CHAPTER 9

STATE-OWNED ENTERPRISES

State–Owned Enterprises (SOEs) still continue to make major contribution towards industry, power ,gas, transport and communication and service sectors of Bangladesh economy. To keep pace with the increasing expansion of private sector in a market economy, a range of reforms including privatisation of public enterprises is well in progress. 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 and thus supporting economic growth. The non-financial public enterprises in the country have been categorized into 7 sectors following 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 2005-06, the total operating revenue of all existing SOEs was Tk. 44,339 crore which rose to Tk. 60,182 crore in FY 2008-09. Annual growth rate was 10.71 percent. During this period, the value of purchase of goods and services increased by 4.79 percent. According to the production cost, the amount of value addition in FY 2005-06 stood at Tk. 1654 crore which significantly increased to Tk. 11,055 crore during FY 2008-09 resulting in increased growth rate of value addition by 88.25 percent. During FY 2005-06, the operating deficit of the SOEs was Tk. 2,701 crore while it increased to an operating surplus of Tk. 5,925 crore in FY 2008-09. Table 9.1 shows the growth rate of Revenue, value addition and production income of non-financial SOEs during FY 2005-06 to 2008-09.

Table 9.1: Growth rate of Revenue, Value Addition and Production Income of Non-financial SOEs (2005-06 to 2008-09)

(Tk.in Crore)

	2005-06	2006-07	2007-08	2008-09	Growth Rate from 2005-06 to 2008-09
Operating revenue	44,339	33,179	20,018	60182	10.71
Purchased goods and services	42,685	30,567	12,406	49127	4.79
Value addition by production cost	1,654	2,611	7,612	11055	88.25
Pay and allowances	2,386	1,908	1,930	2530	1.97
Depreciation	1,969	2,276	2,073	2600	9.7
Operating surplus	-2,701	-1,572	3,610	5925	139.78

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

According to provisional accounts, net profit of SOEs was Tk.4,840.85 crore in FY 2008-09 and net profit estimated at Tk. 376.14 crore in FY 2009-10. Net loss of BPDB increased from Tk. 828.61 crore in FY 2008-09 to Tk. 1,415.57 crore in FY 2009-10. It has been estimated that BPC will incur a loss of Tk. 2,075.26 crore in FY 2009-10. On the other hand, the SOEs which are expected to increase its profit or to decrease the loss in FY 2009-10 are: BTRC (decrease in net profit to Tk. 2,080.9 crore from Tk.3,159.4 crore), Bangladesh Oil, Gas and Mineral Resources Corporation (decrease in net profit to Tk. 913.01 crore from Tk.1,361.35 crore), Dhaka WASA (increase in net profit to Tk.86.69 crore from Tk. 1.47 crore), Chittagong Development Authority (decrease in net profit to Tk.70.43 crore from Tk. 163.27 crore), Khulna Development Authority (decrease in net profit to Tk.8 crore from Tk. 9.29 crore), Bangladesh Small Industries Corporation (increase in net loss to Tk. 18.7 crore from Tk. 3.21.crore in FY2009-10) and Bangladesh Water Development Board (increase in net profit to Tk. 22 crore from Tk.1.33 crore), The net profit/loss of SOEs is shown in **Appendix-35**.

Contribution to Public Exchequer

All the SOEs together contributed Tk.198.29 crore to the public exchequer during FY 2008-09 which is estimated at Tk. 478.53 crore in FY 2009-10. The enterprises that have made significant contribution in terms of dividend during FY 2009-10 are: Bangladesh Oil, Gas and Mineral Resources Corporation Tk. 350 crore, Chittagong Port Authority Tk.50 crore, Civil Aviation Authority Tk.30 crore, BEPZA Tk.10 crore, Rural Electrification Board Tk.10 crore, Bangladesh Bridge Authority Tk. 8 crore and Bangladesh Inland Water Transport Corporation (BIWTC) Tk. 5 crore. The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in **Appendix-36**.

