

CHAPTER 9

STATE-OWNED ENTERPRISES

The contribution of SOEs to GDP, value addition, employment generation and revenue earning is quite substantial. Currently, a range of reforms is being implemented in public enterprises and this has resulted in significant reduction of overall loss in public manufacturing sector supporting economic growth. The non-financial public enterprises in the country have been categorised into 7 sectors by Bangladesh Standard Industrial Classification (BSIC) and their economic and financial performances have been analysed.

Box 9.1: Non-Financial Public Enterprises

Sector	No. of Enterprises	Title of Enterprises (Non-financial)
Industry	6	Bangladesh Textile Mills Corporation (BTMC), Bangladesh Steel & Engineering Corporation (BSEC), Bangladesh Sugar & Food Industries Corporation (BSFIC), Bangladesh Chemical Industries Corporation (BCIC) Bangladesh Forest Industries Development Corporation (BFIDC), Bangladesh Jute Mills Corporation (BJMC).
Power, gas and water	5	Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh Power Development Board (BPDB), Dhaka Water and Sewerage Authority (WASA), Chittagong Water and Swerage Authority and Khulna Water and Sewerage Authority.
Transport and communication	7	Bangladesh Shipping Corporation (BSC), Bangladesh Inland Water Transport Corporation (BIWTC), Bangladesh Road Transport Corporation (BRTC), Chittagong Port Authority, Mongla Port Authority, Mongla Dock Worker's Management Board, Bangladesh Land Port Authority.
Trade	3	Bangladesh Petroleum Corporation (BPC), Bangladesh Jute Corporation (BJC), Trading Corporation of Bangladesh (TCB).
Agriculture	2	Bangladesh Fisheries Development Corporation (BFDC), Bangladesh Agriculture Development Corporation (BADC).
Construction	5	Rajdhani Unnayan Kartipaksha (RAJUK), Chittagong Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA) and National Housing Authority.
Service	17	Bangladesh Muktijoddha Kalyan Trust, Bangladesh Film Development Corporation (BFDC), Bangladesh Parjatan Corporation (BPC) Bangladesh Small and Cottage Industries Corporation (BSCIC) Bangladesh Civil Aviation Authority, Bangladesh Inland Water Transport Authority (BIWTA), Rural Electrification Board (REB), Bangladesh Export Processing Zone Authority (BEPZA), Bangladesh Handloom Board, Bangladesh Sericulture Board, Bangladesh Water Development Board (BWDB), Bangladesh Tea Board, Bangladesh Telecommunication Regulatory Commission (BTRC), Export Promotion Bureau (EPB), Bangladesh Sericulture Research Institute, Bangladesh Bridge Authority and Bangladesh Energy Regulatory Commission.

Source: Monitoring Cell, Finance Division

Production and Factor Income of SOE Sector

During FY 2004-05, the total operating revenue of all existing SOEs was Tk. 36,273 crore which came down to Tk. 20,018 crore in FY 2007-08. Annual growth rate was -17.96 percent. During this period the value of purchase of goods and services increased by -29.42 percent. According to the production cost, the amount of value addition in FY 2004-05 stood at Tk. 951 crore which significantly increased to Tk. 7,612 crore during FY 2007-08 resulting in increased growth rate of value addition by 99.9 percent. During FY 2004-05, the operating deficit of the SOEs was Tk. 2,473 crore while it increased to an operating surplus of Tk. 3,610 crore in FY 2007-08. Table 9.1 shows the growth rate of Revenue, value addition and production income of non-financial SOEs during 2004-05 to 2007-08.

Table 9.1: Growth rate of Revenue, Value Addition and Production Income of non-financial SOEs (2004-05 to 2007-08)

(Tk.in Crore)

	2004-2005	2005-2006	2006-07	2007-08	Growth Rate from 2004-05 to 2007-08
Operating revenue	36,273	44,339	33,179	20,018	-17.96
Purchased goods & services	35,322	42,685	30,567	12,406	-29.42
Value addition by production cost	951	1,654	2,611	7,612	99.90
Pay & allowances	1,663	2,386	1,908	1,930	5.09
Depreciation	1,761	1,969	2,276	2,073	5.57
Operating surplus	-2,473	-2,701	-1,572	3,610	-83.87

