

ASIAN DEVELOPMENT BANK

TAR: SAM 32229

TECHNICAL ASSISTANCE

TO

THE INDEPENDENT STATE OF SAMOA

FOR THE

IMPLEMENTATION OF STATE-OWNED ENTERPRISE REFORMS

November 2001

CURRENCY EQUIVALENTS

(as of 05 November 2001)

Currency Unit	–	Samoa Tala (ST)
ST1.00	=	\$0.282
\$1.00	=	ST3.546

ABBREVIATIONS

ADB	–	Asian Development Bank
GDP	–	gross domestic product
SOE	–	state-owned enterprise
SOEMD	–	State-Owned Enterprise Monitoring Division
TA	–	technical assistance
TD	–	Treasury Department

NOTES

- (i) The fiscal year (FY) of the Government of Samoa and its agencies ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2000 ends on 30 June 2000.
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. The Government of Samoa requested Asian Development Bank (ADB) support for its ongoing public sector reforms, specifically to help reduce involvement in commercial-type activities and implement new legislation to enhance performance and governance of state-owned enterprises (SOEs).¹ The technical assistance (TA) Fact-Finding Mission visited Samoa in September 2001 and reached an understanding with the Government on the TA's objectives, scope, cost estimates, financing and implementation arrangements. The TA framework is given in Appendix 1.

II. BACKGROUND AND RATIONALE

2. The Government announced a comprehensive economic reform program in the 1996 Statement of Economic Strategy. A major thrust of the reform is the development of the private sector and enhancement of the efficiency and effectiveness of the public sector.

3. Wide-ranging public sector reforms have been undertaken since then, including the introduction of output budgeting, greater emphasis on strategic planning, increased autonomy for line agencies, and a privatization and corporatization program. These have resulted in the pursuit of modern public sector management practices, making the sector more accountable and transparent. Other achievements include wide-ranging financial sector reforms,² introduction of modern companies legislation,³ and an enhanced enabling business environment.

4. The public sector, however, still accounts for 40 percent of gross domestic product (GDP). Government agencies and SOEs account for 40 percent of formal employment. Despite significant progress achieved through corporatization, privatization, and other reform initiatives,⁴ 28 SOEs are still operating.⁵ Many of these are characterized by low rates of return, financial losses, and generally poor service quality; they continue to burden the budget (around 4 percent of GDP) and impede private sector investment. Appendix 2 presents data on SOE financial performance. The Government is committed to continue reform and reinforce the process of reducing its involvement in commercial activities. It is in the process of identifying SOEs for immediate privatization and intends to undertake a strategic review of its SOE portfolio for further reforms.

5. The SOE Monitoring Division (SOEMD) within the Treasury Department (TD), which was established in 1988 with ADB assistance,⁶ is mandated to report to the Government on SOE

¹ The TA was first listed in *ADB Business Opportunities* on 1 June 2001.

² Financial sector reforms were supported under Loan 1608-SAM(SF): *Financial Sector Program*, for \$7.5 million equivalent, approved on 19 February 1998.

³ The Companies Act 2001 was passed in June 2001 to replace the Companies Act 1955.

⁴ With ADB assistance under TA 2788-SAM: *Implementation of Privatization Strategy*, for \$600,000, approved on 7 May 1997, the Government corporatized the Post and Telecommunications Department in mid-1999 (now Samoa Communications Limited), divested its shares in Hellaby Samoa Ltd. (in 2001), Brugger Industries Ltd. (in 2001), Rothmans Tobacco Ltd. (in 2000), BOC Gases (in 1999) and Samoa Iron and Steel Ltd. (in 1998), and most of its majority shareholding in Samoa Breweries Ltd. (in 1999). In addition, the liquidation of the Special Projects Division Corporation and Samoa Coconut Products Ltd. is well advanced.

⁵ The SOE portfolio consists of 23 wholly Government-owned enterprises and 5 enterprises with minority government shareholding (Appendix 2).

⁶ TA 1062-SAM: *Implementing Privatization of Selected Government Corporations and Activities*, for \$270,000, approved on 10 November 1988.

status and performance, and to coordinate and implement the Government's privatization plan and related policy reforms. A history of poor reporting by SOEs, coupled with the lack of enforcement, resulted in weak monitoring of the SOE portfolio. This has, to an extent, exempted the SOEs from public scrutiny.

