RMI State-owned Enterprises (SOEs)

Performance Review and Reform Priorities

Session 1 Presentation 1d

by Ben Graham

Outline

- Background
- Summary of performance
- Revisiting SOE reforms
- Next steps
- Possible assistance requirements

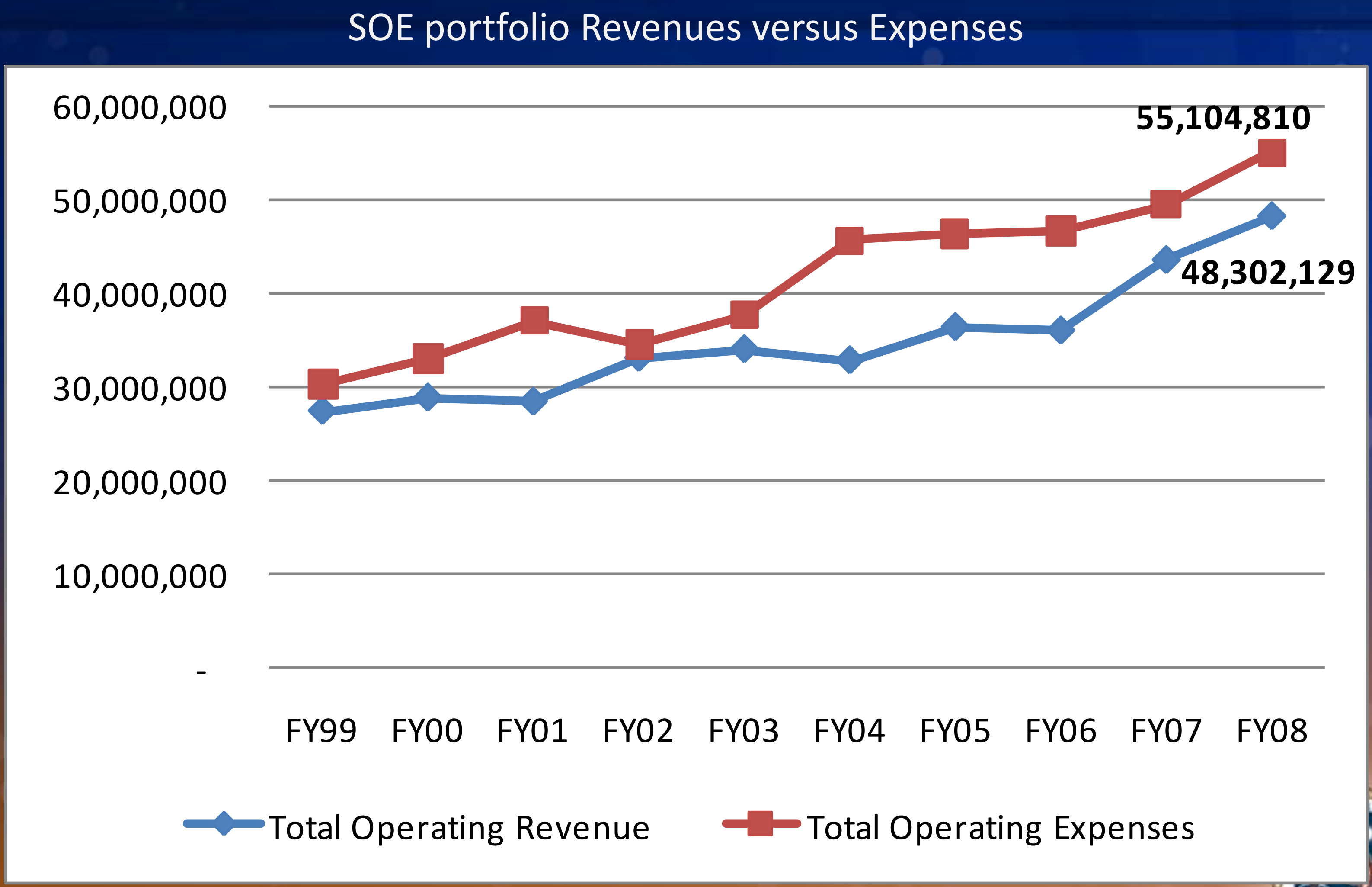
Background

- SOEs established to provide ‘critical’ infrastructure and services
- Scale/scope of portfolio has grown over time
- But performance a major concern
- Earlier attempts at SOE reform very limited
- MEC’s steady deterioration (and near-collapse in 2008) demanded renewed attention

