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Privatization of State Owned Enterprises (SOEs) in Bangladesh (1975-1999) : Background, Concepts, Progress of Implementation, Case Studies and Issues

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Abstract : Privatization has become an indispensable need of the day world wide, whether it is in the develop world or in the developing one. As a method of altering the structure of economics, privatization has been embraced throughout the world by government ranging across all political persuasions. Global recognition of the free market economy and economic liberalization prompted governments in Bangladesh to pursue a series of reforms under its structural adjustment program, promoting private sector development in various sectors of the economy such as manufacturing, finance, transport, telecommunication, energy and power. Over all performances of State Owned Enterprises (SOEs) are deplorable and these enterprises made losses of crore and crores of Taka which could be used for poverty alleviation, providing clean water, sewerage, hospitals, schools, roads, bridges etc. and in general for the welfare of the common man. Realizing the significance of privatization the effort of privatization began in Bangladesh in the mid-seventies. This article attempts to highlight the background and conceptual issues of SOEs, examine the progress of implementation of privatization programmes in different rounds, find out the major issues including case studies and constraints of privatization etc. followed by suggestions to overcomes the existing problems. Most of

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the findings of the article are based on secondary information.

Introduction

The privatization concept is considered to be the most revolutionary innovations in the realm of economic polices of modern times. The world of nineteen-nineties is a virtually new world. The post cold-war era, heralded by the demise of the Soviet Union and dramatic collapse of the one-party socialist politico-economic order in Eastern Europe-witness an entire system crashed to destruction on account of internal weaknesses. The bipolar international order disappeared ever as the nineties began.

The global wave is now in favour of freedom and participation, free enterprise and market-friendly economy, increased emphasis on privatization and role of private sector trade, commerce and industry throughout the world (80 countries around the world privatized more than 8500 SOEs during the last 12 years). The democratic, multi-party, market-friendly west emerged as the apparent sole arbiter of the destiny of our planet; Bangladesh is very much within this orbit.

In Global perspective, Privatization is rapidly recognised as an effective tool of economic transformation and development. It may be one of the most important trends in economic development in the coming decade. Privatization have covered a wide spectrum of geographic and economic sectors in different countries at different stages of development over the last five years. Latin America moved more comprehensively and rapidly on privatising its economy than other regions in the world. Mexico has activated sales of railways and petrochemical plants; Brazil arranged sales of banks; utilities and mining companies; and in Argentina and Peru political leaders whose policies incorporated strong commitment to privatisation. The privatisation programme has also gained momentum in number of Asian, African, Middle East, Central & Eastern European countries. The economic benefits of privatisation are generally accepted, and are sought in many nations throughout the world. These benefits are especially important to Bangladesh and similar developing countries[1].

The increased emphasis in most developing countries on market oriented industrial growth, and on the enhanced role of the private sector in industry, has been a critical factor in determining the scope and nature of privatization in various developing countries. In several Asian countries such as the newly-industrializing countries of the Republic of Korea, Singapore and Taiwan province of China and the rapidly-expanding economics of Indonesia, Malaysia and Thailand as well as in a number of Latin American countries, particularly Brazil, Chile, Mexico and Argentina, private-sector industry has constituted the principal engine of growth in recent decades. Even greater emphasis is now being placed in the private sector's role in industry in these countries, as also in most developing countries of Africa, Asia and Latin America and the Caribbean. Privatization must be viewed as an essential element of private-sector development and policies relating to privatization must be considered within the broader framework of industrialization through the private sector.

At the micro level, the impact of privatization has to be

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1 Zakaria, S. M. (1998), Privatization Efforts in Bangladesh, A Brief Outline (mimeo), P-1

viewed interms of increased efficiency, productivity and competitiveness and inflow of new investments and technologies, both for infrastructure entities and mining, manufacturing and service enterprises which have been privatized. In most of these enterprises an important aim was to achieve major expansion through additional investments.

Privatization process is not so old as a phenomenon in the contemporary economic order has become an indispensable need of the day worldwide, whether it is in the developed world or in the developing one. As a method of altering the structure of economics, privatization has been embraced throughout the world by governments raging across all political persuasions. The question now is no more whether to privatize State-Owned Enterprises (SOEs) but with what method and how fast to do it. Practical realization of the fact that private sector can perform some activities more efficiently than the government agencies, has elevated the private sector as an engine of economic growth.

The Bangladesh Context

Bangladesh became independent in 1971 through a heroic arms struggle. The entire freedom loving people of the world including USA, the then USSR and West Europe supported the case of independence of BD. As a result, Awami League, the then ruling party being an ardent, believer of western democracy and free-economy had not only to take over abandoned enterprises but also had to nationalise almost all the key sector industries under Presidential Order (P.O.) 27, the Bangladesh Industrial Enterprises (Nationalization) Order, 1972 under which above 700 industrial enterprises either abandoned by Pakistani owners or taken over from even sole or partial ownership of Bangali nationals were put to run under 10 sector corporations (the major seven sectors corporation). Those are the SOEs of the country.

Overall performance of SOEs in Bangladesh were very much depressed and average losses reached to Tk. 2,500 crore (US$ 1 = Tk. 48) annually the rate of which is at the increase. The total losses at the end of FY 98 stood to the tune of Tk. 45,000 crore. These valuable resources could have otherwise better be used for poverty alleviation or provide extended water, sewerage, Medicare, education and communication facilities for greater welfare of the toiling masses. Profit and loss statement of BTMC, BJMC, BJC, BSEC, BSFIC and BCIC during 1985-1998 may be shown in Annexe-A.

Global recognition of the free market economy and economic liberalization prompted government of Bangladesh to pursue a series of reforms under its structural adjustment programme, promoting private sector development in various sectors of the economy viz., manufacturing, finance, transport, telecommunication, energy and power. SOEs overall performances in Bangladesh were very much depressed and in the recent times alone these enterprises made significant losses to the exchequer. The following information regarding SOEs of Bangladesh may depict the strong argument in favour of privatization [2].

- The SOEs incurred a total loss of about Taka 45 thousand crore since the independence of the country.
- At present, there are more than 200 SOEs in the country. These SOEs are incurring losses to the tune of Taka 2500 crore annually.

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2. Privatization in Bangladesh (1997), Privatization Board, November 30, 1997.

- If we can stop this loss, we can build a bridge like that of Bangabondhu bridge in every two years with this money.
- The government has to provide huge subsidy every year to keep the SOEs run.
- This money for the subsidy comes from the people's pockets in the form of taxes.
- The only way to get rid off this unbearable situation is 'privatization'.
- Privatization will foster technological progress, increase productivity, create more employment and will take our nation into a more prosperous future.
- Privatization will reduce the huge expenditure of the government. With this money the government can implement various development programmes including building of new hospitals, educational institutions, roads and bridges.
- So, it is a necessity to come forward to help make the privatization programme a success.

The Private sector employs the labour rationally giving due recognition to their skills and efficiency. Total employment will usually not decline after a firm is privatized. Of course, when a SOE is obviously over staffed, privatization will bring layoffs, However, some studies on privatization revealed that employment in newly privatized companies, on average, either remains the same or increases with the divestiture. These finding suggest that the great fear of those opposing * .

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* Maksud Khan, (1999), Labour and Management Issues and Stakeholders in Privatization-Bangladesh Experience; (memio)

Profitability of the Private Enterprises Compared with SOEs

Sector	Private Enterprises			State Enterprises		
	Total Unit	Profi table Units	Per cent	Total Unit	Profi table Units	Per cent
Textile	19	10	53	42	9	20
Engineering	16	12	75	20	9	43
Food and Allied	22	13	59	21	10	48
Pharmacaeticals and Chemical	16	13	81	23	14	61
Jute	12	4	33	30	NA	NA
Miscellaneous	48	41	85	53	26	49
Total	133	93	70	189	67	35

Source : World Bank Report on Bangladesh Privatization and Adjustment; March 10, 1994 (Page-19)

Bangladesh envisaged three potentially large benefits of privatization : first, stemming the increasing losses of the SOEs; secondly, improving the efficiency and quality of services provided by SOEs, and thirdly, signailing to the private sector the Govt's commitment to the irreversibility of the pro-market reforms. The question to Bangladesh, is therefore, not whether to privatize or not, rather the only question is what will be the modality of privatization and how quickly it could be done.