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

The net loss of SOEs during FY 2007-08 was Tk. 4,508.55 crore and net profit estimated to Tk.2,049 crore in FY 2008-09. BPDB incurred a loss to the tune of Tk. 1,549.18 crore in FY 2008-09 from net loss of Tk. 982.13 crore in FY 2007-08. BPC alone incurred net loss of Tk. 865.20 crore in FY 2008-09. The SOEs which are expected to increase its profit or to decrease the loss in FY 2008-09 compared to FY 2007-08 are: BTRC (increase in net profit to Tk. 2,496 crore in FY 2008-09 from Tk.1,652.41 crore), Bangladesh Oil, Gas and Mineral Resources Corporation (increase in net profit to Tk. 1,076.30 crore in FY 2008-09 from Tk.1,026.21 crore), Dhaka WASA (increase in net profit to Tk.63.28 crore in FY 2008-09 from Tk. 12.75 crore), Chittagong Development Authority (decrease in net profit to Tk.141.1 crore in FY 2008-09 from Tk. 176.66 crore), Khulna Development Authority (increase in net profit to Tk.6.13 crore in FY 2008-09 from Tk. 5.95 crore), Bangladesh Water Development Board (increase in net profit to Tk. 7.42 crore in FY 2008-09 from net loss to Tk.1.74 crore), The net profit/loss of SOEs is shown in **Appendix-35**.

Contribution to Public Exchequer:

All the SOEs together contributed Tk.44.38 crore to the public exchequer during FY 2007-08 which is estimated at Tk. 414.45 crore in FY 2008-09. The enterprises that have made significant contribution in terms of dividend during FY 2008-09 are: Bangladesh Oil, Gas and Mineral Resources Corporation Tk. 300.00 crore, Chittagong Port Authority Tk.50.00 crore, Civil Aviation Authority Tk.25.00 crore, Jamuna Multipurpose Bridge Authority Tk. 6.00 crore, and Bangladesh Inland Water Transport Corporation (BIWTC) Tk. 5.00 crore. The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in **Appendix-36**.

Government Grant/Subsidy

In FY 2007-08, the Government provided grant/subsidy amounting to Tk. 494.25 crore to 14 public entities which is estimated at Tk. 836.83 crore in FY 2008-09. Bangladesh Water Development Board (BWDB) was given subsidy amounting to Tk. 446.85 crore in FY 2008-09 which was 228.24 crore in FY 2006-07. Besides, the Government provided subsidy to Bangladesh Agriculture Development Corporation an amount of Tk.155.00 crore, Bangladesh Inland Water Transport Authority Tk.83.41 crore, Bangladesh Small and Cottage Industries Corporation worth Tk.39.96 crore and Bangladesh Freedom Fighter Welfare Trust Tk. 44.53 crore in FY 2008-09.

Table-9.2 Government Grant/Subsidy during 2001-02 to 2008-09

(Tk in Crore)

Organizations	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 (Revised)
BCIC	-	-	-		-	0	0	0
BSEC	0.10	-	-		-	0	0	0
BJMC	53.60	26.04	33.03	29.57	100.00	34.99	34.99	25.80
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.10	0.09	0.10	0.09	0.12	0.13	0.15	0.15
BFFWT	16.25	16.25	16.25	16.44	18.19	18.29	27.70	44.53
BIWTA	22.55	23.40	27.86	31.88	52.19	50.58	42.45	83.41
BSCIC	18.45	19.04	21.50	22.51	26.5	28.50	36.98	36.96
REB	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
BHB	4.05	4.05	4.50	4.61	7.99	7.43	7.43	8.21
BSB	4.47	4.62	4.30	4.26	3.97	4.32	6.29	8.52
EPB	-	3.00	4.00	10.00	12.00	11.00	12.30	14.00
BADC	35.00	35.00	35.00	42.00	58.62	66.50	86.62	155.00
BWDB	159.49	191.69	230.80	251.83	279.01	228.24	228.24	446.85
BERC	-	-	-	-	0.54	0.77	1.00	00
BSRTI	-	-	-	-	-	1.44	1.6	1.9
Total	322.56	331.68	385.84	421.69	567.63	460.69	494.25	836.83

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

Recently, DSL Branch of Finance Division has provisionally estimated the total debt service outstanding liabilities of 56 SOEs. According to that provisional estimate, up to June 2009, the total DSL outstanding against 56 SOEs stood at Tk. 72,694.03 crore. The total DSL liabilities outstanding and recovery against 56 SOEs is shown in [Appendix-37](#).

Bank Loan

Up to June 2009, outstanding bank loan against 30 SOEs stood at Tk. 14,172.88 crore. Out of this, the classified loan accounts for Tk. 1,425.21 crore (10.06 %). The SOEs which owe substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPC (Tk. 5,033.71 crore), BJMC (Tk. 2,229.30 crore), BPDB (Tk. 1,923.30 crore), BCIC (Tk. 1,074.63 crore), BOGMC (Tk. 479.61 crore), BSFIC (Tk. 896.70 crore), BADC (Tk. 1,074.49 crore), BSEC (Tk. 1,989.65 crore), and BTMC (Tk. 305.21 crore). On the other hand, the entities that have classified loans to the banks are: BJMC (Tk. 619.18 crore), BTMC (Tk. 299.33 crore), BCIC (Tk.93.57 crore), BADC (Tk.21.27 crore) and BSFIC (Tk. 20.68 crore). The cumulative amount of outstanding bank loans and the classified loans of SOEs is shown in [Appendix 38](#).

