



# OECD GUIDELINES ON CORPORATE GOVERNANCE OF STATE-OWNED ENTERPRISES

Presentation to the Forum AMEC de Investidores, 22 August 2018.

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# The OECD Guidelines on Corporate Governance of State-Owned Enterprises

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## *Why is there a need for Guidelines?*

- In some OECD countries, and most emerging economies, the State is the largest single enterprise owner. Corporate inefficiencies would have major fiscal, macroeconomic and structural impact.
- Privatisation is often not an option. Moreover, the OECD takes the position that state-owned enterprises (SOEs) can be operated as efficiently as private firms.

## *How were the Guidelines developed?*

- The Guidelines were first published in 2005. They were fundamentally revised in 2015.
- All OECD member countries participated in the revision process. So did 29 other countries, as well as representatives of business, trade unions, civil society and academia.



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## *What is the status of the Guidelines?*

- **An OECD legal instrument.** All OECD countries must associate themselves with the recommendations laid down in the Guidelines.
- **Addressed to the SOE ownership.** The Guidelines makes recommendations to policy makers and public officials responsible for exercising the ownership of enterprises.
- **Non-binding.** No government or SOE is in any given situation legally obliged to follow the Guidelines. But newcomers to the OECD must demonstrate that they can credibly do so.
- **Not limited to OECD members.** Any country can, following a review of its national SOE sector, become an adherent to the Guidelines and participate fully in OECD's work on SOEs.



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### *The Guidelines embody a shared vision:*

- **The general public is the ultimate owner of SOEs.** The Guidelines are based on, and complementary to, the OECD Principles of Corporate Governance, which apply to exchange-listed companies. The idea is that SOEs should be as accountable to the general public as listed enterprises should be to their shareholders.
- **Setting a high level of aspiration.** The Guidelines establish a high bar for good practices. They are designed to serve as a lodestar for reform – not establish minimum standards. Not many countries have fully implemented the Guidelines, but ongoing SOE reform is almost always consistent with the Guidelines.



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## *Main priorities in the Guidelines:*

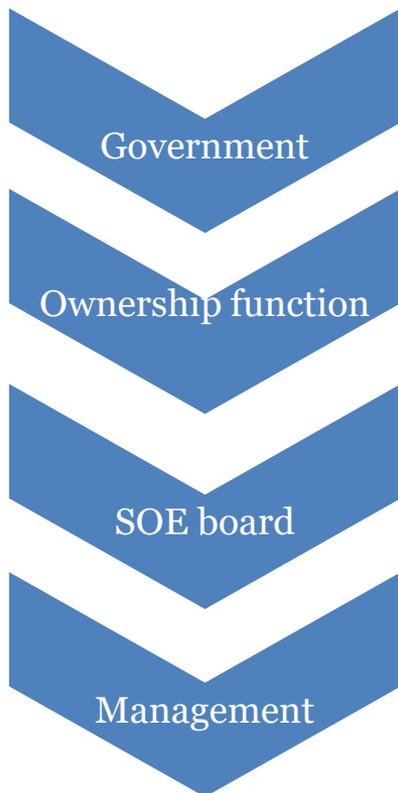
- **A rules-based environment.** The rationale for state ownership should be clear, and each SOE should operate subject to transparent financial and non-financial objectives.
- **Reinforcing the ownership function.** The state administration should exercise SOE ownership on a whole-of-government basis. The state ownership function should be separate from the regulatory function to avoid conflicts of interest.
- **Level playing field.** SOEs should be subject to the same rules and regulations as other enterprises. They should compete on a level playing field with private enterprises and not distort competition.
- **Equitable treatment of shareholders.** The state should not have any undue advantages over other investors in SOEs.
- **Transparency and disclosure.** SOEs' objectives and performance should be disclosed and reviewed.
- **Stakeholder relationship.** SOEs and their owners should treat employees, creditors and affected communities fairly and equitably.
- **Boards of directors.** The boards are the SOEs' highest decision-making bodies. They should exercise their powers free of political interference.



