Fiji: Implementing Reforms of State-Owned Enterprises

Project Name: Implementing Reforms of State-Owned Enterprises
Project Number: 45239-001
Country: Fiji
Project Status: Closed
Project Type / Modality of Assistance: Technical Assistance
Source of Funding / Amount: TA 8059-FIJ: Implementing Reforms of State-Owned Enterprises

Description: The focus of the capacity development technical assistance (TA) is consistent with the aims of the Government of Fiji’s public sector reform program and ADB’s Pacific Approach 2010-2014, which accords priority to improved public sector management in the region. A TA fact-finding mission visited Fiji from 1-8 September 2011 and reached an understanding with the government and other stakeholders on the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference for consulting services. For more than a decade, Fiji has experienced low rates of economic growth, negligible job creation, and consistently high levels of poverty. The poverty incidence was estimated at 35.2% of the population in 2009, far above Fiji’s Millennium Development Goal target of 14.7% by 2015. Moreover, nearly half of the population could be considered to be poor or near poor, if those with incomes near the poverty line are included. Poverty reduction challenges include high dropout rates in basic education; low participation rates in postsecondary education; a lifestyle-induced rise in noncommunicable diseases; the lack of access to clean drinking water and modern sanitation facilities by a large segment of the population; the growing numbers of families that reside in urban squatter settlements; and the low levels of expenditure on, and poor coverage of, social safety net programs. Per capita incomes in Fiji have declined steadily from 2001 to 2011. Economic growth, has averaged 0.3% per annum since 2006, which is far below what is needed to meet Fiji’s poverty reduction targets. Fiji’s state-owned enterprises (SOEs) are a major impediment to both economic growth and poverty reduction. The SOEs absorb scarce government funding, use capital inefficiently, raise costs, and impede effective delivery of basic infrastructure services. Low productivity of SOE investment is a significant hindrance to economic growth. SOEs make up a significant proportion of Fiji’s economy—there are 29 SOEs with combined assets of $845 million dollars (22% of gross domestic product); two SOEs are in liquidation. The government’s SOE portfolio represents close to 20% of Fiji’s total economic assets. The average return on assets for SOEs in 2002-2009 was 0.4%, and the average return on equity was 0.8%. In 2002-2009, SOEs generated profits of just $18.6 million, which was less than the $23.6 million the government injected into loss-making SOEs. Returns on private investment in 2008 were nearly seven times higher than returns on SOE investments. More details on the status of these SOEs can be made available upon request.

Project Rationale and Linkage to Country/Regional Strategy: The government recognizes the urgent need for reform, and has launched a program of SOE divestment, corporatization, and outsourcing of SOE functions to the private sector. The government has an explicit SOE reform strategy for 2010-2012, with an estimated to cost $13.6 million to implement. The following SOE reforms have been implemented: (i) the merger of Fiji Ships and Heavy Industries into Fiji Ports Corporation in 2009, (ii) corporatization of the Water and Sewage Division of the Ministry of Public Utilities into a commercial statutory authority (Water Authority of Fiji) in 2010, (iii) corporatization of the Quarantine Department (to BioSecurity Authority of Fiji) and Fiji Islands Maritime Authority (to Maritime Safety Authority of Fiji), (iv) the restructuring of the Fiji Sugar Corporation, and (v) establishment of an outsourcing council. Efforts are ongoing to divest the government’s holdings in other SOEs, including the Fiji Meat Industry Board, Food Processors Fiji, and Post Fiji. Nonetheless, implementation of the planned SOE reform agenda has been delayed by a series of institutional and budgetary constraints. There is no detailed implementation plan for the SOE reform strategy to guide and sequence specific reforms. The government is unable to attract skilled persons for senior civil service positions, with the result that these positions are increasingly filled with personnel that lack the expertise needed to design and oversee technically complex and contentious SOE reforms. The government’s efforts to reform SOEs have also been weakened by frequent changes in senior civil servants. Financial resources are limited, and several SOEs will require financial restructuring. There are high expectations regarding implementation progress and associated near-term gains, despite the challenges faced, and increasing recognition that target dates for completion must be pushed back. Acceleration of SOE reform can significantly contribute to growth and poverty reduction. Better SOE service provision in areas such as power, water, and telecommunications can bring essential services to the poor and improve their livelihoods. Commercialization and privatization of SOEs will boost opportunities for private sector development. SOE reform will bolster productivity throughout the economy, and facilitate growth and job creation. Better SOE performance is expected to reduce the need for government subsidies and budget transfers and allow redirection of savings to other priority areas for government expenditure.

Impact: The fiscal performance of the Fiji Government has improved stimulating pro-poor growth and improving service delivery to the disadvantaged.

Project Outcome

Description of Outcome: Strengthened SOE reform planning, management and implementation capacity in the Ministries of Finance, and Public Enterprises, Communication, Civil Aviation and Tourism.

Progress Toward Outcome

Implementation Progress

Description of Project Outputs
2. Reform strategies (including possible privatization) for a selected and prioritized SOE implemented.
3. An Effective Public Sector Reforms Steering Committee.
Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer

Caroline G. Currie

Responsible ADB Department

Pacific Department

Responsible ADB Division

Pacific Subregional Office in Suva, Fiji

Executing Agencies

Ministry of Economy

Filimone Waqabaca, Permanent Secretary

fwaqabaca@govnet.gov.fj

Level 5x Ro Laiabalavu House 370 Victoria Parade Suva, Fiji

Timetable

Concept Clearance

03 Jan 2012

Fact Finding

- MRM

Approval

16 Mar 2012

Last Review Mission

- Last PDS Update

05 Jan 2012

TA 8059-FIJ

<table>
<thead>
<tr>
<th>Approval</th>
<th>Signing Date</th>
<th>Effectivity Date</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Mar 2012</td>
<td>02 Apr 2012</td>
<td>02 Apr 2012</td>
<td>31 Oct 2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADB</th>
<th>Cofinancing</th>
<th>Counterpart</th>
<th>Total</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov</td>
<td>Beneficiaries</td>
<td>Project Sponsor</td>
<td>Others</td>
<td>500,000.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Project Page

https://www.adb.org/projects/45239-001/main

Request for Information

http://www.adb.org/forms/request-information-form?subject=45239-001

Date Generated

15 October 2019

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.