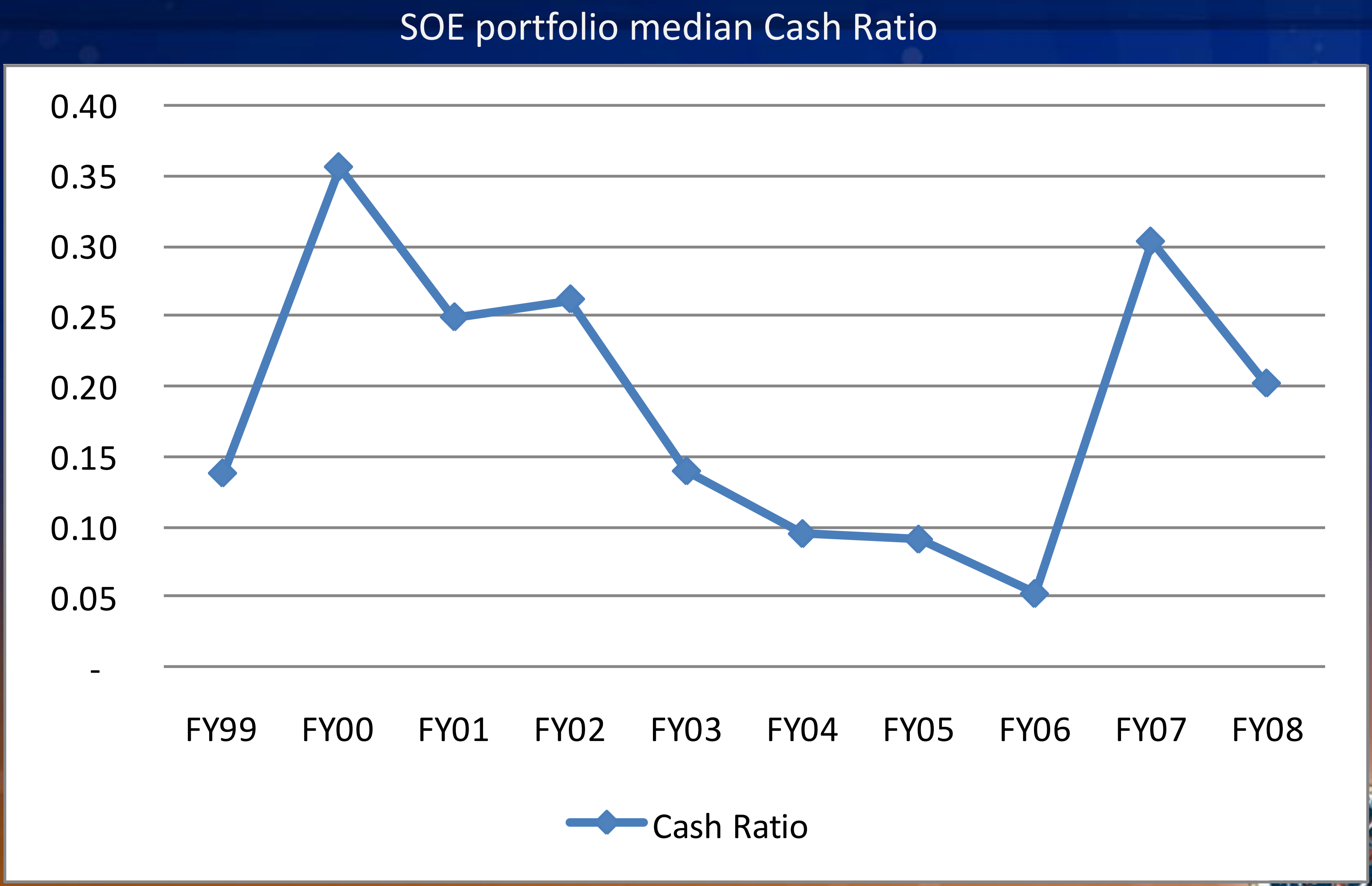
Summary of performance

- Financial reviews show severe weaknesses, growing fiscal and economic risks
- Persistent shortfalls, most SOEs insolvent
- SOEs absorb large and growing amounts of scarce public resources, but returns are very low
- Subsidies a growing burden on fiscal system
- Some SOEs drive up costs of business, crowd out private sector, and constrain growth

