

**PRIVATIZATION OF STATE OWNED ENTERPRISES(SOE)s:
A CASE STUDY OF BANGLADESH**

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ACRONYMS

BCIC	: Bangladesh Chemical Industries Corporation
BEPZA	: Bangladesh Export Processing Zone Authority
BITAC	: Bangladesh Institute of Technical Assistance Co-operative
BJC	: Bangladesh Jute Corporation
BJMC	: Bangladesh Jute Mills Corporation
BSB	: Bangladesh Sericulture Board
BSCIC	: Bangladesh Small and Cottage Industries Corporation
BSEC	: Bangladesh Steel and Engineering Corporation
BSFIC	: Bangladesh Sugar and Food Industries Corporation
BTMC	: Bangladesh Textile Mills Corporation
CA	: Chartered Accountant
CSM	: Chittagong Steel Mills
DSE	: Dhaka Stock Exchange
EPB	: Export Promotion Bureau
ESOP	: Employee Stock Option Programme
FDI	: Foreign Direct Investment
FY	: Five Year
FYP	: Five Year Plan
GDP	: Gross Domestic Product
GOB	: Government of Bangladesh
ICB	: Investment Corporation of Bangladesh
ICSID	: International Centre for Settlement of Investment Disputes
IP	: Industrial Policy
LDC	: Less Developed Countries
NCB	: National Commercial Bank
NIP	: New Industrial Policy
OPIC	: Overseas Private Investment Corporation
PAYE	: Pay -as-you -earn
PB	: Privatization Board
PO	: President Order
RPI	: Revised Industrial Policy
SOEs	: State Owned Enterprises
UPL	: University Press Ltd.

ABSTRACT

Privatization has become an indispensable need of the day world wide, 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 government ranging across all political persuasions. Realization that private sector can perform some activities more efficiently than the government agencies has elevated the private sector as an engine of economic growth. 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 study attempts to examine the progress of implementation of privatization programmes, to find out the major issues and constraints of privatization etc. , review the activities of Privatisation Board (PB) & the current position (status) of three specific industrial SOEs. Most of the findings of the study are based on secondary information.

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 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.

It was found 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. 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 of Privatization Board only 17 SOEs were handed over to the private sector. After the present Government came to power, decision to off-load 9 public limited companies share in the stock exchanges were made. During the month of May, 1997 Privatization Board had issued letter of indent for 9 SOEs to be handed over the buyers after final approval of the highest authority. Besides, it was not possible to hand over two enterprises in private sectors due to cases in court. 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 have been enlisted to be privatized by PBS.

Role of PB and its responsibilities, preparing and marketing of SOEs, mobilization of financial resources for privatization, labour issues dealing with unions, social safety nets for staff and workers and post privatization impact and the new economic environment have been identified as the major issues of the study. Among the constraints, adverse political environment, absence of time-frame, poor responses to tender, non co-operation or resistance, faulty selection of SOEs, unethical practices, long term liabilities and court cases are the major causes. It was found that Sylhet Textile Mills ltd. incurring losses over the years, but it is beyond the list of Privatization. On the other hand Pragoti Industries ltd. being a profit incurring enterprise has been included in the list of privatization. Chittagong Steel Mills Ltd. has incurred a huge loss over the years and identified as one of the enterprises to be Privatized.

In order to expedite the prsivatization process we recommend the following on an urgent basis:

All political parties should have arrived at a consensus. Firm commitment of the government is required Empowering the PB 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 . 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 is 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. Profitable but not sound and neither profitable nor sound SOEs should be privatized immediately. 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.

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CHAPTER- I

INTRODUCTION

Background of the Study

The privatization concept, is considered to be the most revolutionary innovations in the realm of economic policies 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, Privatisation 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. Privatisation 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 economics 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 won landslide re-election victories. 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 countries¹.

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 economies 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 on 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.

The impact of privatization in Latin America has to be considered both at the macro and micro levels. At the macro level, the impact appears to have been positive, together with industrial policies for liberalization and deregulation, as privatization has contributed to higher investments, for private-sector industrial investments. In several countries of the region, local capital markets have strengthened significantly and inflow of foreign direct investments has accelerated considerably.

At the micro level, the impact of privatization has to be viewed in terms 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. This is particularly true of infrastructure entities, especially power utility and telecommunications enterprises, where substantial additional investments and modernization were envisaged. The new owners were committed to certain expansion and additional investment schedules and these schedules

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

have, by and large, been observed. On the other hand, in most cases, the price of privatized services was raised significantly. In Argentina, for example, following the privatization of the national telecommunications companies, the price of basic services was increased by 500 per cent. Price increases were also effected in the case of the Mexican telecommunications companies, Telmex, (the price increase of Telmex was 34 per cent in 1988 and 21 per cent in 1990).

Statement of the Problem

Privatization a process 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 economies, 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.

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 :

- 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.
- 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 of 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.

Profitability of the Private Enterprises Compared with SOEs

Sector	Private Enterprises			State Enterprises		
	Total Unit	Profitable Units	Percent	Total Unit	Profitable Units	Percent
Textile	19	10	53	42	9	20
Engineering	16	12	75	20	9	43
Food and Allied	22	13	59	21	10	48
Pharmaceuticals 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)

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*.

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

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 our cause. As a result, Awami League, the 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 (Annexe -A shows the major seven sectors corporation). Those are the SOEs of the country. The list of the Industrial Enterprises placed in P.O-27 under BJMC (First schedule), Bangladesh Cotton Mills Corporation (Second Schedule) and Bangladesh Sugar Mills Corporation (Third Schedule) may be shown in Annexe-B. The mode of having SOEs in Bangladesh was, therefore, a bit different from that of other countries of the world. Privatization is looked upon as a mechanism, which attempts at correcting a three-decade trend in the opposite direction, which expanded the role of the govt. in the economy, particularly upto the mid-seventies. By the early 1980s, the short-comings of "Statism" got clearly reflected in the form of inefficiently run public enterprises by so called most efficient big wigs and below-capacity utilization of industries with enormous abundance of man-power having inevitable results of large accumulated losses, which in turn causing heavy drainage on government exchequer. Overall performance of SOEs in Bangladesh were very much depressed and average losses reached to 2,500 crore (US\$ 1=48) annually the rate of which is at the increase. The total losses at the end of FY 98 stood to the tune of 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-C.

Bangladesh have suffered heavily since its inception because of the monumental incompetence and losses of the SOEs. We could have appraised the situation much earlier turned to privatization to rejuvenate the economy just at the middle of seventies, though the term privatization was not used. Privatization although literally defined as to "make private", from public to private control or ownership, has by the time already acquired a broader meaning to encompasses non-ownership privatizations which only changes the public-private mix and include changes in finance via user charges, subsidy reduction, changes in production or service delivery by vouchers, contracting-out or deregulation. And Bangladesh have already carried out one of the most extensive privatization or reprivatization programmes, primarily through such modes as denationalization and divestment of govt. assets. It has also been making attempts over time towards devolution, decentralization, as well as deregulation and delegation of authorities or management. The state policy now is to remove bureaucratic control over business and industry and to facilitate steps towards increased strengthening and stimulation of the private sector. This has been amply reflected in the Industrial Policies (IP) of 1982, 1986 and 1991 which is expected to widen further very soon.

