CHAPTER 9

STATE-OWNED ENTERPRISES

[*State–Owned Enterprises (SOEs) play an important role to the economic development of Bangladesh. 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 2009-10, the total operating revenue of all existing SOEs was increased by 24.63 percent. But according to the production cost, the amount of value addition in FY 2006-07 stood at Tk. 2,611 crore which significantly increased to Tk. 9,352 crore during FY 2009-10. In FY 2009-10, net profit of SOEs was Tk.2,776.55 crore and contributed Tk.294.85 crore to the public exchequer during FY 2009-10 which is estimated at Tk. 530.43 crore in FY 2010-11. Up to December 2010, outstanding of state owned commercial bank loan against 19 SOEs stood at Tk. 25,075.60 crore. Out of this, the classified loan accounts for Tk. 1,361.11 crore. Though the operating profit on total assets of SOEs was -1.15 percent in FY 2006-07, In FY 2009-10, this loss turned to a profit by 1.94 percent. The net profit on operating revenue was 4.14 percent in FY 2009-10.The rate of dividend on equity has decreased to 0.58 percent in FY 2009-10 from 1.10 percent in FY 2006-07. Considering the turnover of assets, the efficiency of resource utilisation during FY 2009-10 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 categorized 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	*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 2006-07, the total operating revenue of all existing SOEs was Tk. 33,179 crore which rose to Tk. 64,268 crore in FY 2009-10 with an annual growth rate of 24.63 percent. During this period, the value of purchase of goods and services increased by 21.54 percent. According to the production cost, the amount of value addition in FY 2006-07 stood at Tk. 2,611 crore which significantly increased to Tk. 9,352 crore during FY 2009-10 resulting in an increased growth rate of value addition by 52.94 percent. During FY 2006-07, the operating deficit of the SOEs was Tk. 1,572 crore while it increased to an operating surplus of Tk. 3,816 crore in FY 2009-10. Table 9.1 shows the growth rate of Revenue, value addition and production income of non-financial SOEs during FY 2006-07 to 2009-10.

Table 9.1: Growth Rate of Revenue, Value Addition and Production Income of Non-financial SOEs (2006-07to 2009-10)

(In Crore Taka)

	2006-07	2007-08	2008-09	2009-10	Growth Rate from 2006-07 to 2009-10
Operating revenue	33,179	20,018	39,547	64,268	24.63
Purchased goods and services	30,567	12,406	31,142	54,916	21.54
Value addition by production cost	2,611	7,612	8,405	9,352	52.94
Pay and allowances	1,908	1,930	2,172	2,969	15.86
Depreciation	2,276	2,073	2,436	2,568	4.10
Operating surplus	-1,572	3,610	3,798	3,816	-83.87
Value Addition	2,611	7,612	8,405	9,352	52.94

Source: Monitoring Cell, Finance Division.

Net Profit/Loss

According to provisional accounts, net profit of SOEs was Tk.2,776.55 crore in FY 2009-10 and net loss estimated at Tk. 6,935.94 crore in FY 2010-11. Net loss of BPDB increased from Tk. 635.76 crore in FY 2009-10 to Tk. 4,716.47 crore in FY 2010-11. It has been estimated that BPC will incur a loss of Tk. 7,208.67 crore in FY 2010-11. On the other hand, the SOEs which are expected to increase its profit or to decrease the loss in FY 2010-11 are: BTRC Increase in net profit to Tk. 2,453.28 crore from Tk. 2,345.97 crore, Bangladesh Oil, Gas and Mineral Resources Corporation decrease in net profit to Tk. 2,024.12 crore from Tk. 2,095.13 crore, Dhaka WASA increase in net profit to Tk.108.62 crore from Tk. 9.5 crore, Rajdhani Unnayan Kartipaksha (RAJUK), Net profit decrease to 108.62 from 202.05. National Housing Authority increase in net profit to Tk. 67.95 crore from Tk. 35.62 crore, Bangladesh Small Industries Corporation increase in net profit to Tk. 1.76 crore from net loss of Tk. 1.92 crore in FY 2010-11 and Bangladesh Water Development Board increase in net profit to Tk. 22.68 crore from Tk. 7.49 crore, The net profit/loss of SOEs is shown in **Appendix-35**.