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## *The “OECD model” implies:*

- The ownership of SOEs is separated from regulation
- Each ownership decision should be taken at the appropriate level



- Sets ownership policy
- Coordinates at cabinet level

- Defines objectives for individual SOEs
- Monitors performance

- Approves strategy
- Monitors management

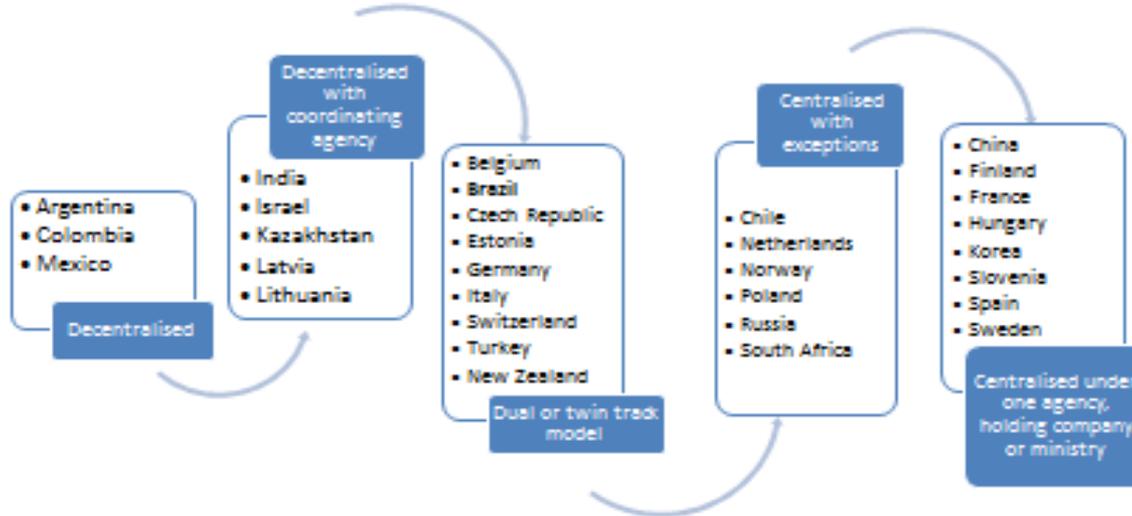
- Runs the company

Independent regulation



## Example of national practices: The state ownership function

### Spectrum of state ownership models in 31 countries

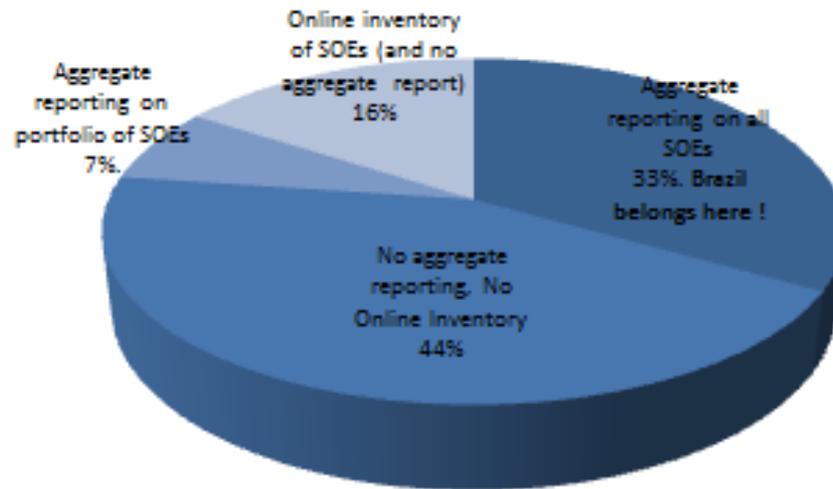


Source: OECD (2018), *Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices*



## Example of national practices: Aggregate reporting

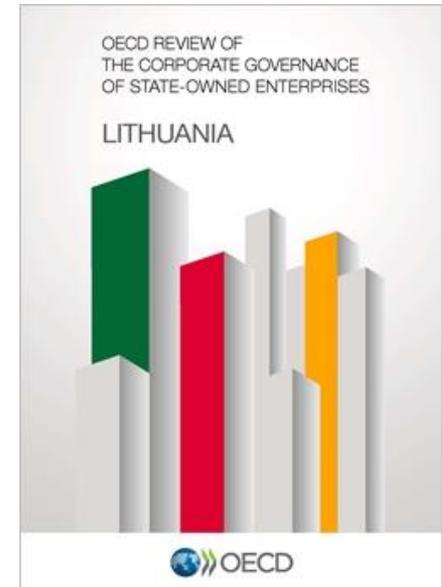
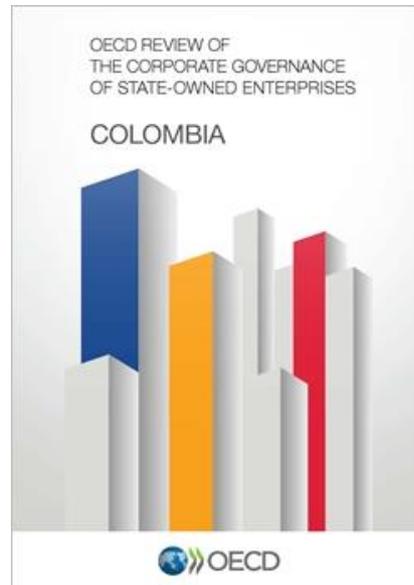
### How many countries produce aggregate reports on SOEs?



