



SOE Governance Reforms

A Survey of Reform and Practices

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A Survey of Reform and Practices

- Synthesizes the responses from participants in the Global Network to a questionnaire about recent SOE governance reforms focusing on three subject areas;
 - Overview of Recent SOE Reforms,
 - SOE Ownership Function,
 - SOE Boards: Nomination, Function, and Evaluation.
- The survey report addresses developments in the first 20 countries to respond to the questionnaire.

Recent SOE Reforms

- The most active areas of governance reform in the last five years;
 - **Privatization**,
 - Introduction of **corporate governance codes for SOEs** and
 - the **reorganization of the ownership function**
- Privatization still remains an important policy tool for many countries leading to large scale SOE restructuring.

Bangladesh, Belgium, Bhutan, Iraq, Oman, Pakistan, Sweden

Recent SOE Reforms

- Reorganization and centralization of the ownership function by establishing ownership units.

Bhutan, Finland, Hungary

- Formulating SOE codes and guidelines.

Mozambique, Oman, Pakistan, Portugal, Seychelles

- *Other reforms:* changes in the recruitment procedures for SOE managers, performance evaluation and remuneration systems, accounting and auditing processes, decrease in government financial support to SOEs.

Recent SOE Reforms

Motives, Obstacles and Design

- **Main motive** : improving the efficiency of the SOE sectors.
- **Main obstacles**: political opposition, resistance from trade unions and company managements, lack of expertise and professionalism at managerial level, lack of cooperation between government agencies.
- Few countries indicate that they have faced no obstacles or hurdles in implementing their reform programs.
- The **design and sequencing** of reform implementation vary significantly



Recent SOE Reforms

Achievements

- Achievements of the reform programs vary according to objectives.
- A **common outcome** has been a clear improvement in economic performance and quality of public services.
- Awareness has also been raised among the managers and directors of SOEs following training provided during the implementation of reforms.

SOE Ownership Function

- Each of the three ownership models has been adopted with a slight majority using the multiple ownership model.
- **Tendency** toward a more **centralized approach**.
- The countries which have made efforts to redesign or reform the ownership structure faced **major opposition** from the existing bureaucratic structures.
- A majority of countries emphasize the role of **continuous dialogue** with all the stakeholders as the most effective measure **to overcome the obstacles against reforms**.

SOE Boards: Nomination, Function and Evaluation

- No common approach for SOE board nomination among responding countries.
- Only few countries have nomination committees.
- Some countries have not clearly set criteria in terms of competence and experience for nominating board members.
- Some others like Bhutan, Hungary, Mozambique have defined a detailed set of criteria.
- The main rules and practices concerning the appointment of politicians, civil servants and their related parties to serve as SOE directors varies substantially from one country to another.

SOE Boards: Nomination, Function and Evaluation

- Growing interest and emphasis on the role of **“Independent Directors”**
- Many countries have made it obligatory for the SOEs to have independent directors on SOE boards.
- Whether a specific SOE is a listed company or not has implications in many countries on the required minimum number of independent directors.
- Advice and assistance received from Human Resources-HR consultancy firms, existing board members, relevant Ministries and government agencies for the nomination of independent directors.

SOE Boards: Nomination, Function and Evaluation

- SOE boards are required to carry out self evaluations in many countries.
- The outcomes of the appraisal are generally communicated to the ownership entities or the nomination committees.
- External advisers or experts play a role in the evaluation process only in few countries (e.g. Finland, Sweden)
- A significant number of responding countries state that the functioning of a typical SOE board is identical to that of its private sector counterpart.



Thank you very much