Contribution to Public Exchequer

All the SOEs together contributed Tk.294.85 crore to the public exchequer during FY 2009-10 which is estimated at Tk. 530.43 crore in FY 2010-11. The enterprises that have made significant contribution in terms of dividend during FY 2010-11 are: Bangladesh Oil, Gas and Mineral Resources Corporation Tk. 400 crore, Chittagong Port Authority Tk. 50 crore, Civil Aviation Authority Tk. 30 crore, BEPZA Tk.10 crore, Rural Electrification Board Tk.10 crore. The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in **Appendix-36**.

Government Grant/Subsidy

In FY 2009-10, the Government provided grant/subsidy amounting to Tk. 1,156.6 crore to 12 public entities which was estimated at Tk. 1,258.42 crore in FY 2010-11. Bangladesh Water Development Board (BWDB) was given subsidy amounting to Tk. 549.98 crore in FY 2010-11 which was 645.74 crore in the previous year. Besides, the Government provided subsidy to Bangladesh Agriculture Development Corporation an amount of Tk. 239.99 crore, Bangladesh Inland Water Transport Authority Tk.152.67 crore, Bangladesh Small and Cottage Industries Corporation worth Tk.62.35 crore and Bangladesh Freedom Fighter Welfare Trust Tk. 79.76 crore in FY 2010-11. Bangladesh Jute Mills Corporation an amount of Tk. 132.23 crore. Table 9.2 shows Government grant/subsidy provided by the Government to public entities during FY 2003-04 to 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 (Revised)
BCIC	-	-	-	0	0	0	0	-
BSEC	-	-	-	0	0	0	0	-
BJMC	33.03	29.57	100.00	34.99	34.99	34.45	65.12	132.23
BIWTC	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	0.2	0.25
BFFWT	16.25	16.44	18.19	18.29	27.70	44.53	61.16	79.76
BIWTA	27.86	31.88	52.19	50.54	42.45	82.49	98.24	152.67
BSCIC	21.50	22.51	26.5	28.50	36.98	39.96	47.74	62.35
REB	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
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
EPB	4.00	10.00	12.00	11.00	12.30	13.81	13.81	16.00
BADC	35.00	42.00	58.62	66.50	86.62	155.00	204.27	239.99
BWDB	230.80	251.83	279.01	228.24	228.24	571.62	645.74	549.98
BERC	-	-	0.54	0.77	1.00	0.00	0.00	0.00
BSRTI	-	-	-	1.44	1.6	1.79	1.42	2.84
Total	**385.84**	**421.69**	**567.63**	**460.69**	**494.25**	**961.19**	**1156.6**	**1258.42**

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, in FY 2009-2010, 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 December 2010, outstanding bank loan against 19 SOEs stood at Tk. 25,075.60 crore. Out of this, the classified loan accounts for Tk. 1,361.11 crore (5.42 percent). The SOEs which own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPC (Tk. 8,780.59crore), BJMC (Tk. 3,104.63 crore), BPDB (Tk. 4,571.30 crore), BCIC (Tk. 4,822.45 crore), BOGMC (Tk. 382.60 crore), BSFIC (Tk. 1,233.78 crore), BADC (Tk. 1,069.80 crore) BSEC (Tk. 314 crore), and BTMC (Tk. 251.58 crore). On the other hand, the entities that have maximum classified loans to the banks include: BJMC (Tk. 910.84 crore), BTMC (Tk. 245.78 crore), BCIC (Tk. 95.92 crore), BSEC (Tk. 39.36), BADC (Tk. 21.27 crore), and BSFIC (Tk. 15.59 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 FY 2006-07 to FY 2009-10

(In Crore Taka)

