



Regional: Program to Enhance Commercialization and Financial Sustainability of State-Owned Enterprises in the Central and West Asia Region

Project Name	Program to Enhance Commercialization and Financial Sustainability of State-Owned Enterprises in the Central and West Asia Region	
Project Number	55174-001	
Country	RegionalArmeniaAzerbaijanGeorgiaKazakhstanKyrgyz RepublicPakistanUzbekistan	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 6802-REG: Program to Enhance Commercialization and Financial Sustainability of State-Owned Enterprises in the Central and West Asia Region	
	Technical Assistance Special Fund	US\$ 1.75 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Public sector management - Reforms of state owned enterprises	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>1. The regional technical assistance (TA) program will support research and development to achieve a greater understanding of the commercialization and bankability of state-owned enterprises (SOEs), across key markets in the Central and West Asia (CWA) region; and enhance SOEs' institutional capacity to access commercial financing from the Asian Development Bank (ADB) and cofinanciers. The TA will focus on positioning ADB as a partner in driving forward the financial sustainability and commercialization of strategic SOEs, and in doing so enable more SOE-related commercially oriented investment opportunities in the region. This approach will pilot new approaches such as credit mapping and innovative SOE 360 reviews, as well as build the tools, techniques, and teams to establish and implement comprehensive individual SOE transformation programs to support new and deeper engagements with SOEs.</p> <p>2. The TA is aligned with ADB's Strategy 2030 and its operational priority of strengthening governance and institutional capacity. It will promote greater commercial orientation of SOEs and help improve their access to financing on commercial terms and conditions by improving their governance and institutional capacity for service delivery through SOE reforms. The TA also responds directly to Strategy 2030's target of expanding private sector operations, including preparing SOEs for accessing commercial financing under the One ADB approach, bringing together knowledge and expertise for the benefit of ADB's clients. In line with another operational priority of Strategy 2030 accelerating progress in gender equality the TA incorporates some gender elements in the analysis and program design so that SOEs will contribute to the advancement of gender equality.</p> <p>3. The TA supports Sustainable Development Goal 16.6 (develop effective, accountable and transparent institutions at all levels) and Sustainable Development Goal 8.10 (strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all) by promoting the financial sustainability and commercialization of SOEs, including (but not limited to) state-owned banks.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>1. SOEs in the CWA region have a substantial presence in delivering public services and implementing public policies, and play a crucial role in economic development across a range of sectors. Even though they are the most dominant potential partners in various sectors, from transport and energy to finance and health, many are financially and operationally unsustainable and must rely on their government's continuous financial support to maintain their regular business operations. A lack of competition and insufficient commercial, performance-related incentives coupled with competing commercial objectives and policy mandates, poor corporate governance, and diffuse and opaque state ownership structures often result in low operational efficiency and productivity of SOEs. Their limited capacity also means that they have less access to commercial financing than private enterprises. This all translates into a vicious circle that hampers the financial sustainability of SOEs, and ultimately the long-term competitiveness and growth of the overall economy. Underperforming SOEs have created an increasing fiscal burden for developing member countries, and the continued financing of unprofitable SOEs may cause contingent liabilities and significant risks to a stable financial system and the overall economy.</p> <p>2. CWRD has long worked with governments and SOEs to support reforms in public sector management, governance, and institutional capacity for service delivery. Recent initiatives include ADB's policy-based loan to Uzbekistan for subprogram 2 of the Economic Management Improvement Program, which helps SOEs implement corporate governance rules; creates a centralized special fund for SOEs' restructuring, divestment, and privatization; and facilitates the revaluation of SOE assets, the sale of non-core assets, and the preparation of financial statements. Another example is ADB's Sustainable Water Supply and Sanitation Sector Development Program in Georgia, which will transform water supply and sanitation governance and institutions by creating a cohesive sector policy and legal basis, and initiating reforms of poorly performing SOEs. The ADB SOE working group recently published a study, "The Bankable SOE: Commercial Financing for SOEs," which discusses the reforms that are most effective in making SOEs bankable.</p> <p>3. The CWRD operations have strengthened the enabling environment for SOE and sector reforms by helping (i) establish national development strategies for SOEs, (ii) adapt legal and regulatory frameworks, (iii) formulate sector-based development strategies and policy, (iv) set up central committees to guide SOEs' transformation and governance, and (v) facilitate government investment and divestment strategies, and related sovereign support.</p> <p>4. In its thematic evaluation report on State-Owned Enterprise Engagement and Reform, ADB's Independent Evaluation Department found that SOE reforms had not been the primary focus of most sovereign, nonsovereign, and TA operations. However, it highlighted that well-coordinated operations under upstream sovereign investments that leverage SOE reforms and nonsovereign support to SOE clients can improve ADB's effectiveness in supporting SOE reforms and ultimately ensure the efficient use of public resources.</p> <p>5. The TA will build on the work of the CWRD sector divisions, resident missions, and the Sustainable Development and Climate Change Department's governance thematic group by engaging with a group of efficient and capable SOEs that have the potential for commercial financing. The TA will thus connect ADB's public and private sector operations to deliver a comprehensive package of integrated solutions directly to SOE clients, and thereby strengthen ADB's partnership with SOEs and, ultimately, the respective national governments.</p> <p>6. The TA support provided directly to SOE clients can be a useful instrument to deepen discussions on a variety of integrated solutions such as sector reforms and SOE transformations, and creates the opportunities to gradually migrate SOE clients to the domain of commercial financing.</p>	
Impact	Governance and institutional capacity of state-owned enterprises strengthened and private sector operations expanded.	

Project Outcome	
Description of Outcome	Commercial orientation of SOEs in the CWA region enhanced
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Categorization and credit mapping of SOEs conducted 360 reviews of selected SOEs' readiness for commercialization conducted Commercialization program for SOEs designed and capacity built
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Armenia - Nation-wide; Azerbaijan - Nation-wide; Georgia - Nation-wide; Kazakhstan - Nation-wide; Kyrgyz Republic - Nation-wide; Pakistan - Nation-wide; Uzbekistan - Nation-wide
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	
Responsible ADB Officer	Lin, Ting-Ying
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Office of the Director General, CWRD
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines
Timetable	
Concept Clearance	06 Aug 2021
Fact Finding	-
MRM	-
Approval	08 Oct 2021
Last Review Mission	-
Last PDS Update	11 Oct 2021

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Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,750,000.00	0.00	0.00	0.00	0.00	0.00	1,750,000.00	-	0.00

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Request for Information	http://www.adb.org/forms/request-information-form?subject=55174-001
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