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, signalling to the private sector the Govt's commitment to the irreversibility of the pro-market reforms. If we look back for a while in this juncture of SOEs what we shall see that within two years of nationalization the govt. came under heavy criticism for rampant corruption and inefficiencies in the SOEs. As a result, from 1975 onwards the grip on public control of industrial activities began to be slowly loosened, by returning nationalized industries to its Bangladeshi owners (denationalization) and also divesting small enterprises through sales of assets or shares. In the mid-1970s and 1980s two successive big rounds of divestitures were held after which some 225 non-finance SOEs (grouped under 39 corporate bodies), four large commercial banks, three insurance corporations, two agri-banks, and three DFIs remain in operation in the state sector. Those SOEs accounts over 25% of total fixed capital formations, 6% of

GDP, 23% value added in the manufacturing sectors. Starting from profit of ₳1.3 billion in FY83, the SOEs sector's

overall returns fell to a net loss of ₳16.3 billion in FY93. The losses stood 27% of ADP and 1.7% GDP including railway's losses. 39 corporate bodies registered a negative return of 3.7% of capital employed. Had those incurred losses just broken even, the direct burden on public finances would have been some ₳18.2 billion lower in FY93. Poor management, over-staffing and abuse of overtime, low productivity, rapid real wages growth, revenue pilferage, low prices and rapid build-up of debt service obligations were factors responsible. The two pay increases in 1990s would add another above 60 billion to the net losses of the SOEs. The growth rate declined 6% per annum in FY93 from 19% in FY92, real rate of growth of investment during the period being zero. Depreciation allowances varied from one-quarter to one-half of new investment. SOEs as a whole had negative net working capital because of the huge losses incurred year after year. Equity as percent of total capital employed was 24%, 26% and 22% in FY91, 92 and 93 respectively. The debt-equity ratio stood at about 75:25. Very high levels of debt thus characterize the SOEs financial structure, about 90% of which was funded by borrowing from the NCBs, which again had grown to ₳47 billion by the end of 93. These loans in turn, threaten the financial viability of the NCBs due to the non-repayment of interest and principal. 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. At the same time Dhaka Stock Exchange (DSE) was reactivated to mobilise private savings and investment, the Investment Corporation Bangladesh (ICB) was revived for underwriting public issues of shares and for bridge financing industrial units, "free

sectors" was identified which required no formal sanction, provided the foreign exchange necessary to import machinery were arranged by entrepreneurs using own resources, including suppliers credit and the pay-as-you-earn (PAYE) scheme. 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 latest published industrial policy, 1991 raised investment ceiling in the small-scale industries from Tk 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 Bangladeshis 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) Multiple entry visas; (h) Relief from double taxation; (I) Re-investment 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; (1) 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.

Privatisation effort really began in Bangladesh in the mid-seventies. The first round of privatisation 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 Government still retaining 51 percent of the shares. There was no significant improvement in operational efficiency².

² Ibid, page-2

The Government of the People's Republic of Bangladesh is to carry out privatisation in the context of its broader goals of economic development and poverty reduction. An efficient private sector makes essential contribution to the attainment of these goals, and privatisation is one of the means available for promotion of private sector development. Privatisation, when correctly conceived and implemented, fosters efficiency, encourage investment and thus ensures new growth.

In Bangladesh, privatisation is an important element of the Government's overall market-oriented adjustment strategy, with privatisation 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 privatisation 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.

The growing disenchantment with the performance of SOEs and with the reform efforts to date was reflected in the IP of 1991, under which only air travel, railways, power, telecommunication and defence industries were reserved for the public sector. SOEs in all other sectors were to be gradually privatised. Full foreign ownership of enterprises was also permitted. More recently, this policy has been liberalised further, and the Reserve List for the public sector has been narrowed down to allow private investment in the power, the telecommunication, and the domestic air transport sectors³.

With persistent inefficiencies of Bangladesh's SOEs and, mounting losses, privatisation has become a compelling necessity. While fiscal considerations are important, the principal argument in favour of privatisation is improvement in efficiency under private ownership. The outcome of earlier privatisation in Bangladesh has been mixed as a result of the weak enabling environment and faulty implementation. The benefits of privatisation are clear but they will become manifest in Bangladesh only if the privatisation program is managed in a transparent, credible and well-conceived manner.

³ Ibid, P.2

It has been recognised that privatisation will help to improve the public credibility of the government's commitment to stop interfering with production decisions in the future in which it would only be substituting for private activity. Evidence suggests that this effect of privatisation is as (if not more) important as the improvement in production efficiency from privatisation. Raising the confidence to the private sector, by demonstrating the Government's commitment to increasing the private sector's role in the economy is necessary for an increase in private manufacturing investment in Bangladesh. Privatisation 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. Privatisation will help attract new technology and management techniques associated with foreign investment and joint ventures. Finally, privatisation of certain parts of utilities and infrastructure sector will improve the efficiency of services so that they become reliably available on timely, market prices basis⁴.

The proposed research proposal entitled "Privatization of state owned Enterprises (SOEs): A Case Study of Bangladesh" is entrusted to examine the progress of implementation of privatization programmes, to find out the major issues and constraints of privatization etc., review the activities of Privatisation Board (PB) & the current position (status) of specific industrial SOEs.

The Privatisation Board is entrusted with the overall responsibility of privatising SOEs identified for privatisation, whether small, large, profitable or non-profitable. Ministries having SOEs under their control have set-up Privatisation Cells for assisting the PB in identifying, preparing, processing, implementing and monitoring SOEs for privatisation⁵.

There is a general consensus among all political economists and social scientists that Privatisation and private sector development is a difficult job everywhere both in the developed and in the developing world. Countries that are fully committed to do privatisation have not yet fully succeeded even with best of its intentions. Initiations of privatisation programmes in the country has become difficult due to inappropriate privatisation policies, coupled with lack of skills for implementing privatisation programmes and absence of enabling laws. It may be pointed out that in the last 3 (three)

⁴ Ibid, p. 3-4

years i.e. 1993-96 Privatisation Board could manage to privatise only 17 industries. very recently it has managed to get decision to hand over 18 enterprises (both assets and shares) to the private sector out of 61 SOEs programmed for privatisation for the fiscal year (1996/97). The PB is awaiting decision of the appropriate authorities for finalising privatisation process of another 14 enterprises. In the current fiscal year the Board has identified 54 enterprises for Privatisation⁶.

The Board has initiated a public awareness programme to mould public opinion in favour of Privatisation in the country. A media campaign explaining the benefit of privatisation is also underway. The officials of the PB remain in touch with the concerned officials of the ministries, corporations, enterprises, investors, trade union leaders and members of various chambers. This helps to create an appropriate environment for privatisation. Besides, we have started to work on developing awareness about privatisation among all sectors of population and specially, among government and public sector top officials in order to create a frontier of people concerned with the importance of privatisation and the significance of accelerating the process as part of the reform process. This will protect those responsible for planning and implementing the privatisation program from attacks by the opposing powers and rigid minds unable to cope with the development of the modern world⁷.

