

An Analysis of the Issue of Privatisation in Bangladesh on the basis of Micro Survey of Privatised Units

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Abstract

One of the important aspects of industrial policy of Bangladesh is the policy shift towards privatization. Analysis showed that such policy shift has been majorly because of change of political regimes and as part of aid conditionalities of donor agencies rather than on efficiency ground. The study attempted to understand the process and assess the outcome of privatization and come up with a set of desirable directions in dealing with the state owned enterprises. It was an empirical study based on investigation of 31 sample industrial units out of 74 units privatized during 1993-2007. Study results show that only 23% enterprises could show reasonable success after take over from the government, others are either closed (35%) or sick operational (42%). Average capacity utilization is around 28% which is very low by any reasonable standard. Successful entrepreneurs in most cases were found to have background experience in the related field either as manufacturers or traders. Background experiences of the buyers of privatized units in general are very poor, and in most cases they are not expected to run enterprises compatible to the ones they got from the deal. Besides entrepreneurship and occupational background to the sector, factors such as efficiency of management, financial strength, access to credit, quality of manpower, improved technology, command over market and improved infrastructure and favourable government policy of withdrawing duty on raw materials accounted for the success of the privatized enterprise. Five major reasons of failures of privatized units as reported are related to technological problem, problem of electricity supply, problem of marketing,

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problem of raw-materials and shortage of capital due to lack of access to bank credit because of old debts of the public enterprise. There has been suggestion to restructure the public enterprise, identify the real problem before any transfer decision, and transfer to genuine entrepreneurs.

Regarding approaches towards SOEs, six perceived dimensions pinpointed are:

- a) reorganising SOEs and Retention of good SOEs under government with increased efficiency of management and reduction of negative trade union ship,*
- b) Immediate privatization to get rid of accumulated losses,*
- c) selective privatization of sick units,*
- d) Lease out the SOEs instead of complete sale, private-public partnership, and*
- e) Privatisation with preconditions such as transfer to genuine entrepreneurs, gradual transfer, BMRE before transfer and proper valuation.*

I. Introduction

I.1 Understanding the Issue of Privatisation

Privatisation has become an important debatable issue of Industrial Policy of Bangladesh as in other developing countries. The debate on privatization in Bangladesh seems to have intensified because of reckless denationalization and disinvestment during 1975-90 as part of economic reform policies externally determined and as an aid conditionality imposed by International Donor Agenciesⁱ. With the change of government in 1975, government opted for a policy shift to liberalization and privatization, and between 1975 and 1990, major state owned enterprises were disinvested or denationalized, first small and medium and then the large ones.

It is worth noting that the privatization move got enthusiasm worldwide in the 1980s after some success of privatization move in UK and the emergence of market fundamentalism and the consequent dictum of structural Adjustment policy reform adopted by International Donor Agencies. Accordingly, there was a shift of policy advice of Multilateral Donor agencies in the 1970s for improving the operational efficiency of State Owned Enterprises (SOEs), to the agenda of privatization of the SOEs in the 1980s and 1990s for Bangladesh. However, the move toward privatisation worldwide slowed down recently (since 2008) with the global financial crisis, which affected all the countries including Bangladesh. Now the move is rather towards state takeover and nationalization of sick large

enterprises even in developed countries, which until recently advocated the unconditional virtues of privatization and market economy. It is yet to be seen whether the policy advice of donor agencies for privatization in Bangladesh is changed accordingly.

Though World Bank (1995)ⁱⁱ and its local consultant Dowla (1997)ⁱⁱⁱ tried to establish the definitively positive impact of privatization in Bangladesh, the study results of Binaek Sen (1998)^{iv}, Rehman Sobhan (1991)^v, T. Akram (1999)^{vi} show that the relationship between privatization and efficiency improvement of enterprises is not straight forward any way. Both privatized and public enterprises have successes and failure cases and the study results on the impact of privatization are very often mixed in Bangladesh. While some enterprises have done well, others have not (Mahmood, 2000)^{vii}.

It is quite tricky that even after democratic governments came to power in 1991, the policy of privatization has persisted as a continuum of the past to pursue the donor-driven market oriented policies. Continuous fiscal burden of the loss making public enterprises was, though, a reality, the way to address it was never seriously discussed or consulted with the concerned stakeholders.

