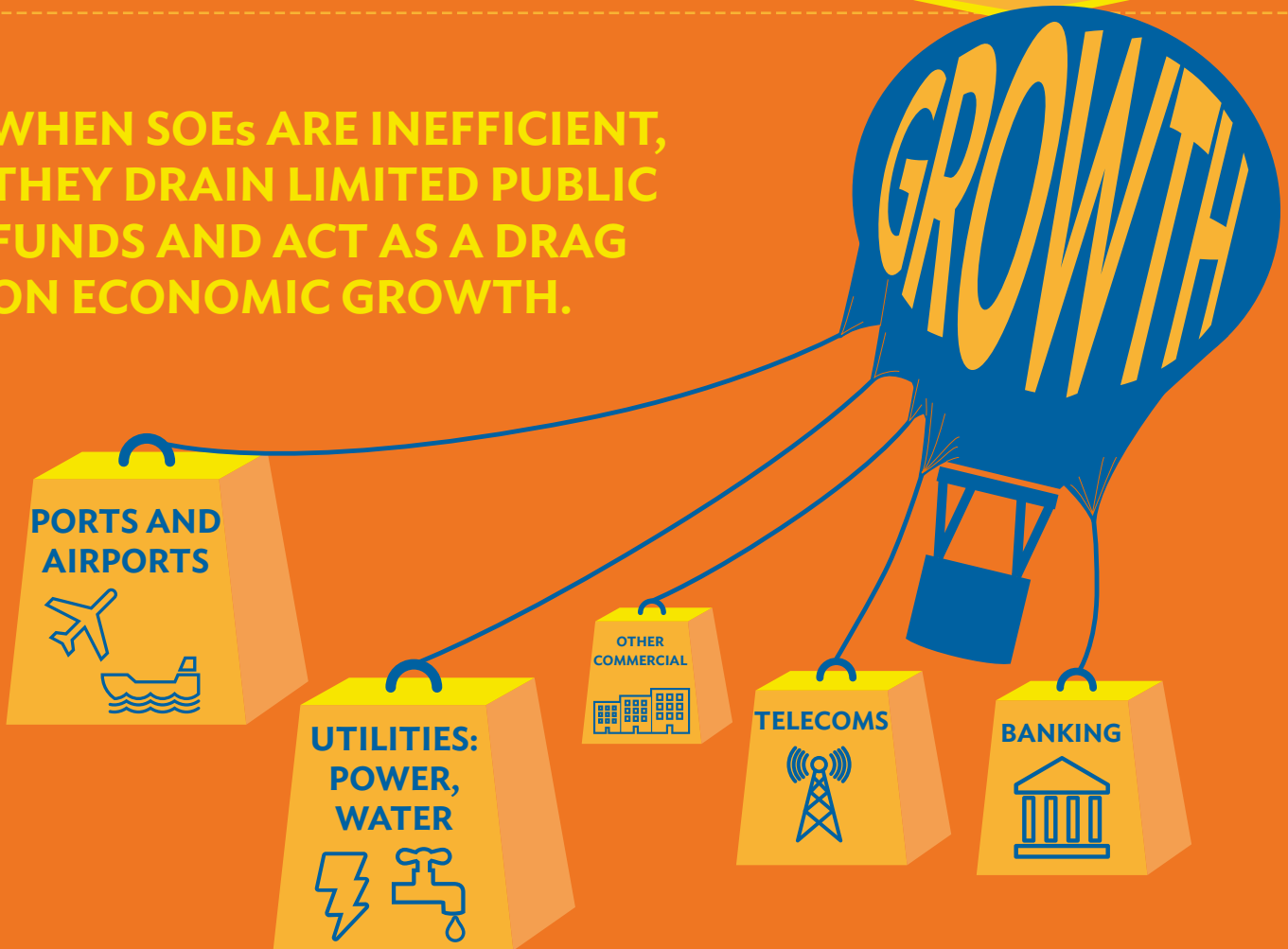


REFORMING STATE-OWNED ENTERPRISES

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.

REVENUE
GOVERNMENT BACKING
REVENUE



Government transfers to inefficient SOEs could be better allocated to social sectors.

% RELATIVE TO HEALTH BUDGET SPENT ON SOEs



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.

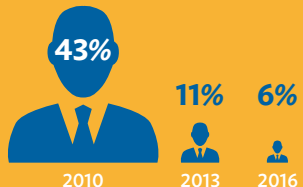
New and amended policies and laws in: FIJI MARSHALL ISLANDS PALAU PAPUA NEW GUINEA SAMOA SOLOMON ISLANDS TONGA VANUATU

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.