Efforts are also being made to formulate a legal framework for privatisation to make the existing privatisation process effective, transparent, well co-ordinated, and fruitful.

Rationale of the Study

With a view to accelerating economic development, the rationale for privatization in Bangladesh is based, primarily on the following inter-related classes of reasons: The positive effects on government's fiscal situation, alleviate the incremental losses of SOEs, improvement in the efficiency of enterprises following privatization; further activate and strengthen the role of private sector in trade and industries and promotion of greater

⁵ Ibid, p-4

⁶ Ibid, p-4

⁷ Ibid, p-5.

investment, and consequently higher growth in the medium term. Privatization is also an important element of GOB's overall market- oriented adjustment strategy, with privatization and market-based reforms totally reinforcing one another. With this end in view the govt. adopted a comprehensive privatization policy and laid down detailed procedure to facilitate the process of privatization. The policy is evolved at releasing the financial and administrative efficiency and productivity, facilitating economic growth, reducing the size and presence of the public sector in the economy and help meeting the national economic goals.

Privatisation efforts of Bangladesh are included in the core training Programmes at Bangladesh Public Administration Training Centre (BPATC). There is a separate training session on Privatisation Process in Senior Staff Course (SSC), Advanced course on Administration and Development (ACAD). Sessions on Privatisation are also arranged for the participants of Foundation course. It has been recognised all over the world economy that privatisation is going to be the main stream of development in the coming 21st century. In tuning with the global economic change, full-fledge short course on Privatisation is felt to be run/introduced by the BPATC. The outcome of the proposed study may be fruitfully used as training materials in those courses.

A meticulous and critical study has been made in respect of policy, planning, implementation systems and overall process of Privatisation. It is expected that strength and pitfalls of the privatisation process will come to surface, which may help the Privatisation Board and other concern organizations to re-think their future plan.

Besides, scholars and researches, theoreticians and practitioners who are interested and still working with privatisation process may find the study output to be valuable.

Objectives of the Study

The objectives of the study are as follows:

- i) To examine the different aspects of privatisation (SOEs) programmes by the Privatisation Board (PB)

- ii) To identify the special features of policy planning, design and implementation systems of privatisation programmes by PB.
- iii) To highlight the extent of problems /difficulties of privatization in Bangladesh
- iv) To measure the progress of privatization efforts and identify the major issues of privatization in Bangladesh
- v) To make some recommendations if necessary, for better management of privatization processes.

Scope of the Study

This study has examined the role of the PB in Privatizing the SOEs. PB has made an overview in respect to different aspects of privatisation (Process/Procedures). The study has specially highlight the following:

- i) Conceptual issues of privatization and State Owned Enterprises
- ii) Policy Planning and programmes of Privatisation
- iii) Current status of privatisation
- iv) Special features of the approach and implementation systems
- v) To assess the benefit and losses of some of the corporations and the enterprises consider for case study
- vi) To survey the opinion and views of
 - a) The officials of Privatisation Board
 - b) Officials of the enterprises under the study
 - c) Other concerned government official

The study has considered only the industrial enterprises, more specifically the enterprises of Bangladesh Steel and Engineering Corporation, Bangladesh Textile Mills Corporation, Bangladesh Jute Mills Corporation, Bangladesh Sugar and Food Industries Corporation and Bangladesh Chemical Industries Corporation.

CHAPTER-II

RESEARCH METHODOLOGY

It was really a challenge to conduct this type of research study within time and cost constraints where there were insufficient data and information. This research highlighted the cumulative problems regarding privatization where socio-political and economic dimensions are highly considerable factors.

Nature of Research

This is a descriptive as well as case study type of research relating to Privatisation of Industrial SOEs.

Techniques of Data Collection

The following techniques of data collection have been used in this study:

i) Review of Records

To accomplish the study many published and unpublished documents have been used---which have highlighted, analysed and examined the needs, processes, issues and other related aspects of privatization; as the study focuses to examine the different aspects of privatization process in Bangladesh.

The study was undertaken by consulting related Ordinances, relevant records of privatisation Board, Chittagong Steel Mills & Pragoti Industries Ltd., consisting of financial records and statements, audit reports, other concerned papers & statements to collect data and information. It may be mentioned here that secondary information have leaded the study.

ii) Structured Interview Schedule

A schedule was used to collect data from the Sylhet Textile Mills, Chittagong Steel Mills & Pragoti Industries Ltd. covering the financial , operational and personnel information.

iii) Checklist

To collect information from the various Corporations o f the Enterprises, Privatization Board and other concerned offices a checklist was used.

iv) Interview

Selected personnel of PB, Sylhet Textile Mills, Chittagong Steel Mills and Pragoti Industries Ltd. were interviewed and their opinions have been considered carefully to make recommendations.

v) Discussion

Besides the above mentioned techniques of data collection, the researchers of the study have met several times and discussed the different aspects of privatization; the output of these discussion have contributed a lot to furnish the study.

Data Collectors and Data Collection Period

Three persons trained in objectives, scope and methodology of the study collected data under close supervision of the researchers. The researchers also collected information and data from the concerned officials. The researchers themselves have collected secondary information. Data collection took place from February, 15 to April 30, 1999.

Data Processing and Analysis

Collected data in the study have been presented by employing various techniques. In the first, data have been tabulated and analysed with the help of graphs and some statistical methods like percentage, mean, median etc. The researchers participated in data tabulation, analysis and graphical representation.

Report Plan

In **chapter-I** background –introduction, statement of the problems, rationale, objectives and scope of the study have been presented. Methodology and limitations of the study have been illustrated in **chapter-II**. Conceptual issues of the study have been discussed in **Chapter-III**. **Chapter-IV** describes the salient features, the process of implementation of privatization by Privatization Board. In **chapter-V** Findings of the collected information and data of the study including case study, major issues relating privatization, constraints of privatization have been discussed & analysed. **Chapter-VI** accommodated recommendations/suggestions followed by conclusion.

CHAPTER-III

CONCEPTUAL ISSUES OF THE STUDY

It is important to classify the conceptual issues of the study so that the readers can understand the contents of the study. 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 per cent 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 owned⁸.

How to Approach Privatization: Ten Propositions and Caveats⁹.

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.

⁸ T.L. Samkor and others (Edtd.), Public Enterprise Policy in India and U.K. in 1980s, Himalaya Publishing House, Bombay, January, 1987. p-191.

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

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, 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 Privatization¹⁰

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 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 cash 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 entities 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" ¹¹. L. p. Jones defines public enterprise as a productive entity which is owned and / or controlled by public authorities and whose output is marketed¹²." Sobhan 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

¹⁰ Ibid., p. 15-18.