Accordingly, in pursuance of the predetermined dogma of benefits of privatization, 74 industrial enterprises were disinvested during 1993-2007 and a list of 26 industrial units was prepared for further disinvestment and to get them disposed off under the World Bank's "Bank Modernisation and Enterprise Growth" project. Donors' pressure and aid conditionality and government fiscal burden out of loss making public enterprises are perceived to contribute to the privatization move continuing though the results of privatization are not definitively known or what is known is far from being encouraging. It is notable that even if the move could have beneficial effects, the externally determined policy and programme has little incentives for performance and has every chance of counterproductive consequences. Here home grown and well consulted policy seems to be the preferred option to effectively address the issue.

The new political government installed in 2009 called for reviewing the situation of public enterprise reform process in conformity with its election manifesto for expansion of employment opportunities and poverty reduction in the country. The Industry Minister voiced concern on the quality and outcome of privatization and called for postponement of further privatization until a review regarding the past privatization experiences is done^{viii}. He was informed that many privatized factories remain inoperative or non-functional under new ownership. He was justifiably worried that the same thing would happen if the on-going privatization process

continues without reviewing. The Government could sense the problems of misuse of public resources and worsening of the livelihood of working people in contemporaneous with enrichment of a privileged few and the already rich as a result of such reform agenda. The government has to think of an alternative reform process, and even abandoning privatization if needed to support inclusive development of the country. Time has come to question whether 'it is the superiority of one ownership pattern over the other in all industries and in all circumstances for all time'. The question whether an enterprise should remain in the public or private sector should be resolved by judging whether it better achieves the objectives of economic growth, income distribution and poverty alleviation. It is the question whether reform process helps productivity enhancement, employment expansion and inclusive development. It is the question of the appropriate choice of desirable, feasible and credible modality of use of public resource with an eye to make coalescence of interests of all stakeholders and relevance to prevailing overall economic and socio political environment. It is important that a dividing line is made between government and private sector as a part of public policy. The government has been considering introducing private public partnership instead of straight privatization. In such situation, development of a pragmatic modality in that direction is due to be worked out.

It is a good sign that Government recognizes the need to take lessons from experiences of past privatization and work out effective programme to address the problems of public enterprises effectively. It is felt that there is a necessity of independent research in order to be able to take policy decision on this problematic issue. It is undeniable that government needs to look into the problems of both public and private sectors simultaneously as a part of single reform process of enterprise development and effective public resource use. It has to look into the problems of public enterprises, it has to look into the privatized units, and it has to look into the problems of independent private sector units in line with the objectives of overall development of the country. It has to restructure and improve the governance of public enterprises and address the problems of privatised units for more effective use of public resources.

1.1 About the Study

The present paper is based on a much larger study done by the author, which was intended to generate information on the status and problems of privatized units and to examine the outcome of privatisation in Bangladesh and to give feedback in improving the privatization process and for formulating policy towards public enterprises. The principal study was based on micro survey of industrial units

privatised during 1993-2007, i.e. after the formation of the Privatisation Board in 1993 (converted into Privatisation Commission in 2000). The survey was conducted by the author as part of the study of “Public-Private Partnership and Privatisation Issue” done by BIDS for the Planning Commission. The study gathered the experiences of privatised units, and their perceptions regarding the issues of privatization and possible approaches towards public enterprises. Information was drawn from the privatized units of all six Public Corporations in Manufacturing Sector of Bangladesh operating in seventeen different locations of the country.

The original study was very elaborate. It dwelt at length on the past experience on privatization from 1975 to 2005, the operational status and performance of the privatized units, instances of successes or failures of the privatized enterprises, and factors behind the success and reasons for failure of privatized units. The study also identified the problems faced by the enterprises, and suggested their remedies. It critically assessed the methods of privatization and the post-privatization problems faced by the privatized enterprises. It detected and analysed several snags and defects in the privatization process and suggested some desirable ways of privatization. Full details of the study cannot be accommodated in the limited space of a journal article, and hence only the findings and recommendations of the broader study are presented in the remainder of this paper.

2. Summary of Findings and Recommendations

2.1 Findings

i. Around 58% of the privatized enterprises are found operational and the rest 42% are either closed (35%) or under process for operation (6.5%). Among the operational units, a significant portion (50%) are sick, incurring losses. Average capacity utilization in the privatized units is around 28%, which is very low by any reasonable standard. Very few privatized enterprises (23%) could show success after take-over from the government. Around 58% of the enterprises identified themselves as failure cases. The rest 19% are either of mixed success or of prospective success.

