

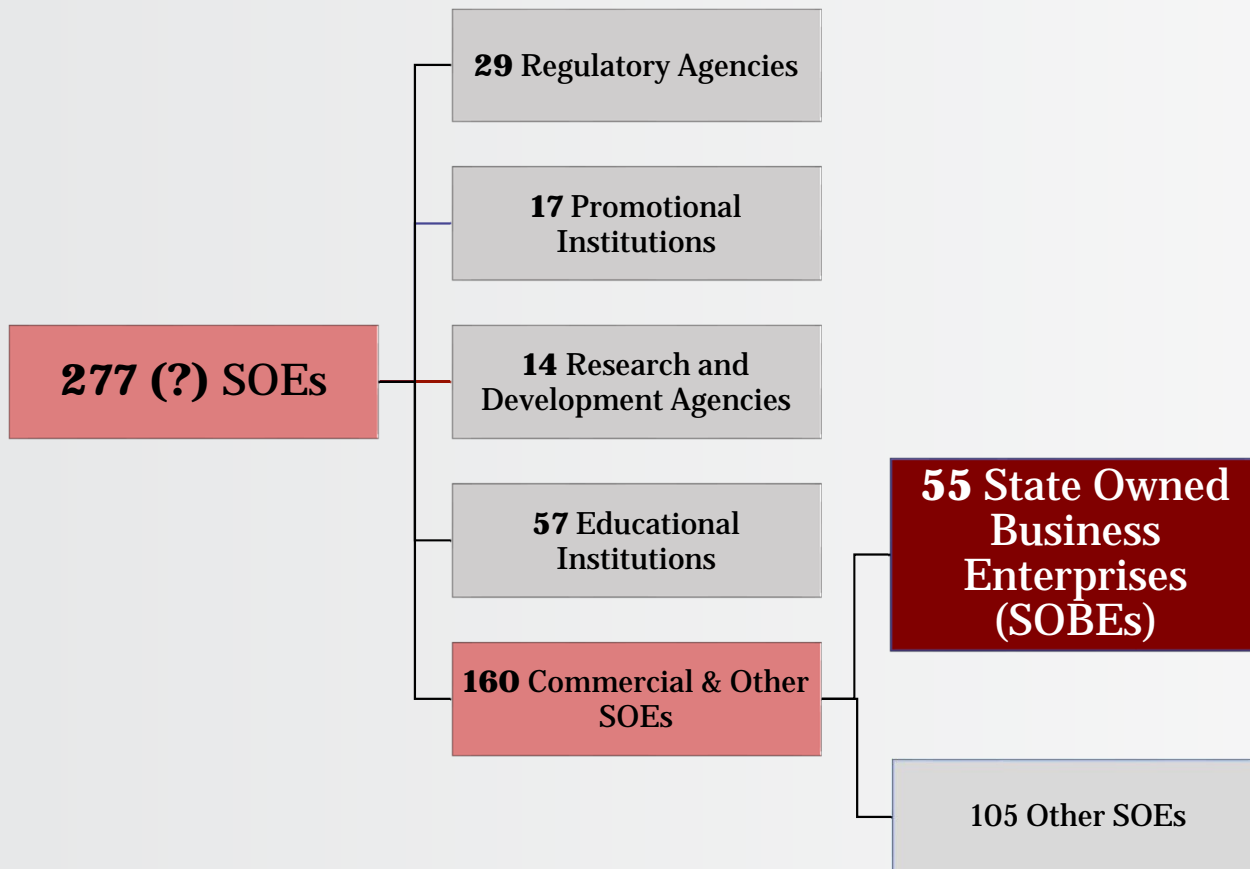
# SOE Reforms in Sri Lanka

*From Policy to Action*

Aneesha Guruge

27 February 2018

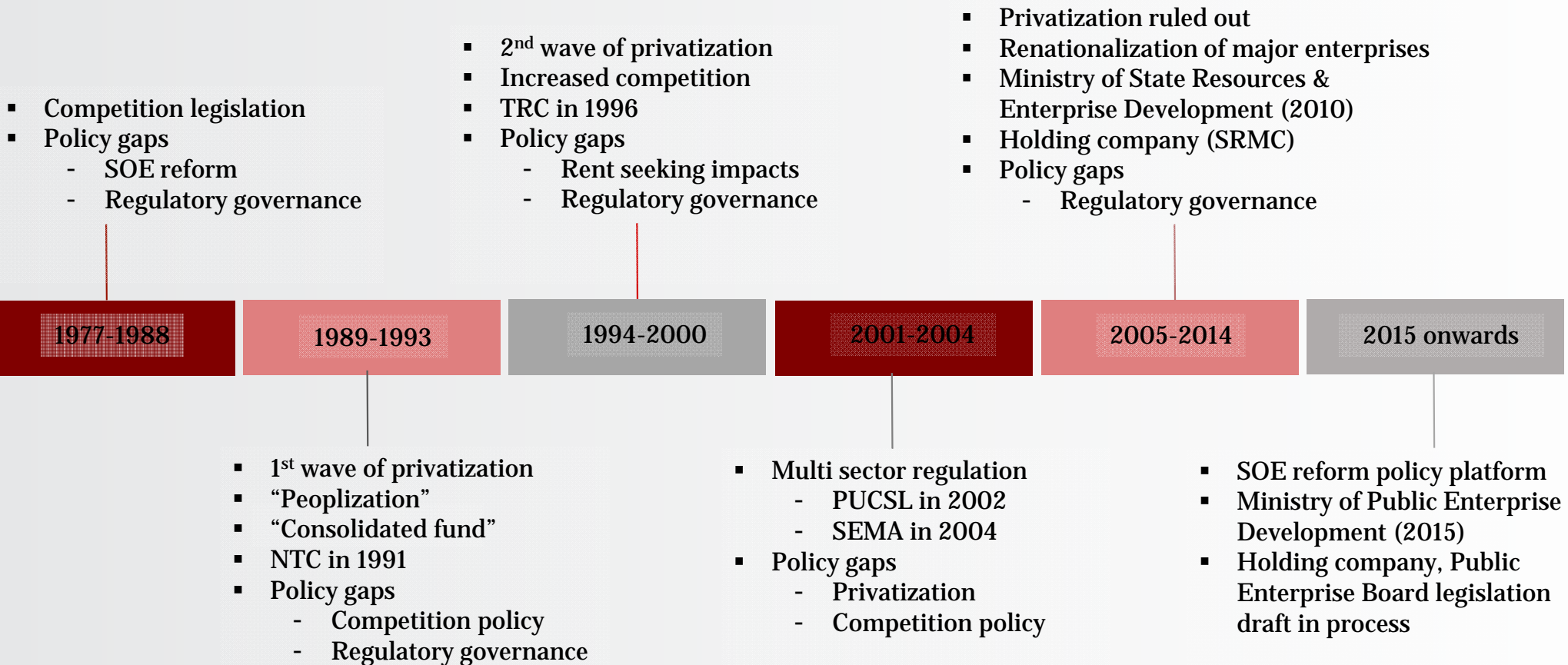
# State owned enterprises: scale & scope



- Income = 13% of GDP
- Debt = 11% of GDP



# Looking back: a history of reforms



# National policy priorities: the last three years

## 2016

- Government Holding Company
