

# Organising the state ownership function

Implementing the OECD Guidelines on Corporate  
Governance of State-Owned Enterprises



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# About this report

The ways in which state-owned enterprises are governed has a significant impact on their performance and value, as well as on public finances, domestic economic growth, investor confidence, and market competitiveness. If governments do not clarify and communicate their objectives and owner expectations, the state can hardly position itself as a transparent and fair economic agent.

This **Thematic Review on the Organisation of State ownership functions** is part of the OECD Secretariat's efforts to track and monitor developments in the organisation of ownership structure in OECD Member countries as policy makers in these countries have increasingly developed practices that reduce overlap and inefficiencies in SOEs while promoting more competitive business environments for both public and private enterprises.

Since the establishment of the newly revised OECD Guidelines on Corporate Governance of State-owned enterprises ("SOE Guidelines") in 2015, the OECD has closely examined the policy changes in corporate governance of SOEs in the OECD Member countries and its partner countries. The consistent use of the SOE Guidelines by the Member countries and partner countries in facilitating or guiding domestic reforms has contributed to strengthening the understanding of the ownership functions of SOEs and creating a convergence of view on the issue to a certain degree.

This Review serves as an input to the "Implementing the OECD Guidelines on Corporate Governance of State-owned enterprises (SOE Guidelines)" project to be completed before the end 2020. On 15 November 2018, delegates of the 31st Working Party on State Ownership and Privatisation Practices agreed, as part of this exercise, to gather information on and assess national approaches to the organisation of the state ownership function. Accordingly, a questionnaire was sent to members and invitees to the Working Party focusing on the implementation of Chapter I on "Rationales for state ownership" and Chapter II on "The State's role as an Owner" of the SOE Guidelines.

The report takes stock of the ways in which the state enterprises ownership function is exercised by the ownership entity or entities, including the degree to which good practices have been implemented in practice in 32 jurisdictions (24 OECD Member countries and 8 non-Member countries). It addresses the following questions: **how do states organise their ownership function and what transparency and accountability requirements concern the ownership arrangements?** The interim version of the report was presented and reviewed at the Working Party on 10 March 2020. This report reflects the national questionnaire responses and comments that were received from national delegates until 17th August 2020.

Detailed information from the survey on the ownership arrangements of state-owned enterprises was received from 30 countries: **Austria, Belgium, Brazil, Chile, Colombia, Costa Rica, Czech Republic, Estonia, France, Germany, Greece, Hungary, Iceland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Sweden, Switzerland, Turkey, Ukraine, and United Kingdom.** As for **Argentina** and **Bulgaria**, the information was drawn from the SOE Reviews undertaken by the OECD in these two countries in 2018 and 2019 respectively. Where relevant, the report also draws upon the 2018 and 2015 OECD stock-taking exercise on state enterprise ownership practices.

In the remainder of this document, the “ownership function” of SOEs is defined as an entity that exercises the following faculties: The power, responsibility, or steering ability to (1) appoint boards of directors; (2) set and monitor objectives; and (3) to vote company shares on behalf of the government. For note, the report focuses on the ownership of **SOEs that engage exclusively or largely in economic activities and/or compete in economic markets**. SOEs that are operated along largely for public policy purposes are not covered in this paper. This distinction is important because a number of countries are known to apply different ownership practices to SOEs that are tasked mostly with delivering public policy objectives. The latter are often to some extent self-regulating and/or overseen by line ministries or other specialised public authorities.

Respondents to the questionnaire were further invited to apply a relatively narrow definition of SOEs. The main focus is on **fully incorporated entities recognised by either general corporate law or specific SOE legislation as enterprises** (joint stock or limited liability companies). Statutory corporations are only considered when their ownership rights are exercised within the same government structures as other SOEs. Moreover, this report focusses on SOEs where the central level of government acts as the ultimate beneficiary owner. Enterprises held at the sub-national levels of government are considered only if the central authorities effectively control them. It must, however, be recognised that in some cases respondents seem to have included in their reporting a number of SOEs that fall somewhat outside the intended coverage of the exercise as described above.

The report was prepared by Chung-a Park with oversight from Hans Christiansen, both from the Corporate Governance and Corporate Finance division of the OECD Directorate for Financial and Enterprise Affairs. Katrina Baker, Henrique Sorita Menezes and Elisabetta Pilati provided editorial and communication support.



# 1 Overview: Organisation of the ownership models for commercially operating SOEs

## Good practices recommended by the OECD Guidelines on Corporate Governance of State-Owned Enterprises

One of the overarching principles in the consensus that underpins the **SOE Guidelines** is that the roles of overseeing and managing SOEs should be allocated to the most appropriate levels in a “command chain” extending from the highest levels of government to the individual enterprises. The structure implied by the SOE Guidelines is illustrated in Figure 1.1. The following four levels of decision making should be involved:

- *The government.* An ownership policy needs to be developed by the government as a whole. The ownership policy should establish the rationales for enterprise ownership, how the government intends to exercise its rights as an owner and any specific expectations (beyond commonly accepted commercial norms) that the state may have of its SOEs.
- *The ownership entity.* The administrative role of exercising the ownership rights (further detailed below) is delegated to one or numerous state institutions, who are responsible for communicating operational and financial performance objectives to individual SOEs (or classes of SOEs) and with monitoring their implementation.
- *The board.* The board of directors is the highest corporate authority within each SOE. It develops or approves corporate strategies, monitors each SOE’s executive management and generally holds overall responsibility for corporate performance.
- *The management.* The management may, according to corporate law and tradition, consist of an executive board of directors chaired by a chief executive officer (CEO), or one CEO alone who is given freedom to compose his/her management group. The CEO is appointed by, and can be dismissed by, the board of directors.

The topic of the present report is the organisation of the ownership entity (or entities) – i.e. the second level of the hierarchy. According to the SOE Guidelines, the exercise of ownership rights should: be clearly identified within the state administration; be centralized in a single ownership entity or, if this is not possible, carried out by a coordinating body; and should have the capacity and competencies to effectively carry out its duties (see Box.1.1). The consensus toward the greatest feasible degree of centralisation of the ownership function is embodied in the SOE Guidelines. As outlined in Figure 1.1, the ownership entity (or entities) needs to be placed so that it can exercise its functions without undue influence from, for example, influential members of the cabinet of ministers and/or politically connected SOE executives and board members.

For the purposes of this report, the “ownership function” of SOEs is defined as an entity that exercises the power, responsibility, or steering ability to appoint boards of directors; set and monitor objectives; and vote

company shares on behalf of the government. The following section takes stock of the ways in which governments exercise their SOE ownership function, including the degree to which the considerations and good practices proposed above have been implemented in practice.

#### Box 1.1. The SOE Guidelines concerning the state's role as an owner

- The Government should develop an ownership policy. The policy will specify rationales for ownership, implementation mechanisms and the respective roles of different government offices. (Guideline I.B)
- The exercise of ownership rights should be centralised in a single ownership entity, or, if this is not possible, carried out by a coordinating body. This “ownership entity” should have the capacity and competencies to effectively carry out its duties. Ownership should always be exercised on a whole-of-government basis.
- The government should allow SOEs full operational autonomy to achieve their defined objectives and refrain from intervening in SOE management. The government acts as an active and informed owner, but at arm's length from the company.

The recommendations are backed by implementation guidance (in the language of the SOE Guidelines called “Annotations”), the most pertinent of which in the context of the present report are the following:

To achieve a clear identification of the ownership function, it can be centralised in a single entity, which is independent or under the authority of one minister. This approach helps in clarifying the ownership policy and its orientation, and also helps ensure its more consistent implementation. Centralisation of the ownership function also allows for reinforcing and bringing together relevant competencies by organising “pools” of experts on key matters, such as financial reporting or board nomination. In this way, centralisation can be a major force in the development of aggregate reporting on state ownership. Finally, centralisation is also an effective way to clearly separate the exercise of the ownership function from other potentially conflicting activities performed by the state, particularly market regulation and industrial policy

[...]

If the ownership function is not centralised, a minimum requirement is to establish a strong coordinating entity among the different administrative departments involved. This will help to ensure that each SOE has a clear mandate and receives a coherent message in terms of strategic guidance or reporting requirements. The co-ordinating entity would harmonise and coordinate the actions and policies undertaken by different ownership departments in various ministries, and help ensure that decisions regarding enterprise ownership are taken on a whole-of-government basis. The coordinating entity should also be in charge of establishing an overall ownership policy, developing specific guidelines and unifying practices among the various ministries. The establishment of a co-ordinating entity can also facilitate the centralisation of some key functions, in order to make use of specific expertise and ensure independence from individual sector ministries.

Source: OECD Guidelines on Corporate Governance of State-Owned Enterprises

Figure 1.1. Good practice as recommended by the SOE Guidelines: Separation of roles of various bodies involved in the oversight of an SOE





# 2 Institutional arrangements for the exercise of the state ownership function

## Overview

This section illustrates how the ownership function in different countries is organised within state administration of respective countries. Often it is difficult to place existing organisational structures into a rigid model. Nevertheless, ownership model can be broadly classified into one or more of the following types: a centralised model, a coordinating agency model, a dual ownership model, a twin track model and a decentralised ownership model. A breakdown of 32 countries' application of these models is provided in Table 2.1. The Table demonstrates the degree to which each country is considered to have implemented the ownership model with which it is mainly aligned. No two state ownership models of SOEs are exactly the same and no one country generally applies one single ownership model without exceptions to certain organisational structures or legal requirements (general company law, listing requirements, anti-trust).

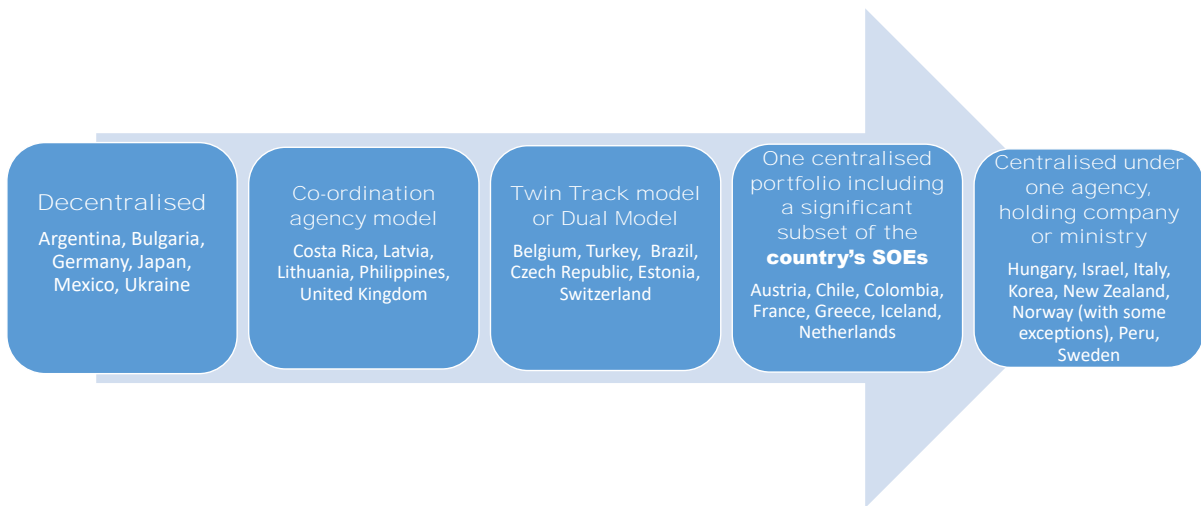
Table 2.1. Ownership models across 32 jurisdictions

Country	Ownership Model
Hungary, Israel, Italy, Korea, New Zealand, Norway (with some exceptions), Peru, Sweden	One centralised ownership department holding company or government ministry, exclusively performing the role of ownership.
Austria, Chile, Colombia, France, Greece, Iceland, Netherlands	One centralised portfolio including a significant subset of the <b>country's SOEs plus</b> dispersed ownership for the rest
Belgium, Turkey	A small number of ownership agencies, holding companies, privatisation agencies or similar bodies owning portfolios of SOEs separately.
Costa Rica, Latvia, Lithuania, Philippines, United Kingdom	A coordinating department with non-trivial powers over SOEs formally held by other ministries (and institutions). For example, a co-ordinating department or specialised unit acting in an advisory capacity to shareholding ministries on technical and operational issues, in addition to being responsible for performance monitoring.
Brazil, Czech Republic, Estonia, Switzerland	<b>"Dual ownership": two ministries or other high-level public institutions</b> jointly exercise the ownership. This would be the case where different aspects of the ownership functions are allocated to different ministers – e.g. one ministry is responsible for financial performance and another for operations, or each ministry appoints a part of the board of directors.
Argentina, Bulgaria, Germany, Japan, Mexico, Ukraine	<b>"Dispersed ownership" : a large number of government ministries or other high-level public institutions</b> exercise ownership rights over SOEs (in the absence of a coordinating agency)

Source: Author based on information provided by national authorities, OECD (2019), OECD (2018b)

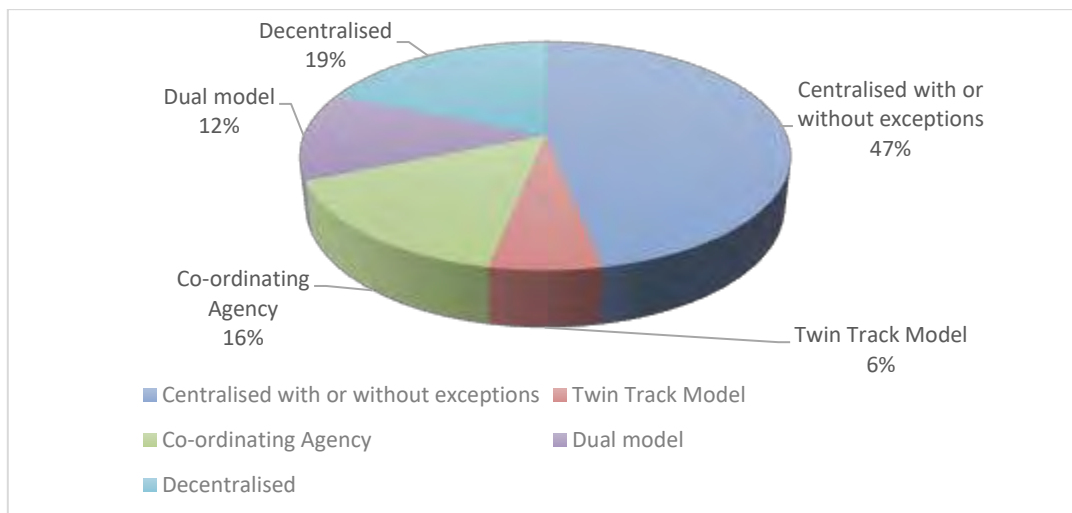
According to the analysis of the national questionnaire responses, there is a clear continued convergence toward centralisation or co-ordination in state ownership function, which is consistent with the recommendations of the SOE Guidelines. Around half of the reviewed countries have been vesting the ownership rights and responsibilities with one entity through simplifications and reassignments of ownership functions and the consensus now extends beyond “old OECD economies”, for instance stretching to Latin American countries like Chile, Colombia and Peru (See Table 2.1 and Figure 2.1). Fewer economies retain the characteristics of a decentralised model. Six of the surveyed countries (Argentina, Bulgaria, Germany, Japan, Mexico and Ukraine) have adopted a dispersed ownership model through which line-ministries (or in some cases SOEs themselves) set and monitor corporate objectives and exercise ownership rights over SOEs. In several economies, such as Argentina, Brazil, Bulgaria, Chile, Costa Rica and Ukraine, the set of laws that concerns the legal form of SOEs and provides the framework for the governance and operation of SOEs remains complex.

Figure 2.1. State ownership function structures in 32 countries



Source: Author based on information provided by national authorities, OECD (2019), OECD (2018b)

Figure 2.2. Breakdown of the application of ownership models in 32 countries



Source: Author based on submissions provided by the national authorities, OECD (2019), OECD (2018b)

### **Centralised model**

A centralised ownership model is characterised by one central decision-making body undertaking the mission as shareholder in all companies and organisations controlled or held, directly or indirectly by the State. Financial targets, operational and technical issues, and the process of monitoring SOE performance are all co-ordinated by the central body. While there are different ways for appointment of board members, essential input usually comes from central unit.

**Austria, Chile, Colombia, France, Greece, Iceland and Netherlands** are featured by one centralised portfolio including a significant subset of the country's SOEs plus dispersed ownership for the rest. **Hungary, Israel, Italy, Korea, New Zealand, Norway (with some exceptions), Peru and Sweden** have one centralised ownership department holding company or government ministry, exclusively performing the role of ownership. **Norway** and **Sweden** have centralised their ownership function to the extent that very few commercially operating SOEs are left outside. In **Sweden**, everything from board nominations to financial and other targets are co-ordinated by the central body. When distinguishing centralisation from co-ordination an element of judgment is involved: for instance, **Israel's** Government Companies Authority (GCA) was previously classified as a co-ordination agency, but has gradually amassed greater influence over the state's enterprise portfolio. More details about national practices in some of the countries with centralised ownership model include :

- **Austria.** A new law entered into force on 1 January 2019, replacing the state holding company, Austrian Federal and Industrial Holdings (ÖBIB), with a new organisation called Austrian Holdings AG (ÖBAG). The purpose of the reform is to actively exercise Austria's ownership responsibilities, regain its strong representation on the supervisory boards of the partially state-owned companies and give ÖBAG a degree of flexibility to effectively cope with developments at owner level. The conversion of ÖBAG was decided at the General Meeting of Shareholders, and the Finance Minister appointed a 9-member Supervisory Board. The new structure should enhance the autonomy of the holding company, but whether or not the government will in practice exercise control over the company's board should be monitored. The Austrian government at the time of publication of this report has stakes in companies including the oil company ÖMV, Austrian Post and Telekom Austria. There are also other 11 different ministries that exercise the shareholder rights over SOEs which are less economically significant and vary in terms of size and sectoral distribution.
- **Chile.** The "Sistema de Empresas Públicas" (SEP) (Public Enterprise System), is the main state institution responsible for exercising the state's ownership function in a large number of SOEs, 21 of 29. The "non-SEP" SOEs, each one with their own special law that established their own corporate governance structure, are related to a specific Ministry, for instance: Codelco is related to the Minister of Mining; ENAP is related to the Minister of Energy; and Banco Estado is related to the Ministry of Finance.
- **Colombia.** The ownership and representation of more than 90% of the SOE portfolio's equity value is centralised in the Ministry of Finance's SOEs General Directorate. These companies are required to be periodically monitored for their financial and corporate information through a specialized team in the SOEs General Directorate. The rest of the SOE portfolio's equity shares is administered by different Ministries or Administrative Departments. The SOEs General Directorate's ownership rights and co-ordinating responsibilities extend to all of the SOEs except a few operating under the Ministry of Defense.
- **France.** SOE responsibilities are delegated to the Government Shareholding Agency (l'Agence des participations de l'État : APE). It is a central administration department which has the role of exercising the mission of the State as shareholder in companies and organisations controlled or held, majority or not, directly or indirectly, and by preserving the interest of the state. Its role is distinguished from a supervisory or regulatory role carried by other administrations. The APE is

attached directly to the Minister of Economy and Finance. It appoints one or more directors to the board of directors /supervisory board of the entities in its portfolio.

- **Greece.** In 2014 the government established the “Privatisation & Equity Management Unit” within the Ministry of Finance, a state ownership entity which is responsible for monitoring the compliance of SOEs with the legal framework for SOEs (Law 3429/2005), exercising voting rights for all SOEs under the form of S.A., appointing the board of directors in collaboration with line ministries and monitoring the internal auditor function in large SOEs. In 2016, the state established the SA Hellenic Corporation of Assets and Participation (HCAP), a holding company aiming at grouping and managing a wide range of Greek State owned assets and participations was established with a mandate to own and manage a great number of assets belonging to the Greek State. Inter alia, the new Law got rid of a Public Holdings Company (EDIS), transferred the State’s shares in the 17 SOEs directly to HCAP and increased the maximum number of members of HCAP’s Board of Directors, from seven to nine. The HCAP is subject to all relevant legislations for SA and additionally the Ministry of Finance has mandated it and its affiliated companies with its strategic objectives. A management information system has been established within SOEs to monitor their performance.
- **Hungary.** Unless otherwise provided by an act or ministerial decree, Hungarian National Asset Management Company (referred to as MNV Zrt.) exercises the ownership functions for SOEs. MNV is a single member limited liability company founded by the State. Its shares are non-marketable. The State Assets Act regulates the ownership rights and the use of state assets. The Act also provides the structure of MNV. MNV has no role in appointing board members, however, as that role has been delegated to the Minister of National Development. The commercial SOEs that are not under MNV’s responsibilities include:
  1. The Hungarian Development Bank Private Limited Company (MFB Zrt.) and the Hungarian Postal Service Private Limited Company (Magyar Posta Zrt.), which, according to Government Decree No 152/2014 (VI. 6), operate under the powers of the Prime Minister’s Office.
  2. All state owned real estate. The Minister of National Development, jointly with the Agriculture Minister, exercises ownership rights according to the National Land Fund and Act 87 of 2010. The National Land Fund encompasses mainly cropland, vineyards, orchards, gardens, permanent pastures and meadows (grassland), reed banks, various forests, woodland, fish pond or land taken out of production.
- **Iceland.** As per the Public Finance Act from 2015, the Finance ministry is responsible for formulating a general ownership policy for all SOEs. It may adopt a special ownership policy for individual enterprises or activities if required. The Finance ministry develops a final draft, after consultation with key stakeholders, presents it to the relevant ministerial committee for discussion, then publishes the final draft policy online for public consultation, after which the policy is approved by the minister and published.
- **Korea.** The government has unified the ownership of SOEs to the Ministry of Economy and Finance (MOEF) by the Act on the Management of Public Institutions enacted in 2007 following the establishment of the OECD Guidelines on Corporate Governance of State-Owned Enterprises. The MOEF takes responsibilities for the ownership of SOEs under the Act on the Management of Public Institutions. Public Institutions Policy Bureau of the MOEF is in charge of SOEs-related policies. Based on the law, the MOEF plays a role of monitoring transparency, accountability, and performance of individual SOE.
- **New Zealand.** The New Zealand Treasury is a government department which is responsible for the ownership function of the country’s 12 SOEs on behalf of the two shareholding Ministers. The two shareholders are the Minister of Finance and another Minister (usually, but not always the Minister of State Owned Enterprises) who hold equal shareholdings in each SOE (50% each). The



mandate of the New Zealand Treasury that is responsible for the ownership function of the country's 12 SOEs is provided by State Owned Enterprises Act 1986.

