re-appointment and other pertinent issues.

Introducing more vibrancy, accountability, less external interference and dynamism, the boards of the NCBs were expected to be more effective and efficient, ensuring high degree of professionalism. As stipulated in the aforesaid policy guidelines, the boards of the state-owned banks, SBs and FIs were to be comprised of economists, chartered accountants, bankers, and experts in financial markets, monetary policy and financial management having proper (technical) education, experience and competence. It also stipulated that a lady member belonging to any professional category and a lawyer should also be inducted in the board.

It was seen that after the political government came to power, party men were inducted in the boards along with other professionals. Appointment of party men is nothing wrong. However, a balance between professionals and non-professionals should exist otherwise the non-professionals and politically powerful directors will exert influence over professionals, jeopardising independence of the boards. The question is whether the person has the ability to understand the business of banks and financial institutions and also whether those non-professional party men have the qualities as stipulated in the policy guidelines mentioned above. Moreover, how far can they afford to be independent when they are nominated in recognition of their loyalty to the political party?

A large political party that is elected to power definitely has sufficient experts loyal to the party possessing the qualities required in the policy guidelines to run the banks, SBs and FIs. However, it is not understandable why appointment of non-professionals has been encouraged deviating from the policy guidelines. It should be judged whether the person designated to the board has the courage and capacity to maintain his/her independence even after pressure from various quarters.

SEC, in a recent notification, stipulated that the size of the board could be between 5 and 20 and one-fifth of the total number of directors shall be independent directors. Apart from usual disqualifying conditions, the notification also emphasised that the person selected as independent director shall (a) be knowledgeable with integrity, (b) able to ensure compliance with financial, regulatory and corporate laws, (c) can make meaningful contribution to business and (d) should have at least 12 years of corporate management and professional experience. The above qualifications may be relaxed subject to prior

approval of the SEC for deserving candidates, if otherwise prominent. It also said that an independent director could not work for more than 3 listed companies.

In addition, the post of independent director(s) cannot remain vacant for more than 90 days. For better operational efficiency, the board shall lay down a code of conduct for all board members and compliance with the code has to be recorded annually. Finally, the tenure of office of an independent director shall be for a period of 3 years, which may be extended for 1 more term only. In addition, in the proposed Companies Bill 2012, there is mention about appointment of one independent director for listed companies but it did not elaborate about the academic, professional qualification and experience. The Bill needs to be more exhaustive.

An independent director is considered as a watchdog, like independent auditors. The first condition of an independent director is that s/he must be independent by nature, character and judgment. In the board, an independent director should question intelligently, debate constructively, challenge rigorously, listen sensitively and decide dispassionately. Creating the culture of debate in the board and its committees is desirable for good corporate governance. Mere endorsement of loan proposals for party men and businessmen is not enough.

Unfortunately, in a number of cases, independent directors, specially in state-owned banks, SBs and FIs, are appointed by the degree of allegiance to the party, not by professionalism, background and competence. Many of the independent directors appointed purely on party allegiance without considering professionalism probably cannot contribute to the desired level.

In the recent frauds in banks, the role of independent directors cannot be beyond question because the interest of the small depositors could not be adequately protected. In addition, internal control structure currently in place is not strong

enough to prevent fraud and misappropriation of fund. It should be kept in mind that independent directors should also play a supporting role in the functions of management without compromising their independence. However, it should be noted here that management is primarily responsible for fraud, operational irregularities and misappropriation of funds, not the board of directors.

If a board and its committees function without a culture of openness and debate it can seldom produce the expected outcome, and fail to meet public expectations. The time has come to assess the outcome of such a move in the light of its intended goals, public expectation and assurance of good corporate governance. As such, a system of corporate governance including appointment of an independent director needs to be reconciled with the ground realities of Bangladesh. The appointment of independent directors should be made under the policy guideline as already framed by the government and the relevant agency should also conduct proper survey as to competence, independence, knowledge and experience of the incumbent, not merely on political consideration.

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