CHAPTER-VII
SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of conclusions followed by suggestions and recommendations derived from the statistical analyses and interpretations made in the preceding chapters of the present study. The subject matter of this chapter has been presented in the following order:

7.1 Findings And Conclusions - A Global Panorama.

7.2 Findings And Conclusions Pertaining To Privatization Programme In Bangladesh.

7.3 Findings vis-a-vis Statement Of Hypotheses.

7.4 Findings And Conclusions Relating To Emerging Issues.

7.5 Suggestions and Recommendations Regarding Prospective Strategies For Effective Implementation Of Privatization In Bangladesh.
7.1 Findings And Conclusions - A Global Panorama:

Following the second devastating world war (1945), most of the countries of the world began to create State-Owned Enterprises (SOEs) with a view to attaining economic growth and social objectives. The SOEs phenomenon got the requisite impetus in the decades of 1960s and '70s occupying the status of the "commanding height of the economy" all over the world, either socialist or capitalist countries, developed or developing countries.

However, unfortunately, after '70s this SOEs phenomenon started to change chiefly because of nagging performance of SOEs as they were proved inefficient and unproductive. Even, in many countries, SOEs became an unsustainable burden to the government. Therefore, in the decade of '80s the reform programme was introduced in the form of privatization of SOEs. Britain was the pioneer of this. All developed countries like, Italy, France, Australia, Canada, America, etc. had followed this programme as a remedial medicine of SOEs as well as panacea for the economy as a whole. Since all developing countries of the world were trapped in the quagmire of SOEs sombre performance phenomenon, they also embarked upon the privatization movement.

However, due to disintegration of USSR and reunification of Germany in 1989 and 1990 respectively the dominant role of public enterprises was substantially curtailed. Further, on account of creation of North America preferential Trade Agreement (NAFTA) and signing of Uruguay Round Talk under GATT, all countries of the world almost became free to adopt market economy leaving no room for continuance of laggard and haggard SOEs. Keeping this point in view, almost all the countries of the world adopted vigorous reform programme of privatization. The outcome of adoption of the privatization in some of the western countries has been quite successful and proved to be boom for the economic progress and prosperity.

Privatization means transfer of ownership, control and management and decision making power from public enterprise to private entrepreneurs. However, there are various forms and techniques of privatization which are being adopted for privatizing SOEs all over the world such as, sale of assets, management contract, lease of assets, public sale of shares, management employee buyout, liquidation, reprivatization, BOO-BOT (Build-Operate-Own and Build-Operate Transfer) etc.

7.2 Findings And Conclusions Pertaining To Privatization Programme
In Bangladesh:

In Bangladesh, the process of privatization began in the decade of early '80s mainly owing to recurring heavy losses by the SOEs. This was beyond the capability of the government to bear the brunt of these ailing enterprises. It
has also been observed from the analysis and interpretations of data in the present study that SOEs in Bangladesh have been incurring losses every year that reached US $ 500 billion in 1994 and exerted a heavy pressure on the national exchequer. At the same time, they were endangering the economic viability of the nationalised commercial banks taking loans that amounted to US $ 47 billion as of June 1993 and not paying interests as well as principal. Most of the SOEs were overstaffed and suffered from various problems in their operations, which as a result, impinged adversely on the profitability, productivity and efficiency of the enterprises.

A study conducted on the comparative performance appraisal of SOEs vis-a-vis private sector enterprises suggests that private sector enterprises are faring far better than that of SOEs in terms of profitability, fixed assets, value added as well as productivity of labours. The government hence declared the new Industrial Policy of 1982 for adoption of reform programmes. The door of privatization was opened in the Industrial Policy of 1986. Finally, the promulgation of Industrial Policy of 1991, assured the continuance of the vigorous privatization programme making provision of spreading out the ownership among the general public.

From the very beginning of the programme of privatization in Bangladesh, the government embarked upon the very method of denationalization i.e. to return of the units to Bangladeshi former owners who were deprived of these units on account of war of 1971 resulting into creation of Bangladesh. Disinvestment was another method which was taken up by selling off of abandoned units of those who migrated to Pakistan, through public tenders.

In 1986 the government further endorsed the "51-49 plan" i.e. 51 per cent of share to be retained by the government and the rest of the 49 per cent shares to be unloaded for public subscription through Stock Exchange and Investment Corporation of Bangladesh. Finally, in 1991, a crucial decision was taken up to abolish all the previous provisions by making a new provisions to sell the enterprises wholly through international tender and also sale by offer of shares to the general public either directly or through the Stock Exchange. A provision as regards employees-workers buyout was also introduced.

7.3 Findings vis-a-vis Statement Of Hypotheses:

The introductory chapter of the present study has evolved in general a couple of hypotheses in broad spectrum of the functioning of SOEs in Bangladesh. The hypotheses are:

a. That the private enterprises perform more efficiently than public enterprises.

b. That the State-Owned Enterprises (SOEs) have considerably improved their performance after they were privatized.
c. That an appropriate strategies are needed to be evolved for further privatizing State-Owned Enterprises (SOEs) in Bangladesh to obviate the of obstacles and stumbling blocks confronted during the privatization process.

