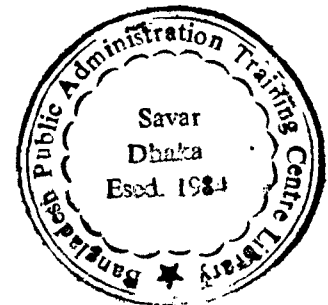


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**PUBLIC ADMINISTRATION EFFICIENCY STUDY**

**Volume - 4**  
**Relationship between Ministries and Corporations**

Ministry of Establishment  
Government of the People's Republic of Bangladesh

Dhaka  
November 1989



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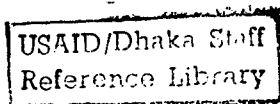
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## LIST OF ABBREVIATIONS USED

ABL	- Atlas (Bangladesh) Limited
ABW	- Autonomus Bodies Wing ( Ministry of Finance)
ADP	- Annual Development Programme
ASEAN	- Association of South East Asian Nations
BADC	- Bangladesh Agricultural Development Corporation
BCIC	- Bangladesh Chemical Industries Corporation
BDP	- Bangladesh Diesel Plant
BESC	- Bangladesh Engineering and Shipbuilding Corporation
BFIDC	- Bangladesh Forest Industries Development Corporation
BIDC	- Bangladesh Industrial Development Corporation
BITAC	- Bangladesh Industrial and Technical Assistance Centre
BIWTC	- Bangladesh Inland Water Transport Corporation
BJMC	- Bangladesh Jute Mills Corporation
BMTF	- Bangladesh Machine Tools Factory
BRDB	- Bangladesh Rural Development Board
BSEC	- Bangladesh Steel and Engineering Corporation
RSFIC	- Bangladesh Sugar and Food Industries Corporation
BTMC	- Bangladesh Textile Mills Corporation
BWDB	- Bangladesh Water Development Board
CCPE	- Council Committee on Public Enterprises
CO	- Company
COMECON	- Council For Mutual Economic Assistance
CONCOPE	- Consultative Committee of Public Enterprises
CGI	- Corrugated Galvanised Iron
CPC	- Council for Public Corporations
CPM	- Critical Path Method
ECNEC	- Executive Committee of National Economic Council
EEC	- European Economic Community
EPB	- Export Promotion Bureau
EPIDC	- East Pakistan Industrial Development Corporation
GDP	- Gross Domestic Product
GEMCO	- General Electric Manufacturing Company
HSC	- Higher Secondary Certificate
ICDT	- Islamic Centre for Development of Trade
LC	- Letter of Credit
MIS	- Management Information System
MOA	- Ministry of Agriculture
MOC	- Ministry of Commerce
MOE	- Ministry of Establishment
MOF	- Ministry of Finance
MOI	- Ministry of Industry
MOIFC	- Ministry of Irrigation, Water Development & Flood Control

MOL	- Ministry of Law
PAES	- Public Administration Efficiency Study
PDB	- Power Development Board
PE	- Public Enterprise
PERT	- Programme Evaluation and Review Technique
PI	- Public Institution
PIDC	- Pakistan Industrial Development Corporation
PO	- Presidential Order
PS	- Public Sector
Rly	- Railway
R&D	- Research and Development
SAARC	- South Asian Association for Regional Cooperation
SABRE	- System of Autonomus Bodies Report and Evaluation
SAIL	- Steel Authority of India Limited
SSC	- Secondary School Certificate
STC	- State Trading Corporation
TAPP	- Technical Assistance Project Proforma
TCB	- Trading Corporation of Bangladesh
Tk.	- Taka (Bangladesh Currency)
TOR	- Terms of Reference
UNCTAD	- United Nations Conference on Trade and Development
UNIDO	- United Nations Industrial Development Organisation
WPIDC	- West Pakistan Industrial Development Corporation



## HIGHLIGHTS OF THE REPORT

Recommended Corrective Actions Against Identified Problems in order to Create a Mutually Supportive Ministry-Corporation Relationship Leading to an Optimum Utilisation of Scarce Resources Placed at the Disposal of Corporations

<u>Problems</u>	<u>Recommended Actions</u>
A. Lack of corporate autonomy	1. Implement as per President's Order No. RAS/MAPA/(OBI) - 2/87-17 dt. 16.3.87, the 1976 Guidelines and 1983 Resolution on Ministry-Corporation relationships. 2. Delegate full operational authority to corporations within the approved budget.
B. Weak accountability	3. Form audit sub-committee of each corporation's board. 4. Encourage top corporate officials to evaluate project and enterprise performance, to identify implementation and operational problems and prescribe solutions. 5. Enforce corrective measures directed by CPC on review of enterprise performance.
C. Weak management system	6. Introduce an appropriate motivational mix. 7. Convert BCIC, BSEC and BSFIC into holding corporations/ companies in accordance with government directives. 8. Expand the use of enterprise performance contract. Incorporate a reward and punishment clause. 9. Encourage the participatory decision making process. 10. Simplify contracting procedures and where appropriate utilise the model forms of contracts developed by UNIDO for industrial projects.
D. Inadequate human resources	11. Apply computer based scheduling and rescheduling of project implementation techniques. 12. Introduce career planning. 13. Strengthen merit systems for appointment and promotion. 14. Provide appropriate compensation structure. 15. Maintain continuity in similar functional areas. 16. Programme training to meet individual and organisational needs. 17. Modernise training methods and facilities.
E. Lagging technology	18. Refer 1983 Resolution: Liberally offer contracts with attractive terms to competent persons. 19. Establish research and development center for metal processing in order to achieve a break-through in engineering industries.
F. Outmoded legislation	20. Make appropriate use of the Companies Act of 1913 to facilitate enforcement of the liquidation of sick industries. 21. Amend Industrial Relations Ordinance to check undesirable labour practices. 22. Revise service regulations to introduce hire and fire system. 23. Amend charters of BADC, BWDB, TCB and EPB to facilitate delegation of power by the boards to the chief executives and by the chief executives to the directors and officers of the corporations.

## EXECUTIVE SUMMARY

The Working Group on the Relationship between Ministries and Corporations studied seven public corporations, BCIC, BSEC and BSFIC in the manufacturing, TCB and EPB in the trading, BADC in the agricultural and BWDB in water development sectors. The Group held nine meetings and adopted the following recommendations arranged in relation to the objectives as mentioned in the TOR.

### A. Higher Standards in Administrative Performance

- (1) Implementation of the following government policy directives, vide President's Order No. RAS/MAPA/(OBI) - 2/87-17 issued on March 16, 1987:
  - (a) Guidelines, 1976, issued from the Cabinet Division defining the Relationship between Government and Corporations and between Corporations and their Enterprises.
  - (b) Resolution, 1983, vide Cabinet Division Notifications no. 4.5.82/285 -Committee dt. July 24, 1983, concerning, inter alia, operational autonomy of the corporations and transfer of shares of the enterprises to the respective corporations.
- (2) Organisational reforms:
  - (a) Conversion of BCIC, BSEC and BSFIC into holding corporations/ companies in the light of the Resolution, 1983 and Ministry of Industry's Notification dt. 9.7.88.
  - (b) The ministries should assist the public corporations to strengthen the corporate planning functions, setting objectives, selecting strategies and planning implementation.
- (3) Enforcement of accountability:
  - (a) Formation of an audit sub-committee of each board headed by the Finance Director to study the key areas of observations made by the commercial and statutory audits and for taking appropriate and quick corrective actions.
  - (b) Visits to and evaluation of performance of the enterprises and projects by top corporations' officials such as the Chairmen and Directors/Members of the boards. The key areas to be examined are plant capacity utilisation, productivity, down-time analysis, usage ratio etc. of the enterprises and progress of implementation of various activities of the projects. In addition, they may also examine selected financial ratios in order to check the productivity of labour and capital, ability of the enterprise to meet financial commitments, current sales performance and return on capital etc. The objectives are to identify the problem areas and forewarnings about a corporate sickness and to prescribe corrective measures.

- (c) Effective follow-up by the CPC of corrective measures directed on review of the performance submitted by the corporations in the SABRE format through the concerned ministries.
- (d) Introduction of regular interactions between the heads of enterprises/projects and the chairmen and directors of the boards in order to countercheck the validity of structured information flow through MIS.
- (e) An appropriate motivational mix of recognition and appreciation, power and authority, promotion prospects, operational authority and security for the executives should also be introduced in connection with the enforcement of accountability.

## B. Policy Analysis

### (1) Current Policy Issues:

- (a) Effective participation of the chief executives of the corporations and the enterprises in the process of policy making at the corporation and ministry-level.
- (b) Phasing out of the chronically sick and potentially uneconomic units.
- (c) The potentially economic industries in the engineering, paper and chemical sectors incurring loss may be isolated, problems and constraints examined and a policy decision about their future be worked out jointly by the ministries and the corporations.
- (d) The Ministry of Agriculture may issue directives to BADC for intensifying its activities in the current priority areas and in accordance with the latest governmental policy directives.
- (e) Sugar cane policy may be included in the Agricultural Policy of the Government. R&D work may be intensified for increasing the per acre yield, the sucrose content, and recovery of sugar from sugar canes in the BSFIC mills.
- (f) A policy decision has to be taken by the government for R&D activities in order to achieve a break-through in the Engineering Industries.
- (g) The Ministry of Irrigation, Water Development and Flood Control may examine the issue of handing over of the completed projects of BWDB to the cooperatives and local self governments.
- (h) A policy decision may be taken for incorporation of a reward and penalty clause and a provision for maximum possible autonomy for the enterprises in the performance contracts with a view to improving their operational results.

(2) Needed legislative actions for amendments:

- (a) Effectiveness of enforcement of liquidation of both private and public sector sick industries as provided for in the Companies Act 1913 now under revision should be examined.
- (b) The Industrial Relations Ordinances and other relevant laws need to check undesirable labour union practices.
- (c) The relevant service regulations of corporate bodies may provide for introducing a system of hire and fire for encouraging good performance.
- (d) Ordinances of BADC, BWDB, TCB and EPB may be amended for inclusion of provisions for delegation of power by the boards to the respective chief executives and by the chief executives to any director or officer of the corporations.

**C. Implementation of Policy**

(1) Administrative and financial management:

- (a) Transfer of government share-holdings in the enterprises to the corporations as per directives issued by the government.
- (b) The holding corporations or companies are to ensure payment of dividends to the government on its equity as per appropriation of surplus earned.
- (c) Corporations should not operate the bank accounts of the subsidiaries.
- (d) Ministries or CPC as the case may be should give their decision on price fixation of sensitive items within one and two weeks respectively.
- (e) Corporations should thoroughly examine several forms of contracts, such as (i) cost reimbursible, (ii) turnkey, (iii) semi-turnkey, (iv) engineering and know-how, (v) duplicate, as adopted by UNIDIO after holding several expert group and inter-governmental meetings, and adopt any one of these forms or a combination that is considered to be the most suitable for a particular project.

(2) Implementation of policy issues concerning improvement of public sector operations through performance contract: Number of enterprises covered by the performance contract system now under process of experimentation should be gradually increased.

(3) Research and development:

(i) Technology Development

- (a) The government may establish a metal processing R&D centre with well defined objectives in order to achieve the much-

needed break-through in the engineering industry sector. If so desired, the centre may be located at BMTF for the purpose of utilisation of some of its facilities on payment.

(b) All-out support of the Ministry of Agriculture may be rendered to the existing sugar cane research centre for intensifying its efforts for achieving the objectives.

(ii) Research on market development

Support of the Ministry of Commerce is called for establishing stronger contacts and connections with international and regional R&D organisations through computer-based trade communication networks.

**D. Delegation of authority**

- (1) Full operational authority to corporations: Once the budget is approved and the target is fixed, the corporations should have full operational authority subject to adequate cash flow position.
- (2) Decision making process: The decision making process should be decentralised, simplified, improved and continuously reviewed. Participatory decision making practice should be fostered to the extent possible.

**E. Procedure for staffing**

- (1) Appointments and promotions should be made in accordance with human resources development plans of the corporations and on the basis of merit, performance, training and results of written tests. The principle of hire and fire should be incorporated in the service rules after a thorough legal examination
- (2) Staff training:
  - (a) Training, an important precondition for promotion of the officers of all levels, whether in-house, in-country or overseas, should be imparted consciously and in accordance with a well thought-out programme keeping in view the career advancement of the officers. Short refresher courses/workshops/seminars on advanced corporate management should be conducted for the chairmen and members of the boards.
  - (b) Modern methodology of need-based curriculum design and implementation inclusive of preparation of lesson plans with defined objectives, feed-back and evaluation should be introduced in every training institution. An appropriate theoretical and practical training mix should be worked out. Every trainee must appear in written, practical and problem solving tests.
  - (c) Personnel of project implementation and monitoring teams at projects, corporations and concerned ministries must undergo rigorous theoretical and practical training in contracting

procedures, legal aspects of international technological contracts, scheduling and rescheduling of project implementation activities.

(3) Continuity and professionalism:

- (a) The continuity of personnel in the same or similar functional areas should be maintained, subject to the consideration of administrative discipline and requirement, in order to utilise their skill gained through expensive training and to build up their expertise leading to reduction in dependence on expatriate experts.
- (b) Planning, evaluation and monitoring cells of the corporations and ministries should be manned by personnel having experience in project and enterprise management and proven ability.

(4) Pay structure, performance incentives:

- (a) Previous system of separate pay scales with higher compensation and service rules for the corporation officials may be examined for reintroduction.
- (b) Performance criteria must be fixed and a policy of reward and punishment for excellent performers and non-performers respectively should be introduced and strictly adhered to.

**F. Development and Improvement of Training Facilities:** Modern methodology of need based curriculum design and implementation inclusive of preparation of lesson plans with defined objectives, feed-back and evaluation should be introduced in every training institution equipped with audio-visual aids; corporations-training institutions collaborative efforts be intensified; appropriate motivational mix worked out to attract, for training assignment, the administrators, managers and executives known and respected for their competence and integrity. Training policy package should include training of the trainers at home and abroad.

# CHAPTER 1

## INTRODUCTION

### 1.1 Background and Objective of the Study

The Government of the People's Republic of Bangladesh undertook a study to identify key constraints affecting the efficiency of public administration particularly in relation to key economic ministries, namely, the Ministries of Agriculture, Commerce, Establishment, Finance, Industry, Irrigation, Water Development and Flood Control, and Planning, and develop recommendations relating to:

- (1) Higher standard in administrative performance;
- (2) Sound policy analysis;
- (3) Implementation of policy and its strategic implication;
- (4) Delegation of authority for non-policy making decision;
- (5) Procedure for staffing the selected ministries/divisions; and,
- (6) Development and improvement of training facilities for development administration.

A Steering Committee was assigned the responsibility of producing the report with the understanding that the Committee will limit its recommendations to the changes in the existing Bangladesh Government administrative structure within the present rules of business and deal with Class I officers only. The Steering Committee, in consideration of the time constraint, chose to focus its study on the following four priority areas of inquiry, the recommendations being related to each of them:

- (1) Secretariat System and Work Procedure;
- (2) Relationship between Ministries and Departments;
- (3) Relationship between Ministries and Public Corporations;
- (4) Project Preparation, Approval and Implementation with Particular Emphasis on the Planning and Budgeting Process.

Four Working Groups, one for each area of inquiry, consisting of senior civil servants, formulated the draft recommendations with the assistance of consultants who were requested to address the following seven issues:

- (1) Bureaucratic behaviour, (2) Accountability, (3) Continuity, (4) Decision making, (5) Personnel management, (6) Training, (7) Utilisation of expert services.

This report concerns the Relationship between Ministries and Public Corporations. The composition of the Working Group on the Relationship between Ministries and Public Corporations appears at annexure I.

The TOR does not require extensive original research. The task assigned was to focus on the operational constraints and make implementable recommendations for reform measures.

### 1.2 Methodology

Consistent with the terms of reference, the following methodology was adopted for carrying out the assigned task:

- 1) Desk study of:
  - (a) Published literature on public enterprises and public administration

- in Bangladesh and other developing and developed countries ;
- (b) Earlier studies on the subject as available;
- (c) Official documents including government committee reports; and
- (d) Presidential Orders, Ordinances, Acts of the Parliament and Gazette Notifications.

A selected list of publications, reports and documents reviewed is attached at Annexure-II.

2) Field Research and Surveys (interviews and questionnaire): In this phase of the study, an opinion survey was made through personal interviews with important functionaries of the government such as Cabinet Ministers, Members of the Planning Commission, Secretaries and Joint Secretaries to the Government; Chairmen and Chief Executives, Members of the Boards of Directors and Divisional Chiefs of corporations; Managing Directors of selected enterprises, ex-chairmen of corporations and Chairman and Secretary General of CONCOPE. A list of those interviewed appears at Annexure-III. Two questionnaires were furnished and written replies were collected as far as practicable.

3) Working Group and Steering Committee: Draft findings, constraints and recommendations were deliberated on in the meetings of the Working Group. In all nine meetings of the Working Group were held. The findings and recommendations of the Working Group were presented to the Review Committee and finally to the Steering Committee for its approval.

### 1.3 The Public Corporations

The government departments with their traditional bureaucratic methods with emphasis on regulatory functions have not been found suitable for the purpose of carrying out developmental and operational activities expeditiously, effectively and efficiently. It has, therefore, been expedient to create public corporations and enterprises under the Acts of Parliament with the objectives of production and marketing of goods and services, development of infrastructure, exploitation of natural resources, accelerated industrialisation, investment of national surpluses, supply of basic industrial and agricultural inputs and consumer goods with a view to achieve price stabilisation, export growth and playing the role a model employer. The other reason for the rise of the corporate device in the public sector is to invest in areas where private sector, for limitations of capital and skilled manpower, is shy to operate. The rise of the corporate device in public sector started in the late fifties and continued since then although during recent years the emphasis has been more on privatization than on public undertakings.

### 1.4 The Public Corporations Selected for the Study

In accordance with the decision of the working group, the number of corporations studied was limited to seven. They included key manufacturing, trading, agricultural and water development corporations: Bangladesh Chemical Corporations (BCIC), Bangladesh Steel and Engineering Corporation (BSEC), Bangladesh Sugar and Food Industries Corporation (BSFIC), Trading Corporation of Bangladesh (ICR), Export Promotion Bureau (EPB), Bangladesh Water Development Board (BWDB) and the Bangladesh Agricultural Development Corporation (RADC).



## CHAPTER 2

### PUBLIC CORPORATIONS IN BANGLADESH

#### 2.1 Historical Background:

The concept and practice of the public corporation in the sub-continent date back to the British colonial period when public undertakings such as Roads and Railways, Post and Telecommunications, Broadcasting etc. were carried out by specific departments. In the late fifties, the corporate device started taking roots during Pakistan period.

The role and objective of public corporations in the Pakistan period (1947-1971) were directed more towards social and economic development. This is reflected in the creation of public corporations covering almost all the areas of national development: industrialisation, power, water, agriculture and infrastructure development, commercial and specialised banking, insurance etc. Some of these, initially established as central government undertakings, had been bifurcated on regional basis.

After liberation, the Government of the Peoples' Republic of Bangladesh established thirty eight new public corporations in 1972 in addition to retaining twenty other corporations which had been established at the provincial levels during the Pakistan period. The public corporations now operating in Bangladesh as catalogued by the CONCOPE appear at Annexure-IV.

The Pakistan Industrial Development Corporation (PIDC) was established in 1952 with the objective of developing industries in sectors where private investment was shy and also to play the supportive role to private sector. In order to expand these activities, PIDC was divided into EPIDC and WPIDC in 1962. The emphasis of the Pakistan Government was the development of private entrepreneurship; but the policy did not work well in the then East Pakistan because of socio-economic reasons. The non-Bengalis had the ownership of 72% of private industrial assets and 70% of the bank deposits.<sup>[1]</sup> Almost all the banks and financing institutions in the public sector had their head offices in Karachi and were staffed almost hundred percent by West Pakistanis. Even private banks and insurance companies were wholly owned by West Pakistanis.

In the post-liberation period of 1971, private sector industries faced major setbacks due to the mass exodus of non-Bengali owners and managers. In order to fill this vacuum, President's Order No.1 of 1972, The Bangladesh (Taking over of control and Management of Industrial and Commercial Concerns) Order, 1972, dated January 3, 1972 was promulgated. All abandoned properties including 725 industrial units were brought under the government control and management.<sup>[2]</sup> To manage the abandoned industries, a Management Board for each enterprise as provided in the 1972 ordinance was subsequently created. But this arrangement did not prove successful due to the dearth of suitable management personnel. Besides, plundering of resources by some members of the Management

1. M.H. Rashid, "Public Enterprise in Bangladesh: A Survey", Bangladesh Journal of Public Administration, Vol.-I. No.1, January, 1988, P.40.
2. Md. Shamsul Huque Chisty, "The Experience of Bangladesh" - Privatization Policies, Methods and Procedures, Manila: Asian Development Bank, 1985, P.262.

Boards were found to be rampant. As a result, the government dissolved the Management Boards and appointed Administrators selected mostly on political consideration with little management expertise. This arrangement was also not effective and in many cases led to mismanagement and waste of resources.

After the failure of these two measures, the government promulgated on March 26, 1972 President's Order No. 27 of 1972, The Bangladesh Industrial Enterprises (Nationalisation) Order, 1972. Under this ordinance, the government nationalised all abandoned enterprises with assets valued at Tk. 1.5 million and above along with the entire jute, textile and sugar industries. Eleven industrial sector corporations which appear at Annexure-V, were established in pursuance of this order and all the nationalised units as well as the enterprises and projects of Bangladesh Industrial Development Corporation (erstwhile EPIDC) were placed under the control of the respective sector corporations. These measures led to the increase in public ownership of industrial fixed assets from 34% to 92%.<sup>[3]</sup> The number of public enterprises in the industrial sector increased from 53 to 392.<sup>[4]</sup> These eleven sector corporations were later merged through an amendment of P.O.27 in 1976 to form six corporations in the manufacturing sector namely BCIC, BSEC, BSFIC, BJMC, BTMC and BFIDC, with 386 enterprises under them. The remaining enterprises were returned to the absentee Bangladeshi owners. Banking, insurance and the export of raw jute were also nationalised.

In the post-1975 period, with the change in the government, there had been a major policy shift in the industries sector with increasing emphasis on promoting private entrepreneurship. The process was given further impetus through introduction of New Industrial Policy in 1982 and the Revised Industrial Policy of 1986 by the present government. An accelerated privatization programme was carried out through denationalisation of Bangladeshi owned industries and the disinvestment of abandoned units to the private sector during the period 1982-86. According to the World Bank report, the six manufacturing public corporations were left with 165 enterprises after 1986 with 38 units in BJMC, 43 units in BTMC, 24 units in BCIC, 21 units in BSEC, 25 units in BSFIC and 14 units in BFIDC.

It is important to look at the overall scenario of the nationalised enterprises in Bangladesh. Three hundred thirty nine enterprises out of the 392 were abandoned units, many of which were left with huge liabilities. Most of these liabilities were in the form of mortgages on the assets of the industries. Besides, the abandoned commercial and residential buildings and other immovable properties built out of the surpluses and against hypothecation of the assets of such industries were vested with Ministries of Commerce and Works. Despite the liquidity crisis resulting from the liabilities and the subsequent misappropriations mentioned earlier, these abandoned industries were brought into operation primarily through the untiring efforts of management personnel in an environment when overseas suppliers were reluctant to supply raw-materials and spares against LCs opened through local banks.

During the post liberation period, the public corporations made a significant contribution towards the rehabilitation of various sectors of the economy such as agriculture, industry, energy, communications, trade and commerce through the supply of seeds, fertilizer and irrigation pumps; pipes,

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3. Rashid, Op. Cit., P.40.

4. Chisty, Op. Cit., P.262.

cables and wires; gas, water and electricity; trucks, buses and inland water vessels; sugar, food items, jute and cotton textiles. The services rendered in trade, commerce, export marketing of non-traditional items, banking, insurance and service sectors were also important to national development.

## 2.2 The Public Sector and its Importance in the National Economy:

The Public Sector (PS) consists of the Government, Public Institutions (PI) and Public Corporations and their Enterprises (PE). Public corporations and their enterprises produce goods and services and their current costs are expected to be financed from their own resources. Public Institutions produce services but may depend on government funds to meet their current costs.

The importance of public sector in the national economy of a developing country like Bangladesh is significant. The contribution of public sector and public enterprises in GDP of Bangladesh was 16-18% and 8.5-11% respectively during the period 1972/73 to 78/79.<sup>[5]</sup>

Public enterprises in Bangladesh often face criticism for its dominance in the utilization of national resources and in retarding the growth of the private sector. In this connection, a comparison of Bangladesh and the neighboring countries of India and Pakistan may be useful. A recent study has shown that the size of Public Enterprises and Public Sector in relation to GDP is almost identical in Bangladesh, India and Pakistan.<sup>[6]</sup> The average contribution of public enterprises (PE) and public sector (PS) in the GDP of Bangladesh, India and Pakistan was 9.9% and 16.4%; 9.99% and 19.97%; 7.02% and 16.92% respectively, during the period 1972-78. This is an indicator that PS/PE remains prominent in the economy of a developing country in spite of a policy and incentives provided for developing the private sector.

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5. Huzafeer Ahmad, State and Development, Dhaka: The University Press Ltd., 1987, P.82 : Figures are from Bangladesh Bureau of Statistics.

6. Ibid, P.167.

## CHAPTER 3

### RELATIONSHIP BETWEEN MINISTRIES AND PUBLIC CORPORATIONS: LEGAL AND ADMINISTRATIVE FRAMEWORK

#### 3.1 Introduction

The desired and existing relationship between the ministries and the corporations have been discussed in chapter 4. In this chapter the legal and the administrative framework of the relationship has been reviewed and analysed.

The administrative and legal framework of the relationship have to satisfy the relevant provisions set forth in the Presidential Orders and Ordinances creating the corporations. These Orders and Ordinances, which require to be enacted, must also satisfy the fundamental principles of state policy as laid down in the Constitution of the People's Republic of Bangladesh.

#### 3.2 The Relevant Principles of State Policy

The principles of state policy with respect to ownership as per Article 13 of the constitution are as follows:

"13. The people shall own or control the instruments and means of production and distribution, and with this end in view ownership shall assume the following forms -

Principles of ownership.

- (a) state ownership, that is ownership by the State on behalf of the people through the creation of an efficient and dynamic nationalised public sector embracing the key sectors of the economy;
- (b) co-operative ownership, that is ownership by co-operatives on behalf of their members within such limits as may be prescribed by law; and
- (c) private ownership, that is ownership by individuals within such limits as may be prescribed by law."

During the earlier years of post liberation period, the government policy orientation was in favour of state ownership as per the provision in Article 13(a) above. But as mentioned earlier, there had been a policy shift in the post 1975 period with increasing emphasis on promoting private entrepreneurship. The process gained further momentum through introduction of New Industrial Policy in 1982 and revised industrial policy of 1986 by the present government. An accelerated privatization programme was carried out through denationalisation of Bangladeshi owned industries and the disinvestment of abandoned units to the private sector during the period 1982-86.

The other relevant principles of state policy are as follows:

"14. It shall be a fundamental responsibility of the State to emancipate the toiling masses-the peasants and workers-and backward sections of the

Emancipation of peasants and workers.

people from all forms of exploitation."

"15. It shall be a fundamental responsibility of the State to attain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the People, with a view to securing to its citizens-

Provision of basic necessities.

- (a) the provision of the basic necessities of life, including food, clothing, shelter, education and medical care;
- (b) the right to work, that is the right to guaranteed employment at a reasonable wage having regard to the quantity and quality of work;
- (c) ...
- (d) ... "

"16. The State shall adopt effective measures to bring about a radical transformation in the rural areas through the promotion of an agricultural revolution, the provision of rural electrification, the development of cottage and other industries, and the improvement of education, communications and public health, in those areas, so as progressively to remove the disparity in the standards of living between the urban and the rural areas."

Rural development and agricultural revolution.

To fulfil the above constitutional obligations, the governmental development functions are carried out both by traditional government departments as well as by corporations and the enterprises under them. The corporate bodies having greater autonomy and flexibility in decision making are set up by specific statutes which define their objectives, functions and authority. The structures and types of corporations thus set up under various laws, each distinct and separate from the other, vary depending on their objectives, roles and functions that they are expected to perform.

### 3.3 Functions and Structures of the Corporations

Out of the seven corporations, three are in the manufacturing sector. Of these, BCIC produces chemicals, pulp, papers and newsprints; rayon filaments and staple fibres; glass and ceramics; fertilizer; cement etc. BSEC is engaged in production of steel ingots and CGI sheets; electrical cables, conductors and super enamel copper wires; electrical transformers and lightning arrestors; machine tools, hand tools and cutting tools; diesel engines and pumps; GI pipes; electrical fans; inland water vessels; bi-cycles; assembly of motor cycles, cars, trucks and buses, etc. BSFIC produces sugar, edible oils and vegetable fats; food items etc. It also exports shrimps. It may be mentioned here that the number of enterprises and manufactured goods gradually declined to what they are to-day as a consequence of governmental policy shift in favour of privatisation.

Out of two corporations in the trading sector, TCB is engaged in import of consumers goods, industrial raw materials and construction materials. It also exports Bangladeshi manufactured goods. EPB is rendering services to both the private and public sectors for promotion of exports from Bangladesh. The

remaining two corporations are engaged in developmental activities, viz., BWDB in water development, irrigation and flood control and BADC for supply of agricultural inputs, such as irrigation pumps, seeds and fertilizers etc. It is also rendering agricultural promotional services.

Organisationally, BCIC, BSEC and BSFIC are controlling type of corporations having manufacturing enterprises under them, most of which are limited companies wholly owned by the government. They also plan and implement new industrial projects. All these three corporations were established by the amended Nationalisation Order, popularly known as P.O.27 which also created Bangladesh Jute Mills Corporations, Bangladesh Textile Mills Corporations, Bangladesh Forest Industries Development Corporation and Bangladesh Oil, Gas and Mineral Corporation. TCB, EPB, BWDB and BADC are unitary form of corporations, each having their respective Ordinances as discussed in section 3.4 of this chapter.

The structures of the boards of directors of the corporations are not similar. BCIC, BSFIC, TCB and BWDB have full-time functional directors (in the case of BWDB, full-time members) headed by full-time chairmen who are the chief executives of the respective corporations. The board of BADC has full-time functional directors as well as two ex-officio part-time directors. It is headed by a full-time chairman who is the chief executive. The management board of EPB is headed by the Minister of the concerned administrative ministry i.e., the Ministry of Commerce. The chief executive is the full time vice-chairman of the bureau. It has a full time member and part time members from both the government and the private sectors.

### 3.4 The Legal and Administrative Framework - The Relevant Provisions in the Charters

#### A. The Public Corporations in the Manufacturing Sector - President's Order No.27 of 1972: The Bangladesh Industrial Enterprises (Nationalisation) Order, 1972:

The public corporations in the manufacturing sector under study are BCIC, BSEC and BSFIC. The legal framework of these corporations is governed by the Bangladesh Industrial Enterprises (Nationalisation) Order, 1972 popularly known as P.O.27 of 1972. It is not distinctly and specifically applicable to the above three corporations only but includes within its fold other corporations in such sectors as textiles, jute, forest, and minerals, oil and gas. It is thus a general legal framework established by the government specifically for the nationalised industrial sector. The powers, functions and other related matters are, therefore, applicable to all corporations covered by the same order.

The objectives of BCIC, BSEC and BSFIC according to the Presidential Order 27 of 1972 are control, co-ordination and supervision of the enterprises placed under them and establishment and development of new industrial enterprises. These corporate management functions need no further elaboration. However, the objectives of the enterprises have not been defined.

The Ownership of enterprises, placed under the sector corporations, are deemed to be vested in the Government<sup>[7]</sup>. However, there is a provision in P.O.27<sup>[8]</sup> for transfer of government property, assets and liabilities to a corporation. This has been given effect to subsequently by Ordinance no. VII of 1987.

The general direction and administration of the affairs and business of the corporations is vested in their Boards of Directors which may exercise all powers and do all acts and things which may be exercised or done by the corporation<sup>[9]</sup>. The Board may delegate its power to the chairman who is the chief executive for the purpose of efficient operation of corporation. The chairman may delegate his power to the officers of the corporation.

The ordinance authorized corporation to appoint officers and employees, consultants for efficient performance of the corporation on such terms and conditions as it may determine.<sup>[10]</sup>

The corporations shall "also exercise such of the powers of the Government as the Government may by notification in the official Gazette delegate to the corporation"<sup>[11]</sup>

There are also provisions in the nationalisation order restricting the authority of the corporations which may be noticed in articles 11(1) and 16. Although there are broad powers of the corporation in respect of its function of governance, insertion of phrases like, "as may be prescribed", "subject to regulation that may be made on this behalf", "may be prescribed," ... in articles 13(2), 17(1) and 17(2) respectively, make exercise of such authority conditional on rules and regulations to be framed by the government. However, the division bench of the High Court ruled in 1974<sup>[12]</sup> that the nonfulfilment of the conditionality is not a bar against the exercise of the substantive power by the corporation. The ministry can not, therefore, issue restrictive orders inconsistent with the charter on the plea of absence of rules and regulations.

Provisions concerning the accountability of the corporations: The most significant provision in the nationalisation order in this respect reads as follows: "The Board shall be subject to the superintendence and control of the Government and shall be guided, in the discharge of its functions, by such general or special instructions as may, from time to time, be given to it by the Government."<sup>[13]</sup>

An annual budget statement for the corporation is to be prepared by the corporation and to be duly approved by the government according to

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7. Article 10.1(A), P.O.27, 1972.
  8. Article 26(2), P.O.27, 1972.
  9. Article 11(1), P.O.27, 1972.
  10. Article 16, P.O.27, 1972.
  11. Article 17(3), P.O.27, 1972.
  12. Judgement of the High Court Division of the Supreme Court of Bangladesh on petition no. 1007 of 1974 under Article 102 of the Constitution.
  13. Article 11(2), P.O. 27, 1972.

the ordinance<sup>[14]</sup>. It further provides that the corporation may spend such sums as it thinks fit on the basis of the annual budget approved by the government.

There are other provisions related to borrowings by Corporations "with prior approval of the Government", maintaining of proper accounts, preparation of annual statement of accounts and auditing of the accounts of Corporation by not less than two accountants appointed by the Government.

There are quite elaborate provisions in P.O. 27, 1972 on auditing and on the functions of the auditors. The auditors in their report are required to furnish their opinion on the correctness and completeness of the balance sheet as well as to provide any information, called for from the Board. The Presidential Order also requires that the "audited accounts and annual report shall be published in the official Gazette and shall be laid before the Legislature."<sup>[15]</sup>

There are, therefore, adequate provisions in the Nationalisation Order concerning accountability; the question is whether it is being enforced effectively.

It is evident that the distinct entities of the industrial enterprises placed under the corporations in the manufacturing sector have been maintained in the Nationalisation Order and that the corporations have not obviously been made responsible for executive management of the enterprises. The functions of the corporation as defined in the Nationalisation Order with respect to the enterprises placed under them are "control, co-ordination and supervision". It may be mentioned that when the corporations came into being, seventeen years ago, the corporate boards had to engage themselves in the management and consolidation of the takeover industries, because of a generation gap in managerial and skilled manpower resources. The executive management by the corporate board is, perhaps, no more tenable in the present-day context. Management by the corporate board perhaps needs a review in terms of greater functional autonomy of the enterprises than they are enjoying at present. The development of a harmonious relationship between the ministries and the corporations, perhaps, requires an appreciation of corporate functions of governance such as supervision of executive management and enforcement of accountability.

#### B. The Public Corporation in the Trading Sector - TCB:

The President's Order (P.O) No. 68 of 1972 established the TCB for the import and export of all kinds of goods and materials from and to all countries in accordance with the government policy. Its sales and distribution responsibilities have provisions for authority and accountability similar to those of the corporations in the manufacturing sector. Since it is an executive board the need for delegation of power was not perhaps felt.

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14. Article 19, P.O.27, 1972.

15. Article 22(5).



The functions of TCB are well defined. It has been directed to act on commercial considerations with due regard to the interest of the nation and the members of the public [article 6(2)]. The corporation, after making usual provisions for bad debts, depreciation and reserve shall pay to the government the remaining surplus earned during the year.

The authorised capital of the corporation is Taka 5 crores to be subscribed and may be increased by the government from time to time (Article 5). Like BCIC, BSEC, BSFIC, TCB is also supposed to be a self-financing institution. It must, however, be mentioned that the funds for new industrial projects are provided by the government against annual development programme (ADP) as loans recoverable on completion of projects.

C. The Public Corporation for Export Promotion - EPB:

The Export Promotion Bureau was established by Ordinance no. 47 of 1977, "for promotion of export from Bangladesh and for development of plans and policy in support of promotion of export from both private and public sectors of the country ...". It is vested with management authorities subject to rules and regulations to be framed by the government. The board may delegate to the vice-chairman (chief executive), any member or officer of the bureau any of its powers; but there is no provision for sub-delegation. The functions and accountability of the bureau are well defined.

The fund of the bureau consists of grants from the government, local authorities and other corporate bodies, aids and grants from foreign countries, loans raised in Bangladesh and the contribution from chambers of commerce and trade organisations and associations, and other receipts of the bureau.

The boards of BCIC, BSEC, BSFIC, TCB, BADC and BWDB consist of full time functional directors/members and are headed by full-time chairmen who are also the chief executives of the corporations. The board of EPB, however, consists of the Minister of Commerce as chairman, a full-time vice-chairman as chief executive, one full-time functional members, six part-time members from relevant ministries of the government and two part-time members from private sectors.

D. The Public Corporation in Water Development and Management Sector - BWDB:

The erstwhile East Pakistan Water and Power Development Authority was replaced on 31 May, 1972 by a Water Development Board and a Power Development Board constituted under President's Order No. 59. The Bangladesh Water Development Board (BWDB) is entrusted with preparation and implementation of a comprehensive plan for control of floods and the development of water resources of Bangladesh. It may frame and execute schemes with approval of the government for construction of dams, barrages and reservoirs; irrigation, embankment and drainage; bulk water supply, recreational use of water resources; flood control and watershed management; prevention of salinity and water logging; reclamation of land; improvement, extension and regulation of channel. [Article 9(3)].

The board has the power to amend or modify a scheme within a limit of 15 percent cost increase or 15 % benefit reduction provided that the cost component of benefit cost ratio does not exceed the benefit. The board may arrange to transfer a completed project to a local authority with its assent; if the board fails to do so, the government can intervene; the government may also direct the board to hand over any scheme to any of its agencies or to a local authority. Similarly, the board may also take over or be directed to take over schemes undertaken by other agencies. The authority of the board and its accountability, are similar to those of the other corporations. Unlike the case with the manufacturing and trading sector corporations, there is a provision for commercial audit by the Comptroller and Auditor General.

The Fund of the board shall consist of grants made by and loans obtained from the government, grants made by local authorities, sales proceeds of bonds, foreign loans and grants, levy, water rate and tolls.

It may be noted that the financing character of the board is that of an infrastructure development corporation. There is no provision of delegation of power by the board to the chairman.

#### E. The Public Corporation in Agricultural Development Sector - BADC:

The Agricultural Development Corporation Ordinance, 1961 (EP Ordinance 37 of 1961) creating East Pakistan Agricultural Development Corporation was amended through promulgation of Ordinance no.40 of 1975 on 8 August 1975 and Bangladesh Agricultural Inputs (Supply and services) Corporation was established. With the change of government, this Ordinance was again amended in 1976 by Ordinance no.11 dt. 13 February 1976 and Bangladesh Agricultural Development Corporation was established substituting "Inputs (Supply and services)" by the word "Development".

BADC has a number of objectives to be achieved in a wide field of operations. Distribution of agricultural inputs and adaptation of advanced technology constitute its major areas of activities. But these are not the only functions of BADC as are commonly believed. Its functions pervade the entire sphere of integrated rural development efforts of the government. The functions of BADC include building and developing new settlements with the required infrastructure, helping to promote the means of livelihood for the beneficiaries covering agriculture, pisciculture, poultry, dairy farms, agro-industries. BADC also has programmes to advance cash credits for processing and marketing of agricultural produce and the promotion of co-operative societies. Through these activities, it is expected to influence the quality of life in rural areas.

As in the case with other corporations, the management of the corporation is vested with a board of directors. The board shall be guided by policy directions given by the government [Article 4(2)]. If the board fails to comply with any direction, the government may remove the directors and the chairman [Article 5(3)].

The board consisting of not more than six full time functional directors (including the chairman) and two ex-officio directors, namely

the Registrar of Co-operatives and the Director General of Integrated Rural Development Programme ( now BRDB) may delegate any of its powers to the chairman (Chief Executive) or any director or officer. However, the chairman can not delegate to other officers of the corporation, unlike the case with the corporations in the manufacturing sector, the power of the board delegated to him.

BADC may also appoint officers, staff or advisers as it considers necessary and has the statutory power to hand over the completed projects to the local authority.

The financing of the corporation is like those of EPB and BWDB.

Once a scheme is approved and the budget is adopted, the board can exercise its independent operational authority. There is a provision for both commercial and statutory audits. The mixed type of BADC board consists of both ex-officio and full-time functional executive directors. The corporation may also set up subsidiaries and delegate its power to their managements.

### 3.5 The Environmental Factors Leading to Government Interventions

Immediately after being established, the corporations of the manufacturing sector had to be engaged in resource mobilisation for the purpose of putting the factories into productive gear. Moreover, some of the abandoned manufacturing units did not have accounting, stores or purchasing systems which had to be designed and introduced. Excise duty, sales and income taxes were in arrears. Pass books for import of raw materials were under seizure on charges of selling the imported industrial raw materials in the black market.

Under these circumstances, accountability was not, perhaps, the prime consideration for the corporations; the priority was to introduce appropriate management systems. The corporations did not, perhaps, realise that they had to be much more serious in making themselves accountable, especially in giving returns on investments. The public corporations in the past had not been set up with the objective of profit earning. Moreover, most of the abandoned enterprises in the manufacturing sector had inherited huge liabilities. There was no equity capital and the corporations relied heavily on commercial bank borrowings to meet the working capital requirements and current liabilities. The officials of the Ministry of Industry, its corporations and the enterprises, who were keeping the wheels of production running through hard work and dedication were accused of mismanagement. It was a difficult time for the corporation officials. The escalation of product prices was attributed to nationalisation and not to the devaluation of taka and international price hikes. The Ministries of Commerce, Finance and Industry, under such circumstances and from a feeling of the need for the enforcement of the accountability, started issuing restrictive orders denying the operational authority and flexibility of the corporations. These orders ignored the spirit of the corporations' charters and the fact that the substantive powers of the boards inherent in the charters could not be interfered with.