Source: OECD (2018), *Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices*



# Recent SOE country reviews





# Toward a companion instrument: Anti-Corruption and Integrity Guidelines for SOEs

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## **I. Integrity of the state**

1. Apply high standards of integrity to those exercising ownership of state-owned enterprises on behalf of the general public
2. Establish ownership arrangements that are conducive to integrity.

## **II. Ownership and governance**

3. Ensure clarity in the legal and regulatory framework and in the State's expectations.
4. Act as an informed and active owner with regards to integrity in SOEs.

## **III. Corruption prevention and detection at the SOE level**

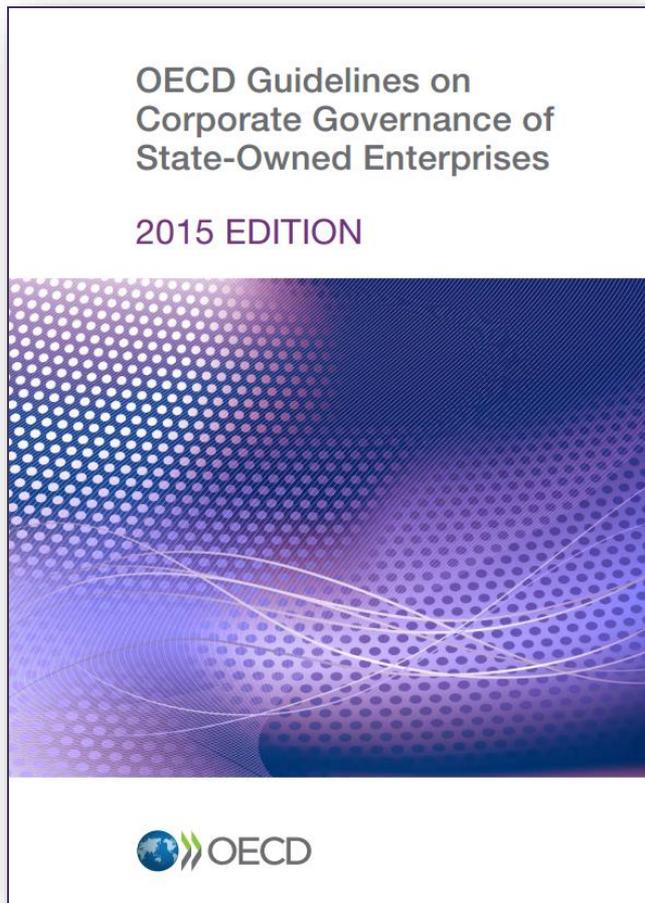
5. Require adequate risk management systems within SOEs.
6. Require adoption of high quality integrity mechanisms within SOEs.
7. Safeguard the autonomy of SOEs and their decision-making bodies

## **IV. Accountability of SOEs and of the state**

8. Require objective external review of SOEs and the ownership function.
9. Take action and respect due process for investigations and prosecutions.
10. Invite the inputs of civil society, the public and the press and the business community



# The OECD Guidelines on Corporate Governance of State-Owned Enterprises: An overview of the seven chapters



- I. Rationales for state ownership
- II. The state's role as owner
- III. State-owned enterprises in the marketplace
- IV. Equitable treatment of shareholders and other investors
- V. Stakeholder relations and responsible business
- VI. Disclosure and transparency
- VII. The responsibilities of the boards of state-owned enterprises



## Resources and contacts

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For more information on OECD work on state-owned enterprises, please visit:

<http://www.oecd.org/daf/ca/soemarket.htm>

Questions can be addressed to:

[StateOwnedEnterprises@oecd.org](mailto:StateOwnedEnterprises@oecd.org)