Around 65% of the enterprises have capacity utilization rate below 40%, and 74% of the enterprises have below 50% capacity utilization rate. Only 26% enterprises have capacity utilization rate above 50%. Only a small number of enterprises (10% of all) have capacity utilization rate above 60%. The results of the study conform to results of previous studies that the positive impact of privatization is

not straightforward in Bangladesh. There are cases of success and there are failures of enterprises after privatisation.

ii. There are several factors that can be identified for the success of the privatized units. Entrepreneurship has been a crucial factor for success. Successful entrepreneurs were found in 71% cases to have background experience in the related field either as manufacturer or trader. Background experiences of the buyers in general are very poor, and in most cases they are not expected to run enterprises comparable to the ones they got from the deal. The buyers without the background in the line have failed in hundred percent of the cases. However, there were cases even with the related occupational background, which could not achieve success. Besides entrepreneurship and occupational background in the sector, factors such as efficiency of management, financial strength, access to credit, quality of manpower, improved technology, emphasis on quality, command over market, improved infrastructure and favourable government policy of withdrawing duty on raw materials accounted for the success of the privatized enterprise. It is noticeable that successful enterprises belong mostly to business groups of one type or the other, which have good business linkages and experiences, good command over market and sound financial strength with easier access to bank loan. In the same sector and same location, there are successes, there are failures, and there are successful entrepreneurs and bad performers side by side. Here, the background of entrepreneurs and efficiency of management matters.

iii. Five major reasons of failures of privatized units and their capacity underutilization are related to technological problem, problem of electricity supply, problem of marketing, problem of raw materials, and shortage of capital due to lack of access to bank credit because of old debts of the public enterprise.

iv. The root of technological problem is the worn-out and scrapped machinery they got from the government enterprise. In most cases, the factory remained closed for several years and sometimes factories were affected by flood, and the machinery in most cases was very old, procured in Pakistan period. After taking delivery of the factory they required BMRE, which they could not do because of the lack of fund. They did not have access to bank credit because of non-settlement of government liabilities transferred to them. Thus here technological problem and fund problem were intertwined. The enterprises, after handover, could not do BMRE, nor they could set up new machinery or replace the scrapped machinery. They required working capital for stocking raw materials for smooth running of the enterprise throughout the year. In the competitive market, they

required credit sale. They also required to keep inventory for good price in future. All these could be done if they could manage good amount of capital. Lack of capital threw the enterprise into a critical crisis and made it a failure case.

Next serious reason is the problem of electricity supply. Electricity problem arose not only from load shedding but also in many cases due to the suspension of electricity connection because of non-payment of arrear electricity bills, which the government had to pay. Another electricity problem was related to lack of gas connection for the generator. Here non-payment of previous gas bills of the government enterprise was responsible for lack of gas connection. In many areas, gas connection is not possible because of lack of gas line. In the situation of load shedding, in those areas the capacity remains heavily underutilized and the production becomes unpredictable frustrating both the workers and the entrepreneur.

Next important cause of failure is related to marketing problem. This problem arises because of the high cost of production not commensurate with the sale price, tough competition from imports and domestic manufacturers, high cost of raw materials, and mismatch between increased cost of imported raw materials and government determined price of the product. All these contribute to lower profit margin and the eventually a loss making situation and failure of the enterprise.

Next reason for failure of privatized units is related to problem of land ownership such as no land registration in the past by the government, which affects the access to credit against mortgage, partial ownership of land, and government lease of land to others in front of factory premises, which obstructs the movement of materials and equipment of the factory.

Negative trade unionism has been a reason for failure not only of public enterprises but also of private enterprises. Another important reason for failure is long term closure of factory before privatisation affecting the productive capacity of the machines and raising the cost of BMRE and maintenance cost. Among other reasons, looting and extortion by miscreants, high interest on loan, natural disaster like flood, high cost of transport, low level of management, lack of policy support from the government stood prominent causing failure of the privatized units.

v. Main suggested measures to rescue the failing enterprises are related to providing financial support and access to bank credit, waiver of liabilities and their soft handling, waiver of interest on loan, ensuring electricity supply, retake

by the government in case of no hope of alternative, ensuring ownership of property without delay, and providing scope for joint venture operation with third party. There has been suggestion to give support to restructure the enterprise, identify the actual problem before any decision, or transfer to another genuine entrepreneur.