6. To strengthen the legal and institutional framework and enhance SOE performance and governance, and as required under the Financial Sector Program loan (footnote 2), the Government introduced the Public Bodies (Performance and Accountability) Bill 2001 to Parliament to provide the umbrella legislative framework for public bodies, those enterprises wholly owned by the Government.⁷ The bill differentiates between public trading bodies (whose principal objective is to be a successful business) and public beneficial bodies (whose principal objective is to provide best service to their users, while meeting the purpose of their respective governing legislation).⁸ Under the bill, the former are required to be incorporated under the Companies Act 2001, thereby leveraging in the associated corporate governance arrangements and supporting case law. Other critical areas covered by the bill include (i) the role of, and selection criteria and appointment procedures for, SOE directors, as well as conflict of interest; (ii) guidelines for the preparation of corporate plans, to be submitted annually; (iii) the requirement for, and submission schedule of, quarterly financial reports, annual reports, and audited accounts; (iv) powers to the financial secretary and the controller and chief auditor to conduct performance audits; and (v) penalties for violation of its provisions in key areas. Integral to the new legislative framework, and incorporating within its purview all public bodies, is the Public Finance Management Act 2001.⁹ This act seeks to foster and enhance effective and responsible economic and financial management by the Government and provide accompanying accountability arrangements and compliance.

7. The new legislation constitutes an improved framework for SOE reporting and monitoring, and is expected to lead to enhanced SOE performance and corporate governance. It has enhanced the role of SOEMD considerably. More significantly, the implementation of the new regime demands substantial change management on the part of the SOEs. They will be required to implement new management and financial reporting tools, procedures, and systems. They will also have to comply with a comprehensive set of corporate governance standards. This will require substantial commitment and additional resources on the part of the SOEs as well as SOEMD.

8. The Government has requested ADB TA to support (i) implementation of the new SOE reporting and monitoring regime; (ii) process of divestiture of Government shareholding in a number of SOEs; and (iii) formulation and implementation of appropriate medium- and long-term reform strategies and action plans for the remaining SOEs in preparation for a second tier of privatization in the medium term, and to strengthen the operations of the SOEs that will remain in the public sector.

⁷ The bill was discussed in Parliament during its August 2001 session and was referred to the Parliamentary Bill Selection Committee. It is expected to be resubmitted to Parliament in December 2001.

⁸ The bill encompasses 19 public trading bodies and 4 public beneficial bodies (Appendix 2).

⁹ The Public Finance Management Act 2001 was passed in August 2001.

III. THE TECHNICAL ASSISTANCE

A. Objectives

9. The long-term objective underlying the TA is to achieve higher economic growth by restructuring the public sector; stimulating private sector activities; and enhancing the corporate governance, efficiency, and profitability of SOEs. The immediate objective is to assist the Government to implement SOE reforms by (i) implementing the new SOE legislative framework, (ii) privatizing selected SOEs, (iii) developing strategies and action plans for SOEs that will remain in the public sector over the medium and long term, and (iv) strengthening the capacity of Government and SOEs to implement SOE reforms.

B. Scope

10. The TA will include three main components: (i) implementation of the reporting and performance monitoring provisions of the new legislative framework for all public bodies; (ii) hands-on action to privatize selected SOEs; and (iii) formulation of SOE portfolio objectives and reform strategies for SOEs identified for a second tier of privatization to follow over the medium term, and for those that will remain in the public sector. Each of these components include capacity building for SOEs and Government officials in the form of on-the-job training, workshops, seminars, and study tours. The study tours are for senior SOEMD staff and will include executive development courses on privatization management.

11. Specifically, the major outputs include

- (i) standardized SOE reporting format satisfying the requirements of the SOE legislative framework;
- (ii) systems, procedures, and tools to enable SOEMD to fulfil its monitoring and reporting responsibilities;
- (iii) situation analysis of the SOE portfolio, and clarification and confirmation of Government management objectives and reform strategy for each SOE;
- (iv) privatization of up to five SOEs;
- (v) medium-term reform action plans for SOEs identified for a second tier of privatization, and long-term reform action plans for SOEs that will remain in the public sector;
- (vi) capacity building for SOEMD to strengthen its advisory role to Government on SOE investment and implementation of SOE reforms;
- (vii) capacity building for SOE management and financial controllers to help satisfy the reporting requirements of the SOE legislative framework and improve overall financial performance;
- (viii) capacity building for SOE senior management, boards of directors, and relevant senior Government officials especially in areas such as general management, corporate planning, and corporate governance;
- (ix) SOE reform awareness promotion campaign; and
- (x) report on SOE corporate governance.

