Lithuania: Making State Ownership Successful

*Breakout Session D - Public-Private Interface & Economic Governance*

*Presented by Dr. Marius Skuodis, Vice-Minister of the Economy and Innovation of the Republic of Lithuania*
ROAD TO PROFESSIONAL AND TRANSPARENT SOEs’ GOVERNANCE

Ownership policy
- Adoption of Ownership policy
- Establishment of the Governance Coordination Centre

Governance professionalisation
- Improved Board autonomy (independence)
- Introduction of letters of expectations

Portfolio optimisation
- SOE portfolio optimisation
- Corporatisation of SOEs

Transparency and disclosure
- Adoption of Transparency Guidelines
- Introduction of aggregated SOE portfolio reporting

Board nomination principles
- Adoption of Board Nomination Guidelines
  - Opened OECD accession discussions

Accession to OECD

2010 2012 2015 2017 2018 Now

BUILDING EFFECTIVE, ACCOUNTABLE, AND INCLUSIVE INSTITUTIONS
EUROPE AND CENTRAL ASIA REGIONAL GOVERNANCE CONFERENCE
✓ Strengthen ownership function
✓ Improve Board autonomy
✓ Streamline SOEs’ legal and corporate forms
✓ Make disclosure standards mandatory
✓ Strengthened SOEs coordinating institution – the Governance Coordination Centre

✓ Strengthened independency

✓ Increased budget and staff

GOVERNANCE COORDINATION CENTRE

The analytical centre, founded by the Government, seeks to ensure the consistent and professional governance of state-owned enterprises

- **Transparency**
  - Analytic reports and publication of SOEs performance

- **Boards**
  - Selection procedures of independent board members

- **Clear targets**
  - Review of SOEs strategies, letters of expectation and monitoring of the achievement of targets

- **Consulting**
  - Assistance in SOE policy setting, consulting on good governance practices

https://vkc.sipa.lt/en
INCREASED OPERATIONAL INDEPENDENCE OF SOE BOARDS

- At least ½ of Independent Board members
- Boards without political appointees
- Standardised board nomination procedures for all SOEs

THE PERCENTAGE OF INDEPENDENT BOARD MEMBERS

- 2015: 13%
- 2016: 17%
- 2017: 33%
- 2018: 56%

THE PERCENTAGE OF POLITICAL APPOINTEEES IN BOARDS

- 2015: 19%
- 2016: 15%
- 2017: 4%
- 2018: 0%
STREAMLINING SOEs’ LEGAL AND CORPORATE FORMS

✓ Optimisation of SOE portfolio
✓ Review of the legal form of state enterprise

NUMBER OF SOES

Target - SOE portfolio of 32 SOEs

CONSOLIDATION OF 43 FOREST AND 11 ROAD MAINTENANCE STATE ENTERPRISES

CONSOLIDATION OF 43 FOREST AND 11 ROAD MAINTENANCE STATE ENTERPRISES
ENSURING THAT SOEs ARE SUBJECT TO HIGH QUALITY ACCOUNTING AND TRANSPARENCY

✓ Reviewed and improved Transparency guidelines
✓ Mandatory transparency and disclosure requirements for large SOEs
✓ Developed monitoring tool - SOEs Corporate Governance Index
✓ Reviewed accounting and disclosure policy of Public policy assignments

Implementation of IFRS

14 Large SOEs

- Adoption in 2021
- Under decommissioning
- 12 Follows IFRS
Improved SOEs’ governance leads to higher return to the state
LESSONS LEARNED

Data and monitoring institution – fundamental for professional governance

Evolution vs revolution – small steps matter, while the initial ambition provides momentum

Accession to the OECD – powerful motivation to reform SOEs’ governance

The OECD Guidelines and expertise provide strong foundation
THANK YOU!

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http://eimin.lrv.lt/en
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