vi. Among the general problems faced by the enterprises in their operation, seven problems are identified to be prominent. They are related to the problems of marketing, technology, electricity, raw materials, labour, capital, and infrastructure.

vii. As against the problems, five important areas of assistance the enterprises require are: financial assistance, protective support, solving electricity problem, solving land ownership problem, and improving infrastructure. Regarding financial assistance, they require bank loan for BMRE, require liberal credit facilities with concessional interest on loan. They require capital both for long term need and for short term working capital support. Related to protective support, they require cash subsidy to compete with imports, import restriction on finished goods, withdrawal of duties from raw materials, restriction on sourcing materials by multinationals and creation of a fair environment for competition. With respect to solving electricity problem, the enterprises required urgent arrangement of electricity connection and gas link and subsidy on electricity tariff for manufacturing activities. Regarding infrastructure, the enterprises put emphasis on the development of transport and communication and port facilities. For solving land ownership problem, they require quicker move for land registration and judicial help in the recovery of land possessed by others. Enterprises ask for preventing extortion by the miscreants through improvement of the law and order situation. They require assistance in the reduction of corporate tax, and arrangement for settlement of debts and liabilities. They require freedom to do other business. They ask for administrative support in securing property rights of the enterprises.

viii. In the privatization process, the study identifies 7 very crucial but problematic tasks. These are: a) Finalisation of list of enterprises to be prepared for privatization by the government and handing it over to Privatization Commission for accomplishing the privatization process. b) Finalisation of valuation report and determination of sale value of the enterprise, c) Determination of methods of privatization, d) Accomplishment of tender procedure or procedure of off-loading of shares, e) Determination of the payment mode in consultation with the successful bidder in conformity to rules, f)

Recovery of sales value following an agreed-upon procedure with the buyer, and

g) Physical handing over of the state-owned enterprise and transfer of property rights.

ix. In Bangladesh, there are several methods to be chosen for privatisation: Direct sale through tender, Sale of Shares, Mixed method, Restructuring Method, Management Contract//Transfer of Management Control, Lease, Direct Asset Sale (liquidation), Corporatisation/ Commercialisation, and other options as thought out by the Privatisation Commission. Main methods adopted in practice are mainly three: direct sale through tender, sale through off-loading of shares, and transfer to Workers Union assuming liabilities for future payment in installment.

x. There are different modes of payment resorted to by the buyers. The first preference of mode of payment was for full cash payment with rebate but no liabilities. The second preference was for cash payment with rebate but liability in installment. The third preference was for assuming liabilities for future payment in installment. The fourth preference was for Cash Payment with down payment of 25% and liabilities in installment. The fifth preference was for payment of the quoted price and liabilities in installment or to purchase shares in full payment. The last mode is the payment of price in installment with no liabilities. It is very difficult to unearth this scenario.

xi. In the first mode of payment, the rebate has ranged from 10% to 40%. It is expected that government is interested to realize the compensation as quickly as possible and as such gives incentive of rebate for quicker payment. Again, there is a large variation in the mode of payment procedure regarding payment of liabilities. The buyers paying both price and liabilities may be suspicious of the transaction with no liabilities. Government could determine the price by considering the liability and pay the liabilities from the money realized from the buyers.

xii. Differences of mode of payment may give scope for non-transparent transaction. The cases with liabilities are problem cases because they can not ask for bank loan unless these are settled, making the enterprises dysfunctional or non-operational. As per the Privatisation Commission Rules (2007), there has been the incentive-oriented payment mode for the investors with rebates available for making accelerated payments. Current payment system with incentive of rebate is favourable for the big business group which can pay off 100% of sales value within 30 days of issuance of Letter of Content. There is no distinct provision for transfer to employees or to the general public of poorer classes. It

might be because equity in participation of shares is missing from the very beginning of the agenda of privatisation of government enterprises.

xiii. Incentive oriented payment mode, which is encouraging on paper, did not in practice get adequate response, and defaulters are widespread. It requires investigation and further research. A study should be undertaken to detect the causes of default in payment where settlement of payment is a precondition of transfer of ownership in which the buyers are invariably interested most. It is felt that in most cases the buyers who have good access to bank credit or have good financial strength could manage to pay off the whole amount to enjoy the rebate. Others without bank credit not only could not pay off but also could not start production because of failure in BMRE and managing working capital for running the enterprise. This area of success and failure of payment by the buyers is important to look into for more insightful decision in determining the appropriate mode of payment by the buyers and improve the recovery of sale value of the enterprise.

