



# Regional: Strengthening State-Owned Enterprise Accountability and Performance

Project Name	Strengthening State-Owned Enterprise Accountability and Performance				
Project Number	53076-001				
Country	Regional				
Project Status	Proposed				
Project Type / Modality of Assistance	Technical Assistance				
Source of Funding / Amount	<table border="1"> <tr> <td>TA: Capacity Building for Enabling State Owned Enterprises in Developing Member Countries</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 500,000.00</td> </tr> </table>	TA: Capacity Building for Enabling State Owned Enterprises in Developing Member Countries		Technical Assistance Special Fund	US\$ 500,000.00
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Strategic Agendas	Inclusive economic growth				
Drivers of Change	Governance and capacity development Knowledge solutions Private sector development				
Sector / Subsector	Public sector management - Reforms of state owned enterprises				
Gender Equity and Mainstreaming	No gender elements				
Description	<p>The proposed knowledge and support technical assistance (TA) will help improve institutional capacity and service delivery for state-owned enterprises (SOEs) and in sectors and economies where SOEs are prominent. In response to Asian Development Bank (ADB) developing member country (DMC) demand, the TA will be coordinated with ADB operations departments and develop: (i) SOE knowledge and tools; (ii) SOE diagnostics; and (iii) Institutional capacity for SOE oversight and reform.</p> <p>The TA is aligned with ADB Strategy 2030 and the draft operational plan for operational priority 6 on strengthening governance and institutional capacity in DMCs. It builds on the meetings and findings of the SOE Working Group, which included high level representation from across the ADB and for which the Governance Thematic Group (SDTC-GOV) of the Sustainable Development and Climate Change Department (SDCC) acts as the secretariat. The TA is being launched to support ADB's operational work with SOEs and implement Strategy 2030, which emphasizes SOE reforms and internal governance to improve access to capital and service delivery. The TA is included in SDCC's 2019 results-based work plan.</p>				
Project Rationale and Linkage to Country/Regional Strategy	<p>SOEs have long played an important role in Asia and the Pacific's economic development. Especially prominent in energy, transportation, and finance, SOEs also include major enterprises in mining, manufacturing, food distribution, and other industries. Estimates of their share of gross domestic product in Asian economies generally ranges from 20% 40%. Beyond their impact on service delivery and productivity in key industries, SOEs can be an important source of both government revenues and liabilities. SOE governance and performance can ultimately influence the achievement of several sustainable development goals including 16: Peace, Justice and Strong Institutions.</p> <p>The ADB has a long history of working with SOEs and promoting SOE reform to develop infrastructure and service delivery. Strategy 2030 and the forthcoming operational plan on strengthening governance institutional capacity emphasize that this engagement should continue and become more effective.</p> <p>Unfortunately, in too many Asian and Pacific economies, poorly performing SOE sectors effectively hinder the achievement of sustainable development. Several years of reform have not addressed the causes of this core problem: vulnerability to political interference and corruption; an unlevel playing field with the private sector; and reduced SOE productivity due to soft budget constraints, poor internal and sector governance, and, crucially, little or no real accountability combined with multiple and conflicting objectives. In addition, SOEs may have hidden and contingent liabilities for the national budget.</p> <p>Underlying these challenges are the root failures of SOE oversight and governance: systematic opacity and a deep resistance to useful disclosure; poorly designed and unfunded policy mandates; and legal and regulatory regimes that are ambiguous, incomplete, and unnecessarily distinct from the private sector. Most importantly, no part of the government has real responsibility for SOE performance or is held accountable for it in turn. The nature of the SOEs themselves, the quality of management and how the state acts as owner of assets drive these underlying causes and the resulting negative effects. These challenges are compounded by the politically sensitive nature of SOEs and potential reforms.</p> <p>The ADB has long worked to address these challenges in its engagements with SOEs. However, according to a 2018 Independent Evaluation report , supported reforms tended to be piecemeal and few addressed how the state acts as an owner of assets, and who carries out that role(s) in the state administration. The management response to the report supported the recommendations for ADB to strengthen operations dealing with SOE reforms.</p> <p>The ADB's approach to SOE reform is consistent with international experience. For decades, countries around the world made repeated reforms to SOEs. In most countries, these reforms did not sufficiently address root causes and their results were often disappointing. With only partial reforms, countries still experienced limited private sector development; poor delivery of and limited investments in energy, transportation, finance, and other key areas; adverse budgetary impacts; and heightened vulnerability to economic shocks.</p> <p>After 2000, a growing number of countries focused reforms on how the state carried out its ownership functions. The exercise of these functions was often centralized, sometimes under the ministry of finance or industry, but increasingly in specialized holding companies or equivalent entities. In many instances, these reforms led to greater market contestability as barriers to entry were reduced and competition led to the dismantling or significant downsizing of SOEs particularly in the areas of manufacturing and services. More broadly, these reforms increased commercial orientation, transparency and improved high-level decision-making, board appointment and other aspects of corporate governance. They were often pursued in conjunction of wider reforms to SOE performance management, sector governance, public sector obligations, and public financial management. Efforts to ensure a level playing field with the private sector often become more effective, as did ongoing corporatization, restructuring, and privatization.</p> <p>Some Asian economies led in these reforms, and they have now spread to others. When SOE governance is more advanced, substantial scope typically remains for further improvement to help access capital markets, increase infrastructure finance and service delivery, and improve reporting on and increased consideration of wider environmental, social, and governance issues.</p>				
Impact	Service delivery by SOEs strengthened (ADB Strategy 2030)				
Outcome	Improvement of SOE governance and oversight in selected DMCs supported				
Outputs	<ol style="list-style-type: none"> <li>1. SOE diagnostics prepared</li> <li>2. SOE knowledge and tools developed</li> <li>3. Capacity development for SOE oversight and reform supported</li> </ol>				

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.

Procurement ADB will carry out procurement following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.

Responsible ADB Officer	David Robinett
Responsible ADB Department	SDTC
Responsible ADB Division	SDTC-GOV
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

Timetable

Concept Clearance	13 Aug 2019
Fact Finding	-
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	13 Aug 2019

Project Page	<a href="https://www.adb.org/projects/53076-001/main">https://www.adb.org/projects/53076-001/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=53076-001">http://www.adb.org/forms/request-information-form?subject=53076-001</a>
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