Under P.O. 27 of 1972 and the then spectacular socialistic pattern of economy not only restriction was imposed to own enterprises in almost all of important key industries like jute, textiles, sugar, etc. on private hands, moreover bar was put to investment above ৳ 1.5 million by private entrepreneur in any single industrial enterprise. The industrial policy 1973, 1974 and 1975 raised that investment ceiling to ৳ 2.5, ৳ 30 and ৳ 100 million respectively and industrial policy 1978 abolished (withdrawn) the highest ceiling of private investment.

Under New Industrial Policy (NIP) 1982, industry was grouped in three groups : (i) a small reserve list for public sector investment only, (ii) a concurrent list of large industries for both public and private investment (iii) an Industrial Investment Schedule (IIS) for all other industries opened to private investment. The Revised industrial policy (RIP) of 1986 further liberalised sanctioning procedures, increased incentives for local and foreign investment, rationalised fiscal and monetary measures like import-export incentives, tariff rates, etc. It kept only seven sectors reserved for public investment e.g., (a) Arms, ammunitions and other defence equipment's and machineries (b) Power generation (except through private generator), transmission and distribution (c) Forest plantation and mechanized extraction within the bounds of reserved forests; (d) Telecommunications (excluding distribution and services); (e) Air transportation (excluding cargo) and Railways; (f) Nuclear energy; and (g) Security printing (currency note) and minting. The industrial policy, 1991 raised investment ceiling in the small-scale industries from ৳ 1.5 crore (4.5 crore with BMRE) along a host of incentives to attract the flow of local and Foreign Direct Investment (FDI). For foreigners and non-resident Bangladeshi's following investment facilities have been made available:

a) 100% foreign equity holding; (b) repatriation of all post tax dividends, capital, and capital gains; (c) employment of expatriate technical and professional personnel; (d) remittances of 50% salary of foreign nationals employed in local companies; (e) remittances of savings from earnings, retirement benefits, personal assets of individuals employed on retirement/termination of service; (f) exempted from income taxes for first 3 years of employment; (g) multiplentry visas; (h) relief from double taxation; (i) reinvestment of reportable dividends is treated new investment; (j) unhindered access to local banks and financial institutions for long-term loans and working capital; (k) ownership in the form of private limited companies and optional public offering of shares in case of public limited companies; (l) to invest in shares and securities through stock exchange etc. The Foreign Investment (Promotion and protection) Act, 1980 provides legal cover to all foreign companies operating in Bangladesh against Nationalization and for equitable treatment. Bangladesh is also a signatory of Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, Overseas Private Investment Corporation (OPIC) and International Centre for Settlement of Investment Disputes (ICSID) to cover all sorts of risks. Besides, BOI and host of other government agencies are there either to promote or regulate industries, like BDCIC, BEPZA, BSB, EPB, BHB, Sericulture Board, NPO and BITAC. The government has shifted its role from regulatory to promotional as a prove to which earlier department of industries has replaced by BOI headed by the Prime Minister of the country for speedy implementation of new industrial projects and provided all operational support services in a package form under one roof.

The first step of privatisation began in the mid-seventies which covered very small units that were initially taken over following the departure of the Pakistani owners. The second phase of privatisation (or denationalisation) took place in the first half of the 1980s and covered mostly jute and textile mills owned originally by Bangladeshi citizens prior to Independence. In these transfers, the government, under a mutually accepted agreement, retained the right to intervene in certain areas if the new owners did not maintain the units in operation or failed in their contractual obligation. The second half of the 1980s saw further efforts to encourage the wider participation of investors in the privatisation process. Accordingly, 34 percent of the share of a few profitable manufacturing SOEs and NCBs were sold to the public, and 15 percent were allocated for allotment to employees of each of the SOEs concerned. However, this program was not deemed to be a success. With the governent still retaining 51 percent of the shares. There was no significant improvement in operational efficiency [3].

CONCEPTUAL ISSUES

It is important to classify the conceptual issues so that the readers can understand the contents of the report. The key concepts around which the study is built are : Privatization and Public/State Owned Enterprise.

Privatization

"Privatization" is generally used to mean the formation of a company's Act and the subsequent sale at least 50 percent of the shares to private shareholders. However, the underlying idea is to improve industry performance by increasing the role of market forces. Many other measures can contribute to this, notably forcing of entry to an industry encouraging competition and permitting joint ventures to create several successor companies, which may be publicly owned [4].

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3. Zakaria, S. M. (1998), Privatization Efforts in Bangladesh, A Brief Outline (mimeo) P.2.
4. T. L. Samkor and others (Edtd.), Public Enterprise Policy in India and U. K. in 1980s, Himalaya Publishing House, Bombay, January, 1987. p-191.

How to Approach Privatization : Ten Propositions and Caveats [5].

The following is a set of general thoughts to keep in mind while reading this study :

1. Privatization is often more influenced by political issues than by strictly economic considerations.

2. Privatization and divestiture are not synonymous. Divestiture is only one type of privatization and is perhaps one of least attractive and least utilized methods. There are "many roads to privatization," just as there are to its counterpart, socialism.

3. Privatization is too often associated primarily with questions of equity, particularly in developed countries; but privatization of a function or service can, at times, be just as important. A good illustration of this has been the privatization of fertilizer distribution in Bangladesh.

4. One should approach this subject from the standpoint of privatization of an economy, not merely the unloading of inefficient, money-losing state enterprises. Privatization should be undertaken to develop viable enterprises and a more vibrant economy, not simply to cut state-owned enterprise (SOE) losses or reduce government deficits.

5. A government's privatization policy will be ineffective unless it is preceded by a well thought-out plan with clearly defined long-range objectives, backed up with will and commitment, and implemented through an effort that is comprehensive, co-ordinated and consistent.

6. Privatization of state enterprises will accomplish little without parallel government-sponsored policies and programs to encourage, assist, and co-operate with the private sector. The government as an economic partner,

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5. Clare E. Humphrey, Privatization in Bangladesh: Economic Transition in poor country UPL, 1992 page 8-9.

not a competitor, must view the private sector. Establishing conditions that generally promote the benefits of competitive market forces is crucial to the success of privatization.

7. Privatization should be approached as a policy-oriented subject, not a bookkeeping problem. Zeroing in initially on the individual state enterprise often obscures this basic fact. It also places the cart before the horse. Analysing the policy framework and regulatory environment within which privatisation and the private sector must operate is infinitely more productive than "calling in the investment bankers" or "looking into the books" of public enterprise that are likely candidates for unloading.

8. The approach to privatization should be pragmatic, rather than ideological, with the emphasis on "what will work in this society, this bureaucracy, this situation." Fortunately, pragmatism has been more displayed by LDC governments than by some of their privatization sectors from developed nations.

9. There is no standard formula for privatization. Conditions, problems, strategies and solutions will vary from country to country, although many of the more basic privatization issues appear almost everywhere, transcending cultural barriers. Innovators should empathetically privatization efforts to local situations, while guarding against the tendency of traditional societies under-going painful transition to use distinctive circumstances and socio-cultural patterns as a shield to avoid taking action on needed change.

10. Privatization is a means, not an end; and it is not a panacea for solving all the ills of a sick economy. Privatization is fraught with political, social, and economic problem and risks; its impale mention is characterized by nagging uncertainties and few short-term victories; it is an untidy business.

If all these were true, why would any government leader in his right mind opt to follow a course of privatization ? They are doing so in increasing numbers for the same reason that people choose democracy or surgical operations - while not completely reassuring or satisfying, they (and privatization) are preferable to the alternative.

