

Korean Privatisation Scheme : A Lesson for Bangladesh

by ABMS Zahur

Generally speaking, successful privatisation programmes depend on five factors : Good preparation, getting popular support, the right method of sale, the right management and being prepared to fire staff. The programme should be planned well ahead and time schedule should be adhered to. To obtain people's support people must be convinced of the good intention of the government.

THOUGH Korean public enterprises played a crucial role in its economic development between 1960 and 1990 its first major privatisation programme started in late sixties. The first programme took place between 1968 and 1973. Eleven public enterprises such as Korea Airline, the Incheon Iron and Steel Company, the Commercial Bank of Korea etc. were privatised during this period. The second programme was implemented from 1981 to 1983. Government shares of ten public enterprises like Korea Dredging Corporation, Korea Yukong Company, Han-II Bank etc were offloaded.

An attempt was made to evaluate the effectiveness of privatisation in respect of 15 selected public enterprises during 1968-83 in 1988. It came out that six of these enterprises showed deterioration in performance and nine of such enterprises showed improvement in performance after privatisation. However, this evaluation does not appear to have given full picture. How far management and how far the external factors were responsible should be clearly revealed for arriving at a conclusion.

In 1987 Korean government announced an ambitious privatisation programme (1988-92) of selling all or part of governmental shares of eleven public enterprises including the three largest in Korea such as the Korea Telecommunication Authority, the Korea Electric Power Corporation (KEPCO) and the Pohang Iron and Steel Company (POSCO) etc. Among these, five public enterprises were to divest all the government stocks and the rest six were to divest the government stocks partially up to 49 per cent of the total shares. In February 1988 the Korean government sold its 68.1 per cent shares of the Korea Stock Exchange Board to 25 stock brokerage firms. In April 1988 the POSCO's 34.1 per cent shares were divested to low income classes through the People's Share Programme (PSP). About 3.2 million people participated into the divestiture of the POSCO, the first public enterprise privatised through the PSP.

The main reason for the

partial divestiture of the large public enterprises was either they were of monopolistic character or they were public utility enterprises. It would also be undesirable to ask private enterprise to afford the public services which used to be provided by the public enterprises before privatisation. It may be added that along with the partial divestiture Korean government was trying to introduce stronger competition in the business of monopolistic public enterprises.

One of the major objectives of the programme was more equitable income distribution through offering shares of these public enterprises to low income classes. The selling price of the stock was set below the market price. The price of the POSCO was set at 15000 won per share and the first week market price when it was traded in the stock market turned out to be over 40,000 won per share. The income level of the low income class eligible for purchase of shares was restricted to 600 thousands per mensem. Poor farmers and Korean workers working abroad were also eligible. The number of eligible people although constituted around 40 per cent of the Korean low income groups. The other major objective was to prevent potential deepening of economic power concentration in the hands of a few big business groups. The issue of economic power concentration had become a serious economic policy issue often discussed in the Korean congress. The wide distribution of large public enterprise shares among millions of people was surely a way of preventing the furtherance of economic power concentration with privatisation of large public enterprises. The programme provided a further incentive of 30 per cent discount to long-term share holders.

By and large the privatised enterprises performed better though some enterprises could not show better performance. Earlier confinement of selling shares to some interested investors resulted in future concentration of economic power. The PSP solved this problem. Under PSP government not only focuses on low income workers' households but also

provided a discount price with the facility of government loan at lower rate of interest. From a survey conducted in 1988/89 it was seen that about 50 per cent of the total households were eligible for the PSP. In the privatisation of POSCO and KEPCO about 3.2 million and almost 6 million people, respectively, participated.

Despite the most democratic way of disposal of governmental shares under the PSP there was favourable reaction. Workers of the enterprises concerned welcomed it because they made substantial profit from selling of shares. At the same time their job security was not threatened. People outside the enterprises but eligible for participation in the privatisation also welcomed it because they also got substantial benefit. Certain politicians utilised it for presidential election.

Ninety-five per cent of the shares went to low income group and only five per cent could be purchased by the general public. The participating workers of the enterprises were to form the company stock association which should distribute the shares among the employees concerned. Low income earners (outside the enterprises participants) were to open the savings account for the PSP so that their eligibility might be screened in advance. Such people could purchase either directly or indirectly through the people's share trust fund set up to provide financial assistance if needed. Such shares were to be kept at least for three years.

Discount sales and installment payment facilities were available only to company stock association members, low income group participants. Apart from this a certain level of dividend was guaranteed to the company stock association members and low-income group participants holding shares for more than three years.

Some people apprehended that privatisation of monopolistic giants like POSCO and

KEPCO would be detrimental to public interest. Others worried about the possibility of foreign control of the key industry when international capital movement was fully liberalised. These apprehensions led to appropriate amendments to securities transaction act and capital market promotion act.

One of the major constraints for privatisation in Korea was the smallness of its stock market. However the Korean government's assessment was that privatisation would not affect the market adversely. At the initial stage of privatisation of POSCO number of stock holders was 3.2 million. It came down to 1.1 million within a year because the stockholders disposed of their shares within a year and made a sizable profit. In 1989 KEPCO, and enterprise bigger than POSCO was privatised. Its 21 per cent shares were divested, six million people

participated in the privatisation. After one year of its privatisation about 4.5 million of its shareholders retained their shares. In brief, selling of shares of POSCO and KEPCO generated excitement, created understanding, and produced a positive atmosphere for future privatisations.

Generally speaking, successful privatisation programmes depend on five factors : Good preparation, getting popular support, the right method of sale, the right management and being prepared to fire staff. The programme should be planned well ahead and time schedule should be adhered to. To obtain people's support people must be convinced of the good intention of the government. The best method of privatisation is through public offering or secondary offering on a stock exchange. Failing that there should be an open, competitive

tender. Getting the right management in place is not only crucial. But also difficult. The brutal truth is that in case of loss-making companies, privatisation works if only large number of jobs are shed.

Though the experience of Bangladesh in privatisation is more than twenty years, its privatisation programmes do not appear to have been able to make any appreciable impact on the economic growth. This was mainly due to lack of political will, acumen, sensitivity to ignore or overlook social and economic considerations and over simplification of complex issues. It can neither be advisable nor practicable for the present regime to adopt the privatisation policies of Zia or Ershad regimes as those were less sensitive to public opinion. The present democratic government needs adequate public support

for successful completion of its programmes. It may also be pertinent to point out that it was Awami League which nationalised the private sector industries and imposed restrictions on the growth and development of private sector. To draw an action programme for privatisation may not be easy for them.

There is no denying the fact that during its one and a half years rule the present regime has not been able to make any appreciable progress in privatisation. The lack of progress appears to be due to failure to take any firm decision. But the government cannot allow to continue this state of affairs because the government is wasting more than two thousand crore taka a year due to loss being incurred by public enterprises. Under the circumstances it may be worthwhile for Bangladesh to take some lesson from Korean privatisation programme particularly the people's share programme because of the following :

- (a) Concentration of economic power in few hands;
- (b) Highly unsatisfactory un-

employment situation in the country;

(c) Labour unions do not appear to be showing any signs of understanding and cooperation; and

(d) Terrified not-so-efficient but pampered employees of the enterprises.

So far Bangladesh has not undertaken any major study on the performances of the enterprises privatised. Such study will make it clear as to the degree of success of privatisation and its impact on the economy of Bangladesh. Simultaneously Korean privatisation should also be carefully examined in detail for devising a privatisation programme attractive enough to sell the 'adventure of capitalism' to the people at large of Bangladesh. However, it would be unrealistic to assume that simple privatisation may bring efficiency in the privatised enterprises because ours is not an 'efficiency culture'. We have to develop that culture to make the private sector healthy and vibrant.

The writer is a retired Joint Secretary

Maternal and Child Health Care For A Decentralised Model

by Mahmood Aminul Islam

Delivery of essential services package (ESP) through thana based decentralised management system under communal ownership is expected to significantly reduce maternal and child mortality and provide better health care to the people.

lems and discriminatory treatment towards the poor patients.

Inadequate and poor quality of the HFWC explain why even after 20 years of introduction of much publicised MCH-based family planning programme, the infant mortality rate in Bangladesh has remained one of the highest in the world at 78 per thousand live births. The rate is six times higher than in Sri Lanka, and one-third higher than in India (Bangladesh : An agenda of Action, 1996, published by the World Bank). The maternal mortality rate in Bangladesh at 4.5 per thousand live births is also one of the highest in the world. Moreover, according to the World Bank, 80 per cent of women of child bearing age suffer from acute and chronic illness associated with pregnancy and child birth.

The prevailing picture of maternal and child health in Bangladesh is not very conducive to more rapid decline in fertility which the country desperately needs. The official field based and management oriented programme started in the mid 1960s, has popularised the small family norm and created demand for contraception slowly bringing down the population growth rate (annual compounded) from 2.26 in 1956 to 1.80 in 1995 (Bangladesh Data Sheet, 1996, published by Bangladesh Bureau of Statistics). Lowering of maternal and infant mortality rates will quicken the pace of fertility decline.

Decentralised Model

According to the health and population sector strategy paper (January 1997) for the next

Health and Population Project (1998-2003) the government has planned a set of five intervention packages called 'essential services package' (ESP) to address the most urgent health needs of the people. Two of the interventions relate to MCH, namely, reproductive health care and child health care.

The strategy paper further states that the ESP will be delivered under a decentralised and unified one-stop management system owned by the people. If implemented, this will be a radical departure from the present centralised system of health and family planning administration controlled and operated by the health directorate and the population directorate under the Ministry of Health and Family Welfare.

Essentially, decentralised planning and management will involve local level planning and implementation with full budgetary and manpower support from the central government and national level institutions working in the health and population field.

If the local level planning is to be a reality each thana has to be treated as a self-contained unit for the purpose of planning and management of all health and population related activities within the thana. The process will start when local people in each village will have the opportunity to assess their health, MCH and family planning needs compared to what is available locally, and prepare a village plan for improvement of the quality and accessibility of different services.

Here, the utilisation of traditional birth attendants (TBA) for safe delivery deserves spe-

cial mention. About 3 million births take place in Bangladesh every year (Comprehensive National Reproductive Health Survey, August 1997, Directorate of Health Services) and the most preferred (and perhaps the most practical) way of giving birth is at home. With 4600 unions in the country, the number of births per union in a month comes to 54.34 or about 4 births per village (assuming there are, on average, 15 villages in a union). It is learnt there are some 50,000 trained TBAs in the country which works out to be 11 per union. Uniformly distributed, each TBA should be handling about 5 births in a month — a manageable number. People may decide whether and how best to utilise the services of TBAs in preparing the village plan.

People's participation in planning will be ensured by placing the management of the union HFWC in a committee of the village heads (to be elected soon) under the union council chairman.

A thana health population management committee will be formed with all the UC chairman and the thana plan. (Till the formation of the thana council one of the UC chairmen could be elected chairman of the thana management committee for a fixed term). The finalisation of the plan will be done in consultation with the experts and the local stakeholders. For this purpose, a stakeholders forum comprising private doctors, pharmacists, teachers, businessmen, voluntary organisations, journalists, persons from other professions, and promi-

nent personalities/public leaders will be formed. At least 30 per cent of the members of the forum will be women.

Based on the thana plan, the thana committee will prepare annual budget and action plan incorporating the proposed development and recurrent expenditure and send it to the appropriate authorities for allotment of fund according to the laid down procedure. The Ministry of Health and Family Welfare will arrange to place the services of the serving doctors and other personnel at the disposal of the thana committee on long-term deputation to run the health and family planning services, subject to the control and discipline of the thana committee. The thana management committee will appoint its own supporting staff of executives and other personnel.

Delivery of essential services package (ESP) through thana based decentralised management system under communal ownership is expected to significantly reduce maternal and child mortality and provide better health care to the people. This will not only encourage parents to go in for smaller family but also lay the foundation of 'Health for All'.

The author, a retired Addl. Secretary to the government served, as the Director, Bangladesh Family Planning Board.

Bike Bargain

TAKing advantage of the Chinese government's decision to ban gasoline-powered bicycles in Shanghai, Forever Bicycle Co, a city-based company, has tied up with ZAP Power Systems of California, US, to market electric bicycles. Under the agreement, ZAP (which stands for zero air pollution) will provide up to 5,000 electric motors a month. The electric bikes come with a black battery and a motor which will cost around \$300 apiece.

CSE/Down To Earth Features

Garfield



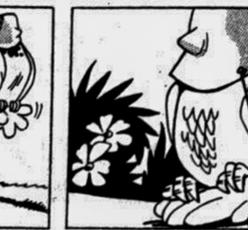
Tom and Jerry



by Jim Davis



by Hanna-Barbera



Present Status

The above dichotomy in MCH administration has prevented development of a coordinated approach to providing the whole range of MCH services on a one-stop basis. Even whatever services are available at the union health and family welfare centres (HFWCs) run by the population directorate remains partly unutilised due to a combination of circumstances like distance from the centre, ignorance about the availability of types of services, absence of efficient referral system, insufficient supply of drugs and other medical store, poor maintenance of equipment, lack of facilities like running water and electricity, staffing prob-

Metropolitan

What's on today . . .

