

# Promoting Transparency and Corporate Governance in Mercosur Countries

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# Why Corporate Governance?

Contributing to the sustainable performance of organizations and influencing our society's agents towards **greater transparency, justice and responsibility.**

Improving corporate governance practices is an effective way to promote a sound corporate environment, thus **less corrupt and more ethical.**



**Transparency**



**Accountability**



**Ethical/Justice**



**Sustainability**

# The project – Objectives:



To **increase public awareness** of how state-owned companies are run, managed, and monitored,



To **strengthen south-south international networks** to share best practices on implementing corporate governance standards in SOEs,

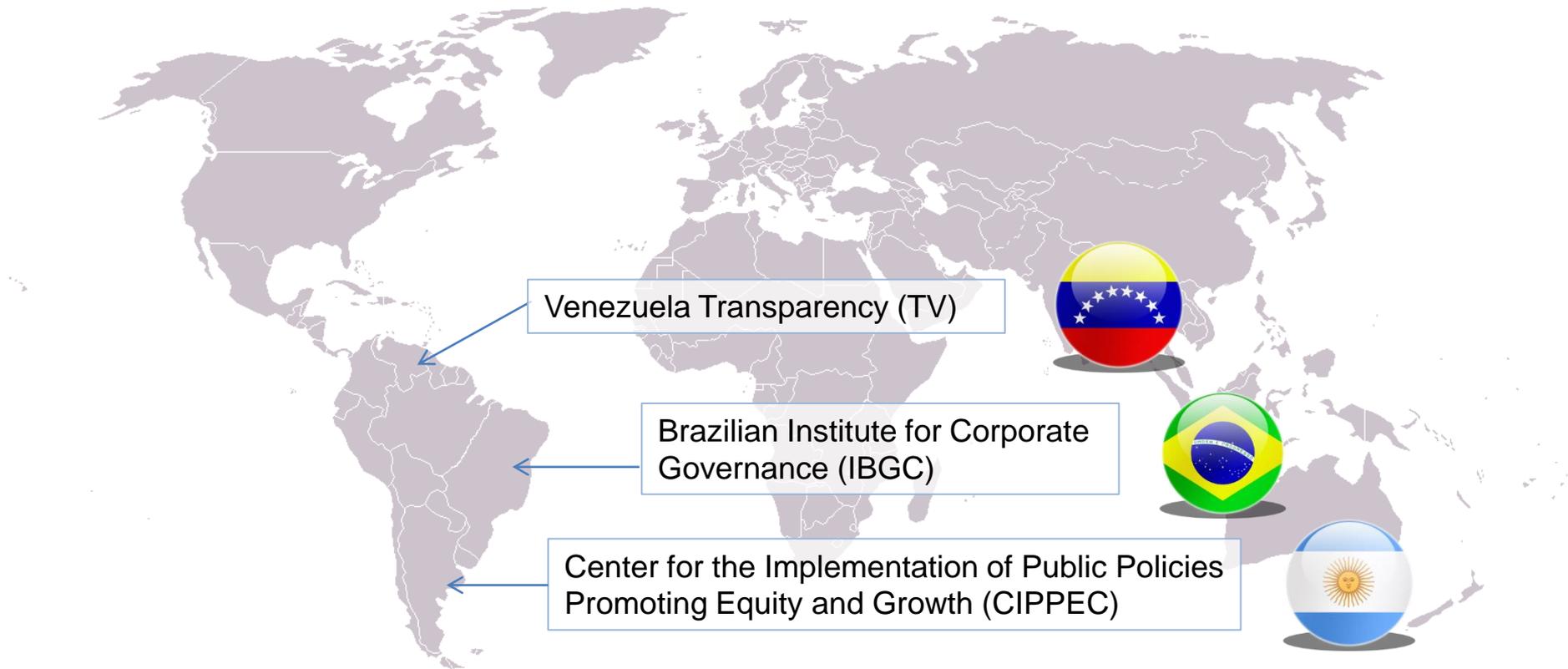


To **increase support** for the implementation of corporate governance practices in SOEs.