Types of Privatization [6]

As we have pointed out, divestiture by selling the entire enterprise by open tender or to selected buyers is not the only way to transfer government assets or functions to the private sector. Some of the other methods are :

1. Partial divestiture : Partial divestiture can involve sale of a particular unit of a particular SOE, but is usually concerned with sale of a percentage of the SOEs shares. Sale of minority shares is sometimes criticised as not really being privatization, but merely as a way to raise money from the private sector. But if it is used to help build a capital market where none previously existed and is aimed at eventual majority private ownership, this method can be productive, up to a point.

2. Break-up : Break-up usually involves selling or spinning off sections of large SOE, i.e. units that can be viable on their own. Marketing arms are frequently good candidates, because sales and marketing are areas where government is usually fairly inept. Splitting of commercial and policy or promotional functions is increasingly favoured. Additionally, SOEs are often umbrella organizations for a variety of disparate units that have little relation to one another.

3. Liquidation or closedown : To liquidate is a difficult decision for a government,. because it involves admitting a failure. Sometimes, this tactic involves the establishment of a new private counterpart. It also

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6. Ibid., p. 15-18.

necessitates unloading government assets at fire sale prices, with inevitable public criticism. Liquidation does, however, have the one saving grace of putting an end to continuing losses, while putting some each in the till.

4. Marginalization : This sometimes called 'quiet liquidation.' It involves freezing or gradual reduction of an SOE's budget or operations, while slowly building up a replacement in the private sector. This method is proving useful in many cases. It is politically less volatile than outright divestiture. The long-term returns are greater, though short-range costs can be higher, since two entitles must be supported during the early stages of the process.

State Owned (SO)/ Public Enterprises

In order to provide a framework for the study, it is essential to define the term "public enterprises". There exists considerable confusion in the use of the term. United Nations has defined it as "Public or state owned and / or controlled enterprises which are (i) incorporated public corporation i.e. by virtue of company acts or other public acts and (ii) large unincorporated units (government enterprises) that sell most of the goods they produce to the public[7]". "L. p. Jones defines public enterprise as a productive entity which is owned and / or controlled by public authorities and whose output is marketed[8]". Sobahan and Ahmed define a public enterprise as" a productive entity producing marketed goods and services with an explicit or cost extractable budget covering at least fifty percent of current cost from current sales and under the decision making control of the government or its appointed bodies[9]. Praxy Fernandes explained the concept of public enterprise in the following

7. United Nations (1968). A System of National Accounts, p. 78
8. Leroy p. Jones, Public Enterprise and Economic Development : The Korean Case (Seoul, 1975), p. 23.
9. Rehman Sobhan and Muzaffer Ahmed, Public Enterprises in an Intermediate Regime : A Study in the Political Economy of Bangladesh (Dhaka : KIDS, 1980), P. 267.

way[10]. Public enterprise has two dimensions : (1) a public-state dimensions and (2) an enterprise dimensions.

(1) The state - public dimension : There are four basic elements in this dimensions : (i) State public ownership, (ii) State public purpose, (iii) State public control and (iv) Public accountability.

(2) The enterprise dimension : This dimension has the following characteristics : (i) the organisation producting goods or services, (ii) marketing goods or services at a price, (iii) earning revenues covering costs, (iv) based on the entrepreneurial idea of investment and return and (v) maintaining a set of commercial accounts : (a) a balance sheet (assets and liabilities of the enterprise) and (b) a profit and loss account.

Types of State Owned (SO)/ Public Enterprise

Broadly speaking, the following three principal types of SO/Public enterprises can be identified[11] :

(a) Departmental Undertaking : These are basically extension of the government and are normally outcome of executive decisions. Their budgets are integrated with the government budget expenditures of these department undertakings are met out of government budget and their revenues go into the national exchequers. Financial and other management rules and procedures by and large conform to those obtaining in government departments and the employees are government servants and are subject to the same or similar service rules and salary structure. Departmental undertaking do not normally have a management board, generally a chief executive is appointed by the Ministry and he is directly responsible to

10. Praxy Fermandes, Managing Relations Between Government and Public Enterprises : A Handbook for Administrators and Managers (1986). pp. 14-15

11. This section draws heavily from M. 11 Rashid : "Public Enterprises in Bangladesh. A survey", Bangladesh Journal of Public Administration, Vol. 1, January, 1988, P.

the Ministry. These enterprises are subject to all controls as in normal for a government department. Bangladesh Railways, Radio Bangladesh, Bangladesh Post Office, T&T Board etc. are some of the examples of departmental undertakings.

(b) Statutory Public Corporations : These are established either through an Act of the Parliament or in its absence by an executive order of the President or an Ordinance. These corporations are separate legal entities, having an authorised capital and are empowered to define their own rules and regulations and prepare their own budgets with the approval of the government. These bodies enjoy a measure of autonomy in taking a number of day-to-day management decisions. The corporations normally have management boards appointed by the government. The persons employed in the corporation are generally not government employees, although the chief executive is normally a government servant. They are empowered to acquire assets, enter into business contracts, borrow and lend funds, apportion the surplus from the enterprises and undertake ancillary activities with the concurrence of the government. There are 50 public corporations in Bangladesh.

(c) Public Limited Companies : These are established under the companies Act, 1913 (Act VII of 1913) which also governs private enterprises. They have separate legal status like private companies and are either fully or partly owned by the government. A public limited company can be formed by a minimum of seven shareholders and there is no maximum limit on the number of its shareholders. They have their own Board of the Directors, which may comprise of members from the ministries and corporations appointed by the government as well as private shareholders. The employees of the companies are not government employees and their budget is even less supervised and controlled by the government. There is more entrepreneurial freedom and the companies are designed to operate with the norms of private business. As an example of a public limited company, mention may be made of Eastern Cables Ltd. under BSEC, which was incorporated, into a Limited Company on 18.12. 1986 with an authorised share capital of Tk. 60 crore divided into 60 lakh ordinary shares of Tk. 100.00 each. Paid up share capital of the company has been fixed at Tk. 20.00 crore divided into 20 lakh ordinary shares of Tk. 100.00 each as per distribution shown below :

(i) Group 'A' : 51%: Tk. 10.20 crore divided into 10,20,000 ordinary shares of Tk. 100.00 each to be sold by the government / BSEC for each as well as non-cash consideration.

(ii) Group 'B' : (a) 34% : Tk. 6.80 crore divided into 6,80,000 ordinary shares of Tk. 100.00 each to be issued for cash consideration and (b) 15%: Tk. 3.00 crore divided into 3,00,000 ordinary shares of Tk. 100.00 each to issued to the workers and employees of Eastern Cables Ltd. for cash consideration [12].

Bangladesh manifests the existence of these three basic types of state owned public enterprises e.g. departmental undertakings which operate directly under a ministry or an agency as an extension of the government function and are creatures of executive decisions; wholly owned public corporations with seed capital provided by the government but who are autonomous in respect of their budget, asset ownership, modes of operations, procurement of fund withing the broad rules and

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12. Bangladesh Steel and Engineering corporation : Annual Report 1986-87, pp. 26-27.

directives of the government; and public limited companies operating under the Companies Act [13].

Types of SOEs Suitable for Privatization [14]

After the goals and objectives of privatization are planned out, one of the primary tasks is to select which SOEs are suitable for privatization. There are four types to consider. They are SOEs that are :

1. sound and profitable
2. basically sound, but not presently profitable
3. profitable, but basically unsound
4. neither profitable nor sound

Only the first two are good candidates for privatization. The first choice of most government is usually number four. Unloading of such "dogs" is a mistake. The basic purpose of privatization should be to strengthen an economy, not just relieve the government budget. The third is not a good choice. Such SOEs have profitable avoided losses mainly because of subsidies or preferential treatment that would not be provided to a private company.