¹¹ United Nations. A System of National Accounts (1968), p. 78

¹² Leroy p. Jones, Public Enterprise and Economic Development : The Korean Case (Seoul, 1975), p.23

appointed bodies"¹³. Praxy Fernandes explained the concept of public enterprise in the following way¹⁴. 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 dimension: (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 producing 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:¹⁵

(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 departmental 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 the Ministry. These enterprises are

¹³ Rehman Sobhan and Muzaffer Ahmed, *Public Enterprises in an Intermediate Regime: A Study in the Political Economy of Bangladesh* (Dhaka: KIDS, 1980), p. 267.

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

¹⁵ This section draws heavily from M.H. Rashid : *Public Enterprises in Bangladesh: A Survey*", *Bangladesh Journal of Public Administration*, Vol. 1, January, 1988, p.

subject to all controls as is 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 cash 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 be issued to the workers and employees of Eastern Cables Ltd. for cash consideration¹⁶.

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 within the broad rules and directives of the government; and public limited companies operating under the Companies Act ¹⁷

Types of SOEs Suitable for Privatization ¹⁸

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

¹⁶ Bangladesh Steel and Engineering Corporation: Annual Report 1986-87, pp. 26-27.

¹⁷ Muzaffer Ahmad, State and Development: Essays on Public Enterprise (1987), p.23.

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 probable 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 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 valuation 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 avoid 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.

¹⁸ Humphery, Cllare E. , *Privatization in Bangladesh : Economic Transition in a poor Country*, UPL , P. 15

CHAPTER-IV

ROLE OF PRIVATIZATION BOARD (PB) IN PRIVATIZING SOEs:

Institutional Framework

A Chairman with the rank and status of a State Minister now heads the Privatization Board, which came into being in March , 1993 to the Government. The Board consists of two full-time members and twelve part time members including six Members of theParliament. The Board has been placed under the administrative jurisdiction of the Cabinet Division, which is headed by the Honourable Prime Minister. The Board reports directly to the Cabinet Committee on Economic Affairs which is chaired by the Honourable Minister, Ministry of Finance. Minister having SOEs under their control have either set up or in the process of setting up Privatization Cells for assisting the Privatization Board in identifying, preparing, processing, implementing and monitoring SOEs for privatization.

The Privatization Board is entrusted with the overall responsibility of privatizing state-Owned Enterprises (SOEs) identified for privatization, whether small, large, profitable or non-profitable. Disinvestment Board and the Working Committee under the Ministry of Industry have been abolished.

Special Features of Policy Planning, Design and Implementation Systems of Privatization Programmes by Privatization Board (PB).

The Government of Bangladesh has decided to activate and strengthen the role of the private sector in trade & industry with a view to accelerating the economic development of the country. Privatization has been recognised as effective means of expediting the growth of the private sector. In order to make the existing privatization process more timely, well co-ordinated and fruitful, the following privatization policy and procedures are laid down:

Methods of Privatization

One or both of the following methods will be used for privatization of SOEs.

- (a) **Sale by international tender:** local and foreign private buyers may participate in all such tenders. Association of workers, employees and officers of the tendered enterprise may also offer bid for purchase of the enterprise.
- (b) **Sale by public offer of shares:** Government owned shares in different companies and shares of the SOEs converted into public limited companies may be sold to the general public either directly or through the Stock Exchange.

Preparation of SOEs for Privatization

Before inviting tender for sale of the identified SOEs, valuations of the assets and liabilities will be made by Chartered Accountant (C. A.) firms. Report of the C.A. firm will be examined and reviewed by the Privatization Board and another C.A. firm if considered necessary. Tender will be invited may make a re-valuation after the Finalization of the valuation. The prospective buyers will be allowed access to the valuation report and other relevant papers, such as, three years commercial performance report before submission of the tender.

Guidelines for Valuation

C. A. firms will follow the existing accounting principles and practices for valuation of the SOEs. However, in carrying out the work, they will take into consideration the following guidelines :

- (a) Value of the machinery and equipment will be determined according to the existing more than one accounting principles e.g. replacement cost, depreciated value etc. and the firm will give adequate justification for the method considered best by it. Due consideration will be given to the obsolescence and productivity.
- (b) Value of intangible assets such as goodwill and patent rights, where applicable, will be determined with adequate justification.
- (c) Value of land will be determined in consultation with Ministry of Works, RAJUK, Municipal Corporation and local land Registration Office, keeping in view

the surrounding and location of the land. Adequate justification will be given in favour of the price determined by the firm.

(d) Value of factory and residential building and structures will be determined by taking into consideration the current cost of construction and deducting depreciation as per the conventional accounting method. In estimating the current cost of construction, rate chart of the Ministry of Housing Works and other Construction Departments and the estimates published by the Bureau of Statistics will be kept in view.

(e) Stocks and Stores will be taken at book value.

(f) Other current assets such as sundry debtors will be taken at reliable value.

(g) C.A. firm will determine all kinds of claims and liabilities of the workers, employees and officers of the enterprises.

(h) C. A. firm will separately show the valuation of fixed assets and current assets and will determine the amount of short-term loans and long-term loans, if any.

Tender Procedures for Sale

(a) In case of sale of enterprise, the prospective buyers will submit quotation according to the terms and conditions of the tender.

(b) Bidder shall have to accept all long-term loans against the fixed assets.

(c) Value of stocks and stores will be adjusted with the short-term bank liabilities and the buyer will accept the bank loan equivalent to the value of stocks and stores exceeds the bank loans, the excess amount will be payable to the Government by the buyer either in cash or within one year along with a simple interest of 10% per annum. Bank loans in excess of the value of stocks and stores will be taken over by the Government.

(d) Value of current assets such as sundry debtors, advances etc., will be payable to the Government by the buyer either in cash or within one year along with a simple interest rate of 10% per annum.

(e) In both the instances mentioned at (c) and (d) above, the buyer will have to provide irrevocable bank guarantee without recourse in case the payment is not made in cash.

(f) Short-term liabilities such as, claims of employees and workers and income taxes etc., accrued before the transfer of the enterprise will be taken over by the Government.

(g) Buyers will be liable to pursue all pending court cases.

(h) Land under the enterprise will be used only for setting up expansion of industries.

(i) In case of sale of Government owned shares in different companies the prospective buyers will submit quotations for the total number of shares offered for sale. The company whose shares are offered for sale, will repay all quasiequity loans of the Government and dues of the Corporations within a period of 10 years in 6 monthly instalment carrying a simple interest of 10% per annum and will submit an irrevocable bank guarantee without recourse from a scheduled bank. In addition to the above, the buyer will also give a personal irrevocable bank guarantee without recourse for the above quasiequity loans and dues or will keep the share certificates of all the shares bought by him, under the custody of the Government. Government will not accept any liability of the company.

(j) While implementing the policy of privatization, efforts will be made to make the ownership of the industrial enterprises as broad-based, as possible.

The Procedure for Analysing the Tenders

The acceptability of tender will be determined according to following procedures:

(a) When the number of valid offers in the first tender will be at least three, the acceptability of the offer of the highest bidder may be considered even when the total amount of the offer and the long-term liability accepted by him, together, is less than the value of the fixed assets.