- **Norway.** Ownership of the majority of companies with commercial objectives is managed by the Ownership Department of the Ministry of Trade, Industry and Fisheries. There are some exceptions. Yet four companies with commercial objectives are managed by the line-ministries (Ministry of Petroleum and Energy, Ministry of Transport and Ministry of Local Government and Modernisation) responsible for the respective sectors. One of the more notable exceptions is Equinor, one of Europe's largest hydrocarbons producers, which ownership is administered by the Ministry of Petroleum and Energy.

When centralisation of the ownership becomes a policy priority, it should be combined with commitment to retaining the roles of overseeing and managing SOEs through the appropriate levels in a “command chain” extending from the highest levels of government to the individual enterprises as described in Figure 1.1 above. Other success factors include strong public sector governance, the rule of law, clarity of objectives, adequate corporatisation of SOEs and competition and regulation in the marketplace.

### ***Twin track model***

The twin track model is a unique offshoot of centralisation but within simultaneously established "ownership systems". **Turkey and Belgium** have a twin track model of SOE ownership with some exceptions. The “twin track model” of state enterprise ownership is functionally similar to the centralised model, but with two individual portfolios of SOEs overseen by two different government institutions. There exist two SOE ownership units operating simultaneously for separate sets of SOEs based on their designations.

In case of **Turkey**, these units are Ministry of Treasury and Finance (MOTF) and The Privatization Administration (PA). There are also some other public enterprises out of these two portfolios; the ones owned by the municipalities, and others with different legal statuses. The PA is a temporary executive body that directs the restructuring and rehabilitation of the state's SOEs. It operates as a transporter for SOEs from public sector to the private sector. Any SOE that has not yet been transferred to the PA portfolio remains in the responsibility of MOTF, more specifically, the Directorate General of State Owned Enterprises. While the ownership function of the PA portfolio is exercised by only one government body which is PA, the ownership function of the MOTF Portfolio is exercised by both MOTF and the line ministries. That said Turkey's SOE ownership function also features characteristics of dual model.

In **Belgium**, there are two groups – the first group consists of commercial entities and the second group consists of five companies, including SNCB, Infrabel, Belgocontrol, bPost and Proximus, which are designated as “autonomous public enterprises.” They are considered “commercial”, but operate under specific governance regulations. The first group is generally overseen by a Federal Holding and Investment Company (FPIM : Federale Participatie- en Investeringsmaatschappij), the second one by the government. The Federal Holding is itself overseen by the government. FPIM is a 100% state owned entity with the double function as an investment and federal holding company, acquiring equity in companies that are of strategic importance.

In accordance with the Belgian Act of 16 December, 2015 (the “December 2015 Law”) that entered into force on 12 January, 2016, all (new) directors are now (re)appointed by decision of the Shareholders at a Shareholders' Meeting. The Belgian State has the right to nominate directors for appointment pro rata its shareholding (in accordance with a so-called “nomination right”) - Article 21, §2 of the Bpost Articles of Association).

### ***Dual model***

The defining characteristic of the dual model is that two ministries, or other high-level public institutions share in the ownership function commanding each individual SOE (**Brazil, Czech Republic, Estonia and**

**Switzerland**). Usually, one ministry sets financial objectives and another ministry develops and formulates operational strategy. If established, with well-articulated responsibilities, the dual model could strike a balance between a form by which numerous and contradictory ownership objectives result in a “passive conduct” of the ownership function and a form that allows for excessive intervention by the state.

- **Brazil.** The ownership rights are exercised both by the Ministry of the Economy and line ministries responsible for overseeing individual SOEs. As of 1 January 2019, multiple ministries have been integrated into the Ministry of Economy, which is in charge of central co-ordination. The Ministry of economy currently hosts 7 special secretariats and each consists of sub-secretariats. In some cases, the Ministry of the Economy exercises sole ownership rights on behalf of the state. In these cases, the Minister of Economy normally nominates all board and fiscal council members. In addition, eight other line ministries exercise ownership on behalf of the state (OECD, 2021 forthcoming).
- **Czech Republic.** Two government institutions share the state ownership function, dividing roles. The Ministry of Finance is responsible for ownership functions of state-owned joint-stock companies established according to general corporate law entitled law No. 90/2012 Coll. on Commercial Companies and Cooperatives (Law on commercial corporations) while the Ministry of Industry and Trade is responsible for the ownership functions of the state owned enterprises established according to specific SOE legislation. For those Czech SOEs that are joint-stock companies, the sector ministries retain the powers to nominate directors and to vote the state’s shares at general shareholder meetings. Meanwhile, the Ministry of Finance oversees the operational performance of the companies.
- **Estonia.** Six governing ministries jointly exercise state ownership functions. The Ministry of Finance is the central body responsible for performing the coordination of ownership function through its state asset department, being also one of the six ministries responsible for governing the SOEs. The Ministry of Finance has a dual role. In addition to governing four SOEs the ministry also acts as a coordinating unit responsible for drafting the SOE governance principles, coordinating and advising government decisions, and compiling annual consolidated reports. The governing ministry is responsible for setting the strategic (non-financial) objectives for SOEs and evaluating their performance.
- **Switzerland.** The ownership functions are carried out by the Federal Finance Administration (FFA) and the line-ministries, but the ownership “rights” are ultimately vested in the authority of the Federal Council. The oversight and collective responsibilities built into the model aim at not allowing for an excessive intervention by high levels of government or political motives in the decisions that should be left to the SOE itself or the responsible government unit. The model is dual in the sense that the line-ministries are more concerned with “sector-task related” aspects while the FFA focuses on “enterprise-related” aspects, including those issues related to SOE finance, personnel, risk, legal challengers etc.

### ***Coordinating agency***

In **Costa Rica, Latvia, Lithuania, the Philippines and the United Kingdom** specialised government units perform the role of “co-ordinating agencies”. They operate in an advisory capacity to other shareholding ministries on technical and operational issues and their most important mandate often is to monitor SOE performance (See Table 2.2.). In case the role of these central agencies are more limited and the autonomy of line-ministries is kept, this model could potentially lead to considerable overlap with the decentralised model.

- In **Costa Rica**, the State exercises the various attributions and responsibilities related to ownership through different institutions, and is supported by a specialised ownership coordination unit, the Advisory Unit for the Direction and Co-ordination of State Ownership and the Management of

Autonomous Institutions (the Advisory Unit on State Ownership, for short). The Advisory Unit is an advisory body of the political level, directly under the President's office, according to the organizational structure of the Presidency of the Republic. It was created through Presidential Decree N. 40.696 on October 23<sup>rd</sup>, 2017, with the objective of assisting the President and the Executive in exercising its ownership in an active and informed manner, for timely and agile decision-making regarding SOE performance.

- In **Latvia**, Cross-sectoral Coordination Centre (CSCC) is a coordinating entity for SOE governance but all SOEs are held by eleven line ministries, one state institution and one SOE which are responsible for performance of duties of shareholder of their respective SOEs and minority shares owned by the Latvian state. From 1 June 2015 the CSCC is responsible for the coordination of corporate governance of state-owned enterprises – leaving the shareholder rights in the hands of sectoral ministries. The Law on Governance of Shares and Capital Companies adopted on 1 January 2015 introduced Coordination Institution – for which the CSCC was appointed by the decision (regulation) of Cabinet of Ministers on 12 May 2015. There are 65 wholly-owned SOEs and four majority-owned SOEs, which report to coordinating agency and their respective line ministries. Most of them operate largely for public policy purposes.
- In **Lithuania**, the Governance Co-ordination Centre performs monitoring and forecasting functions, reports on SOEs' compliance with the requirements of governance, transparency and execution of indicators and provides recommendations and consultations to institutions implementing rights and duties of the state (shareholder ministries) with an aim to improve governance of the SOEs and municipally owned enterprises (MOEs). Major roles include board member selection, SOE target setting, strategies and other governance practices. Since the beginning of 2019, the functions of the Governance Co-ordination Centre have been expanded to include not only reviewing SOEs' strategies, Letters of expectations and monitoring of the achievement of targets but also preparing the summary of annual reports on MOEs.
- In the **Philippines**, SOEs are generally referred to as "Government-Owned-or-Controlled Corporations (GOCCs)" with specific subsets such as "Government Financial Institutions (GFIs)." They are organized under a specific charter which grants to them operational autonomy and exercising corporate powers, usually vested in a Board of Directors. The President of the Philippines primarily represents the State as Owner of GOCCs. Under Republic Act (R.A.) No. 10149 or the GOCC Governance Act of 2011, the State exercises its ownership rights in GOCCs as represented by the Governance Commission for GOCCs (GCG). The GCG is the central policy-making and regulatory body mandated to safeguard the State's ownership rights and monitor the performance of 104 GOCCs. To institutionalize the State's Ownership Policy, the GCG created the Ownership and Operations Manual Governing the GOCC Sector or GCG Memorandum Circular No. 2012-06. Article 8 of the Memorandum Circular provides for the role and responsibilities of the State in GOCCs acting through the National Government.
- In the **United Kingdom**, UK Government Investments (UKGI), a government company owned by HM Treasury, is the body responsible for oversight of the state ownership function for a portfolio of 18 assets and leads on major asset sales and privatisations. UKGI acts directly for departmental secretaries of state and permanent secretaries. UKGI acts as the centralised shareholder for a portfolio of the UK Government's largest and most complex SOEs.

Table 2.2. Examples of coordinating agencies in Costa Rica, Latvia, Lithuania, the Philippines and the United Kingdom

Country	Coordinating Agency	Tasks	Role in board nominations
Costa Rica	Advisory Unit for the Direction and Co-ordination of State Ownership and the Management of Autonomous Institutions	Assist the President and the Executive. Support decision-making regarding SOE performance.	Develop and publish the candidate profiles. Evaluate and recommend a shortlist of candidates.
Latvia	Cross-sectoral Coordination Centre (CSCC)	Coordinate the corporate governance of state-owned enterprises – leaving the shareholder rights in the hands of sectoral ministries. There are 65 wholly-owned SOEs and four majority-owned SOEs, which report to coordinating agency and their respective line ministries.	Participate in supervisory board and executive board nomination committees.
Lithuania	Governance Coordination Centre (GCC)	Assist in establishing objectives of SOEs Monitor the performance and implementation requirements by legal acts of SOEs Facilitate information disclosure through annual aggregate report. Coordinates target setting and SOE strategic planning practices by providing recommendations and inputs to all SOEs and their respective ownership entities. Provide Ministry of Economy with insights on policy implementation and areas of potential improvement.	Suggest candidate for consideration. Participate in the nomination committee of independent board members.
Philippines	Governance Commission on GOCCs (GCG)	<b>Safeguard the State's ownership rights and monitor</b> the performance of 104 GOCCs.	Establish board nomination processes in fully- or majority-owned SOEs. <b>Participate in the nomination of all SOEs' boards.</b>
United Kingdom	UK Government Investments (UKGI)	Oversee the state ownership function for a portfolio of 18 assets and lead on major asset sales and privatisations.	In most cases SOEs in the UKGI portfolio will appoint board directors based on an SOE-led process using external third-party headhunters. A UKGI employee, usually the UKGI shareholder NED for the relevant asset, will also form part of the interview panel. UKGI is also involved in determining the selection criteria for individual board roles at the outset. Shareholder/Ministerial consent <b>will be required before the SOE's preferred candidate can be appointed.</b>

Source: Author based on information provided by national authorities

### ***Decentralised model***

In countries with a decentralised ownership model, no one single institution or state actor acts on the responsibilities of the ownership function. In the decentralised model the ownership of each SOE is conducted by one line-ministry or other government institution. Various institutions are typically involved (See Table 2.3). In this case, SOEs could be often publicly perceived as an extension of the ministerial powers of the ownership ministries.

Table 2.3. Dispersed ownership: Agencies executing the ownership function in Argentina, Bulgaria, Germany, Japan, Mexico and Ukraine

Country	Agencies exercising the ownership function
Argentina	SOE ownership is generally exercised by the line Ministry in charge of the sectoral activity, with emerging coordination from the central administration. The Law on Ministries (Decree 13/2015) states that each <b>ministry should “participate in the administration of state’s participation in companies within its area of responsibility.”</b>
Bulgaria	Within the new framework, Bulgaria will maintain its current decentralised ownership arrangements – in which 17 ministries oversee a portfolio of 221 SOEs. While the establishment of an ownership coordination unit should bring some clarity to the exercise of ownership rights by the state administration - notably through its important monitoring and policy coordination functions - the new entity will be granted only limited ownership rights over SOEs (upon delegation by the Council of Ministers)
Germany	The Federal Ministry of Finance has a <b>co-ordinating role on the government’s policy on state holdings but has no</b> general supervisory function or power. In general, the ministries holding the participations are responsible for the <b>SOEs. The Ministry of Finance plays a central role in the German Government’s policy on state holdings and</b> privatisation. The Ministry defines the general framework for managing state holdings to line ministries. The responsible government department is responsible for applying these standards within their fields of responsibility. <b>This framework has the title “Principles of Good corporate Governance for Indirect or Direct Holdings of the Federation”. Although “responsibilities”</b> for SOEs are in the hands of line-ministries, if those line-ministries wish, for example, to write a sale or purchase option, they can only do through support of the Ministry of Finance.
Japan	Financial Bureau of the Ministry of Finance (MOF), Civil aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and Japan Railway Construction, Transport and Technology Agency (JRRT) are main agencies of the ownership function. Although the bureaus have regulatory function for some SOEs (e.g. JT and two airport SOEs), the division which is in charge of regulatory function is required to be separated from the division which is in charge of ownership function in the bureau. On the other hand, the bureau <b>doesn’t have</b> regulatory function for the other SOEs.
Mexico	Each Ministry heads a government sector to which SOEs are assigned to. In 2020, Mexico has 19 Ministries and nine of them have ownership functions related to SOEs that engage exclusively or largely in economic activities and/or compete in economic markets.
Ukraine	The Cabinet of Ministers of Ukraine (CMU) is required to be managing SOEs independently and by means of delegation of authority to other bodies. It resulted in decentralized ownership model which includes 89 bodies with ownership rights. Some ministries simultaneously perform regulatory and ownership functions and these are not always clearly separated. In this regard there have been some steps taken. Also, the Government has declared its willingness to set up centralized ownership entity, National Welfare Fund, that will separate ownership functions from the government bodies. CMU is the authorised ownership entity for the State Concern Ukroboronprom, in sectors of the defense industry. President of Ukraine has substantial influence over the State Concern Ukroboronprom, such as appointing and dismissal of the majority of the Supervisory Board, due to the role of the President as Supreme Commander-in-Chief.

Source: Author based on information provided by national authorities, OECD (2019), OECD (2018b)

Table 2.4. National approaches to exercising the ownership function in 32 jurisdictions

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Hungary	One centralised ownership	Unless otherwise provided by an act or ministerial decree, Hungarian National Asset Management Company (referred to as MNV Zrt.) exercises the ownership functions for SOEs. MNV is a single member limited liability company founded by the State. Its shares are non-marketable. The State Assets Act regulates the ownership rights and the ways state assets are to be utilized and managed. The Act also provides the structure of MNV.	MNV has no role in appointing board members, however, as that role has been delegated to the Minister of National Development.	They are developed by the exerciser of the ownership rights, in accordance with the governmental aims. According to Section 30 (1) of State Assets Act, the bodies exercising ownership rights in the name and on behalf of the State are required to enforce corporate governance and to ensure the prudential management of the assets with a view to the enforcement of public interest in SOEs and other companies.	The commercial SOEs that are <b>not under MNV's</b> responsibilities include: - The Hungarian Development Bank Private Limited Company (MFB Zrt.) and the Hungarian Postal Service Private Limited Company (Magyar Posta Zrt.), which, according to Government Decree No 152/2014 (VI. 6), operate under the powers of the Prime <b>Minister's Office</b> . - All state owned real estate. The Minister of National Development, jointly with the Agriculture Minister, exercises ownership rights according to the National Land Fund and Act 87 of 2010. The National Land Fund encompasses mainly cropland, vineyards, orchards, gardens, permanent pastures and meadows (grassland), reed banks, various forests, woodland, fish pond or land taken out of production.
Israel		Government Companies Authority (GCA) of the Ministry of Finance	Candidates could be proposed both by the line Minister and the Minister of Finance. Appointments are made jointly by the Minister of Finance and the line Minister. The board elects the Chairperson of the board subject to the approval of the Ministers.	Objectives for individual SOEs are mostly set by individual ministries or regulators. Some objectives are set for all SOEs by GCA communications (e.g. dividend distribution, diversity in employment, etc.)	
Italy		Ministry of Economy and Finance (MEF)	MEF appoints the Board of Directors for the totality or a part of it, on the		

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Korea		Ministry of Economy and Finance takes responsibilities for the ownership of SOEs under the Act on the Management of Public Institutions. Public Institutions Policy Bureau of the MOEF is in charge of SOE-related policies.	base of political decisions. The board of SOEs consists of two groups: executive directors and non-executive directors. Executive directors are appointed by the head of each SOE and non-executive directors are appointed by the Minister of the Ministry of Economy and Finance after the deliberation and resolution by the management committee among recommendations by the executive recommendation committee.	The business goals of SOEs are set up with the consideration of the government policies. By the law, SOEs shall build medium and long-term management goals and submit it to the MOSF and the competent ministries. Business goals of individual SOE are publicly disclosed both on its own website and ALIO system ( <a href="http://www.alio.go.kr">www.alio.go.kr</a> ).	
New Zealand		The New Zealand Treasury and two shareholding Ministers. The Treasury does not make decisions; it has a monitoring and advisory role only. All decision rights rest with the shareholding Ministers.	Shareholding Ministers are responsible for the appointment and election of SOE board members. The Treasury advises shareholding Ministers on board nominations.	Broad objectives for SOEs are formally set through a Letter of Expectations from shareholdings Ministers to the SOE. The boards of SOEs then set financial and non-financial objectives of their respective companies. Shareholding Ministers are consulted on these annually and approve these through the Statement of Corporate Intent document, prepared annually by each SOE.	

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Norway		Ownership Department of the Ministry of Trade, Industry and Fisheries	The <b>ministry that manage the state's</b> ownership interest in the company. The ownership unit coordinates all <b>ministries' board election work.</b>	<b>The state's goal as an owner in each company</b> is set on a whole-of-government basis. The <b>state's goal as an owner in companies that</b> primarily operate in competition with others are the highest possible return over time. The boards of directors set the objectives of the individual SOEs. However, the state expects that that companies deliver the highest possible return over time and that the companies define and implement clear goals and reports on them and the most important key performance indicators.	With exceptions: The Ministry of Petroleum and Energy, Ministry of Transport, Ministry of Local Government and Modernisation exercise the ownership rights of four companies in total with commercial objectives. (In addition, several other relevant line-ministries exercise the ownership rights of SOEs with public policy goals. Some of these SOEs also engage in some activities in which they operate in competition with others.)
Peru		National Fund for Financing the State Business Activity (FONAFE)	The board of directors of FONAFE. Certain SOEs through special rules.	The Strategic Plan takes as a reference the Multiannual Macroeconomic Framework approved by the Ministry of Economy and Finance and other instruments. For the elaboration of the objectives of each company, the Corporate Strategic Plan of FONAFE is taken as the basis which has taken as a source of information and alignment national plans or objectives. However, for coordination purposes these plans are made known to the ministry to which the company is attached, raising awareness and generating greater coordination.	With exceptions: Petroperú S.A., municipal or sub-national companies, the Companies and Centers of Production and Provision of Services of Public Universities



Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Sweden		Division for State-Owned Enterprises of the Ministry of Enterprise	The ownership entity on proposals of <b>responsible minister and PM's</b> office.	Based on the Riksdag's decision, the owner determines the business objectives of the SOEs in the articles of association that are adopted by the annual general meeting. Proposal for financial and non-financial objectives of SOEs is developed in co-operation between the SOE and the ownership entity and then finalised at the Annual General Meeting (AGM). It should be cleared by the Ministry of <b>Finance and Prime Minister's office</b> .	Six SOEs under other ministries. All have public service obligations to a large extent even if they are corporatized.
Austria	One centralised portfolio	Austrian Holdings AG (OBAG) Federal Chancellery, Various federal ministries	Austrian Holdings AG (OBAG), Federal Chancellery, Various federal ministries	Objectives for individual SOEs are developed by individual ministries.	
Chile		Sistema de Empresas Públicas (SEP)	SEP. In certain SOEs, specific procedures are established by its own law. In some cases, directors may be proposed by the board of top Public Management.	Only in the case of port companies, the individual objectives for each port are set considering the whole portfolio.	
Colombia		The ownership and representation of more than 90% of the SOE portfolio's equity value is centralised in the Ministry of Finance's SOEs <b>General Directorate</b> . The rest of the SOE portfolio's equity shares is administered by different Ministries or Administrative Departments	Nomination, Election and Performance Evaluation Committee of State-Owned Enterprises Administrators from Ministry of Finance and Public Credit	The SOEs General Directorate determines the individual goals for its portfolio companies every year based on the priorities consolidated in the country's National Development Plan set every four years. At the same time, the Intersectoral Commission for the Use of Public Assets coordinates the exercise of the state ownership.	
France		<b>L' Agence des Participations de l'Etat (APE)</b> carries out the mission of the state as shareholder in companies and organisations controlled or held, majority or not, directly or indirectly.	The general meeting. The Minister of the Economy may appoint a representative of the state on the board.	On a case-by-case basis. Several institutions and ministries may involve.	Certain SOEs are monitored by other administrations or ministries which have jurisdiction over the sectors of activity of these companies. (e.g. Pass Culture, INA, and ONF)

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Greece		Privatisation, Equity Management and Business Planning Unit of the Ministry of Finance Hellenic Corporation of Assets and Participation S.A. (HCAP)	Joint Ministerial Decisions (Ministry of Finance and the supervising Ministry), HCAP, the SOEs Committee of the Hellenic Parliament, or the shareholders General Meeting.	The operational objectives for each SOE are set by the board of directors. The objectives must meet the financial targets set by the Ministry of Finance in collaboration with the line ministries. <b>Concerning HACP's subsidiaries, the objectives are set on an individual basis.</b>	The voting rights in some SOEs are exercised both by the Ministry of Finance and the Line Ministries (50-50%). There is an inter-ministerial pre-arrangement process
Iceland		Ministry of Finance and Economic Affairs	Ministry of Finance and Economic Affairs or other ownership ministries and institutions with exceptions	Aside from the general objectives set forth in the General Ownership Policy and the Ownership Policy for financial undertakings (both set by the Finance ministry), the Finance ministry sets all objectives for the SOEs that fall under its purview. Currently the ministry is working towards formalizing the process for setting financial and non-financial objectives. In certain cases, relevant ministries, or institutions, set specific objectives for their respective SOEs.	With exceptions: The financial undertakings (the Ownership Policy for Financial Undertakings), Student Loan Fund, State Housing Fund, State Alcohol & Tobacco company (under different ministries)
Netherlands		Ministry of Finance, State Owned Enterprises Division	The shareholder appoints the supervisory board members, and in most cases also the board members. When there is more than one shareholder per SOE, the supervisory board appoints the board members.	Set by the policy ministries.	