C. Cost Estimates and Financing Plan

12. The TA is estimated to cost \$625,000 equivalent, including foreign exchange costs of \$450,000 and local currency costs of \$175,000 equivalent. ADB will provide \$500,000 equivalent to cover the entire foreign exchange cost of \$450,000 and \$50,000 equivalent of the

local currency cost. ADB will provide the financing on a grant basis from the ADB-funded TA program. The Government will contribute \$125,000 equivalent for office space and facilities, legal services, counterpart staff, support services and office supplies. The detailed cost estimates are shown in Appendix 3.

D. Implementation Arrangements

13. TD will be the Executing Agency. The financial secretary, TD will provide overall guidance for TA implementation. The consultants will work on a day-to-day basis with SOEMD and individual SOEs, as required. The Government (TD) has agreed to provide adequate office space in SOEMD, counterpart staff, and support services, and will facilitate consultations with SOEs. The Government has committed to increase the staff force of SOEMD from currently 2 to at least 4 staff by the time of TA inception.

14. A total of 12 person-months of international consulting and 6 person-months of domestic consulting will be engaged through a consulting firm using the simplified technical proposal format. The consulting team will consist of three international consultants, including a privatization specialist (team leader, 7 person-months), an accounting specialist (4 person-months), and a management and governance specialist (1 person-month). The international consultants will be supported by a domestic financial analyst (3 person-months) and a domestic accounting specialist (3 person-months). The terms of reference for the consultants are attached (Appendix 4). The team of consultants will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants. The TD will procure the equipment following procedures acceptable to ADB. Upon completion of the TA, the equipment will be turned over to the Government.

15. The TA will commence in March 2002 and be implemented over 24 months, with intermittent inputs of the international and domestic consultants. Within four weeks of fielding the consultants, the team leader will submit an inception report to be discussed during a tripartite meeting with the Government and ADB. Progress reports will be submitted on a quarterly basis and detailed progress reports semiannually. A midterm report will be discussed during a second tripartite meeting. The consultant's draft final report will be discussed during a third tripartite meeting. The final report, incorporating the comments of the Government and ADB, will be submitted within four weeks of the third tripartite meeting.

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of the Independent State of Samoa in an amount not exceeding the equivalent of \$500,000 for the purpose of Implementation of State-Owned Enterprise Reforms, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Increase economic growth through restructuring of the public sector, thereby improving the allocation of fiscal resources and stimulating private sector activities; and</p> <p>enhancing the corporate governance, efficiency, and profitability of SOEs.</p>	<p>Real GDP growth rate is increased.</p> <p>The number of state-owned enterprises (SOEs) is reduced to a maximum of 23 by 2004.</p> <p>Public sector share of GDP is decreased and private sector share of GDP is increased.</p> <p>Profitability of SOE portfolio is increased.</p>	<p>Economic reports</p> <p>State-Owned Enterprise Monitoring Division (SOEMD) records</p> <p>Economic reports</p> <p>SOEMD reports Consultant reports ADB review missions</p>	<p>No major economic shocks are experienced.</p> <p>Government continues reform commitment.</p> <p>Parliament passes the Public Bodies (Performance and Accountability) Bill 2001 by April 2002.</p>
<p>Purpose</p> <p>Implement provisions of SOE legislative framework.</p> <p>Take direct action to privatize SOEs.</p> <p>Support the Government in formulating objectives, strategies, and action plans for reform of the remaining SOEs.</p> <p>Strengthen capacity of Government to implement SOE reforms.</p>	<p>All SOEs in compliance with requirements of SOE legislative framework by technical assistance (TA) completion.</p> <p>SOEMD prepares and submits quarterly reports on SOE performance.</p> <p>Up to five SOEs privatized during TA implementation.</p> <p>Medium- or long-term management objectives, reform strategies, and reform action plans formulated for each SOE not selected for privatization under the TA.</p> <p>SOEMD staff increased to a minimum of four.</p> <p>Training provided to all SOEMD staff.</p> <p>SOEMD systems, procedures, and tools enhanced and operation manual produced.</p>	<p>SOEMD records</p> <p>SOEMD and consultant reports</p> <p>SOEMD records Consultant reports ADB review missions</p> <p>SOEMD records Consultant reports</p> <p>Consultant reports SOEMD records ADB review missions</p> <p>Consultant reports</p> <p>Consultant reports SOEMD records</p>	<p>SOEs are cooperative and have the capacity to absorb TA.</p> <p>A market exists for divestment of the SOEs selected.</p> <p>SOEMD staff are retained.</p>