On the basis of the data collected and their thread bare analysis made, the inferences to be drawn regarding proof or disproof of the statement of the hypotheses are summarily examined as under:

**Hypothesis one:** The findings of the analysis of data (Chapter - IV) support the first hypothesis that the private enterprises perform more efficiently and productively than the public enterprises. It has been observed that in terms of profitability, labour productivity, value added etc., the private enterprises have fared exceedingly well as compared to public enterprises during the period under reference in the present study.

**Hypothesis two:** It has been noticed from the analysis that State-Owned enterprises (SOEs) have presented better accounts of performance, after they have been privatized. The privatized enterprises have been able to respond to the changing time. The management of the privatized enterprises are now enjoying full authority to take spot decision if necessary which the management of SOEs did not have. Further, the privatized enterprises have successfully come out of the morass of over staffing that SOEs had. The management as well as employees and workers have now the requisite accountability to the higher authority which in general did not exist in case of SOEs. These findings support the second general hypothesis that the SOEs have considerably improved their performance after they have been privatized.

**Hypothesis Three:** The findings of the present study have brought to fore that the privatization programme undertaken in Bangladesh till now have some pitfalls also (Chapter V) resulting into serious stumbling blocks in the future privatization process. It is hence, of perforce, that appropriate strategies are needed to be evolved for effective future privatization in Bangladesh.

7.4 **Findings And Conclusions Relating To Some Emerging Issues Regarding Implementation Of Privatization Programme In Bangladesh:**

After 1991 onward the government of Bangladesh embraced a mass privatization programme. It is seen that from 1972 to 1989 about 565 enterprises including small and large and jute and Textiles were privatized during three phases i.e. first phase (1972-75), second phase (1976-81) and third phase (1982-89). Though in the first phase (1972-75) there was no specific and declared disinvestment programme but afterwards a vigorous programmes of privatization of SOEs was chalked out by the 'Disinvestment Board' and lateron, by the 'Privatization Board'. From time to time, these two agencies are formulating plans and policies regarding privatization of SOEs.
The Disinvestment Board under the Ministry of Industries implemented the process of privatization with the approval of the cabinet. In 1986, two committees were formed as 'Executive Committee' and 'Working Committee' to help the Disinvestment Board. Yet, the privatization process did not get the required speed. So, in 1991, Inter-Ministerial Committee on Privatization (ICOP) was formed to gear up the process. Finally, the government established the 'Privatization Board' dissolving all the previous committees in 1993. The Board now has been empowered to undertake all those requisite measures regarding privatization programme whatever seems better and whenever need.

But as ill luck would have it, the privatization programme did not get as much of momentum as was expected. Because the government followed modalities which were limited in their scope and applicability in privatizing SOEs.

However, the previous privatization programme of Bangladesh faced various kinds of problems which were needed to be solved in order to make the programmes of privatization successful.

In most of the previous privatization of SOEs, the appropriate methods of valuation of assets and liabilities were not followed which resulted in an unrealistic valuation of assets of enterprises for privatization. At the same time, the procedures of privatization were not transparent. Because the buyers were not furnished with real informations rather often they were saddled with unrealistic obligations and non existent assets. There was no proper policy of selecting capable buyers also.

The privatization programme faced resistance from various corners, like Bureaucrats of the controlling Ministries, Management of SOEs, leaders of trade unions, political parties and also resistance from labours. They all were opposing privatization on account of losing their vested interests. Labours were afraid of retrenchment and shrinking of extra incomes.

The proper co-ordination with concern authorities is a must to make the programme a successful. The Privatization Board, SOEs, the Ministry of Finance, The Ministry of Industries and the Ministry of Commerce are required to have proper co-ordination among themselves. Unfortunately, there was lack of co-ordination which resulted in a policy anomalies and a gap between announcement of policies and actual implementation.

Privatization needs a strong political commitment to be successful which was absent in Bangladesh. There was also no proper institutional mechanism which slowed down the process of privatization.

There were lack of proper regulatory framework and enabling environment, and a developed 'Capital Market' which created obstacles in the process of implementation of privatization programme. A public education programme
regarding privatization and post privatization monitoring system were also largely absent in Bangladesh on account of which privatization programme did not gain much support from the public at large.

Finally, privatization 'Master plan' containing right kind of strategies and action plan for privatizing SOEs is absent.

It is now crystal clear that the privatization programme in Bangladesh needs right kind of strategies ensuring sound regulatory environment and political commitment.

7.5 Suggestions and Recommendations Regarding Prospective Strategies For Effective Implementation Of Privatization In Bangladesh.

Certain Recommendations have been made on the basis of the analysis made in the present study. These recommendation may be the guideline for successful privatization programme of Bangladesh in future. These are as follows:

Privatization is an intensely political process and involves significant social engineering. So without clear cut political mandate, it is extremely different for a privatization programme to proceed. So, political commitment from both the ruling party as well as opposition parties is essential.