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Belgium	Twin Track Model	FPIM (Federale Participatie- en Investeringsmaatschappij / Federal Holding and Investment Company). FPIM is a 100% State-Owned Company with a double function: it is an investment company and a Federal Holding, acquiring equity in companies that are of strategic importance.	In accordance with the Belgian Act of 16 December, 2015 (the <b>"December 2015 Law"</b> ) that entered into force on 12 January, 2016, all (new) directors are now (re)appointed by decision of the <b>Shareholders at a Shareholders' Meeting</b> . The Belgian State has the right to nominate directors for appointment pro rata its shareholding (in accordance with a so-called <b>"nomination right"</b> ) - Article 21, §2 of the Bpost Articles of Association).	Some of the objectives are set on a whole-of-government basis, others by individual ministries.	
Turkey		Ministry of Treasury and Finance (MoTF), Privatization Administration (PA)	In MoTF portfolio SOEs, the President on proposals of the line ministers and the MoTF. In PA portfolio SOEs, the Minister of MoTF.	On a whole-of-government basis.	There are also some other public enterprises out of the two portfolios; the ones owned by the municipalities, and others with different legal statuses.
Costa Rica	A coordinating department	The State exercises the various attributions and responsibilities related to ownership through different institutions, and is supported by a specialised ownership coordination unit, the Advisory Unit for the Direction and Co-ordination of State Ownership and the Management of Autonomous Institutions (the Advisory Unit on State Ownership, in short).	The Council of Government	On a whole-of-government basis. The process of establishing policy objectives for individual SOEs through the NDPIP is directed by MIDEPLAN, but takes on a whole-of-government approach. For financial objectives, these will be established by the Council of Government, following a more restricted development and consultation process coordinated by the Advisory Unit, and involving the Ministry of Finance and MIDEPLAN, relevant sectoral ministers, and the SOEs.	

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Latvia		Cross-sectoral coordination centre is a coordinating entity for SOE governance but all SOE s are held by eleven line ministries, one state institution and one SOE which are responsible for performance of duties of shareholder of their respective SOEs and minority shares owned by the Latvian state.	Procedures for nomination of the members of the executive board and the supervisory council are implemented by the nomination committees established by the respective line ministry which is shareholder of enterprise in question. In case of nomination of the members of the supervisory board nomination committee is to be led by the CSCC and it includes delegated representatives of the shareholder as well as independent experts and, if necessary, observers with advisory rights to ensure the transparency of assessment process.		
Lithuania		Various ministries and Bank of Lithuania. The Governance Coordination Centre performs monitoring and forecasting functions, reports on <b>SOEs' compliance with the requirements of</b> governance, transparency and execution of indicators and provides recommendations and consultations to institutions implementing rights and duties of the state (shareholder ministries) with an aim to improve governance of the SOEs and municipally owned enterprises (MOEs).	State ownership entities. The board members of SOE are elected by the general meeting of shareholders where States representative vote based on the decision of nomination committee or the head of the ownership entity. Nomination committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre and ownership entity representatives (1 representative from each institution, 5 in total).	According to the Ownership Guidelines, the state ownership entities submit to the SOE a letter regarding the objectives pursued by the state in SOE and the expectations of the SOE at least every 4 years. The ownership entities have to consult the Governance Coordination Centre (GCC) to receive comments and recommendations.  On the whole-of-government level only the target return on equity (ROE) for commercial activities is set. GCC performs the estimation of the financial targets, as an average for a three-year-period.	

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Philippines		Governance Commission on GOCCs (GCG) is tasked with safeguarding the State's ownership rights and monitoring the performance of 104 GOCCs.	GCG establishes board nomination processes in fully- or majority-owned SOEs. The Office of the President (OP), Government Agency to which the SOE is attached, board of directors/trustees of the Parent SOE, appointive Members who are designated to represent such sector, and stakeholder groups can participate in the nomination of <b>all SOEs' boards</b> .	Objectives are in accordance with the mandates of the individual SOEs and are aligned to the national priorities/agenda.	
United Kingdom		UK Government Investments (UKGI), a government company owned by HM Treasury, is the body responsible for oversight of the state ownership function for a portfolio of 18 assets and leads on major asset sales and privatisations. The UKGI performs a centralised shareholder role for a portfolio of complex, large-scale or commercially active SOEs.	In most cases SOEs in the UKGI portfolio will appoint board directors based on an SOE-led process using external third-party headhunters. A UKGI employee, usually the UKGI shareholder NED for the relevant asset, will also form part of the interview panel. UKGI is also involved in determining the selection criteria for individual board roles at the outset. Shareholder/Ministerial consent will <b>be required before the SOE's</b> preferred candidate can be appointed.	They are developed by individual ministries/ institutions.	There are other state owned bodies for which the sponsorship or shareholder role is performed by specific departments.
Brazil	Dual ownership	The ownership rights are exercised both by the Ministry of the Economy and line ministries responsible for overseeing individual SOEs. As of 1 January 2019, multiple ministries have been integrated into the Ministry of Economy, which is in charge of central co-ordination. The Ministry of economy currently hosts 7 special secretariats and each consists of sub-secretariats. In some cases, the Ministry of the Economy exercises sole ownership rights on behalf of the state. In addition, eight other line ministries exercise ownership on behalf of the state (OECD, 2021 forthcoming).	The Minister of Economy normally nominates all board and fiscal council members. In some cases, sectoral ministry, Chief of Staff Office (Casa Civil) and other entities are involved.		

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Switzerland		Federal Finance Administration (FFA) Office of the Federal Department of Finance. The ownership functions are carried out by the Federal Finance Administration (FFA) and the line-ministries, but <b>the ownership "rights" are ultimately vested in the authority of the Federal Council</b>	General assembly/meeting. As the Swiss Confederation holds the majority or all shares of the SOE, the Federal Council has the final say with preparation and coordination by line ministries and FFA.	On a whole-of-government basis. Before the Federal Council determines the strategic objectives, a consultation of all relevant ministries and offices takes place.	
Czech Republic		Ministry of Finance Ministry of Industry and Trade	Government Committee for Personal Nomination assesses the nominees from the relevant line minister in cases of filling positions in SOE's supervisory boards.		
Estonia		Basic ownership functions and governance of Estonian SOEs are divided between six ministries. The Ministry of Finance is the central body responsible for performing the coordination of ownership function in the country (through its state asset department),	Half appointed by the line-ministry, Ministry of Finance appoints other half. If state ownership less than 100%, the state appoints proportionally to its share, maintaining proportional split.	All objectives for individual SOEs are developed by line-ministries. However, these are usually set on the basis of strategic long-term development plans approved by the government.	
Argentina	Dispersed ownership	SOE ownership is generally exercised by the line Ministry in charge of the sectoral activity, with emerging co-ordination from the central administration. The Law on Ministries (Decree 13/2015) states that each <b>ministry should "participate in the administration of state's participation in companies within its area of responsibility."</b>	Board nomination procedures are not formalised and differ significantly from Ministry to Ministry and from company to company. In some cases a Minister would lead the process, while in others it will be the Chairman of the company or even the top government levels that would be placing calls to candidates.	There are neither articulated mandates for line ministries – which are the direct shareholders of SOEs in Argentina - nor internal line ministries procedures or guides as to how to conduct SOE ownership for the companies under their respective supervision.	

Country	Ownership model	Institution(s) (government agency, ministry, state holding company, specialised unit, etc.) responsible for the ownership function	Institutions responsible for the appointment and election of SOE board members	Objectives set by whole-of-government, or by individual ministry	If Ownership is Centralised/ Coordinated, what are the exceptions?
Bulgaria		Within the new framework, Bulgaria will maintain its current decentralised ownership arrangements – in which 17 ministries oversee a portfolio of 221 SOEs. While the establishment of an ownership coordination unit should bring some clarity to the exercise of ownership rights by the state administration the new entity will be granted only limited ownership rights over SOEs (upon delegation by the Council of Ministers)			
Germany		The Federal Ministry of Finance has a <b>co-ordinating role on the government's policy on state holdings</b> but has no general supervisory function or power. In general, the ministries holding the participations are responsible for the SOEs. The Ministry of Finance plays a central role in the <b>German Government's policy on state holdings and privatisation</b> . The Ministry defines the general framework for managing state holdings to line ministries.	The ministry holding the participation is responsible for the appointment of SOE board members. Its decision is presented to the cabinet under the responsibility of the Federal Chancellery.	Developed by individual ministries.	
Japan		Financial Bureau of the Ministry of Finance (MOF), Civil aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and Japan Railway Construction, Transport and Technology Agency (JRRT) are main agencies of the ownership function.	According to the provisions of the Companies Act, etc.		
Mexico		Each Ministry heads a government sector to which SOEs are assigned to. Every Ministry in Mexico performs ownership functions, through their participation in governing bodies of SOEs. In 2020, Mexico has 19 Ministries and nine of them have ownership functions related to SOEs that engage exclusively or largely in economic activities and/or compete in economic markets.	The Executive appoints board members for SOEs, directly or through the line ministries.	Depending on the legal nature or type of the SOE, individual objectives for each SOE shall be determined either by Presidential decree, Congress Decree or, in some cases, it can be determined by the Ministry in which the SOE is sector. <b>Nevertheless, all the SOEs' objectives</b> must be aligned to the National Development Plan of the Federal Public Administration.	
Ukraine		Cabinet of Ministers of Ukraine (CMU) which may delegate authority to the ministries	Authorized entities		

Source: Author, questionnaire responses from national authorities, OECD (2020a), OECD (2019), OECD (2018a), OECD (2018b)

Table 2.5. Distribution of powers and competences among the agency and/or the ownership ministries/government bodies in select countries with a “coordinating agency”, “dual” or “dispersed” ownership model

Country	Powers /roles exercised as shareholders						
	Being represented at the general shareholders meetings and exercising voting rights	Establishing board nomination processes in fully- or majority-owned SOEs, actively participating in the nomination of all <b>SOEs’ boards</b>	Setting and monitoring the implementation of broad mandates and objectives for SOEs, including financial targets, capital structure objectives and risk tolerance levels	Setting up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance	Developing a disclosure policy for SOEs that identifies what information should be publicly disclosed, the appropriate channels for disclosure	Maintaining dialogue with external auditors and specific state control organs	Establishing a clear remuneration policy for SOE boards Others (if any)
Brazil	National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional)	Sectoral ministry, Chief of Staff Office (Casa Civil) and Ministry of Economy (Secretariat of Coordination and Governance of SOEs) and any other entities responsible for the appointment of Board members in SOEs as set up in law.	SEST monitors the budget execution of SOEs. Some sectoral ministries monitor SOEs that are under their supervision. National Treasury of Secretariat (STN), monitors SOEs to identify any possible fiscal risks for the Federal Government. The objectives and goals are accountable to the Office of Comptroller General and by the Federal Court of Accounts.	SEST maintains a panel that allows citizens, internal audit, external control to access information on SOEs. It also provides reporting templates for SOEs on their governance structures. Federal Comptroller General (CGU) has required SOEs to disclose their procurement processes on their websites. Federal Court of Auditors requires SOEs to prepare annual reports with details on management performance.	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). In general, Brazilian legislation sets up relevant information to be published by SOEs. Each company must prepare its disclosure policy. Furthermore, CGU and the Federal Court of Accounts evaluate whether SOEs meet the legal requirements for transparency.	Office of the Comptroller General, Ministry of Economy (Secretariat of Coordination and Governance of SOEs).	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). The board payment has a limit set by law.



Costa Rica	President and Council of Government	President and Council of Government	President and Council of Government (some ministries, such as the Ministry of Finance and MIDEPLAN, have a more prominent role in the process of setting these targets)	Advisory Unit	President and Council of Government	Advisory Unit	President and Council of Government
Czech Republic	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees in cases of filling positions in SOE's supervisory boards.	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees when filling positions in SOE's supervisory boards. In companies with more than 500 employees - 1/3 of the members of Supervisory boards are elected by all employees and 2/3 by the General meeting of joint-stock company.	The ownership policy is determined through legislation (Act No. 77/1997 Coll. of Laws of the Czech Republic, on State-Owned Enterprise) which has been continuously updated. The main amendment has been made by Act No. 253/2016, Coll. of Laws of the Czech Republic. Also the Government Anti-Corruption Strategy for the years 2015–2017 focused on accepting a state ownership policy. According to this strategy Ministry of Finance presented the draft of the state ownership policy to the Government in 2017.	In addition to the requirements that are put forward by the ownership policy, all joint-stock companies must have their own website according of the Act on Business Corporations. For example the proposal of new members of the Board of Directors and of the Supervisory Board in "dualistic" model and the proposal of new members of the Management Board in "monistic" model of corporate governance must be published on SOEs' website according the Act on Business Corporations.	Specified in ownership policy	The dialogue with external auditors and specific state control organs is carried out in compliance with valid legislation, e.g. the Act No. 93/2009, Act on Auditors, Coll. of Laws of the Czech Republic.	Remuneration limits has been set according to the Resolution of the Czech Government No. 835 of 12 December 2018 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership", which has been annulled the Resolution of the Czech Government No. 159 of 22 February 2010 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership Over 33%".

Estonia	The governing ministry (in case of two ministers within one ministry, the responsible minister is determined by the Prime Minister).	The nomination committee is established by the government based on the State Assets Act, consisting of 4 private sectors members (appointed by the government for 3 years) and 2 high-ranking state officials (Secretary Generals of the Ministry of Finance and the governing ministry). The committee is serviced by the Ministry of Finance and makes nomination proposals for the governing ministry.	The governing ministry is responsible for monitoring the achieving of the strategic objectives, while the Ministry of Finance follows the financial goals and collects the combined picture.	The Ministry of Finance is responsible for performing and developing the state ownership functions, incl. monitoring and improving existing practices and performance.	The Ministry of Finance is responsible for setting, monitoring and improving existing disclosure practices. Requirements are set in State Assets Act.	Regarding single SOEs the responsibility lies with the governing ministries.	Remuneration policy is part of the ownership policy that is prepared by the Ministry of Finance and approved with cabinet decision.
Latvia	Line ministries as shareholders	Line ministries as shareholders. Since 2020 Coordination institution will lead nomination committees if supervisory board members are to be selected. Coordinating agency is responsible for issuing relevant guidelines for nomination processes.	Line ministries and Supervisory boards	Supervisory board or line ministries, if there is no supervisory board, monitor, audit and assess SOE overall performance. Coordinating agency monitors compliance of financial targets set in medium term strategy and implementation of information disclosure requirements.	Coordinating agency develops and monitors implementation of disclosure policy.	Supervisory board or line ministries, if there is no supervisory board.	Coordinating agency develops guidelines for remuneration policy.

Lithuania	State ownership entities	Board nomination procedures for all SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. State ownership entities are involved in the nomination of <b>SOEs' boards</b> . <b>Nomination</b> committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre (GCC) and ownership entity representatives (1 representative from each institution, 5 in total).	The public institution Monitoring and Forecast Agency (Governance Coordination Centre) is responsible for monitoring the performance of SOEs and coordinating the efforts of ownership entities by providing comments, recommendations and other feedback to ownership entities. All final responsibilities with regard to decision making lies within ownership entity.	The Government or the Parliament, depending if it corresponds to SOE specific or all-enterprise policies.	Disclosure policy for SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. Disclosure is provided by SOEs themselves via their internet sites with full responsibility for the accuracy of relevant updated information and documents. GCC is responsible for monitoring implementation requirements provided by legal acts and reporting this information in annual aggregate reports.	State ownership entities	The Government
Switzerland <sup>1</sup>	Line Ministries and Federal Finance Administration FFA	Nomination process: SOE board together with line ministries. Nomination/Election: Federal Council, supported by line ministries.	Line ministries, FFA and Federal Council.	Line ministries, FFA.	Requirements re disclosure of information (SOE towards the public) is regulated by the respective commercial law/ordinances. Additionally, the Federal Council publicly discloses a yearly report regarding the fulfilment of the strategic objectives.	Under Commercial law, the board of directors – and not the shareholders – are responsible for maintaining a dialogue with external auditors. Same goes for specific state control organs. If need be, the Federal Council as owner/shareholder can contact specific state control organs and give special assignments for clarification.	Federal Council and Federal Parliament.

<sup>1</sup> All other shareholder rights are exercised by the Federal Council or have been delegated the line ministries/FFA.

Turkey	SOEs in MoTF <b>don't have a</b> general assembly. PA exercises voting rights for public shares in SOEs in PA portfolio.	For SOEs in MoTF portfolio, The members of the board are appointed by the President. The Line Minister makes proposals for 4 members and the board chair, and the Minister of Treasury and Finance makes proposal for one member. For SOEs in PA portfolio, the board members are appointed by the Minister of MoTF.	For SOEs in MoTF portfolio, MoTF is responsible. For SOEs in PA portfolio, PA is responsible. MoTF assists PA in the process.	MoTF is responsible for both portfolios.	MoTF is responsible for both portfolios.	Ministry of Treasury and Finance/ Line Ministries	Remuneration levels are set by Presidential Decree which is published in the Official Gazette.
Ukraine	Authorized ownership body	Committee for the Appointment / Authorized ownership entity	Authorized ownership entity, if an enterprise is critical for economy or monopoly – Cabinet of Ministers	Ministry of Economy, National Securities and Stock Market Commission	Ministry of Finance, National Securities and Stock Market Commission	Boards/Management	Cabinet of Ministers sets a dividend policy for SOEs (involving Ministry of Economy and Ministry of Finance). The dividend rate is defined annually.

Country	Powers /roles exercised as shareholders						
	Being represented at the general shareholders meetings and exercising voting rights	Establishing board nomination processes in fully- or majority-owned SOEs, actively participating in the nomination of all <b>SOEs' boards</b>	Setting and monitoring the implementation of broad mandates and objectives for SOEs, including financial targets, capital structure objectives and risk tolerance levels	Setting up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance	Developing a disclosure policy for SOEs that identifies what information should be publicly disclosed, the appropriate channels for disclosure	Maintaining dialogue with external auditors and specific state control organs	Establishing a clear remuneration policy for SOE boards Others (if any)
Brazil	National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional)	Sectoral ministry, Chief of Staff Office (Casa Civil) and Ministry of Economy (Secretariat of Coordination and Governance of SOEs) and any other entities responsible for the appointment of Board members in SOEs as set up in law.	SEST monitors the budget execution of SOEs. Some sectoral ministries monitor SOEs that are under their supervision. National Treasury of Secretariat (STN), monitors SOEs to identify any possible fiscal risks for the Federal Government. The objectives and goals are accountable to the Office of Comptroller General and by the Federal Court of Accounts.	SEST maintains a panel that allows citizens, internal audit, external control to access information on SOEs. It also provides reporting templates for SOEs on their governance structures. Federal Comptroller General (CGU) has required SOEs to disclose their procurement processes on their websites. Federal Court of Auditors requires SOEs to prepare annual reports with details on management performance.	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). In general, Brazilian legislation sets up relevant information to be published by SOEs. Each company must prepare its disclosure policy. Furthermore, CGU and the Federal Court of Accounts evaluate whether SOEs meet the legal requirements for transparency.	Office of the Comptroller General, Ministry of Economy (Secretariat of Coordination and Governance of SOEs).	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). The board payment has a limit set by law.

Costa Rica	President and Council of Government	President and Council of Government	President and Council of Government (some ministries, such as the Ministry of Finance and MIDEPLAN, have a more prominent role in the process of setting these targets)	Advisory Unit	President and Council of Government	Advisory Unit	President and Council of Government
Czech Republic	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees in cases of filling positions in SOE's supervisory boards.	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees when filling positions in SOE's supervisory boards. In companies with more than 500 employees - 1/3 of the members of Supervisory boards are elected by all employees and 2/3 by the General meeting of joint-stock company.	The ownership policy is determined through legislation (Act No. 77/1997 Coll. of Laws of the Czech Republic, on State-Owned Enterprise) which has been continuously updated. The main amendment has been made by Act No. 253/2016, Coll. of Laws of the Czech Republic. Also the Government Anti-Corruption Strategy for the years 2015–2017 focused on accepting a state ownership policy. According to this strategy Ministry of Finance presented the draft of the state ownership policy to the Government in 2017.	In addition to the requirements that are put forward by the ownership policy, all joint-stock companies must have their own website according of the Act on Business Corporations. For example the proposal of new members of the Board of Directors and of the Supervisory Board in "dualistic" model and the proposal of new members of the Management Board in "monistic" model of corporate governance must be published on SOEs' website according the Act on Business Corporations.	Specified in ownership policy	The dialogue with external auditors and specific state control organs is carried out in compliance with valid legislation, e.g. the Act No. 93/2009, Act on Auditors, Coll. of Laws of the Czech Republic.	Remuneration limits has been set according to the Resolution of the Czech Government No. 835 of 12 December 2018 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership", which has been annulled the Resolution of the Czech Government No. 159 of 22 February 2010 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership Over 33%".

Estonia	The governing ministry (in case of two ministers within one ministry, the responsible minister is determined by the Prime Minister).	The nomination committee is established by the government based on the State Assets Act, consisting of 4 private sectors members (appointed by the government for 3 years) and 2 high-ranking state officials (Secretary Generals of the Ministry of Finance and the governing ministry). The committee is serviced by the Ministry of Finance and makes nomination proposals for the governing ministry.	The governing ministry is responsible for monitoring the achieving of the strategic objectives, while the Ministry of Finance follows the financial goals and collects the combined picture.	The Ministry of Finance is responsible for performing and developing the state ownership functions, incl. monitoring and improving existing practices and performance.	The Ministry of Finance is responsible for setting, monitoring and improving existing disclosure practices. Requirements are set in State Assets Act.	Regarding single SOEs the responsibility lies with the governing ministries.	Remuneration policy is part of the ownership policy that is prepared by the Ministry of Finance and approved with cabinet decision.
Latvia	Line ministries as shareholders	Line ministries as shareholders. Since 2020 Coordination institution will lead nomination committees if supervisory board members are to be selected. Coordinating agency is responsible for issuing relevant guidelines for nomination processes.	Line ministries and Supervisory boards	Supervisory board or line ministries, if there is no supervisory board, monitor, audit and assess SOE overall performance. Coordinating agency monitors compliance of financial targets set in medium term strategy and implementation of information disclosure requirements.	Coordinating agency develops and monitors implementation of disclosure policy.	Supervisory board or line ministries, if there is no supervisory board.	Coordinating agency develops guidelines for remuneration policy.