xiv. The main snags in the privatization process are related to (a) delay and complicated procedure in the privatization process, (b) distortion and lack of transparency in valuation, (c) wrong choice of buyers specially of rent seeking category, (d) lack of transparency and occurrence of corruption, (e) transfer decision without assessment of real problem, (f) problem of retender or several times of tender, (g) political intervention, (h) deprivations of workers and non-worker employees, (i) indecision of sale, (j) difference between approval and time of hand over, (k) lack of after transfer support, (l) arrear bills of the government affecting the availing of public utility services, (m) delay in registration of land and assets, (n) lack of one sale price, (o) non-availability of proper information, (p) land dispute, (q) harsh condition of sale and threat of retake, (r) sale proceeds not for settlement of liabilities, and (s) ambiguity in the definition of property rights and liabilities.

xv. To do away with defects and snags in the privatization process and to ensure accountability, transparency and its efficiency, the Privatisation Commission may need to be reconstituted. Firstly, 50% of its members may be from professional bodies, secondly, for increasing the quality of restructured SOEs and improvement of the privatization process, a team of sector-based professional experts need to be developed in the Commission.

xvi. As revealed from the survey, the most desirable way of privatization is the leasing out of the enterprise to the transferee. It is followed by direct sale to the genuine entrepreneurs by careful screening rather than to the maximum bidder. Next option is for private public partnership. In privatization, several areas of its improvement have been suggested by the respondents. These are: quick disposal

after decision, careful privatization, privatisation after BMRE, waiver of liabilities and clearing of liabilities before privatization, no additional term after tender, proper monitoring and assistance by the Government after transfer, handling the whole process by the professionals, conditional sale to the strategic buyer, interim period of functioning before transfer to the private party, simplification of procedure to accomplish the privatization process, and ensuring accountability for a definite type of manufacturing.

All these suggest that only the selection of method is not sufficient, government too, will require to act upon and effectively address the supportive conditions for the success of the transferred enterprise under new ownership.

xvii. Regarding approaches towards SOEs, six perceived dimensions can be pinpointed:

- a) Reorganising SOEs and retention of good SOEs under government with increased efficiency of management and reduction of negative trade unionism.
- b) Immediate privatization to get rid of accumulated losses,
- c) Selective privatization of sick units,
- d) Lease out the SOEs instead of complete sale,
- e) Private-public partnership,
- f) Privatisation with preconditions such as transfer to genuine entrepreneurs, gradual transfer, BMRE before transfer, and proper valuation.

Now the time has come to realize that huge misuse of public resources has occurred in the process of transfer of SOEs to the people who are either little interested or little experienced or hardly capable to run the enterprises. Again, transfer of SOEs involves huge cost of settlement of liabilities and compensation to the employees, which are rarely recovered from the sales proceeds of the enterprise. There is a loss of resources due to the closure of the factory for a considerable period of time. There have been instances of default in the payment for the purchase of the enterprise. There is uncertainty of ownership because of the high incidence of default. There may be no other alternative than to take over and sell them again to genuine entrepreneurs or reorganize them for operation or leasing them out, keeping the ownership of assets with the government.

2.2 Recommendations for Improvements in Privatisation of SOEs

- i. In a situation when both government and market fail, it is necessary to work out an appropriate, nay, alternative, modality of effective use of productive

resources of the country rather than fixity of policy in either straight privatization or retention of public enterprises with the government anyhow. One of the options is public-private partnership in effective use of public resources of the state owned enterprises^{ix}.

ii. Government need to give special care to the problems of enterprises transferred to Workers Unions regarding settlement of liabilities or their BMRE. Here ownership need to be clearly defined. They were not allowed to install any new machinery, nor they were given government assistance in arranging bank loan for BMRE as agreed upon. They may be allowed to undertake joint venture with a third party upon settlement of liabilities or issuing of share to the bank for loan. Government may take a stake in settlement of some debt. In such a case, revaluation of assets and liabilities need to be recast. Issuing shares to the public after restructuring of these mills may be thought of. Government must realize that workers can not manage funds for settlement of huge liabilities imposed on them. Assets of enterprises transferred to Workers Union seemed to be overvalued with respect to book value at the time of transfer. Waiver of liabilities and interest on loan may give them some chance to effectively run the factory. The enterprises transferred to Workers Union were never closed down and they are remaining at break-even point, if not profit making.