(b) When the number of valid offer/offers in the first tender is less than three i.e. one or two and the offer /one of the offers together with the long-term liability accepted by the bidder, is equal to or more than the value of the fixed assets the acceptability of such offer may be considered; otherwise, it will be retendered.

(c) The principle of receipt of three valid tenders may be relaxed during the second tender. In this instance, the acceptability of the highest offer may be considered even if, the quoted amount together with the long-term liability accepted by the bidder is less than the value of the fixed assets.

Financial Arrangement

All sale proceeds will be deposited into the account of the PB. The procedure for receipt of sale proceeds and payment of liabilities accepted by the Government will be determined through discussion with the Ministry of Finance

The decision on acceptability of the tenders is to be given within 60 days of their opening. The earnest money of the unsuccessful bidders will be refunded within that time.

All formalities relating to the handing over of an SOE will be completed within 90 days of issuance of the Letter of Indent. For any unavoidable reason, if it is not possible, the amount paid by the buyer will be kept in the deposit account of bank so that the interest accrued after 90 days can be adjusted against his payable amount. But if the handing over of the enterprise is delayed due to any failure of the buyer, he will not get any interest on the amount paid by him.

Payment Procedure

(a) The intending buyer of the Govt. owned shares should enclose 20% of the bid money as the earnest money with his tender. The successful bidder will pay the entire balance amount in cash within sixty days of issuance of the Letter of Indent.

(b) In case of sale of an enterprise, the intending buyer will enclose 2.5% of the bid money as earnest money with his tender. The successful bidder will have to pay another 22.5%, of the bid amount within one month from the date of issuance of the Letter of Indent to make the total down payment of 25%. The balance 75% of the bid money will be paid within 5 years at six-monthly instalment along with the compound interest at the rate of 9% per annum. An irrevocable bank guarantee without recourse will have to be submitted for this amount. If the entire amount is paid by the successful bidder within 30 days of the issuance of the Letter of Intent, he will be allowed 10% rebate.

(c) In case of sale of an enterprise to the association of workers/employees/officers, all their due claims with the enterprise which are to be determined before the floating of the tender may be adjusted with the bid amount.

Public Offering in Shares:

That whether the sale of Government shares of different companies through the Stock Exchange will be proper, may be decided after discussion with the Security and Exchange Commission. If it appears from the discussion that satisfactory price may be had from sale of the shares through the Stock Exchange, only in that circumstances shares may be sold there. The remaining unsold shares in the Stock Exchange will be disposed of through tender.

CHAPTER-V

FINDING OF THE STUDY

Progress of Implementation of Privatisation Programmes

Privatization in Bangladesh has gone through various phases since its inception. Just after the War of Independence in 16 December 1971, the Government had to step into fill the vacuum in the economy as the then-owners, abandoned their properties and left the country. In addition, the nationalisation policy of March, 1972 of major industries like Jute, Textile, Chemical and other basic industries, DFIs, Banks and Insurance etc. brought into fold nearly 90% of such enterprises under Government control. However, these public sector enterprises right from inception could not run profitably and efficiently and many of them ran into severe financial difficulties and serious management problems. As stated earlier, by 1975, the Government began to reverse its policy of nationalization due to the heavy burdens created by the public sector enterprises on the national exchequer.

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 Enterprises (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 recoverable	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-D). After the present Government came to power, decision to off-load 9(nine) public limited companies share in the stock exchanges were made (Annexe-E). 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-F). Besides, it was not possible to hand over two enterprises in private sectors due to cases in court (Annexe-G). 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 have been enlisted to be privatized by 1999 (Annexe-H).

Government's Present Plan on Privatization Activities

The Govt. is actively working on a fresh industrial policy. In this policy scope to privatization and private investment both local and DFI will be more extensive. It is worth mentioning here that amongst seven sectors kept reserved for public investment in IP 1991 private investment has been developed and already started in three sectors, such as (i) Power Generation and Distribution (ii) Telecommunication, (iii) Air Transportation & Railways. During the 1976-93 about 500 SOEs have been sold or returned to their former owners. But the govt. is not satisfied either with the quantum or with the speed of divestiture. So to expedite action Privatization Board (PB) was created in March 1993 which has divested 35 SOEs till date.

Industrial Policy for Private Sector Development

Later, with lot of hard efforts private growth was achieved in the period 1978-79 at 11.4%. The new industrial policy issued by the then government in 1982 opened up avenues for the private sector and foreign investment. In 1983-84, the industrial growth was raised to 7.5% while the growth in construction was 8.73% and in services was 5.57%.

The Industrial Policy, 1986 further broadened the scope for private investment, and boosted the privatization process by off-loading upto 49% of the shares of SOEs. This resulted in a stable growth rate and a number of new ventures came up with the expansion of the Ready Made Garments Sectors, the Frozen Food and other non-traditional items. The highest growth rate of industries was observed in 1992-93 at 9% with a registered number of manufacturing industries standing at 26,446 as against 4793 in the year 1987-88. The growth rate in 1994-95 stood at 8.6% with export reaching at US\$ 3.07. Billion.

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 present situation of the public enterprises. These cases may help to understand the needs of privatization-the profit and loss statement may depict the reality of 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

Introduction

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-YEAR PROFIT AND LOSS (In lakh Taka)

Year	Cost of Production	Sales Value	Profit /Loss	per cent
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	" 454.88	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	3615.86	29.66

It is revealed from the table that in 1988-89 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 example 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. 40 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 pace 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 pucca 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	100,000	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 manufacturing	4191.01	3047.86	27
Fixed manufacturing 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

Introduction

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 pucca 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.

SOME ISSUES RELATING TO PRIVATIZATION IN BANGLADESH

The Privatization Board, the Development of Institutions and Policies to Support Privatization

The Privatisation Board is entrusted with the overall responsibility of privatizing SOEs identified for privatization, whether small, large, profitable or non-profitable. Ministries having SOEs under their control have set-up Privatization Cells for assisting the Privatization Board in identifying, preparing, processing, implementing and monitoring SOEs for Privatization. The Privatization Board was initially composed of members of the civil servant only. But the Government has now reconstituted the Board by politicians, the members of the parliament (both from the party-in-power and the opposition), representatives of the private sector and professional groups as the members of the Board. It is hoped this will give a positive signal to the business community both at home and abroad that the Government wants to go ahead with privatization involving all the stock holders that will also include the civil servants, politicians, private sector personalities and representatives of the professional groups. Policies to support Privatization include deregulation (so that the privatized company competes equally with other companies in the sector and with imports), possible change in labour laws to make hiring and firing easier, permitting private sector competition with State monopolies in area like airlines and any policy which rolls back the involvement of the state in the economy. Privatization, when correctly conceived and implemented, fosters efficiency, encourages investment and thus ensures new growth. It will help economic reform, which includes trade deregulation and

liberalisation (removal of monopolies), interest rate liberalisation, foreign exchange flotation and civil service reform (downsizing)¹⁹.

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.

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.

