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: