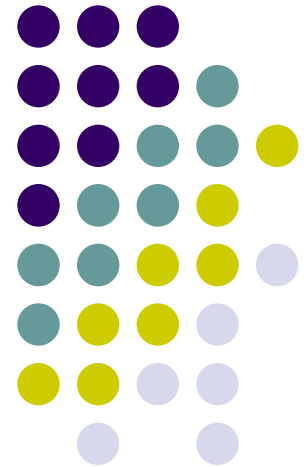


Corporate Governance for Bangladesh State-owned Enterprises: towards best- practices

A. B. M. Khorshed Alam
Additional Secretary,
Ministry of Industries
Government of Bangladesh





Categories of State Owned Enterprises

- **100% government-owned**
- **Government of Bangladesh owns 51%**
- **Government of Bangladesh owns a minority stake**

SOEs of Bangladesh



Sectors

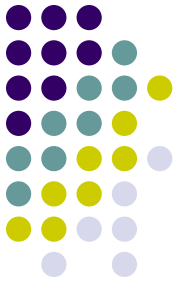
- **Industry**
- **Power, gas and water**
- **Transport and communication**
- **Trade**
- **Agriculture**
- **Construction**
- **Services (Including Financial Institutions)**



Regulatory and Legal Coverage

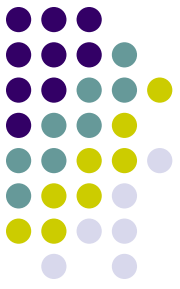
- **Relevant Statutory Acts Rules/Regulations for State-Owned Sector Corporation**
- **General Government Orders/Instructions**
- **Company's Act 1994**
- **Bangladesh Bank Order 1972**
- **Bank Companies Act 1991**
- **Financial Institutions Act 1993**
- **Securities and Exchange Commission Act 1993**
- **Bankruptcy Act 1997**

Types of Directors

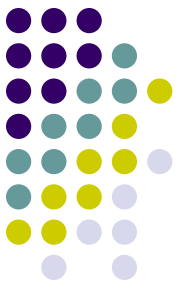


- **Ex officio Directors**
- **Independent Directors**
- **Shareholder Directors**

Why is CG so important in SOE



- **Ensuring equal treatment on state owned and private enterprise;**
- **Assigning roles and responsibilities for shareholders, government, boards and management;**
- **Improving profit and growth in SOE;**
- **Imposing the rein of realistic targeting and budgeting;**
- **Installation of procurement and internal financial-control guidelines;**
- **Transparent and up-to-date upward flow of operational information;**
- **Diligent and objective monitoring;**
- **Timely availability of critically-important management information;**



Constraints to CG in Bangladesh's SOEs

- **Many of SOEs are in supply of essential products**
- **Fertilizer, Cotton Yarn, Petroleum, Jute Yarn, Sugar, Cable, Paper etc.**
- **Given their importance to the common man's budget, government has very limited ability to raise prices based on market prices**
- **This is a structural constraint**
- **This will take time to be mitigated**

What has Bangladesh done for CG for its SOEs?



- **Increased emphasis upon the appointment of independent directors in quite a number of SOEs, both financial and non-financial.**
- **Government has undertaken projects that are tasked to upgrade the capacity and comprehension of the financing accounting, audit and reporting system to enable currency, visibility, and accountability of public financial management.**
- **Greater emphasis laid upon corporate governance as the cornerstone of the institutional framework.**
- **Greater reliance on Web technologies as a platform for disseminating current information.**
- **Considerable up-gradation of the use of management information systems.**
- **Phased implementation of Medium Term Budget Framework**



Imperatives for policy reforms in the area of SOEs Corporate Governance

- **Strengthening of the composition and mandate of the Boards as the main tool for communication between the government and the SOEs;**
- **Devolving greater responsibilities to the Boards;**
- **Allocating more resources to the training of current directors;**
- **Listing of some of the solvent SOEs on the stock markets in an effort to augment the availability of independent directors;**
- **Strengthening the currency and quality of financial audits and book-keeping;**
- **Empowering the regulator;**
- **Strengthening the government's monitoring and oversight through setting up of proper performance assessment systems;**
- **Better exchange of performance data between the SOEs and the ownership entities.**