

Strengthening the role of the national government as owner of companies and improving corporate governance of state-owned enterprises.

Prepared by: **Adriana Quiñones - Directorate of Innovation and Private Sector Development at DNP.**

- The National Government holds stakes in 105 companies, in 40 of which it has a majority stake, with a book value of equity close to USD\$ 27 billion in 2019, equivalent to 8% of the Colombian Gross Domestic Product. These companies operate mainly in the mining and energy (76.2%) and financial (18.7%) sectors, so, given this significant value, it was necessary to implement a strategy that maximizes the efficiency of the portfolio and generates economic and social value. (MHCP, 2020)
- Around 90% of the book equity value of the Nation's portfolio is concentrated in the 10 largest companies.

Companies	Book equity value adjusted by the Nation's participation Variation (COP millions)		
	2018	2019	Var %
Ecopetrol	50.629.187	49.920.125	-1,40%
ISA	6.114.480	6.411.419	4,86%
ICETEX	3.351.801	3.661.168	9,23%
COLTEL	2.148.220	2.176.812	1,33%
Fondo Nacional del Ahorro	1.902.325	2.092.559	10,00%
Banco Agrario	2.514.912	1.949.832	-22,47%
Bancoldex	1.490.959	1.561.836	4,75%
Financiera de Desarrollo Nacional	1.265.308	1.295.620	2,40%
Urrá	1.154.145	1.211.323	4,95%
Findeter	1.055.374	1.131.619	7,22%
Total Most representative companies	71.626.711	71.412.313	-0,30%
Total 95 remaining companies	7.077.764	7.525.656	6,33%
Total Portfolio Value	78.704.475	78.937.969	0,30%

Source: Ministry of Finance and Public Credit - Colombia, 2020.

- Considering that the Government as the owner of companies had serious weaknesses; among others, communication of clear mandates to companies, inefficient shareholdings, unstructured processes of selection of board members, lack of detailed monitoring and evaluation of company performance, limitations, and rigidities in corporate governance; the OECD proposed the need for the national government to move towards standardization and harmonization of the exercise of ownership functions and strengthening corporate governance of state-owned companies. (OECD, 2015)
- Likewise, the National Development Plan 2014 - 2018, as part of the axis of good governance, indicated that it should: establish effective coordination between the public entities involved in the exercise of the rights and functions of the State as owner. (DNP, 2019)
- Furthermore, the Government established in 2015 the General Policy on State Ownership, (CONPES, 2015) and a global strategy for state assets, (CONPES, 2018), to move towards a structured, clear, and efficient state corporate governance model. The progress in the implementation of this policy is 61. 3% as of June 2020 and has been led by the General Directorate of State Participations of the Ministry of Finance and Public Credit.

Actions taken

- With the approval of this policy, a transforming process began in the management of the National Government in state-owned companies of the National order, in which important advances have evidenced the commitment with the implementation of mechanisms that strengthen the institutionalism, governance, and transparency in the State-owned companies.

- Progress has been made towards the consolidation of a model where the State as the owner is an informed, active, and responsible actor in the effective management of companies towards the creation of economic and social value, considering accountability and the autonomy of boards of directors as the highest decision-making body.
- Progress has been made in the removal of ministers and vice ministers from boards of directors to increase the presence of independent members and the adoption of a first self-evaluation process for board members.
- Mechanisms for continuous monitoring and evaluation of company performance have been developed and implemented.
- Since March 2016, the “Annual Report of State-Owned Enterprises” has been prepared and published.
- These first results led to the approval of the Working Party on State-Owned Enterprises for Colombia's accession to the OECD.
- The continuous implementation of the policy allowed that minimum standards of corporate governance in state-owned companies increased, seeking to make boards of directors more effective decision-making, oversight, and management bodies.
- In August 2017, the Intersectoral Commission for the Use of Public Assets (CAAP) was created, which aims to coordinate and recommend to the National Government the strategies that harmonize the functions and exercise of state property, progressively raise the standards of corporate governance, propose, guide and coordinate mechanisms for the use of public resources and advance in a coordinated manner towards the consolidation of a centralized state property model and a regulatory framework that allows state-owned companies to compete on equal terms with private companies.
- In November 2019, the financial holding company Grupo Bicentenario was created by Decree 2111 of 2019 to take advantage of synergies between financial companies in the portfolio and strengthen growth and value generation. The benefits of this holding company will be reflected in lower administrative expenses, lower financing costs, greater use of the infrastructure and commercial network, greater asset strength, higher dividends for the Nation, among others.

Results

- The year 2019 had a record for the distribution of dividends by companies with a shareholding of the Nation achieving a figure of over USD \$4 billion, mainly attributable to Ecopetrol which presented a net profit of USD \$4.4 billion, the highest in the last six years. (MHCP, 2020)
- About the companies of the electricity sector, out of a total of 240 registered companies, the Nation has majority participation in 11 of them: 1 transmission company, 3 generation companies, 4 distribution, and commercialization companies, and 3 companies with special administration (leasing contracts of generation and administration assets). This portfolio presented revenues in 2019 of USD 3.9 billion (+9.7%, compared to 2018), EBITDA of USD 2 billion (+9.9%) and net income of USD 0.6 billion (+5.8%), representing dividends for the Government of USD 0.15 billion, up 22.2% compared to 2018. (MHCP, 2020)
- Until December 31, 2019, the National Government has a stake in sixteen (16) companies in the financial sector, of which eleven (11) are entities in which the Nation has direct participation. This group of companies is made up according to the classification of the Superintendence of Finance of Colombia by eight (8) special official institutions (IOE), one (1) credit institution, and two (2) insurance companies. The indirect participation corresponds to three (3) trust companies, (1) a financing company, and (1) an insurance company. The portfolio of companies in the financial sector, in which the Nation has direct participation, generated revenues of USD 3.4 billion and a net profit of USD 0.5 billion, leveraged mainly on the results obtained by the Special Official institutions (MHCP, 2020).
- In 2019, the management of Banco Agrario stands out, which strengthened its portfolio in foreign currency and implemented new technologies to serve rural customers, Bancóldex created the

Colombian "Fund of Funds" to invest in the "Orange Economy" (Creative Economy) ventures and companies. Findeter made the first issue of sustainable bonds and received demands for USD 0.34 billion, with an overdemand of 3.44 times the amount offered, Colpensiones strengthened the BEPS Periodic Economic Benefits program, and ISA ventured into the road business in the country. (MHCP, 2020)

CONPES. (2015). *General Policy on the Ownership of National State-Owned*. Bogotá.

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