CHAPTER 9

STATE-OWNED ENTERPRISES

State-Owned Enterprises (SOEs) still make significant contribution towards industry, power, gas, transport and communication and service sectors of the economy. To keep pace with the increasing expansion of private sector in the 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 supporting economic growth. There are 45 non-financial public enterprises in the country which has been categorized into 7 sectors by Bangladesh Standard Industrial Classification (BSIC). Their economic and financial performances have been analyzed 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	5	Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh Power Development Board (BPDB), Dhaka Electric Supply Authority (DESA), Dhaka Water and Sewerage Authority (WASA), Chittagong Water and Swerage Authority.
Transport and communication	10	Bangladesh Shipping Corporation (BSC), Bangladesh Inland Water Transport Corporation (BIWTC), Bangladesh Biman Corporation, Bangladesh Road Transport Corporation (BRTC), Chittagong Port Authority, Mongla Port Authority, Chittagong Dock Worker's Management Board, Mongla Dock Worker's Management Board, Bangladesh Land Port Authority and Jamuna Multipurpose Bridge 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	4	Rajdhani Unnayan Kartipaksha (RAJUK), Chittagong Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA).
Service	15	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) and Bangladesh Sericulture Research Institute.

Source: Monitoring Cell, Finance Division

Production and Factor Income of SOE Sector

During FY 2003-04, the total operating revenue of all existing SOEs was Taka. 32541 crore which rose to Taka. 50064 crore in FY 2006-07. Annual growth rate was 15.43 percent. During this period the value of purchase of goods and services increased by 18.16 percent. According to the production cost, the amount of value addition in FY 2003-04 stood at Tk. 3839 crore which significantly came down to Tk. 2689 crore during FY 2006-07 resulting in a decline in growth rate of value addition by 11.18 percent. During FY 2003-04, the operating surplus of the SOEs was Tk. 87 crore while it came down to an operating loss of Tk. 1859 crore in FY 2006-07. Actually, there is a negative growth of the value addition due to increase in operating loss. Table 9.1 shows the growth rate of Revenue, Value Addition and Production income of non-financial SOEs during 2003-04 to 2006-07.

Table 9.1: Growth rate of Revenue, Value Addition and Production Income of non-financial SOEs (2003-04 to 2006-07)

(Taka. in crore)

	2003-2004	2004-2005	2005-2006	2006-07	Growth Rate from 2003-04 to 2006-07
Operating revenue	32541	36273	44339	50064	15.43
Purchased goods & services	28703	35322	42685	47374	18.16
Value addition by production income	3839	951	1654	2689	-11.18
Pay & allowances	1784	1663	2386	2043	4.62
Depreciation	1967	1761	1969	2505	8.38
Operating surplus	87	-2473	-2701	-1859	-21.22

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

According to provisional accounts, the net loss of 45 SOEs during FY 2007-08 stood at Tk. 5637.3 crore. One of the reasons behind this huge loss compared to previous fiscal year is price hike of oil in international market and devaluation of local currency against US dollar. BPC sells oil at administered price in domestic market. Therefore, BPC alone incurred net loss to the tune of Tk. 6934.00 crore in FY 2007-08 from net loss of Tk. 3156.96 crore in FY 2006-07. The SOEs which are expected to increase its profit or to decrease the loss in FY 2007-08 compared to FY 2006-07 are: Bangladesh Forest Industries Development Corporation (increase in net profit to Taka.29.61 crore in FY 2007-08 from Tk.16.64 crore), Bangladesh Shipping Corporation (increase in net profit to 30.45 crore in FY 2007-08 from Tk.15.96 crore), DESA (increase in net profit to Tk.136.98 crore in FY 2007-08 from Tk. 103.95 crore), Dhaka WASA (increase in net profit to Tk.84.97 crore in FY 2007-08 from Tk. 12.59 crore), Jamuna Multipurpose Bridge Authority (increase in net profit to Tk.199.4 crore in FY 2007-08 from Tk. 155.31 crore), BTRC (increased in net profit Tk. 1464.2 crore in FY 2007-08 from Tk. 561.67 crore in FY 2006-07), Rural Electrification Board (net profit of Tk.270.11 crore in FY 2007-08 from Tk.157.29 crore in FY 2006-07). The net profit/loss of 45 SOEs is shown in Appendix-35.