Even the second type is a marginal choice to be implemented only if it appears that through more efficient management, trimmed staff, improved marketing and the like, the firm can perform better in a competitive market. Most countries have not learned from Malaysia, Vietnam and Taiwan that greater long-range benefits for all concerned will result from transferring profitable properties that will contribute to the economy and breed confidence in the business community that the

13. Muzaffer Ahmad, State and Development : Essays on Public Enterprise (1987), p. 23.
14. HUMPHERY, CLLARE E., PRIVATIZATION IN BANGLADESH : ECONOMIC TRANSITION IN A POOR COUNTRY, UPL, P. 15

government is serious about promoting economic growth through privatization and private sector activity.

Proper handling of the privatization transaction is another key step in this complex process. The negotiations must be conducted with scrupulous attention to fairness, and honesty. The valuations of assets and setting of a sales price that is mutually advantageous are most important. The tendency of government auditors is to set the price too high in order to avoide accusations that the government is giving away the country's patrimony to rich cronies and power brokers. The treasury deserves a fair return, but the buyer must not be burdened with obligations that put survival of the enterprise in doubt from the outset.

Privatization Scenario in Bangladesh

- Privatization effort really began in Bangladesh in the mid-seventies. The first round of privatization covered very small units and business firms. which were initially taken over by the government after liberation. Some 120 SOEs were returned to their owners by 1975. During the period of 1976-1981, 225 units were privatized.
- The second phase of privatization (or denationalization) took place in the first half of the 1980s and covered mostly jute and textile mills owned originally by Bangladeshi citizens in pre-liberation period.
- The Industrial Policy of 1982 initiated a major step towards privatization in Bangladesh. The jute and textile industries were partially denationalized. A total of 222 State Owned Enterprise (SOEs) were privatized during the period of 1981-1985.

➢ During the period 1976-1993 about 500 SOEs had been sold or returned to their former owners. Statement of the privatization performance may be shown from the following matrix :

Table-1 : The Matrix Shows the Number of Units Privatized During 1976-93 with Balance Unpaid and Recoverable Amount of Money

(Taka in crore)

Sl. No.	Description	No. of units sold	Sales price	Money received as sales price	Monthly recover able	Balance unpaid by the buyer
1.	Units from which full rate price received	469	184.92	184.92	-	-
2.	Defaulters for instalment payment	19	37.82	17.09	-	20.73
3.	Regular instalment payer	2	8.68	8.05	0.63	-
	Total	490	231.42	210.06 (90.77%)	0.63 (0.27%)	20.73 (8.96%)

Source : Privatization Board and Monitoring Cell, Ministry of Finance.

The above table-1 depicts that 490 industries have been sold out to the private entrepreneur, 3 out of these 490 have been sold by the PB (After March, 1993) and the remaining 487 were privatized during the period of 1976-93, by the Ministry of Industries and ICOP. The table also reflects the fact that the purchasers of 469 industries have paid the full payment of Tk. 184.92 crores whereas purchaser of 19 industries as defaulter in payment of remaining sale value and a sum of Tk. 20.73 crore are still outstanding to them. The purchasers of 2 industries are regular in payment by instalments and they can not be said defaulters.

The actual picture of privatization in the period of 1976-93 is that the Ministry of Industries and ICOP sold out 503 industries and 1 by Bangladesh Shilpa Rin Sangstha against their outstanding loans. Later on 14 sold out industries taken back from the purchaser for default in payment and out of these taken back industries the PB after its creation, sold out 3 industries and now 11 taken back industries remained in the hand for selling out. Since the creation of PB as the special agency in March 1993 by the government to implement the programme of divestiture of SOEs, till May 1999, 35 SOEs got the final approval for sale from the GOB. It is worthy relating the fact that after the creation Privatization Board, only 17 (seventeen) SOEs were handed over to the private sector. Among the SOEs, 12 were handed over during the period of 1993-96 and another 5 were handed over during 1996-98. It is evident from this finding that PB has able to privatize less than 3 enterprises per year during the period from March 1993 to May 1999 (Annexe-B). The government decided to off-load 9 (nine) public limited companies share in the stock exchanges were made (Annexe-C). During the month of May 1997 Privatization Board had issued LOI (letter of indent) for 9 (nine) SOEs to be handed over the buyers after final approval of the highest authority (Annexe-D). Besides, it was not possible to hand over two enterprises in private sectors due to cases in court (Annexe-E). For the year 1999 the Board has identified 5 enterprises for Privatization. Due to lengthy and complex process of handing over some of the privatised units already sold to the private enterprises have not been handed over even after 5 years of acceptance of the bid and down payment made by the party. It may be mentioned here that 54 SOEs was enlisted to be privatized by 1999.

Case Study : In this connection the cases of Sylhet Textile Mills, Chittagong Steel Mills (CSM) Ltd. and Pragoti Industries ltd. have been presented to realise the situation of the public enterprises. These cases may help to the SOEs. It is worthy to note that except Sylhet Textile Mills, the other two enterprises are in the list to be privatized by the government.

Case Study-1 :

Sylhet Textile Mills, Sylhet : Sylhet Textile Mills Ltd., was installed by the GOB in 1978. It is established in eastern part of the Sylhet town and 3 k. m. far from Sylhet railway station. In between railway station and Textile mills, the river Surma is flowing and only one old bridge had been connecting all transportation till the second new bridge has been built in 1985. The reason of mentioning the fact that the place of textile mills might be selected beside railway station which could save a lot of transportation cost of the mill. However, the mill has been bearing a great amount of loss since its inception and now a days it is declared 'closed sine die' from last year (1998-99). In early nineties it was remarked for privatization, but only for political pressure it has been removed from the list of privatization. Now the mill is closed. but 8 officers, 109 staff and 504 workers are getting their salary/wages per month without doing any work. The machineries are going to be damaged and depreciated by carelessness and without maintenance.

Assets of the Mill : This mill is completely 'cotton yarn' productive mill, which has 25,056 number of spindle and installed capacity is 25,000. It has 28.81 acre of land, 1,47,562 Sft. pacca building, 14,151 Sft. semi pacca and 5,216 Sft. katcha building. On 30th June, 1998 its fixed money was 31.66 crore Tk. and 2.28 crore Taka of current account. On the other hand its liabilities also a great amount of money, which is 23.83 crore taka of long term and 10.81 crore taka of current debt in the bank. The calculation revealed that liability is greater than its asset excluding land, building and machinery.

Statement of Last 10 Years Profit and Loss : The mill never shows any efficacy of its installation. We can present the data of last ten years, which is lamentably one statement of loss. We can assume that it was never a profitable entrepreneur and always wasting the public money. Here a ten-year statement of profit and loss is presented in a table : (Table-2).

Table-2 : Statement of Last 10 Years Profit and Loss
(In lakh Taka)

Year	Cost of Production	Sales Value	Profit/ Loss	percent
1988-89	1078.29	975.66	Loss : 102.63	9.52
1989-90	1241.80	1097.80	" 144.00	11.60
1990-91	1345.01	1151.83	" 193.18	14.36
1991-92	1499.24	1308.70	" 190.54	12.71
1992-93	1727.06	1298.80	" 428.26	24.80
1993-94	1533.90	886.19	" 647.71	42.23
1994-95	1323.20	913.11	" 410.09	30.99
1995-96	1052.71	597.83	" 451.88	43.21
1996-97	712.82	147.44	" 565.38	79.32
1997-98	678.27	199.08	" 479.19	70.65
Total/ average	12192.30	8576.44	Loss:3615.86	29.66

It is revealed from the table that in 1998-89 the loss of the mill was 9.52 percent, where in 1997-98 it stands at 70.65 percent. The average loss of 10 years of the mill is 29.66 percent. It never shows any profit and day by day decreases towards greater loss. Now it is declared closed but still 117 staff and officers are getting their salaries and 504 labourers are getting their wages without doing any work. It is an ideal exmple of nourishing the white elephant.