(Reference in text: page 1, para. 1)

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
Address critical management and governance issues in SOEs.	Report on SOE management and governance issues to be submitted to Cabinet.	Consultant reports Tripartite meeting	Government's political commitment.
<p>Outputs/Activities</p> <p>Develop and implement standardized SOE reporting to satisfy the requirements of the SOE legislative framework.</p> <p>Develop and implement systems, procedures, and tools to enable SOEMD to fulfil its monitoring and reporting responsibilities under the Public Bodies (Performance and Accountability) Bill 2001.</p> <p>Complete situation analysis of SOE portfolio; clarify and confirm Government management objectives and reform strategy for each SOE.</p> <p>Privatize up to five SOEs.</p> <p>Prepare medium-term reform action plans for each SOE not privatized under the TA and that is a candidate for a second tier of privatization, and long-term reform action plans for each SOE that will remain in the public sector.</p> <p>Undertake SOEMD capacity building on the basis of needs assessment.</p> <p>Undertake capacity building for SOE financial controllers and management to enable them to satisfy the reporting requirements of the SOE legislative framework.</p>	<p>Full suite of standard reports prepared and documented in operating manual.</p> <p>Quarterly SOEMD report format finalized and documented in operating manual.</p> <p>SOE situation analysis completed and objective and reform strategy clarified and confirmed.</p> <p>Up to five selected priority SOEs privatized.</p> <p>Medium- or long-term reform action plans prepared for all SOEs not selected for privatization under the TA.</p> <p>On-the-job training, training courses and workshops and study tours completed.</p> <p>Courses, seminars, workshops, and in-house assistance on financial reporting, budgeting, and financial forecasting.</p>	<p>Tripartite meetings TA progress reports</p> <p>SOEMD records Consultant reports</p> <p>Consultant reports SOEMD records</p> <p>SOEMD records ADB review missions</p> <p>Consultant reports Tripartite meeting</p> <p>Consultant reports ADB review missions</p> <p>Consultant reports ADB review missions</p>	<p>Parliament passes the Public Bodies (Performance and Accountability) Bill 2001.</p> <p>The Government cooperates.</p> <p>A market exists for divestment of the SOEs selected.</p> <p>The Government cooperates.</p> <p>SOEMD has sufficient absorption capacity.</p> <p>SOEs are cooperative and have sufficient absorption capacity.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Undertake capacity building of SOE senior management and boards.</p> <p>Undertake SOE reform awareness promotion activities.</p> <p>Prepare report on SOE corporate governance.</p>	<p>Courses, seminars, and workshops for senior management on corporate planning, corporate governance, and key management skills; and for board members on their responsibilities and obligations.</p> <p>Awareness promotion activities to build consensus and generate active support for SOE reform undertaken among senior Government officials, SOE staff, other stakeholders, and the general public.</p> <p>SOE corporate governance report prepared and submitted to Cabinet.</p>	<p>Consultant reports ADB review missions</p> <p>Consultant reports ADB review missions</p> <p>Consultant report Tripartite meeting / ADB review missions</p>	<p>Board members and senior management commitment</p> <p>Government cooperation</p> <p>Government commitment</p>
<p>Inputs</p> <p>Consultants</p> <p>Workshops, seminars, consultations, and awareness campaigns</p> <p>Training and study tours</p>	<p>International consultants (12 person-months) and Domestic consultants (6 person-months).</p> <p>Number of courses, workshops, and seminars held</p> <p>Number of people trained</p> <p>Number of people reached through awareness campaigns</p> <p>Number of external courses and study tours undertaken</p> <p>Number of SOEMD staff participating in external training and study tours</p>	<p>Consultant reports ADB review missions</p> <p>Consultant reports SOEMD reports ADB review missions</p> <p>SOEMD reports Consultant reports ADB review missions</p>	<p>Successful recruitment and fielding of qualified consultants.</p> <p>Counterpart contribution for counterpart staff, office accommodation, and legal consulting services is available on a timely basis.</p>

PERFORMANCE OF GOVERNMENT ENTERPRISES
(ST'000)