# The project

## *Strengthening Inter-regional and Global Networks*



# The project in Argentina

## *Activities*



### 1) Map of State-Owned Enterprises

Develop a novel and exhaustive map of SOEs in the country so that civil society and the general public have increased access to information.



### 2) Transparency Analysis of Corporate Governance

Develop a Transparency Analysis of Corporate Governance that rates each SOE in Argentina according to the company's existing transparency and accountability practices as compared to the OECD standards of corporate governance.



### 3) Corporate Governance Training

Directors of the identified SOEs will receive training about their role, duties, responsibilities and commitment to their company and their stakeholders.



### 4) Policy and Academic Advocacy

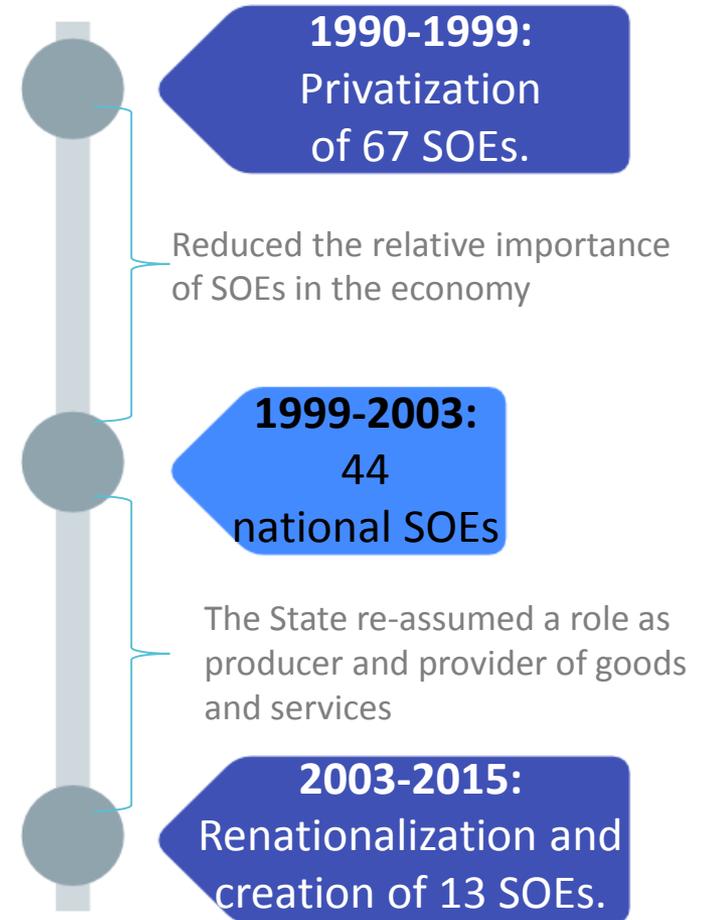
Hold meetings with key government figures and SOE directors to push for relevant policy action governing the management and monitoring of state-owned enterprises (letter of commitment on SOE transparency).



