The Parastatal Reform Then and Now

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Prior to Economic Reform

- Prior to the economic reform, there were approximately 115 government bodies categorized as Public Enterprises.

- There was a need to clearly identify those PEs primarily having a commercial purpose and initiate an arm's length relationship between the entity and the government by introducing the concept of PE company model.

Budget Implication

- PE's were creating significant pressures on the National Budget, as many of them were depending on government subvention.
- Commercially viable PE's were being subsidized by the National Budget
- No dividend was paid to government by many commercially viable PE's.

Budget Implications cont…

Direct transfers to commercial PEs from the National Budget			
Name	**2006**	**2007**	**2008**
	SCR '000	**SCR '000**	**SCR '000**
PUC	10,000	92,000	44,950
SMB	0	48,000	0
IDC	11,000	13,000	7,000
SPTC	25,700	15,000	20,000
PMC	5,700	5,700	5,700
L'Union Estate	1,000	1,800	0
IOT	0	22,500	0
TOTAL	**53,400**	**198,000**	**77,650**

Budget Implications cont…

- Certain PE's were providing below cost services to the general public such as:
  - Seypec – LPG
  - PUC – Tarrifs
  - SPTC – bus fares
  - Air Seychelles – Domestic air fares

The Reform

- In 2008 the government undertook a significant reform designed to improve the performance of PEs through good governance aimed at making the sector more efficient, transparent and accountable.
- This included;
    - the enactment of the Public Enterprise Monitoring Act in 2009.
    - Formalised the ownership framework for PEs
    - Clarified the roles of the various government agencies responsible for oversight
    - Created the PEMD in the Ministry of Finance

The Reform Cont…

- a detailed work plan directed at reinforcing the monitoring and control of PEs, strengthening governance, reducing dependence on public funding and minimising financial risk to the state.

- The Act required each PE to prepare a Statement of Corporate Intent to ensure that the objectives of Management, the Board and the Government as shareholders are in full alignment.

The Reform Cont…

- To enhance the oversight capacity of the government over the PE's activities, there was a need to split the monitoring and regulatory functions.

- The PEMD Act 2009 was repealed and replaced with the PEMC Act 2013.

The Reform Cont…

The PEMC was created:

PEMC

PUBLIC ENTERPRISE MONITORING COMMISSION

Reporting

- **Prior to the reform:**
  - Financial and non-financial information were adhoc and inconsistent.
  - Some PEs were providing only annual audited financial statements whilst others were providing detailed annual reports.
  - Some PEs were audited regularly whilst others were not.

Reporting

- **Now:**
  - Financial and non-financial information are consistent.
  - All PE's are more focused and have a medium term strategy (Statement of Corporate Intent).
  - Monthly, quarterly and annual financial statements are being prepared and submitted.
  - Annual reports are being prepared by most PEs

Governance

- **Prior to the reform:**
  - The role of Chairperson and Chief Executive Officers were being held by the same person.
  - The CFO was appointed by the CEO
  - There were no sub committees to the Board
  - There were no clear line drawn between the role and function of the CEO and that of the Board
    - The Board was not being consulted in the strategic decisions regarding their respective PEs

Governance

- **Now:**
  - There are no longer any Executive Chairpersons
  - The CFO is appointed by the Board
  - Different sub-committees have been created such as procurement, investment and audit committee
  - The role of Responsible Ministers, Boards and CEOs have been clearly defined

Risks

- **Prior to the reform:**
  - There were no risk mitigation strategy.
  - The impact of business decision on the government fiscal budget and the economy were not being considered by PEs.
  - Medium and long term projections were not properly documented.
  - There was a lack of proper supervision by the shareholders on PE investments and the fiscal risk they posed.
  - There were no understudy of the Executives of the PE's

Risks Cont…

- **Now:**
  - All PE's have a risk mitigation strategy as part of their Statement of Corporate Intent
  - The impact of both business and strategic decisions made by PE's are closely monitored
  - Medium and long term projections are part of the PE's SCI
  - Shareholders take a more active role in PE's investment decisions
  - Many PE's have a deputy CEO or an understudy to the CEO and the CFO

Achievements

- Government as the shareholder is well versed in the activities, roles and operation of PE’s.
- The PE’s are more conscious of their roles and responsibility towards the government.
- PE’s have been classified into commercial and non-commercial entities.
- Certain PE’s have been privatised, others liquidated to reduce the total number of PE’s.
- The commercially viable PE’s are no longer dependent on government budget and the overall number of PE’s on government budget has significantly reduced.

Thank you