Financial Performance of SOE Sector

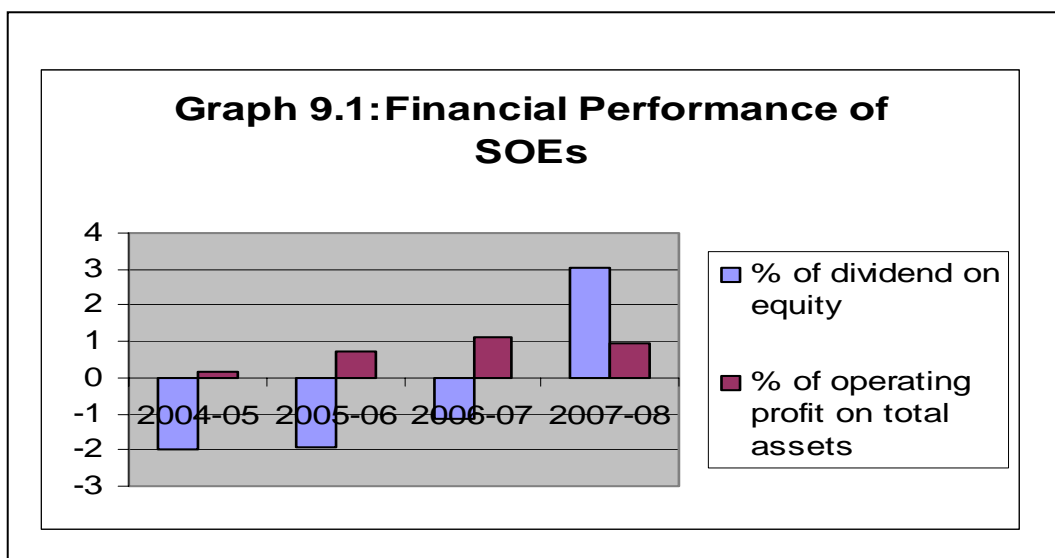
Almost all assets and loans belonging to the SOEs of Bangladesh are provided either by Government or by SCBs. Therefore, the rate of profit on total assets is an important yardstick for judging the financial performances of these entities.

Table 9.3: Profit earned by the SOEs from FY2004-05 to FY 2007-08

(Tk. in Crore)

Operating	2004-05	2005-06	2006-07	2007-08	Rate of Growth from 2004-05 to 2007-08
1. Operating revenue	36,273	44,339	50,064	20,018	-17.96
2. Operating surplus	(2,473)	(2,701)	(1,859)	3,610	51.16
3. Non-operating Revenue	586	603	1172	836	12.57
4. Employee participatory fund	9	13	72	90	118.31
5. Subsidy (direct)	9	9	9	8	-2.00
6. Interest	903	1160	1242	711	-7.65
7. Net profit/loss(after tax) (2+3+5)-(4+6)	(2,790)	(3,262)	(1,992)	3,653	48.96
8. Tax	134	175	691	459	85.50
9. Net profit after tax (7-8)	(2,925)	(3,437)	(2,683)	2,794	45.73
10. Dividend	55	285	559	543	114.08
11. Retained earning (9-10)	(2,980)	(3,722)	(3,242)	2,251	40.15
12. Total investment/fund	12,4349	1,38,730	1,62,149	1,18,251	-1.66
13. Equity	36,412	40,726	50,835	55,714	15.22
14. % of operating profit on total assets.(2/12)	(1.99)	(1.95)	(1.15)	3.05	52.23
15. % of net profit on operating revenue(9/1)	(8.06)	(7.75)	(5.36)	13.96	55.04
16. % of dividend on equity (10÷13)	0.15	0.70	1.10	0.97	85.80
17. Turnover on total assets (1÷12)	0.29	0.32	0.31	0.17	-16.57

Source: Monitoring Cell, Finance Division



Though the operating profit on total assets of SOEs was -1.99 percent in FY 2004-05 but it reached -1.95 percent in FY 2005-06. In FY 2007-08, this loss has been reduced and turned to profit by 3.05 percent. The net profit on operating revenue was decreasing since 2004-05. In 2003-04 this rate was 8.06 percent which reached 13.96 percent in 2007-08. On the other hand, the rate of dividend on equity has increased to 0.97 percent in FY 2007-08 from 0.15 percent in FY 2004-05.