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 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

¹⁹ OP. cit. No. 1 : Some issues concerning Privatization - Bangladesh Perspective (memio)

affected workers of Jute Mills only. But there is no such arrangement for the affected workers of Textile Mills and other Industries. The Privatization Board 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 assess the number of interested participants, identify 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 micro-enterprise. The privatization Board considers this training program very important as this will create confidence among the labour community. This will also help the Privatization Board for implementing Privatization program smoothly.

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 stop 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 manufacturing 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

Constraints of Privatization of State Owned Enterprises

Successful privatization criteria are: (a) efficient use of capital and labour in production; (b) dynamic gains from drawing in additional investment from the domestic private sector and overseas; and (c) better macro-economic performance; etc. Achievement of our privatization on those standards is yet to be measured. However, the overall performance of our SOEs during the recent past was so depressed that the pulse of the nation aimed at relieving the financial and administrative burden of govt. reducing the size and presence of the public sector in the economy and thus help meeting the national economic goals by hastened privatization. But the pace of the program after mid- 1980s has been very much slow. A rapid but well planned privatization is the best policy no doubt. But the nation is even agreeable to accept a rapid ill-conceived privatization than that of well planned slow one. Privatization Cells of concerned Ministries are to fulfil above will of the nation. But the Board is lagging far behind to reach the set goal. The Privatization Board or no other single authority or agency could be held responsible for this slow-run. Lot of reasons is there for hindering the speedy privatization, some of which are given below:

(i) **Negative Political Environment:** All major political parties of the country are in favour of privatization. Even the left-wing political parties having socialistic out look are

now not against privatization although they are critical about hasty privatization and unethical activities of private entrepreneurs. But most fantastic to see that even the staunchly supports privatization vehemently opposes government steps towards privatization when it takes the role of opposition. Such negative attitude of opposition parties compelled partly in power to adopt go – slow principle.

(ii) **Absence of Time-Framework:** The parameters and scope of privatization seems not yet been agreed upon at the highest level. The policy does not provide a well thought time framework for the completion of the privatization programme. An indicative timetable for privatization with set goals for each stage would send strong signals to investors and creates confidence.

(iii) **Poor Response to Tender:** The responses of the prospective buyers to the international tenders were poor. None of the established local entrepreneurs had participated in these bids. For the lack of valid bids, tender notices were served quite a number of times. Even if valid bids were available, quotations for the highest bids were mostly below the net worth.

(iv) **Non-Co-operation or Resistance:** Job opportunities are less than the job seekers. The workers, staff and even officers of the SOEs have a natural apprehension that they might stand without job. Consequently CA firms, consultants and probable buyers had to face resistance and or non-co-operation from the workers, labour unions and mill management in collecting required data. Hence the valuation and other tender processes got delayed and often lacked credibility.

(v) **Faulty Selection of SOE:** Selection of SOEs for sale is not always keeps correlation with time-frame-programme. The bureaucratic consideration is to select most worn out or loosing enterprise first. Entrepreneurs, on the contrary would like to get profitable or at least good off one at the first chance. Sometimes political consideration frustrates both of those ideas. So the influential politicians for their political benefits, want to delay sale of the enterprise which is within or near to his constituency or Gary area of politics, whether that is good or bad does not matter to him.

(vi) **Unethical Practices:** Unethical and corrupt practices of a few entrepreneurs have had a negative reflection on the privatization process. Textile sector has one of the best

successful histories of privatization in this country. Because out of 86 mills of BTMC 52 mills has so far been privatized. But unfortunately above 30% divested mills remained shut down. A pertinent number of buyers did not pay govt. and bank dues even in 16 years after the divestiture. Not only that, a few buyers took further loan against such mills which again they did not pay back, they sold out fixed assets of mills violating terms of purchase and even in some cases provident-fund- money of the workers has been misappropriated by the buyers. These sorts of affairs are strong instruments in hands of workers, management and politician, specially, labour leaders who do not want privatization for some reason or other.

(vii) **Court Cases:** Saleable SOEs are generally worn out loosing enterprises having different kind of obligation to different persons/bodies which could not be met immediately for obvious reasons. So there are ample scope to sue them in the court of law. On the contrary much of such obligations could be met if they were sold out at a reasonable price. But it has been observed that some persons/bodies are apt to sue the enterprise at the eve of finalization of sale. Some times government decides to liquidate assets of some SOE or divested enterprise for non-payment of government money in which case verdict of court is required. Whatever might be the cause for getting verdict of a case, specially, on behalf of the govt., is terribly difficult. This hinders the privatization process and help to meet evil design of some unscrupulous persons/bodies.

(viii) **The Privatization Board Act as only Co-ordinator:** The Privatization Board makes list of SOEs ready for privatization, get approval from the govt., fixes the value, invites tenders and issues letter of indent, etc., and in all phases it works as a co-ordinator only, not with any decision-making power. These delay the whole process and it is desirable that the Board must have the sole authority and power to decision-making regarding privatization and implementation.

(ix) **Long Term Liabilities:** Long term liabilities are to be paid by the buyers. These include bank loan, subsidies etc. But due to the inefficient management of the buyers, these liabilities become 10-15 times higher and the project become bankrupt. So the buyers can't

pay the price and this situation drives out prospective buyers to step into any new project, which discourage privatization drastically.

(x) No Planning & Research Cell in PB: The Privatization Board does not have any research and Planning cell for correct appraisal and analysis of SOEs to be privatized. This also results in slow pace of privatization in our country.

(xi) Fund for PB: Privatization Board has to do a lot of works, even to guard the enterprise during joint inventory before hand-over. All these entail huge fund without which PB can not work quickly which ultimately delays the privatization process.

An implicit assumption of the policy is that the financial rate of return to capital in the private sector, is or shall be greater than the financial rate of return in the public sector . The authorities want to privatise because they assume that the social gains from private sector profits will be greater than the social gains from the public sector profits. Let α be the conversion factor for private financial profit to social gains, and β be the conversion factor for public financial profit to social gains. The authorities expect that as the share of the private sector in the level of activity increases the rate of economic growth will rise. The objective of privatization policy should be to increase economic growth by better management of resources. Therefore privatization policy would have to be accompanied by a set of policies that ensure that entrepreneurs profit from productive endeayours rather than at the expense of the public.

CHAPTER-VI

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 PB 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 Board 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 Board:** The Privatization Board 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 PB will be independent and it will not be mere co-ordinator but the legal agent of the govt. Simultaneously all the experienced staff working in Privatization cells in the Ministries should be placed under the control of the Privatization Board 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, severance packages, 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. Govt. 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 influenced 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 survive. 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 PB 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 moves. 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 PB 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 Sector:** 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 credible 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 better 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 dictate 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 off 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 that 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 signs, 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.

