CHAPTER 9

STATE-OWNED ENTERPRISES

[State–Owned Enterprises (SOEs) play an important role in shaping the economic development of the country. The contribution of SOEs to GDP, value addition, employment generation and revenue earning is quite substantial although the privatisation programmes of public sector are continuing for the development of private sector. During FY 2010-11, the total operating revenue of all existing SOEs increased by 23.97 percent but factoring into the production cost, the amount of value addition decreased to Tk. -1,780 crore during FY 2010-11. In FY 2010-11, the SOEs earned a net profit of Tk. 2,776.54 crore and contributed Tk.544.93 crore to the public exchequer. In FY 2011-12, this was estimated at Tk. 658.90. Up to October 2012, outstanding of state owned commercial bank loan against 22 SOEs stood at Tk. 33,858.48 *crore. Out of this, the classified loan accounts for Tk.*1019.44 *crore. Though the operating profit on total assets of SOEs was - 0.97 percent in FY 2006-07, in FY 2010-11, this loss increased by -4.26 percent. The net profit on operating revenue was -11.73 percent in FY 2010-11. The rate of dividend on equity increased to 1.62 percent in FY 2010-11 compared to 1.10 percent in FY 2006-07. Considering the turnover of assets, the efficiency of resource utilisation during FY 2010-11 increased slightly compared to the level of efficiency in the previous financial years.]*

In Bangladesh, public sector investment is quite significant vis-à-vis the ever increasing private sector investment. The non-financial public enterprises in the country have been categorised into 7 sectors following Bangladesh Standard Industrial Classification (BSIC) and their economic and financial performances have been analysed in this chapter.

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	*7*	*Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh Power Development Board (BPDB), Dhaka Power Distribution Company (DPDC), Dhaka Water and Sewerage Authority (WASA), Chittagong Water and Sewerage Authority, Rajshahi Water and Sewerage 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*

Sector	*No. of Enterprises*	*Title of Enterprises (Non-financial)*
		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 2006-07, the total operating revenue of all existing SOEs stood at Tk. 33,179 crore which rose to Tk. 78,369.25 crore in FY 2010-11 with an annual growth rate of 23.97 percent. During this period, the value of purchase of goods and services increased by 27.25 percent. According to the production cost, the amount of value addition in FY 2006-07 stood at Tk. 2,611 crore which significantly decreased to Tk. -1,780 crore during FY 2010-11 resulting in a decreased growth rate of value addition by -26.71 percent. During FY 2006-07, the operating deficit of the SOEs was Tk. 1,572 crore while it increased to an operating deficit of Tk. 8,096.40 crore in FY 2010-11. Table 9.1 shows the growth rate of revenue, value addition and production income of non-financial SOEs during FY 2006-07 to FY 2010-11.

Table 9.1: Growth Rate of Revenue, Value Addition and Production Income of Non-financial SOEs (2006-07to 2010-11)

(In Crore Taka)

	2006-07	2007-08	2008-09	2009-10	2010-11	Growth Rate from 2006-07 to 2010-11
Operating revenue	33,179	20,018	39,547	64,958	78,369.25	23.97
Purchased goods and services	30,567	12,406	31,142	55,622	80,149.71	27.25
Value addition by production cost	2,611	7,612	8,405	9,336	-1,780	-26.71
Pay and allowances	1,908	1,930	2,172	3,116	3,456	16.71
Depreciation	2,276	2,073	2,436	2,563	2,859.85	5.87
Operating surplus	-1,572	3,610	3,798	3,657	-8,096.40	50.65
Value Addition	2,611	7,612	8,405	9,336	-1,780	-26.71