In the circumstances, the government had to intervene and come forward with corrective measures in the form of directives to the ministries and corporations

to remove the constraints against the effective performance of the corporations. These are:

- (a) Guidelines on the Relationship between the Government and the Autonomous Bodies/Corporations and Autonomous Bodies/ Corporations and Enterprises under Them, May 15, 1976,
- (b) Resolution no. 4.5.82/285-Committee dated Dhaka, the 24th July 1983, published in the Bangladesh Gazette, on the Recommendations of the Committee for Reorganisation of the Public Statutory Corporation,
- (c) The Public Corporation (Management Co-ordination) Ordinance No. 48 July 5, 1986,
- (d) Government Order dt. 16-3-87 directing strict observance of the Guidelines 1976 and Resolutions 1983 etc.,
- (e) Ordinance No. VII of 1987, The Bangladesh Industrial Enterprises (Nationalisation) (Amendment) Ordinance relating to the transfer of Government shares in the nationalised enterprises to the public corporations and divestment,
- (f) Notification No. She/Bi: Ha: 5/Sha; Bi:- 3/87/138 dated July 7, 1988 of the Ministry of Industry directing issue of government's 51% share holdings to BSEC, BCIC, BSFIC of the respective divested enterprises.

The summary of these directives and Ordinances is presented under the caption of governmental intervention as follows:

### 3.6 The Governmental Intervention

#### A. Guidelines, 1976

Guidelines 1976, issued from the Cabinet Division defining the Relationship between Government and Corporations and between the Corporations and their Enterprises, covered all the corporations: commercial, promotional and regulatory. The Guidelines, 1976 provided that:

"The responsibilities of the Government in a Ministry shall be to ensure that the Corporations function in such a manner as to enable them to achieve the objectives stated in the relevant laws or any rules and regulations framed thereunder or any policy directives issued by the Government from time to time."

"The relationship between the Ministry and a Corporation shall be regulated by the provisions of the respective laws so that-

- (a) the functions of the Ministry are confined to policy-making, appointment of Chairman/Director/ Members, approval of budget, appointment of Auditors and review of audit reports, evaluation of performances and such other matters as may be prescribed in the relevant laws, rules and regulations,
- (b) the functions of a Corporation are confined to its smooth and efficient operations, within the limits of respective laws, rules and regulations, and
- (c) the Corporation shall submit performance report periodically in such form as may be prescribed by the Government."

Some of the other salient points of Guideline 1976 having bearing on the relationship between ministries and corporations are that :

- the organogram of each corporation is to be approved by the

- administrative ministry,
- financial control will be exercised by the ministry through the annual budget.
  - once the budget is approved, the corporations will be free to manage their finance in their best interest.
  - each organisation has to submit to the government an annual performance report.
  - the respective ministries have to make rules and the corporations have to make regulations with the previous approval of the government in pursuance of relevant Acts/Laws.
  - such corporations as are set up to operate on commercial considerations, should have the authority to fix prices/rates of goods and services produced by them except when such fixation relates to public utilities or essential commodities and services as may be specified by the government. In fixation of prices/rates of such public utilities and essential commodities and services, prior approval of government will be obtained.

#### B. Resolution, 1983

After the issue of the Guidelines 1976, the most important policy directives concerning public statutory corporations and financial institutions came through the Resolution 1983 from Cabinet Division (Bangladesh Gazette, No. 4.5.82/285 - Committee, dated July 24, 1983).

These are based on the recommendations of the Committee for Reorganisation of the Public Statutory Corporations. There are 17 directives, all of which may be termed as progressive, framed for flexibility and operational freedom aimed at efficient operation and management of corporations. On ministry-corporation relationship the following clear-cut directives of the government were included in the Resolution :

- the ministry/division shall exercise only such supervision and control over the autonomous and semi-autonomous bodies under it as are assigned to it under the relevant law and are necessary for ensuring financial discipline and accountability in the management of such bodies. The ministry/division shall refrain from interfering in the day-to-day management of these bodies and shall limit its control within ambit of the law.
- the administrative ministry shall scrupulously respect the operational freedom of the corporations/autonomous/ semi-autonomous bodies by abstaining from directly dealing with any functional matters.
- the administrative ministry shall be guided in dealing with the autonomous bodies/corporations by the Guidelines, 1976, which spells out the relationship of the government with the autonomous organisations and that of the autonomous organisations with the enterprises under them.

Other important directives in Resolution 1983 are -

- when particular interest of public policy is involved in the operation of any project by an autonomous or semi-autonomous body and consequently financial loss is suffered, the government shall pay a subsidy to the extent necessary.

- the corporations shall liberally offer contracts with appropriate salary and attractive terms and conditions of service to qualified and able persons so that persons having requisite expertise, experience and qualification are encouraged to join the public sector.
- in order that the public corporation may exercise adequate control over the activities of the enterprises under them and be made accountable for their performance, the share-holdings in enterprises incorporated as companies shall be transferred to and vested in the concerned corporation. The ministry/division concerned shall immediately take appropriate legal measures for this purpose.
- the concerned ministries/divisions and corporations shall ensure that the organisations under them operate on a "hire and fire" basis and, to the extent necessary, the relevant charters shall be suitably amended.
- A system should be developed for ensuring accountability in the management of the public corporations and enterprises, without, at the same time, putting undue constraint upon their operational freedom.
- a permanent commission to be called Public Enterprises and Financial Institutions Commission shall be set up to monitor the performance of the public sector agencies on a continuing basis.

#### C. Ordinance 48, 1986

The Public Corporations (Management Co-ordination) Ordinance 48 was issued on July 5, 1986, forming the Council for Public Corporation (CPC). The CPC is the highest inter-ministerial authority on matters concerning the management of Public Corporations. The council consists of five Ministers dealing with finance, planning, industries, energy and mineral resources and commerce as ex-officio members. Other Ministers are co-opted if matters concerning corporations under them are discussed. The Vice President who is also the Minister in charge of the Ministry of Industry is the current Chairman of the CPC. The functions of the CPC as stated under the Management Co-ordination Ordinance are to -

- i) formulate general policy guidelines for public corporations.
- ii) formulate guidelines for the preparation of management objectives and budgets of corporations.
- iii) approve production targets, profit and performance criteria, declaration of dividends or contribution of profits to government.
- iv) evaluate periodically and monitor performance of corporations, and such things as it considers necessary for ensuring co-ordination and better management of the corporations.

For carrying out the functions of CPC, all the papers/reports will be routed to and from the corporations through the concerned ministry.

The ordinance 48 also states that

- the ministry shall determine the pricing policy of goods and services and the corporations shall fix the price according to such policy.
- the government shall re-imburse to a public corporation the financial loss, if any, incurred by it or any of its enterprises consequent upon the following by it or by such enterprises any specific instructions given by the government on matters relating to the business or administration of such corporations or enterprises.

Findings of a study conducted in the recent past are that "The CPC has provided an inter-ministerial forum for deliberating on PE sector-wide issues, and its collective decisions have to limit the intervention of individual ministries in the affairs of the corporations. Since its inception, the CPC has made decisions on important PE management issues, including liberalizing output pricing; approving the second phase of the performance contract project for developing a performance evaluation system; and framing rules on the terms of service for high level management."

"Despite having major responsibilities, the CPC has no permanent secretariat. This has caused delays in the performance of important tasks. For example, the CPC is often unable to provide budget guidelines to the PEs six months before the start of the fiscal year as legislated. Government has enacted regulations for the Autonomous Bodies Wing (ABW) of MOF to provide secretarial assistance to the CPC. In this capacity, the ABW has been active in committee work and preparing policy papers for the CPC. But the ABW is not adequately staffed to perform these tasks in addition to on-going projects and its normal budget review functions. There is general recognition in Bangladesh about establishing a technical secretariat for the CPC although the role and authority of such an entity is a subject of debate, especially given proposals to form holding corporations and the need to avoid creating new bureaucratic layers over the MPEs.[16]"

D. The President's Secretariat Order no. Rasha/Ma Pa (AB) - 2/87-17 dt. 16.3.87 with the directives to ministries and corporations to follow without excuse the Guidelines, 1976 and the Resolution 1983. Any failure to follow or violations of the Guidelines, 1976 and Resolutions, 1983, was to be brought to the notice of the President.

E. Ordinance No. VII of 1987:

The Bangladesh Industrial Enterprises (Nationalisation) (Amendment) Ordinance, 1987, was promulgated in order to enable the government to sell or transfer its shares of the nationalised enterprises to corporations or to any other person. Transfer of government shares to the corporations was necessary to give effect to Resolution of 1983.

F. Notification No. Shi/Bi: HA:-5/Sha: Bi:-3/87/138 dt. 9.7.88 of Ministry of Industry:

This notification was issued in pursuance of Ordinance no. VII of 1987 and contains the directive that the companies which were formerly enterprises of the respective corporations and which have divested or are divesting or will divest 49% shares to the workers, employees and officers of the enterprises and the members of the public shall issue the remaining 51% shares to BCIC, BSEC, BSFIC consequent upon the decision for converting these corporations into holding companies.

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16. World Bank - Draft report No. 7654-BD, "Bangladesh Manufacturing Public Enterprises Reform", April 18, 1989, Paragraphs 21-22 of executive summary.

### 3.7 The Administrative Framework:

While the legal framework providing for the structure and functions of the corporations leads to the administrative framework for each of the corporations under study, an attempt was made first in October, 1980 to form a forum under the name and style of "Consultative Committee of Chairmen and Managing Directors of Autonomous and Semi-Autonomous Bodies" later renamed in 1982 as "Consultative Committee of Public Enterprises" which popularly came to be known as CONCOPE. The object was to continuously interact with the government in order to secure co-ordinated decision making in administrative and financial managements across the public sector corporations and the enterprises under them. This committee was later registered under Societies Registration Act on March 22, 1984 as a Registered Body/Forum of Public Enterprises. As a body, it regularly holds sittings with the honourable President in order to obtain quick decisions in regard to administrative, financial and other related matters. In practice, therefore, its stated objective of co-ordinated action has been extended to the above spheres and has led to decisions relating to delegation of authority.



## CHAPTER 4

### ✓ FUNCTIONAL CONSTRAINTS FACED BY PUBLIC CORPORATIONS

#### 4.1 Efficiency Factors and their Correlation with the Objectives and Issues of PAES

The relationship between ministries and corporations is being studied with a view to increasing the corporations' operational efficiency and enforcement of their accountability to the government, the owner of the corporations and custodian of regulatory, control and welfare functions of the state. It is, therefore, necessary to analyse the factors which affect the efficiency of the corporations, after establishing their correlation with the objectives and issues of the PAES, and to see how intervention in these factors may boost up or constrain the achievement of a higher efficiency.

The factors affecting the corporations' efficiency have been identified through a framework of project and enterprise management, and it may be stated that the efficiency of corporations is dependent on the following four prime factors and their respective sub-factors<sup>[17]</sup>:

##### A. Policy Factors

- (1) Participation in Decision Making Process
- (2) Definition of Problems to be Solved or Opportunity to be Exploited
- (3) Appropriate Feasible Strategies of Interventions

##### B. Design Factors

- (1) Goal and Purpose
- (2) Feasibility and Engineering Study
- (3) Contracting Procedure
- (4) Scheduling and Re-scheduling of Project Implementation Activities
- (5) Government Support for Supply of Inputs
- (6) Support for the Completed Project

##### C. Management Factors

- (1) Organisational Structure
- (2) Administrative and Financial Procedures
- (3) Management of Human Resources
- (4) Finance and Material Input Management
- (5) Technology Management and Development
- (6) Productivity Management
- (7) Output Management
- (8) Co-ordination

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17. Dennis A. Rondinelli, "Development Management in Africa: Experiences Implementing, Agricultural Development Projects", USAID Evaluation Special Study No. 44, July 1980. The author's framework of project management has been modified to include enterprise management especially in the Bangladesh context.

#### D. Contextual Factors

- (1) Political, Economic, Social and Cultural Factors
- (2) Physical and Institutional Infra-structure
- (3) Labour Union Behaviour
- (4) Response of Beneficiaries to Technology Transfer
- (5) Counterpart Support to Donor's Experts

Figure 1 at page 21 shows that all the prime factors with their sub-factors affecting the operational efficiency of corporations affect objective no. I i.e. Higher Standards in Administrative Performance. A positive intervention by the ministries for removal of constraints faced by these factors will increase the operational efficiency of the corporations and undue interventions will result in a decrease in their efficiency. A study of these factors is, therefore, relevant to PAES.

Objective I is also affected by the other five objectives of PAES presented in column 3 of figure I. These are rather independent variables in relation to objective I; they also interact with one another as discussed later in this chapter.

As is evident from the figure, the seven issues and the five out of six objectives are not concerned with the contextual factors; since the administration or the corporations or the enterprises cannot function in isolation, the contextual factors deserve examination and analysis.

#### 4.2 The Constraints

##### A. Policy Factors - Sound Policy Analysis

There is an absence of reciprocal relationship between ministries and corporations consequent upon lack of effective participation by the corporation in policy making involving, inter alia, definition of problems to be solved or opportunities to be pursued as well as interventions to be made at the national, ministry or the corporation level for tackling an unforeseen problem, such as, a shrinkage in the market which calls for a macro-economic adjustment or changes in a predetermined product mix.

##### B. Design and Implementation Strategy - Implementation of Policy and its Strategic Implication

Development projects are sometimes taken up on ad-hoc basis without clear goals and objectives and having not much relevance to the overall sectorial programmes; BWDB and BADC often find it difficult to get funds for such projects against ADP. Absence of critical analysis of feasibility studies by the corporations and concerned ministries also leads to ill-conceived projects and sick enterprises.

One of the most important impediments in project implementation especially in the case of capital intensive high-tech industrial projects such as a urea fertiliser factory, is poorly defined terms and conditions of contracts resulting from lack of appreciation of contracting procedures and the legal aspect of international technology contracts. Productivity of an

1		2		3		4	
PAES OVERALL OBJECTIVE		Factors Affecting Efficiency of Corporations		PAES SPECIFIC OBJECTIVES		PAES Key Issues	
HIGHER STANDARDS IN ADMINISTRATIVE PERFORMANCE	A. Policy Factors	Participation, Definition of Problems and Strategies of Intervention.		II. SOUND POLICY ANALYSIS			
	B. Design & Implementation Strategy	Goal and Purpose, Feasibility and Engineering Study, Contracting Procedure, Scheduling & Re-scheduling, Government Support for Inputs and Support for the Project Output.		III. IMPLEMENTATION OF POLICY AND ITS STRATEGIC IMPLICATION			
	C. Management Factors	Organisational Structure, Administrative and Financial Procedures,  Human Resources Management,  Finance & Material Management, Technology Management, Productivity Management, Output Management and Co-ordination		IV. DELEGATION OF AUTHORITY  V. STAFFING  VI. TRAINING FACILITIES IMPROVEMENT & DEV.		<i>(i) Bureaucratic Behaviour</i> <i>(ii) Accountability</i> <i>(iv) Decision Making</i> <i>(iii) Continuity</i> <i>(v) Personnel Management</i> <i>(vi) Training</i> <i>(vii) a. Expert Service</i> <i>(vii) b. Expert Service</i>	
	D. Contextual Factors	Political, Economic, Social & Cultural Factors, Physical & Institutional Infra-structure, Labour union behaviour, Response to Technology Transfer and Counter-part support to donor's experts					

Figure 1. Factors Affecting Corporations' Efficiency and their Correlation with PAES Objectives and Issues

enterprise suffers seriously because of unsatisfactory project specifications, design and implementation<sup>[18]</sup>.