- *Public Enterprise Act*
- PPPs
- Divestiture of Non-strategic Assets
- KPIs

• *PM's Economic Policy Statement & 2016 Budget Speech (Nov 2015)*

## 2018

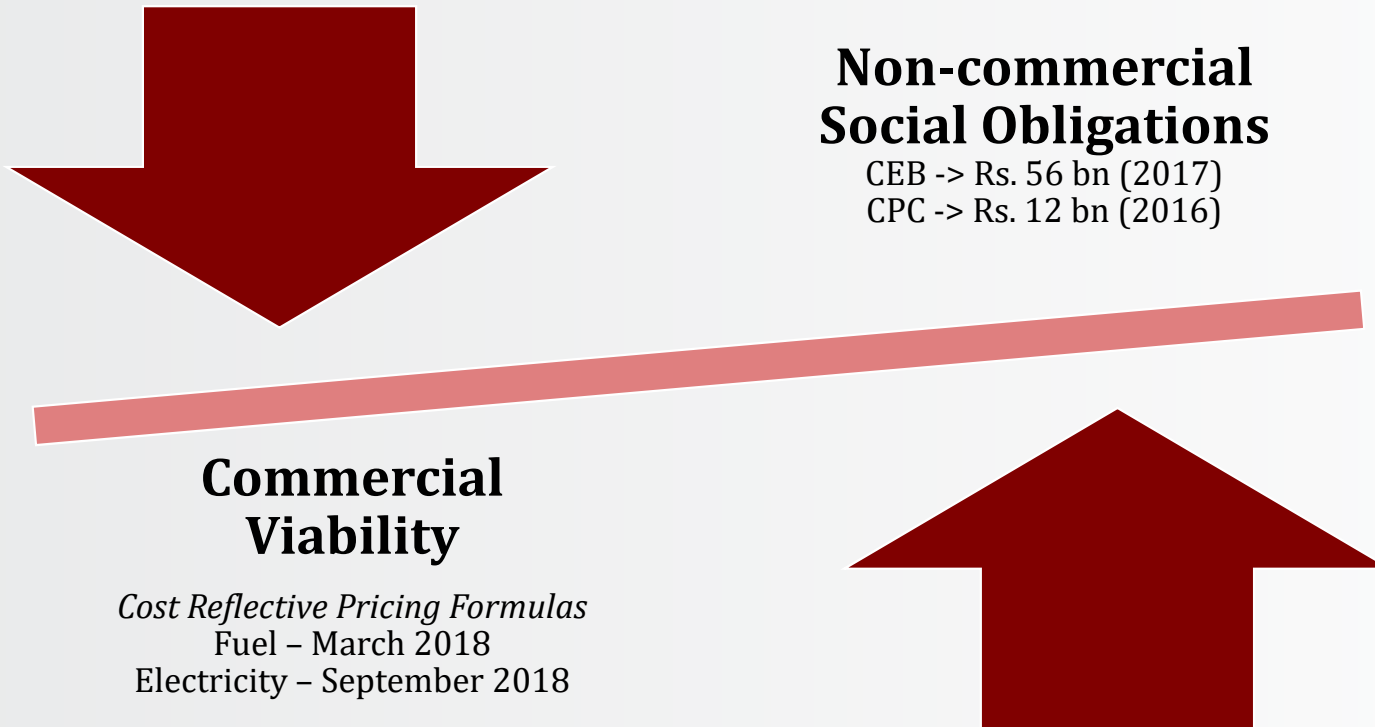
- *Public Enterprise Act*
- PPPs
- **Divestiture of Non-strategic Assets**
- **KPIs & Statements of Corporate Intent**
- Partial Divestiture of State Banks
- Cost Reflective Pricing