LIST OF PUBLIC SECTOR CORPORATIONS IN BANGLADESH**A. Industrial Sector**

1. Bangladesh Chemical Industries Corporation
2. Bangladesh Steel and Engineering Corporation
3. Bangladesh Sugar and Food Industries Corporation
4. Bangladesh Small and Cottage Industries Corporation
5. Bangladesh Textile Mills Corporation
6. Bangladesh Handloom Board
7. Bangladesh Sericulture Board
8. Bangladesh Jute Mills Corporation
9. Bangladesh Jute Corporation
10. Telephone Shilpa Sangstha Ltd.
11. Bangladesh Export Processing Zones Authority
12. Bangladesh Film Development Corporation
13. Bangladesh Mukti Joddha Kalyan Trust

B. Financial and Insurance Sector

14. Sonali Bank
15. Janata Bank
16. Agrani Bank
17. Rupali Bank
18. Bangladesh Krishi Bank
19. Bangladesh Shilpa Bank
20. Bangladesh Shilpa Rin Sangstha
21. Investment Corporation of Bangladesh
22. Bangladesh House Building Finance Corporation
23. Sadharan Bima Corporation
24. Jiban Bima Corporation

C. Transport and Tourism Sector

25. Bangladesh Inland Water Transport Corporation
26. Bangladesh Inland Water Transport Authority
27. Bangladesh Shipping Corporation
28. Chittagong Port Authority
29. Port of Chalna Authority
30. Bangladesh Road Transport Corporation
31. Bangladesh Biman
32. Civil Aviation Authority
33. Bangladesh Parjatan Corporation.

D. Agriculture and Water Resources Sector

34. Bangladesh Agricultural Development Corporation
35. Bangladesh Forest Industries Development Corporation
36. Bangladesh Fisheries Development Corporation
37. Bangladesh Tea Board
38. Bangladesh Water Development Board
39. Dhaka Water Supply and Sewerage Authority
40. Chittagong Water Supply and Sewerage Authority

E. Energy Sector

41. Bangladesh Oil, Gas and Mineral Corporation
42. Bangladesh Petroleum Corporation
43. Bangladesh Power Development Board
44. Rural Electrification Board

F. Area Development and Spatial Planning Sector

45. Dhaka Improvement Trust
46. Chittagong Development Authority
47. Khulna Development Authority
48. Rajshahi Town Development Authority.

G. Trading Sector

49. Trading Corporation of Bangladesh
50. Bangladesh Consumers Supply Co. Ltd.

Source : The Bangladesh Gazette, Extraordinary, July, 1986.

**THE BANGLADESH INDUSTRIAL ENTERPRISES (NATIONALISATION)
ORDER, 1972 (P.O. NO.27 OF 1972)**

FIRST SCHEDULE

(Industrial Enterprises Placed under Bangladesh Jute Mills Corporation)

1. Adamjee Jute Mills Ltd.
2. Afil Jute Mills Ltd.
3. Ajax Jute Mills Ltd.
4. A.k. Khan Jute Mills Ltd.
5. Aleem Jute Mills Ltd.
6. Alhaj Jute Mills Ltd.
7. Alijan Jute Mills Ltd.
8. Allied Jute Mills Ltd.
9. Amin Jute Mills Ltd.
10. Anowara Jute Mills Ltd.
11. A. R. Howlader Jute Mills Ltd.
12. Ashraf Jute Mills Ltd.
13. Bawa Jute Mills Ltd.
14. Broad Burlap Industries Ltd.
15. Carpeting Jute Mills Ltd.
16. Chandpur Jute Mills Ltd.
17. Chittagong Jute Mills Ltd.
18. Co-operative Jute Mills Ltd.
19. Crescent Jute Mills Ltd.
20. Delta Jute Mills Ltd.
21. Dhaka Jute Mills Ltd.
22. Dawood Jute Mills Ltd.
23. Eastern Jute Mills Ltd.
24. Fauji Chatkal Jute Mills Ltd.
25. Gul Ahmad Jute Mills Ltd.
26. Hafez Jute Mills Ltd.
27. Hamedia Jute Mills Ltd.
28. Hussain Jute Mills Ltd.
29. Jabbar Jute Mills Ltd.
31. Jessore Jute Mills Ltd.
32. Karim Jute Mills Ltd.
33. Kohinoor Jute Mills Ltd.
34. Latif Bawany Jute Mills Ltd.
35. Maqbular Rahman Jute Mills Ltd.

36. M.M. Jute Mills Ltd.
37. Mohsen Jute Mills Ltd.
38. Meghna Jute Mills Ltd.
39. Munawar Jute Mills Ltd.
40. National Jute Mills Ltd.
41. Nawab Abdul Malek Jute Mills Ltd.
42. Nawab H. Askari Jute Mills Ltd.
43. Nishat Jute Mills Ltd.
44. New Dhaka Industries Ltd.
45. Pak. (Bangladesh) Jute Mills Ltd.
46. Pakistan (Bangladesh) Fabric Co., Ltd.
47. People's Jute Mills Ltd.
48. Pubali Jute Mills Ltd.
49. Purbachal Jute Mills Ltd.
50. R. R. Jute Mills Ltd.
51. Sarwar Jute Mills Ltd.
52. Sattar Jute Mills Ltd.
53. S.K.M. Jute Mills Ltd.
54. Sonali Jute Mills Ltd.
55. Star Jute Mills Ltd.
56. Star Alkaid Jute Mills Ltd.
57. Sultana Jute Mills Ltd.
58. Taj Jute Mills Ltd.
59. United Jute Mills Ltd.
60. Victory Jute Products Ltd.
61. W. Rahman Jute Mills Ltd.
62. Daulatpur Jute Mills Ltd.
63. Mymensingh Jute Mills Ltd.
64. Nabarun Jute Mills Ltd.
65. Platinum Jubilee Jute Mills Ltd.
66. Qaumi Jute Mills Ltd.
67. Mashriqui Jute Mills Ltd.

SECOND SCHEDULE

(Industrial Enterprises Placed Under Bangladesh Cotton Mills Corporation)

1. Adarsha Cotton Spinning and Weaving Mills Ltd.
2. Ahmed Bawany Textile Mills Ltd.
3. Ahmed Silk Mills Ltd.
4. AL-Haj Textile Mills Ltd.
5. Amin Textile Mills Ltd.
6. Ashraf Textile Mills Ltd.
7. Asiatic Cotton Mills Ltd.
8. Bengal Textile Mills Ltd.
9. Bogra Cotton spinning Co.,Ltd.
10. Calico Cotton Mills Ltd.
11. Chand Textile Mills Ltd.
12. Chisty Textile Mills Ltd.
13. Chittagong Textile Mills Ltd.
14. Chittaranjan Cotton Mills Ltd.
15. Cotton Textile Mills Ltd.
16. Dhaka Cotton Mills Ltd.
17. Dhaka Dyeing and Manufacturing Co., Ltd.
18. Dhakeswari Cotton Mills Ltd.
19. Dost Textile Mills Ltd.
20. Eagle Star Textile Mills Ltd.
21. Elahi Cotton Mills Ltd.
22. E. P. Textile Mills Ltd.
23. Fine Cotton Mills Ltd.
24. Gawsia Cotton Spinning Mills Ltd.
25. Goalundo Textile Mills Ltd.
26. Habibur Rahman Textile Mills Ltd.
27. Halima Textile Mills Ltd.
28. Ibrahim Cotton Mills Ltd.
29. Jaba Textile Mills Ltd.
30. Jalil Textile Mills Ltd.
31. Jess Blanket Manufacturing Co., Ltd.
32. Karilin Silk Mills Ltd.
33. Khulna Textile Mills Ltd.
34. Kohinoor Textile Mills Ltd.
35. Kokil Textile Mills Ltd.
36. Kushtia Textile Mills Ltd.
37. Luxmi Narayan Cotton Mills Ltd.
38. Mainamati Textile Mills Ltd.
39. Meghna Textile Mills Ltd.
40. Metex Cotton Mills Ltd.
41. Mohini Mills Ltd.