# Scenario in Argentina

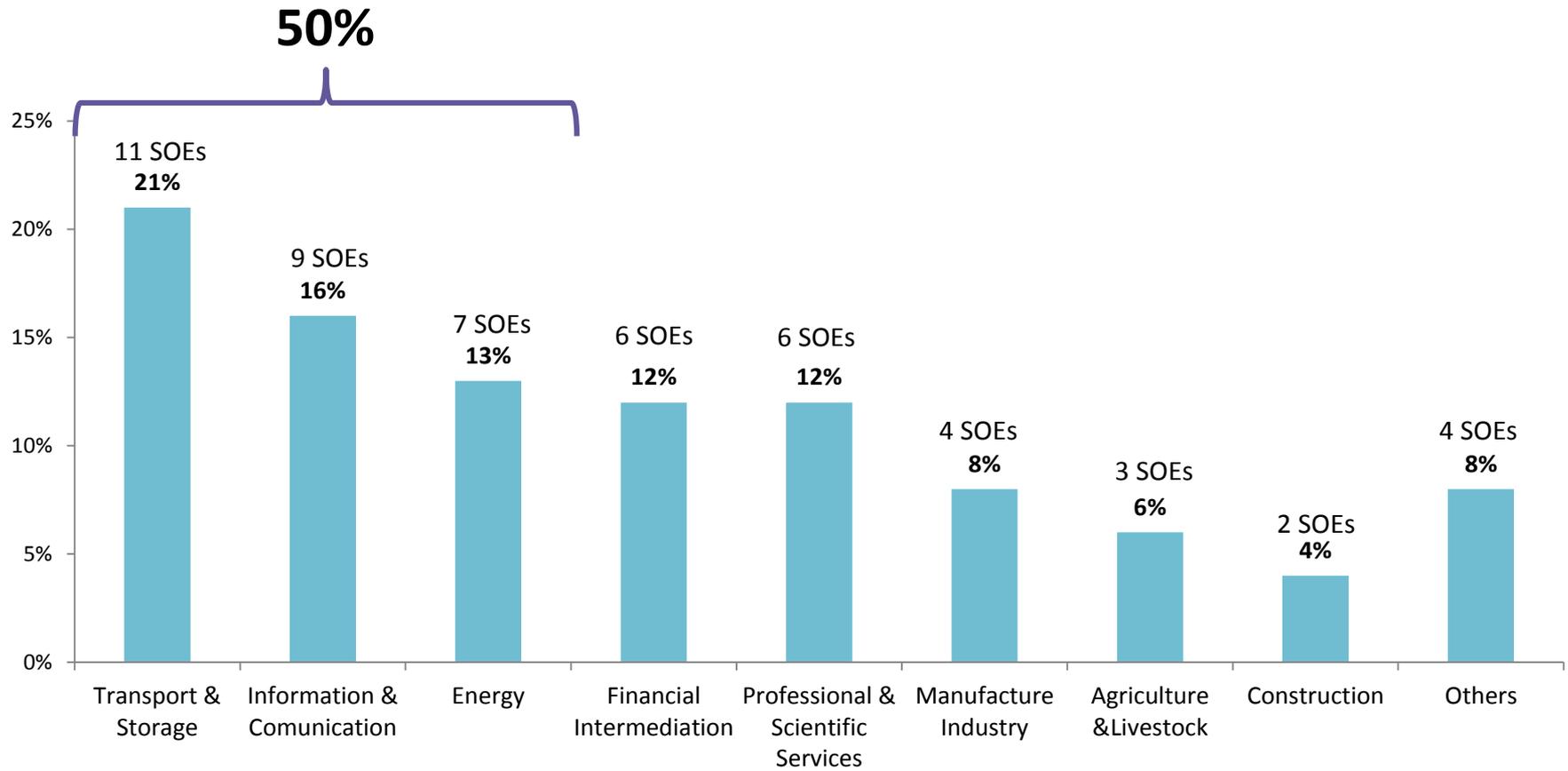
The state-owned companies (SOEs) in Latin America, and specifically in Argentina, are still playing **an important role in the economy** in spite of the privatization wave during the 1990's. Two decades later, these companies are still critical stakeholders in the **provision of various public services** and remain key players in sectors that are considered **top priority or strategic**.