Causes of Sickness of the Enterprise : Why this public enterprise is so sick ? It is an obvious question, not only applicable for this enterprise but also applicable for all of the public enterprises. Some answers have been collected from the management. They are as follows :

1. Lack of current capital or insufficient current capital for buying sufficient cotton as input of the mill.
2. The production cost raises higher when interests are imposed in every kinds of debt.
3. The market price was always lower than the production cost and there was limitation in marketing.
4. The market was always overflowed by the illegally imported cotton yarn, which was cheaper than domestic cotton yarn. As a result they were found to sell the cotton yarn in cheaper rate.
5. Lack of essential parts of machinery in the local market, which hampered the production now and then.
6. Labourer's problem (poor attendance, strike, and turbulence) also hindered the production.
7. Regular load shedding accelerated the production problem towards worse condition.

Review of the Causes of Sickness : Our country has got numerous sick enterprises mainly of three reasons. They are, inefficient management, labour problem and lack of marketing. Management inefficiency contains some basic indicators like corruption, unskillness, nepotism, idleness and prodigality. This enterprise also bears the same management problem, which is expressed in the audit report of 1992-93. It is mentioned in that audit report that in 1992-93 (i) management wasted raw-cotton of worth Tk. 48 lakh (ii) false buying voucher of Tk. 10 thousands (iii) irregular expenditure of washing Tk. 6 thousand (iv) buying of raw materials from non-lowest bidden and loss of Tk. 22 thousand (v) non-optimum production of available looms and machineries and loss of Tk. 90 lakh. (vi) unsold production of worth Tk. 4 crore (approx), which created crisis of current capital (vii) non-appropriation of buying capital of Tk. 5 thousand; were found as illegality which should be answered immediately. But the reality is, in every year audit committee presented their reports, which did not get any answer from the management side. The top management also was well known about those irregularities but awfully did not take any action to prevent the public enterprise. We can hardly cite any example of necessary and immediate action of the kinds of irregularities in the public sector. The factory management and top management is getting their salary and other facilities regularly where the public enterprises are suffering worldly and even going to being closed.

Concluding Remarks : Sylhet Textile Mills is now completely closed and bearing a great loss in every day. Notwithstanding some politicians are trying to keep it in public sector despite of privatization. There is only one reason to them, to keep the staff and labourers in favour of them at the cost of national loss. The privatization board is not taking strict place to mitigate the loss of the country by selling it in appropriate price and save our national expenditure. It is the claim of the time to protect the national waste and sell the sick public enterprises.

Case Study-2 :

The Chittagong Steel Mills (CSM) Limited : The Chittagong Steel Mills, one of the enterprises of Bangladesh Steel and Engineering Corporation was established in 1967 as Public Limited Company. The enterprise is located at Chittagong on 222 acres of land. The major product of the enterprise is Steel ingot, Billet, Angle, Rods, GP/GI sheet BP sheet, thin and heavy plate. According to the statement of the accounts division of CSM the fixed and current assets as on June 30. 1998 were Tk. 295.82 and 100.51 crores respectively and the long-term & current liability of the enterprise were Tk. 403.52 and 553.84 crores respectively.

The officers, staff and workers as on February 17, 1999 were 153, 299 and 1351 respectively against the sanction strength 203, 315 and 1580. All the constructions are made in the form of pacca building, whereas shades are made of tin. The enterprise is connected with road, rail and river and is operated by gas and electricity. Hundred percent residential facilities for officers are available, but for the staff, there is a shortage for the same.

Table-3 : Statement of Installed Capacity and Production Performance of Chittagong Steel Mills Ltd by Items (1997-98).

(Unit in Metric ton)

Item	Installed capacity	Production Performance
Melting shop	1,50,000	10,7761(7.18)
Blooming Mill	1,30,000	7,165 (5.51)
Bar Mill	1,00,000	6889 (6.89)
Sheets Plate Mill	17,000	2359 (13.87)
Galvanising shop	50,000	2830 (5.66)
Heavy plate Mill	36,000	3418 (9.49)

(Figures in the parenthesis indicate percentage of actual production over installed capacity).

The above matrix shows that a lot of difference prevailed between installed capacity and production performance of the CSM in various items of production. The performance of production varies from 5.51% to 13.87% over installed capacity for various items of production.

Table-4 : Approved Budget and Expenditure of the CSM are Shown in the Following Matrix

(Fig. lakh Tk.)

Items	Approved budget	Actual	% of expenses less over approved budget
Variable manu facturing	4191.01	3047.86	27
Fixed manu facturing cost	2008.64	2001.77	01
Administrative Expresses	525.11	522.66	01
Selling & distributive Exp.	59.16	29.78	50
Financial Expenses (inland)	6888.46	7651.07	(11)

(Figure in the parenthesis in column 4 indicates percentage of excess expenses over approved budget).

The above matrix depicts that actual expenditure were less over approved budget except the last items.

Observation Remarks about CSM : While the authors discussing about the causes of loss of CSM with one of the senior officers of the enterprise, he mentioned that the enterprise is not only responsible for the consecutive losses, there are other factors influenced for the same Viz.

- Lack of appropriate policy of the government to protect the enterprise, the role of CSM vs. Ship Breakers Association (SBA) is one of the factors.

- Uneven quality products of the private sector enterprises i.e., quality of the products of CSM Vs. private sectors enterprise's products. Private enterprises do not bother the quality of the products and government is not interested to maintain the rationale price of the products of CSM with comparison to Private sector's goods in terms of maintaining quality.
- The market price was always lower than the production cost and there was limitation in marketing.
- The market was always overflowed by the illegal importers, their goods are cheaper than those of domestic products. As a result they were found to sell the steel product at a cheaper rate.
- Lack of essential parts of machinery in the local market which influence frequently to achieve the production target negatively.

Table-5 : Statement of Cash Credit and Bank Balance of CSM

(Fig. In lakh Tk.)

Date	Cash and Bank Balance	Cash Credit Limit	Overdraft from cash credit	LIM/LAM/ AAM	TRA/C & IP LOAN	Total overdraft and loan
As on 30.6.98	533.32	3500	3656.19	-	905.61	4561.80
As on 30.6.97	109.80	3500	3710.70	-	914.74	4625.44

Case Study-3 :

Pragoti Industries Limited : Pragoti Industries Ltd. is another enterprise of Bangladesh Steel and Engineering Corporation. The enterprise is located at Barabkund, Chittagong, and 230 KM from Dhaka City, adjacent to

Dhaka-Chittagong highway. The enterprise was established in 1966 as Public Limited Company with the area 25.5 acres of land. The major products of the enterprise are to assembling of bus, truck, ambulance, minibus, minitruck, jeep and pickup etc.

As per the information provided by the enterprise the fixed and current asset as on June 30. 1998 were Tk. 0.93 and 104.16 crores respectively, on the other hand the long-term (Bank loan etc.) and current liability were Tk. 2.35 and 98.51 crores respectively.

Officers, staff and workers as on February 18, 1999 were 104,224 and 287 (including daily basis workers) against the sanctioned strength 103,240 and 275 respectively. All the constructions were made in the form of pacca building with total area of 78,703 Sq. ft. The enterprise is connected with road, rail and rivers and it is operated with gas & electricity. Hundred percent accommodation facilities are provided for the officers and staff. The installed capacity and production performance of the enterprise are presented in the matrix below :

Table-6 : Statement of Installed Capacity and Production Performance (Actual Production) of Pragoti Industries Ltd. Over the Years (in Number).

Year	Installed Capacity	Production Performance
1990-91	2000	1303 (65.15)
1991-92	2000	1207 (60.35)
1992-93	2000	533 (26.65)
1993-94	2000	606 (30.3)
1994-95	2000	1112(55.6)
1995-96	2000	1232 (61.6)
1996-97	2000	1132 (56.6)

(Figures in the parenthesis indicate the percentage of production over installed capacity.)

The above table depicts that the actual production performance of this enterprise is better than that of CSM.

Table-7 : Comparative Statements of Profit and Loss of the CSM & Pragoti Industries. Ltd. Enterprises Over the Years.

(Fig. in Lakh Tk.)

