Analysis of Data

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FINDING BALANCE
BENCHMARKING THE PERFORMANCE OF STATE-OWNED ENTERPRISES IN ISLAND COUNTRIES

Private Sector Development Initiative
## Participating & Survey Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP 2014 ($ million)</th>
<th>GDP per Capita</th>
<th>GDP per Capita Growth (Average 2010–2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiji</td>
<td>886,450</td>
<td>4,069</td>
<td>4,590</td>
<td>5%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>2,721,252</td>
<td>14,101</td>
<td>5,182</td>
<td>7%</td>
</tr>
<tr>
<td>Kiribati</td>
<td>110,470</td>
<td>167</td>
<td>1,509</td>
<td>2%</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>52,898</td>
<td>193</td>
<td>3,649</td>
<td>4%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>1,260,934</td>
<td>13,082</td>
<td>10,375</td>
<td>6%</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>7,463,577</td>
<td>18,874</td>
<td>2,529</td>
<td>13%</td>
</tr>
<tr>
<td>Samoa</td>
<td>191,845</td>
<td>823</td>
<td>4,288</td>
<td>3%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>572,171</td>
<td>1,169</td>
<td>2,043</td>
<td>10%</td>
</tr>
<tr>
<td>Tonga</td>
<td>105,586</td>
<td>424</td>
<td>4,020</td>
<td>3%</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>258,883</td>
<td>966</td>
<td>3,732</td>
<td>8%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4,509,700</td>
<td>191,585</td>
<td>42,483</td>
<td>4%</td>
</tr>
<tr>
<td>Singapore</td>
<td>5,469,700</td>
<td>307,937</td>
<td>56,299</td>
<td>7%</td>
</tr>
</tbody>
</table>
Benchmarking portfolios

% of Total Assets 2014

Utilities
Communications
Non Mutual Financial Institution
Other Commercial

Ports/Airports

Infrastructure SOEs

Fiji
PNG
RMI
Samoa
Solomons
Tonga
Jamaica
Kiribati
Vanuatu
Mauritius
NZ
SG
Average Return on Equity / Assets
2010-2014

Average Return on Equity of all SOEs
Average Return on Assets of all SOEs
SOE contribution to GDP vs Total Fixed Assets, 2014

SOE Contribution to GDP (LHS)
SOE % of Total Fixed Capital in Economy (LHS)
Ratio Contribution:Fixed Asset (RHS)
Fiscal Strain

Government transfers > SOE Net Profits in 5 of 10 countries

Cumulative Net Profits After Tax 2010 - 14
Government Transfers to SOEs 2010-14
Cumulative Government transfers to SOEs as a % of Total Health Expenditure 2010 - 2014
Portfolio Return Assets 2002-2014

Small Island Economies

- RMI
- Samoa
- Solomon Islands
- Tonga
- Kiribati
- Vanuatu
SOE model is not sustainable

• Fundamental flaw

• Political and commercial risks
  • Commercial risk can be managed in the short-term, but increasingly difficult in medium-term
  • Political risk cannot be fully mitigated
    ✓ Cracks in the SOE structure
    ✓ Game playing
    ✓ Undermine commercial mandate

• Politicians struggle to make commercial decisions with political cost
Singapore SOEs

- ROE
- ROA
## Singapore Gearing

<table>
<thead>
<tr>
<th>SOE</th>
<th>Debt to Equity</th>
<th>Accounts Payable to Equity</th>
<th>Debt &amp; Accounts Payable to Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neptune Orient Lines</td>
<td>147.2%</td>
<td>49.1%</td>
<td>196.3%</td>
</tr>
<tr>
<td>Singapore Technologies</td>
<td>62.9%</td>
<td>116.9%</td>
<td>179.9%</td>
</tr>
<tr>
<td>Singapore Power</td>
<td>147.1%</td>
<td>21.3%</td>
<td>168.3%</td>
</tr>
<tr>
<td>STATS ChipPAC</td>
<td>93.2%</td>
<td>15.8%</td>
<td>109.0%</td>
</tr>
<tr>
<td>SMRT</td>
<td>48.2%</td>
<td>51.1%</td>
<td>99.3%</td>
</tr>
<tr>
<td>PSA International</td>
<td>61.4%</td>
<td>12.8%</td>
<td>74.3%</td>
</tr>
<tr>
<td>Singapore Telecommunications</td>
<td>33.1%</td>
<td>20.3%</td>
<td>53.4%</td>
</tr>
<tr>
<td>Mapletree Investments</td>
<td>36.9%</td>
<td>5.4%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Singapore Airlines</td>
<td>9.6%</td>
<td>31.1%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>
Private sector participation needed to lock in commercialization gains

**SOE Commercialization**
- Commercial mandate
- Accountability framework
- CSO delivery on commercial terms
- Professional boards
- Transparency / disclosure
- Competitive neutrality

**Private Sector Participation**
- Full Privatization
- Partial Privatization
- PPPs
- Contracting out

**Competition**
Finding Balance 2016: Benchmarking the Performance of State-owned Enterprises in Island Countries will be published and available in August 2016.

Please let me know if you would like a copy emailed.

When published – copies available on ADB website.

Limited draft advance copies are available at this conference upon request.