Some new enterprises:





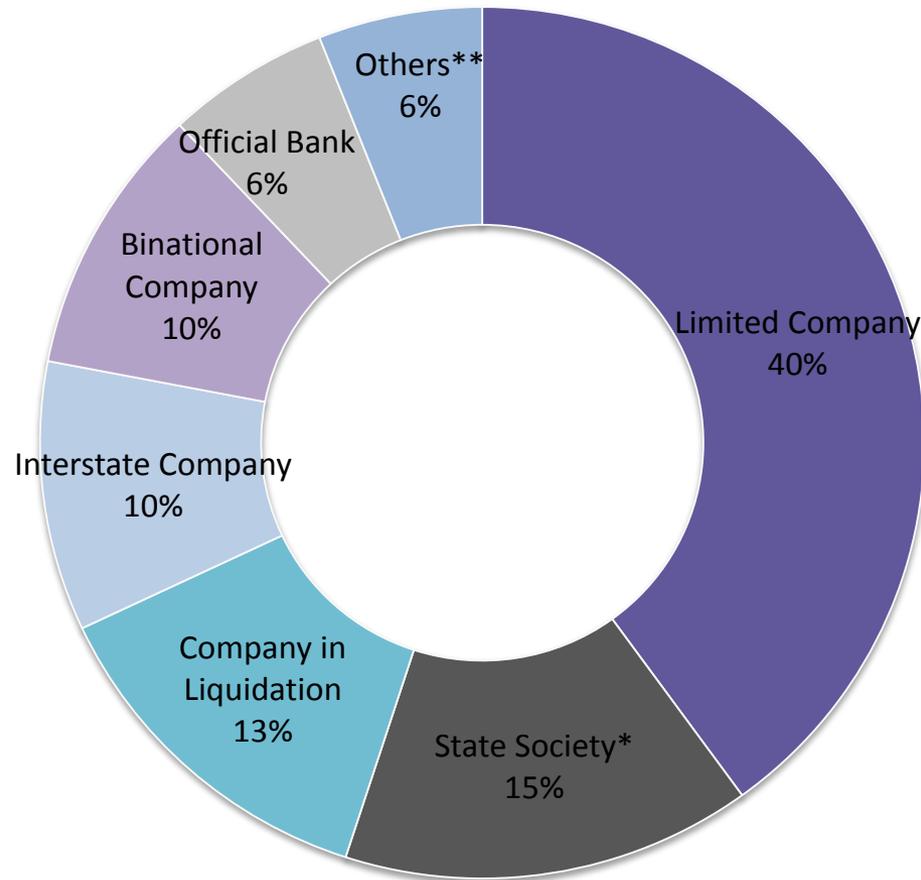
## SOEs by PRODUCTIVE SECTOR



Source CIPPEC sbased on Official Bulletin and Fiscal Bulletin

\*Others include Public Administration, Art & culture, Learning, and Water & sanitation

