State-owned enterprises (SOEs) are businesses majority owned by governments. SOEs generally provide utilities, infrastructure, and banking services, and absorb a substantial amount of public investment on which they provide low returns. The Pacific Private Sector Development Initiative works with Pacific governments to improve the performance of SOEs so that they provide better services and generate a positive return on government investment.

When SOEs are inefficient, they drain limited public funds and act as a drag on economic growth.
THE THREE PRIMARY ISSUES WITH SOEs ARE:

- Low returns on investment: SOEs absorb large amounts of capital, but generate little revenue.
- Backed by subsidized government funding, SOEs crowd out private sector competitors.
- Government transfers to inefficient SOEs could be better allocated to social sectors.

WHAT IS PSDI DOING TO HELP IMPROVE SOE PERFORMANCE?

1. REFORM OF POLICY AND LEGAL FRAMEWORKS
   PSDI supports the introduction of new policies and laws that require SOEs to be managed commercially, strengthen corporate governance, and establish processes for the sustainable delivery of community service obligations.

2. STRENGTHENING GOVERNANCE OF SOEs
   PSDI advocates for reduced representation of ministers and civil servants on SOE boards, trains potential future directors, including women, and encourages timely reporting to improve corporate governance.

3. HELPING SOEs OPERATE AS COMMERCIAL BUSINESSES
   PRIVATIZATION TRANSACTION SUPPORT
   PSDI has provided technical assistance to prepare and sell:
   - New and amended policies and laws in:
     - Fiji
     - Marshall Islands
     - Palau
     - Papua New Guinea
     - Samoa
     - Solomon Islands
     - Tonga
     - Vanuatu
   - COMMUNITY SERVICE OBLIGATIONS SUPPORT
     PSDI helps SOEs identify their community service obligations, calculate the cost of providing them, and receive payment for delivering them.

SOE reforms are reducing the drain on Pacific economies through:
- 1. Increasing private investment in SOEs
- 2. Reducing government financial support
- 3. Helping SOEs operate as commercial businesses

Yet significant effort to reform SOEs in the Pacific is still needed, and political commitment is essential for success.
The Pacific Private Sector Development Initiative helps 14 Pacific developing member countries of the Asian Development Bank achieve sustainable economic growth through business environment reform.

Since 2007, PSDI has worked to alleviate poverty and promote growth in the Pacific region through reforms that encourage private sector investment and entrepreneurship.

PSDI assists governments and private sector actors to improve the business environment in the Pacific. Underpinned by a rigorous diagnostic approach that includes regular private sector assessments of the business environments in Pacific island countries, and the landmark Finding Balance benchmarking studies, PSDI’s team of experts provides a range of technical assistance that promotes private sector development in the region. This includes specialized support in the areas of business law reform, access to finance, reforming state-owned enterprises, establishing public-private partnerships, the economic empowerment of women, and promoting competition. PSDI currently focuses on promoting a better business environment through technical expertise that includes assistance with policy, legislative reforms, advocacy, full implementation support for reforms, and technology-based solutions.

PSDI core reforms
- Secured transactions frameworks established
- Commercial law regime reforms underway
- State-owned enterprise/public-private partnership policy and legal reform undertaken
- Economic empowerment of women pilot project initiated
- Competition policy development underway

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PSDI is cofinanced by ADB, the Government of Australia, and the Government of New Zealand. www.adbpsdi.org