

# STATE OWNED ENTERPRISES

## Fact Sheet

### BACKGROUND

SOE's play a pivotal role in the Fijian economy given their vast asset base, contributions to GDP, employment generation and provision of public goods and services. SOEs are government-owned or controlled entities that operate in various sectors, including power, aviation, banking, transport, agriculture, housing, electricity, and postal and financial services. They provide essential services and contribute to economic growth and development, SOEs ensure the provision of critical services such as electricity, water, and transportation creating jobs and contribute to the livelihoods of workers. Well-managed SOEs contribute to economic stability and resilience.

The SOE's are guided by the Public Enterprise (PE) Act 2019 which enlists 13 entities as part of the Public Enterprises, while all other entities are excluded. However, Government continues to report on all 25. Government also recognizes the importance of improving SOE performance. Some of these SOEs have a wide range of infrastructure to manage therefore the need to allow partnership with private sectors to be able to maximize existing resources to full potential and maximum service to public. Government will prioritize on stringent government control and rigid corporate culture and management style to avoid political, financial, regulatory, bribery and corruption at the same time focuses on policies to modernize process, strengthen institutional capacity, and instill accountability and good governance.

### CURRENT STATUS

SOE is guided by the Public Enterprise (PE) Act 2019 - enlists 13 entities, while all other entities are excluded. However, Government continues to report on all 25 SOE's in which it has investment shareholding interest. Operating in various sectors, including power, aviation, banking, transport, agriculture, housing, electricity, and postal and financial services.

SOE's Average Portfolio Contribution to GDP for 2010–2021 is approximately 3.7% to Fiji's Gross Domestic Product (GDP). And the Average Return on Assets for 2010–2021 during this period was 2.1%, while Average Return on Equity is around 4%. Government also received dividends from the SOE's. In 2022 a total of \$30.8 million in dividends from some state-owned enterprise such as EFL (\$23.8 million), FPCL (\$5.5 million) and ATH (\$1.5 million) were received. Certain SOE's are a statutory monopoly like EFL, WAF, and Fiji Airways. Reforms have also encouraged SOE partnerships with the private sector. Privatizing 59% of Fiji Ports Corporation Limited in 2016. Privatizing 24% of Energy Fiji Limited (EFL) in 2019, with a further divestment of 20% in 2021, and 5% of EFL's shares listed on SPSE and given to existing customers. EFL signing a power purchase agreement for the development of a 5-megawatt (MW) grid-connected solar plant in 2021. Few were restructured to establish a multi-sector regulator for water, electricity and communications.

Overall, SOE performance has been mixed. Total asset base of the SOE portfolio has grown significantly, from \$8.4 billion in 2019 to over \$9.0 billion in 2022 with entities in the infrastructure and transport sector (AFL, EFL, FPCL and Fiji Airways) having the largest asset base.

### CHALLENGES

1. Staggered performance in SOE could at times be slow, and the services provided are often high cost with low delivery standards and low productivity.
2. The 2019 PE Act, took years to review, however the Act only applies to only 13 SOE's, accounting for less than 20 percent of SOE assets controlled by the government
3. Susceptible to political interference, dictatorial leadership and control. As SOE's are funded, monitored and managed by government.
4. Occasionally issues like corruption, bribery, fraud and abuse of power rears are often associated with this type of leadership

5. Certain SOEs in Fiji are a statutory monopoly (EFL, WAF, FA), their products are not subject to market competition, and are not subject to market discipline. The lack of competition and frequent government bailouts during crises, lead to inefficient performance and poor public service delivery by some SOE's.
6. Some SOEs may suffer from inefficiencies due to bureaucracy, lack of competition, and mismanagement.
7. Poorly performing SOEs can strain public finances.
8. State ownership may hinder innovation and responsiveness to market changes.

### OPPORTUNITIES

1. Public Private Partnership (PPP) allow large-scale government projects, such as roads, bridges, or hospitals, to be completed with private funding.
2. SOEs receive financial support from government and have a large and stable potential customer base.
3. SOEs are known for receiving access to favorable policies such as tax breaks on certain products and low interest rates on loans from state-owned banks.
4. SOEs provide employment opportunities for Fijians across various sectors and well managed SOEs contribute to government revenue through dividends and taxes.
5. SOEs ensure the provision of critical services such as electricity, water, transportation and communication infrastructure essential for economic growth and connectivity.
6. Big or heavy industries in the public sector ensure equitable distribution of National Income. Big or large scale industries in private sector accumulate resources in few hands.

### FUTURE POLICES AND STRATEGIES

- **Enhance the performance of state-owned enterprises (SOEs):**
  - ✓ Quality, timely and reliable reporting of SOE performance .
  - ✓ Strengthen internal management to maximize efficiency and effectiveness.
  - ✓ Factors contributing to the backlog and delay such as missing data, high turnover of management and staff.
  - ✓ Government will not be able to entirely cut all funding so the Ministry in consultation with line ministries could explore the option of divestment or sale or further assistance from overseas partners.
- **Strengthen PPP and SOE policies to support private sector development:**
  - ✓ Review Public Enterprises Act 2019 to ensure that it address the financial performance and service delivery portion too.
  - ✓ Formulate privatization policy framework and implement privatization programme for State Owned Enterprises (SOEs).
  - ✓ Increase private investment in SOEs.
- **Improve accountability, transparency and good governance:**
  - ✓ Review the classification of the SOE.
  - ✓ Identify next reforms steps for each SOE.
  - ✓ Development of a Monitoring Framework for SOE's.
  - ✓ Strengthen SOE reporting through publishing of annual reports.
- **Rate of Return on Equity:**
  - ✓ Discuss with the Ministry of Public Enterprise team, line Ministries and entities on the need for the performance parameters through which SEOs could be assessed.