Government Grant/Subsidy

In FY 2008-09, the Government provided grant/subsidy amounting to Tk. 961.19 crore to 12 public entities which is estimated at Tk. 1,226.39 crore in FY 2009-10. Bangladesh Water Development Board (BWDB) was given subsidy amounting to Tk. 690.79 crore in FY 2008-09 which was 571.62 crore in the previous year. Besides, the Government provided subsidy to Bangladesh Agriculture Development Corporation an amount of Tk.204.26 crore, Bangladesh Inland Water Transport Authority Tk.113.14 crore, Bangladesh Small and Cottage Industries Corporation worth Tk.47.74 crore and Bangladesh Freedom Fighter Welfare Trust Tk. 61.16 crore in FY 2008-09. Cash subsidy amounting to Tk. 34.45 crore and Tk. 71.7 crore was provided in FY2008-09 and FY 2009-10 respectively to Bangladesh Jute Mills Corporation against export of jute goods. Table 9.2 shows Government grant/subsidy provided by the Government to public entities during FY 2002-03 to 2009-10.

Table-9.2 Government Grant/Subsidy during FY 2002-03 to 2009-10

(Tk in Crore)

Organizations	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (Revised)
BCIC	-	-		-	0	0	0	0
BSEC	-	-		-	0	0	0	0
BJMC	26.04	33.03	29.57	100.00	34.99	34.99	34.45	71.70
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.09	0.10	0.09	0.12	0.13	0.15	0.15	0.2
BFFWT	16.25	16.25	16.44	18.19	18.29	27.70	44.53	61.16
BIWTA	23.40	27.86	31.88	52.19	50.58	42.45	82.49	113.14
BSCIC	19.04	21.50	22.51	26.5	28.50	36.98	39.96	47.74
REB	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
BHB	4.05	4.50	4.61	7.99	7.43	7.43	-	-
BSB	4.62	4.30	4.26	3.97	4.32	6.29	8.89	10.48
EPB	3.00	4.00	10.00	12.00	11.00	12.30	13.71	16.00
BADC	35.00	35.00	42.00	58.62	66.50	86.62	155.00	204.26
BWDB	191.69	230.80	251.83	279.01	228.24	228.24	571.62	690.79
BERC	-	-	-	0.54	0.77	1.00	0.00	0.00
BSRTI	-	-	-	-	1.44	1.6	1.79	2.42
Total	**331.68**	**385.84**	**421.69**	**567.63**	**460.69**	**494.25**	**961.19**	**1226.39**

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

DSL Branch of Finance Division has provisionally estimated the total debt service outstanding liabilities of 69 SOEs. According to that provisional estimate, up to June 2010, the total DSL outstanding against 69 SOEs stood at Tk. 78,071.62 crore. The total DSL liabilities outstanding and recovery against 69 SOEs is shown in **Appendix-37.**

Bank Loan

Up to June 2010, outstanding bank loan against 19 SOEs stood at Tk. 20,213.54 crore. Out of this, the classified loan accounts for Tk. 1,130.97 crore (5.6 percent). The SOEs which owe substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPC (Tk. 8,042.02 crore), BJMC (Tk. 2,628.17 crore), BPDB (Tk. 3,377.21 crore), BCIC (Tk. 2,580.99 crore), BOGMC (Tk. 461.62 crore), BSFIC (Tk. 1,078.4 crore), BADC (Tk. 1,176.05 crore), BSEC (Tk. 223 crore), and BTMC (Tk. 265.44 crore). On the other hand, the entities that have classified loans to the banks include: BJMC (Tk. 681 crore), BTMC (Tk. 259.64 crore), BCIC (Tk.96.17.44 crore), BADC (Tk.21.27 crore), BFFWT (Tk.14.28 crore) and BTB (Tk.10.52 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 FY2005-06 to FY 2008-09

(Tk. in Crore)