Summary of performance



Summary of performance



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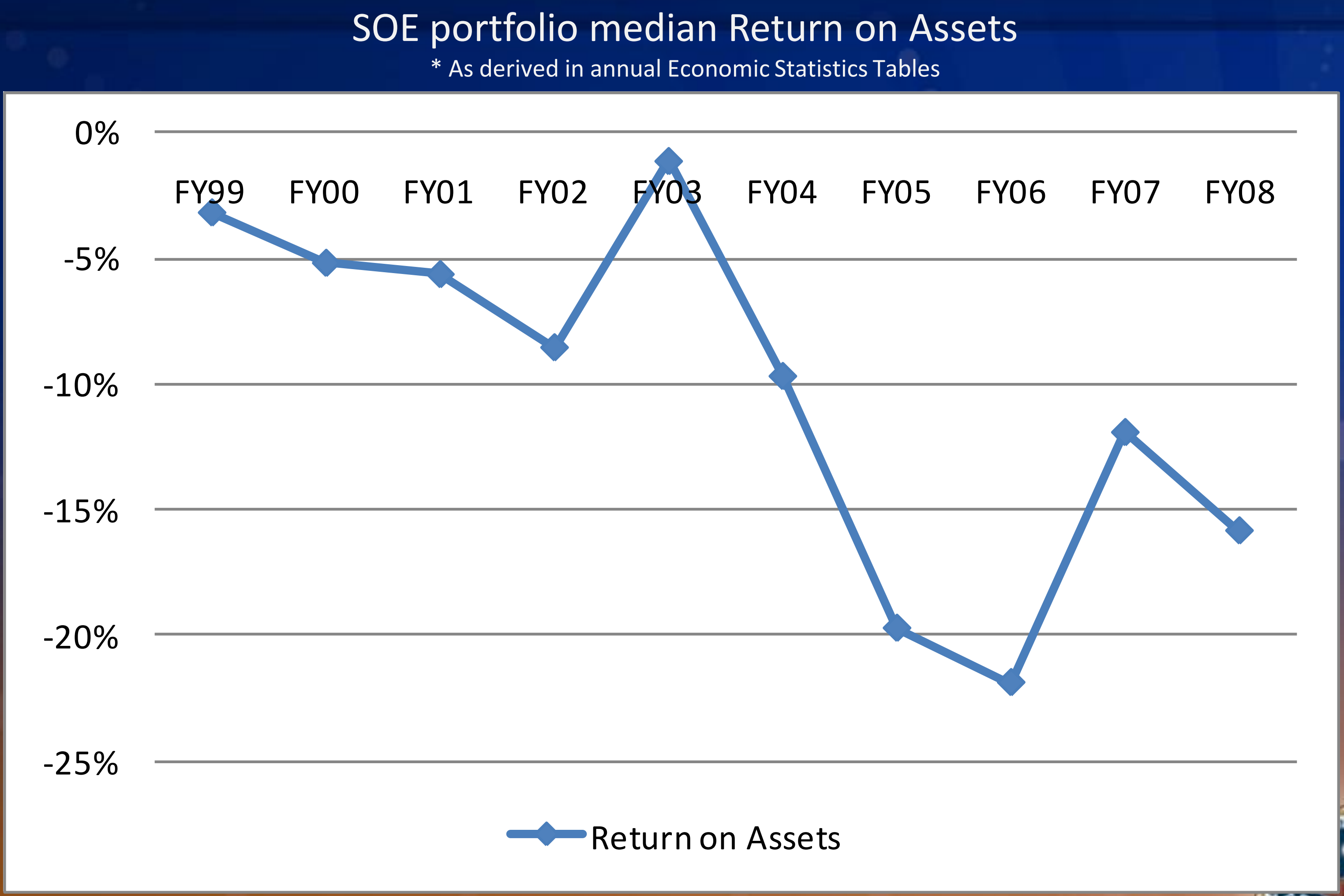