Operating	2006-07	2007-08	2008-09	2009-10	Rate of Growth from 2006-07 to 2009-10
1. Operating revenue	50,064	20,018	39,547	64,268	8.67
2. Operating surplus	-(1,859)	3,610	3,798	3,816	-22.27
3. Non-operating Revenue	1,172	836	2047	1,609	11.13
4. Employee participatory fund	72	90	114	120	18.54
5. Subsidy (direct)	9	8	14	7	-8.03
6. Interest	1,242	711	1,058	1,654	10.01
7. Net profit/loss(after tax) (2+3+5)-(4+6)	-(1,992)	3,653	4,687	3,658	-21.93
8. Tax	691	859	1,396	998	13.02
9. Net profit after tax (7-8)	-(2,683)	2,794	3291	2660	-20.90
10. Dividend	559	543	395	384	-11.75
11. Retained earning (9-10)	-(3,242)	2,251	2896	2896	40.53
12. Total investment/fund	1,62,149	1,18,251	195541	1,96,528	6.61
13. Equity	50,835	55,714	82677	66,763	9.50
14. % of operating profit on total assets.(2/12)	-(1.15)	3.05	1.94	1.94	-22.61
15. % of net profit on operating revenue(9/1)	-(5.36)	13.96	8.32	4.14	-21.03
16. % of dividend on equity (10÷13)	1.10	0.97	0.48	0.58	-19.41
17. Turnover on total assets (1÷12)	0.31	0.17	0.20	0.33	1.93

Source: Monitoring Cell, Finance Division

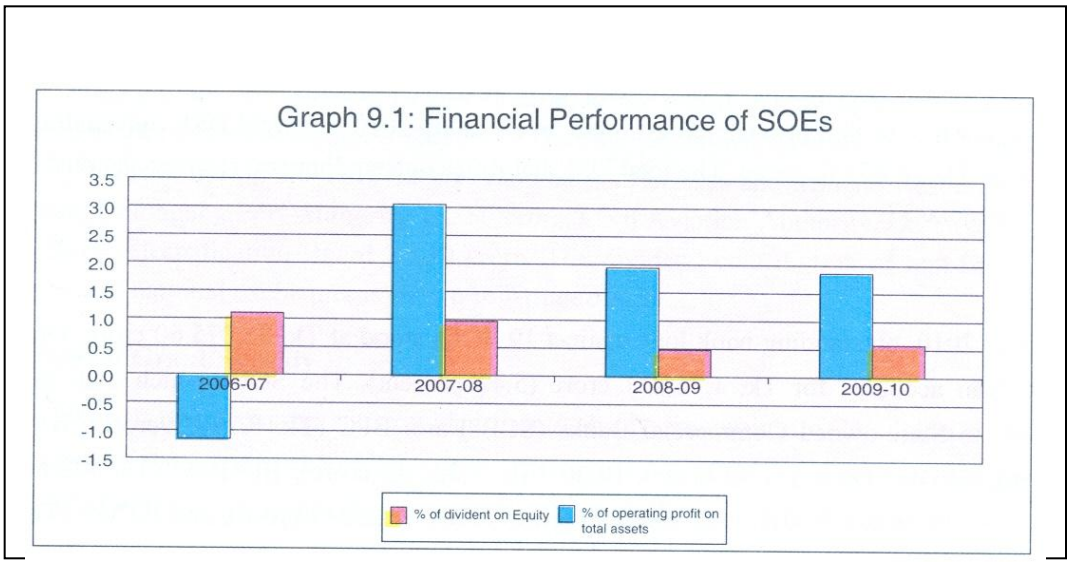

Table 9.4 shows that the operating profit on total assets of SOEs was -1.15 percent in FY 2006-07. In FY 2009-10, this loss turned to a profit by 1.94 percent. The net profit on operating revenue was -5.36 percent in FY 2006-07 which stood at 4.14 percent in FY 2009-10.The rate of dividend on equity has decreased to 0.58 percent in FY 2009-10 from 1.10 percent in FY 2006-07. It appears from the turnover of assets that the efficiency of resource utilisation during FY 2009-10 increased slightly compared to the level of efficiency in the previous financial years.