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The OECD Guidelines on Corporate Governance of State
Owned Enterprises

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The views expressed in this paper are those of the author and do not necessarily represent the opinions of the OECD or its Member countries or the World Bank

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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

- 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 Report*.

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

- **Centralization/coordination of the ownership function.**
- **Clear and disclosed ownership policy.**
- **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.**
- **Reinforced internal audit.**
- **Independent external audit.**
- **High quality standards for accounting and audit.**
- **Disclosure as listed companies.**
- **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.**

Next steps... a new pillar of our CG work

- **Dissemination and discussion in non-OECD countries**
 - Priority topic and dedicated Task Forces in the *Asian and Russian Roundtables*
 - Dedicated country meeting and policy dialogue in *China, Ukraine and Egypt*
 - Presentation of the Guidelines in other Roundtables (*MENA and Latin America in the fall, SEE and Eurasia in the winter*)

- **Follow-up on OECD country work**
 - Co-operation on Korean reforms
 - Thematic issues such as aggregate reporting on nomination and evaluation for SOE boards

Thanks!

The ***Guidelines*** can be downloaded on our
website at:

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

The background ***Comparative Report*** will
also be published and posted on our
website soon