REDUCING POLITICAL INFLUENCE OF BOARDS

% of SOE directors that are also elected officials or public servants in Samoa, Solomon Islands, and Tonga



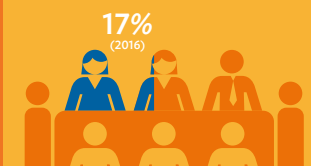
ENHANCING DIRECTORS' SKILLS

540

Directors trained in corporate governance

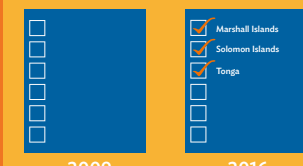
PROMOTING GENDER DIVERSITY OF BOARDS

% of directors on SOE boards in Fiji, Marshall Islands, Papua New Guinea, Samoa, Solomon Islands, and Tonga that is now women



LEADING TO GREATER TRANSPARENCY AND ACCOUNTABILITY

% of SOE acts that require summary annual reports to be published in local newspapers



3. HELPING SOEs OPERATE AS COMMERCIAL BUSINESSES

PRIVATIZATION TRANSACTION SUPPORT

PSDI has provided technical assistance to prepare and sell:



PSDI has also assisted in the restructuring of 57 SOEs.

These privatizations have resulted in:

NEW PRIVATE INVESTMENT NEW JOBS EMPLOYEE OWNERSHIP INCREASED COMPETITION IMPROVED SERVICE QUALITY

COMMUNITY SERVICE OBLIGATIONS SUPPORT

PSDI helps SOEs identify their community service obligations, calculate the cost of providing them, and receive payment for delivering them.



New contracts for delivering community service obligations on a commercial basis have been developed with SOEs in:

SOLOMON ISLANDS: 6 SOEs VANUATU: 2 SOEs
 TONGA: 6 SOEs FIJI: 1 SOE

IN CONCLUSION

SOE reforms are reducing the drain on Pacific economies through:

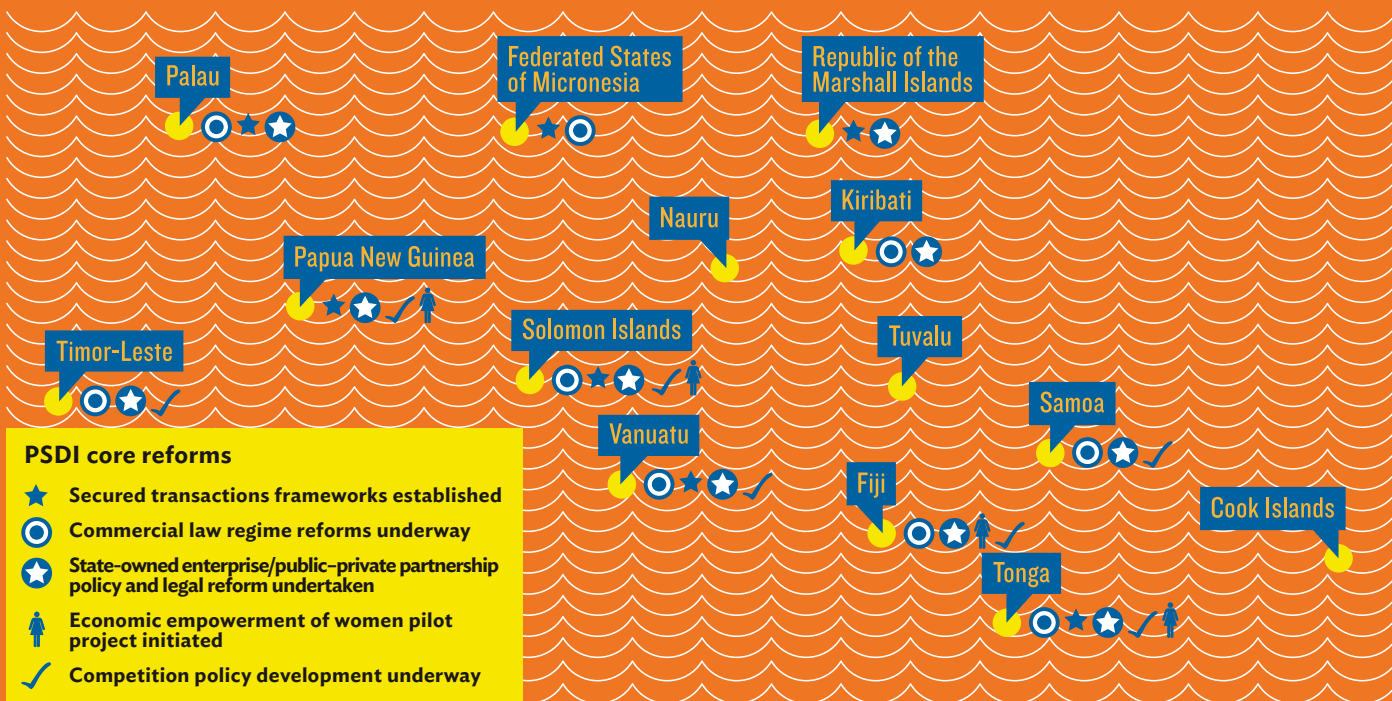
1. Increasing private investment in SOEs
2. Reducing government financial support
3. Helping SOEs operate as commercial businesses

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.



ASIAN DEVELOPMENT BANK

Pacific Liaison and Coordination Office
Level 20, 45 Clarence St., Sydney, 2000, Australia
www.adb.org/ www.adbpsdi.org



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pubsmarketing@adb.org

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