

An increasing role of state-owned enterprises in the global economy calls for better governance

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As the OECD embarks on a public consultation on the draft revised Guidelines on Corporate Governance of State-Owned Enterprises, OECD's Director for Financial and Enterprise Affairs Carmine Di Noia describes why strengthened governance frameworks for SOEs should be a top policy priority.

The share of state-owned enterprises (SOEs) in the top 500 global companies has tripled over the last 20 years. SOEs are present in strategic sectors such as energy, critical minerals, essential infrastructure, technology, and finance. Their growing size and role underscore the importance of preserving a level playing field in global markets. They also have an important role to play in meeting national sustainability goals. As the OECD embarks on a [public consultation on the draft revised Guidelines on Corporate Governance of State-Owned Enterprises](#), OECD's Director for Financial and Enterprise Affairs Carmine Di Noia describes why strengthened governance frameworks for SOEs should be a top policy priority.

The relative importance of state ownership has increased. Over the last two decades the share of SOEs in the list of the top 500 global companies tripled. At the end of 2022, the public sector held almost 11% of global market capitalisation of listed companies, amounting to 10.6 trillion US dollars, with public sector ownership in some markets amounting to over 30% of listed equity. Regardless of their relative size, SOEs play an important role in virtually every economy as providers of essential services and operators of critical infrastructure are key for national and economic security. Their outsized role in energy and extractives also make them central to the low carbon transition.

The growing role and strategic importance of SOEs affirms the need for high standards of state ownership and corporate governance. Further to the revision of the G20/OECD Principles of Corporate Governance in 2023, the OECD [Working Party on State Ownership and Privatisation Practices](#) has embarked on a revision of the [OECD Guidelines on Corporate Governance of State-Owned Enterprises](#) which is expected to last through mid-2024. Chaired by Mr. Charles Donald, CEO of UK Government Investments, the Working Party brings together relevant ministries and government departments from 60 OECD and partner economies responsible for the coordination and oversight of SOEs.

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Since the Guidelines were adopted almost two decades ago, many countries around the world have undertaken reforms, in line with the aspirational standard set by the Guidelines. The reforms have resulted in, inter alia, more professionalised and active ownership, exposing SOEs to the same standards of transparency and accountability as listed companies, and equipping boards of directors with appropriate levels of autonomy and independence to ensure they add value. Despite good practices, the level of implementation of the Guidelines still varies considerably between jurisdictions. The revision comes at a critical point in time. The growing role of SOEs in global value chains has stirred a policy debate about a level playing field and the extent to which interventionist approaches may

compromise the global competitive landscape. The revision therefore aims at strengthening provisions relating to the state in the marketplace in line with the principle of competitive neutrality. With SOEs being responsible for an estimated one-fifth of direct carbon dioxide emissions globally, the draft Sustainability chapter of the Guidelines reflects the unique risks and opportunities related to SOEs' role in enabling the climate transition. It also addresses the need for state-ownership policies and practices to remain coherent with respective national and international climate and other environmental commitments. SOEs' unique exposure to human rights and corruption risks also points to the importance of risk management and enhanced integrity and accountability by SOEs. Ensuring that the Guidelines retain a high level of ambition will support government efforts in overcoming global policy challenges and seize opportunities for the decades ahead. To ensure an inclusive process, the Working Party needs to hear from all relevant stakeholders to benefit from your experiences and expertise as the revision progresses. The OECD invites you to participate in the ongoing revision process by submitting your comments through the public and inter-committee consultation. Consultations will be open for public feedback until 11 September 2023.