WITH REAL PRIVATISATION .....

Bangladesh *can* bloom with a million enterprises

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PRIVATISATION following some of the donor prescriptions has so far proved to be a painful experience for Bangladesh. Many, including the Centre for Policy Dialogue, have termed last year's government decision to shut down 4 out of the 22 state owned jute mills, throwing more than 14,000 workers suddenly out of their jobs, a very cruel, inhumane decision. We seem to have fallen into a trap, following the traditional and stereotyped process of privatisation. We have failed to explore the more dynamic and promising options to really open up the market and increase the efficiency of the economy at the 'base of the pyramid'. The stereotyped privatisation means simply the outright sale of a public enterprise or the transfer of ownership from the government to a private entrepreneur. Consequent to the economic liberalization drive in UK initiated by Prime Minister Thatcher and subsequently the liquidation of state owned enterprises in the East European countries, the more conventional approach has generally meant the following options for us:

- Divestiture and outright sale of public sector enterprises. This is the path that Bangladesh has tried to follow on a selective basis. The recent example was the sale of majority shares of Rupali Bank, which has proved to be a grand exercise in futility.
- The closure and liquidation of loss making state owned enterprises, to reduce the fiscal burden of the government. This was the procedure that has been more frequently pursued --- the most recent example being the closure of jute mills last summer, in Khulna.
- Franchise financing, under which large infrastructure projects like a bridge, a highway, a flyover, is built and often operated by the private sector under a regulatory structure set up by the government. The operation of the toll bridges provide some limited experience in our country.
- Leasing of a public enterprise to the private sector or the transfer of the management and control to a private entrepreneur. In socialist countries of eastern Europe, a logical choice was to lease or contract out management to the trade union. Given the lack of accountability and rampant corruption within our trade unions, this would be a difficult option to pursue in Bangladesh.

There is no doubt that we need to privatise urgently. But the question is how do we do it practically? The short run objective no doubt, is to reduce the fiscal burden of the government owing to chronic losses incurred by the bleeding public enterprises. But a lot of energy, resources and manpower have been tied up in recent years, trying to privatise the large public enterprises, with quite mixed results. The processes and procedures have been often complex, time consuming and characterized by a lack of transparency. Valuation of assets and liabilities of these enterprises becomes a tricky exercise, subject to fraudulent practices. The political costs are too exorbitant for weak and unstable regimes of developing countries like ours. The cost of human suffering of thousands of workers and their families who suddenly find themselves without employment and income, becomes unacceptable. The cost in terms of corruption, malpractices which usually lead to the sale of public assets at giveaway prices, is also considerable. It was reported that far from yielding any benefits, the recent overtures to privatise the Rupali Bank alone has already cost the government as much as Tk 170 million. Hopefully, one day we shall have the complete information in this matter and there will be some evaluation of the true costs and benefits of privatisation that misfired or went off the track.

An alternative approach

We can minimize the economic risks, financial costs and human suffering, if we can develop an alternative approach to privatisation. The ultimate objective would be to accelerate economic growth with social equity, new jobs being created at a rate much faster than the rate at which public sector jobs are cut. We need to move away from the traditional connotation of privatisation a la Margaret Thatcher and adopt instead, a broader definition which could provide a practical, more cost effective and politically more doable approach. Essentially I see two components in the alternative approach. Firstly, privatisation would mean a process which reduces the involvement of the pubic sector or the government in various economic activities, where it is currently engaged. It will encompass the range of meaning associated with the more conventional approach. It proceeds from the recognition that government is not a very efficient agency in operating business type of activities; in Bangladesh context there are other priorities for the government.

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