The OECD Guidelines on Corporate Governance of State-Owned Enterprises

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Rationale for developing the Guidelines

- Scale and scope of the state sector
- Impact of SOEs on economic performance
- Pressure for reform deriving from globalization and liberalization
- Specific governance challenges
- Expected benefits from improvements of SOE governance
- Strong demand from non-OECD economies

Process and main characteristics of the Guidelines

- Extensive and inclusive consultations with relevant players from OECD members and non-member countries.
- The Guidelines:
  - are non-binding,
  - are complementary to the *OECD Principles of Corporate Governance,*
  - do not preclude/alter privatization policies
  - are based on a comparative Survey.

Priorities in the Guidelines

- Ensure a level-playing field with the private sector
- Reinforce the ownership function within the state administration
- Improve transparency of SOEs' objectives and performance
- Strengthen and empower SOE boards
- Provide equitable treatment of minority shareholders

Ensure a level-playing field with the private sector

- Separate regulation and the shareholding function.
- Transparency of special obligations.
- Harmonization in legal forms.
- More flexibility in capital structures.
- Competitive conditions in access to finance.

Reinforce the ownership function within the state administration

- Clear and disclosed ownership policy.
- Centralization/coordination of the ownership function.
- No direct interference in day-to-day activities.
- Let boards carry out their responsibilities.
- Accountability secured.
- Effective exercise of ownership rights.

Improve transparency

- Consistent and aggregate disclosure.
- Disclosure as listed companies.
- Reinforced internal audit.
- Independent external audit.
- High quality standards for accounting and audit
- Disclosure of material information, including financial assistance from the state, transactions with related entities and risk factors.

Empower SOE boards

- Structured and skill-based nomination process.
- Clear mandate and full responsibility.
- Able to appoint CEO.
- Able to exercise independent judgment
  – limit number of state representatives on the board
  – Separation between Chair and CEO
- Systematic evaluation of board.

SOE governance: a new pillar of our CG work

- **Dissemination and discussion in non-OECD countries**
  - **Dedicated Networks in *Asia and Latin America,***
  - **Dedicated policy dialogue in *China* and *Russia,***
  - **Dedicated country meetings in *Ukraine*, *Egypt, Brazil, Vietnam and Bangladesh***
  - **Specific 2 years program in Africa**
  - ***A new Task Force in MENA?***
- **Follow-up on OECD country work**
  - **Work on SOE objectives and performance evaluation in 2006**
  - **Thematic issues such as aggregate reporting and board nomination and evaluation in 2007-2008**
  - **Resume work on privatisation**

Thanks!

The *Guidelines* and the background *Survey* can be downloaded on our website at:

www.oecd.org/daf/corporate-affairs/soe