State-Owned Enterprise	Main Activities	Number of Staff	Revenue	Net Profit before Tax	Total Assets	Total Equity	Net Government Transfers	Rate of Return on Assets ^a	Rate of Return on Equity ^a
A. Public Trading Bodies									
Accident Compensation Board	Provision of compensation for vehicle and work-related accidents	46	2,932	1,383	30,187	26,584	-	4.6%	5.2%
Agriculture Store	Sale of agriculture supplies and equipment; banana exports	53	4,484	41	6,250	885	-	0.7%	4.6%
Airport Authority	Airport management	188	5,702	319	34,258	33,578	-	0.9%	0.9%
Development Bank of Samoa	Small business and agriculture development loans	116	6,178	543	57,144	15,846	-	1.0%	3.4%
Electric Power Corporation	Electrical power generation and provision	385	42,577	-2,760	215,341	131,226	-2,400	-2.4%	-3.9%
Housing Corporation	Provision of housing loans	17	1,682	562	14,450	9,703	-1,000	0.4%	0.6%
National Provident Fund	Superannuation fund; provision of business and home loans	120	17,442	11,617	164,297	163,25	-	7.1%	7.1%
Polynesian Airlines (Holding) Ltd	Holding company	0	18,450	-2,196	28,314	-22,608	-	-7.8%	9.7%
Polynesian Airlines Investments Ltd.	Aircraft leasing	0	16,369	1,007	40,582	9,906	-10,000	2.5%	10.2%
Polynesian Ltd.	Commercial airline	350	84,694	1,016	72,091	25,255	-	1.4%	4.0%
Samoa Ports Authority	Ports management	77	4,352	863	36,726	36,130	-	2.3%	2.4%
Samoa Communications Ltd	Provision of telecommunications and postal services	173	30,372	14,626	81,854	29,103	-14,391	15.7%	44.1%
Samoa Land Corporation	Sale and lease of government-owned land	37	682	-295	30,170	4,592	-	-1.0%	-6.4%
Samoa Life Assurance Corp.	Provision of life assurance and mortgages	49	6,429	1,150	22,991	22,551	-	5.0%	5.1%
Samoa Shipping Corporation	Provision of sea transport	134	8,858	738	6,802	3,503	-	10.9%	21.1%
Samoa Shipping Services	Provision of crews for marine vessels	67	573	96	1,753	1,216	-	5.5%	7.9%
Samoa Trust Estates Corp.	Cattle and copra production	142	1,290	11	10,308	7,073	-	0.1%	0.2%
Samoa Water Authority	Water supply	154	4,466	-6,580	68,353	58,208	-4,600	-16.4%	-19.2%
Televise Samoa Property Ltd	Television broadcasting	42	1,594	-1,127	2,431	-700	-540	-68.6%	238.2%
Subtotal (A)		2,150	59,125	21,014	924,302	555,302	-32,931	1.2%	2.0%
B. Public Beneficial Bodies									
Apia Park Board	Operation of a sports and recreation complex	20	382	-322	4,530	4,394	-260	-12.8%	-13.2%
National University of Samoa	Provision of tertiary education	149	4,892	-677	37,352	-287	-4,000	-12.5%	n/a
Samoa Polytechnic	Provision of tertiary education	79	1,956	-227	3,502	2,938	-1,500	-49.3%	-58.8%
Samoa Visitors Bureau	Promotion of tourism	29	3,967	185	758	438	-2,500	-305.3%	-528.3%
Subtotal (B)		277	11,197	-1,040	46,143	7,484	-8,260	-20.2%	-124.3%
C. Minority Owned Enterprises									
Computer Services Limited (40%)	Computer sales and services	32	3,059	1,693	3,122	1,601	104	54.2%	105.8%
National Pacific Insurance (30%)	Provision of property and casualty insurance	33	19,118	1,737	18,099	5,277	90	9.6%	32.9%
Samoa Breweries Limited (15.5%)	Beer and soft drink manufacturing and retail	158	20,668	4,589	23,649	17,399	130	19.4%	26.4%
Samoa Forest Corporation (40%)	Logging and milling operation	80	2,032	29	2,540	753	-	1.1%	3.9%
Telecom Samoa Cellular Ltd. (10%)	Mobile telephone service provision	9	4,815	1,273	6,868	6,122	-	18.5%	20.8%
Subtotal (C)		312	49,693	9,321	54,278	31,151	324	17.2%	29.9%
Total		2,739	320,015	29,294	1,024,723	593,937	-40,867	1.1%	1.9%