Scheduling and re-scheduling of project activities: Considerable cost over-run resulting from time over-run occurs due to lack of appreciation on the part of the officials of projects, corporations and concerned ministries of the fact that there are thousands of activities forming a project network from the starting event to the finishing event. Hundreds of activities are required to be handled simultaneously by the management team in order to execute a project within the schedule; a delay in any of the activities may cause a delay in project completion if corrective measures are not taken in time by concerned corporations and ministries and other project activities are not rescheduled.

Lack of government's support for supply of inputs such as timely release of funds especially during the fourth quarter of the financial year adversely affects project implementation. Delay may be caused also by the corporation's failure to account for the funds released by the government during the preceding three quarters. Inordinate delay in starting a project may also occur due to inadequate provisions based on unrealistic assumptions; delay in compensating affected people of the project area.

Support for the project output: Of the completed projects under BWDB, the number of small ones is 415. The Water Development Board is over-burdened with operation and maintenance of these completed projects. As per provisions in the ordinance these projects might be transferred to the Upa-zila administration or even Union Parishads. Committee for Reorganisation of Bangladesh Water Development Board opined that "... there are two pre-conditions for the success of such a line of action. The first of these relates to a political commitment at the appropriate level to implement such programme. The second relates to the willingness of BWDB to take appropriate steps to effect such a transfer of responsibility and see that it is implemented. The Committee is convinced that once this transfer takes place backed by adequate administrative and financial interventions, the burden on BWDB in so far as it relates to O&M functions, will be much less than as indicated by the Task Force."<sup>[19]</sup>

All the above factors have seriously strained the ministry-corporation relationship and their mutual trust and confidence.

### C. Management Factors

A wide confidence gap having its roots in the following management factors does exist in the relationship between ministries and corporations:

(1) Organisational structure: Constraint against desired level of performance in the manufacturing public sector is partly due to the weakness in organisational structure of the corporations such as BCIC, BSEC and BSFIC. The three tiers - enterprise, the corporation and the ministry face constraints against taking decisions in their respective spheres of activities. There is a lack of effective enforcement of accountability on the part of the ministries

18. Rafiquddin Ahmad, "Project Implementation and Productivity", The Journal of Management Business and Economics, Vol.7 No.2, April 1981, Institute of Business Administration, University of Dhaka.

19. A.M.M. Shawkat Ali, "Report of the Committee for Reorganisation of Bangladesh Water Development Board", March, 1984, PP. 16-17.

and the corporations. Supervision of executive management, corporate planning and joint collaborative actions against enterprise and project sickness are rather poor.

The organisational structure of BWDB has become unwieldy because of non-transfer of 415 completed projects to the local authorities or the cooperatives as mentioned earlier.

It must be difficult for BADC to maintain its dynamism because of shrinkage of input distribution activities. BADC needs policy directives from the government defining the priority areas of its activities according to its mandate.

(2) Administrative and financial procedure:

Bureaucratic behaviour: There are several tiers in the matter of administration, control and decision making; the chain of command being the project/the enterprise, the corporation, the ministry. In policy formulation and in certain types of decision making processes, more than one ministry is involved. It goes without saying that where there are so many tiers and ministries involved for giving decisions on urgent industrial, commercial and project issues, team spirit and trust are a must for the quick disposal of various issues in the national interest. In this connection it would be of interest to note the following relationship patterns that had emerged between the ministries and the public enterprises in India<sup>[20]</sup>:

"The Big Brother pattern" involving a superior paternal attitudes; "the Pontius Pilate pattern" where the ministries are blissfully ignorant of what is going on in their enterprises; "the post mortem pattern" related to conduct of post mortem under compulsion after the happening of scandals; "the management by crisis pattern", or coming into the picture like a fire brigade only when a crisis is faced by the enterprise; "the Chess Board pattern" which gives rise to a situation of check-mate preceded by confrontations between corporation and the ministry; "the battle field pattern" involving open warfare; and the rare and the most desired, "school of harmony pattern," where the parties respect each other, where the feeling of we versus they is absent and both the parties are working towards a common goal.

There exists scope for streamlining of some of the rigid rules and procedures; but the most effective way to improve the procedural delays and discords that occur in the line administration, lies in removing the inadequacies in the officials themselves. Bureaucratic attitudes of individuals in resolving an issue is found to vary from person to person. The more conversant a bureaucrat is with the efficient discharge of his duties the more positive is his attitude. Bureaucrats who held positions of responsibilities at early stages of their service career and especially those who worked as chief executives of public corporations are generally found to be quick in giving decisions and willing to accept responsibilities. They also believe in informal working relations. In some cases, absence of clear demarcation of activities and lack of co-ordination, control and accountability within the ministries, compound the problems of corporations particularly on matters that need joint action by different wings/sections of the ministries.

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20. P.J. Fernandes, "The Accountability of Public Enterprises," Control Systems for Public Enterprises in Developing Countries, ICPE, 1982, PP.61-62.

Various circulars which are issued by the government to the corporations from time to time are sometimes found to be confusing and conflicting. It is, therefore, necessary that prior consultations with the representatives of the corporations are made before issuing any such orders, particularly those involving financial benefits, so as to avoid any scope of misinterpretation.

The existing procedure requires approval of purchase cases of enterprises involving more than Tk. 50 million by concerned ministry and above Tk. 150 million by the Council Committee. Decisions are sometimes received after the expiry of the validity of the offers, which, in cases of some processed metals, farm products and minerals used as intermediate industrial raw materials, varies from 24 hours to 78 hours. This situation may be corrected if the corporations are authorised for purchasing inputs within the limits of the approved budget. As per guidelines 1976, the corporations are supposed to be free to manage its finance once the budget is approved by the government. However, in such areas the board must act quickly and accept responsibility of giving its collective directives to the executive officers to go ahead with appropriate actions. Necessary control of the ministries may be exercised in respect of chronically sick enterprises at the time of approving their budgets.

The existing system of processing Technical Assistance Project through the concerned ministry, Planning Commission and External Resources Division is extremely cumbersome. The planning commission may examine whether TAPP can be simplified.

The success of a corporation particularly of commercial nature, is largely linked with the degree of mobility of its personnel to perform commercial and other duties. In a country where public transport system is not of high order, it is imperative that the corporations should have full authority on procurement and use of transports once the table of equipment is approved.

Prior government approval is required for undertaking foreign tours on official business by the corporations' officials in the pay scale of Tk. 4750-5500/- and above. Such restrictions have an adverse effect on dynamism of the corporation and stand in the way of executive development through exposures and interactions in the international forums. There are cases when foreign fellowships could not be availed of due to procedural delay.

The EPB personnel are required to go abroad often for undertaking promotional activities. But for the procedural delay, they are unable to attend important duties aboard. Consequently organisational objectives suffer. The corporations should be fully authorised to approve foreign visits within the approved budget provisions and in emergency cases even beyond the provision under the foreign travel sub-head but not exceeding the total provision under the major head.

Decision making: Delay in decision making and 'buck passing' cause tremendous loss in industrial enterprises and give rise to cost overruns, especially in the case of implementation of large projects like petro-chemical complex requiring utilisation of thousands of millions of taka. And yet every one at the plant, corporation and ministry level involved in the process of decision making is unconcerned because of lack of enforcement of accountability and the absence of a system of reward and punishment.

All development projects costing above Tk. 50 million are approved by ECNEC after being processed at various line and staff ministries; but during the execution phase, approvals for award of various contracts, have to be given by higher authorities depending on the total amount involved. The procedural delay ultimately results in time and cost over-runs.

Decision making process involves power at the hands of decision makers and a conviction for making fair decisions. There are, of course, executives who are not willing to exercise the power they have been delegated with; but these groups of non-performing executives should be dealt with through a system of reward and punishment. A system of participatory decision making may also remove the constraint greatly.

Delegation of authority: Responsibility, authority and accountability should go hand in hand. According to the provisions in the charters, the management of the affairs of the corporations is vested in the boards of directors. In fact the Government Order no. RAS/MAPA (OBI) - 2/87-17 of 16 March, 1987 reiterated its directives for strict observance of the Guidelines, 1976 and Resolution, 1983, which define that the relationship between ministry and the corporation should be governed through the annual budgetary means. Once the budget is approved, the corporations should be free to manage their finance in their best interest. These provisions are still valid, but the corporations can not exercise their authority accordingly.

As mentioned earlier, expenditure of more than Tk. 50 million at a time can not be undertaken by the corporations. There are also embargoes against recruitment and other limitations as discussed under 'bureaucratic behaviour' and 'decision making'. The directive of the government as per Resolution, 1983, that the ministry should refrain from interfering in the day to day management of the corporations and scrupulously respect their operational freedom by abstaining from directly dealing with any functional matters, is often violated. There are also restrictions against delegation of power by the boards to the chief executives and by the chief executives to other officers of the corporations.

Accountability: The control functions are vested in both the legislative and the executive branches of the government. The corporations are also to be conscious of the presence of the invisible, but powerful audit functions of shareholders, creditors, consumers, suppliers, financiers, the press and the public. In the face of all these forces, enforcement of accountability along with the delegation of authority by the government to the corporations and by the corporations to the enterprises and the officers at various levels along the chain of command should not be a difficult task. The holding back of delegation of authority is not, perhaps, the answer to the control of the enterprise sickness.

Accountability cannot be enforced if the top officials themselves do not identify and prescribe solutions to the enterprise problems through:

- (a) Formation of an audit sub-committee of each board headed by the finance director as is now being practiced in many countries, to study the key areas of observations made by the commercial and statutory audits and for taking appropriate and quick corrective actions.

- (b) Visits to and evaluation of the performance of the enterprises and projects to be undertaken by top officials such as the chairmen and directors/members of the boards themselves. The key areas to be examined are plant capacity utilisation, productivity, down-time analysis, usage ratio etc. of the enterprises and the progress of implementation of various activities of the projects. In addition, they may also check selected financial ratios such as Surplus Value Added/Capital Employed, Gross Value Added/Pay Roll Costs, Current Assets/Current Liabilities, Liquid Assets/Current Liabilities etc. The objectives are to identify the problem areas and forewarnings of corporate sickness and to prescribe corrective measures.
- (c) Introduction of a simplified form of management information system and a system of regular interactions between the heads of the enterprises and projects and the chairmen and directors of the boards for the purpose of strict enforcement of performance targets and the evaluation thereof in each corporation and its enterprises are also a must for establishing a harmonious relationship between ministries and corporations.

Delegation of authority and enforcement of accountability pre-suppose that the officials at the various tiers are trained, capable, dedicated and appreciative of exercising their authority or utilization of their power for giving decisions and for taking effective measures as and when necessary. This entails recruitment of bright young officers and their training at every level of responsibility with the advancement of their career.

(3) Management of human resources/ Personnel management:

Career planning: It is unfortunate that public corporations do not have career planning as yet for the purpose of human resources development in a pre-planned rather than on an adhoc manner nurturing the potentialities of newly recruited bright young persons through training and appropriate job assignment so that they can go up the ladder to the top position of the organisation by virtue of competence and proven ability. This requires an appropriate system of constant feed back from places of training and posting, to the chief executive of the corporation, through the personnel department. Comprehensive career planning should take into consideration, in addition to recruitment and training at various levels of their professional career, the development of expertise through continuity and motivation, an appropriate compensation plan, creation of a sense of prestige and dignity of the job one is holding and opening up of participation in policy and decision making processes. The officers and employees have to get the maximum satisfaction out of their work and give their best efforts to the organisation in order to make it effective, dynamic and progressive.

Recruitment: The corporations publish the announcement of recruitment in the national dailies as and when vacancies occur. Preliminary selection is made on the basis of academic achievements of the applicants as reflected in the results of SSC, HSC, bachelor and post graduate degree examinations of the candidates. Final selection of the candidates is made on the basis of total marks obtained in the viva-voce examination conducted by the duly constituted selection committees having participation of ministry's representatives and nominated experts, and the marks received according to the divisions/classes of the above mentioned examinations. Appointment letters are issued on the basis of



the gradation list. The system is expeditious, effective and fair as far as practicable. It may be mentioned that it has not been uncommon for the corporations to resist pressure for selections because of the candidates' contacts and connection and to maintain the integrity in the matter of appointments of officers. However, sometimes in some organisations, job requirements hardly match educational qualifications. There is also resistance to attract bright young people. Pressure is to promote on the basis of length of service criteria irrespective of job requirements.

Training: It is well known that in public corporations in Bangladesh, there is a lack of interest, commitment and resource support for training, an element of career planning, which should be imparted in the following phases:

Foundation training (1 year): All the newly recruited officers should undergo at least 12 months' training in common subjects like history, geography, psychology, applied economics, applied statistics, sociology, international relations and law. Training should be more functional than academic.

Functional training (6-9 months): This training spanning 6-9 months should aim at filling up the voids left over after the university education and for all.

Inservice training (4-6 weeks): Adequate and meaningful interactions with their colleagues in other functional areas during the 4-6 weeks' in-service training will help the young trainee officers develop an appreciation of management functions.

Placement: After completion of 20-23 months of training, an officer may be posted as an assistant officer in a functional area. During three years' period of his placement as an assistant officer, he may undergo job rotation limited to three functional areas at the end of which he should be able to decide his field of specialisation.

Following 20-23 months' training and three years' service in actual field condition having job responsibility and after fixation of his area of specialisation, the officer shall go for a short mid-level intensive training.

Mid-level intensive training (4-6 weeks): This training of 4-6 weeks' duration may include courses on production planning and inventory control; quality control, financial management, marketing and personnel management including team building besides having case studies and individual and collective problem solving exercises.

Following this training, he will serve as a senior branch officer or equivalent in his area of specialisation for a duration of four years after which and on the basis of performance evaluation and result of written test, he may be posted on promotion as deputy chief. For all promotions above the level of branch officer and up to the level of deputy general manager, written tests shall be conducted.

During the rest of his career he will have to undergo special refresher courses of short duration suiting his level of assignments.

Staffing: Frequent transfer of senior management personnel seriously affects project implementation, enterprise management, adoption and adaptation

of technology, product diversification and development, factory loading and productivity.