Year	Chittagong Steel Mills		Pragoti Industries Ltd.	
	Sales Value	Net Profit/ Loss	Sales Value	Net Profit/ Loss
1988-89	18304.55	585.59 (Profit)	8559.29	1403.73
1989-90	16661.13	(2597.17)	9707.25	1393.63
1990-91	12102.50	(4993.34)	3179.80	47.04
1991-92	5241.84	(5137.55)	3099.21	(799.07)
1992-93	5827.78	(7068.77)	4599.53	(479.90)
1993-94	4473.37	(6668.41)	3960.13	(111.22)
1994-95	6650.89	(6147.35)	7018.01	195.05
1995-96	5967.29	(6072.18)	7536.10	400.13
1996-97	4588.96	(8641.45)	6603.43	333.70
1997-98	3899.53	(9903.03)	5857.81	177.31

(Figures in the Parenthesis indicate amount of losses)

It is evident from the above matrix that Chittagong Steel Mills incurred loss over the nine years and earned profit only for the year 1988-89. On the otherhand, Pragoti Industries earned profit from the financial years 1988-89 to 1997-98 except 1991 to 1993. It is evident from the table that financial position in terms of profit is encouragingly better for Pragoti Industries Ltd. than that of CSM.

Issues to Privatization

The followings may be considered as major issues of Privatization in Bangladesh

(i) Preparation and Marketing of State Owned Enterprises

Restructuring of capital (usually writing off loans, which many buyers will take over), assets (scrapping obsolete assets or selling some separately from the main business to maximise proceeds), labour (laying off surplus staff before Privatization), operation (trying to improve efficiency and thus enhance the price) and marketing (Advertisement through magazines; newspapers using the internet; using media other than newspapers etc.) should be initiated for preparing SOEs for Privatization.

(ii) Mobilisation of Financial Resources for Privatization

Finding cash for buyers is a problem. Solutions include parallel development of financial and capital markets usually by privatizing the banks, creating privatization funds, companies funded by banks and non-bank financial institutions specifically to buy minority shareholdings in privatized companies, public offers of shares, extended credit to buyers, attracting FDI and phased sale of larger SOEs.

(iii) Labour Issues Dealing With Unions : Social Safety Nets, Etc.

There are two approaches to the labour issue. One is to give a reasonable golden handshake and leave it up to the employee to find new job and another is to take positive steps to find alternative work. In France this involves setting up an employment agency in firms about to be downsized or privatized as it is easier to find a new job for someone who is employed. In Germany re-training facilities are established in affected zones. In our country under the Jute Re-training facilities are established in affected zones. In our country under the Jute Re-training Scheme, the employees had a two weeks course in chicken farming/vegetable growing etc. as training to establish a small business. Govt. assistance for re-training takes many forms of credits to workers, costs of courses shared with companies, subsistence and travel allowances paid for workers attending. In Germany a two years course attempted to re-train factory workers as office workers. We have a project for training of affected workers of Jute Mills only. But there is no such arrangement for the affected workers of Textile Mills and other Industries. The Privatization Commission is planning to introduce a training program for the affected workers of Textile and other Industries. The objective of the program will be to develop marketable skill for alternative job, and help building up viable micro enterprise for affected workers. The growth is the best safety net as there is a direct connection between growth and poverty reduction. The scope of the program will be to asses the number of interested participation's, identity probable area of training for alternative employment accordingly. Under the program affected interested workers will also receive counselling services and required assistance in building up viable microenterprise. The Privatization Commission considers this training program very important as this will create confidence among the labour community. This will also help the Privatization Commission for implementing Privatization program smoothly.

(iv) Post Privatization Impact and the Role of Government in the New Economic Environment

Impact will be on the company enterprise which should improve inefficiency attract more investment, employees and welfare which should improve, customers who should get better quality products and better quality of service, regulatory bodies (Government will no longer be regulating itself). Government fiscal deficits will reduce and the overall economy will improve. The role of government changes from operator to regulator. Privatization is all about re-defining the role of Government. In Bangladesh, privatization is an important element of the Government's overall market-oriented adjustment strategy, with privatization and pro-market reforms mutually reinforcing one another. With annual SOEs losses now growing realisation, not only in Government, but also among labour unions and the public, that privatization where possible is imperative and inevitable. Arresting these losses and reducing subsidies will also have potential beneficial effects on public and private investment and would allow government to allocate more resources required for poverty alleviation, social and human resource development. It has been recognised that privatization will help to improve the public credibility of the government's commitment to top interfering with production decisions in the future in which it would only be substituting for private activity. Evidence suggests that this effect of privatization is as (if not more) important as the improvement in production efficiency from privatization. Raising the confidence of the private sector, by demonstrating the Government's commitment to increase the private sectors' role in the economy is necessary for an increase in private manufaturing investment in Bangladesh. Privatization can also mobilise local as well as foreign funds for investment and develop the capability of Bangladesh stock market by increasing the number of equities listed.

Privatization will help attract new technology and management techniques associated with foreign investment and joint ventures. Finally, privatization of certain parts of the utilities and infrastructure sector will improve the efficiency of services so that they become reliably available on a timely, market-prices basis.

SUGGESTIONS/RECOMMENDATIONS AND CONCLUSION

The following ***Short-term*** and ***long-term*** recommendations should be considered for enhancing the contributions that privatization and related initiatives can make towards industrial development, socio-economic change and modernization. Reformatory suggestions/ recommendations are put forward below for rightful application :

SHORT-TERM RECOMMENDATIONS

To speed up privatization process the following short-term recommendations may consider on an urgent basis :

- All political parties should have arrived at a consensus.
- Firm commitment of the government is required.
- Empowering the Privatization Commission to take decision, providing legal coverage through enactment of privatization law.
- Comprehensive awareness programme for privatisation of all service organisation for better efficiency and savings of the exchequer.
- Privatization Commission should be equipped fully to take over the project before privatisation and complete the entire process for handing over and subsequent running it by the private sector.

- Government machinery require to be re-organised to ensure efficient operation of the government and eliminating the unnecessary tires which causes obstruction in the implementation of the decisions.
- While a SOE is identified for privatization, all other stages for its eventual sale: working out legal, financial and administrative matters; valuation of the enterprise; preparation for sale; tendering process, and handing over to the private sector etc. should be streamlined.
- The steps of the privatization programme are slow. The parameters and scope of privatization has not yet been agreed upon at the highest level. The policy should provide a time frame with set goals for each stage of privatization, which would send strong signals to investors and create confidence.
- A quick but well planned privatization is better than a slow and ill-conceived privatization. Hence, a distinct privatization policy with full consensus of all concerns should be formulated to avoid any confusion or conflict.

LONG-TERM RECOMMENDATIONS

1. Re-addressing Privatization Goals and Objectives : A Cabinet level Commission should be appointed to develop a set of government's privatization efforts. The commission's report should state exactly what the government expects to achieve through privatization and how it intends to achieve it.

2. Strengthening Privatization Commission : The Privatization Commission should be made an autonomous body with its own laws and rules so that it may work on behalf of the government and may execute any Deed of Agreement, Deed of Transfer etc. Thereby the PC will be independent and it will not be mere co-ordinator but the legal agent of the Government Simultaneously all the experienced staff working in Privatization cells in the Ministries should be placed under the control of the Privatization Commission and necessary files and papers now with the ministries should be Shifted there.

3. Selection of SOEs : Political pressures, environmental constraints, inefficient personnel often jeopardise selection of projects to privatize immediately. These have to be minimised by rationale ways. The profitable, but basically unsound and neither profitable nor sound SOEs may be selected for privatization. In selecting enterprises the authority should keep in mind that the profitable industries like-Pragoti Industries Ltd. should not be privatized, on the other hand the loss incurring enterprises viz., Chittagong Steel Mills and Sylhet Textile Mills must be privatized, which are the causes of losses and a burden of government exchequers; though Pragoti Industries & Chittagong Steel Mills are in the list of privatization and Sylhet Textile Mills is beyond the list.

4. Appropriate Tender Method : The terms & conditions and other prerequisites should be set in such a manner that people will feel free to submit tender in way of privatization. This can be done through proper study, research and evaluation.