Lithuania	State ownership entities	Board nomination procedures for all SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. State ownership entities are involved in the nomination of <b>SOEs' boards</b> . <b>Nomination</b> committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre (GCC) and ownership entity representatives (1 representative from each institution, 5 in total).	The public institution Monitoring and Forecast Agency (Governance Coordination Centre) is responsible for monitoring the performance of SOEs and coordinating the efforts of ownership entities by providing comments, recommendations and other feedback to ownership entities. All final responsibilities with regard to decision making lies within ownership entity.	The Government or the Parliament, depending if it corresponds to SOE specific or all-enterprise policies.	Disclosure policy for SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. Disclosure is provided by SOEs themselves via their internet sites with full responsibility for the accuracy of relevant updated information and documents. GCC is responsible for monitoring implementation requirements provided by legal acts and reporting this information in annual aggregate reports.	State ownership entities	The Government
Switzerland <sup>1</sup>	Line Ministries and Federal Finance Administration FFA	Nomination process: SOE board together with line ministries. Nomination/Election: Federal Council, supported by line ministries.	Line ministries, FFA and Federal Council.	Line ministries, FFA.	Requirements re disclosure of information (SOE towards the public) is regulated by the respective commercial law/ordinances. Additionally, the Federal Council publicly discloses a yearly report regarding the fulfilment of the strategic objectives.	Under Commercial law, the board of directors – and not the shareholders – are responsible for maintaining a dialogue with external auditors. Same goes for specific state control organs. If need be, the Federal Council as owner/shareholder can contact specific state control organs and give special assignments for clarification.	Federal Council and Federal Parliament.

<sup>1</sup> All other shareholder rights are exercised by the Federal Council or have been delegated the line ministries/FFA.



Turkey	SOEs in MoTF <b>don't have a</b> general assembly. PA exercises voting rights for public shares in SOEs in PA portfolio.	For SOEs in MoTF portfolio, The members of the board are appointed by the President. The Line Minister makes proposals for 4 members and the board chair, and the Minister of Treasury and Finance makes proposal for one member. For SOEs in PA portfolio, the board members are appointed by the Minister of MoTF.	For SOEs in MoTF portfolio, MoTF is responsible. For SOEs in PA portfolio, PA is responsible. MoTF assists PA in the process.	MoTF is responsible for both portfolios.	MoTF is responsible for both portfolios.	Ministry of Treasury and Finance/ Line Ministries	Remuneration levels are set by Presidential Decree which is published in the Official Gazette.
Ukraine	Authorized ownership body	Committee for the Appointment / Authorized ownership entity	Authorized ownership entity, if an enterprise is critical for economy or monopoly – Cabinet of Ministers	Ministry of Economy, National Securities and Stock Market Commission	Ministry of Finance, National Securities and Stock Market Commission	Boards/Management	Cabinet of Ministers sets a dividend policy for SOEs (involving Ministry of Economy and Ministry of Finance). The dividend rate is defined annually.

Country	Powers /roles exercised as shareholders						
	Being represented at the general shareholders meetings and exercising voting rights	Establishing board nomination processes in fully- or majority-owned SOEs, actively participating in the nomination of all <b>SOEs' boards</b>	Setting and monitoring the implementation of broad mandates and objectives for SOEs, including financial targets, capital structure objectives and risk tolerance levels	Setting up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance	Developing a disclosure policy for SOEs that identifies what information should be publicly disclosed, the appropriate channels for disclosure	Maintaining dialogue with external auditors and specific state control organs	Establishing a clear remuneration policy for SOE boards Others (if any)
Brazil	National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional)	Sectoral ministry, Chief of Staff Office (Casa Civil) and Ministry of Economy (Secretariat of Coordination and Governance of SOEs) and any other entities responsible for the appointment of Board members in SOEs as set up in law.	SEST monitors the budget execution of SOEs. Some sectoral ministries monitor SOEs that are under their supervision. National Treasury of Secretariat (STN), monitors SOEs to identify any possible fiscal risks for the Federal Government. The objectives and goals are accountable to the Office of Comptroller General and by the Federal Court of Accounts.	SEST maintains a panel that allows citizens, internal audit, external control to access information on SOEs. It also provides reporting templates for SOEs on their governance structures. Federal Comptroller General (CGU) has required SOEs to disclose their procurement processes on their websites. Federal Court of Auditors requires SOEs to prepare annual reports with details on management performance.	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). In general, Brazilian legislation sets up relevant information to be published by SOEs. Each company must prepare its disclosure policy. Furthermore, CGU and the Federal Court of Accounts evaluate whether SOEs meet the legal requirements for transparency.	Office of the Comptroller General, Ministry of Economy (Secretariat of Coordination and Governance of SOEs).	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). The board payment has a limit set by law.

Costa Rica	President and Council of Government	President and Council of Government	President and Council of Government (some ministries, such as the Ministry of Finance and MIDEPLAN, have a more prominent role in the process of setting these targets)	Advisory Unit	President and Council of Government	Advisory Unit	President and Council of Government
Czech Republic	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees in cases of filling positions in SOE's supervisory boards.	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees when filling positions in SOE's supervisory boards. In companies with more than 500 employees - 1/3 of the members of Supervisory boards are elected by all employees and 2/3 by the General meeting of joint-stock company.	The ownership policy is determined through legislation (Act No. 77/1997 Coll. of Laws of the Czech Republic, on State-Owned Enterprise) which has been continuously updated. The main amendment has been made by Act No. 253/2016, Coll. of Laws of the Czech Republic. Also the Government Anti-Corruption Strategy for the years 2015–2017 focused on accepting a state ownership policy. According to this strategy Ministry of Finance presented the draft of the state ownership policy to the Government in 2017.	In addition to the requirements that are put forward by the ownership policy, all joint-stock companies must have their own website according of the Act on Business Corporations. For example the proposal of new members of the Board of Directors and of the Supervisory Board in "dualistic" model and the proposal of new members of the Management Board in "monistic" model of corporate governance must be published on SOEs' website according the Act on Business Corporations.	Specified in ownership policy	The dialogue with external auditors and specific state control organs is carried out in compliance with valid legislation, e.g. the Act No. 93/2009, Act on Auditors, Coll. of Laws of the Czech Republic.	Remuneration limits has been set according to the Resolution of the Czech Government No. 835 of 12 December 2018 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership", which has been annulled the Resolution of the Czech Government No. 159 of 22 February 2010 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership Over 33%".

Estonia	The governing ministry (in case of two ministers within one ministry, the responsible minister is determined by the Prime Minister).	The nomination committee is established by the government based on the State Assets Act, consisting of 4 private sectors members (appointed by the government for 3 years) and 2 high-ranking state officials (Secretary Generals of the Ministry of Finance and the governing ministry). The committee is serviced by the Ministry of Finance and makes nomination proposals for the governing ministry.	The governing ministry is responsible for monitoring the achieving of the strategic objectives, while the Ministry of Finance follows the financial goals and collects the combined picture.	The Ministry of Finance is responsible for performing and developing the state ownership functions, incl. monitoring and improving existing practices and performance.	The Ministry of Finance is responsible for setting, monitoring and improving existing disclosure practices. Requirements are set in State Assets Act.	Regarding single SOEs the responsibility lies with the governing ministries.	Remuneration policy is part of the ownership policy that is prepared by the Ministry of Finance and approved with cabinet decision.
Latvia	Line ministries as shareholders	Line ministries as shareholders. Since 2020 Coordination institution will lead nomination committees if supervisory board members are to be selected. Coordinating agency is responsible for issuing relevant guidelines for nomination processes.	Line ministries and Supervisory boards	Supervisory board or line ministries, if there is no supervisory board, monitor, audit and assess SOE overall performance. Coordinating agency monitors compliance of financial targets set in medium term strategy and implementation of information disclosure requirements.	Coordinating agency develops and monitors implementation of disclosure policy.	Supervisory board or line ministries, if there is no supervisory board.	Coordinating agency develops guidelines for remuneration policy.

Lithuania	State ownership entities	Board nomination procedures for all SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. State ownership entities are involved in the nomination of <b>SOEs' boards</b> . <b>Nomination</b> committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre (GCC) and ownership entity representatives (1 representative from each institution, 5 in total).	The public institution Monitoring and Forecast Agency (Governance Coordination Centre) is responsible for monitoring the performance of SOEs and coordinating the efforts of ownership entities by providing comments, recommendations and other feedback to ownership entities. All final responsibilities with regard to decision making lies within ownership entity.	The Government or the Parliament, depending if it corresponds to SOE specific or all-enterprise policies.	Disclosure policy for SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. Disclosure is provided by SOEs themselves via their internet sites with full responsibility for the accuracy of relevant updated information and documents. GCC is responsible for monitoring implementation requirements provided by legal acts and reporting this information in annual aggregate reports.	State ownership entities	The Government
Switzerland <sup>1</sup>	Line Ministries and Federal Finance Administration FFA	Nomination process: SOE board together with line ministries. Nomination/Election: Federal Council, supported by line ministries.	Line ministries, FFA and Federal Council.	Line ministries, FFA.	Requirements re disclosure of information (SOE towards the public) is regulated by the respective commercial law/ordinances. Additionally, the Federal Council publicly discloses a yearly report regarding the fulfilment of the strategic objectives.	Under Commercial law, the board of directors – and not the shareholders – are responsible for maintaining a dialogue with external auditors. Same goes for specific state control organs. If need be, the Federal Council as owner/shareholder can contact specific state control organs and give special assignments for clarification.	Federal Council and Federal Parliament.

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Turkey	SOEs in MoTF <b>don't have a</b> general assembly. PA exercises voting rights for public shares in SOEs in PA portfolio.	For SOEs in MoTF portfolio, The members of the board are appointed by the President. The Line Minister makes proposals for 4 members and the board chair, and the Minister of Treasury and Finance makes proposal for one member. For SOEs in PA portfolio, the board members are appointed by the Minister of MoTF.	For SOEs in MoTF portfolio, MoTF is responsible. For SOEs in PA portfolio, PA is responsible. MoTF assists PA in the process.	MoTF is responsible for both portfolios.	MoTF is responsible for both portfolios.	Ministry of Treasury and Finance/ Line Ministries	Remuneration levels are set by Presidential Decree which is published in the Official Gazette.
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Brazil	National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional)	Sectoral ministry, Chief of Staff Office (Casa Civil) and Ministry of Economy (Secretariat of Coordination and Governance of SOEs) and any other entities responsible for the appointment of Board members in SOEs as set up in law.	SEST monitors the budget execution of SOEs. Some sectoral ministries monitor SOEs that are under their supervision. National Treasury of Secretariat (STN), monitors SOEs to identify any possible fiscal risks for the Federal Government. The objectives and goals are accountable to the Office of Comptroller General and by the Federal Court of Accounts.	SEST maintains a panel that allows citizens, internal audit, external control to access information on SOEs. It also provides reporting templates for SOEs on their governance structures. Federal Comptroller General (CGU) has required SOEs to disclose their procurement processes on their websites. Federal Court of Auditors requires SOEs to prepare annual reports with details on management performance.	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). In general, Brazilian legislation sets up relevant information to be published by SOEs. Each company must prepare its disclosure policy. Furthermore, CGU and the Federal Court of Accounts evaluate whether SOEs meet the legal requirements for transparency.	Office of the Comptroller General, Ministry of Economy (Secretariat of Coordination and Governance of SOEs).	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). The board payment has a limit set by law.

Costa Rica	President and Council of Government	President and Council of Government	President and Council of Government (some ministries, such as the Ministry of Finance and MIDEPLAN, have a more prominent role in the process of setting these targets)	Advisory Unit	President and Council of Government	Advisory Unit	President and Council of Government
Czech Republic	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees in cases of filling positions in SOE's supervisory boards.	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees when filling positions in SOE's supervisory boards. In companies with more than 500 employees - 1/3 of the members of Supervisory boards are elected by all employees and 2/3 by the General meeting of joint-stock company.	The ownership policy is determined through legislation (Act No. 77/1997 Coll. of Laws of the Czech Republic, on State-Owned Enterprise) which has been continuously updated. The main amendment has been made by Act No. 253/2016, Coll. of Laws of the Czech Republic. Also the Government Anti-Corruption Strategy for the years 2015–2017 focused on accepting a state ownership policy. According to this strategy Ministry of Finance presented the draft of the state ownership policy to the Government in 2017.	In addition to the requirements that are put forward by the ownership policy, all joint-stock companies must have their own website according of the Act on Business Corporations. For example the proposal of new members of the Board of Directors and of the Supervisory Board in "dualistic" model and the proposal of new members of the Management Board in "monistic" model of corporate governance must be published on SOEs' website according the Act on Business Corporations.	Specified in ownership policy	The dialogue with external auditors and specific state control organs is carried out in compliance with valid legislation, e.g. the Act No. 93/2009, Act on Auditors, Coll. of Laws of the Czech Republic.	Remuneration limits has been set according to the Resolution of the Czech Government No. 835 of 12 December 2018 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership", which has been annulled the Resolution of the Czech Government No. 159 of 22 February 2010 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership Over 33%".



Estonia	The governing ministry (in case of two ministers within one ministry, the responsible minister is determined by the Prime Minister).	The nomination committee is established by the government based on the State Assets Act, consisting of 4 private sectors members (appointed by the government for 3 years) and 2 high-ranking state officials (Secretary Generals of the Ministry of Finance and the governing ministry). The committee is serviced by the Ministry of Finance and makes nomination proposals for the governing ministry.	The governing ministry is responsible for monitoring the achieving of the strategic objectives, while the Ministry of Finance follows the financial goals and collects the combined picture.	The Ministry of Finance is responsible for performing and developing the state ownership functions, incl. monitoring and improving existing practices and performance.	The Ministry of Finance is responsible for setting, monitoring and improving existing disclosure practices. Requirements are set in State Assets Act.	Regarding single SOEs the responsibility lies with the governing ministries.	Remuneration policy is part of the ownership policy that is prepared by the Ministry of Finance and approved with cabinet decision.
Latvia	Line ministries as shareholders	Line ministries as shareholders. Since 2020 Coordination institution will lead nomination committees if supervisory board members are to be selected. Coordinating agency is responsible for issuing relevant guidelines for nomination processes.	Line ministries and Supervisory boards	Supervisory board or line ministries, if there is no supervisory board, monitor, audit and assess SOE overall performance. Coordinating agency monitors compliance of financial targets set in medium term strategy and implementation of information disclosure requirements.	Coordinating agency develops and monitors implementation of disclosure policy.	Supervisory board or line ministries, if there is no supervisory board.	Coordinating agency develops guidelines for remuneration policy.

Lithuania	State ownership entities	Board nomination procedures for all SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. State ownership entities are involved in the nomination of <b>SOEs' boards</b> . <b>Nomination</b> committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre (GCC) and ownership entity representatives (1 representative from each institution, 5 in total).	The public institution Monitoring and Forecast Agency (Governance Coordination Centre) is responsible for monitoring the performance of SOEs and coordinating the efforts of ownership entities by providing comments, recommendations and other feedback to ownership entities. All final responsibilities with regard to decision making lies within ownership entity.	The Government or the Parliament, depending if it corresponds to SOE specific or all-enterprise policies.	Disclosure policy for SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. Disclosure is provided by SOEs themselves via their internet sites with full responsibility for the accuracy of relevant updated information and documents. GCC is responsible for monitoring implementation requirements provided by legal acts and reporting this information in annual aggregate reports.	State ownership entities	The Government
Switzerland <sup>1</sup>	Line Ministries and Federal Finance Administration FFA	Nomination process: SOE board together with line ministries. Nomination/Election: Federal Council, supported by line ministries.	Line ministries, FFA and Federal Council.	Line ministries, FFA.	Requirements re disclosure of information (SOE towards the public) is regulated by the respective commercial law/ordinances. Additionally, the Federal Council publicly discloses a yearly report regarding the fulfilment of the strategic objectives.	Under Commercial law, the board of directors – and not the shareholders – are responsible for maintaining a dialogue with external auditors. Same goes for specific state control organs. If need be, the Federal Council as owner/shareholder can contact specific state control organs and give special assignments for clarification.	Federal Council and Federal Parliament.

<sup>1</sup> All other shareholder rights are exercised by the Federal Council or have been delegated the line ministries/FFA.

Turkey	SOEs in MoTF <b>don't have a</b> general assembly. PA exercises voting rights for public shares in SOEs in PA portfolio.	For SOEs in MoTF portfolio, The members of the board are appointed by the President. The Line Minister makes proposals for 4 members and the board chair, and the Minister of Treasury and Finance makes proposal for one member. For SOEs in PA portfolio, the board members are appointed by the Minister of MoTF.	For SOEs in MoTF portfolio, MoTF is responsible. For SOEs in PA portfolio, PA is responsible. MoTF assists PA in the process.	MoTF is responsible for both portfolios.	MoTF is responsible for both portfolios.	Ministry of Treasury and Finance/ Line Ministries	Remuneration levels are set by Presidential Decree which is published in the Official Gazette.
Ukraine	Authorized ownership body	Committee for the Appointment / Authorized ownership entity	Authorized ownership entity, if an enterprise is critical for economy or monopoly – Cabinet of Ministers	Ministry of Economy, National Securities and Stock Market Commission	Ministry of Finance, National Securities and Stock Market Commission	Boards/Management	Cabinet of Ministers sets a dividend policy for SOEs (involving Ministry of Economy and Ministry of Finance). The dividend rate is defined annually.

Country	Powers /roles exercised as shareholders						
	Being represented at the general shareholders meetings and exercising voting rights	Establishing board nomination processes in fully- or majority-owned SOEs, actively participating in the nomination of all <b>SOEs' boards</b>	Setting and monitoring the implementation of broad mandates and objectives for SOEs, including financial targets, capital structure objectives and risk tolerance levels	Setting up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance	Developing a disclosure policy for SOEs that identifies what information should be publicly disclosed, the appropriate channels for disclosure	Maintaining dialogue with external auditors and specific state control organs	Establishing a clear remuneration policy for SOE boards Others (if any)
Brazil	National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional)	Sectoral ministry, Chief of Staff Office (Casa Civil) and Ministry of Economy (Secretariat of Coordination and Governance of SOEs) and any other entities responsible for the appointment of Board members in SOEs as set up in law.	SEST monitors the budget execution of SOEs. Some sectoral ministries monitor SOEs that are under their supervision. National Treasury of Secretariat (STN), monitors SOEs to identify any possible fiscal risks for the Federal Government. The objectives and goals are accountable to the Office of Comptroller General and by the Federal Court of Accounts.	SEST maintains a panel that allows citizens, internal audit, external control to access information on SOEs. It also provides reporting templates for SOEs on their governance structures. Federal Comptroller General (CGU) has required SOEs to disclose their procurement processes on their websites. Federal Court of Auditors requires SOEs to prepare annual reports with details on management performance.	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). In general, Brazilian legislation sets up relevant information to be published by SOEs. Each company must prepare its disclosure policy. Furthermore, CGU and the Federal Court of Accounts evaluate whether SOEs meet the legal requirements for transparency.	Office of the Comptroller General, Ministry of Economy (Secretariat of Coordination and Governance of SOEs).	Ministry of Economy (Secretariat of Coordination and Governance of SOEs). The board payment has a limit set by law.

Costa Rica	President and Council of Government	President and Council of Government	President and Council of Government (some ministries, such as the Ministry of Finance and MIDEPLAN, have a more prominent role in the process of setting these targets)	Advisory Unit	President and Council of Government	Advisory Unit	President and Council of Government
Czech Republic	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees in cases of filling positions in SOE's supervisory boards.	The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees when filling positions in SOE's supervisory boards. In companies with more than 500 employees - 1/3 of the members of Supervisory boards are elected by all employees and 2/3 by the General meeting of joint-stock company.	The ownership policy is determined through legislation (Act No. 77/1997 Coll. of Laws of the Czech Republic, on State-Owned Enterprise) which has been continuously updated. The main amendment has been made by Act No. 253/2016, Coll. of Laws of the Czech Republic. Also the Government Anti-Corruption Strategy for the years 2015–2017 focused on accepting a state ownership policy. According to this strategy Ministry of Finance presented the draft of the state ownership policy to the Government in 2017.	In addition to the requirements that are put forward by the ownership policy, all joint-stock companies must have their own website according of the Act on Business Corporations. For example the proposal of new members of the Board of Directors and of the Supervisory Board in "dualistic" model and the proposal of new members of the Management Board in "monistic" model of corporate governance must be published on SOEs' website according the Act on Business Corporations.	Specified in ownership policy	The dialogue with external auditors and specific state control organs is carried out in compliance with valid legislation, e.g. the Act No. 93/2009, Act on Auditors, Coll. of Laws of the Czech Republic.	Remuneration limits has been set according to the Resolution of the Czech Government No. 835 of 12 December 2018 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership", which has been annulled the Resolution of the Czech Government No. 159 of 22 February 2010 on "Principles of Remuneration of Senior Executives and Board Members of Companies with the State Ownership Over 33%".

Estonia	The governing ministry (in case of two ministers within one ministry, the responsible minister is determined by the Prime Minister).	The nomination committee is established by the government based on the State Assets Act, consisting of 4 private sectors members (appointed by the government for 3 years) and 2 high-ranking state officials (Secretary Generals of the Ministry of Finance and the governing ministry). The committee is serviced by the Ministry of Finance and makes nomination proposals for the governing ministry.	The governing ministry is responsible for monitoring the achieving of the strategic objectives, while the Ministry of Finance follows the financial goals and collects the combined picture.	The Ministry of Finance is responsible for performing and developing the state ownership functions, incl. monitoring and improving existing practices and performance.	The Ministry of Finance is responsible for setting, monitoring and improving existing disclosure practices. Requirements are set in State Assets Act.	Regarding single SOEs the responsibility lies with the governing ministries.	Remuneration policy is part of the ownership policy that is prepared by the Ministry of Finance and approved with cabinet decision.
Latvia	Line ministries as shareholders	Line ministries as shareholders. Since 2020 Coordination institution will lead nomination committees if supervisory board members are to be selected. Coordinating agency is responsible for issuing relevant guidelines for nomination processes.	Line ministries and Supervisory boards	Supervisory board or line ministries, if there is no supervisory board, monitor, audit and assess SOE overall performance. Coordinating agency monitors compliance of financial targets set in medium term strategy and implementation of information disclosure requirements.	Coordinating agency develops and monitors implementation of disclosure policy.	Supervisory board or line ministries, if there is no supervisory board.	Coordinating agency develops guidelines for remuneration policy.