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

According to the provisional estimate, the net loss of SOEs stood at Tk. 17,100.14 crore. The net loss of BPDB increased from Tk. 4,587.01 crore in FY 2010-11 to Tk. 8,431.12 crore in FY 2011-12. It has been estimated that BPC will incur a loss of Tk. 16,071.15 crore in FY 2011-12. On the other hand, the SOEs which are expected to increase its profit or to decrease the loss in FY 2011-12 are: BTRC net profit increased to Tk. 6,198.96 crore from Tk. 3,019.15 crore in the last fiscal year. Bangladesh Oil, Gas and Mineral Resources Corporation- net profit increased to Tk. 490.10 crore from Tk. 415.35 crore, Dhaka WASA net profit increased to Tk.104.90 crore from Tk. 8.53 crore , *Rajdhani Unnayan Kartipaksha* (RAJUK), net profit increased to 185.94 crore from 134.16 crore, National Housing Authority net profit increased to Tk. 83.84 crore from Tk. 76.30 crore, Bangladesh Small and Cottage Industries Corporation net profit increased to Tk. 2.52 crore from Tk. 2.34 crore in FY 2010-11 and Bangladesh Water Development Board net profit increased to Tk. 14.33 crore from Tk. 6.24 crore , BEPZA net profit decreased to Tk.101.80 crore from Tk.181.22 crore in the last fiscal year. The net profit/loss of SOEs is shown in **Appendix-35**.

Contribution to Public Exchequer

According to the provisional estimate, all the SOEs togather contributed Tk. 658.90 crore to the public exchequer during FY 2011-12. The enterprises that have made significant contribution in terms of dividend during FY 2011-12 are: Bangladesh Oil, Gas and Mineral Resources Corporation Tk. 475 crore, Chittagong Port Authority Tk. 60 crore, Civil Aviation Authority Tk. 35 crore, BEPZA Tk. 15 crore, Rural Electrification Board Tk. 10 crore. National Housing Authority Tk.5 crore, RAJUK Tk.5 crore, BSEC Tk.23.78 crore. The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in **Appendix-36**.

Government Grant/Subsidy

In FY 2010-11, the Government provided grant/subsidy amounting to Tk. 1,187.65 crore to 12 public entities which was estimated at Tk. 1,435.69 crore in FY 2011-12. Bangladesh Water Development Board (BWDB) was given subsidy amounting to Tk. 671.78 crore in FY 2011-12 which was 531.66 crore in the previous fiscal year. Besides, the Government provided subsidy to Bangladesh Agriculture Development Corporation an amount of Tk. 279.30 crore in FY 2011-12, Bangladesh Inland Water Transport Authority Tk.153.56 crore, Bangladesh Small and Cottage Industries Corporation Tk.64.53 crore and Bangladesh Freedom Fighter Welfare Trust Tk. 74.05 crore in FY 2010-11. Bangladesh Jute Mills Corporation Tk. 155.74 crore. Table 9.2 shows the Government grant/subsidy provided to public entities during FY 2003-04 to FY 2010-11.

Table-9.2 Government Grant/Subsidy during FY 2003-04 to 2010-11

(In Crore Taka)

Organizations	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11 (Revised
BCIC	-	-	-	0	0	0	0	0	0
BSEC	-	-	-	0	0	0	0	0	0
BJMC	33.03	29.57	100.00	34.99	34.99	34.45	65.12	94.24	155.74
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.10	0.09	0.12	0.13	0.15	0.15	0.20	0.20	0.20
BFFWT	16.25	16.44	18.19	18.29	27.70	44.53	61.16	78.40	74.05
BIWTA	27.86	31.88	52.19	50.54	42.45	82.49	98.24	140.56	153.56
BSCIC	21.50	22.51	26.5	28.50	36.98	39.96	47.74	62.21	64.53
REB	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	2.68
BHB	4.50	4.61	7.99	7.43	7.43	-	-	-	-
BSB	4.30	4.26	3.97	4.32	6.29	8.89	10.4	13.85	13.85
EPB	4.00	10.00	12.00	11.00	12.30	13.81	13.81	16.00	16.50
BADC	35.00	42.00	58.62	66.50	86.62	155.00	204.27	239.19	279.30
BWDB	230.80	251.83	279.01	228.24	228.24	571.62	645.74	531.66	671.78
BERC	-	-	0.54	0.77	1.00	0.00	0.00	0.00	0.00
BSRTI	-	-	-	1.44	1.6	1.79	1.42	2.84	3.00
Total	**385.84**	**421.69**	**567.63**	**460.69**	**494.25**	**961.19**	**1156.6**	**1187.65**	**1435.69**

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

DSL Branch of Finance Division has provisionally estimated the total debt service outstanding liabilities of 104 SOEs. According to this estimate, in FY 2011-2012, the total DSL outstanding against 104 SOEs stood at Tk. 1,20,687.71 crore. The total DSL liabilities outstanding and recovery against 104 SOEs is shown in Appendix-37.

