Changing dimensions

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state's role. The state as a 'safety net' is no longer enough -- if it ever was; the state, if and as necessary, by resorting to control or ownership, must actively set priorities and frameworks, and also do the direction-setting. If we can envisage a mid-income range digital Bangladesh by the beginning of the next decade, why can't we draw up proper five-year plans and not just PRSPs, and make privatisation programme a part of it. The Privatisation Commission should remain powerful and independent, but the programme for privatisation should be an integral part of the planning strategy.

The process of disinvestment which started in Bangladesh in the mid-seventies was by fits and starts. A good number of disinvestments were done, but each set of decisions to privatise a particular state enterprise tended to be an ad-hoc decision originating in an executive order, specific to the enterprise or to policy conditionality attached to a particular foreign loan. In the eighties, the government applied an ethnic process to privatisation by handing over SoEs to original Bangladeshi owners. Prof Rehman Sobhan in the publication 'Privatization in Bangladesh' commented, "None of these actions of the GOB had any policy cover since ethnic disinvestment had not been recognised as an official policy."

Subsequently, the government, under the Privatisation Act of 2000, set out a fairly comprehensive privatisation policy and formed a high-powered Privatisation Commission to implement the programme. The argument for privatisation has been at the fore-front of the agenda of donor-driven policy reforms, and the successive regimes in Bangladesh have committed themselves to privatisation. Though no serious monitoring or post-privatisation systematic evaluation has taken place, it is generally held that in most cases, privatised SoEs have fared better. One big plus point for privatisation in Bangladesh has been that the process and the commission have remained free from any allegation of corruption, nepotism, partisanship or politicisation.

The emphasis on closure of loss --incurring SoEs does prevent the 'hemorrhage' in economy, but substitution, and initiation of industrial enterprises in areas where private imitative is lacking or shy also had to be taken care of, and that has not happened. This means that in the whole range of manufacturing activities which may be critical to the growth of economy, and where private enterprise is not forthcoming governmental intervention or initiative would become necessary. World Bank report reveals that Bangladesh is now left with a narrowing manufacturing base, where very little diversification has taken place outside the RMG Sector. The dying jute sector deserves careful attention. Prof MM Akash correctly recommends adoption of a policy-based pragmatic privatisation programme, which should take into account the over-all necessity of the economy and the imperatives of industrial growth. A systematic sector-wise programme for privatisation can be drawn up taking these points, inter-alia, into consideration. This is what he calls 'the case for pragmatism'. I suggest that this should become a part of the over-all period-based economic planning.

Besides circumspect selection of SoEs, privatisation in Bangladesh will have to primarily deal with second-generation issues such as legal framework, post-privatisation governance, contract enforcement, and re-negotiation, and also fixation of conformity with national and social objectives. Enrique V Iglesias, former Executive Secretary of ECLA and President of Inter-American Development Bank observes in the Foreword to "Can Privatisation Deliver: "During the past decade there has been significant change in the roles of the state and the private sector." He adds, "public services of critical importance for economic development and loaded with political implications continue to remain responsibility of the state."

Privatisation, involving as it does, a redrawing of the public/private boundary, is an inherent political process driven by economic considerations. Hence my insistence on making it a part of the national planning born of a realisation based on my personal experience as well.

All said and done, one of the government's foremost explicit objectives of privatisation is, and will always be, the expectation that privatised companies will become more efficient and profitable than the nationalised predecessors. If the customer is to be protected, competition will have to be fostered where it is feasible and regulation relied on where it is not. Monopoly abuse will always be a threat, and there would be a heavy burden on the regulatory 'watch-dogs' which will have the difficult task of controlling monopoly abuses and promoting a range of other objectives. It should also be borne in mind that the links between privatisation and capital market development are strong and can be mutually re-inforcing. The presence of a deep and well-functioning capital market dramatically widens the scope for implementing privatisation, for promoting (initial) wealth distribution, and accessing foreign equity participation in a politically neutral way. Moreover, developed secondary trading capacity can promote efficient monitoring of management, while the tradability of equities enhance their liquidity, and hence their value.

However, the decision to privatise, and the extent thereof, should fully lie with the government and the decision-makers, and the considerations should be nothing else than the interest of the country, and its development. There is no doubt that for the sake of privatisation, and in the name of laissez-faire and open-market economy capitalist exploiters and neo-colonialists would try to expand their economic domain, financial control and political hegemony. We have seen the way donor countries and the World Bank-IMF occasionally lay conditionalties, and induce recipient countries to go for privatisation mostly to meet donor interests. Mr L Gray Cowan in his book - 'Privatization in the developing world' has the audacity to suggest - "In the final analysis, a combination of carrot and stick may be required to promote government action... . Privatisation may be made a requirement in negotiations for an IBRD structural adjustment loan. It may also be stressed in policy dialogue on fundamental economic policy change".

Developing recipient countries should resist such distasteful efforts, particularly when the world has now experienced the deficiencies of laissez-faire and the pitfalls of capitalist system. Privatisation may also present economic risks that translate into political risks for the government. Governments should go for privatisation on the basis of pragmatic selection of SOEs, but should take care so that the pace and direction of development is not lost, specially in the industrial sector. National interest and popular welfare cannot be sacrificed at the altar of inordinate private profit motive or unscrupulous capitalist machinations. There would be inter-action between the structure of the private sector, the capital market, the regulatory regime and the implementory stages of privatisation, and these need to be carefully watched.

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