• *Vision 2025 (Sep 2017) & 2018 Budget Speech (Nov 2017)*

## Three complexities of SOEs

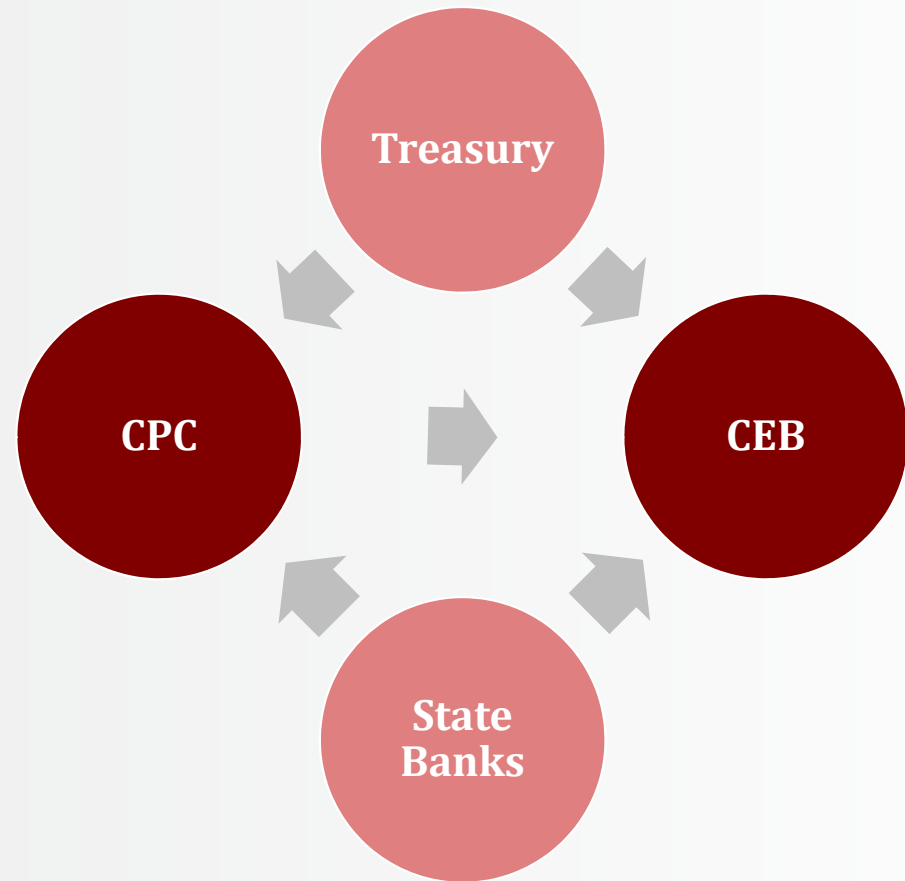
- **Complexity of identity** – competing expectations of the role of SOEs
- **Complexity of SOE interdependence** – interactions between SOEs affecting overall performance
- **Complexity of institutions** – decentralization of government oversight & politicization of unions

## Identity: competing interests



## SOE interdependence: circular debt

**Circular debt** impacts the liquidity of the bank sector and of the Treasury.





# **Institutions: multiple stakeholder contestation**

1

**Supporting** Much  
Needed Reform

2

**Evaluating**  
Suggested  
Reforms

3

**Objecting** Critical  
Reforms

**COMMERCIALIZATION PERFORMANCE**  
**PRIVATE COMPETITION CONTRACTING**

**PRIVATIZATION GOVERNMENT HOLDING COMPANY**  
**MANAGEMENT CONTRACTING PPPS**

# SOE reform: inclusive growth



- **PSOs (public goods)**
- **Competitiveness**
- **Independent regulation**
- **Transparency / hard budget constraints**

# Sustainable SOE reform: no blanket solutions



- **Role of government clearly defined:** PSOs, natural monopolies etc.
- **Avoid reinventing the wheel:** look back to go forward
- **Sequencing:** competition/liberalization & independent regulation before ownership change
- **Management reforms:** performance-based incentives, hard budget constraints
- **Political ownership/commitment:** over the reform process
- **Broad stakeholder buy-in:** communication strategy, branding, open public dialogue

Thank you

