



A level playing field between SOEs & private enterprise

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Level playing field

- Simply, a situation which offers no advantage to any particular side or group or person
- In terms of a national economy, a situation in which all competitors are in a position of equal strength or weakness

Why a level playing field

- Private enterprise is central to economic growth in a free market economy
- SOEs are a reality as is the foreign investor to domestic firms
- A level playing field
 - avoids market distortions
 - increases competitiveness
 - improves investment climate

Available researched material

- OECD Policy Brief on Corporate Governance of State-Owned Enterprises in Asia – August 2009
- Synthesis Note following Asia Network meeting at Bangkok, May 20-21, 2009
- OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2005

Priorities identified by Asia essential for a level playing field

- Complete the corporatization process and harmonize SOEs legal status within each economy
- Develop structured and transparent board nomination processes for SOE boards
- Clarify business objectives and make non-commercial ones explicit
- Ensure SOEs are subject to a robust audit system
- Actively monitor and benchmark SOE performance

Priorities commonly identified by most Asian countries

- Avoid interference in SOE management
- Increase competencies in SOE boards
- Provide proper training for SOE board members including induction
- Develop performance evaluation for SOE boards

Priorities not so identified but essential for a level playing field

- Ensure arm's length relationships between SOEs, state-owned banks & financial institutions
- Increase the independence of SOE boards
- Require large SOEs to be as transparent as listed companies
- Publish aggregate reports on state ownership
- Ensure that SOE boards are actively engaged in shaping the strategy

Initiatives taken by Pakistan

- Public Procurement Regulatory Authority has implemented rules for regulating public procurement of goods, services and works in the public sector
- GOP officially notified in March 2007 that Boards of SOEs that are limited companies or incorporated by special enactment, may use powers under their respective laws provided decisions do not impact Federal Budget
- Competition Commission instituted in Oct 2007 to provide level playing field and made applicable to all undertakings – orders passed, inter alia, against Pakistan Steel Mills, Trading Corporation of Pakistan

Initiatives taken by others

e.g. Thailand

- State Enterprise Policy Office (SEPO) of MOF issued guidelines on corporate governance of SOEs
- Standards Qualification of Board Members revised to apply to persons under 65, with no political affiliation, with no conflict of interest – also, directors' pool of credible & competent directors developed
- SEPO instituted comprehensive performance evaluation system

Some final thoughts

Separate ownership from ministerial control that may influence market regulation in favor of SOEs

No exemption of SOEs from applicability of general laws

Ownership entity to be accountable to parliament and subject to state audit

Recognize all stakeholders

Lay material information in annual reports especially relating to company objectives, associated risks and fulfillment of such objectives, any financial guarantees given by state and all related party transactions