

# FOCUS

## Privatisation in Bangladesh SOME SUGGESTIONS

by Md Shamsul Haque Chishty

By the policy declaration of 26th March 1972, the Government of Bangladesh (GoB) nationalised all abandoned enterprises with assets valued at above Tk 1.5 million, along with the entire jute, textile and sugar industries irrespective of ownership. Other major sectors nationalised were raw jute export, banking and insurance. It resulted in the increase of public ownership of fixed assets from 34 to 92 per cent of modern industry and of public enterprises from 53 to 92.

The successive governments who came to power after the violent change of government on 15th August, 1975, realised the necessity to accelerate investment in the private sector, both local and foreign, and announced some measures from time to time in that direction. No appreciable stop was, however, taken to privatise the major enterprises nationalised in 1972. The government which came to power through a coup in March, 1982, reviewed the performance of the public sector and concluded that they were unable to contribute to the country's development because of inherent problems of bureaucratic control, lack of proper accountability, contradiction between social justice and commercial considerations, and serious financial constraints from which they were suffering.

In order to create a favourable investment climate

jective to pursue a market-oriented economic policy and launched the privatisation policy with a new zeal. It set up in 1993 the Privatisation Board (PB) with a clear mandate and operating guidelines reporting directly to the Council Committee on Finance and Economic Affairs. The PB is responsible for implementing the privatisation programmes of the government. Besides having a full-time Chairman, it has two full-time members and eight part-time members. It has its own budget and other staff.

The PB's functions are to: a) identify enterprises for privatisation; b) develop selection criteria; c) determine priority and work out a time table; d) identify the optional methods suitable to particular cases; e) restructure debt burden of the enterprises where necessary; f) recommend retrenchment of surplus workers, closure of obsolete mills; g) formulate policies for private sector development; h) organise public awareness programmes in support of the privatisation programme, and i) do all other matters and things connected with any of the above functions.

As far as we know, the PB has not been able to privatise more than two dozen of state owned enterprises (SOEs). This is not a creditable record for the Board. From the very beginning the PB suffered from the se-

commitment to the privatisation of the SOEs. To make the privatisation policy successful, some suggestions are made for consideration of the government:

a) The senior positions of the PB should be filled with professionally qualified people, if necessary on contract from outside the government circle on a suitable remuneration. Once so appointed, they should be retained for at least five years. It seems the government has decided to appoint the Chairman from the private sector. This is a right decision. The government officials in the present-day political atmosphere feel hesitant to take bold decisions for fear of victimisation by the subsequent government whereas the nature of PB's works calls for such decisions.

b) The public awareness programme should start immediately. There should be open debates in the Parliament, over the radio, TV, seminars and round table conference should be organised where merits and demerits of privatisation should be openly discussed. The ministers may take advantage of any public meeting addressed by them to discuss the issue. The citizens should be told, how much of the tax payers' money is being funnelled annually to support the inefficient public sector.

c) At present only the loss-making units are generally of-

for big enterprises, like the Bangladesh Machine Tools Factory (lying closed for more than 3 years), the Steel Mills and the General Electric Manufacturing Plant, tendering may not bring the desired result. In such cases, direct marketing may be resorted to while maintaining transparency. This may attract strategic foreign buyers who can bring special technology, market access and other benefits.

d) While selling through tenders, the government should not continue with indefinite tendering in case of insufficient or lower bids than the notional reserve prices. It suffers from the dilemma as to whether a fair value has been obtained for an enterprise offered for sale.

e) Upon consummation of an asset sale, the government should have no residual actual or contingent ownership interest in the enterprises. At present a successful bidder gets possession of an asset on 25 per cent down payment which includes 2.5 per cent of the bid money. If in the majority of cases the successful buyers have failed to pay the balance 75 per cent in six-monthly instalments in five years as specified in the tender documents and the subsequent sale deeds.

In several cases the government has to take back possession of the enterprises with depleted assets. To avoid repetition of similar situations tender documents should be revised asking for payment of the

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and establish confidence in the minds of prospective entrepreneurs, the then Martial Law government in the New Industrial Policy (NIP) announced on 1st June, 1982, decided to return the Bangladeshi owned jute and textile mills to their former owners. After implementation of this part of the NIP, the people had expected the government to carry on privatisation of other sectors of industries as well as the remaining jute and textile mills. These expectations were not realised. The reasons, inter alia, may be: i) CMLA Ershad's decision to restore civilian rule with himself at its head and build up his own labour front; ii) inability of the several Bangladeshi jute and textile mill owners to run the returned mills efficiently and their failure to repay the long-term debts to the financing institutions, a problem still lingering on, and iii) failure of the Bangladeshi owners to pay separation benefits to the employees and workers whose services were terminated by them. So the remaining period of Ershad witnessed the privatisation of two commercial banks, setting up of new commercial banks and insurance companies in the private sector and sale of a good number of small commercial and industrial units to the private sector.

