

# financial & private sector development

## The “Level Playing Field”

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THE WORLD BANK

# For Today

- A very brief introduction to the WBs work on SOE governance
- What is this “level-playing field”?
- The complications and enduring dips and rises in the field.



# WB Work on SOE Corp. Governance

- Long history of WB work on SOEs
- CG ROSC for Private Sector
  - ~70 ROSCs in 60 countries
- **SOE Assessments: Azerbaijan, Bhutan, Egypt, India, Peru, Poland, Senegal, Zambia**
  - Assess SOE framework vs. OECD Guidelines and WB experience
  - Provide recommendations and next steps



# WB Work: Going Forward

- Strong lending for infrastructure and finance\*
- Lending reform and due diligence\*
- Continued work on privatization\*
- CG technical advice/follow up: **Bhutan, China, India, Mexico, Kuwait, Zambia**
- Developing SOE CG Toolkit:
  - Enterprise and framework level
  - WB projects and external clients



# Why level the field?

- “Fairness” to private sector
- “Fairness” to state sector
- Send resources to the right place
- Harden SOE budget constraints
- Improve SOE service delivery(?)



# Level Playing Field: The Simple Version



# Level Playing Field: One Slide

- Remove distinctions:
  - Same legal form
  - Same regulatory environment
  - Same fiscal environment
  - No legal loopholes
- Bring competition
  - Domestic (privatization)
  - Foreign (at home & abroad)
  - Competition/monopoly policy

# Level Playing Field: The Not So Simple Version





# The Many Functions of the State

- The State (Government) does many things
- Many of these can dent the playing field
- What are these things?



# The “FROPP”

- **Financing:** Budget, Subsidies, Arrears, Dividends, Capital
- **Regulation:** Sector, Price, Competition, Consumer, Environment
- **Ownership:** Shareholder Rights, Commercial Performance
- **Purchasing:** Procurement
- **Policy:** Industrial, Trade, Legal, Human Resources



# What the OECD Guidelines Say?

- Separate the “O” from “R” and the “Ps”
- Have clear rules on the “F”
- Make the rest the same for SOEs and private sector



# Lingering Realities

- Legal “equality” and competition increased (this is good)
- Separation of ownership and the rest varies greatly
- Competition policy emerging slowly
- Implicit relations with other SOEs and government still favorable...
- ...but comes with implicit demands
- SOEs still face special rules for budget & finance, procurement, HR



# Final Thoughts

- Is it fairer to the private sector to require SOEs to have rules on:
  - Financing and the state budget
  - Human resources
  - Transparency and accountability
- Does the private sector want a “weak” or “strong” state sector?



# Thank you!

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