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# AFD AND **state-owned enterprises**

FINANCIAL SUPPORT AND STRENGTHENING OF GOVERNANCE

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State-owned enterprises (SOEs) play a role in the implementation of development policies.

For this reason, they are key players in a country's economic and social environment, and improving their performance is a decisive way of boosting access to the public goods and services they produce and distribute. SOEs are important partners for Agence Française de Développement: AFD supports them financially and helps strengthen their governance.

AFD's technical and financial partnerships with state-owned enterprises also helps work toward reaching the Sustainable Development Goals (SDGs), via support for the development of infrastructures and access to essential services (water, sanitation, energy) and the setting up of effective and transparent institutions.

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# Strategy and actions for the governance and financing of state-owned enterprises

## 1 *Financial and non-financial support*

**Strengthening governance:** AFD supports States in strengthening their role as shareholders, strategists, and regulators. AFD guides SOEs towards greater management autonomy and strengthened governance in accordance with international standards.

In this way, AFD seeks to improve the technical and financial performance of SOEs so that they can fulfill their role as best as possible as stakeholders working toward sustainable development. Improved governance also helps ensure that SOEs can engage in effective decision-making, control processes and more transparent and robust management. This approach generates real autonomy for

the company and increases trust and confidence among stakeholders — not just users and suppliers, but also donors and public or private investors.

**Adapting financing:** SOEs are vectors of States' sustainable development policies. That's why AFD is offering loans adapted to the profile of the SOEs and to the specific constraints States face in financing their transformation (e.g., to modernize or become sustainable) or their long-term investments. Thus, AFD can propose direct loans to SOEs, with or without sovereign guarantees, or sovereign loans that are on-lent to SOEs.

## 2 *AFD expertise available in three areas*

### Streamlining institutional frameworks for SOEs relations

Streamlining SOEs regulatory and statutory frameworks

Adapting international standards of SOEs governance to the country context

State shareholder strategy

Organizing the State shareholder function, the management and supervision system, and the cross-cutting performance evaluation system

Strengthening independent regulatory agencies

Setting public-service objectives, and supporting their development and financing arrangements

### Organizing decision-making and decision control

Monitoring the functioning of the boards of directors and relations with executive management

Performance contracts at the SOEs level

Performance of directors and senior management

Internal monitoring framework and internal auditing

Information systems and reporting tools

Risk anticipation and management systems

### Boosting performance of cross-cutting operations: finance, sales, HR, and CSR

Finance: financial model, IFRS compliance, cost accounting, risks management, etc.

Human resources: diagnosis, HR policy, training, etc.

Sales: sales management analysis, invoicing tools and invoice monitoring/recovery of unpaid invoices, etc.

Assets: investment planning and management tools, assets management, etc.

Crosscutting integration of gender, environmental, and social issues

## 3 *Tools to support governance*

AFD offers many different types of support tools, such as funding grants for research/analysis, capacity building, expertise, and legislative or statutory reviews. But that's not all: also on offer is budgetary financing backed by reform policy matrix and accompanied by capacity-building financing, as well as investment projects with a

strong institutional component. These tools can be part of a more comprehensive macroeconomic-type reform framework, or they may constitute an operation in its own right. To make them fully operational, they are combined with sovereign or non-sovereign financing for SOEs investment.