iii. Appropriate modality of private-public partnership needs to be worked out rather than straight privatization of sick public sector enterprises. There should not be any closure of any public enterprise. They may be restructured for reducing overstaffing, technological upgradation and improving quality of manpower for enhancing productivity and quality of product. Public-Private partnership may be in the area of management and marketing operation. We can think of adopting the model “Japan Incorporation” where private and public sector worked in close collaboration in SMART (Specific, Measurable, Achievable, Realistic and Time Bound) partnership for national economic development.

iv. To do away with defects and snags in the privatization process and to ensure accountability, transparency and efficiency, Privatisation Commission may need to be reconstituted. Firstly, 50% of its members may be from professional bodies, and secondly, for increasing the quality of restructured SOEs and improvement of the privatization process, a team of sector-based professional experts need to be developed in the Commission.

v. The role of the Privatisation Commission needs to be redefined and the credibility of its functioning increased. Its name may be changed to Enterprise Restructuring Board. Its functions may be redefined so as to include restructuring

of the enterprises in addition to privatizing, and giving support to the privatized units. Its function may be affirmed for monitoring both public and private sector units in their use of public resources. Here privatization would be just one of its functions. It would come out as a supportive organization rather than as an organization for just selling public assets to the private sector. The Privatisation Commission should be given authority to assess the performance of SOEs from time to time and report and give recommendations to the concerned Ministry. The Commission should suggest measures for the rehabilitation of the sick and closed SOEs if they are adjudged economically viable. The Privatisation Commission should be given the responsibility of conducting a study of privatized SOEs with the help of research organisations and suggest measures to the highest authority of the government for necessary action. For smooth running and operation of the privatized SOEs, the Privatisation Commission would consider recommending enterprises for financial assistance and access to bank loan.

vi. A model should be worked out for broadening the base of the new ownership of privatized units to ensure participation of all employees: management professionals, technical cadres, engineering and accounting professionals, and workers of government enterprises. This would help not only overcome the resistance of employees and workers to the privatization process but also motivate them toward increased productivity under a new ownership in non-bureaucratic environment. There should be separation of ownership from management, and corporate culture will need to be developed under new ownership.

vii. Steps need to be taken to strengthen and simplify the regulatory framework relating to the settlement of liabilities, for defining property rights and bringing transparency in the transfer of government assets to private hands without affecting public interest. A mechanism should be developed for quick disposal of cases of SOEs by the judiciary.

viii. The Code of Corporate governance needs to be worked out and be strictly followed in all enterprises and corporations in reducing transaction cost and ensuring transparency in valuation and providing true information about privatization and the restructuring process of SOEs.

ix. There should be a mechanism for submission of half yearly report by the privatized SOEs regarding their performance and problems faced by them so that the Commission can proceed for investigation and recommend necessary action to the relevant authority.

- x. Upon the payment of first installment, the title deeds of the enterprises may be handed over to the concerned loan agencies through tripartite agreement among the buyer, the Privatisation Commission and the financial institution. The title deeds would be handed over to the buyer after the settlement of final installment. In the mean time he may be given financial support for BMRE and working capital requirements.
- xi. Privatised units may be encouraged to off-load their share within five years of their commercial operation and clearly monitored during the period.
- xii. Government will need to take steps for operationalisation of closed privatized units. There are several types of closed units: some with ownership and others without ownership due to non-payment of installment and debt default. Before doing anything on privatization, Government needs to address the default cases of units already privatized and take a quick but informed decision and come out with a definite stand and conclusion. Government may allow joint venture in settlement of dues to government and getting ownership of assets and operation afterwards. Government may opt for retaking them. Government may give the retaken enterprises on lease for some years, say 25 years, to the genuine entrepreneurs, subject to scope of renewal upon successful enterprising. If the entrepreneurship in the default case is positive, government may go for arrangement with the bank for loan for BMRE to facilitate operation of the enterprise. Providing loans for BMRE may be arranged through tripartite agreements, and Government must assist them in such situation. Government may go for any sort of private public partnership considering the circumstances and the overall environment for the enterprise. Regarding the closed units with ownership transferred, the government must ask for explanations for keeping the public resources idle and ask for future plan for operation.

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