

**Ministry of Industries  
Government of the People's Republic of  
Bangladesh**

**The State Ownership Policy  
Bangladesh**

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# Philosophy of Ownership

## ■ Constitutional provision-

- Private ownership : Private sector
- Collective ownership: Company
- State ownership: SOEs

## ■ Constitutional obligation-

- State shall provide basic needs to the people
- Social responsibilities/Social safety net for the poor

# Government's Policy Statement

New Industrial Policy 2005 provides-

- Government will not do business, rather govt,'s role will be a facilitator to the private sector
- Government will ensure level playing fields for the public & private sector
- Disinvestment of some SOEs will continue
- SOEs will be restructured
- Joint venture will be encouraged

# Present SOEs Ownership Pattern

- Around 44 state-owned corporations, and about 200 subsidiary enterprises
- As many as 19 Ministries own them
- SOEs are grouped into 8 sectors:
  - Industry
  - Power, Gas and Water
  - Transport and Communication
  - Trade
  - Agriculture
  - Service
  - Construction
  - Bank & financial institutions

## Present Ownership Pattern/contd.

- Fully state-owned with restructuring
- Leasing out in full or part
- Joint venture
- Share off-loading
- Minority shareholders
- Management transfer
- Production sharing of gas exploration

# Reform Initiatives

- By the Privatizations commission since 1993, a total of about 60 public enterprises have been privatized up to 2005.
- Among them 38 have been privatized through sale and 18 have been privatized through selling of shares.
- International tenders have been invited for selling another 15 industries and valuation of 30 industries has been completed.

## Reform Initiatives/contd.

- Production sharing contracts (PSC) for exploration of the gas resources.
- Private sector participation in power sector.
- Government has given permissions to private telephone companies in 1989
- Bangladesh Telecommunication Regulatory Commission was constituted as regulatory commission

## Reform Initiatives/contd.

- Civil aviation authority has planned to privatize the non regulatory activities in the airport.
- Local private organization has been appointed to operate some management system of the Airport in Chittagong.
- Bangladesh government approved private airlines in the domestic sector in the early nineties.



## Reform Initiatives/contd.

- Government has started privatizing operations and managements of some of the commercial ventures of the Bangladesh tourism corporation.
- The process of involving private sector in the Railway sector has started since 1987
- Recently government has decided to attract private investment in road transportation sector

# Authorities of State-ownership

- No central authority
- Ministry of Finance: (Budget)
- Ministry of Establishment: (Appointment of CEO & Directors)
- Ministry of Labour: (Wage Commission)
- Ministry of Commerce: (Company Law & Insurance)
- Relevant Administrative Ministries

# Regulatory Bodies

- Securities & Exchange Commission
- Comptroller & Auditor General
- Parliamentary Committee on Public Accounts
- Parliamentary Committee on Public Undertakings
- Bangladesh Bank-the central bank
- Privatization Commission
- Telecom Regulatory Commission
- Power Regulatory Commission
- Independent Anti-corruption Commission

# Legal Framework for the SOEs

- The Companies Act 1994 governs incorporated domestic entities.
- Other relevant laws include:
  - Securities and Exchange Ordinance 1969
  - Bangladesh Bank Order 1972
  - Bank Companies Act 1991
  - Financial Institutions Act 1993
  - Securities and Exchange Commission Act 1993
  - Bankruptcy Act 1997

# SWOT Analysis of the SOEs

## Strength

- Capital intensive huge assets
- Lot of professional manpower
- Sufficient logistic supports
- Dependable image as a govt. entity
- Providing services as part of corporate responsibilities
- Private sector is still weak
- Some captive market

# SWOT Analysis of the SOEs

## Weaknesses

- Mandates are not clear
- No rules of business
- Governmental intervention in operational matters
- No competitive selection procedure for CEO & directors
- Absence of corporate governance
- Poor compensation scheme
- Lack of competitive environment
- No central supervisory body
- Poor investment for HRD
- Lack of cross fertilization with private sector

# SWOT Analysis of the SOEs

## Opportunities

- Liberal policy of the government
- Privatization Commission
- Securities & Exchange Commission
- Restructuring policy
- Public Procurement Regulation 2003
- Joint venture
- Leasing out
- Share off-loading

# SWOT Analysis of the SOEs

## Threats

- Political intervention
- Trade union intervention
- Ministries' intervention
- Lack of professional/competent CEO and managers
- No independent/private sector director
- SOEs are dependant on Govt. subsidies
- Some extent competitive market
- No fund for BMRE
- Huge losses & liabilities
- Huge Loan defaults
- Very poor management



# State-ownership Analysis

## ■ Policy Statement

- *No clear cut policy statement on ownership*

## ■ Objectives of the SOEs

- *The statute spell out objectives, but not very specific & comprehensive*

## ■ Code of Governance

- *No rules of business for disposal of cases*
- *Lack of compliance of CG*

## ■ Ownership rights & duties

- *Not very specific in any document. No central authority*

# State-ownership Analysis/cont.

## ■ Nomination of directors

- *No specific rules or policy guidelines. Administrative Ministries appoint the bureaucrats and sometimes they are not competent*

## ■ Conduct of the directors

- *Company law guides the generally, but no specific instructions for the govt. nominated directors*

## ■ Powers of the board

- *Statute spell out powers, but influenced by the Ministry*

# State-ownership Analysis/contd.

## ■ Selection of CEO & top managers

- *Appointed from the civil service on deputation, or on contract, or as political rewards*

## ■ Remuneration

- *Except few SOEs, all follows government employees pay scale*

## ■ Reports to the public

- *Most SOEs published annual reports*
- *Off-loaded companies place balance sheet to the AGM*

# State-ownership Analysis/contd.

## ■ Level playing field

- *PPR 2003 ensures level playing fields in procurement*
- *Some sectors are still not open for private sector*
- *Private sector's manipulation limits SOEs competitiveness*
- *SOEs cannot seek credit to the bank without MOF guarantee*

# What needs to improve State Ownership?

- Select a central authority to supervise and guide the SOEs
- Reviewing and revising the Charter and objectives of the SOEs;
- Formulating the rules of business governing the relationship between the Govt. and the SOEs;
- Making the selection procedure of heads and directors of the SOEs;
- Rationalizing manpower and Downsizing overheads of the SOEs;

# What needs to improve the Corporate Management?/contd.

- Capacity building of the SOEs-HRD;
- Corporatizing and commercializing of the SOEs;
- Incorporation of private sector experts in the management and boards of the SOEs;
- Strategic partnership with the private sector.

# What needs for reform measures?

- necessary political will;
- high level of state intervention; and
- common views among politicians and bureaucrats.

**That's all.....**

Thank you very much