42. Monoo Textile Mills Ltd.
43. Moula Textile Mills Ltd.
44. Muslin Cotton Mills Ltd.
45. National Cotton Mills Ltd.
46. N. H. Textile Mills Ltd.
47. Olympia Textile Mills Ltd.
48. Orient Textile Mills Ltd.
49. Pahartali Textile Mills Ltd.
50. Paruma Textile Mills Ltd.
51. Pylon Industries Ltd.
52. Quaderia Textile Mills Ltd.
53. Quasem Cotton Mills Ltd.
54. Rahman Textile Mills Ltd.
55. Raz Textile Mills Ltd.
56. R. R. Textile Mills Ltd.
57. Rupali Noor Textile Mills Ltd.
58. Rupali Nylon Ltd.
59. Satrang Textile Mills Ltd.
60. Serajganj Spinning and Cotton Mills Ltd.
61. Sharmin Textile Mills Ltd.
62. Tamizuddin Textile Mills Ltd.
63. Tangail Textile Mills Ltd.
64. Zeenat Textile Mills Ltd.

THIRD SCHEDULE

(Industrial Enterprises Placed Under Bangladesh Sugar Mills Corporation)

1. Faridpur Sugar Mills Ltd.
2. Jaipurhat Sugar Mills Ltd.
3. Kushtia Sugar Mills Ltd.
4. Kaliachapra Sugar Mills Ltd
5. National Sugar Mills Ltd
6. Mobarakganj Sugar Mills Ltd
7. North Bengal Sugar Mills Ltd
8. Panchagarh Sugar Mills Ltd
9. Rajshahi Sugar Mills Ltd
10. Rangpur Sugar Mills Ltd
11. Shyampur Sugar Mills Ltd
12. Setabganj Sugar Mills Ltd.
13. Thakurgaon Sugar Mills Ltd.
14. Zeal Bangla Sugar Mills Ltd.
15. Deshbandhu Sugar Mills Ltd.

Annexe--c

PROFIT & LOSS STATEMENT OF THE CORPORATION OVER THE YEARS (All fig. in lakh Taka)

Corporations	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	-6450.65	-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	-780.10	-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)	(2057.74)	-5537.16	-3425.30	(4547.08)	(3736.52)	(1982.20)	-864.42	(1052.04)

(Figures in the parenthesis indicate profit and -(-five) 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-D

LIST OF THE PRIVATIZED ENTERPRISES DURING MARCH 1993-MAY1999

(Tk.in lakh)

Sl. No.	Name of the Enterprises(SOEs)	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.	Bangladesh 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, Munshigonj	125.05	-	125.05

ANNEXE-E

THE SHARES OF THE FOLLOWING ENTERPRISES ARE BEING SOLD THROUGH ICB

Sl. No.	Name of Enterprises (SOEs)	Face value Per Share (Tk.)	Govt. Ownership (%)	Number of shares	Total Face Value (Tk.)	Estimated market (Taka)
1.	Reckitt & Colman (Bangladesh) Ltd.	10/-	10.45	2,33,675	23,36,750/-	4,24,26,033/-
2.	National Tubes Ltd.	100/-	52.94	1,32,340	1,32,34,000/-	13,00,14,780/-
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-F

SOEs FOR WHICH LETTER OF INDENT (LOI) HAVE BEEN ISSUED AFTER FINAL APPROVAL OF THE HIGHEST AUTHORITY

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. Narayangoj	4,41,07,000/-	9,55,11,691/-	13,96,18,691/-

ANNEXURE-G

LIST OF THE ENTERPRISES WHICH ARE NOT POSSIBLE TO BE LISTED FOR SALE DUE TO CASES IN THE COURT

S. L. 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/-

LIST OF SOEs TO BE PRIVATIZED DURING 1998-99 (54 SOEs)

I. TEXTILE SECTOR-15

- (1) Ahmed Bawany Textile Mills Ltd
- (2) Amin Textile Ltd
- (3) Chittaranjan Cotton Mills Ltd
- (4) Darwani Textile Mills
- (5) Kokol Textile Mills Ltd
- (6) Kurigram Textile Mills
- (7) Luxmi NarayanTextile Mills Ltd
- (8) Magura Textile Mills
- (9) Meghna Textile Mills
- (10) National Cotton Mills Ltd
- (11) Olympia Textile Mills Ltd
- (12) R. R. Jute Mills Ltd
- (13) Satrang Textile Mills Ltd
- (14) Tangail Cotton Mills Ltd
- (15) Zeenat Textile Mills

II. JUTE SECTOR-7

- (16) Amin Old Field
- (17) Carpeting Jute Mills
- (18) Eastern Jute Mills
- (19) People Jute Mills
- (20) Rajshahi Jute Mills
- (21) R. R. Jute Mills
- (22) Star Jute Mills

III. STEEL SECTOR-9

- (23) Bangladesh Machine Tools Factory
- (24) Chittagong Dry Dock
- (25) Chittagong Steel Mills
- (26) Dockyard & Engg. Works
- (27) Eastern Tubes
- (28) Gazi Wire
- (29) Khulna Shipyard
- (30) Prince Iron
- (31) Progati Industries

IV. SUGAR & FOOD SECTOR-9

- (32) Carew & Company; Dharsana, Kushtia
- (33) Faridpur Sugar Mills, Madhukhali, Faridpur
- (34) Jaipurhat Sugar Mills, Jaipurhat
- (35) Kushtia Sugar Mills, Kushtia
- (36) Mobarakganj Sugar Mills, Kaliganj, Jessore
- (37) Rangpur Sugar Mills, Rangpur
- (38) Rajshahi Sugar Mills, Rajshahi
- (39) Shetabganj Sugar Mills, Dinajpur
- (40) Thakurgaon Sugar Mills, Thakurgaon.

V. CHEMICAL SECTOR-8

- (41) Bangladesh Insulator & Sanitary ware Factory, Mirpur, Dhaka
- (42) Chattak Cement, Chattak, Sylhet
- (43) Chittagong Chemical Complex
- (44) Karnaphuli Rayon & Chemicals
- (45) Khulna Hardboard Mills
- (46) Khulna Newsprint Mills
- (47) North Bengal paper Mills
- (48) Sylhet Pulp & Paper Mills

FORESTRY SECTOR-4

- (49) Chittagong Board Mills
- (50) Eastern Wood Works
- (51) Fidco Furniture Complex
- (52) Khulna Cabinet Manufacturing Unit.

VII. MISCELLANEOUS-2

- (53) Common Finishing Facilities
- (54) Khulna Industrial and Trading Company.

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