This has reduced the Board to the status of a post office, advertising units for privatisation on receipt of the list from the ministries. Even where it has received the list earlier, it has had to obtain the clearance of the ministry (ies) before putting up advertisements. This has hampered the development and pursuance of a firm's long-term privatisation policy. A similar strategy may be followed in divesting government shares held in public limited companies, local and multinationals.

d) An enterprise should be offered for sale in as attractive a form as possible. It should have a clean balance sheet free of the long-term liabilities. These liabilities should be taken over by the government.

e) The prospective bidders should have full authority to dispense with the services of known surplus and troublesome employees. There will be less resistance to privatisation from the employees and workers if the government agrees and declares its intention to pay termination benefits to them upto the date of handing over an enterprise to the successful buyer.

f) For enterprises with small value assets, a public auction with transparent method of disposal can realise maximum value. Value of some of these assets have already been reduced due to pilferage.

g) A successful buyer should be given a free hand to utilise the assets in a manner he thinks productive.

for privatisation. This is not a correct policy. To encourage a greater number of participants in the tenders, viable enterprises should be offered to the market at the initial stage. Alternatively, the list may contain both viable and loss-making enterprises. A similar strategy may be followed in divesting government shares held in public limited companies, local and multinationals.

h) Last but not the least, the government should decide the offers received without unusual delay. There should not be more than three months' delay in finalising a tender from the date of closure of the offer. The government took more than a year to hand over Hafiz Textile Mills to the successful buyer. In the case of Shyampur Sugar Mills the successful buyer had paid full value (more than taka five crore) of 51 per cent of the shares offered for sale. The government did not transfer the shares to him because of labour representation from the mills.

After two years the buyer's money was refunded. Imagine the amount of interest he lost for the two years during which such a huge amount was locked up in the government exchequer. There should be no repetition of such indecisions. Otherwise, bidders' confidence in the government's sincerity to privatise will be greatly shaken.

The BNP government came to power with the restoration of democracy in 1991. The new government declared their ob-

ligation to power has reiterated its

The Daily Star Entertainment Guide

Thursday 13th March  
(All programmes are in local time. There may be changes in the programmes)

BTV

3:00 Opening Announcement Al Quran, Programme Summary 3:10 News in Bangla 3:15 Pre-telecast of selected programme from TV Archive 4:00 News in Bangla 3:15 TV Coaching 4:45 Carton: Shazzam 5:25 National Television School Debate 6:30 Sor Goal 6:50 Religion and Life 7:00 The News 7:25 Sandha Malatee 8:00 News in Bangla 8:25 Arabian Nights 9:00 Package Programme 10:00 The News 10:25 Switch 11:30 News in Bangla 11:35 Friday's programme summary 11:40 Close down

BBC

06:00am BBC World News 06:10 Newsnight 07:00 BBC Newsroom inc. World Business Report/Asia Today 12:44 Hours 10:00 BBC World Headlines 10:05 World Focus: Pandora's Box 11:00 BBC Newsday 2:00 BBC World Headlines 02:05 World Focus: Great Journey 03:00 BBC World News 03:30 Time Out: Holiday 04:00 BBC Newsday 06:00 BBC World Headlines 06:05 World Focus: Horizon 07:00 BBC World News 07:15 World Business Report/Asia Today 12:44 Hours 10:00 BBC World Headlines 10:05 World Focus: Pandora's Box 10:00 BBC News 10:30 Time Out: Film '97 11:00 BBC World News 11:30 Time Out: The Clothes Show 12:00 The World Today 02:00 BBC World Headlines 02:05 World Focus: Correspondent 2:50 Earth Report 03:00 BBC World News 03:30 Time Out: Tomorrow's World 04:00 BBC World Report inc. World Business Report/24 Hours

CHANNEL V

6:00am Frame By Frame 7:00 Rewind VJ Sophia 8:00 Billboard US Countdown 10:00 Frame By Frame 11:30 The Vibe VJ Luke 12:00noon Rewind VJ Sophia 1:30 By Demand VJ

Trey 2:00 Frame by Frame 2:30 Liberty Oly 4:00 Planet Ruby 4:30 Big Bang VJ Alessandra 6:00pm Rewind VJ Sophia 7:00 By Demand VJ Trey 8:00 The Vibe 9:00 Videocam Flashback 9:30 Top of the Pops 10:00 Liberty First Day First Show 10:30 Malibu Jammin 12:00pm Rewind VJ Sophia 1:00 Hayays 2:00 By Demand VJ Trey 3:00 Big Bang VJ Alessandra 4:00 Billboard Oye 5:30 Jump Start VJ Alessandra

STAR PLUS

6:30am Ninjaad 7:30 Star News 8:00 Star Business 8:30 Star News 9:00 Sky News 9:30 Aerobics Oz Style 10:00 Master Chefs of the Florida Culinary Institute 10:30 EV 10:30 TBA 11:00 The Bold & the Beautiful 11:30 The Oprah Winfrey Show 12:30 Picket Fences 1:30 Santa Barbara 2:30 The Bold & the Beautiful 3:00 Tehrikat 3:30 Khandar 4:00 Banjara Guest House 4:30 Land of the Giants 5:30 Black Beauty 6:00pm Kate & Allie 6:30 Master Chefs of the Florida Culinary Institute 10:30 EV 10:30 TBA 11:00 The Bold & the Beautiful 11:30 The Oprah Winfrey Show 12:30 Picket Fences 1:30 Santa Barbara 2:30 The Bold & the Beautiful 3:00 Tehrikat 3:30 Khandar 4:00 Banjara Guest House 4:30 Land of the Giants 5:30 Black Beauty 6:00pm Kate & Allie 6:30 Master Chefs of the Florida Culinary Institute 10:30 EV 10:30 TBA 11:00 The Bold & the Beautiful 11:30 The Oprah Winfrey Show 12:30 Picket Fences 1:30 Santa Barbara 2:30 The Bold & the Beautiful 3:00 Tehrikat 3:30 Khandar 4:00 Banjara Guest House 4:30 Land of the 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