^a Return is calculated as net profit before tax less grants and subsidies.
Source: State-owned Enterprise Monitoring Division (Treasury Department) and staff estimates.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	320.0	0.0	320.0
ii. Domestic Consultants	0.0	24.0	24.0
b. International and Local Travel	18.0	0.0	18.0
c. Reports ^b and Communications	7.0	3.0	10.0
2. Equipment ^c	13.0	0.0	13.0
3. Workshops, Seminars, Consultations and Awareness Campaigns	0.0	15.0	15.0
4. Training and Study Tours	20.0	0.0	20.0
5. Miscellaneous Administration and Support Costs	1.0	2.0	3.0
6. Representative for Contract Negotiations	6.0	0.0	6.0
7. Contingencies	65.0	6.0	71.0
Subtotal (A)	450.0	50.0	500.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	20.0	20.0
2. Counterpart Staff	0.0	55.0	55.0
3. Legal Consulting Services	0.0	20.0	20.0
4. Supplies and Support Services	0.0	10.0	10.0
5. Workshops/Consultations	0.0	20.0	20.0
Subtotal (B)	0.0	125.0	125.0
Total	450.0	175.0	625.0

^a Financed from the Asian Development Bank (ADB)-funded technical assistance program.

^b This includes (i) inception, midterm, and final reports to be submitted to the Government and ADB (2 copies each); and (ii) specific reports on each state-owned enterprise (SOE) to be submitted to Government, ADB, and the respective SOE; and (iii) other reports, as required.

^c Including 2 personal computers, 1 laser printer, and 1 photocopier.

Source: Staff estimates.

TERMS OF REFERENCE FOR CONSULTANTS

A. Privatization Specialist and Team Leader (international, 7 person-months)

1. The privatization specialist is required to have a degree in business administration or another discipline relevant to privatization, and a minimum of 10 years of relevant work experience in areas related to the management of privatization processes. The consultant must have experience in working and guiding teams and capacity building, and have excellent communication skills. Work experience in the Pacific region is highly desirable. The consultant will undertake the following specific tasks:

- (i) Become familiar with the state-owned enterprise (SOE) reform environment, including historical context and current situation with respect to
 - (a) SOE Monitoring Division (SOEMD) and other relevant government offices and agencies;
 - (b) Government policies and priorities for SOE reform and related public sector reforms;
 - (c) the Public Bodies (Performance and Accountability) Bill 2001, Public Finance Management Act 2001, Companies Act 2001 and other relevant legislation and regulations including SOEs' own respective statutes and legislation; and
 - (d) the wider SOE environment, with particular attention to the financial reporting of Government units in general and SOEs in particular; legislative issues including crime prosecution; fraud and other financial crime investigation; and public accountability with reference to international best practice on governance, the roles of the relevant ministers, parliamentary committees, and the media in the context of SOE governance and performance.
- (ii) Undertake a review and brief situational analysis of the Government's SOE portfolio. For each SOE, clarify and confirm the Government's management objectives and reform strategy. On this basis, assess options for privatizing or commercializing minority-owned SOEs and public trading bodies in the medium-term, and public beneficial bodies in the long-term, including the evaluation of the potential impact on the public budget.
- (iii) On the basis of the above, identify together with Government up to 5 SOEs for which direct assistance will be provided for privatization under the technical assistance (TA); for each of these, formulate a detailed privatization action plan in accordance with the optimum privatization option, including preparation of a working schedule for the TA consultant and SOEMD inputs and achievement of milestones. Provide assistance to SOEMD to implement the approved privatization action plans, including (a) preparation of information memorandum; (b) supervision of production of financial statements and audits, and company valuation leading to share valuation; (c) advice during negotiations, assistance with commercial and legal aspects of deal structuring, preparation of agreements and contracts, and completion.
- (iv) Prepare a medium-term action plan for each of those minority-owned SOEs and public trading bodies not privatized under the TA, with specific focus on determining a second tier of privatization and enhancing their performance if they remain in the public sector; and prepare an action plan for each public beneficial body to enhance their performance.

- (v) Conduct SOEMD capacity building needs assessment to identify specific capacity building measures related to the privatization process.
- (vi) Implement SOEMD capacity building measures including
 - (a) on-the-job training during TA activities for skills enhancement of SOEMD staff, in particular for those skills required to manage the specialized inputs to the privatization process with a view to managing future SOE privatizations beyond the TA;
 - (b) preparation and delivery of training on specific topics for knowledge enhancement of SOEMD; and
 - (c) identification and facilitation of study tours for senior SOEMD staff to participate in executive development course(s) related to the management of privatization processes.
- (vii) Assist SOEMD to conduct awareness promotion activities to build consensus and generate active support for general and specific SOE reform action plans targeted at senior Government officials including ministers and cabinet members, SOE staff, other stakeholders, and the general public.
- (viii) Assist SOEMD to achieve closer coordination and policy dialogue with other divisions within the Treasury Department (TD), other departments, SOEs, and the private sector.