Lithuania	State ownership entities	Board nomination procedures for all SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. State ownership entities are involved in the nomination of <b>SOEs' boards</b> . <b>Nomination</b> committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre (GCC) and ownership entity representatives (1 representative from each institution, 5 in total).	The public institution Monitoring and Forecast Agency (Governance Coordination Centre) is responsible for monitoring the performance of SOEs and coordinating the efforts of ownership entities by providing comments, recommendations and other feedback to ownership entities. All final responsibilities with regard to decision making lies within ownership entity.	The Government or the Parliament, depending if it corresponds to SOE specific or all-enterprise policies.	Disclosure policy for SOEs is developed by the Ministry of Economy and Innovation and adopted by the Government. Disclosure is provided by SOEs themselves via their internet sites with full responsibility for the accuracy of relevant updated information and documents. GCC is responsible for monitoring implementation requirements provided by legal acts and reporting this information in annual aggregate reports.	State ownership entities	The Government
Switzerland <sup>1</sup>	Line Ministries and Federal Finance Administration FFA	Nomination process: SOE board together with line ministries. Nomination/Election: Federal Council, supported by line ministries.	Line ministries, FFA and Federal Council.	Line ministries, FFA.	Requirements re disclosure of information (SOE towards the public) is regulated by the respective commercial law/ordinances. Additionally, the Federal Council publicly discloses a yearly report regarding the fulfilment of the strategic objectives.	Under Commercial law, the board of directors – and not the shareholders – are responsible for maintaining a dialogue with external auditors. Same goes for specific state control organs. If need be, the Federal Council as owner/shareholder can contact specific state control organs and give special assignments for clarification.	Federal Council and Federal Parliament.

<sup>1</sup> All other shareholder rights are exercised by the Federal Council or have been delegated the line ministries/FFA.

Turkey	SOEs in MoTF <b>don't have a</b> general assembly. PA exercises voting rights for public shares in SOEs in PA portfolio.	For SOEs in MoTF portfolio, The members of the board are appointed by the President. The Line Minister makes proposals for 4 members and the board chair, and the Minister of Treasury and Finance makes proposal for one member. For SOEs in PA portfolio, the board members are appointed by the Minister of MoTF.	For SOEs in MoTF portfolio, MoTF is responsible. For SOEs in PA portfolio, PA is responsible. MoTF assists PA in the process.	MoTF is responsible for both portfolios.	MoTF is responsible for both portfolios.	Ministry of Treasury and Finance/ Line Ministries	Remuneration levels are set by Presidential Decree which is published in the Official Gazette.
Ukraine	Authorized ownership body	Committee for the Appointment / Authorized ownership entity	Authorized ownership entity, if an enterprise is critical for economy or monopoly – Cabinet of Ministers	Ministry of Economy, National Securities and Stock Market Commission	Ministry of Finance, National Securities and Stock Market Commission	Boards/Management	Cabinet of Ministers sets a dividend policy for SOEs (involving Ministry of Economy and Ministry of Finance). The dividend rate is defined annually.

Source: Author based on information from national authorities.



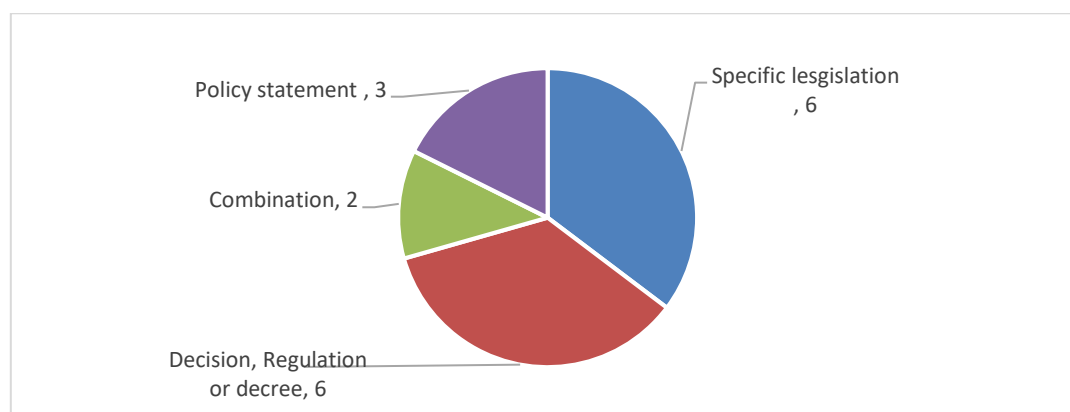
# 3 Objective setting: Approaches to developing rationales for SOE ownership

## Overview

A state ownership policy provides state-owned enterprises, the market and the general public with a clear understanding of the overall goals and priorities of the state as an owner. Establishing a clear and consistent ownership policy is critical. Internationally recognised recommendations suggest that ownership policy take the form of a concise, high-level policy document that describes the general justifications and rationales for ownership of SOEs. This section provides an overview of how the surveyed countries state their justifications for SOE ownership and the most common objectives that these rationales state. The national examples of frameworks for state ownership rationale are provided in Table 3.1.

Governments have diverse approaches to expressing their logic of state enterprise ownership. Some jurisdictions set forth an explicit state ownership policy defining the general objectives of state ownership, while the objectives of state enterprise ownership may be implicit in others. Of the 32 jurisdictions participating in this inventory exercise, 17 jurisdictions report having explicit ownership policies (See Figure 3.1). State ownership policies in these countries are set out in different ways including in specific legislation (as in **Hungary, Korea, Latvia, Lithuania, New Zealand, Philippines**); through a government decision, resolution or decree (as in **Chile, Estonia, Germany, Norway, Sweden and in Switzerland**); via a government policy statements (as in **Colombia, Iceland and the Netherlands**) or via some combination of these elements (as in the **Czech Republic and France**) (See Table 3.2).

Figure 3.1. Sources of ownership rationales where the rationale is explicit



Source: Author based on information provided by the national authorities

Table 3.1. State enterprise ownership rationales in 32 jurisdictions

Country	Type of rationale		Source of rationale				
	Explicit	Implicit	Decision, regulation or decree	Policy statement	Specific legislation	SOE-specific measures	Soft law/ guidelines
Argentina		○	○		○		○
Austria		○		○			
Belgium		○					
Brazil		○	○		○		
Bulgaria		○					
Chile	○		○				○
Colombia	○			○			
Costa Rica		○					
Czech Republic	○		○	○	○		
Estonia	○		○				
France	○		○	○	○		
Germany	○		○				○
Greece		○				○	
Hungary	○		○		○		
Iceland	○			○			
Israel		○		○			

Country	Type of rationale		Source of rationale				
	Explicit	Implicit	Decision, regulation or decree	Policy statement	Specific legislation	SOE-specific measures	Soft law/ guidelines
Italy		○				○	
Japan		○				○	
Korea	○		○		○		
Latvia	○				○		
Lithuania	○				○		
Mexico		○					
Netherlands	○			○			
New Zealand	○				○		○
Norway	○		○				
Peru		○					
Philippines	○				○		
Sweden	○		○				
Switzerland	○		○				
Turkey		○				○	
United Kingdom		○					
Ukraine		○				○	

Source: Author, information provided by national authorities, OECD (2020)

Table 3.2. Examples of explicit rationales for SOE ownership

Country	Source for ownership rationale	Main purpose of state ownership	Review/update procedures	Specific objectives or classifications supplementing the ownership rationale	Classifications for individual (groups of) SOEs
Chile	Cabinet decision	Promote profitable State Companies, through an efficient and transparent allocation of resources, under accountability, and that provide quality services and products. This is indicated in 2018 SEP annual report.	The decision is reviewed regularly or at least every 4 years (Governments period)	According to standard regulations, every SOE must execute its own corporate objective, connected with its business nature. Financial objectives are set by Ministry of Finance through the approval of the annual budget, for what asks previously for SEPs opinion, in the case of SOEs under its supervision.	
Estonia	The ownership policy for all SOEs was established in January 2020 as a cabinet decision.	<ul style="list-style-type: none"> <li>• <b>Delivering public service (public interest objective);</b></li> <li>• <b>Protecting strategic interests (strategic objective);</b></li> <li>• <b>Earning additional revenues (financial objective).</b></li> </ul> <p>State ownership is generally justified only for the public interest or strategic objective, if there is a market failure (natural monopoly operating in a deregulated regulatory environment and/or insufficient capacity of the public oversight body), need for performing public functions and/or protect strategic interests (strategically important services that the private sector is not ready to provide) or need for performing public functions related to resource policy (utilization of natural resources, etc.), international obligations or security considerations (critical infrastructure, etc.).</p> <ul style="list-style-type: none"> <li>• <b>Earning revenues as the main/single purpose of ownership is only justified in exceptional cases or in the short term</b></li> </ul>	The ownership policy should be reviewed at least once in a 5 year period.	The governing ministries are responsible for setting and publishing the strategic (non-financial) objectives for SOEs ( <b>within the owner's expectations</b> ). They are also tasked with monitoring and evaluating their performance. Financial targets are set using the indications by the Ministry of Finance.	

Country	Source for ownership rationale	Main purpose of state ownership	Review/update procedures	Specific objectives or classifications supplementing the ownership rationale	Classifications for individual (groups of) SOEs
Hungary	Legislation (The Act Nr. CVI. of 2007. on State Property and the Act, Nr. CXCVI. of 2011. on the National Property)	To ensure that State property is used appropriately and efficiently, to fulfil the duties of the government and the satisfaction of social needs, functioning as an independent sector on the basis of uniform principles to <b>facilitate the Government's overall economic policy</b> and to formulate a cost-effective system of management in the interests of protecting <b>and preserving the nation's assets (direct use)</b> , or indirect utilization (including sales resulting in changes in the holdings), as well as to increase national assets (including the acquisition of assets).		The objectives for SOEs are set by the exerciser of the ownership rights, as it is regulated for all companies in the Civil Code. The process is the same; the yearly Business Plan has to be accepted by the shareholder. For some of the SOEs there is a law which regulates its activity, for example the Act on Hungarian Development Bank (2001. XX. Act) says it is a specialised credit institution – so it has to fulfil other requirements compared to other credit institutions.	
Iceland	Legislation and policy statement (The Public Finance Act). It may adopt a special ownership policy for individual enterprises or activities if required	The essence of these policies is based on the requirement for state-owned enterprises to be operated professionally and transparently, to ensure public confidence regarding their direction and activities. The state's role as owner is based on recognised guidelines on good corporate governance, especially the OECD Guidelines on Corporate Governance of State-owned Enterprises, as well as general criteria regarding the role and obligations of owners. Emphasis is placed on regular communication and information disclosure between the owner and the enterprise on its operations and policy formulation, which must, however, be based on a clear division of responsibility between the owner, the Board of Directors and the management.	The current general State Ownership Policy for SOEs was published in 2012 and applied to limited liability companies and partnerships owned by the State. An updated State Ownership Policy for Financial Undertakings was published in 2017. The policy is reviewed regularly and updated as deemed necessary	Aside from the general objectives set forth in the General Ownership Policy and the Ownership Policy for financial undertakings (both set by the Finance ministry), the Finance ministry sets all objectives for the SOEs that fall under its purview. In certain cases, specific ownership policies will be set for specific companies, in the form of an appendix to the general one. Relevant ministries, or institutions, set specific objectives for their respective SOEs, other than those set in the aforementioned policies. The Finance ministry has finalized a draft of an updated General Ownership Policy, which among other issues, will include more detail on this process.	

Country	Source for ownership rationale	Main purpose of state ownership	Review/update procedures	Specific objectives or classifications supplementing the ownership rationale	Classifications for individual (groups of) SOEs
Latvia	Legislation (State Administrative Structure Law Article 88) and Cabinet Decision	i) To eliminate market failure; ii) To produce goods or services which are strategically important for state security or state development; and iii) To manage or administer property which are strategically important for state security or state development.	Each state ownership and general strategic goals are reviewed in five-year cycle, excluding those SOEs or shares which are not alienable by the law.	General strategic objectives and ownership rationale for individual SOEs are supplemented by strategic targets of individual SOEs.	
Lithuania	Legislation	By exercising the ownership function of a state-owned enterprise, the state pursues business value growth, dividend or profit premium income, safeguarding national security interests, implementing strategic projects, or other objectives set by law.	Major principles of Ownership principles by far remain unchanged, while the revisions of the decree typically feature changes to/introduction of specific governance practices, i.e. introduction of Letters of expectations.	Ownership Guidelines have been developed (approved by the Government Resolution number 665 "On the Approval of the Procedure for the Implementation of the State's Property and Non-Property Rights at State-owned Enterprises", 2012).	After the Ownership Guidelines were amended on 20 June 2018, SOEs are no more classified into groups according to their objectives for the state and the rate-of-return on equity is applied to all SOEs engaged in substantial commercial activity. However, the main principles related to ownership remained the same. Additionally, more requirements were specified for the letter of expectations prepared by the authority representing the state.
Norway	Government decree (White Paper submitted to the parliament )	(i) ensuring spill over effects from head office functions; (ii) civil protection and emergency preparedness; (iii) correct market failure in parts of the capital market; (iv) further natural monopolies ; and (v) protect natural resources and ground rent. <b>The state's rationale for its ownership in each of the companies is described in the ownership policy. Excerpt of the text included in the White Paper on ownership policy (translated to English) is provided in the Box 3.2 below.</b>	The ownership policy is normally reviewed and updated in each parliamentary session, approximately every four years.		<b>The state's portfolio is assigned to one of three categories based on the state's goal</b> as an owner. The companies that primarily operate in competition with others are normally placed in Categories 1 and 2, while the companies that do not primarily operate in competition with others are normally placed in category 3. Category 1 comprises the companies with commercial objectives. Category 2 comprises the companies with commercial objectives and other specifically defined objectives. Category 3 comprises the companies through which the state endeavours the most efficient possible attainment of different public policy goals.

Country	Source for ownership rationale	Main purpose of state ownership	Review/update procedures	Specific objectives or classifications supplementing the ownership rationale	Classifications for individual (groups of) SOEs
Philippines	Legislation (R.A. No. 10149 otherwise known as the “GOCC Governance Act of 2011” )	<p>The State recognizes the potential government-owned or -controlled corporations (GOCCs) as significant tools for economic development. It is thus the policy of the State to actively exercise its ownership rights in GOCCs and to promote growth by ensuring that operations are consistent with national development policies and programs.</p> <p>The responsibilities of the state ownership entity include: rationalizing the Number and Functions of SOEs; shortlisting candidates for appointment to the boards of directors; performance monitoring and evaluation of SOEs; and setting standards for compensation, incentives and benefits. These objectives are based on the mandates given by R.A. No. 10149. Objectives for individual SOEs are publicly disclosed in the Integrated Corporate Reporting System Web Portal.</p>		The objectives are set and developed by the individual SOEs in coordination with the state ownership entity as the oversight agency monitoring their performance and operations. This is set through annual technical panel meetings with the SOE and finalized in the form of a Performance Scorecard.	
Sweden	Government decision	As a matter of principle, the Government believes that the state should not own companies that are active in competitive commercial markets unless the company has a specific public service assignment that would be difficult to fulfil in any other way.	The latest ownership policy is dated December 2016. A new one was issued on 27 February 2020. (Government decision on 27 February 2020).	Financial and non-financial targets are communicated in the annual aggregate SOE report to Parliament. Evaluation processes are also applied to non-financial targets connected to the specific public service obligations of some SOEs.	

Source: Author based on information from national authorities, OECD (2015), OECD (2020)

In jurisdictions without an explicit ownership policy, the objectives of state ownership are sometimes determined from the general legislative and policy framework, including company and public administration law and sectoral policies (as in **Austria, Greece, Mexico, in Turkey**) and / or from legislation establishing individual (statutory) SOEs, statutes of SOEs and contracts between the SOEs and relevant shareholder agencies concerned (as in **Italy and Japan**). In the case of **Belgium, Costa Rica, Peru and the United Kingdom**, there are no formal criteria for state ownership (see Table 3.3).

### ***Reviewing and updating the ownership policy***

The **SOE Guidelines** indicate that it is a good practice to regularly review and update ownership policy. Practices for undertaking these reviews vary across jurisdictions. In more than half of the countries with explicit ownership policies, rationales are reviewed regularly at the government level.

**Chile, Germany, the Netherlands, Norway and Sweden** review their state ownership rationale on a regular basis whereas **New Zealand and Switzerland** review it on an ad-hoc basis. In **Norway**, the ownership policy is reviewed and updated in each parliamentary session, approximately every four years. In **Germany** and **Sweden**, such reviews are undertaken in the context of annual aggregate SOE sector reporting. In **Turkey**, the review usually takes place as part of the preparation of broader development, investment and financial planning programmes. In the **Netherlands**, every seven years, the country evaluates for each SOE whether state ownership is still the best instrument to safeguard the public interest. Every year the country informs Parliament on the outcome of each evaluation in its annual report. In general, the country evaluates two SOEs per year. The overall general policy for SOE's is evaluated every seven years as well. This is part of the general policy evaluation cycle of the Government. A new policy can be set as a result of this evaluation, but a new Government could decide on a new policy as well. In general, the Netherlands has a new or updated policy on SOE's every seven years.

### ***Main rationales for state ownership offered as part of the ownership policy***

Evaluating the rationale for continued state ownership and considering the assignments and objectives of the state-owned enterprises are duties and responsibilities of the state's role as an active and professional owner. While the 32 jurisdictions participating in this stocktaking exercise may express their ownership rationale in different ways, their overall objectives for state enterprise ownership fall into the following categories: support national economic and strategic interests; ensure continued national ownership of enterprises; provide specific public goods or services (when it is concluded that the market cannot supply the same goods or services); and perform business operations in a "natural" monopoly situation. **Israel, Italy and Japan** have undertaken some important sales of government shares in line with their privatisation policies, which have consequently influenced the overall state ownership frameworks in all three countries.



Table 3.3. Examples of frameworks for state ownership without an explicit ownership rationale

Country	Sources ascertaining an ownership rationale	Main purpose of state ownership and/or SOE objectives, if stated	Review/update procedures, if available
Austria	A general ownership policy for all SOEs has not yet been established due to the inhomogeneous portfolio of Austrians SOEs. However in September 2017 a cross-departmental working group was established with the aim to elaborate guidelines as well as an overall framework for the exercise of <b>shareholder's rights</b> . Some of the ministries, which exercise ownership functions such as the Federal Ministry of Finance and the Federal Ministry for Climate Change, Environment, Energy, Mobility, Innovation and Technology, have developed detailed Ownership strategies for individual SOEs.	State ownership rationale and objectives for individual SOEs are not publicly disclosed.	In December 2019 the cross-departmental working group presented an ownership policy for all SOEs, in the form of a manual. Due to change of the cabinet, further development remains to be seen.
Greece	The main rationales for state ownership are determined mainly by the framework of the Law 3429/2005 (State Owned Enterprises and Organizations) and Law 4548/2018 (Reform of Public Limited Companies Law	SOEs are often tasked with implementing strategic investment projects for the state or delivering public services. If rigorously implemented, the provisions have the potential to increase efficiency and productivity over time for the SOEs.	
Israel	There is no formal explicit ownership policy for SOEs. Lately the ownership entity GCA has been working on formulating ownership policy papers regarding major SOEs and the work on these documents is still in progress. The GCA formulates a work plan each year and measures its implementation. The essentials of the GCA's work program are made public.	There is no formal definition. However, the ownership entity GCA has set criteria to define a company as a government company and has ranked them according to its importance as below (see box 3.2.). In practice, the government strives to privatize SOEs that operate in the competitive market.	

Country	Sources ascertaining an ownership rationale	Main purpose of state ownership and/or SOE objectives, if stated	Review/update procedures, if available
Mexico	The legal framework that can be interpreted as forming the rationale for SOE ownership includes : The Mexican Constitution; the Federal Public Administration Law (Ley Organica de la Administracion Publica Federal [LOAPF]); the Federal Law of Public Sector Entities (Ley Federal de las ENTidades <b>Paraestatales (LEEP)</b> ); <b>LEEP's related</b> regulation (Reglamento de la Ley Federal de la Entidades Parestatles [RLFEP]) ; Planning Law (Ley de Planeación); and National Development Plan which indicates the <b>administration's priorities during the six years</b> of its mandate.	The main rationales for state ownership are enshrined in the Planning Law (Ley de Planeación) and in the National Development Plan. These official documents contain the axes of social and economic welfare, and consequently, they are the basis of the ownership policy.	
United Kingdom	The United Kingdom does not have an overarching or singular approach to determine the overall objectives of state ownership.	The key consideration with regard to ongoing government ownership is the balance between public service/policy and achieving value for the taxpayer.	Decisions on assets are taken on a case-by-case basis by the relevant Government department. HM Treasury, as part of its role overseeing the state of public finances keeps public ownership of assets under regular review.

Source: Author based on information from national authorities, OECD (2020a), OECD (2015b)

### Box 3.1. Israel's national practice on setting forth main rationales for state ownership

There is no formal definition of state ownership rationale. However, the ownership entity GCA has set criteria to define a company as a government company and has ranked them according to importance as below.

Criteria	Importance
Maintaining strategic interests.	High
Provision of specific public goods or services where it is clear that the market cannot provide them.	High
Conduct business activities in a "natural monopoly" environment.	High
Creating a government monopoly when it seems that effective regulation cannot be imposed on the market.	Medium
Maintaining ongoing government ownership.	Medium
Support for the national economy.	Low
Promoting economic development policy - creating jobs / deploying infrastructure.	Low
Improving the performance of a government Ministry.	Low

In practice, the Israeli government strives to minimize its involvement in the marketplace, while reducing the number of SOEs in the country. Therefore, in recent years, specific criteria have been set in order to rationalize the establishment of an SOE. The portfolio of SOEs in Israel is examined internally and periodically by the GCA against these criteria, in order to ensure that the ownership of each SOE is upheld by the ownership rationale. Hence, the existence of the vast majority of SOEs in Israel under state ownership is justified by these criteria. In cases where the state could not fully rationalize its ownership of a respective SOE, it acts to privatize it or seize its operations. However, there are certain cases where this course of action is not feasible due to complex historical and cultural circumstances.

Source: National submission by the Israeli authorities

### Box 3.2. Main rationale for state ownership in Norway : Excerpt of the text from the White Paper on ownership policy

Companies that primarily operate in competition with others

The underlying rationale for state ownership in these companies is usually that the state believes that some form of market failure exists, so that the market solution does not result in the highest level of welfare. In a modern market economy, there is market failure in a number of areas. One of the state's key tasks is to limit the effects of market failure. In some cases, this can be achieved by the state eliminating the market mechanisms in whole or in part, and instead using state-owned undertakings to produce goods and services for the population. In other cases, a failure in the market is resolved through direct regulation, which allows the market mechanisms to operate within certain limits, for example instructing industrial companies to avoid emissions to prevent pollution of the environment. This can be combined with use of the tax system, for example by introducing emission pricing. In some cases, however, it can be challenging to establish a good regulatory regime. An alternative solution in such cases can be for the state to own, in whole or in part, companies that operate in competition with others.

### Spill over effects from head office functions

[...]

Reduction of trade barriers and better possibilities of contact across national borders mean that production facilities are increasingly located where it is most financially favourable for the business, regardless of where the head office is located. However, it seems reasonable to assume that there are some direct effects relating to value creation in the head office and demand for specialised services.

Several decision-making, specialist and staff entities with a high level of expertise are naturally based at the head office. This can, for example, apply to management and control of business areas and subsidiaries, as well as tasks relating to strategy, transactions, finance, management development, risk management, control and compliance, legal issues and investor relations. This leads to competence-building in that both existing and potential specialists and managers can be given a broader range of tasks and arenas. This helps to ensure that there are employees with expertise that others can benefit from.

Large groups of enterprises often contribute to value creation through a network of subcontractors. Large companies are also often involved in several national industry and technology clusters and can thus stimulate cooperation and transfer of expertise between and in the clusters.

International players, such as investment banks, competitors and partners, will usually contact the company's decision-makers, who are often based in the head office. This allows head-office functions to become learning arenas for international know-how in industries and the international capital market, which can in turn be spread to other business and industry.

[...]

There is often a historical basis for the head office's location, and companies rarely move their head office. Changes in ownership and mergers are important driving forces when head offices are moved, however. Maintaining state ownership in some companies can therefore be expedient in order to ensure that their head office remains in Norway. This is one way of ensuring that important businesses in Norway are owned and operated by parties with a strong connection to Norway, rather than as branches of foreign companies. More general contributions to ensuring that Norwegian companies maintain their head office and business activities in Norway are made through other industry policy instruments. The most important policy instrument is good general framework conditions for business and industry.

[...]

For several of the companies with a state ownership interest, and especially for the companies seen as a whole, the spill over effects are assumed to be substantial, and the Government therefore chooses to maintain ownership of a number of companies in order to keep their head offices in Norway.

### Civil protection and emergency preparedness

Historically, civil protection and emergency preparedness were part of the rationale for the establishment of a Norwegian defence industry under the auspices of the state. The Norwegian defence industry's capacity in important technological areas of expertise is still crucial to providing the defence sector with the right materiel and expertise at the right time. This increases the capability to safeguard national security in areas where special circumstances require special expertise. If the state solely relied on purchasing defence materiel from foreign suppliers, this could lead to an undesirable dependence on other nations and their defence industry, as well as make it difficult for Norway to cover its needs in critical areas. In order to ensure national ownership of central parts of the Norwegian defence industry, the state will maintain its ownership interests of 50.001 and 50 per cent, respectively, in Kongsberg Gruppen and Nammo. Without state ownership, there is a risk of this defence industry capacity being moved abroad over time.

In special cases, the state may consider it necessary to prevent undesirable interests from gaining an influence over companies of importance to civil protection, which can be ensured, among other things, by maintaining a given ownership interest in certain companies. Kongsberg Gruppen and Nammo are examples of such companies.

However, regulation is and should be the primary policy instrument for addressing civil protection considerations, including through the Security Act, the Regulations relating to Preventive Safety and Emergency Preparedness in the Energy Supply, and the Act relating to Electronic Communication.

Market failure in parts of the capital market

The state has a number of capital policy instruments at its disposal that are intended to counteract market failure consisting of a shortage of available capital for presumably profitable projects. Such lack of capital can affect early-stage companies in particular. Policy instruments can be established in the form of, for example, funds managed by private investment companies. The state also owns investment companies, such as Investinor and Nysnø Klimainvesteringer.

Former natural monopolies

In the 19th century, new infrastructure was established in the form of railway lines, the telegraph system and later also telephone lines and the power grid. This type of infrastructure and services were, and some of them still are, natural monopolies that are difficult to regulate to achieve socio-economic optimal production through market mechanism.

[...]

Today, it is more common to regulate these types of network services to open the market to competition. One company can be given responsibility for the infrastructure and be instructed to sell access on equal terms to other companies that provide services to the end users. This has, for example, resulted in ownership of the power grid being separated from power production. The system was most recently introduced in the railway sector, through the 2016 railway reform. Several of the government agencies that used to operate these natural monopolies have been converted into companies, at the same time as changes in the regulation have opened the market to competition. These developments have reduced the need for state ownership. In a transitional period, however, it may be necessary for the state to own companies that were previously monopolists until a more well-functioning market has been established. This applies to some of the companies in the railway sector, for example.

Natural resources and ground rent

Businesses can be granted access to a form of ground rent, for example access to natural resources such as oil or hydropower. Ground rent provides businesses with a greater return than if their labour and capital were employed in other production. If ground rent is appropriately taxed, it will not influence the choices of producers or consumers. In cases where the collection of ground rent is desirable, different policy instruments can be used, especially auctions and taxes on ground rent. Large hydropower producers are also subject to rules on compulsory yield of power and must pay a licence fee. In some cases, state ownership has also been used as a way of safeguarding the right of disposal of and, to some extent, revenues from the country's vast natural resources. Statkraft is one example of this type of arrangement.

[...] Natural resources are bound to the land. The state will therefore, regardless of ownership, have a certain degree of control over the resources and may in different ways regulate how they are managed, as well as secure a reasonable part of the return and ground rent generated from the resources through the tax system.

Source: Questionnaire response from Norwegian authorities

### ***Ownership policy being supplemented by specific objectives or classifications for individual (groups of) SOEs***

The overall justification for state ownership can be complemented by objectives through supplementary legislation, regulations, or policies. These can include specific objectives for individual public enterprises including targets for earnings, rates of return and capital structure, as well as the delivery of SOE-specific public policy objectives. Almost all of the survey respondents stated that, regardless of whether they had an explicit or implicit state enterprise ownership policy, the overall ownership rationale is often complemented by the legislation and regulation bearing on individual SOEs. In the case of companies established under general company laws, etc., this may be done through their corporate bylaws and articles of association. In the case of statutory corporations, their goals and purpose can be included in the establishing legislation. Some national examples include:

- **Austria.** Some of the ministries, which exercise ownership functions such as the Federal Ministry of Finance and the Federal Ministry for Climate Change, Environment, Energy, Mobility, Innovation and Technology, have developed detailed Ownership strategies for individual SOEs.
- **Greece.** While the ownership policy and main objectives for all SOEs consist of adopting financial targets set by the Ministry of Finance and Line Ministries, there are certain strategic objectives derived from international agreements, European legal framework or other legal provisions. HCAP in particular has introduced a number of Key Performance Indicators (KPIs) to evaluate success towards both financial and non-financial objectives, set in a 3-year time framework.
- **New Zealand.** Objectives and KPIs are prepared annually by the board of each SOE and approved by shareholding Ministers through the Statement of Corporate Intent (SCI). SCIs are publically available on each SOEs website.
- **Israel.** Ownership entity GCA publishes circulars and policies on various topics (e.g. Directors' Remuneration, senior Remuneration, the publication of financial statements, the scope of Internal Auditor work, etc.). It also publishes guidelines presented in the circulars that are adapted to the companies according to the company's feature: size, business activity, income policy etc. The GCA approves different performance objectives/KPIs for main SOEs executives, which in turn are responsible for performance in practice and reporting on the performance metrics to the SOEs' Supervisory Boards. SOEs executive's remuneration is one of the main tools used by the GCA in order to implement its financial targets and capital structure policy.
- **Latvia.** Financial and non-financial objectives are set in the SOE mid-term operational strategy which is to be approved by the Supervisory board or Shareholder's meeting if there is no Supervisory board. Only dividend pay-out ratios are defined in legal acts which are binding to all SOEs. Also Cabinet of Ministers has legal authority to decide different amount of annual dividend pay-out taking into account financial conditions of a particular SOE. Coordinating agency monitors the implementation of financial targets set in medium-term strategies of individual SOEs. The objectives for individual SOEs (apart from commercially sensitive information) are publicly disclosed on their websites.
- **United Kingdom.** Government policy, directed by responsible government departments, sets the overall strategy for the SOE, defines the scope of its operations, and sets its priorities. The SOE is responsible for translating government policy into a business plan (its operational objectives, financial and non-financial) to implement government direction. The business plan may be annual or multi-year depending upon the time horizon within which the SOE operates. The SOE is then responsible, via its own governance structures, such as the Board, to set Key Performance Indicators (KPIs) which allow it to monitor its performance against its business plan. These may be financial or non-financial. The government shareholder function (UKGI) periodically monitors progress against KPIs, as does as the SOE's own Board.

**Iceland, Lithuania, Norway and Sweden** have clarified the state expectations for each individual SOE by officially classifying SOEs into groups according to their objectives, for example, SOEs with purely commercial objectives; public enterprises with a combination of commercial and public policy objectives; and/or SOEs with purely strategic or public policy objectives.

### Box 3.3. The SOE objective-setting process in Lithuania

According to the Ownership Guidelines the state ownership entity shall at least every 4 years prepare and submit to the SOE a letter regarding the objectives pursued by the state in the SOE and the expectations of the SOE (referred to as Letter of Expectations). The purpose of the letter of expectations is to state and identify key state interests and expectations with regards to the SOE.

Within the letters the state's expectations for the SOE, the SOE's main and other activities, operational priorities, key performance evaluation indicators, accountability needs (transparency measures) and economic projects of national importance are identified and noted.

The letter may also include other information necessary to identify the state's expectations of the SOE. While the Letter of Expectations are prepared by the ownership entities, as set by the respective decree, they have to consult GCC to receive comments and recommendations. After the letters are adopted they are to be made public in SOE, ownership entity and GCC websites. It is further monitored whether the expectations are taken into consideration within the strategies of the SOEs. On the whole-of-government level only the target ROE for commercial activities is set. With regard to this financial target, GCC performs the estimation of targets, based on CAPM model (regulation allows adding individual evaluation), which are on several stages discussed with respective stakeholders (both ownership entities and SOEs), and finally adopted via a government decree as an average for a three-year-period.

Source : Submission from Lithuanian authorities





# 4 The transparency and accountability requirements of the ownership function(s) of the state

More co-ordination and centralisation of state ownership function can serve as a catalyst to a greater governance transparency and accountability. Often, the degree of centralisation of the ownership entity reflects its degree of capacity to mobilise its resources to collect and aggregate financial and non-financial information on the broader state ownership portfolio. Centralisation almost invariably brings about improved corporate governance. However, it should also be noted that the political centralisation of the ownership function can sometimes lead to an excessive intervention by the state in the management decisions that should be left to the SOE itself or the responsible government unit. Therefore it is important that the ownership entity or the institutions responsible for state ownership function are held accountable to the relevant representative bodies. It is also recommended to set up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance, and monitor and oversee their compliance with applicable corporate governance standards.

## Holding the ownership entity or the institutions responsible for state ownership function accountable to the relevant representative bodies

Most of the reviewed countries have responded that they are accountable to some or all of the following: parliament or the Minister in charge of the portfolio or the board and management of the holding company, the Supreme Audit Institution, the general public. When there is a co-ordination agency, it is often held accountable to the head of that agency or department. Most of the surveyed countries have indicated that they require their SOEs to have an internal audit function in place or encouraging them to do so through the state holding company's corporate governance code. In case of **Korea**, SOEs are required to have the internal audit function report to the state comptroller and such state audit procedures should be supplemented by existing internal and independent external controls.

However, some of the surveyed countries are constrained by weak internal audit and control functions due to the lack of corporatisation. **Argentina, Bulgaria, Philippines** and **Ukraine** do not systematically mandate that all SOEs subject their financial statements to an independent external audit. They are primarily dependent upon state auditing bodies and other ad-hoc intra-government control to supervise SOEs.

### ***National practices***

In **Austria**, the question how the ownership entity is held accountable to the relevant representative bodies depends on the legal form and its related corporate laws. As most SOEs in Austria are founded by law, it might contain specific regulations. The relevant representative bodies are accountable to the minister in charge of the portfolio. The Austrian Court of Audit (Rechnungshof) performs audits throughout the entire

spectrum of the state economy at the federal, provincial and municipal level, which encompass public entities as well as private institutions (businesses, institutes, foundations, funds) provided that the public share in these institutions reaches at least 50 percent. The political as well as the parliamentary responsibility (including accountability to the Austrian Court of Audit) is held by the Federal Minister in charge of the portfolio.

In **Belgium**, the Federal Coalition Agreement provides for the collection of the management and the financial expertise of its participations in all SOEs, whether they are listed or not, with the Federal Holding and Investment Company (FPIM) on order to concentrate the monitoring of the management and financial aspects within one expertise and decision centre. In an effort to introduce a more efficient and transparent model rationalizing the system of subsidiaries and second-tier subsidiaries, FPIM has set up a so-called “knowledge and support centre”, providing the administrators of SOEs, both independent and “public”, with support and education. FPIM is the ownership entity responsible for the state ownership function. The role of the Minister of Finance will be strengthened because FPIM falls under his responsibility.

In **Chile**, the SEP authorities are politically accountable to Congress and the General Controller.

In **Estonia**, the Ministry of Finance is responsible for performing the state ownership coordination function. All governing ministries are accountable to the government as a whole, but secondly also to the Parliament. Performing the ownership function can also be audited by the Supreme Audit Institution.

In **Greece**, the Unit of the Minister of Finance responsible for state ownership is accountable to the Minister of the Finance. As regards to the HCAP accountability, HCAP submits to the Hellenic Parliament an annual activities report and is also accountable to the Minister of Finance, in his capacity as the sole shareholder. Every SOE sets its own non-financial objectives with the exception of the financial objectives which fall within the scrutiny of the Budget Directorate of the Ministry of Finance and can be modified according to the needs and targets of the state’s budget. Regarding HCAP subsidiaries, non-financial objectives are set through commitment agreements which are focused on efficiency and performance.

In **Hungary**, all state ownership exercisers are required to report yearly about their activities for the minister without portfolio responsible for the state asset management, and the minister reports about the activity, status etc. of SOEs yearly to the Parliament. The State Audit Office has the right and obligation to audit the operation of the SOEs every year. Otherwise the responsibility rules for the ownership rights exercisers are the same for all economic companies stated in the Civil Code.

In **Iceland**, the department is held accountable to the Finance Minister, who is held accountable to Parliament, usually via the Budget Committee. The same applies to the Icelandic State Financial Investments.

In **Israel**, The ownership entity GCA is authorized to consult the government and ministries in all matters related to SOEs. In addition, the GCA functions as a part of the Israeli Ministry of Finance. Under its responsibility is planning and implementing the Government's overall economic policy. The ministry is responsible for planning and setting the targets for Israel's fiscal policy, prepares the draft State Budget and monitors implementation of the approved budget. The ministry also manages the state revenues and collects direct and indirect taxes and promotes non-resident investments. Under Section 56 of the Government Companies Law, the Authority has to compile an annual report on its activity and send it to the government and the Israel parliament when required to do so. In addition, once a year, the Authority sends a report on the government companies to the Minister of Finance with respect to each company and the State's rights in it, each company's principal objectives, the office-holders in it and the principal elements of the financial reports. The Minister of Finance submits this report to the parliament. In all matters concerning the State Comptroller - The Authority is an entity that is audited by the State Comptroller. In addition, and in accordance with its functions as prescribed by law, it monitors the implementation of the State Comptroller's recommendations concerning government companies and assists in their implementation. The State Comptroller also audits government companies.

In **Korea**, the majority of SOEs should have a standing or non-standing auditor, or they may have an audit committee within the board. The establishment of an audit committee is mandatory for large-sized SOEs with asset values of more than KRW 2 trillion. Major SOEs also generally have an audit and inspection office as an internal organ under the auditor(s) or audit committee to carry out the internal audit function. There are systematic audits by the state Board of Audit and Inspection which publishes an audit report after reviewing the consolidated documents, including financial statements. The auditors or audit committee should approve the report before it gets published. SOEs are also subject to the external audit by an independent audit firm.

In **Latvia**, co-ordination agency is an institution under direct authority of the Prime Minister. State audit institution issues ad hoc reviews regarding fulfilment of coordination agency functions as well as shareholder functions performed by the line ministries. Legal acts, regulations, planning documents which relate to state ownership policy are publicly available.

In **Lithuania**, the Minister responsible for the State's ownership function is accountable to the Government (Prime Minister) on a general basis, as in the other areas assigned to him. The Minister is responsible for the portfolio of the holding SOE and the formation of its board. The board of directors is responsible for the management of the company. The Minister is not accountable to the Supreme Audit Institution, but is required to implement its recommendations on behalf of the Government. There is no accountability to Coordinating agency.

In **New Zealand**, various teams within the Treasury are accountable to shareholding Ministers for overseeing the ownership and monitoring role of SOEs and for board appointments (and other governance oversight duties). Shareholding Ministers are in turn responsible to Parliament for their ownership roles in SOEs. It should be noted that shareholding Ministers are not responsible for operations of the SOEs. It is an oversight role of boards.

In **Norway**, the ownership entity is accountable to the Minister of Trade and Industry, who are in charge of the portfolio, while the Minister of Trade and Industry is accountable to the Parliament. The Supreme Audit Institution monitors the Minister's (Ministry's) management of state ownership and reports to the Parliament.

In the **Philippines**, the state ownership entity is accountable to the Office of the President of the Philippines. The state ownership entity is accountable to the Commission on Audit in terms of its own finances.

In **Sweden**, through an annual communication to parliament that includes the annual aggregate report. It is also communicated by the government.

#### Box 4.1. Accountability requirements of the ownership functions of the UKGI

**Ministerial responsibility.** The Chancellor of the Exchequer is ultimately accountable for the activities of UKGI in Parliament. Responsibility may be delegated to another HM Treasury Minister (currently this is the Economic Secretary to the Treasury).

**Departmental accountability.** In addition, there is Departmental accountability also. The Principal Accounting Officer (PAO) of HM Treasury is accountable to Parliament for the issue of any grant-in-aid to UKGI. The PAO is the Permanent Secretary of HM Treasury. The PAO has numerous responsibilities with respect to UKGI. They advise the responsible Minister on an appropriate framework of objectives and targets for UKGI; an appropriate budget for UKGI; and how well UKGI is achieving its strategic objectives and targets and whether it is delivering value for money. The PAO also monitors UKGI's activities; periodically carries out an assessment of the risks both to HMT Treasury and UKGI's objectives and activities; and brings concerns about the activities of UKGI to the Board, and, as appropriate, to the departmental board requiring explanations and assurances that appropriate action has been taken.

**Parliamentary accountability.** UKGI is also accountable to Parliament, via its Accounting Officer for how it uses public funds. The PAO of HM Treasury has designated the CEO of UKGI as UKGI's Accounting Officer. The UKGI Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of UKGI. As UKGI Accounting Officer, the CEO has specific responsibilities to account to Parliament as covered by the Accounting Officer's letter of appointment and as described in Managing Public Money 2.

The UKGI Accounting Officer has a number of responsibilities to HM Treasury including: (i) establishing, in agreement with the department, UKGI's corporate and business plans; (ii) informing the department of progress in helping to achieve the department's policy objectives and in demonstrating how resources are being used to achieve those objectives; and (iii) ensuring that timely forecasts and monitoring information on performance and finance are provided to the department.

#### External auditing

UKGI has appointed the Comptroller and Auditor General as its external auditor. The National Audit Office (an independent body established to monitor government's use of its finances and to check that value for money is being achieved), carries out the audit for and on behalf of the Comptroller and Auditor General.

Sources: Submission from the UKGI

### **Aggregate reporting practices**

The OECD Guidelines on Corporate Governance of State-Owned Enterprises ("SOE Guidelines") calls for the state as an owner of commercial enterprises to "develop consistent reporting on SOEs and publish annually an aggregate report on SOEs". This section focuses on aggregate reports to the public – which the SOE Guidelines consider as the ultimate owners/shareholders" of SOEs. Around two thirds of the countries surveyed produce, and make available online, some form of aggregate reporting on state-owned enterprises. Most of them include all, or the majority of, SOEs in the reports. The national practices are

<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/742188/Managing\\_Public\\_Money\\_MPM\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742188/Managing_Public_Money_MPM_2018.pdf)

categorised as below. Figure 4.1 and Table 4.1 also provide a summary overview of national practices in the countries examined.<sup>3</sup>

### *Annual aggregate reporting*

- **Austria.** As per Sec. 42 Federal Organic Budget Act 2013 the Federal Minister of Finance shall submit to the National Council committee an annual aggregate report with respect to corporate entities in which the Federal Government has a direct and majority equity interest. Objectives of SOEs can be partly linked to the outcome orientation including gender budgeting of the Federal Organic Budget Act 2013. Outcome-oriented budget management is based on two elements: presentation in the budget and outcome-oriented assessment of consequences for legislative measures and large planned measures. The report is publicly available [online](#) (German only).
- **Colombia.** It publishes an SOEs Annual Report with all the consolidated information. The 2018 SOEs Annual Report can be found on the [Ministry's web page](#).
- **Costa Rica.** The state publishes an annual aggregate report since 2019, informing of its portfolio of SOEs and their financial and non-financial performance. The first report may be found on the [Presidency's web page](#).
- **Estonia.** The ownership policy has been published on the website of the Ministry of Finance and also as an attachment to the press release after the cabinet decision was taken in January 2020. The aggregate reporting takes place annually based on our State Assets Act. The reports are available on the [Ministry's web page](#) (in the bottom section, only in Estonian language); and the latest report for the year 2018. The direct link to the latest report for the year 2018 is also on the [Ministry's web page](#).
- **France.** The [APE publishes](#) an annual activity report, as well as a financial report, which provides precisely the information mentioned.
- **Germany.** The Federal Republic of Germany publishes annually the report titled “Der Beteiligungsbericht des Bundes” (in German only). This [report](#) is available on the official website of the Federal Ministry of Finance.
- **Hungary.** The minister without portfolio responsible for the state asset management reports about the activity, status etc. of SOEs yearly to the Parliament. These reports are open for the public and published.
- **Israel.** Report on SOEs including information on principles of business results and description of privatization activities and structural changes is submitted annually by the Director of the Government Companies Authority to the Minister of Finance, in accordance with the Government Companies virtue 1975. The report is published on the GCA website and is publically available.
- **Japan.** The Ministry of Finance produces one annual report on the status of all government shareholdings, the state's ownership policy, sell-off procedures and the value of the portfolio. The report is publicly available (OECD, 2020b).
- **Latvia.** The state publishes an [annual aggregate report](#).

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<sup>3</sup> The information on Poland and the Slovak Republic and the criteria for classification of national practices is based on the new OECD report entitled “Transparency and Disclosure Practices of State-Owned Enterprises and their Owners (OECD, 2020 b)” which also serves as input to the “Implementing the OECD Guidelines on Corporate Governance of State-owned enterprises (SOE Guidelines)” project to be completed before the end 2020. The trends of aggregate reporting practices identified in this section are in line with those indicated in the above-mentioned report on transparency and disclosure practices.

- **Lithuania.** It publishes an annual aggregate report, informing of its portfolio of SOEs and their financial and non-financial performance. Further information on annual reports on state-owned enterprises in Lithuania (both in Lithuanian and in English) is available [online](#).
- **Netherlands.** The state publishes an annual report on the state ownership policy and financial results of SOEs covering the full portfolio of companies with state participation. It covers: implementation of the ownership policy; financial performance and value of the sector; employment; fulfilment of policy objectives; board composition and remuneration; and reporting on individual SOEs. It is presented to Parliament and published online in Dutch (OECD,2020b).
- **New Zealand.** Performance of SOEs is published by SOEs individually through public semi-annual and annual reports. The Treasury also publishes portfolio performance in its four-yearly Investment Statement (last published in 2018).
- **Norway.** The [annual aggregate report](#) is published in both Norwegian and English.
- **Philippines.** Through the Annual Reports (<https://gcg.gov.ph/site/annualreports>) and through the Integrated Corporate Reporting System Web Portal (<https://icrs.gcg.gov.ph/>).
- **Sweden.** The annual aggregate report is available [online](#). There is also a semi-annual shorter report.
- **Switzerland.** The Federal Council annually produces an aggregate report on all SOEs based on their fulfilment of strategic objectives and goals set by the Government. The report is available online in German and French. Additionally, the Federal Finance Administration has a website with information on individual SOEs, board composition, information on corporate governance practices of the state-owned entities.
- **Turkey.** The Ministry of Treasury and Finance regularly publishes [data relating to SOEs](#) covered by Decree-Law No. 233, their subsidiaries and operating enterprises which are subject to Law No. 4046 with more than 50 per cent capital owned by the state, on its website under Official Statistics Program. Moreover, the Ministry of Treasury and Finance annually publishes SOE [report](#) that includes aggregate data and information on individual SOEs. The web-links are as follows:

*Online inventory that could be functionally equivalent to an aggregate report*

- **Brazil** does not produce aggregate reports *per se* but does provide consolidated information on state-owned enterprises online. The coordination entity (SEST) has an interactive tool (“Panorama”) that presents general data on federal state enterprises, including the size of the sector and sectorial distribution, employment data, board composition, and economic and financial indicators. The [tool](#) does not provide an overview of the fulfilment of the state-ownership policy. Furthermore, all the results of evaluations carried out by CGU on the economy, efficiency and effectiveness of the performance of state-owned companies are published on their [website](#).
- **Korea.** A dedicated website called ALIO provides an extensive reporting on individual SOEs. The website periodically provides aggregate financial and employment figures of individual SOEs including each SOE’s asset value, debt-to-equity ratio, net income, total number of executives and employees, etc.
- **Ukraine.** Starting from 2014, the government had been publishing an annual aggregate report for top 100 SOEs. It ceased this activity in 2019 with launching of an online reporting system [Pro.Zvit](#).

*Aggregate reporting on a portfolio of SOEs*

- **Chile.** The centralised ownership entity SEP produces an [annual aggregate report](#) for all SOEs under its portfolio, including financial and non-financial information. The Ministry of Finance also produces a separate [annual report](#) on the financial performance of all SOEs. The aggregate reports

do not cover broader reporting by the ownership entity on the state's ownership policy. Both reports are submitted to Parliament and available to the general public.

#### *Ad hoc reports on SOEs or regular reporting to the parliament on the performance of SOEs*

- **Argentina.** A consolidated state budget report is prepared by the Ministry of Treasury and submitted to the Legislature on an annual basis, as well as in the Carta de Jefatura de Gabinete which addresses the financial and staff evolution of each SOE, corporate governance policies of SOEs among other areas. Audit reports from the state audit institutions are also produced on an ad hoc basis (OECD, 2020b).
- **Greece.** The Ministry of Finance issues aggregate reports on financial data (on a cash base) for SOEs in the General Government on its website. The Privatization and Equity Management Unit in the Ministry of Finance has the mandate to also publish an annual report for the SOEs.
- **Italy.** The State Court of Auditors provides an annual report on the management of SOEs to be submitted to the Parliament and, sometimes these may be further complemented by updated studies from the Ministry of Economy and Finance (in its role as shareholder) for economically important SOEs. The Department of Treasury hosts a website where a list of the current holding share for its direct participation in SOEs is disclosed, as well as links to each company's corporate governance webpage.
- **Mexico.** According to the Federation Fiscalization and Accountability Law, the Federal Executive must present the Chamber of Deputies the Public Account for its inspection, with the collaboration of the Federation's Superior Audit, thus constituting the accountability mechanism of the Federal Public Administration before the Legislative Branch, which includes the review of key financial, accounting and budgetary information on SOEs. The Body responsible for its integration is the Ministry of Finance, which takes into account the information provided by each SOE. Likewise, the Planning Law states that the directors and administrators of parastatal entities may be summoned by any of the Chambers to report on matters related to their branches or activities. The last [Federal Public Treasury Report](#) was published in 2019. In addition, financial information of Development Banks and their performance is available [online](#).
- **Poland.** The General Counsel develops a report on the status of state property, which focuses on the value of state property, share in state capital equity, net results and a list of entities performing direct supervision in SOEs. The Ministry of Entrepreneurship and Technology, which is the largest shareholding entity, produces an annual report of the portfolio of SOEs under its oversight. The report presents financial results achievement by SOEs. The former report is presented to Parliament. Both reports are available online (OECD, 2020b).
- **Slovak Republic.** The Ministry of Finance produces a General Annual Report on whole of government accounts, which includes the consolidated financial statements of SOEs, and details on economically important SOEs, including an analysis of annual changes in profits and shareholder equity. The report is shared with Parliament and is available online(OECD, 2020b).

#### *No aggregate reporting*

- **Belgium.** The state does not publish such a report, but [FPIM](#) does.
- **Bulgaria.** The Ministry of Finance is responsible for gathering and publishing SOEs' quarterly financial reports, as well as the annual audit reports of individual SOEs on its website. The ministry does not undertake any aggregate reporting on SOEs nor performance review of SOEs<sup>4</sup>. However, on an ad-hoc basis, it prepares individual or consolidated analyses of SOEs' financial situation, to

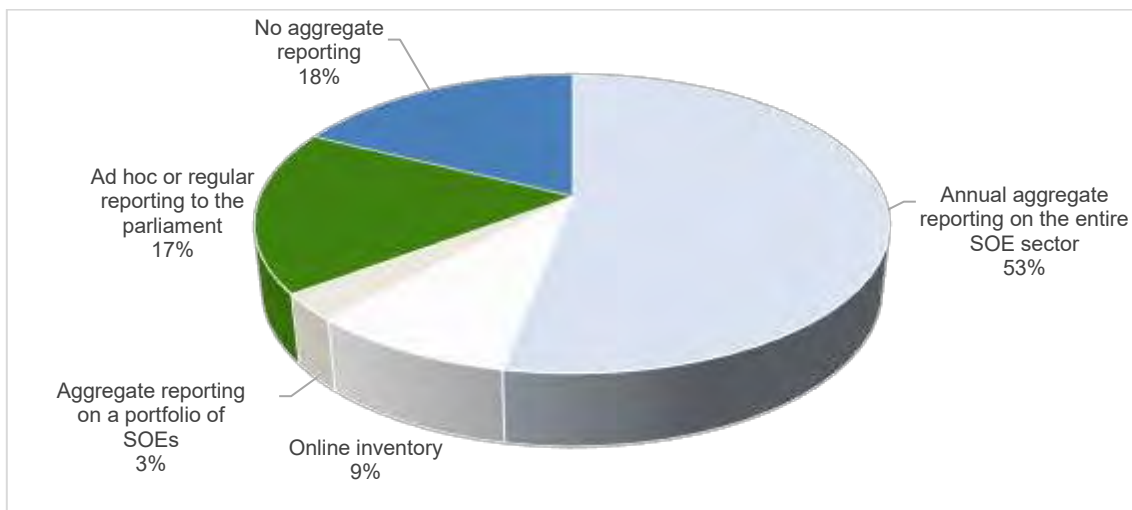
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<sup>4</sup> However, work to develop regular annual aggregate reporting was, as per mid-2020, well advanced.

be reviewed by the Council of Ministers. These analyses are not published and are for internal use only.

- **Czech Republic.** No annual aggregate report is published by the state. Sector Ministries and the Ministry of Finance publish a report on the activities and performance of SOEs for individual companies in a disaggregated form.
- **Iceland.** A summary with key overall information is issued. The Ministry of Finance and Economic Affairs is in the process of building a database with the annual accounts of all SOEs and once completed, it plans to produce more comprehensive annual report on their performance online.
- **Peru.** FONAFE publishes the [annual report](#) of the corporate center. Public companies also publish their reports on their own websites and companies that are registered in the stock market additionally present their financial statements and reports to the SMV as public information.
- **United Kingdom.** UKGI does not produce an aggregate report on the activities and performance of the SOEs in its portfolio. However, there is some aggregate reporting for SOEs across Government. Since 2017 Government departments have been required to publish an Accounting Officer Systems Statement. This is a single statement setting out all of the accountability relationships and processes within a department, making clear who is accountable for what, from the principal accounting officer downwards and includes relationships with SOEs and third party delivery partners.

Figure 4.1. National approaches to aggregate reporting in 34 jurisdictions



Source: Author based on submissions from national authorities.

Note: The criteria for classification is based on OECD (2020 b). The trends of aggregate reporting practices identified in this chart are in line with those indicated in OECD (2020b).



Table 4.1. Aggregate reporting on state-owned enterprises by country

Country	Nature of reporting			Available in non-national language(s)	Coverage					
	Aggregate reporting on the entire SOE sector	Aggregate reporting on a portfolio of SOEs	Ad hoc reports on SOEs or regular reporting to the parliament on activities of SOEs		Implementation of state ownership policy	Financial performance and value	Total employment in SOEs	Public policy objectives	Board composition and/or remuneration	Reporting on individual SOEs
Argentina			○		○	○	○			
Austria	○				○	○	○			
Belgium										
Brazil	No aggregate report per se, an online inventory available					○ (partial disclosure)			○	○
Bulgaria										
Chile		○				○	○			○
Colombia	○					○	○		○	○
Costa Rica		○			○	○	○		○ (partial disclosure)	○
Czech Republic										
Estonia	○				○	○ (partial disclosure)				
France	○				○	○			○	○
Germany	○				○ (partial disclosure)	○		○	○	○
Greece			○			○				
Hungary	○					○				
Iceland										
Israel	○			○		○		○		
Italy			○			○				
Japan	○				○	○				
Korea	No aggregate					○	○	○	○	○

Country	Nature of reporting			Available in non-national language(s)	Coverage					
	Aggregate reporting on the entire SOE sector	Aggregate reporting on a portfolio of SOEs	Ad hoc reports on SOEs or regular reporting to the parliament on activities of SOEs		Implementation of state ownership policy	Financial performance and value	Total employment in SOEs	Public policy objectives	Board composition and/or remuneration	Reporting on individual SOEs
	report per se, an online inventory available									
Latvia	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Lithuania	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Mexico			<input type="radio"/>							
Netherlands	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
New Zealand	<input type="radio"/>									
Norway	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/> (for SOEs with public policy objectives)	<input type="radio"/>	<input type="radio"/>
Peru										
Philippines	<input type="radio"/>							<input type="radio"/>		
Poland			<input type="radio"/>		<input type="radio"/>	<input type="radio"/> (partial disclosure)				
Slovak Republic			<input type="radio"/>		<input type="radio"/> (partial disclosure)	<input type="radio"/>				
Sweden	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Switzerland	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Turkey	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ukraine	No aggregate report per se, an online inventory available					<input type="radio"/>	<input type="radio"/>			
United Kingdom										

Source: Author based on information provided by national authorities, OECD (2018 a), OECD (2020 a), OECD (2020 b)

### **Communicating non-commercial objectives**

According to internationally recommended good practices, if a government should allow departure of an SOE from fully commercial principles to a certain degree, the government should do so either by communicating objectives to the SOE via the ownership entity, or via regulations issued by the relevant regulatory institutions/ministries. The situation where ownership entities and regulators have powers over the same specific SOE objectives should be kept to a minimum or restrained. In any case, the objectives that SOEs are requested to pursue beyond commercial goals need to be clearly identified and delineated. The SOE Guidelines also indicate that non-commercial objectives (public policy obligations) should be adequately compensated for the cost of the obligations, in the absence of which they are put at a competitive disadvantage.

All of the national governments that participated in this study reported that they have SOEs that operate on partially or purely public policy terms. In **Belgium, Chile, Lithuania and the Netherlands**, the public policy obligations that the state expects SOEs to carry out are stated in instructions laid down by law. In case of **Norway and Korea**, they are specified in each individual SOEs' articles of association.

As for the jurisdictions with a dual model of ownership like **Czech Republic, Estonia, and Italy**, public policy objectives are relatively less concretely developed. They are often communicated to SOEs through instructions handed down by line-ministries. As for **France**, public service tasks are similarly assigned to SOEs by line-ministries, but the tasks should be established with public service contracts. It is the same for **New Zealand**, where the State-Owned Enterprise Act states that the Crown should hand down "non-commercial" services only through express contracts that outline, among other details, how non-commercial costs will be paid for. In **Israel**, the public policy objectives of the SOEs are decided by the government or by the relevant independent regulator of the SOE (a state authority which is not subordinate to any governmental ministry). In the cases where there is a need for financial compensation for the pursuit of public policy objectives, the government signs a periodic contract with each relevant SOE, and by that establishes the incentives of the SOE to achieve the respective objectives.

#### *National practices*

**Austria.** The practice may vary from ministry to ministry. The Ministry of Finance holds periodic meetings twice a year that the Executive Board, the Chairman of the board and Shareholder representatives attend, where non-commercial objectives could be discussed. This is also intended in the general ownership policy elaborated by the cross-departmental working group.

**Chile.** Through Financial Compliance Conventions, in the case of companies that have received state guarantee for the recruitment of certain loans (EFE: METRO, ENAER, TVN), Annual Management Plans – PGA, in the case of port companies and in Goals Conventions in the case of the others companies under SEP supervision. (Through the instruments we describe before programming conventions, Annual Management Plans – PGA, or Goals Conventions in the case of the companies under SEP supervision.)

**Estonia.** Governing ministries are required to define the owner's expectations, i.e. detailed strategic objectives for each SOE. Additionally non-commercial objectives can be defined/specified with separate agreements. In Estonia, both commercial and non-commercial strategic objectives have to be communicated within the owners' expectations and made public.

**Hungary.** The non-commercial objectives have to be communicated the same way for SOEs as the commercial objectives, i.e. as regulated by the Civil Code, mainly through the annual Business Plan.

**Iceland.** Usually, non-commercial objectives are communicated via law and regulations and formalized in a service agreement, especially if they require state funding. Beyond that there are limited non-commercial objectives and thus little need for such communication, but in such a case, the communication would have to be provided in writing and, if need be, be followed up at a shareholder meeting.

**Israel.** Commercial and business norms of a government company do not differ from those of a regular company. Its legal status does not permit such a distinction. Section 4 of the Government Companies Law stipulates that a government company must operate in accordance with the same business considerations as a non-government company operates. However, Section 4(a) of the Government Companies Law, allows the government, with approval of the Israeli parliament, to set non-commercial objectives. In practice, this section is hardly used. In addition, government companies, as well as private companies, follow the sectorial regulations. General legislation applies to all companies in all public organizations (e.g. - Tender Law, Freedom of Information, etc.) including government companies. There are also the GCA directives and circulars which apply to all SOEs on different specific issues e.g. environmental protection, emergency plan, appropriate representation for women and for minorities, etc.

**Korea.** Individual SOE is established based on its own legislation for establishment. The legislation states business range either for commercial or for public policy purpose. Some Korean SOEs do non-commercial businesses for public policy purpose. For instance, Korea Land & Housing Corporation runs housing welfare programs for lower income households and Korea Marine Environment Management Corporation places the first priority on marine environment preservation. While the MOEF, which has the ownership over SOEs, monitors the overall management effectiveness of non-commercial SOEs, their competent ministries focus on supervising project implementation.

**Latvia.** The non-commercial objectives are set by laws, included in contracts or derived from general strategic objectives. General strategic objectives are objectives of the SOE specified by the highest decision-making body (Cabinet of Ministers) of the public person, which the public person wants to achieve through ownership of an enterprise and which usually arise from legal acts and policy planning documents. Line ministry of the SOE promotes certain KPIs in order to achieve non-financial objectives. These non-financial objectives are set in mid-term operational strategy by line ministry of particular SOE. Non-commercial objectives are communicated to SOEs through delegation agreements, specific laws or decisions by the Cabinet of Ministers.

**Lithuania.** According to the Ownership Guidelines the state ownership entity shall at least once in every 4 years prepare and submit to the SOE a letter regarding the objectives pursued by the state in SOE and the expectations of the SOE (hereinafter - the letter). The purpose of the letter is to state and identify key goals and expectations. Non-commercial objectives are communicated to SOEs through the letter. When indicating the state's expectations of the SOE, the SOE's main and other activities, operational priorities, key performance evaluation indicators, accountability needs and state-relevant economic projects are identified. The letter may also include other information necessary to identify the state's expectations of the SOE. The letter shall be signed by the Head of the state ownership entity. After approval by the Head of the state ownership entity, the letter shall be submitted no later than the following business day to the SOE and published on the Internet site of the state ownership entity, SOE and Governance Coordination Centre.

**New Zealand.** Section 7 of the SOE Act states that where the Crown wishes an SOE to provide goods and services to any person, the Crown will contract with the SOE for the good or service and pay for the whole or part of the cost. In practice, this section has rarely been used and it is rare for shareholding Ministers to communicate non-commercial objectives. However, shareholding Ministers may, from time-to-time, communicate expectations about non-commercial objectives for individual SOEs, and the SOE itself then needs to decide how it will take those expectations into account. Any payments sought and/or paid to the SOE for non-commercial activities must be disclosed in the Statement of Corporate Intent (SCI) of individual companies. Objectives and KPIs are prepared annually by the board of each SOE and approved by shareholding Ministers through the SCI. SCIs are publically available on each SOEs website.

**Norway.** The state's goal as an owner in each SOE is communicated to the board of directors of the SOEs through the white paper on ownership policy. The state's goal as an owner in companies that primarily operate in competition with others are the highest possible return over time. The objectives of the company

is set by the company's board of directors within the provisions of the companies' article of association. However, the state as an owner has several expectations of the SOEs (that shall contribute to the attainment of the state's goal as an owner) that are communicated to the board of directors of SOEs through the white paper on ownership policy.

**Philippines.** Non-commercial objectives are communicated to SOEs through their Performance Scorecard. Non-commercial objectives are communicated through Technical Panel Meetings and the Performance Scorecard per SOE. These are transmitted to the SOE via mail and are also posted in the Integrated Corporate Reporting System Web Portal.

**Sweden.** All non-commercial objectives have to be decided by parliament. They are included in the articles of association. Non-financial targets for the non-commercial objectives are set and decided at the AGM.

**United Kingdom.** Non-commercial objectives (and commercial objectives alike) are communicated to the SOE via the responsible government department or the shareholder, UKGI. The Chair is sent a "Chair's letter" on an annual basis by the government department, with input from UKGI. These set out government's objectives and strategic priorities for the SOE over the year.

### ***Board nomination practices***

The processes applied by governments to nominate SOE board members are influenced by the degree to which the state has centralized its enterprise ownership function, as well as by the size of the state's ownership stake in an SOE. Centralisation of the ownership function allows for reinforcing and bringing together relevant competencies by organising "pools" of experts on board nomination. The right to nominate members to SOE boards is most commonly exercised by the relevant minister, or through some form of inter-ministerial process.

In jurisdictions where the state enterprise ownership function is centralized – for example via a dedicated state enterprise ownership agency, such as in **Chile, Norway and Sweden** – one minister may be in charge of the ownership function, including nominating members to SOE boards. In case of **New Zealand**, board appointments are shareholding Ministers' primary tool for exercising their ownership rights. The Treasury is responsible for assisting Ministers to manage their board member appointment process.

In other countries, the responsibility for board nominations is shared between the agency exercising the state enterprise ownership function and sectorial ministries. To varying degrees, this is the practice pursued in **Brazil, Colombia, Czech Republic, Greece, Italy, Israel and Turkey**. Where ownership is more decentralized, line ministries are more often responsible for nominations, though parts of the general government responsible for public finance may maintain the right to appoint one or more representatives to the board. In these cases, it is good practice to subject ministerial decisions concerning board nominations to some form of consensus by a wider group of ministers, the Cabinet or Head of State.

Table 4.2. Institutions responsible for the appointment and election of SOE board members

Country		Institutions responsible for the appointment and election of SOE board members	Ownership entity involvement in board nomination
Hungary	One centralised ownership	The exerciser of the ownership rights is responsible for the appointment of the Board members.	●
Israel		Candidates could be proposed both by the line Minister and the Minister of Finance. Appointments are made jointly by the Minister of Finance and the line Minister. The board elects the Chairperson of the board subject to the approval of the Ministers.	●
Italy		MEF appoints the Board of Directors for the totality or a part of it, on the base of political decisions.	●
Korea		The board of SOEs consists of two groups: executive directors and non-executive directors. Executive directors are appointed by the head of each SOE and non-executive directors are appointed by the Minister of the Ministry of Economy and Finance after the deliberation and resolution by the management committee among recommendations by the executive recommendation committee.	●
New Zealand		<b>Board appointments are shareholding Ministers' primary tool for exercising their ownership rights.</b> The Treasury is responsible for assisting Ministers to manage their board member appointment process.	●
Norway		The ministry that manage <b>the state's ownership interest in the company.</b> The ownership <b>unit coordinates all ministries' board election work.</b>	●
Peru		The board of directors of FONAFE. Certain SOEs through special rules.	●
Sweden		The ownership entity on proposals of responsible <b>minister and PM's office.</b>	●
Austria	One centralised portfolio	Federal Chancellery, Various federal ministries	●
Chile		SEP. In certain SOEs, specific procedures are established by its own law. In some cases, directors may be proposed by the board of top Public Management.	●
Colombia		Nomination, Election and Performance Evaluation Committee of State-Owned Enterprises Administrators from Ministry of Finance and Public Credit	●
France		The general meeting. The Minister of the Economy may appoint a representative of the state on the board.	●
Greece		Joint Ministerial Decisions (Ministry of Finance and the supervising Ministry), HCAP, the SOEs Committee of the Hellenic Parliament, or the shareholders General Meeting.	●
Iceland		Ministry of Finance and Economic Affairs or other ownership ministries and institutions with exceptions	●
Netherlands		The shareholder appoints the supervisory board members, and in most cases also the board members. When there is more than one shareholder per SOE, the supervisory board appoints the board members.	●
Belgium		Twin Track Model	<b>In accordance with the Belgian Act of 16 December, 2015 (the "December 2015 Law")</b> that entered into force on 12 January, 2016, all (new) directors are now (re)appointed by decision of the <b>Shareholders at a Shareholders' Meeting. The Belgian State has the right to nominate directors for appointment pro rata its shareholding (in accordance with a so-called "nomination right")</b> - Article 21, §2 of the Bpost Articles of Association).
Turkey	In MoTF portfolio SOEs, the President on proposals of the line ministers and the MoTF. In PA portfolio SOEs, the Minister of MoTF.		●

Country		Institutions responsible for the appointment and election of SOE board members	Ownership entity involvement in board nomination
Costa Rica	A coordinating department	The Council of Government	•
Latvia		Procedures for nomination of the members of the executive board and the supervisory council are implemented by the nomination committees established by the respective line ministry which is shareholder of enterprise in question. In case of nomination of the members of the supervisory board nomination committee is to be led by the CSCC and it includes delegated representatives of the shareholder as well as independent experts and, if necessary, observers with advisory rights to ensure the transparency of assessment process. The independent experts in practice are representatives from the organizations representing employers, employees, corporate governance and the sector associations, from chambers of commerce, from institutions representing, non-governmental industry sectors, education and science sectors and from institutions developing good corporate governance. Observers with advisory rights in practice are representatives from the recruitment companies, ministry representatives, non-governmental organizations.	•
Lithuania		The board members of SOE are elected by the general meeting of shareholders where States representative vote based on the decision of nomination committee or the head of the ownership entity. Nomination committee is comprised of Government Office, Ministry of Economy and Innovation, Ministry of Finance, Governance Coordination Centre and ownership entity representatives (1 representative from each institution, 5 in total).	•
Philippines		Under Sec. 15 of R.A. No. 10149, all Appointive Board Members of the SOE Governing Boards are to be appointed by the President of the Philippines from a shortlist prepared by the state ownership entity. On the other hand, Sec. 18 of R.A. No. 10149 provides that the CEO (highest-ranking chief executive of a SOE) shall be elected by the Board from among themselves.	•
United Kingdom		In most cases SOEs in the UKGI portfolio will appoint board directors based on an SOE-led process using external third-party headhunters. A UKGI employee, usually the UKGI shareholder NED for the relevant asset, will also form part of the interview panel. UKGI is also involved in determining the selection criteria for individual board roles at the <b>outset. Shareholder/Ministerial consent will be required before the SOE's preferred candidate can be appointed.</b>	•
Brazil	Dual ownership	The Minister of Economy normally nominates all board and fiscal council members. In some cases, sectoral ministry, Chief of Staff Office (Casa Civil) and other entities are involved.	•
Switzerland		The general assembly/meeting. As the Swiss Confederation holds the majority or all shares of the SOE, the Federal Council has the final say with preparation and coordination by line ministries and FFA.	•
Czech Republic		Government Committee for Personal Nomination assesses the nominees from the relevant line minister in cases of filling positions in SOE's supervisory boards.	•
Estonia		The nomination committee was established in the beginning of 2017 by the government based on the State Assets Act, consisting of 4 private sectors members (appointed by the government for 3 years) and 2 high-ranking state officials (Secretary Generals of the Ministry of Finance and the governing ministry). The committee is serviced by the Ministry of Finance.	•

Country		Institutions responsible for the appointment and election of SOE board members	Ownership entity involvement in board nomination
Argentina	Dispersed ownership	Board nomination procedures are not formalised and differ significantly from Ministry to Ministry and from company to company. In some cases a Minister would lead the process, while in others it will be the Chairman of the company or even the top government levels that would be placing calls to candidates.	
Bulgaria		The board nomination process is currently not explicitly regulated in Bulgaria and is generally at the discretion of line ministries. However, according to the new Law on Public Enterprises, a competitive procedure should be established for the selection and appointment of SOE board members, and detailed in the upcoming Rules of Implementation to be developed within 6 months of entry into force of the Law.	
Germany		The ministry holding the participation is responsible for the appointment of SOE board members. Its decision is presented to the cabinet under the responsibility of the Federal Chancellery.	•
Japan		In accordance with the provisions of the Companies Act, etc.	
Mexico		In general, Executive appoints board members for SOEs, directly or through the line ministries. Normally board members are officials of the Line Ministry, the ministry of Finance and other government institutions.	

Source: Author, information from national authorities, OECD (2019), OECD (2018b)

An overview of some national practices is further provided as follows:

- **Argentina.** Since the issuance of the Presidential Decree 72 of 2018, audit institution, *Sindico General de la Nacion (SIGEN)* is empowered to appoint and remove the heads of the Internal Audit Units (*Unidades de Auditoria Interna*)– which together with SIGEN form the SOE internal control system in Argentina. In addition, the SIGEN reviews and approves the UAI's functions and structure.
- **Austria.** Board Nomination practices depend on the legal form and its related corporate laws. Generally the Federal ministry which exercises ownership function is responsible for the appointment of board members if the SOE is under the legal form of a limited liability company (*GmbH*). The members of the management board of a stock corporation (*Aktiengesellschaft*) are appointed by the supervisory board. In some cases, nomination rights for boards of all federal ministries are provided either by law or by agreement. Exception can be found in specific cases (eg. *Oesterreichische Nationalbank (OeNB)* - central bank of the Republic of Austria) where the founding law of the SOE states that the Federal Cabinet is responsible for the appointment of SOE board members.
- **Belgium.** The Act of December 2015 stipulates that all directors are appointed by shareholders at a shareholders' meeting and the State has a right to propose candidates to the nomination committee pro rata its shareholding.
- **Chile.** SEP appoints the members of the board of directors in the companies under its supervision. The election of the directors is determined in the organic law of the companies, and in some cases they have directors proposed by the board of top public management.
- **Czech Republic.** The relevant line minister sends nominations to Government Committee for Personal Nomination, which has been established according the government resolution No. 177/2014. This committee assesses the nominees in cases of filling positions in SOE's supervisory boards.
- **Estonia.** The nomination committee evaluates the necessary competences needed in the Supervisory Board to reach the financial and strategic objectives set by the governing ministry.



Based on the needed competences the nomination committee searches for suitable candidates (who do not have potentially conflicting interests) and makes a recommendation to the governing ministry. The responsible minister within the governing ministry takes the formal decision based on committee's recommendation. In justified cases, the minister has a right to disagree with the proposal of the Appointments Committee and the committee makes a new proposal within 15 days from learning of the disagreement.

- **Greece.** In the majority of SOEs, board members are appointed by Joint Ministerial Decisions (Ministry of Finance and the supervising Ministry). The board members of the SOEs that are subsidiaries of the HCAP are appointed by the HCAP's Governing Council. Moreover, for a number of SOEs, the SOEs Committee of the Hellenic Parliament gives opinion to the Minister on the suitability of nominations for the chairmen and managing directors. In addition, in certain SOEs, board members are appointed by the shareholders General Meeting.
- **Hungary.** The basis of the nominations process and the requirements are the same as for all companies as regulated in the Act V of 2013 on the Civil Code. On the top of that the exerciser of the ownership rights takes into consideration the earned practice and relevant technical knowledge of the candidate during the nomination.
- **New Zealand.** The Treasury runs a transparent process to identify and recommend candidates for appointment to SOE boards and Shareholding Ministers can also identify suitable candidates to be shortlisted. This process includes public advertisements, targeted searches for candidates that may meet the identified criteria of particular board vacancies, and interviews by a panel (comprising the company chair, a director and representatives from the Treasury). Recommendations of preferred candidates are then passed to shareholding Ministers and they make final decisions on appointments. The Treasury also plays an advisory role in board, remuneration, evaluation, and skills development activities.
- **Norway.** The responsibility rests with the ministry that manage the state's ownership interest in the company. However, the ownership unit coordinates all ministries' board election work.
- **Iceland.** The Ministry of finance nominates and elects all SOE board members that fall within its purview at the relevant annual meetings, which is the large majority of the group C companies. The same applies to boards at companies owned by other ministries and institutions. The board of Icelandic State Financial Investments nominates a special committee whose responsibility it is to nominate members to the board of financial undertakings, but the institution elects the board members at an annual meeting. In very select few cases, in group B, and two cases in group C, parliament and/or more than one ministry is involved in the nominating or appointment process. In the case of parliament, they will appoint a board member directly, in case of different ministries, the ministries nominate candidates, but the ministry with the ownership role, elects the board members at an annual meeting.
- **Israel.** Candidates could be proposed both by the line Minister and the Minister of Finance. Appointments are made jointly by the Minister of Finance and the line Minister. The board elects the Chairperson of the board subject to the approval of the Ministers. An "Appointments Examination Committee" examines all appointments to ensure that mandatory qualification requirements (as detailed in the Government Companies Law) are met and the prohibition of personal and other conflicts of interest with the company and its affairs. For the public representative, the GCA initiated a process of "Directors Pool", which began in 2014 (A free translation from Hebrew: "The Selected Group of Directors"). The process enables the Israeli public to apply for a board member position in a public, competitive, equalitarian and professional process. After assessing and ranking the skills of the applicants, the top ranked candidates are proposed to the line minister and the minister of finance by the GCA to serve as directors on the boards. If the ministers approve the proposed candidate, to suggest the candidate to the appointments examination committee.

- **Latvia.** Nomination of supervisory board is to be started by the shareholder who indicates to the CSCC a need to elect new members of supervisory board if there are plans to replace some or all of the incumbent members of the supervisory board or if some member of the supervisory board has stepped down or was dismissed by the shareholder. CSCC delegates its representative to the nomination committee as well as shareholder invites independent experts and observer to become members of the nomination committee. Shareholder approves a composition of the nomination committee by separate decision. Nomination committee is to be led by the shareholder's delegated representative (or by the supervisory board's delegated representative, if supervisory board is established) in case of nomination of the executive board or by the CSCC's representative in case of nomination of the supervisory board. After approval of the nomination committee it meets to discuss and to approve detailed rules of nomination procedure and a text of job advertisement to be published on webpage of the shareholder, webpage of the SOE and CSCC as well as to other relevant public sources of information to ensure a sufficient number of applicants for positions in the board. Recruitment companies may be used to help with search of potential candidates to be invited to submit their applications. Nomination committee also has to receive relevant information on enterprise, including overview of the strategy of an enterprise, excluding only information that is commercial secret of SOE.
- **Lithuania.** State ownership entities are responsible for the appointment of SOE board members. The board members of SOE are elected by the general meeting of shareholders, where the shareholders vote according to the number of votes they hold. States representative during the shareholders meeting vote based on the decision of nomination committee, regarding independent board members and based on the decision by the head of the ownership entity in the other cases (with regard to non-independent members).
- **Philippines.** Section 15 of R.A. No. 10149 provides that an Appointive Director shall be appointed by the President of the Philippines from a shortlist prepared by the GCG (state ownership entity). Under GCG Memorandum Circular (M.C.) No. 2012-04,7 the state ownership entity receives nominees for appointment to SOE Governing Boards from the following: the Office of the President (OP) through the Office of the Executive Secretary (OES) or the Presidential Management Staff (PMS); The Department or Government Agency to which the SOE is attached; Board of Directors/Trustees of the Parent SOE, when applicable; Sectoral organizations for Appointive Members who are designated to represent such sector, when applicable; and Stakeholder groups affected by the SOE. Once the state ownership entity receives the nominees, they will be evaluated whether they are qualified based on the qualifications and disqualifications provided under GCG M.C. No. 2012-05 or "The Fit and Proper Rule." If found to be qualified, a nominee will be included in the shortlist of nominees to be submitted to the OP for the President's consideration. Once the members of the GOCC Governing Board have been appointed by the President of the Philippines, they may elect the CEO from among themselves based on Section 18 of R.A. No. 10149.
- **United Kingdom.** In most cases SOEs in the UKGI portfolio will appoint board directors based on an SOE-led process using external third-party head-hunters. A UKGI employee, usually the UKGI shareholder NED for the relevant asset, will also form part of the interview panel. UKGI is also involved in determining the selection criteria for individual board roles at the outset in order to ensure that candidates have the requisite skills and experience to balance the board properly. Shareholder/Ministerial consent will be required before the SOE's preferred candidate can be appointed. In certain instances, the appointment of board directors e.g. the Chairs of certain SOEs, will be a role where the Minister has to make the appointment and one which is regulated by the Office for the Commissioner of Public Appointments. All appointments should follow the principles articulated in the Governance Code for Public Appointments which include that appointments are based on merit and run in an open and transparent way.

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# OECD questionnaire for the Thematic Review on the Organisation of State ownership functions

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Your government is invited to contribute to a stocktaking of national approaches to the organisation of the state ownership function by filling out the below questionnaire.

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## Background

This questionnaire has been prepared by the OECD Secretariat for the **Thematic Review on the organisation of state ownership functions** as an input to the “Implementing the OECD Guidelines on Corporate Governance of State-owned enterprises (SOE Guidelines)” project to be completed by the year 2020. On 15 November 2018, delegates of the 31<sup>st</sup> Working Party on State Ownership and Privatisation Practices agreed to undertake a questionnaire-based exercise which aims at gathering information on and assessing national approaches to the organisation of the state ownership function.

Responses to the questionnaire will be compiled into a substantive thematic review on “The State’s role as an owner”, drawing on the Chapter I on “Rationales for state ownership” and Chapter II on “The State’s role as an Owner” of the SOE Guidelines. The questionnaire is directed to national state ownership agencies or government ministries responsible for exercising the ownership of state-owned enterprises (SOEs).

The report will address the following questions: how do states organise their ownership function; have specific historical factors influenced where it is placed within the state administration; how are transparency and accountability requirements met depending on ownership arrangements; and what are the ownership arrangements for commercial and non-commercial SOEs, and whether arrangements differ for companies with primarily non-commercial objectives. The report will serve to inform on current trends, practices and reform efforts. An initial report will be presented to Delegates for review and consideration at the next meeting of the Working Party on in March 2020. Work toward a final report will continue following the meeting and could be considered again at the meeting in October 2020.

## Guidance to respondents:

Respondents to the questionnaire are invited to apply a relatively narrow definition of SOEs. The main focus should be on fully incorporated entities recognised by either general corporate law or specific SOE legislation as enterprises (joint stock or limited liability companies). Statutory corporations should only be

considered when their ownership rights are exercised within the same government structures as other SOEs. Moreover, the focus is on SOEs where the central level of government acts as the ultimate beneficiary owner. Enterprises held at the sub-national levels of government should only be considered if the central authorities effectively control them. Listed companies should be included but will not be considered in detail, on the basis that their practices may in many cases emulate those of listed private sector companies.

Respondents are encouraged to supplement their responses with illustrations and case examples from their national SOE sectors and from past reform efforts. In order to ensure accuracy, respondents are asked to describe the state's *entire* portfolio of centrally-owned SOEs. In some cases, this may require reporting on a portfolio(s) that falls beyond the scope of the responding institution. Should this be the case, please indicate so in the questionnaire. Respondents are further encouraged to share with relevant bodies.

## Institutional arrangements for the exercise of the state ownership function

In this section, please focus your responses on the ownership of SOEs that engage exclusively or largely in economic activities and/or compete in economic markets. Please disregard SOEs that are operated along largely for public policy purposes.

1. Please describe how the ownership function is placed within your state administration, and check below as appropriate. If more than one may apply, choose the one that most closely reflects the reality and provide more detailed information.

Please Check as appropriate	Ownership Model
	One centralised ownership department holding company or government ministry, exclusively performing the role of ownership.
	One centralised portfolio including a significant subset of your country's SOEs plus dispersed ownership for the rest
	A small number of ownership agencies, holding companies, privatisation agencies or similar bodies owning portfolios of SOEs separately.
	A coordinating department with non-trivial powers over SOEs formally held by other ministries. For example, a co-ordinating department or specialised unit acting in an advisory capacity to shareholding ministries on technical and operational issues, in addition to being responsible for performance monitoring.
	One designated government ministry (whose principal responsibilities is to oversee the overall portfolio of SOEs, but whose role does not include exercising ownership function.
	"Dual ownership" : two ministries or other high-level public institutions jointly exercise the ownership <sup>5</sup> .
	"Dispersed ownership" : a large number of government ministries or other high-level public institutions exercise ownership rights over SOEs (in the absence of a coordinating agency)

2. Describe, as relevant, the following:
  - Please provide the name of the institution(s) (government agency, ministry, state holding company, specialised unit<sup>6</sup>, etc.) responsible for the ownership function, its legal form(s). If more than one body is involved, provide information for all. Please provide an overview of their portfolio of the

<sup>5</sup> This would be the case where different aspects of the ownership functions are allocated to different ministries – e.g. one ministry is responsible for financial performance and another for operations, or each ministry appoints a part of the board of directors

<sup>6</sup> If ownership is assigned to a specialised unit within a ministry, please provide information on how it links with the rest of the ministry.

ownership function (number of enterprises; approximate size; sectorial distribution). If more than one body is involved, provide information for all main ministries/institutions involved and their individual SOE portfolios.

- Please provide an information on the requisite capacities of the ownership entity or the institutions that are responsible for the ownership function. What is the composition of the staff (e.g. public servants, secondments from the private sector)? What is its annual budget? Does it have a certain degree of budgetary autonomy that can allow flexibility in recruiting, remunerating and retaining the necessary expertise? How is it funded and how does it cover its operational expenses? Is it via dividends it earns or government budget? Do any of the ownership ministries/institutions exercise regulatory functions<sup>7</sup>? If so, are these adequately separated from the ownership functions? By what means?
- If ownership is considered to be “centralised” or “coordinated,” are there any exceptions? If so, please describe (For example, other commercial SOEs or state-owned bodies that are owned or coordinated outside the scope of centralised/coordinated ownership function).

### Objective setting: Approaches to developing rationales for SOE ownership

3. Has an ownership policy for all (or all commercial) SOEs been established? Does your government have an explicit ownership policy defining the overall objectives of state ownership? If yes: How is this ownership policy determined (e.g. through legislation; cabinet decision; government decree)? How often, if at all, is it reviewed and updated?
  - Who/which institution(s) sets financial and non-financial objectives of SOEs? And how do they set them?
  - Are objectives for individual SOEs set on a whole-of-government basis, or are they developed by individual ministries/institutions?
  - What is the main rationales for state ownership offered as part of the ownership policy? (If possible please provide an excerpt of the actual text.)
  - Is the ownership policy supplemented by specific objectives or classifications for individual (groups of) SOEs? (If so, please provide detail.)
  - Depending on the ownership arrangement and, if relevant, how are non-commercial objectives communicated to SOEs?
  - If there is a “coordinating agency”, “dual” or “dispersed” ownership model, how are powers apportioned to each of the ministries/institutions? Please describe the distribution of powers and competences among the agency and/or the ownership ministries/government bodies by using the table below.

Powers /roles exercised as shareholders	Name of institution/ministry that exercises the power/role indicated
Being represented at the general shareholders meetings and exercising voting rights	
Establishing board nomination processes in fully- or majority-owned SOEs, <b>actively participating in the nomination of all SOEs' boards</b>	
Setting and monitoring the implementation of broad mandates and objectives for SOEs, including financial targets, capital structure objectives and risk tolerance levels	
Setting up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance, and oversee and monitor their compliance with applicable corporate governance standards;	

<sup>7</sup> In this context “regulatory functions” refers mostly to market regulation such as anti-trust, as well as sectorial rule-making and enforcement, for instance in the network industries.

Developing a disclosure policy for SOEs that identifies what information should be publicly disclosed, the appropriate channels for disclosure, and mechanisms for ensuring quality of information	
Maintaining dialogue with external auditors and specific state control organs:	
Establishing a clear remuneration policy for SOE boards	
Others (if any)	

## The transparency and accountability requirements of the ownership function(s) of the state

- How is the ownership entity or the institutions responsible for state ownership function held accountable to the relevant representative bodies? Who is it (are they) accountable to? Parliament or the Minister in charge of the portfolio or the board and management of the holding company? Is it (are they) accountable to the Supreme Audit Institution? If there is a coordination agency, is it accountable to the head of that agency or department?
  - Has the ownership policy been communicated to the public? If yes, how?
  - Does the state publish an annual aggregate report, informing of its portfolio of SOEs and their financial and non-financial performance? (If yes, please provide a copy or a web-link.) Or is the reporting on an ad hoc basis?
  - What are the ownership entity or the institutions responsible for state ownership function accountable for (e.g. specific KPIs, value for money, other objectives)? Are those or objectives for individual SOEs (apart from commercially sensitive information) publicly disclosed?
  - Depending on the ownership arrangement and, if relevant, how are non-commercial objectives communicated to SOEs?
  - In case your country's state ownership arrangements are featured by state holding company model, please elaborate on its governance and accountability arrangements with respect to its board governance, KPIs, accountability to parliament and/or minority shareholders.
4. If the answer to question 3 is no (or if certain categories of SOEs operate in a different legal and regulatory environment), can rationales for ownership be gleaned from other applicable laws and regulations, such as general corporate law, laws pertaining to SOEs or company-specific acts of parliament, fiscal bills, or more general "expectations" communicated by the ownership function? If yes:
- Please provide details regarding the relevant documents and their legal, regulatory and/or political status.
  - Please provide an overview of the rationales for state ownership that are offered by these documents. (If relevant, please provide examples of the actual text.)
  - Is the implementation of these provisions subject to any accountability, performance monitoring, and/or review mechanisms?
5. Regardless of the answers to questions 3 and 4, do individual SOEs have elements of an ownership rationale built into their corporate bylaws, articles of association, etc.? If so, please elaborate and provide examples.

## Board nomination practices

6. Who/Which institution is responsible for the appointment and election of SOE board members? Where more than one body is involved, please describe how this responsibility is divided.
7. Please describe board nomination and election processes.









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