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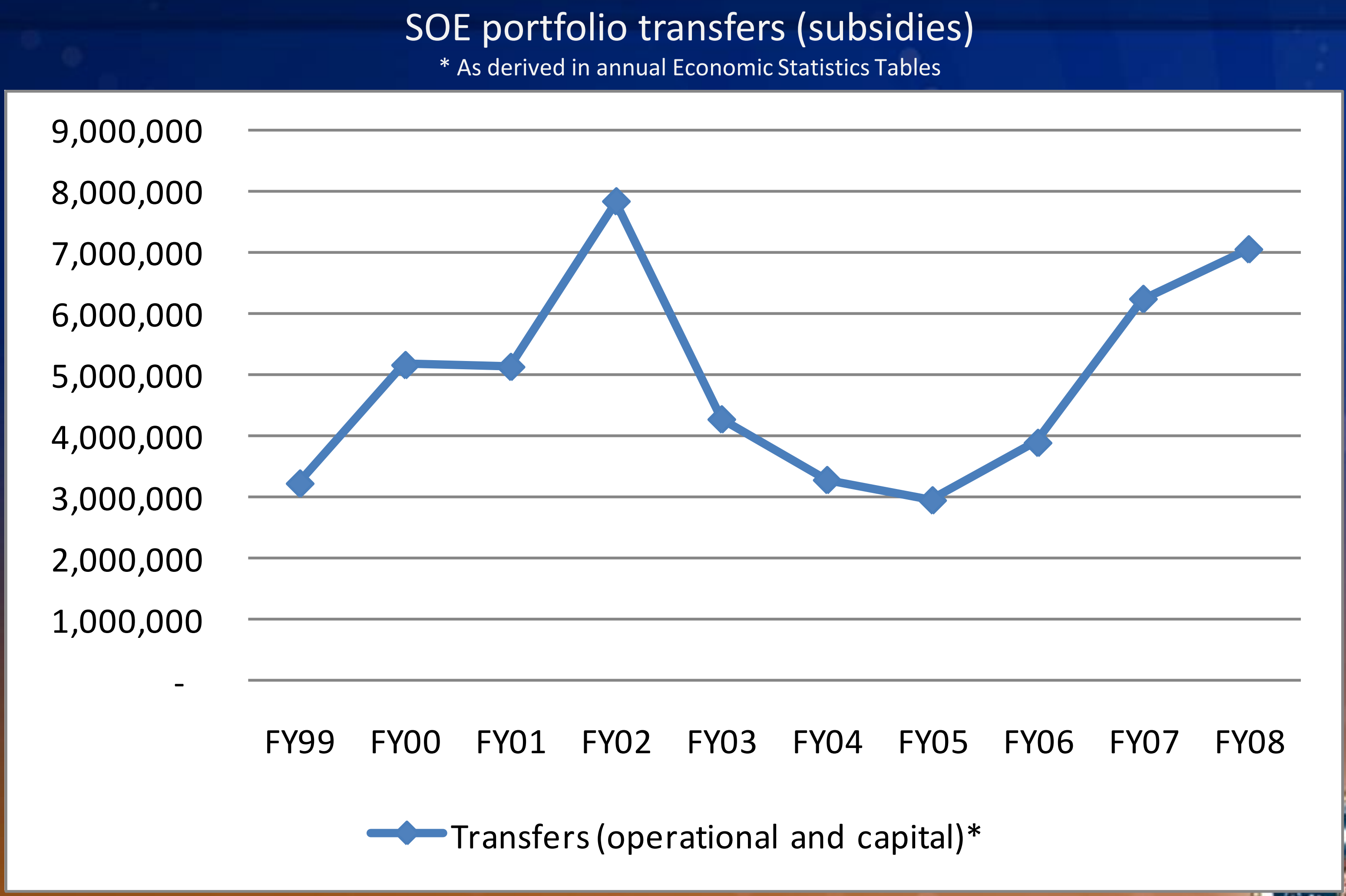

