

To whom it may concern,

I kindly submit comments subject to revision of the OECD Guidelines on Corporate Governance of State-Owned Enterprises (hereafter – Guidelines).

I would like to bring to your attention that countries define state-owned enterprises (hereafter – SOEs) differently. The Guidelines state that SOEs should be considered any form of organization, which is owned by the state and engaged in economic activities. Countries like Sweden, Norway and Latvia include healthcare, research, culture and other public service providers as SOEs, yet several other countries limit SOEs definition only to profit-seeking organizations and exclude state-funded above-mentioned sectors. **The Guidelines could provide a broader definition of SOEs by including healthcare, research, culture and other organizations where the state holds interest.**

There is a provision that sub-national levels of government shall comply with the Guidelines. It is important to take into consideration that individual municipalities face challenges in complying with the Guidelines due to constraints on funding and competencies in the field. **The Guidelines could be extended with additional provisions for the sub-national government level by providing these key principles:**

- **Country-wide aggregate reporting on sub-national level SOEs.** Reports could be produced either by a central government ownership entity or jointly by municipalities. Here we can take Lithuanian example where the Governance Coordination Center issues an annual report not only on SOEs but also about municipality-owned enterprises (hereafter – MOEs). This gives a normalized comparison of different MOEs in different municipalities and sheds additional transparency. Also, it helps to consolidate all information in one place, reducing administration burden;
- **Good practices in adaptation of the Guidelines to the sub-national levels of government.** Larger municipalities invest in good governance and attract experienced professionals. Smaller municipalities usually copy-paste ownership policies and face significant challenges in everyday implementation. Central government SOEs ownership unit could act as methodological support for municipalities upon their request to improve the governance on a sub-national level;
- **Multi-municipality ownership and good governance.** Due to economies of scale, it is a common situation that several municipalities jointly own one MOEs. Each municipality usually appoints a representative to a board, and then following good practices the board size doubles due to independent board members who should have a majority of seats. The Guidelines could emphasize the need to have a reasonable number of board members. Also, there should be a provision on shareholder agreements which could facilitate decision-making among shareholders in case several municipalities or states own an SOEs.

I hope you will find these comments valuable. In case there is a need for further clarification please do not hesitate to contact me.

regards,

Paulius Martinkus