B. Accounting Specialist (international, 4 person-months)

2. The accounting specialist is required to have an advanced degree in business administration/accounting or other relevant discipline, and a minimum of 10 years of work experience in the fields of accounting and controlling. Practical experience with management information systems is highly desirable. The consultant must have experience in working and guiding teams and capacity building, and have good communication skills. Work experience in the Pacific region is desirable. The consultant will undertake the following specific tasks:

- (i) Assist SOEMD in implementing effective SOE monitoring:
 - (a) examine current reporting systems and procedures for all SOEs, and identify problems or deficiencies;
 - (b) identify the financial and performance information required from SOEs to comply with the requirements of the Public Bodies (Performance and Accountability) Bill 2001, Public Finance Management Act 2001, Companies Act 2001 and the Treasury Department (TD);
 - (c) develop standardized reporting formats to facilitate provision by SOEs of the financial and performance information required under the legislative framework; efficient compilation and analysis thereof by SOEMD; and, preparation of quarterly reports from SOEMD to the financial secretary and Cabinet;
 - (d) develop appropriate analysis, compilation, synopsis, reporting, and/or other tools and systems, as required, to enable SOEMD to satisfy its mandate;
 - (e) develop an instruction manual for SOEs on information compilation and reporting to SOEMD, and for SOEMD on data analysis, compilation, and reporting, with levels of detail appropriate to the requirements of SOEs and SOEMD respectively;
 - (f) assist SOEMD with the implementation of the SOE reporting and monitoring system in cooperation with SOEs; and
 - (g) assist SOEMD with the preparation of quarterly reports.

- (ii) Conduct SOE capacity building needs assessment to identify specific reporting management capacity building requirements, and undertake appropriate action to address these.
- (iii) Provide assistance to SOEs, as required, to implement and achieve compliance with reporting requirements, in the context of good change management principles.
- (iv) Conduct SOEMD capacity building needs assessment to identify specific reporting management capacity building requirements and undertake appropriate action to address these.
- (v) Undertake on-the-job capacity building measures to increase SOEMD ability to
 - (a) understand the relevance and implications of the Public Bodies (Performance and Accountability) Bill 2001, and its relationship with the Public Finance Management Act 2001 and the Companies Act 2001, with respect to SOE monitoring, reporting, supervision and enforcement;
 - (b) implement and manage SOE reporting systems, in particular to deepen understanding of performance measures;
 - (c) implement and assist SOEs to implement systems and procedures to ensure data integrity and protection;
 - (d) analyze reported SOE data to evaluate financial performance;
 - (e) formulate appropriate action plans to address inadequate SOE performance; and
 - (f) undertake its function as advisor to Government on its SOE portfolio investment.
- (vi) Prepare and deliver training courses, seminars, and workshops for SOE financial controllers and management to enable them to satisfy the reporting requirements of the SOE legislative framework, including
 - (a) technical aspects of statutory and management reporting; and
 - (b) budgeting and financial forecasting, followed by provision of up to a total of 30 days in-house assistance to SOEs for preparation of their forecast budgets on request.

C. Management and Governance Specialist (international, 1 person-month)

3. The management and governance specialist is required to have a degree in economics, business administration, law, or another relevant discipline, and a minimum of 10 years of relevant experience in areas related to corporate governance and general management. The consultant is required to have experience in capacity building and excellent communication skills. Work experience in the Pacific region is desirable. The consultant will undertake the following specific tasks:

- (i) Help TD prepare a report, for submission to Cabinet, on the issue of SOE corporate governance, with specific focus on the process of transformation from the current situation to compliance with international standards and best practices in general and the requirements of the new legislative framework in particular.
- (ii) Increase the capacity of SOEs to comply with the new legislative framework and the Government's SOE reforms, and improve performance by conducting training courses, seminars, and workshops:
 - (a) for senior management on corporate planning, corporate governance, and key management skills including understanding financial statements,

- use of financial information in management decision making, and strengthening internal control; and
- (b) for directors and board members on their responsibilities and obligations.