Contribution to Public Exchequer:

All the SOEs together contributed Taka. 62.34 crore to the public exchequer during FY 2006-07 which is estimated at Taka. 379.65 in FY 2007-08. The enterprises that have made significant contribution in terms of dividend during FY 2007-08 are: Bangladesh Oil, Gas and Mineral Corporation Taka. 275.00 crore, Chittagong Port Authority 50.00 crore, Civil Aviation Authority 25.00 crore, Export Processing Zone 7.00 crore, Jamuna Multipurpose Bridge Authority Taka. 6.00 crore, Bangladesh Inland Water Transport Corporation (BIWTC) Taka. 5.00 crore etc. The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in Appendix-36.

Government Grant/Subsidy

In FY 2006-07, government provided grant/subsidy amounting to Taka.460.69 crore to 16 public entities in FY 2006-07 which is estimated at Taka 702.76 crore in FY 2007-08. Bangladesh Water Development Board (BWDB) was given subsidy amounting to Taka. 446.85 crore in FY 2007-08 which was 228.24 crore in FY 2006-07. The government provided subsidy to Bangladesh Small and Cottage Industries Corporation worth Taka. 37.00 crore and Bangladesh Agriculture Development Corporation Taka. 86.62 crore in FY 2007-08 (Table 9.2).

Table-9.2 Government Grant/Subsidy during 2000-01 to 2007-08

(Taka. in crore)

Organizations	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (Revised)
BCIC	3.00	-	-	-		-	0	0
BSEC	0.10	0.10	-	-		-	0	0
BJMC	59.84	53.60	26.04	33.03	29.57	100.00	34.99	25.80
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.10	0.10	0.09	0.10	0.09	0.12	0.13	0.15
BFFWT	16.25	16.25	16.25	16.25	16.44	18.19	18.29	27.70
BIWTA	21.95	22.55	23.40	27.86	31.88	52.19	50.58	42.45
BSCIC	18.65	18.45	19.04	21.50	22.51	26.5	28.50	37.00
REB	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
BHB	4.17	4.05	4.05	4.50	4.61	7.99	7.43	8.21
BSB	4.17	4.47	4.62	4.30	4.26	3.97	4.32	5.39
EPB	-	-	3.00	4.00	10.00	12.00	11.00	11.50
BADC	35.00	35.00	35.00	35.00	42.00	58.62	66.50	86.62
BWDB	171.81	159.49	191.69	230.80	251.83	279.01	228.24	446.85
BERC	-	-	-	-	-	0.54	0.77	1.00
BSRTI	-	-	-	-	-	-	1.44	1.59
Total	**343.54**	**322.56**	**331.68**	**385.84**	**421.69**	**567.63**	**460.69**	**702.76**

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

Recently, DSL Branch of Finance Division has estimated the total debt service liabilities outstanding and recovery in respect of 50 SOEs. According to that estimate, up to June 2008, the total DSL outstanding against 50 SOEs stood at Tk. 48,697.39 crore of which Tk.726.79 crore has been recovered.

Bank Loan

Up to June 2008, outstanding bank loan against 30 SOEs stood at Taka. 17016.23 crore. Out of this, the classified loan accounts for Tk. 1522.86 crore (8.9 percent). The SOEs which owe substantial amount of loan to State-owned Commercial Banks (SCBs) are: BPC (Tk. 8515.55 crore), BJMC (Tk. 2296.45 crore), BPDB (Tk. 1966.89 crore), BCIC (Tk. 1690.17 crore), BOGMC (Tk. 647.89 crore), BSFIC (Tk. 790.38 crore), BADC (Tk. 112.24 crore), BSEC (Tk. 198.90 crore), and BTMC (Tk. 303.42 crore). On the other hand, the entities that have classified loans to the banks are: BJMC (Tk. 904.38 crore), BTMC (Tk. 243.48 crore), BCIC (Tk.95.91 crore), BADC (Tk.21.27 crore) and BSFIC (Tk. 223.21 crore). The cumulative amount of outstanding bank loans and the classified loans of SOEs is shown in Appendix 38.