Bank Loan

Up to October 2012, outstanding bank loan against 20 SOEs stood at Tk. 33,858.48 crore. Out of this, the classified loan accounts for Tk. 1,019.44 crore (3 percent). The SOEs which own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPC (Tk. 18,872.02 crore), BJMC (Tk.549.00 crore), BPDB (Tk. 3,179.59 crore), BCIC (Tk. 2,841.13 crore), BOGMC (Tk. 2,346.58 crore), BSFIC (Tk. 2,145.72 crore), BADC (Tk. 2,036.42 crore) BSEC (Tk. 265.30 crore), and BTMC (Tk. 173.25 crore) , BSC (22.45 crore). On the other hand, the entities that have maximum classified loans to the banks include: BTMC (Tk. 159.89 crore), BCIC (Tk. 262.35 crore), BSEC (Tk. 4.33), BADC (Tk. 178.57 crore), and BSFIC (Tk. 402.24 crore), BPDB (Tk. 0.66 crore), BSCIC (TK.0.91 crore), BJMC (Tk. 0.07 crore), BTB (Tk. 9.63 crore).The cumulative amount of outstanding bank loans and the classified loans of SOEs is shown in **Appendix 38.**

Financial Performance of SOEs

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 below shows the profit earned by SOEs During the period from FY 2006-07 to FY 2010-11.

Table 9.3: Profit earned by the SOEs from FY 2006-07 to FY 2010-11

(In Crore Taka)

Operating	2006-07	2007-08	2008-09	2009-10	2010-11	Rate of Growth from 2006-07 to 2010-11
1. Operating revenue	33,179	20,018	39,547	64,958	78,369	23.97
2. Operating surplus	-1572	3,610	3,798	3,657	-8,096.37	50.65
3. Non-operating Revenue	1172	836	2047	1,609	1573	7.64
4. Employee participatory fund	72	90	114	120	37.95	-14.79
5. Subsidy (direct)	9	8	14	7	8.50	-1.42
6. Interest	1242	711	1,058	1654	1861.27	10.64
7. Net profit/loss(after tax) (2+3+5)-(4+6)	-1705	3,653	4,683	3,499	-8628.30	49.99
8. Tax	691	859	1,396	1010	563.15	-4.99
9. Net profit after tax (7-8)	-2396	2,794	3287	2489	-9,796.61	39.95
10. Dividend	559	543	395	513	605.14	2.00
11. Retained earning (9-10)	-2955	2,251	2892	1976	-9796.61	34.94
12. Total investment/fund	1,62,149	1,18,251	195541	1,93,774	189,966	4.04
13. Equity	50,835	55,714	82677	63,982	37,412	-7.38
14. % of operating profit on total assets.(2/12)	-0.97	3.05	1.94	1.89	-4.26	44.80

Operating	2006-07	2007-08	2008-09	2009-10	2010-11	Rate of Growth from 2006-07 to 2010-11
15. % of net profit on operating revenue(9/1)	-5.36	13.96	8.31	3.83	-11.73	21.62
16. % of dividend on equity (10÷13)	1.10	0.97	0.48	0.80	1.62	10.13
17. Turnover on total assets (1÷12)	0.30	0.17	0.20	0.34	0.41	8.29

Source: Monitoring Cell, Finance Division

Table 9.3 shows that the operating profit on total assets of SOEs was -0.97 percent in FY 2006-07. In FY 2010-11, this loss turned into a profit by 44.80 percent. The net profit on operating revenue was -5.36 percent in FY 2006-07 which stood at 21.62 percent in FY 2010-11.The rate of dividend on equity increased to 1.62 percent in FY 2010-11 from 1.10 percent in FY 2006-07. It appears from the turnover of assets that the efficiency of resource utilisation during FY 2010-11 increased slightly compared to the level of efficiency in the previous financial years.