5. Disposing the Issues of Control of the SOEs : The government should resolve the perennial controversy between the line ministries and sectoral corporations over control of the SOEs. The dispute should be resolved in favour of the sectoral corporations to ensure that : (a) SOEs are run on a more business like basis; (b) greater SOE management autonomy and accountability are encouraged, and (c) interference in SOE operations is lessened.

6. Workers, Labour Union and Management Co-operation : Our workers, trade unions and management people of the relevant project have false notions that they will lose everything if the project is privatized, that's why they always object privatization. These people should be made conversant with the situation and if they realize the inherent meaning & no losing by privatization then they will help privatization through co-operation and dedication. So these measures should be adopted by all means.

7. Research on Labour/Employee Aspects : The labour question is one of the most volatile and sensitive issues connected with privatization in Bangladesh. The problems like comparable fringe benefits, retraining programmes, employer-employee relations, labour negotiations, and employee stock option programme (ESOP) must be addressed properly. Research should be undertaken to study these issues and make appropriate recommendations that could be used in negotiations related to privatization transactions.

8. Honest Practices of Buyers to be Introduced : Buyers often delay and jeopardise privatization process through unfair means, e.g. not making payment timely, selling of fixed assets, taking more loan against taken over mills etc. Government should take appropriate measures to protect these sorts of things and the buyers also should be persuaded with positive notions that such activities will ruin them outright. Then the situation will definitely improve.

9. Disposal of Court Cases : The cases regarding enterprises should be disposed of quickly. Otherwise, the process will be unusually lengthy which will discourage buyers to come forward to take over privatized projects.

10. Rationale Evaluation of SOE Assets : The valuation of SOE assets is a very complex and technical matter. This is particularly true when a large enterprise is to be completely divested. Often valuation is much influcenced by political considerations as by accounting factors. All should consider that once privatized the new business should be in a financial position that gives it a fair chance to survice. If the enterprise fails because of too heavy a debt burden, no one gains. To attract the buyers in bid, maximum possible relaxation should be made in pending liabilities. The value of SOEs to be privatized also should be made with reasonable price of land and other assets. By removing legal & other regulatory constraints the PC may also win over the trust of the private entrepreneurs.

11. Public Awareness Programme and Educate the Public about Privatization : One of the main weaknesses of privatization Programmes is that insufficient attention is given to public education about privatization. More often than not particular privatization moves are sprung upon the public and workers with little or no notice. The results of such action are almost always negative. The government has an obligation to explain why it is pursuing a certain policy, and to lay out for all parties and to the whole country the benefit of the action. The PC should initiate a public awareness programme to mould public opinion in favour of privatization in the country. Through media of radio, TV and newspapers this can be done efficiently. Moreover, awareness can be more developed going in touch with the population and govt. officials in corporation and public sectors.

12. Congenial Relations between SOEs and the Private Seetor : The government should encourage public sector organisations whether they are individual SOEs or the buyers to come forward to take over privatized projects.

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12. Congenial Relations between SOEs and the Private Seetor : The government should encourage public sector organisations whether they are individual SOEs or the offices of the bureaucracy, to co-operate with the private sector in promoting economic progress. As part of this policy, the government should strive to ensure that favouritism is not shown to SOEs over private enterprises in the allocation of resources, purchasing sales contracts and the like.

13. Privatization Law : The law of privatization should include the clause that no court will accept any case regarding power of attorney, value of stocks and stores. This is for avoiding the embarrassment for payment of due liabilities.

14. Act for Privatization : The authorities should make the forthcoming Privatization Bill available for generating public discussion before sending it the placement for approval. The act ought to ensure the transparency and credibility of the privatization process. The Boards decision will be creditable if it is subject to independent analysis and scrutiny.

15. Allocation of Fund for PB : The Privatization policy should include a clause of describing the methods for guarding the industries from all sorts of insecurities. The Board should, therefore, keep sufficient budget allocation for meeting up such expenditure.

16. Proper Environment : It is fully realized that privatization of the infrastructure not only requires strong political will, but also a great deal of technical expertise; Autonomous regulatory bodies and independent regulatory mechanisms will help environmentally to smooth Privatization and efficient transition for transfer. These also should be ensured with topmost sincerity and efforts for beeter privatization programme.

17. Research and Technical Assistance to Private Enterprises : Research and technical assistance should be conducted in any industrial or commercial field with potential for privatization. Options for various types of privatization should be analysed, and specific recommendations made. Approaches for encouraging private enterprise activity on those fields should also be part of the action oriented research. This responsibility may be given to PB so that without depending only on the list supplied by the Cabinet Division and make correct appraisal report of the SOEs to be privatized.

18. SOE Shares : The government should continue the plan to sell shares in certain SOEs. The intend should be to eventually sell 100 percent of the shares to private investors. Present political and financial realities, and un-attractiveness of some SOEs as investment dicate that this is done in gradual stages.

19. Opposition Parties Concerns : Opposition parties attitude and Political environment must be improved through publicity, persuasion and dedication. These may lead to privatization a success.

20. Alternative Privatization Methods : The advantages and disadvantages of various methods of privatization techniques should be carefully investigated to help ensure that the appropriate method is used in each case. For example, in one case, optimum results might be best achieved by divestiture, in another case by outright liquidation, or in a third by spinning of a particular portion or function of SOE.

CONCLUSION

The above discussion reflects that implementation of privatization in Bangladesh is a difficult task, on the other hand it is a recognized fact that in the present day context of free market economy privatization of SOEs is a compelling necessity for a country like ours where government exchequer would hardly bear any further loss which is being increased day by day. It may be mentioned here that the four major sector corporations (BCIC, BSFIC, BSEC and BSCIC) under the control of Ministry of Industries are more than responsible for losses as a percentage of GDP from 4 to 6%. Privatization in Bangladesh can be made quick, accountable and transparent if a correct and acceptable policy for privatization is formulated and followed. The recommended measures and reforms if executed can make the privatization to reach its as momentum and this in turn will definitely help the govt. to attain its desired goals of economic development and poverty alleviation. Proper execution of privatization and implementation of complementary policy steps is required to secure the presumed gains from the privatization of public enterprises. Privatization of public enterprises in Bangladesh would have to be accompanied by a set of policies which ensure that entrepreneur would profit from productive endeavours. As the prices of SOEs are very less in comparison, the foreigners can buy these projects in the way of privatization. This way they can create congenial atmosphere in the industrial sector and help Bangladesh prosper through mobilization of its resources through foreign help and co-operation.

The emergence of the private sector as a major player in the modern industrial sector has not automatically brought prosperity ~~to a~~ troubled, backward and subsistence economy. The economy is still struggling, but there are some encouraging sings, almost all of them emanating from the private sector. It is difficult to trace the post-privatization performance of many divested firms. A native unwillingness to share financial information whether showing profit or loss-combines with the generally unsettled and unstable condition of the Bangladesh economy to frustrate the investigator.

Privatized firms must be viewed, to a certain extent, as any other private firm, although they may be burdened with residual financial or operational liabilities from their nationalized past. Some have succeeded, after have failed, and the rest are linking along. One finds just such a mixture in most developing countries.

In a backward economy like Bangladesh there are powerful adverse forces and factors with greater influence in determining an enterprise's fate than its performance. Some of these forces and factors arise from the nature of the market place in Bangladesh; some stems from the policies, programmes and procedures of the government. In our country a new class of entrepreneurs is engaging in a more varied range of economical activity because of privatization process. Privatization alone cannot bring about prosperity of a country. To be an effective instrument of change, privatization must be integrated with other economic and fiscal programmes, and backed up by consistent political will. It may be mentioned with regard to privatization, the Bangladesh government is now in what it calls a "consolidation period" indicating that additional major disinvestment are not very likely in the next few years. For the present, no government will engage in any bold ventures of privatization, while it generally will continue to encourage private enterprises. There is a general consensus among all political economists and social scientists that finally privatization is a means, and not an end in itself. As such the ultimate purpose of privatization is not the unloading of SOEs, but the privatization of the economy. This, in turn, leads to a more varied, better balance and more vibrant economy, with greater benefits to an ever-widening segment of the society.