Continuity: Continuity of personnel in a particular functional area is crucial to development of expertise which is closely linked with the efficiency and effectiveness of an organisation. It would be a futile exercise if an executive or professional, on completion of training, is not assigned a job responsibility in his area of expertise. Continuity of service in the area of expertise acquired through training or exposure to the job shall help develop specialists within the country.

Utilisation of expert services: There are areas both at corporate and plant level where expert services are required for introduction of new technology. Efforts should be made to engage top level local or expatriate experts for the purpose.

Development and improvement of training facilities: The training institutions in the country lack adequate modern physical facilities like well equipped laboratories and audio-visual aids. Furthermore, courses are mostly academic, not related to a participant's work assignments.

Industry-training institution relationship is rather weak. There is a lack of incentive to attract industrial manager and brilliant executives working in the government or industries respected for their competence and integrity for teaching assignments.

(4) Finance and material management: It is well known that an important area of cost control is the management of timely purchase of raw materials and other inputs in optimum volume. Factors like transportation, handling and inventory control are equally important and these influence the production cost. Defective clauses in tender documents for local purchase or imports and in charter parties are sometimes found to be the reasons for the drying up of the supply pipeline causing plant shutdowns for several weeks or even months.

In the case of sugar mills of BSFIC required quantity of sugar canes is not available. Per acre yield, sucrose content of sugar canes and percentage recovery of sugar in the mills are comparatively low. Per acre yield and percentage recovery in Bangladesh are 18.44 M.T. and 8.26% respectively as against India's 23-24 M.T. and 9% respectively.

Frozen receivables or excess of inventories are slowing the circulating process of current assets and are reducing or eating away profits. For example outstanding dues of Tk. 1340 million lying unpaid with BADC<sup>[21]</sup> on account of fertilizer and its slow lifting are causing loss of considerable amount of revenue to BCIC although commercial banks are reaping the benefit of hard labour of the industries sector.

In the case of development projects, procedure for release of funds are still found to be a bottleneck. Projects are sometimes taken in hand for implementation on administrative orders prior to formal processing. Realisation of funds from the government for such projects becomes extremely difficult. Payment to contractors for jobs done are sometimes held up as a result. Problems

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21. The Bangladesh Observer, October 18, 1989, Column 4, P. 3.

of release of funds even against approved budgets are quite often faced by corporations like BWDB and BADC.

(5) Technology management: Technology development within the country in engineering industries sector is crucial to industrialisation. But so far no appreciable beginning has been made in this direction. Policy and resource support of the government are needed to develop necessary infrastructural facilities like the creation of a strong R&D centre.

(6) Productivity management: Productivity is the multi-dimensional end result of human endeavours in the field of production. Plant capacity utilisation and usage ratio are the two important factors amongst others which influence productivity of an enterprise.<sup>[22]</sup> Lack of necessary government intervention in an environment of easy availability of capital goods against long term but tied soft loans is hindering the capacity utilisation of mother industries. There is a lack of effective enforcement of corrective measures for raising output to input ratio to that of the international standard and achieving a higher standard of plant maintenance and quality control and wastage reduction giving rise to higher productivity.

(7) Output management: Output pricing is one of the most important factors in output management. During the period 1972-82, pricing of the essential commodities produced by corporations was controlled by Controller General of Prices under the Essential Commodities Act. With the promulgation of the Public Corporations (Management Coordination) Ordinance, 1986, the situation has improved greatly. The ordinance envisages that pricing of goods and services produced by the enterprises shall be fixed by the corporation according to the policy formulated by the controlling ministry and if because of government intervention, prices are lowered, compensation will be paid by the government. However, the corporations have to ensure that an improved product costing system is worked out on the basis of breakeven analysis, data on competitors' price and market share, and, in the case of fixation of product prices by the controlling ministry, preparation of adequate policy proposals.

(8) Coordination: Coordination at national level: For effective national level coordination, the government, in November 1985 set up a Council Committee on Public Enterprises (CCPE) chaired by the Honourable President to consider issues and problems pertaining to the operations of public corporations and to take suitable corrective measures. In July 1986, the government promulgated an ordinance called "The Public Corporations (Management Coordination) Ordinance, 1986 to provide for the coordination of public corporations in setting guidelines and targets and laying down the policies. A high-powered ministerial Council for Public Corporations (CPC) was set up involving key economic ministries namely, Finance, Planning, Industries, Energy and Commerce. The Autonomous Bodies Wing of the Finance Division of MOF is now working as the Secretariat for the CPC. A separate wing under the Vice-President in charge of the Ministry of Industry is going to be set up to support the CPC. The CPC held seven meetings since its inception. It is hoped that CPC will make an effective contribution to the inter-ministerial coordination related to various operational issues of the corporations. However, there is an absence of effective participation of the chief executives of the concerned corporations on invitation in the meetings of the CPC.

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22. Rafiquddin Ahmad, "Project Implementation and Productivity", The Journal of Management of Business and Economics, Vol. 7, No.2, April 1981, pp. 184-188.

Coordination at the corporation level: In the period immediately after liberation, the spontaneous support of BADC for BESC now BSEC through procurement of pumps and engines helped BMTF start commercial production and BDP improve factory loading. Similarly cooperation between BIWTC and BESC, under the guidance of Planning Commission, could press Khulna Shipyard and Dockyard and Engineering Works, Narayanganj into full production. At times, it was also found that the BADC board even as the buyer used to visit the seller i.e. the BESC board to hold coordination meetings on business matters. Unfortunately, such coordination, for example, between BSEC - PDB, BSEC - BSFIC, BSEC - BCIC, BSEC - Rly Board, BSEC - Army - Navy for improving the enterprise capacity utilization is seriously lacking. This must not, however, mean that the public sector will not compete with the private sector producing similar goods.

Efforts of CONCOPE (Consultative Committee of Public Enterprises) are expected to contribute significantly to improve inter-corporation coordination.

#### D. Contextual Factors

The effects of policy, design and management factors on administrative performance have so far been discussed. Since the environmental conditions greatly influence the style and efficiency of public administration, the study will remain incomplete if the following contextual factors are not briefly touched :

(1) Political, economic, social and cultural factors: Political environment plays an important role in determining the structural and organisational form of the ministries and the corporations and in establishing a harmonious relationship between them. Commercial operations with prudence are possible only when the corporations and the enterprises enjoy the freedom for procurement of their own inputs and selling their outputs without external interference. For the sake of commercial operation, the corporations and their enterprises should be delegated with full authority and responsibility for the execution of government policies within their respective areas. Therefore, they should have the authority to operate within the approved budgetary provisions. This can not be done in the present circumstances.

The prevailing distrust among the officers of various tiers is detrimental to creating harmonious relationship and team spirit for achieving a common goal for the management. The feeling of "we" and "they" must be removed by virtue of dedicated leadership at every level of management and administration.

Managers delay decision making because of the fear of retribution if a mistake is detected while inaction remains unquestioned. This makes the operation wasteful and inefficient. There are also people who realise the importance of rational decisions but these are hampered by the pressure and interference coming from various social groups including union leaders. The decision maker is afraid of the probable reaction of the aggrieved groups. Officers in supervisory and executive positions are often afraid in exercising their supervisory prerogative because of external linkage of their subordinates. An impression has been created that no one loses his job for bad performance and no one gets appreciation and recognition for good work done.

Public enterprises of commercial character are yet to take up corporate planning seriously in order to develop a progressive business culture. Some of the managers and employees look upon themselves as government employees and some

of the policy makers also view that public corporations are government departments.

The general public blames the nationalised sector for poor profit or loss while some others opine that performance of private sector enterprises and nationalised enterprises are not comparable since their objectives are different. One section of economists thinks that performance of nationalised enterprises should be judged by their contribution to national welfare rather than commercial profit. The concerned ministries have a role to play in this respect in coming out with a policy statement.

Accountability in the context of environment means the awareness of the worker/employee that he is accountable to his immediate supervisor for his work. Presently this sense of accountability has greatly disappeared partly due to erosion of value and partly due to ineffective supervision. This affects productivity, work environment and demoralises the good performers.

"Work ethics" meaning doing one's job at the work place during duty hours diligently without any external influence are lacking. There is no realisation that avoidance of work in the last analysis deprives the nation of its potential prosperity. Ethical values have gone so low that non-performance of duty is not viewed as bad conduct. This has generated largely because of ineffective control system as well as lack of leadership and other environmental factors.

Weak bargaining position because of economic reasons make an aid dependent country like Bangladesh accept tied loan and pay high prices for capital equipment, spares and raw materials resulting in over-priced outputs. The capital goods are also to be imported against grant/tied loan which could perhaps be made within the country. This makes some of the engineering industries sick due to low capacity utilisation.

(2) Physical and institutional infra-structure: The lack of an adequate number of competent firms having modern construction equipment is also affecting execution of projects on schedule. Power failure, lack of efficient telecommunication services, road, rail and water transportation facilities also impede the efficiency of project and enterprise management.

(3) Labour union behaviour: Unhindered and smooth flow of productive activities presuppose healthy labour-management relationship. But due to indiscipline of the workers coupled with political orientation of the union leaders, labour-management relationship has become unhealthy in some of the units of corporations. Healthy trade unionism has not developed and the role of the union has not been clearly defined. The union leaders at the plant level lack proper education and leadership quality as well and are not adequately aware of the various provisions of labour laws. Union leaders are guided by political motives and enterprise management must deal with competing labour unions linked with conflicting parties adversely affecting productivity and profitability. Consensus can not be promoted due to rivalry among unions. The situation may be improved if adequacy of the labour laws and Industrial Relations Ordinance are updated periodically.

Unless the Government and the political parties consciously support the managers in their efforts in resisting the illegal demands, the unhappy situation will not improve. The labour unrest of 1970's in the United Kingdom and the subsequent wage freeze followed by a period of stable industrial

relations of 1980's may offer an excellent opportunity for case studies to the researchers of Bangladesh.

(4) Response to technology transfer: Technology shall not flow on its own from abroad. Offers received by BSEC for progressive manufacture of truck and bus chassis indicate that even in the fifth year of progressive manufacture, the enterprises are supposed to manufacture something like nuts, bolts, brackets and housings. BSEC, BCIC, BSFIC and BITAC under the auspices of the Ministry of Industry should be able to achieve a breakthrough in the in-house development of technology. Attention of the highest authority in the existing environment of Bangladesh is, however, a must for such an effort to be successful.

(5) Counterpart support to donor's experts: There is a need for the services of expatriate consultants for the purpose of in-house technology development and for adoption and adaptation of new technology. But where there is a lack of appropriate counter-part support at the enterprise level, efforts of expatriate consultants have not been successful.

#### 4.3 Summary of Key Constraints:

##### Policy making factors

- (1) Ineffective participation by sector corporations, employers' organisations, expert members, chambers of commerce and industries and beneficiaries sometimes leads to unsound policy decisions.
- (2) Lack of consideration of environmental and project design factors in policy formulation processes.
- (3) Lack of appropriate intervention strategy in policy decision and for taking corrective measures during implementation.
- (4) Lack of clearly defined definition of the project goal and objectives which cut across sectors.
- (5) Absence of critical examination of feasibility study with reference to the source, reliability and interpretation of data.
- (6) Lack of business-like and professional approach in policy formulation.

##### Policy implementation factors

- (7) Non-implementation of government policy directives in time.
- (8) Absence of training of the core officials in contracting procedure, implementation scheduling and rescheduling; dearth of strong project implementation team, lack of continuity and incentives for project officials.
- (9) Lack of appropriate direction by the ministries in the implementation of the projects.
- (10) Inability to order priorities of implementation of different components of the projects.
- (11) Lack of political will and unwillingness of the concerned corporation to hand over the completed projects to the beneficiaries' cooperatives/ local self governments in the agricultural sector.

### Organisational factors

- (12) Absence of effective enforcement of accountability by the administrative ministry.
- (13) Lack of functional capacity in the concerned ministries for industrial and project management.
- (14) Lack of management supervision practices, operational discipline and flexibility, effective enforcement of accountability and sound decision making at corporate level.
- (15) Enterprise Boards are not as effective as they should be.
- (16) Enterprises which are not limited companies do not generally have Management Boards and are therefore deprived of the opportunities for sound decision making.
- (17) In the absence of enforcement of provisions for liquidation provided for in the Companies Act 1913 now under revision, the chronically sick enterprises can manage to continue their operations to the detriment of country's interest.
- (18) Non-existence of a metal processing R&D centre manned by best available local and expatriate talents and equipped with modern physical facilities is hindering a break-through in the engineering industry which is a must for rapid industrialisation of the country.

### Administrative and financial factors

- (19) Decision making processes are cumbersome and time consuming.
- (20) Existing financial approval limit of Tk. 50 million for corporations and Tk. 150 million for the ministry is working as an impeding force against higher operational efficiency of enterprises.
- (21) Lack of effective delegation of power to project heads and heads of the divisions at the corporation head office causes delay in the decision making and consequent time and cost over-runs in project implementation.
- (22) Lack of effective delegation of power to all levels of officers at the ministry delay decision making.

### Staffing and training factors

- (23) Lack of career planning in the corporations and the ministries is acting as a hindrance against human resource development and consequently modern executive management development is being hampered.
- (24) Ministries and corporations lack well trained executives and professionals of required number at all levels and functional areas.
- (25) Frequent transfer and posting of personnel of ministries and corporations to unrelated functional positions are hindering expertise development, technology transfer, adoption and adaptation.
- (26) Low morale of frustrated executives at the ministries, corporations, the enterprises and the projects.
- (27) Lack of appropriate use of institutional training facilities and expert services.

### Accountability and environmental factors

- (28) Lack of appreciation and consciousness on the part of the board and its members of their responsibilities due to ineffective enforcement of accountability by the ministries and corporations.

- (29) Existing procedural audits are counter-productive. On the other hand there is a lack of appropriate system of examining the key areas of Statutory Audit Reports (Financial: accounting and propriety of transactions) by the boards of directors of corporations. Lack of economic, management and operations audits reflecting ineffective governance of the corporations' boards in respect of supervision of executive management and accountability.
- (30) Undue pressure exerted on the management of the corporations and their enterprises by the labour unions/political party wings and inability of the corporations to withstand such power for lack of political support.
- (31) Unfair criticism based on incorrect information has a demoralising effect even on the morale of the dedicated and efficient officers of the public enterprises.
- (32) Absence of work ethics and apathy towards accountability as well as ineffective mechanism for enforcement of accountability at different levels of the ministries, corporations and enterprises.



