The Organization of the Ownership Function within the State Administration

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I. The Development of the Relationship between Government and SOEs.
The Development of the Relationship between Government and SOEs (1)

Before 1998

State Council → State Planning Commission → SOEs
State Council → State Economic and Trade Commission → SOEs
State Council → Ministry of Finance → SOEs
State Council → Ministry of Labour → SOEs
State Council → Ministry of Personnel → SOEs
State Council → Ministry of Foreign Economics and Trade → SOEs
State Council → Organizational Department of CPC → SOEs
State Council → State Worker’s Union → SOEs
State Council → Other Industrial Ministries → SOEs
The Development of the Relationship between Government and SOEs (2)

1998-2003

State Council

→ State Planning Commission
→ State Economic and Trade Commission
→ Ministry of Labour & Ministry of Personnel
→ Ministry of Finance
→ Organizational Department & Working Committee of SOEs of CPC

→ SOEs
The Development of the Relationship between Government and SOEs (3)

After 2003

State Council

SASAC

Other departments of the Government

Restructuring
Reorganization
Assessment
Personnel

SOEs

Administration
Macro-Control
Industrial Policy
State Auditing
II. The Aspects in what SASAC Performs the Responsibility of Investor of SOEs.
15 regulations and more than 40 regulatory documents were mandated during 2003~2005 to supervise and administrate SOEs in accordance with laws.
Framework of SASAC’s Supervision and Administration (2)

Aspects under SASAC’s supervision and administration:

- State-owned enterprises (solely State-owned Companies)
- Enterprises (companies) controlled by the State
- State-owned assets in other enterprises
Framework of SASAC’s Supervision and Administration (3)

- Appoint and remove leaders of solely State-owned enterprises
- Appoint and remove or make proposal for leaders of solely State-owned companies
- Dispatch directors and supervisor to companies controlled by the State; make proposal for senior management
- Dispatch directors and supervisors to companies with State-owned equity
- Term performance assessment
- Annual performance assessment
- Management of responsible persons
  - Appoint and remove or make proposal for responsible persons of enterprises
  - Mechanism for selecting and appointing responsible persons
  - Mechanism for incentives and restraints
- Performance assessment system
- Enterprises
- Remuneration and rewards & punishment

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Framework of SASAC’s Supervision and Administration (4)

- Review and approve restructuring & reorganization plans and article of association of the enterprises
- Decide on the division, merger, bankruptcy, dissolution, capital increase and issue of company bonds
- Dispatch representative of the shareholder or directors
- Decide on the transfer of State-owned equity
- Approve major matters of the important subsidiaries
- Organize and coordinate the work concerning merger and bankruptcy, and make arrangement for settling laid-off workers
- Work out the guideline of remuneration system and regulate and control the overall level of remuneration allocation of the enterprises
- Operate and manage State-owned assets under authorization
- Be liable to preserve and increase the value of State-owned assets of enterprises
Framework of SASAC’s Supervision and Administration (5)

Management of State-owned assets of enterprises

- Be responsible for the definition and registration of property right, the supervision and management of assets appraisal, assets and liabilities verification, assets statistics, and overall assessment of State-owned assets; coordinate the settlement of disputes over property rights
- Supervise and administrate equity transactions, promote the reasonable flow and prevent the loss of State-owned assets of enterprises
- Perform the responsibilities of investor for the returns of State-owned assets and for any major investment and financing plan, development strategy and planning in accordance with the industrial policies of the State
- Disposal of major assets is subject to the approval of SASAC
Framework of SASAC’s Supervision and Administration (6)

Supervision of State-owned assets of enterprises

- Dispatch Board of Supervisors to enterprise in compliance with the Interim Regulations on Supervisory Panels of State-owned Enterprises
- Supervise the financial situations of its invested enterprises, and safeguard the rights and interests of the investor of State-owned assets
- Establish the systems of finance, audit, corporate legal counsel, and democratic supervision by staff members and workers inside the enterprises
- Enterprises should regularly report to SASAC about the situations of their finance, production and operation, as well as the preservation of and increase in State-owned assets
III. Financial Figure of SOEs in 2002~2005
Figures in 2002-2004 are after final accounting

Histogram of All SOEs in China in terms of Assets 2002~2004

Trillion RMB

2002 2003 2004

18 19.7 22.3
6.7 7.1 7.9

Total Assets
Owner’s Equity

Figures in 2002-2004 are after final accounting
Figures in 2002-2004 are after final accounting.
Histogram of All SOEs in China in terms of Number of Employees and Enterprises 2002~2004

Figures in 2002-2004 are after final accounting
Histogram of Central SOEs in terms of Assets 2002~2005

Figures in 2002-2004 are after final accounting, while figures in 2005 are not.
Histogram of Central SOEs in terms of Performance 2002~2005

Figures in 2002-2004 are after final accounting, while figures in 2005 are not.

Sales Revenue
Gross Profit

Trillion RMB

2002 2003 2004 2005*

3.4  4.5  5.6  6.7

0.2  0.3  0.5  0.6

2006-05
Histogram of Central SOEs in terms of Number of Employees and Enterprises 2002~2004

Figures in 2002-2004 are after final accounting, while figures in 2005 are not
Thanks!