- Discussion:** A discussion on 'Importance and significance of liberation' will be held marking the Independence Day. Organiser: Islamic Foundation Bangladesh. Venue: Foundation auditorium, Baitul Mokarram. Time: 5 pm.
- Painting exhibition:** An exhibition of paintings by children of 'Sointsevo' Art School, Moscow, will begin. Organiser: Cultural Department, Russian Embassy in Dhaka. Venue: Russian Cultural Centre, House: 510, Rd: 7, Dhanmondi. Time: 7 pm. From 10 am to 6 pm daily till Mar 29.
- Musical soiree:** A solo musical evening by singer Mahamuduzzaman Babu will be held commemorating the Black Night of March 25. Organiser: ADL Sparrak. Venue: TSC crossing, DU. Time: 6:30 pm.
- Film show:** 'Raining Stones' will be screened of part of the first 'Feature film Festival on Women'. Organiser: British Council, Dhaka, and Centre for Women and Children studies. Venue: British Council auditorium, 5 Fuller Road. Time: 6 pm.
- BCPS lectures:** Dr MAB Siddique will give a lecture on 'Orthography of knee joint'. Time: 11 am-11:50 am. Dr Abdullah-Al-Mamun will talk on 'presenting pattern and management of depressive disorder'. Time: 12:10 pm to 1 pm. Venue: BCPS auditorium, Mohakhali.
- Seminar:** A seminar on 'Significance and teaching of Hajj' will be held. Venue: VIP Lounge, National Press Club. Time: 4:30 pm.
- Conference:** A 2-day 9th National Conference of Roads and Highways Diploma Engineers Association will be inaugurated. Venue: Sharak Bhaban, Ramna. Time: 11:30 am.



Ruhul Manir president, SG of Sandhani

By Staff Correspondent

Ruhul Amin Majumdar and Dr Manirul Islam Khan have been re-elected president and secretary general respectively of Sandhani National Eye Donation Society for 1998-2000, says a press release.

Besides, a 27-member central executive committee of Sandhani was formed at its 5th Biennial National Convention held recently.

BCL sweeps CMC Students' Union election

CHITTAGONG, Mar 24: Bangladesh Chhatra League (BCL) panel swept the students union election in Chittagong Medical College (CMC) today, reports UNB.

Kazi Mohammad Zafrul Huq and Maruf Bin Habib were elected vice-president and general secretary respectively of the students' union.

Their nearest rivals were VP candidate Shamul Alam and GS candidate Subrata Kar of Chhatra Union.

JCD and Islami Chhatra Shibir boycotted the election on the ground of terrorism and lack of security.



Artistes of Chhayanaut presenting songs at the inaugural function of a two-day programme organised by the Sammilito Sangskriti Jote at the Central Shaheed Menar yesterday.

— Star photo

শিক্ষা বোর্ড কম্পিউটার কেন্দ্র

সড়ক নং-১২/এ, ধানমন্ডি আ/এ, ঢাকা-১২০৯

পুনঃ দরপত্র বিজ্ঞপ্তি

নং-শি/বো/কম্প/এক্স/পাট-১/৯৮/১৫৩৩) তারিখঃ ২৩/০৩/৯৮ইং

শিক্ষা বোর্ড কম্পিউটার কেন্দ্রের জন্য (১) কম্পিউটার পেপার (১১" x ১৫") (২) কম্পিউটার পেপার (১১" x ৮.৫"), (৩) প্রি-প্রাই পেপার (১১" x ১৫") ও (৪) এ্যাপেল লেজার রাইটার পেন-৮১০ প্রিন্টারের টোনার, (৫) এ্যাপেল লেজার রাইটার পেন-৬৩০ প্রিন্টারের টোনার সরবরাহ করার জন্য প্রকৃত ডিলার/এজেন্ট সরবরাহকারীগণের কাছ থেকে সীলমোহরকৃত দরপত্র আহবান করা যাচ্ছে। দরপত্রের সাথে মোট মূল্যের ২.৫% (শতকরা আড়াই) টাকা অর্দেষ্টিম্যানি বাদে যে কোন তফসিলি ব্যাংকের ডাকট/পে-অর্ডার-এর মাধ্যমে চেয়ারম্যান, শিক্ষা বোর্ড কম্পিউটার কেন্দ্র, ১২/এ, ধানমন্ডি আ/এ, ঢাকা-১২০৯-এর অনুকূলে জমা দিতে হবে। দরপত্র আগামী ০৪/০৪/৯৮ইং তারিখ বেলা ১২.০০ টা পর্যন্ত চেয়ারম্যান, শিক্ষা বোর্ড কম্পিউটার কেন্দ্র, ১২/এ, ধানমন্ডি আ/এ, ঢাকা, সচিব, মাধ্যমিক ও উচ্চ মাধ্যমিক শিক্ষা বোর্ড, ঢাকা ও বিভাগীয় কমিশনার, ঢাকা-এর অফিস কক্ষে রক্ষিত টেন্ডার বাক্সে ফেলতে হবে। উপরে বর্ণিত সকল/যে কোন আইটেমের জন্য দর দাখিল করা যাবে। এদিনই ১.০০ মিঃ উপস্থিত দরদাতাদের সামনে যদি কেহ উপস্থিত থাকেন দরপত্র চেয়ারম্যান, শিক্ষা বোর্ড কম্পিউটার কেন্দ্রের অফিস কক্ষে খোলা হবে। দরপত্রের নিয়মাবলী (টেন্ডার সিডিউল) যে কোন সোনালী ব্যাংকের ৫০০/- (পাঁচশত) টাকার ডাকট/পে-অর্ডার জমা দিয়ে নিম্নস্বাক্ষরকারী অফিস থেকে ২৯/০৩/৯৮ইং হতে ০৩/০৪/৯৮ইং তারিখের মধ্যে অফিস চলাকালীন সময়ে সংগ্রহ করা যাবে।

সর্বনিম্ন দর গ্রহণ করতে কর্তৃপক্ষ বাধ্য নয় এবং কোন কারণ দর্শানো ছাড়াই দরপত্র আংশিক বা সম্পূর্ণ বাতিল করার ক্ষমতা কর্তৃপক্ষ সংরক্ষণ করেন।

চেয়ারম্যান
শিক্ষা বোর্ড কম্পিউটার কেন্দ্র
ও
চেয়ারম্যান
মাধ্যমিক ও উচ্চ-মাধ্যমিক শিক্ষা বোর্ড, ঢাকা।

GD-220



Ten founders of the Swadhin Bangla Biplobi Betar Kendra were accorded reception at the auditorium of Muktiyuddho Jadughar (Liberation War Museum) in the city yesterday.

— Star photo

Reception accorded to 10 founders of Swadhin Bangla Betar Kendra

State Minister for Information Prof Abu Sayeed yesterday said the present government was pursuing all its efforts to establish justice in society by upholding the true history of the War of Liberation, reports BSS.

Sayeed was speaking as the chief guest at a reception given to 10 founders of 'Swadhin Bangla Biplobi Betar Kendra' at the Muktiyuddho Jadughar auditorium in the city. State Minister for Foreign Affairs Abul Hasan Choudhury was the special guest on the occasion.

The 10 officials of the then Radio Pakistan Chittagong Centre established the 'Swadhin Bangla Betar Kendra' soon after father of the nation Bangabandhu Sheikh Mujibur Rahman declared the independence in the early hours of March 26 and asked the nation to join the war with whatever they had to achieve the long-cherished independence from Pakistan.

They are: Sayed Abdus Shaker, Belal Mohammad, Rashidul Hosain, Aminur Rahman, Sharfuzzaman, Mustafa Anwar, Abdulla al-Faruq, Rezaul Karim Choudhury, late Abul Kashem Sandwip and Kazi Habib Uddin.

SAARC women's Assoc charity bazar Friday

In aid of a children's library and recreation centre, SAARC Women's Association of Bangladesh is going to organise a 'Handicraft and Food Bazar' (Exhibition) on Friday, from 10 am to 5 pm at the Royal Nepalese Embassy, Road No. 2, opposite UN Road, Baridhara. Entrance Cards will be available at the venue, says a press release.

CCC implements 2038 development projects in 4 yrs: Mayor

CHITTAGONG, Mar 24: Chittagong City Corporation (CCC) implemented 2038 development projects in the city at a cost of over Taka 158.34 crore during the last four years, reports BSS.

This was disclosed by Chittagong City Mayor ABM Mahiuddin Chowdhury while briefing newsmen in the corporation's auditorium on his completion of four years in office today.

Chowdhury, the first elected city mayor, said due to some pragmatic measures the revenue earnings of the corporation during that period stood at Tk 107.02 crore.

Without imposing new taxes on the city dwellers, the revenue was earned from construction of new markets, renovation of old markets and bus stands in different parts of the city, the mayor told the press conference.

Chowdhury, who gave a resume of the various civic amenities including education, health, fight against mosquito

menace, protection of the environment, and cleanliness during the last four years, said a large number of projects were executed or are being executed to improve the standard of civic life.

Mentioning the progress of the foreign-aided projects, the mayor said the city corporation would implement 40 primary healthcare centres with Tk sixty crore financial assistance from the Asian Development Bank during the next five years.

Besides, some 106 urban development centres are being set up at a cost of Tk ten crore. Work on 30 centres have already been completed, the mayor added.

Referring to his pre-election pledges, Chowdhury said, 'City people will evaluate my performance, because as an elected mayor I am accountable to them,' he said. But, he said, 'One of my principal compliances is that I am running the corporation without political influence.'