## SOEs by LEGAL CLASSIFICATION



Source: CIPPEC sobre la base de Boletín Oficial

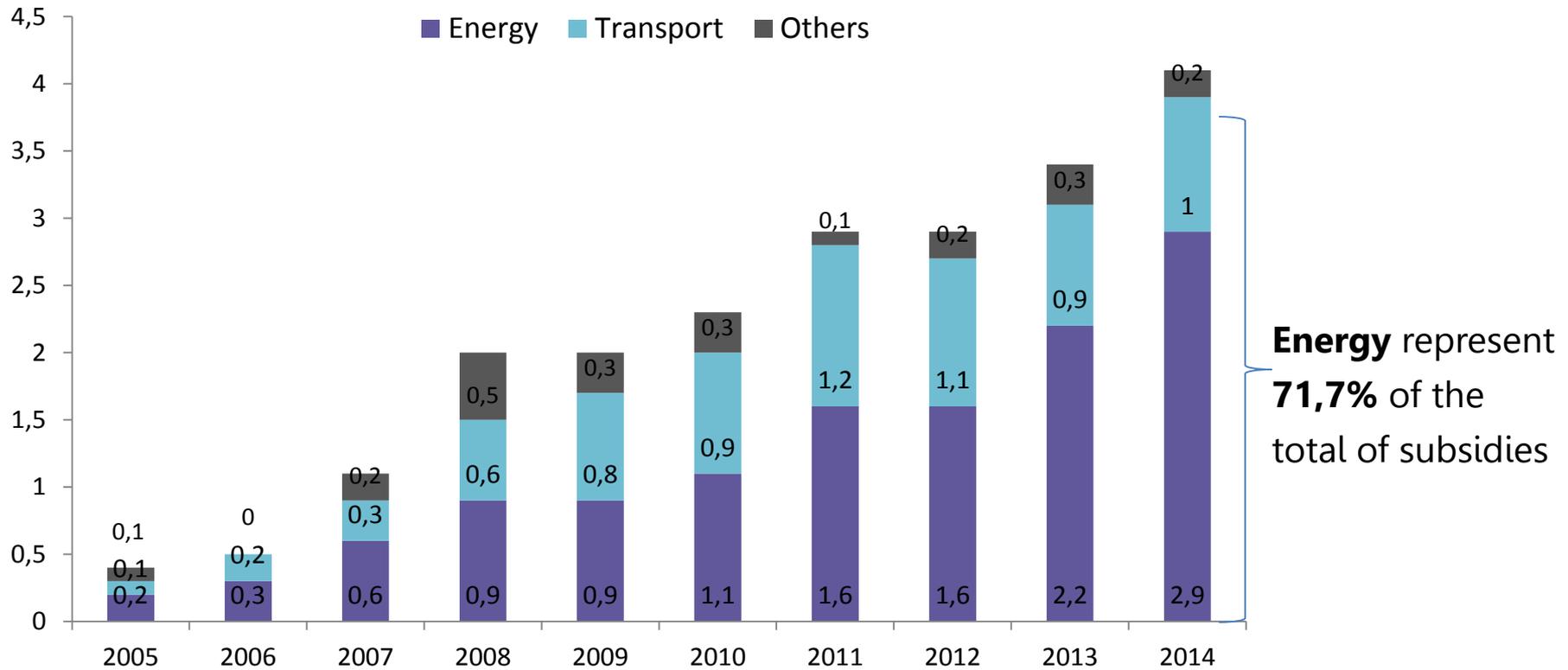
\*State society: sociedad del estado

\*\*Others include Public Enterprise and Semi-Public Corporation



## Government Subsidies by sector

In % of GDP between **2005-2014**



## Board of Directors - SOEs

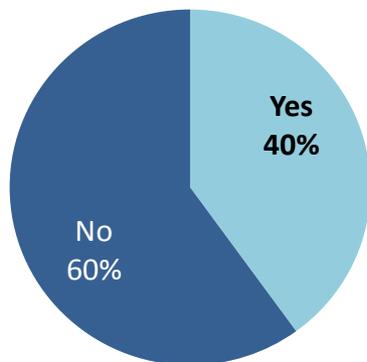
Main cases	N Members	Selection procedure	Requirements	Term
YPF S.A	11 to 21	Majority vote within each class of 'ordinary' shares	No	1 to 3 financial years. Indefinite reelection
ADM. GRAL. DE PUERTOS	7	Absolute majority of the votes in Ordinary Assembly	No	3 years. Indefinite reelection
FERROCARRILES ARGENTINOS	7	Ministry of Transport	No	1 year. Indefinite reelection
CASA DE LA MONEDA	3	Executive branch (the candidates are nominated by the Ministry of Economy, Ministry of Defense and the Central Bank)	No	3 years in office. Reelection
BANCO DE LA NACIÓN	12	Executive branch	Yes	4 years. Reelection
BANCO HIPOTECARIO	13	Majority vote within each class of 'ordinary' shares	Yes	2 years. Indefinite reelection
AySA	5	Majority vote within each class of 'ordinary' shares	No	3 financial years. Reelection
AR-SAT	5	Majority vote within each class of 'ordinary' shares	No	1 financial year
CORREO ARGENTINO	3	Absolute majority of the votes in Ordinary Assembly	No	3 financial years. Indefinite reelection

Source: CIPPEC prepared based on regulatory frameworks.

