Governments need to be better owners of state-owned enterprises, says OECD

The OECD has approved new Guidelines on Corporate Governance of State-Owned Enterprises to give concrete advice to countries on how to manage more effectively their responsibilities as company owners. The Guidelines aim to help make state-owned enterprises more competitive, efficient and transparent.

In many OECD countries the state remains an important owner of large firms operating in key sectors, including energy, utilities and infrastructure. But a recent OECD study reveals the challenges facing such firms, including conflicting corporate objectives, unclear board responsibilities and opaque appointment procedures.

To address these issues, the Guidelines call on governments to:

Ensure a level-playing field for state-owned enterprises competing with the private sector by
• Clearly separating the state’s ownership role from its regulatory role
• Allowing more flexibility in capital structures while making sure that state-owned enterprises face competitive access to finance

Become more informed and active shareholders by
• Simplifying the chain of accountability through centralising or more effectively coordinating shareholding responsibilities within the state administration
• Reducing political interference in day-to-day management
• Introducing a transparent nomination process for boards, based on competence and skills

Empower boards by
• Clarifying their mandates and respecting their independence
• Separating the role of Chairman and CEO and giving boards the power to appoint CEOs
• Systematically monitoring the board’s performance

Improve transparency by
• Strengthening internal controls
• Carrying out independent, external audits based on international standards
• Disclosing any financial assistance from the state
• Producing aggregate performance reports

These Guidelines, available at http://www.oecd.org/dataoecd/46/51/34803211.pdf, are based on and complementary to the OECD’s Principles of Corporate Governance, created in 1999 and revised in 2004, that are the benchmark for national codes of governance in members as well as non-member countries.
The OECD expects that the Guidelines will be used as a reference by its members in improving the governance of their state-owned enterprises, including in situations where they wish eventually to privatise. The OECD will also use the Guidelines in discussions with many non-member countries which are looking for advice on how to better manage the state-owned enterprises that often dominate their economies.

For further information, journalists are invited to contact Spencer Wilson at the OECD’s Media Relations Division (tel. + 33 1 45 24 81 18 or spencer.wilson@oecd.org).