## CHAPTER 5

### RECOMMENDATIONS

#### 5.1 Introduction:

The Ordinances creating TCB, EPB, BADC and BWDB clearly spelled out the goals and purposes of these corporations. But P.O.27 of 1972 nationalising the abandoned industries as well as jute, textile and sugar industries, and vesting these and erstwhile BADC projects and enterprises with newly established eleven sector corporations though clearly mentioned top management functions of these corporations in the manufacturing sector, it did not define the objectives of enterprises and projects. The Nationalisation Order also provided for the operational autonomy of the corporations and their accountability as well; but initially they came across some difficulties as mentioned earlier. The government subsequently took some steps to make the public corporations effective and initiated a series of policy measures since 1976.

The Working Group on Relationship between Ministries and Corporations studied the gradual evolution of the functional relationship between the ministries and the corporations, identified forces inhibiting the effectiveness of the public corporations and their enterprises. The recommendations of the group with reference to the objectives, as spelled out in the TOR, appear in the following paragraphs.

#### 5.2 The Recommendations

##### A. Higher Standards in Administrative Performance

##### (1) Implementation of the following policy issues and adherence to the government directives:

- "Guidelines on the Relationship between Government and Autonomous Bodies/Corporations and the Autonomous Bodies/ Corporations and Enterprises under Them"-Cabinet Division-1976.
- Resolution, 1983, containing the policy directives vide Cabinet Division Notification no. 4.5.82/285 - Committee published in the Bangladesh Gazette on 24 July of 1983, concerning operational autonomy of the corporations and transfer of shares of the enterprises to the respective corporations.
- Presidents' Order no. Rasha/Ma Pa (AB) - 2/87 - 17 dt. 16.03.87 reiterating the governments' directives to implement the guidelines 1976 and the resolution, 1983.
- Ordinance No. VII of 1987 dt. 7.5.87 enabling the government to transfer its shares in the nationalised enterprise to the corporations.
- Order no. Shi/Bi:Ha-5/Sha: Bi-3/87/138/4 dated 9-7-88 of the Ministry of Industry advising issue of 51% shares directly to the BCIC, BSEC and BSFIC consequent upon the decision for

converting these corporations into holding companies.

(2) Organisational reforms

- Conversion of corporations of manufacturing sector into holding corporations in the light of Resolution, 1983, should create a sound basis for bringing about financial discipline and enforcement of accountability. The structure of ENI of Italy and Coal India Ltd., the two state holding corporations in the industries sector and STC of India Ltd. in the trading sector may be examined and modified to suit the Bangladesh environment. Steel Authority of India Ltd. (SAIL), a hybrid of taken-over subsidiary companies of private sector and enterprises of public sector functioning as the divisions of the corporation may also offer a valuable case study of conflicts amongst the various interest groups.
- The principle of hire and fire should be introduced in public enterprises as mentioned under sections of Policy Analysis and Procedure for Staffing.

(3) Enforcement of accountability

(a) Assuming the responsibility of enforcement of accountability by the boards:

(i) An audit sub-committee of the board headed by the finance director should be formed for the purpose of study and presentation of (a) the salient points of the audited accounts and (b) key observations in the statutory audit reports and also to check as to whether the auditors have performed their duties and functions diligently maintaining their integrity. Detailed discussions must be held at the board before adoption of the audited accounts.

(ii) The chairmen and the directors may undertake visits to the enterprises and projects for the purpose of evaluation of their performances. The key areas to be examined are planned capacity utilisation, productivity, down-time analysis and usage ratios etc. of the enterprises and progress of implementation of various activities of the projects. In addition, they may also check the selected financial ratios. The objectives are to identify the problem areas and forewarning of a corporate sickness and to prescribe corrective measures.

(b) Introduction of an effective management information system: The existing Management Information System (MIS) of the corporations should be modified to meet the requirements of SABRE and an effective system of accountability established. Senior staff members, Heads of Divisions and Chief Executives of the enterprises should be periodically invited by the corporate management for making regular presentation of reports concerning

enterprise productivity, achievements, profitability, problem areas etc. in order to see whether there are weaknesses in the structured information flow.

- (c) Motivation of executives: In connection with enforcement of accountability leading to higher level of efficiency and effectiveness in enterprise and project management, an appropriate motivational mix of recognition and appreciation, power and authority, promotion prospect, operational autonomy and security<sup>[23]</sup> for the corporation, enterprise and project executives should be worked out and introduced.

## B. Policy Analysis

### (1) Current Policy Issues

- Effective participation of the Chief Executives of the corporations and the enterprises in the process of policy making at the corporation and ministry-level.
- Chronically sick and potentially uneconomic units may be gradually disposed of.
- The potentially economic industries in the engineering, paper and chemical sectors incurring loss may be isolated, problems and constraints examined and a policy decision about their future be worked out jointly by the ministries and the corporations.
- The Ministry of Agriculture may issue directives to BADC for intensifying its activities in the current priority areas and in accordance with the latest governmental policy directives.
- Sugar cane policy may be included in the Agricultural Policy of the Government. R&D work may be intensified for increasing per acre yield, sucrose content, and recovery of sugar from sugar canes in the BSFIC mills.
- A policy decision may be taken by the government for R&D activities in metal processing in order to achieve a break-through in the Engineering Industries.
- The Ministry of Irrigation, Water Development and Flood Control may examine the issue of handing over of the completed projects of BWDB to the beneficiaries' cooperatives and local self governments.
- A policy decision may be taken for incorporation of a reward and penalty clause and a provision for maximum autonomy of the enterprises in the performance contracts with a view to improving their operational results.<sup>[24]</sup>

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23. M. Habibullah, Motivation Mix, Dhaka: Bureau of Economic Research, University of Dhaka, 1974.

24. World Bank: " Aide Memoire (Second Industrial Sector Credit, Preparation Mission)", May 29, 1989, P.11.

(2) Needed legislative actions for amendments:

- Effectiveness of enforcement of liquidation of both private and public sector sick industries as provided for in the Companies Act 1913 now under revision should be examined.
- The Industrial Relations Ordinances and other relevant laws need to check undesirable labour union practices.
- The relevant service regulations of corporate bodies may provide for introducing a system of hire and fire for encouraging good performance.
- Ordinances of BADC, BWDB, TCB and EPB may be amended for inclusion of provisions for delegation of power by the boards to the respective chief executives and by the chief executives to any director or officer of the corporations.

C. Implementation of Policy

(1) Administrative, financial, material and contract management:

- Government shares in the enterprises should be transferred to the respective corporations as per policy decision and subsequent directives issued by the Government.
- The holding corporations or companies should ensure payment of dividends to the government on its equity shares as per appropriation of surpluses generated by the subsidiaries.
- Corporations should not operate the bank accounts of the subsidiaries.
- Pricing policy should be left with the board of directors and if any reductions on sensitive items are needed, the government should compensate. Approval of the ministry will be needed in the case of fixation of price of sensitive items.
- Government may render active support for realisation of the objectives under sugar cane policy in the agricultural sector so that BSFIC does not suffer for want of sugar canes.
- Corporations should thoroughly examine several forms of contracts, such as (a) cost reimbursible, (b) turnkey, (c) semi-turnkey, (d) engineering and know-how, (e) duplicate, as adopted by UNDIO after holding several expert group and inter-governmental meetings, and adopt anyone of these forms or a combination that is considered to be the most suitable for a particular project.

(2) Implementation of policy issues concerning improvement of public sector operation through performance contract:

- Number of enterprises covered by the performance contract containing defined responsibilities of each party and predetermined performance and evaluation criteria, should be

gradually increased. This is being practiced in some developed and developing countries<sup>[25]</sup> with success. Such a system will not only act as an instrument for improving the performance through the process of management by objectives and participation but also establish a channel of a two-way communication and a harmonious relationship between the ministry and the corporation.

### (3) Research and development

#### (i) Technology Development

- The government may establish a metal processing R&D centre with well defined objectives in order to achieve a much-needed break-through in the engineering industry sector. If so desired, the centre may be located at BMTF for the purpose of utilisation of some of its facilities on payment.
- All-out support of the Ministry of Agriculture may be rendered to the existing sugar cane research centre for intensifying its efforts for achieving the objectives.
- It is necessary to utilize expatriate experts' services for the purpose of adoption and adaptation and in-house development of old and new technology. Care must, however, be taken that before the commencement of utilization of expert services, concerned corporations and their enterprises are properly tuned to guide, assist and support the experts of the donor countries.

#### (ii) Research on market development

- Commerce Ministry's support is called for establishing stronger contacts and connections of EPB and TCB with ICDT, SAARC, UNCTAD, EEC, ASEAN and other regional organisations in Africa, North and South America, Australia and COMECON countries.

### D. Delegation of Authority

#### (1) Full operational authority of corporations:

- Once the budget is approved and the target is fixed, the corporations should have the full operational authority including the authority for creation of posts, appointment and promotion, in-country and foreign training, determining the motivational mix, mobilisation of resources, pricing, internal marketing and exports, and sending delegations abroad for marketing of products or shopping imports.
- There should not be any financial limit for the corporations in connection with award of purchase or construction contracts as per Guidelines 1976 and Resolutions, 1983.

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25. Victor Powell, Improving Public Enterprise Performance, New Delhi: Oxford & IBH Publishing Co. Pvt. Ltd., 1987, PP. 69-71.

- The decision making process should be simplified, decentralised and continuously reviewed and collective decision making process should be fostered.

#### E. Procedure for Staffing

##### (1) Career planning and Recruitment:

- Career planning should be introduced for officers working in the ministries, public sector corporations, projects and enterprises.
- Appointments shall be made on the principle of hire and fire.
- Appointments and promotion should be made on the basis of merit on clear assessment of performance related career advancement principle.

##### (2) Training:

- A minimum input of training should be considered as an important pre-condition for promotion of an officer at different stages of his career.
- Training of officers of all levels, whether in-house, in-country or overseas, should be carried out in a planned manner keeping in view the career opportunities of officers.
- Personnel of project implementation and monitoring teams at projects, corporations and concerned ministries, should be imparted theoretical as well as practical training in contracting procedures, computer based scheduling of project activities. Efforts should be made to retain the members of a core project implementation team throughout the life of a project by offering appropriate incentives.
- Short refresher courses/workshops and seminars should be conducted for the corporate board members in order to make them appreciate the corporate duties and responsibilities; the necessity of the boards' effectiveness, appropriate agenda items and quality of decisions; enforcement of accountability through conducting the management, economic and operations audits of the enterprises; identification of strengths and weaknesses of the enterprises; corporate planning, etc. Journals and periodicals on the corporate and enterprise managements in public and private sectors and on latest technology may also be subscribed by the ministries and the corporations.

##### (3) Continuity and professionalism:

- The continuity of personnel in the same or similar functional areas even though in different enterprises, should be maintained in order to utilise their expensive training and to build up expertise leading to reduction in dependence on expatriate experts.

- Concerned ministries should draw on the experiences of competent professionals having field exposures of projects, enterprise and corporate management.

(4) Pay structure, performance incentives and status:

- There should be provisions for lateral entry at senior levels and the corporations should liberally offer contracts with appropriate salary and attractive terms and conditions of service to qualified and able persons so that persons having requisite expertise, experience and qualification are encouraged to join the public sector as per recommendations of Resolution, 1983.
- Performance criteria must be fixed and evaluation procedure must be known to all concerned officers responsible for management of corporations and enterprises.
- A policy of reward for excellent performers and punishment for non-performers should be introduced and strictly adhered to.

F. Development and Improvement of Training Facilities: Modern methodology of need-based curriculum design and implementation inclusive of preparation of lesson plans with defined objectives, feed-back and evaluation should be introduced in every training institution equipped with audio-visual aids; corporations-training institutions collaborative efforts be intensified; appropriate motivational mix worked out, to attract, for training assignment, the administrators, managers, and executives known and respected for their competence and integrity. Training policy package should include training of the trainers at home and abroad. Certificate/Post Graduate Diploma Courses on latest technology, advanced management and export marketing may be offered by training and teaching institutions.

## CHAPTER 6

### ACTION PLAN FOR IMPLEMENTATION OF RECOMMENDATIONS

#### 6.1 Basic considerations:

a. Implementation plans: The implementation of the key recommendations of the Working Group has been presented in the form of action plans which are as follows:

Short term implementation plan: The short-term action plan spans an implementation period of 1 - 2 years. This phase relates to making of immediate conscious efforts for strict implementation of/adherence to, in letter and spirit, (i) all those policy issues/government directives which do not require any legislative actions and (ii) implementation of all those policy issues/government directives which have to be preceded by initiation of proposals for legislative changes. The initiations and follow-up actions have to be taken obviously by concerned ministries. No major financial expenditure is involved.

Long term implementation plan: This phase involves the implementation of the key recommendations relating to (i) the development of institutional facilities in the field of R&D and (ii) formulation of training programmes which will involve outside financial resources and a time frame of more than 2 years.

b. Authorities and agencies involved in implementation: Administrative ministries such as Ministry of Industry (MOI), Ministry of Agriculture (MOA), Ministry of Commerce (MOC), Ministry of Irrigation, Water Development and Flood Control (MOIFC), Ministry of Establishment (MOE), Ministry of Law (MOL) and Ministry of Finance (MOF) and the concerned corporations such as BCIC, BSEC, BSFIC, BADC, BWDB, TCB.

c. Cost involvement and mode of financing: Preparation of cost estimates for the establishment of a R&D centre needs further detailed study by a group of consultants. But a start must be immediately made to organise the proposed R&D centre with the existing facilities and manpower. There must be provisions for the intake of best available talents from home and abroad to start the work on adoption, adaptation and development of in-house technology, say, for manufacture of automobile components within the country since the effective transfer of know-how in this field is extremely difficult. This is also a very significant step towards achieving a much-needed break-through in engineering industries.

Similarly preparation of an appropriate training plan in line with the recommendations made in this report and a cost estimate will require a thorough study preceded by an assessment of training needs of the seven corporations by a group of experts.



6.2 The implementation plan drawn with reference to the recommendations presented in the executive summary, authorities for initiation and implementation, and source of financing have been presented in the following table:

### Implementation Plan

Objective	Reference Executive Summary	Authorities for initiation	Authorities for implementation	Source of financing	Cost involved
<b>Short term</b>					
1. Implementation of existing government policy directives such as Guidelines, 1976 and Resolution, 1983.	A.1.(a) A.1.(b)	MOC MOI	MOE MOI	Self-financed	-
2. Conversion of BCIC, BSEC and BSFIC into holding companies.	A.2.(a)	MOC MOI	MOC MOI	Self-financed	-
3. Adoption of a policy decision on R&D activities for achieving a breakthrough in Engineering Industries.	B.1.(f)	MOI	MOI	Self-financed	-
4. Implementation of Ministry of Industry order no. Shi/Bi: Ha-5/Sha: B1-3/87/138/4 dt 9-7-88 providing for the transfer of 51% shares of divested enterprises and 100% shares of other enterprises to respective corporations.	C.1.(a)	MOI	MOI	Self-financed	-
5. Phased implementation of performance contract system in the enterprises of corporations.	C.2	MOI	MOI BCIC BSEC BSFIC	Self-financed	-
6. Delegation of full operational authority to corporations within approved budget to facilitate decision making.	D.1	MOI	MOI CPC	Self-financed	-

7. Continuity of personnel in the same or similar functional areas for expertise development within the policy framework of corporate bodies.	E.3.(a)	MOA MOC MOE MOI MOIFC	MOI CPC	Self-financed	-
8. Fixation of performance criteria and introduction of a system of reward and penalty for excellent performers and non-performers respectively in public corporations.	E.4.(b)	MOI	MOI CPC	Self-financed	-
9. Amendment of charters of BADC, BWDB, TCB and EPB for inclusion of provisions for delegation of power by the boards to the respective chairmen and by the chairmen to any director or officer of the corporations.	B.2.(d)	MOC MOIFC	MOC MOIFC MOL	Self-financed	-

Long term

10. Establishment of a R&D centre for boosting up adoption, adaptation and in-house development of technology.	C.3.(i)(a)	MOI	MOI	Through formulation of TAPP	Project cost to be worked out after detailed study
11. Reform of training programmes: Introduction of need based	E.2.(a) E.2.(b)	MOA MOC MOI MOIFC	MOA MOC MOI MOIFC & all concerned corporations	-do-	-do-
a. Foundation training					
b. Functional training					
c. In-service training					
d. Mid-level intensive training.					
e. Short refresher courses					

## ANNEXURES

## ANNEXURE-I

### THE WORKING GROUP

The Working Group on the Relationship between Ministries and Public Corporations was composed of the following members:

1. Dr. A.M.M. Shawkat Ali, - Chairman  
Managing Director, Bangladesh  
Krishi Bank, Now Joint Secretary,  
Ministry of Agriculture.
2. Dr. Harun-ar-Rashid, - Member  
Joint Secretary,  
External Resource Division,  
Planning Commission.
3. Mr. Abdul Jalil Khan, - Member  
Jt. Secretary,  
Ministry of Commerce.
4. Mr. Idris Ali, - Member  
Deputy Secretary (Dev.),  
Ministry of Establishment.

The Working Group was assisted by the following staff members:

- |                   |  |
|-------------------|--|
| Senior Consultant | - Dr. Rafiquddin Ahmad   |
| Local Consultants | - Mr. K.A.M. Kamaluddin<br>Mr. Zahirul Huq                                     |
| Research Staff    | - Dr. M.A. Malek<br>Mr. Golam Mohiuddin<br>Dr. Mahbub-ul-Haque<br>Mr. A.S. Roy |
| Secretary         | - Mr. Golam Kabir  |

## ANNEXURE— I I

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## ANNEXURE— I I I

### INDIVIDUALS INTERVIEWED

#### The People's Republic o Bangladesh

- Barrister Moudud Ahmed - Vice-President, in charge of  
Ministry of Industry
- Maj. Gen. (Retd.) M.A. Munim - Minister for Agriculture  
PSC
- Mr. Abdus Sattar - Minister for Commerce

#### Ministry of Agriculture

- Mr. M. A. Sayed - Secretary

#### Ministry of Establishment

- Mr. Khondokar Mahbub Rabbani - Secretary  
Mr. Mohammad Ali - Additional Secretary  
Dr. Shah Mohammad Farid - Joint Secretary

#### Ministry of Finance

- Mr. M.K. Anwar - Secretary

#### Ministry of Industry

- Mr. A.K.M. Mosharraf Hossain - Secretary

#### Ministry of Planning

- Mr. Kazi Fazlur Rahman - Member, Planning Commission  
Dr. Sheikh Maqsd Ali - Member, Planning Commission  
Dr. Harun-ar-Rashid - Joint Secretary, External Resources  
Division

#### Ministry of Works

- Mr. Ayubur Rahman Chowdhury - Secretary

#### Bangladesh Agriculture Development Corporation

- Mr. M.A. Malik - Chairman  
Mr. Azad Ruhul Amin - Member Director

Mr. Abul Hasem	- Member Director (Seed)
Dr. Azharul Hoque	- Member Director (Irrigation)
Mr. M.A. G. Kabir	- Member Director
Mr. M.A. Wadud	- Member Director (Finance)

#### Bangladesh Chemical Industries Corporation

Mr. Mohammad Toha	- Chairman
Mr. Giasuddin Ahmed	- Director (Technical and Engineering)
Mr. Muzaffar Ahmed	- Director (Finance)
Mr. M.M. Eunus	- Director (Commercial)
Mr. A. Momin	- Director (Planning)
Mr. S.I. Shahjahan	- Director (Production)
Mr. K.M. Hussain	- Secretary
Mr. E. R. Chowdhury	- Executive Director (Fertilizer & Paper Industries Rehabilitation Project)
Mr. M. Badiuzzaman	- Senior General Manager (Research & Productivity Division)
Dr. Syed Yusuf Farooq	- Senior General Manager (Planning)
Mr. A. Gafoor	- Senior General Manager (Maintenance & Technical Service Division)
Mr. Kamal Rabiul Huq	- Senior General Manager (Implementation)
Mr. Zahirul Huq	- Chief Engineer (Planning)
Mr. Rafiquddin Ahmed	- Controller of Accounts
Mr. A. Latif	- General Manager (Purchase)
Mr. K.M. Rahmatul Islam Abu Wahed	- Chief Manager (Production)

#### Bangladesh Steel and Engineering Corporation

Mr. Md. Nefaur Rahman	- Chairman
Mr. Md. Waseq Al-Azad	- Director (Commercial)
Mr. A. M. Syed Hamed	- Director (Production & Engineering)
Mr. Uttam Ali Mia	- Director (Finance)
Mr. Mahfuzur Rahman	- Director (Planning & Development)
Mr. S. Hyder	- Secretary
Mr. Narun Nabi Chowdhury	- General Manager (Engineering-II)
Mr. Mir Nazrul Islam	- General Manager (Engineering-III)
Mr. K.A.M. Kamaluddin	- General Manager (Engineering-I)
Mr. Sabiq Khan	- General Manager (Steel)
Mr. S.A. Sikder	- General Manager (Research and Development)
Mr. A.F.M. S. Zaman	- Chief Personnel Officer
Mr. Enayet Hussain	- General Manager (Ship Building)
Mr. Hedayet Hussain	- General Manager (Marketing)
Mr. B.A. Khan	- General Manager (Management Information System)
Dr. Khairuzzaman	- General Manager (Planning)
Mr. Meftahur Rahman	- General Manager (Purchase)
Mr. Eric Gonsalves	- Additional Chief Accounts Officer
Mr. N. I. Khan	- Additional Chief Auditor
Mr. Nurun Nabi	- Chief Engineer (Construction)
Mr. S.H. Khondkar	- Managing Director Atlas (Bangladesh) Ltd.

- |                         |   |
|-------------------------|---|
| Mr. M.A. Matin          | - Managing Director<br>Eastern Tubes Ltd.                     |
| Mr. S.M. Mahboob        | - Senior General Manager<br>Bangladesh Diesel Plant           |
| Mr. Md. Khalilur Rahman | - Managing Director<br>Bangladesh Machine Tools Factory       |
| Mr. Khan Mominul Islam  | - Managing Director<br>Mehtar Industries<br>(Bangladesh) Ltd. |

Bangladesh Sugar and Food Industry Corporation

- |                           |   |
|---------------------------|---|
| Mr. Hedayet Hussain       | - Chairman                                  |
| Mr. Muazzem Hossain       | - Director (Finance)                        |
| Mr. S. M. Nuruzzaman      | - Director (Production)                     |
| Mr. M. Syeduzzaman        | - Director (Marketing)                      |
| Dr. N.M. Sheikh           | - Director (Planning and Development)       |
| Mr. M. Shawkat Ali        | - Secretary                                 |
| MR. Taher Ahmed           | - Chief (Cane Procurement Support Services) |
| Mr. A.F.M. Asafzah        | - Chief (Oil & Food)                        |
| Mr. A. Karim Chowdhury    | - Chief (Agricultural Engineering)          |
| Mr. M.A. Jabbar           | - Chief (Expansion)                         |
| Mr. Moazzem Hossain Khan  | - Chief (Purchase)                          |
| Mr. M.A. Quddus           | - Chief (Inspection)                        |
| Mr. Syed Harun-ur-Rashid  | - Chief (Management Development)            |
| Mr. Masood Alam Siddiquee | - Chief (Management Information System)     |
| Mr. Mohd. Hossain         | - Controller of Accounts                    |

Bangladesh Water Development Board

- |                        |                                    |
|------------------------|------------------------------------|
| Mr. Amjad Hossain Khan | - Chairman                         |
| Mr. S.M. Zakiul Alam   | - Member (Operation & Maintenance) |
| Mr. M. Nurul Huda      | - Member (Implementation)          |
| Mr. Belayet Hussain    | - Member (Finance)                 |
| Mr. Shamsur Rahman     | - Member (Planning)                |

Export Promotion Bureau

- |                      |                    |
|----------------------|--------------------|
| Mr. Mushfiqur Rahman | - Vice-chairman    |
| Mr. Akmal Hossain    | - Director General |

Trading Corporation of Bangladesh

- |                              |            |
|------------------------------|------------|
| Brig. (Retd.) Habibur Rahman | - Chairman |
|------------------------------|------------|

Past Chairmen of Corporations

Mr. Delwar Hossain - Former Chairman,  
BSFIC

Office of the Comptroller and Auditor General

Mr. Golam Kibria - Comptroller & Auditor General

Public Administration Training Centre

Mr. A. M. Anisuzzaman - Former Rector  
Dr. Ekramul Ahsan - Member Directing Staff

Board of Investment

Mr. Mahmudul Huq - Member

Consultative Committee of Public Enterprises (CONCOPE)

Mr. Md. Nefaur Rahman - Chairman  
Mr. Enamul Haque Chowdhury - Secretary General

USAID

Mrs. Priscilla Boughton - Director  
Dr. Malcom Purvis - Deputy Director  
Mrs. Colellete Chabott - Former Assistant Programme Officer  
S.A. Al - Muti - Project Manager

The World Bank

Francis Van Gigch - Resident Representative  
Syed Nizamuddin - Programme Officer

## ANNEXURE-IV

### LIST OF PUBLIC CORPORATIONS

#### I. Industrial Sector

1. Bangladesh Chemical Industries Corporation
2. Bangladesh Steel and Engineering Corporation
3. Bangladesh Sugar and Food Industries Corporation
4. Bangladesh Small and Cottage Industries Corporation
5. Bangladesh Textile Mills Corporation
6. Bangladesh Handloom Board
7. Bangladesh Sericulture Board
8. Bangladesh Jute Mills Corporation
9. Bangladesh Export Processing Zones Authority
10. Bangladesh Film Development Corporation
11. Bangladesh Forest Industries Development Corporation
12. Bangladesh Mukti Joddha Kalyan Trust
13. Bangladesh Cables Shilpa Ltd.
14. Sena Kalyan Sangstha
15. Telephone Shilpa Sangstha Ltd.

#### II. Financial & Insurance Sector

16. Sonali Bank
17. Janata Bank
18. Agrani Bank
19. Rupali Bank
20. Bangladesh Krishi Bank
21. Bangladesh Shilpa Bank
22. Bangladesh Shilpa Rin Sangstha
23. Investment Corporation of Bangladesh
24. Bangladesh House Building Finance Corporation
25. Sadharan Bima Corporation
26. Jiban Bima Corporation
27. Rajshahi Krishi Unnayan Bank

#### III. Transport & Tourism

28. Bangladesh Inland Water Transport Corporation
29. Bangladesh Inland Water Transport Authority
30. Bangladesh Shipping Corporation
31. Bangladesh Road Transport Corporation
32. Bangladesh Biman Corporation
33. Bangladesh Parjatan Corporation
34. Chittagong Port Authority
35. Port of Chalna Authority
36. Civil Aviation Authority

#### IV. Agricultural & Water Resources Sector

37. Bangladesh Water Development Board
38. Bangladesh Agricultural Development Authority
39. Bangladesh Fisheries Development Corporation
40. Bangladesh Tea Board
41. Bangladesh Jute Corporation
42. Dhaka Water Supply and Sewerage Authority
43. Chittagong Water Supply and Sewerage Authority

#### V. Energy Sector

44. Bangladesh Oil, Gas and Mineral Corporation
45. Bangladesh Petroleum Corporation
46. Bangladesh Power Development Board
47. Rural Electrification Board

#### VI. Area Development and Spatial Planning

48. Dhaka Improvement Trust
49. Chittagong Development Authority
50. Khulna Development Authority
51. Rajshahi Town Development Authority

#### VII. Trade and Commerce Sector

52. Trading Corporation of Bangladesh
53. Bangladesh Consumers Supply Co. Ltd.
54. Export Promotion Bureau

#### VIII. Science & Technology Sector

55. Bangladesh Atomic Energy Commission
56. Bangladesh Council of Scientific and Industrial Research
57. Bangladesh Industrial & Technical Assistance Centre
58. Bangladesh Standard & Testing Institution
59. Islamic Foundation



## ANNEXURE-V

### LIST OF SECTOR CORPORATIONS ESTABLISHED UNDER P.O. 27 OF 1972\*

1. Bangladesh Jute Industries Corporation\*\*
2. Bangladesh Cotton Mills Corporation\*\*
3. Bangladesh Sugar Mills Corporation
4. Bangladesh Food and Allied Industries Corporation
5. Bangladesh Steel Mills Corporation
6. Bangladesh Engineering and Shipbuilding Corporation
7. Bangladesh Paper and Board Corporation
8. Bangladesh Fertiliser, Chemical and Pharmaceutical Corporation
9. Bangladesh Tanneries Corporation
10. Bangladesh Minerals, Oil and Gas Corporation\*\*\*
11. Bangladesh Forest Product Corporation\*\*

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As per amendment of P.O. 27 in 1976, sl.3 and 4 were merged to form BSFIC; sl.5 and 6 were merged to form BSEC and sl.7, 8 and 9 were merged to form BCIC.

\*\* Later, amended as Bangladesh Jute Mills Corporation, Bangladesh Textile Mills Corporation, Bangladesh Forest Industries Development Corporation.

\*\*\* Subsequently converted into Bangladesh Oil and Gas Development Corporation and Bangladesh Mineral Exploration and Development Corporation. Later, these two corporations were merged to form Bangladesh Oil, Gas and Mineral Resources Corporation.