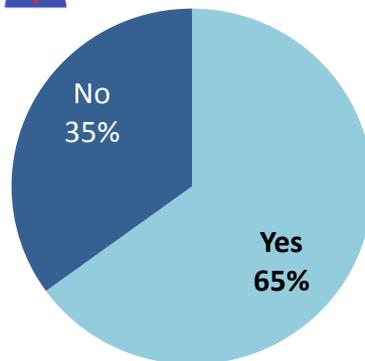
# Transparency in Argentina SOEs: web data



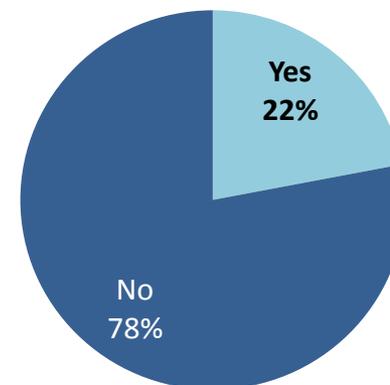
## Organizational structure



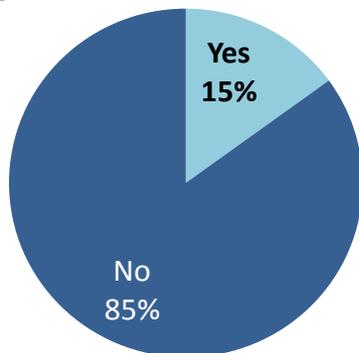
## Government



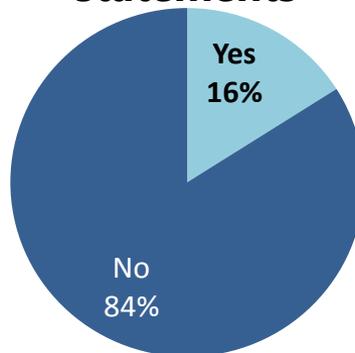
## Regulatory Framework



## Human Resources



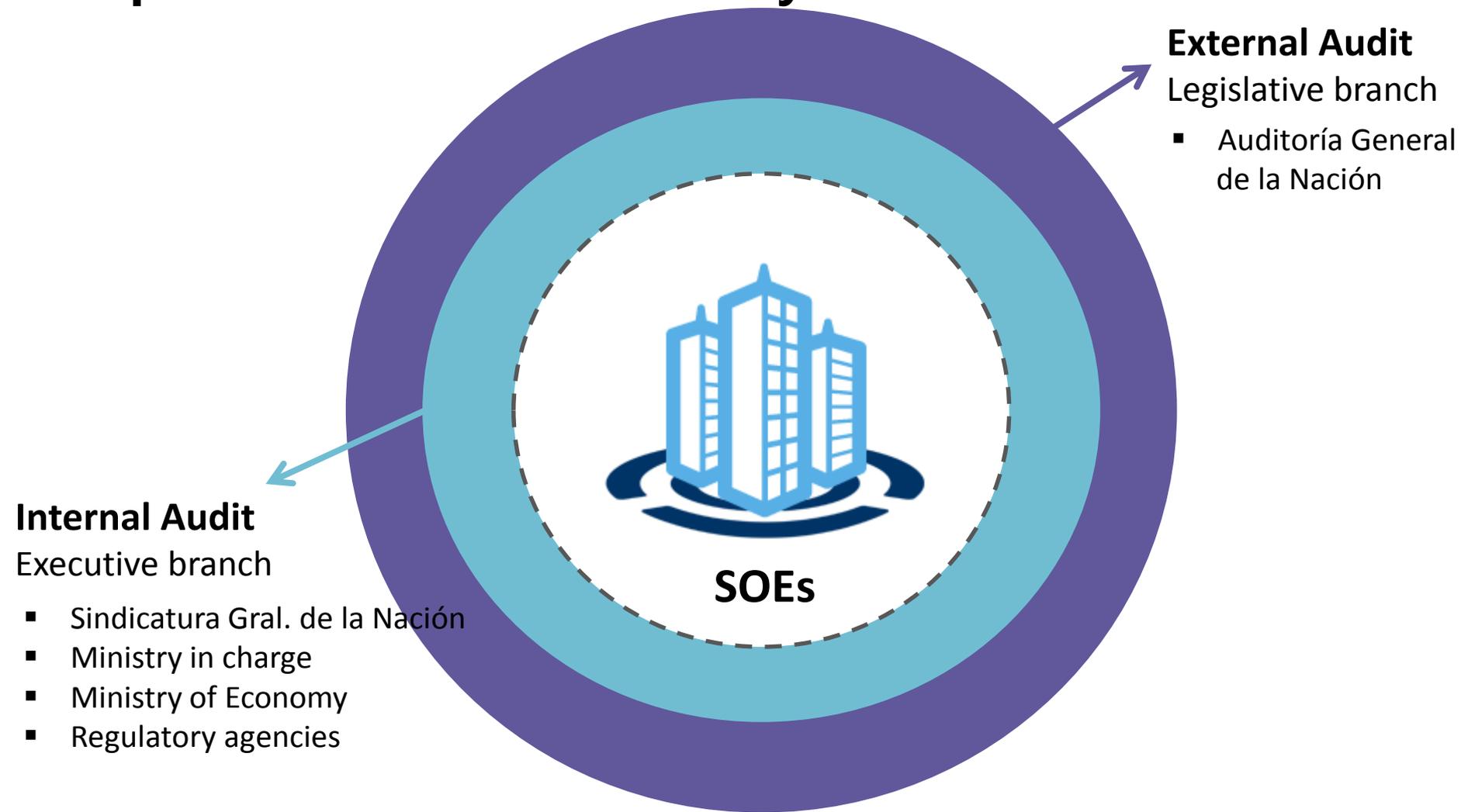
## Financial statements



# Scenario in Argentina SOEs

- ▶ Almost 100.000 **new employees** (350% growth)
- ▶ Primary emphasis in **strategic sectors** such transport and energy (represent 95% of total of subsidies)
- ▶ 40% of SOEs are **limited companies**
- ▶ In most companies there are **no requirements** to board access
- ▶ The majority of boards have **indefinite reelection**
- ▶ Control and **power concentration** in a few ministeries (Economy and Public Finances, and Planification, Public Investment and Services)
- ▶ **External Audit**: there is no updated reports for 80% of SOEs

## Supervision and accountability



# Preliminary considerations

## *The role of Corporate Governance*

We believe that approaches to tackling corruption can be informed by efforts to promote corporate governance in state-owned enterprises

**Abuse of SOEs can create this kind of problems:**



Theft of public resources for personal enrichment



Extraction of resources for political gains



Become instruments of political control



Distortion the development of competitive markets and limit the development of the private sector

The best way to prevent this is by introducing greater levels of **transparency** and **accountability**. This allow civil society actors to scrutinize the management of these enterprises and creates a pool of qualified directors who could be in a position to influence improved practices. That is best done through the **implementation of international norms and standards of corporate governance**.



# Preliminary considerations

## *The regional approach of the project*



- ✓ The largest Latin American countries and Mercosur members.
- ✓ At distinct points in mapping, gaining oversight of, and promoting transparency in their SOEs.

We will seek to employ **international norms to strengthen standards of corporate governance in SOE's** and make the enterprises more accountable to civil society.

This approach will emphasize the **implementation of standards** beyond individual country borders and mobilize civil society activists in the region to advocate for them.

By drawing on disparate yet complementary learning from the three countries in how to push for the implementation of corporate governance standards in SOEs and improve SOE transparency, the results of this program can inform **efforts to combat the use of these entities as a source of illicit funds.**

**¡Thank you!**