D. Financial Analyst (domestic, 3 person-months)

4. The financial analyst (domestic) will have a degree in business administration or other relevant field, and a minimum of 5 years of relevant experience as a financial analyst or in a related area. Work experience with international teams is desired. The consultant will undertake tasks as assigned by the privatization specialist and team leader and the accounting specialist (international), to assist in general to satisfy the requirements of the terms of reference, and in particular with the following specific tasks.

5. In cooperation with the privatization specialist and team leader

- (i) assess privatization and commercialization options for minority-owned SOEs and public trading bodies in the medium-term, and public beneficial bodies in the long-term, including evaluate potential impact on the public budget;
- (ii) formulate detailed privatization action plans for selected SOEs in accordance with the optimum privatization option;
- (iii) implement the approved privatization action plans, including (a) preparation of information memorandum, (b) supervision of production of financial statements and audits, and company valuation leading to share valuation, and (c) financial advice during the privatization process;
- (iv) prepare medium-term action plans for SOEs;
- (v) identify SOEMD capacity building needs; and
- (vi) implement SOEMD capacity building measures including (a) on-the-job training during TA activities for skills enhancement of SOEMD staff, and (b) preparation and delivery of training on specific topics.

6. In cooperation with the accounting specialist (international):

- (i) implement effective SOE monitoring (assistance to SOEMD), particularly with regard to (a) examination of current SOE reporting systems and procedures; (b) identification of the financial and performance information required from SOEs to comply with the requirements of the new legislative framework; (c) development of standardized reporting formats; (d) development of tools and systems to enable SOEMD to satisfy its mandate; (e) development of instruction manual(s); (f) assisting SOEMD to implement the SOE reporting and monitoring system in cooperation with SOEs; and (g) assisting SOEMD with the preparation of quarterly reports;
- (ii) provide assistance to SOEs, as required, to implement and achieve compliance with reporting requirements, in the context of good change management principles;
- (iii) identify SOEMD capacity building needs and implement appropriate action to address these;
- (iv) undertake on-the-job capacity building measures to increase SOEMD ability to
 - (a) understand the relevance and implications of the new legislative framework for SOE monitoring, reporting, supervision, and enforcement;
 - (b) implement and manage SOE reporting systems;

- (c) implement, and assist SOEs to implement, systems and procedures to ensure data integrity and protection; and
- (d) analyze reported SOE data to evaluate financial performance;
- (v) assist with preparing and delivering training courses, seminars, and workshops for SOE financial controllers and management to increase their capacity to satisfy their reporting requirements, including (a) technical aspects of reporting requirements; and (b) corporate planning, budgeting, and financial forecasting.

E. Accounting Specialist (domestic, 3 person-months)

7. The accounting specialist (domestic) will have a degree in business administration or other relevant field, and a minimum of five years of relevant experience in the field of accounting and/or controlling or related areas. Work experience with international teams is desired. The consultant will undertake tasks as assigned by the accounting specialist (international) and the privatization specialist and team leader, to assist the accounting specialist (international) in general to satisfy the requirements of the terms of reference and in particular with the following specific tasks:

- (i) Implement effective SOE monitoring (assistance to SOEMD), particularly with regard to
 - (a) examination of current SOE reporting systems and procedures;
 - (b) identification of the financial and performance information required from SOEs to comply with the requirements of the new legislative framework;
 - (c) development of standardized reporting formats;
 - (d) development of tools and systems to enable SOEMD to satisfy its mandate;
 - (e) development of instruction manual(s);
 - (f) assisting SOEMD to implement the SOE reporting and monitoring system in cooperation with SOEs; and
 - (g) assisting SOEMD with the preparation of quarterly reports.
- (ii) Provide assistance to SOEs, as required, to implement and achieve compliance with reporting requirements, in the context of good change management principles.
- (iii) Identification of SOEMD capacity building needs and implementation of appropriate action to address these.
- (iv) On-the-job capacity building measures to increase SOEMD ability to
 - (a) understand the relevance and implications of the new legislative framework with respect to SOE monitoring, reporting, supervision, and enforcement;
 - (b) implement and manage SOE reporting systems;
 - (c) implement, and assist SOEs to implement, systems and procedures to ensure data integrity and protection; and
 - (d) analyze reported SOE data to evaluate financial performance.
- (v) Assist with the preparation and delivery of training courses, seminars, and workshops for SOE financial controllers and management to increase their capacity to satisfy their reporting requirements, including (a) technical aspects of reporting requirements; and (b) corporate planning, budgeting, and financial forecasting.