Financial Performance of SOE Sector

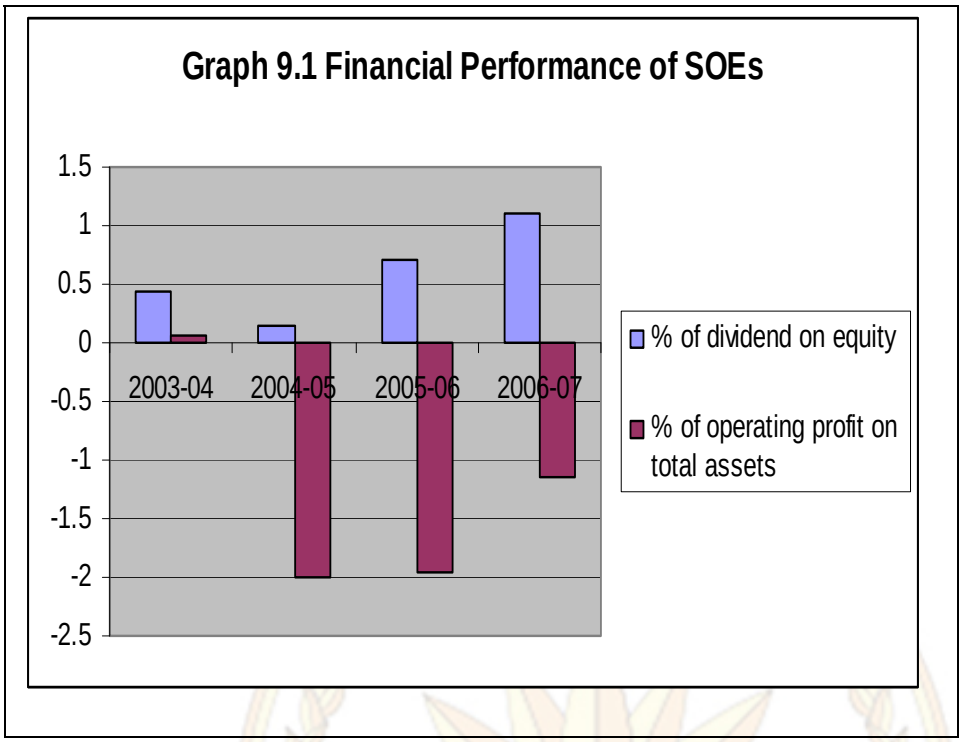
Almost all assets and loans belonging to the SOEs of Bangladesh are provided either by government or by SCBs. Therefore, the rate of profit on total assets is an important yardstick for judging the financial performances of these entities.

Table 9.3: Profit earned by the SOEs from FY2003-04 to FY 2006-07

(Taka. in crore)

Operating	2003-04	2004-05	2005-06	2006-07	Rate of Growth from 2003-04 to 2006-07
1. Operating revenue	32541	36273	44339	50064	15.43
2. Operating surplus	87	(2473)	(2701)	(1859)	(21.22)
3. Non-operating Revenue	675	586	603	1172	20.17
4. Employee participatory fund	39	9	13	72	22.65
5. Subsidy (direct)	8	9	9	9	4.00
6. Interest	966	903	1160	1242	8.73
7. Net profit/loss(after tax) (2+3+5)-(4+6)	(235)	(2790)	(3262)	(1992)	(21.93)
8. Tax	343	134	175	691	26.27
9. Net profit after tax (7-8)	(578)	(2925)	(3437)	(2683)	(20.90)
10. Dividend	224	55	285	559	35.60
11. Retained earning (9-10)	(802)	(2980)	(3722)	(3242)	59.22
12. Total investment/fund	129447	124349	138730	162149	7.79
13. Equity	50811	36412	40726	50835	0.02
14. % of operating profit on total assets.(2/12)	0.07	(1.99)	(1.95)	(1.15)	(22.61)
15. % of net profit on operating revenue(9/1)	(1.78)	(8.06)	(7.75)	(5.36)	(21.03)
16. % of dividend on equity (10÷13)	0.44	0.15	0.70	1.10	35.58
17. Turnover on total assets (1÷12)	0.25	0.29	0.32	0.31	7.08

Source: Monitoring Cell, Finance Division



Though the operating profit on total assets of SOEs was 0.07 percent in FY 2003-04 but it reached -1.99 percent in FY 2004-05. In 2006-07, this loss has been reduced to -1.15 percent. The net profit on operating revenue was decreasing since 2003-04. In 2003-04 this rate was -1.78 percent which reached -5.36 percent in 2006-07. On the other hand, the rate of dividend on equity has increased to 1.10 percent in FY 2006-07 from 0.44 percent in FY 2003-04.