The government must have a road map that where it is and where it wants to go. It means that industries must have to be particularised to be privatized and accordingly to chalk out a plan that how they would be privatized.

SOEs assets must be valued realistically. It should not be very high or very low. The concerned authority must remember that the assets must be offered for sale in which price should be estimated by the experts, not by political expediencies.

In privatizing SOEs, transaction must be transparent. In order to make it fully transparent, all kinds of requisite informations should be available to the prospective buyers so that they would be able to make independent valuation of SOEs. as well as prepare themselves for buying SOEs.

A proper criteria should be adopted for selecting a real buyers as well as a proper investigation should be conducted for testing the entrepreneurship background and capabilities of the interested buyers. The decision makers should not be influenced with political pressure.

A suitable enabling and regulatory environment must prevail so that the full benefits of privatization process can be reaped. Without a strong and effective regulatory environment, best performance can not be expected from privatization programme.
The labour question is one of the moot issues concerned with privatization of SOEs. Labour's interests must be protected at all costs. In this regard, Malaysian model could be instructive. Further there should be a close, constructive dialogue between public authorities, employer's organisations and trade unions and this dialogue must be maintained before, during and after privatization. ESOP (Employee Stock Ownership Plan) may also be effective in this regard.

An education programme may be taken up describing the reasons of privatization, gains of privatization, concept of ownership, what benefits can be reaped from ownership etc. In such a way, government can get support from general public.

A post privatization monitoring programme may be carried out in order to evaluate the performance of privatized enterprises as well as to disclose it to the people of the country so that they may be influenced with privatization and may also express their opinion in regard to any post privatization difficulty. Government should also retain power to cease the authority of management of the privatized enterprises if there are sufficient evidences of any activity that goes against the interests of that enterprises.

Government should follow a set of modalities instead of a limited modalities. Each technique must be selected and applied properly for each case. It means a mix privatization strategies which will include employee buyouts, share market operations, management contracts, Boo-Bot, Private participation in sectors of state monopoly, joint public-private ownership etc. should be considered for the purpose.

In case of privatizing politically powered SOEs, government can employ marginalization and 'quiet liquidation' technique.

The economically non-viable and sick public enterprises should be liquidated which will minimised government costs.

A strong and capable capital market is a pre-requisite for success of privatization programme vis-a-vis accelerated privatization of SOEs. So, necessary steps should be taken for development of the capital market.

Bureaucratic red-tapism should be remove in order to speed up the privatization programme.

Laws on liquidation and Bankruptcy should be regulated which will simplify the process of privatization to a great extent.

Privatization programme should be carried on to all sectors like, utility, transport, energy, port and shipping as well as profitable and loss making SOEs.
also, in such a way privatization will become more attractive to prospective investors.

In order to accelerate the process of privatization, a close coordination between the 'Privatization Board' and the concerned industries as well as the Ministries should be ensured. This will make the process transparent, accountable as well as paying off the workers employees of the privatized SOEs.

The privatization Board will have to be given more autonomy. It should be given the power to take decision regarding management, coordination and implementation of privatization policy.

Legislation should be enacted to allow private enterprises both indigenous and foreign, to operate in the reserved SOEs which are enjoying strong monopoly or oligopoly. Regulation should also allow foreign investors to establish, own and operate new units. This provision will attract Foreign Direct Investment (FDI).

A particular time frame should be defined to privatize all the SOEs and the criteria for selecting enterprises for early privatization will have to be decided and declared.

Experience from other Asian countries could be considered in Bangladesh where the privatization programme have successfully been carried out, such as Malaysia, Philippine, South Korea, Japan, Singapore, Srilanka, Thailand etc.

An internship programme may be conducted regarding the observation that how they have implemented their process of privatization and Privatization Board can arrange this type of programme.

An approach that 'perform or perish' may be followed in case of a few SOEs which would remain in the public sector for a certain period of time. If those enterprises fail to achieve the objectives set for them within that particular time, then they must be divested or privatized.

In case of large SOEs having negative networth, it may be better to disinvest them by other techniques like leasing, management contract etc. than full privatization.

Privatization is a complex and difficult process. So, the government should keep the pressure on the process instead of fixing artificial time tables for its implementation, i.e. continuation of the process is a must to achieve success of the programme.

Government should also define the complementary role of the public and private sector. It may be noted that privatization is a complement to, not a replacement for the other aspects of the development of the private sector.
It should be kept in view that economic reform including creation of condition for a stable macro-economic environment, trade liberalization, price liberalization, financial sector reform, elimination of subsidies and regulatory reform may be important elements for successful privatization programme.

A privatization 'Master Plan' is needed containing all the strategies in regard to privatizing SOEs. Such a 'Master Plan' should be made on the basis of consensus from all major political parties, Bureaucrats and private sector.

In a nutshell, it may be deduced that the privatization is not a panacea for the ills of a sick SOEs. It is a means not an end. When combined with other policy and institutional reforms, privatization and private sector development can play key role in the economic development in Bangladesh. The opportunity for playing that role will now be greater than ever with right kind of strategies as recommended in the foregoing paragraphs should be followed for effective implementation of the privatization programme.