

Press release, June 2, 2010

[Baltic Institute of Corporate Governance launches the Baltic Guidance on the Corporate Governance of Government- Owned Enterprises](#)

Baltic Institute of Corporate Governance (BICG) today launched the Baltic Guidance on the Corporate Governance (Guidance) for the state and municipality-owned enterprises. These best practise recommendations were developed to enhance the financial and social performance of such enterprises and to give a competitive lift for the whole Baltic region.

The Government-owned enterprises (GOEs) represent a significant share of economic activity and have an important economic and social impact. They mainly operate in sectors of high economic and social significance, like utilities, energy, transport, thus inefficiencies in their governance come at a high public cost.

GOEs governance challenges are essentially the same internationally: absence of clear strategic objectives, complex decision making and accountability structures, inadequate separation of state ownership from the regulatory role and industry policy, lack of transparency, no or passive ownership policy, highly politicized, incompetent, weak boards, bureaucratic mindset into the day-to day management.

By launching the Guidance BICG seeks to provide the tool for GOEs to effectively address the mentioned challenges and enhance more professional governance, better strategic and operational oversight, improved financial and social performance and the achievement of the government's strategic objectives.

“Better governance of Government-owned enterprises would have a positive impact on state budgets, on the public's perception of government, and on the quality of infrastructure and services as well as make the Baltic region more attractive to foreign investment,- says Arminta Saladziene, Chairman of the Executive Committee of BICG. – The launch of the Guidance is the first step. Now we encourage our countries to take the lead and consider the issues raised in the document, discuss and evaluate the recommendations, develop action plans and implement them.”

According to Philip Armstrong, Head of Global Corporate Governance Forum, it is certain that this commitment will yield significant returns. Strong governance practices in the Baltic GOEs are critical in helping realise the goals of constructing a vibrant society, creating jobs, stimulating investment, hemming in corruption, building wealth, and protecting human freedom. The Baltic Guidance on the Governance of Government-owned Enterprises leads squarely in this directions.

The Guidance was developed under the leadership of BICG working in close cooperation with a large number of experts, government officials, board members and executives from GOEs, as well as other stakeholders from each Baltic country. . It has a strong relation with

the OECD Guidelines on the Governance of State-owned Enterprises, which is the recognised international best practice standard, but is written with the regional approach. The Guidance provides a roadmap on how to achieve international best practices focusing on the specific issues faced in the Baltic region.

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Notes for editors:

Baltic Institute of Corporate Governance (BICG) is a non-profit organization that advances the Corporate Governance agenda in the Baltic states. BICG educates and certifies Professional Board Members in the Baltic states, provides guidance on Corporate Governance for public, private and state-owned companies in the Baltics and seeks to improve the understanding of good Corporate Governance and the value of adhering to established corporate governance principles.

Its most recent initiative is designed to enhance the governance of government-owned enterprises (GOEs), both at the state and the municipal level.

Key messages in the Baltic Guidance on the Governance of Government-owned Enterprises:

- GOEs are important economically, politically and socially. They are too important to tolerate inefficiencies, self-interested rent-seeking or their use as political playgrounds.
- Better GOE governance will have a positive impact on state budgets, on the public's perception of government, and on the quality of infrastructure and services.
- The proper governance of GOEs requires depoliticisation of decision making and the operational separation of the state's shareholder oversight from its industrial policy and regulatory functions.
- A written ownership policy needs to guide the state. It should define: the purpose of state ownership; what institutions represent the interests of the state; expected outcomes of state ownership; and the methods by which the outcomes are to be achieved.
- A professional supervisory board is essential for directing the GOE and holding management to account. Supervisory board members should be professional and competent, and not nominated based upon political considerations.
- Professional managers are best suited to manage commercial enterprises. They require operational autonomy. At the same time, managers need to be held fully accountable for their performance.

- Both GOEs and the public sector bodies responsible for their oversight need to be accountable to the public through greater disclosure and transparency.

About Richard Frederik

The consultant and author of the Baltic Guidance on the Corporate Governance of Government-Owned Enterprises is Richard Frederick, international expert in corporate governance. Richard Frederick advises on issues of corporate governance and transparency mainly for the World Bank, the IFC, UNCTAD and the OECD. He was one of the principal authors of the OECD Principles of Corporate Governance, and a contributor to the OECD Guidelines for Multinational Enterprises, the UN Guidance on Good Practices for Corporate Governance Disclosure, and other national and international codes of governance. Recently he has analyzed state-owned enterprise governance and worked on corporate governance codes in developing and emerging market economies. Mr. Frederick was involved in the privatization of state-owned enterprises for the Treuhandanstalt in the former East Germany and, while at KPMG, advised boards on executive remuneration schemes. Formerly a Principal Administrator at the OECD and the Director of Operations of the International Federation of Accountants, Mr. Frederick holds an undergraduate degree from Yale University and an MBA from INSEAD.