Operating	2005-06	2006-07	2007-08	2008-09	Rate of Growth from 2005-06 to 2008-09
1. Operating revenue	44,339	50,064	20,018	60,182	10.71
2. Operating surplus	(2,701)	(1,859)	3,610	5,925	139.78
3. Non-operating Revenue	603	1172	836	12,73	28.25
4. Employee participatory fund	13	72	90	122	110.77
5. Subsidy (direct)	9	9	8	14	15.85
6. Interest	1160	1242	711	1,080	-2.35
7. Net profit/loss(after tax) (2+3+5)-(4+6)	(3,262)	(1,992)	3,653	6,010	-21.93
8. Tax	175	691	459	12,24	91.12
9. Net profit after tax (7-8)	(3,437)	(2,683)	2,794	47,86	-20.90
10. Dividend	285	559	543	4,27	14.41
11. Retained earning (9-10)	(3,722)	(3,242)	2,251	28,96	40.53
12. Total investment/fund	1,38,730	1,62,149	1,18,251	1,60,231	4.92
13. Equity	40,726	50,835	55,714	65,555	17.18
14. % of operating profit on total assets.(2/12)	(1.95)	(1.15)	3.05	3.70	-22.61
15. % of net profit on operating revenue(9/1)	(7.75)	(5.36)	13.96	7.95	-21.03
16. % of dividend on equity (10÷13)	0.70	1.10	0.97	0.65	-2.36
17. Turnover on total assets (1÷12)	0.32	0.31	0.17	0.38	5.52

Source: Monitoring Cell, Finance Division

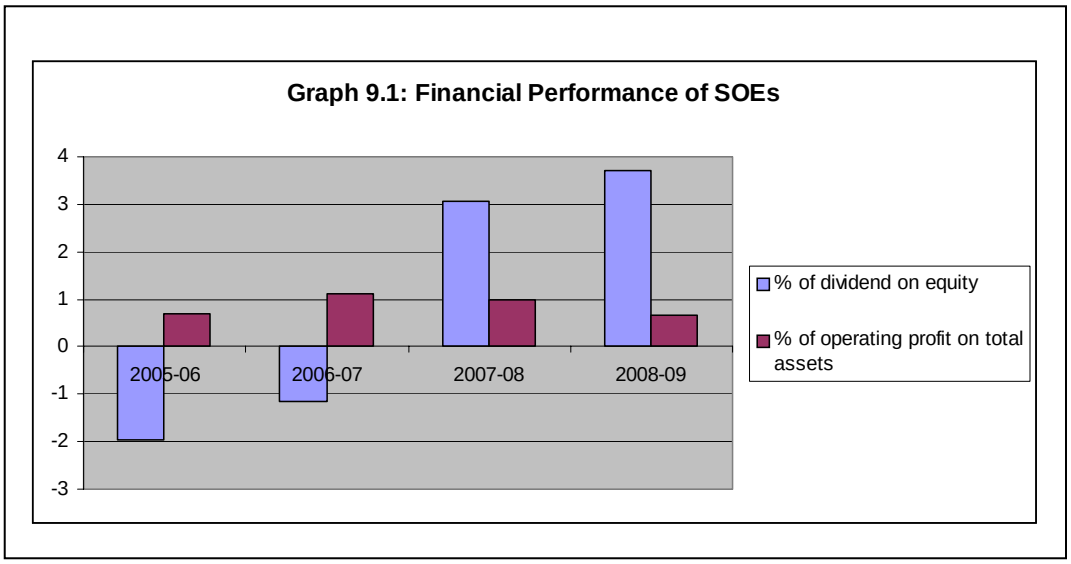

Table 9.3 shows that the operating profit on total assets of SOEs was -1.95 percent in FY 2005-06. In FY 2008-09, this loss turned to a profit by 3.7 percent. The net profit on operating revenue was -7.75 percent in FY 2005-06 which stood at 8.32 percent in FY 2008-09.The rate of dividend on equity has decreased to 0.65 percent in FY 2008-09 from 0.7 percent in FY 2005-06. It appears from the turnover of assets that the efficiency of resource utilization during FY 2008-09 increased slightly compared to the level of efficiency in the previous financial years.