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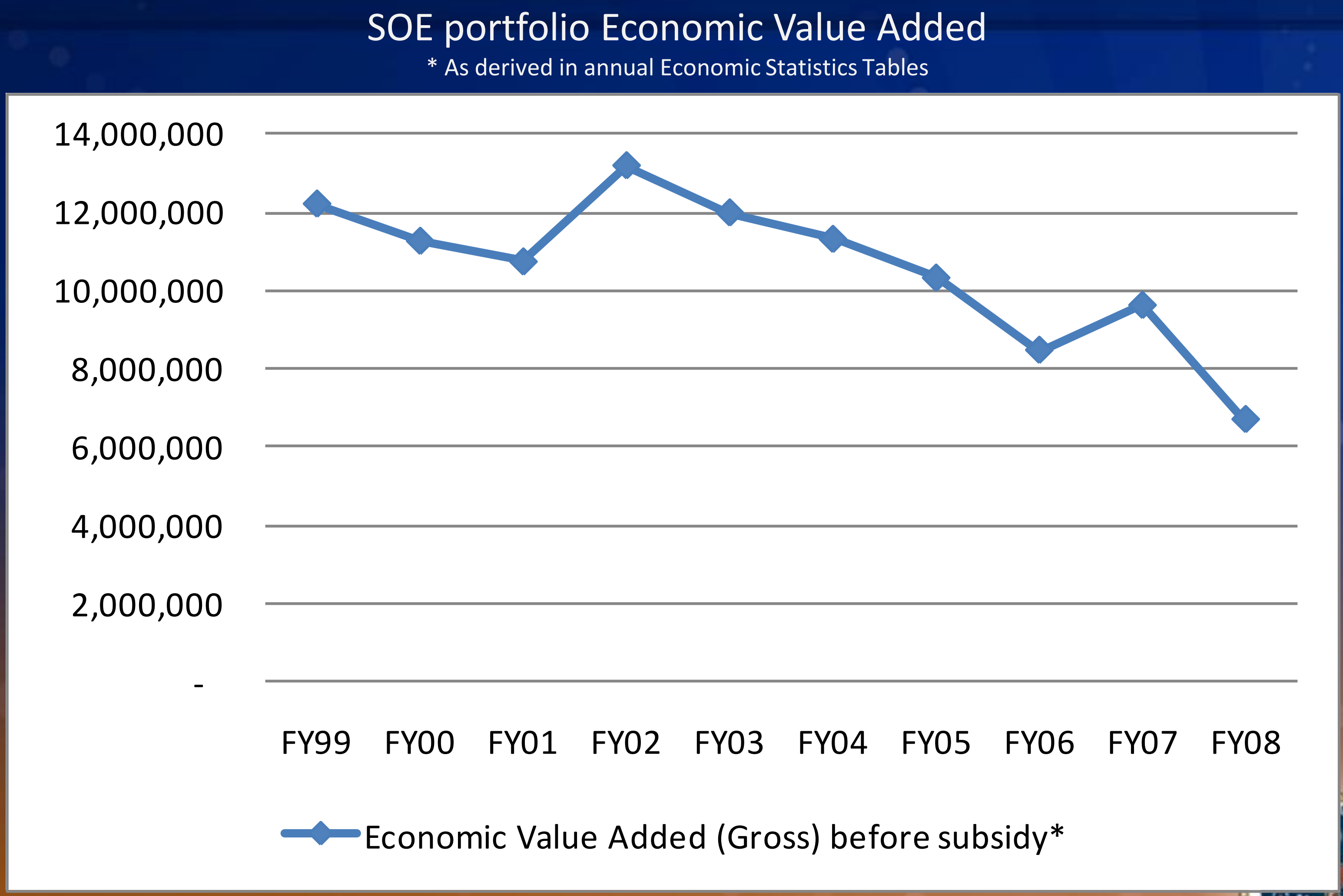

Revisiting SOE reforms

- MEC highest-risk SOE, developed Comprehensive Recovery Plan (CRP) in 2009
- CRP now underway, supported by several partners
- Other high-risk SOEs being reviewed, preliminary reform options analyzed and soon presented
- Cabinet approved *Six Good Principles for SOE Management* and call for new SOE Act
- SOE reform a key component of broader reform effort

Next steps

- RMI SOE review (ADB 2010) recommended:

  Follow an integrated approach:

  (a) focus on enterprise- and sector-specific reforms as well as broader institutional and legislative reforms to strengthen the governance and accountability frameworks in which public enterprises operate; and (b) harmonize public enterprise reforms with other ongoing reform and development efforts

Next steps

- In next two years, RMI will strive to:
  a. Maintain MEC reform momentum
  b. Assess performance, risks, and reform options in next-priority SOEs (AMI, MISC, Tobolar, etc.)
  c. Develop and begin executing reform plans for next-priority SOEs
  d. Establish and enforce new, stronger SOE governance and accountability policy and framework

Possible assistance requirements

- MEC still requires TA and project funding for several critical reform areas
- TA required for assessment and reform planning for next-priority SOEs, including expertise in key areas such as aviation and shipping
- TA also required for new SOE Act and policy
- Some SOE reforms may require project financing
- TA should not only cover analysis and planning but also implementation and monitoring (i.e. a medium term approach)

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For addition details on RMI SOE reform issues, refer to:

- “A Review of 11 Public Enterprises and Options for Reform,” ADB
- “Finding Balance II: Making State-Owned Enterprises Work” ADB (forthcoming)
- RMI Public Enterprise Database FY99-FY08
- MEC Financial Review FY99-FY08
- AMI Financial Review FY99-FY09