There is no simple formula that would work for all countries in the same manner. Because every enterprise is different and every country has a unique culture and tradition, the privatization process should be tailored to specific needs.

We have already passed 30 years without any appreciable progress in industrialisation. With a huge population the un-employment ratio has been increasing, giving rise to poverty level and with the present global trend, it would not be possible on the part of the government to combat with the challenges of the 21st century by themselves. Therefore, private sector would be required to give the boost and undertake the major development works. As such there is no alternative to privatisation, which must be achieved in all spheres with a broader perspective.

The objective of privatization policy should be to increase economic growth by better management of resources. Therefore, privatization policy/reforms would have to be accompanied, by a set of policies that ensure that entrepreneurs profit from productive endeavour rather than at the expense of the public. The policy should not regard privatization as an end in itself, but as a means towards increasing efficiency and economic growth. And above all reforms in privatization policy will bear better fruits in the days to come for which we had been aspiring since time immemorial. Really days are coming for our golden time to flourish like blazing sun.

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Annexe-A

Profit & Loss Statement Of the Corporation over the Years (All fig. in lakh Taka)

Corpora-tions	Authrised. 98-99	Revised 97-98	Actual 96-97	Actual 95-96	Actual 94-95	Actual 93-94	Actual 92-93	Actual 91-92	Actual 90-91	Actual 89-90	Actual 88-89	Actual 87-88	Actual 86-87	Actual 85-86
1. BTMC	-3802.67 B	-8254.62 R	-16325.67	-13437.00	-11703.95	-15386.98	-13545.83	-4342.12	-5839.05	-1885.40	-220.99	-3535.90	-2445.49	-5663.42
2. BJMC	-19753.72 B	-22464.05 R	-25171.27	-9618.30	-3142.66	-6404.61	-52334.60	-31749.56	-24732.91	-37086.47	-18820.70	-14309.30	-4198.76	-15830.32
3. BJC	-88.57 B	-60.17 R	-140.95	-187.00	-629.92	-426.47	-20381.91	-16746.90	-14418.83	-13242.38	-14764.99	-18411.56	-1175.18	-16231.88
4. BSEC	-9712.93 B	-9744.53 R	-10328.33	-6150.65	-6836.37	-9032.07	-10259.53	-10778.86	-8610.76	-3549.88	-787.65	-616.91	-491.79	-853.79
5. BSFIC	-3243.32 B	-3976.21 R	-6528.88	-3776.32	-78.10	-1960.11	-8616.29	-7220.94	-1205.65	-1791.05	-2367.94	-1249.66	-3148.99	-3360.60
6. BCIC	-6207.04 B	-10149.94 (R)	-23896.97	-12135.04	-7547.67	(2548.76)	(5057.74)	-5537.16	-3425.30	(4547.08)	(3736.52)	(1982.20)	-864.42	(1052.04)

(Figures in the parenthesis indicate profit and -(minus) indicate losses

Note : B = Authorised Budget, R= Revised Budget, All others are Audited Actual, As on - 04/02/1999

Source : MONITORING CELL - MINISTRY OF FINANCE.

Annexe-B

List of the Privatized Enterprises During March 1993-May 1999

(Tk. in lakh)

S	N l a m e	Highest Bid	Long-term Loan	Total Sale value
1.	Kohinoor Chemicals, Dhaka (51% share)	797.00	2,875.00	3672.00
2.	Chittagong Cement clinker (51% Share)	3350.00	1,379.00	4729.00
3.	Eagle Box Cartoon Manufacturing, Dhaka (51% Share)	200.00	-	200.00
4.	Squib (BD) Ltd. Dhaka (40% share)	11.25	-	11.25
5.	Madaripur Textile, Madaripur	807.00	220.78	1027.78
6.	Sharmin Textile, Dhaka	1176.00	1157.97	2333.97
7.	Kishorgonj Textiles, Kishorgonj	953.00	37.47	990.47
8.	Kohinoor Spinning, Dhaka	1,805.00	91.86	1896.86
9.	Zofine Fabrics, Dhaka	125.00	39.86	164.86
10.	Barisal Textiles, Barisal	500.00	161.00	661.00
11.	Bangldesh Cycle Industries, Dhaka	228.46	9.16	237.62
12.	Dhaka Vegetable oil, Dhaka	1393.70	1575.70	2769.40
13.	Royal Textile, Banadarban	25.75	-	25.75
14.	I. K. Industries, Chittagong	70.15	-	70.15
15.	Feroz Ata Dal Mills Ltd., Khulna	0.425	-	425
16.	National Ice Factory, Kishorgonj	11.51	-	11.51
17.	Bangladesh Cold Storage, Munshingonj	125.05	-	125.05

Annexe-C

The Shares of the Following Enterprises are being Sold Through ICB

Sl. No.	Name of the Enterprises (SOEs)	Face value Per Share (Tk.)	Govt. Ownership (%)	Number of shares	Total Face Value (Tk.)	Estimated market price (Taka)
1.	Reckitt & Colman (Bangladesh) ltd.	10/-	10.45	2,33,675	23,36,750/-	4,24,2,033/-
2.	National Tubes ltd.	100/-	52.94	1,32,340	1,32,34,000/-	13,00,14,786/-
3.	Osmania glass Sheet Factory ltd.	100/-	61.72	2,16,020	2,16,02,000/-	19,50,66,060/-
4.	Shampur Sugar Mills ltd.	10/-	96.6	48,30,000	4,83,00,000/-	5,07,15,000/-
5.	Zill Bangla Sugar Mills ltd.	10/-	66	39,60,000	3,96,00,000/-	4,69,65,600/-
6.	Renwice Jagesshar & Company	100/-	60	1,02,000	1,02,00,000/-	73,44,000/-
7.	Atlas Bangladesh Ltd.	10/-	51	6,12,000	61,20,000/-	15,46,70,760/-
8.	Eastern Cables Ltd.	100/-	51	10,20,000	10,20,00,000/-	30,84,58,200/-
9.	Metalex Corporation Ltd.	100/-	51	25,500	25,50,000/-	57,37,500/-

Annexe-D

SOEs for which Letter of Indent (LOI) have been Issued after Final Approval of the Highest Authurity

Sl. No.	Name of the Company	Highest Bid (Tk.)	Long-term Loan (Tk.)	Total Sale value (Tk.)
1.	Hafiz Textile, Chittagong	8,43,27,500/-	4,31,75,295/-	12,75,02,795/-
2.	Ashrafia Oil Mills, Khulna	77,00,000/-	-	77,00,000/-
3.	Bangladesh Cane Company, Chittagong	4,51,00,000/-	1,42,48,000/-	7,93,48,000/-
4.	Cane Making & Tin printing plant, Chittagong	1,60,05,551/-	53,17,700/-	2,13,23,251/-
5.	Dosha Extruction, Chittagong	1,30,00,000/-	-	1,30,00,000/-
6.	B. G. Bangla Rice Mills, Thakurgaon	15,45,930/-	-	15,45,930/-
7.	Desbandhu Sugar Mills, Norshingdhi	1,60,00,000/-	15,34,00,000/-	16,94,00,000/-
8.	Engineering Industries Ltd., Tongi	3,50,00,000/-	24,91,000/-	3,74,91,000/-
9.	Nabarun Jute Mills ltd. Narayangonj	4,41,07,000/-	9,55,11,691/-	13,96,18,691/-

Annexe-E

List of the Enterprises Which are not Possible to be Listed for Sale Due to Cases in the Court

Sl. No.	Name of the Company	Highest Bid (Tk.)	Long-term Loan (Tk.)	Total Sale value (Tk.)
1.	Bangladesh Steel Industries ltd., Tongi	1,05,77,500/-	76,17,713/-	1,81,95,213/-
2.	Leera Industrial Enterprises, Tongi	2,10,51,000/-	All sorts of liability lies to the Company	2,10,51,000/-