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DEVELOPMENT OF THE INSTITUTION OF CORPORATE GOVERNANCE OF STATE ASSETS IN THE REPUBLIC OF BELARUS

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Abstract

The article examines the institutional development of corporate governance of state assets in the Republic of Belarus. The results indicate that the main constraints concern the organization of the ownership function, professionalization of boards, performance management, risk management, and transparency. An institutional model is proposed that combines state ownership policy, a center of ownership competence, portfolio classification, professional boards, KPI-based management, enterprise risk management, internal control, and aggregated reporting. A three-stage implementation roadmap is developed.

Keywords: *corporate governance; state-owned enterprises; state assets; ownership policy; boards of directors; KPI; risk management; Belarus*

Introduction

State-owned and mixed-ownership organizations remain a significant component of the Belarusian economy. According to the data used in the study, 3,059 organizations with state participation employ about 1.13 million people, or 39.4% of total employment. Organizations with a state share of at least 50% account for 36.3% of employment. Sales profitability is 6.1% in state organizations compared with 8.7% in mixed-ownership organizations, while product profitability is 7.5% and 10.7%, respectively. These differences underline the importance of improving the mechanisms through which the state exercises ownership rights (Pashkevich, 2021).

The purpose of the study is to develop an institutional model for corporate governance of state assets in Belarus. The objectives are to identify institutional constraints and formulate governance instruments and an implementation sequence.

Materials and Methods

The study applies institutional, systemic, and comparative approaches. The analytical

sequence is: scale of the state sector → institutional constraints → target governance principles → governance instruments → integrated institutional model. The empirical basis includes statistical indicators and studies of corporate governance in Belarus (Morozov et al., 2020; Pashkevich, 2021; Morozov et al., 2021).

The benchmark is based on the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the G20/OECD Principles of Corporate Governance. They emphasize professional state ownership, clear ownership objectives, operational autonomy, separation of ownership and regulatory functions, effective boards, transparency, and accountability (OECD, 2024; OECD, 2023).

To assess governance maturity, a composite indicator is proposed:

$$I_{CG} = \sum_{i=1}^{6} w_i S_i,\ i = 1,\ldots,6,$$

where S_i is the score of a governance dimension from 0 to 4 and $\Sigma w_i = 1$. With equal weights,

$$I_{CG} = \frac{S_1 + S_2 + S_3 + S_4 + S_5 + S_6}{6},\ 0 \le I_{CG} \le 4$$

The dimensions are ownership policy, boards, transparency and reporting, performance management, risk management and internal control, and human resources and ethics.

Results

The institutional diagnosis identifies four interconnected problem areas. First, the ownership function is dispersed among administrative structures, which may combine ownership, sector regulation, and operational influence. Second, the existence of boards does not automatically ensure professional strategic oversight; board competencies, independence, and evaluation require further institutionalization. Third, enterprise performance is not always linked to a unified system of owner expectations and measurable KPIs. Fourth, financial, non-financial, and risk information is insufficiently integrated for portfolio-level decision-making.

The economic indicators reinforce the relevance of these constraints. State and mixed-ownership organizations account for 41.7% of goods exports, 18.6% of imports, and 30.8% of services exports. At the same time, they account for 67.1% of overdue receivables, 67.8% of overdue payables, and 64.7% of debt on loans and borrowings. State organizations show lower profitability than mixed-ownership organizations, although the share of loss-making organizations is higher in the mixed sector. These indicators do not prove that ownership form alone determines efficiency; they indicate the need for differentiated governance.

The proposed institutional model is based on the sequence: state ownership policy → center of ownership competence → classification of the state asset portfolio → boards of directors → executive management → KPI, ERM, internal control and disclosure → portfolio monitoring → strategic adjustment of the asset.

The center of ownership competence is the key institutional element. Its role is not operational management of enterprises but professional exercise of the ownership function. It should formulate owner expectations, participate in board formation, establish KPI and disclosure methodologies, consolidate portfolio risks, assess governance and financial results, and prepare proposals concerning development, restructuring, partnership, or changes in state participation.

State assets should be classified according to strategic importance and economic efficiency. This produces four groups: strategically important and efficient assets; strategically important but inefficient assets; non-strategic but efficient assets; and non-strategic and inefficient assets. Governance instruments should differ across these groups rather than applying a uniform administrative approach.

Board professionalization should include competency matrices, transparent selection procedures, independent directors where appropriate, separation of chair and CEO functions, specialized committees, regular board evaluation, and continuing professional development. Performance management should form a vertical chain from state ownership objectives to enterprise strategy, corporate KPIs, management indicators, evaluation, and corrective decisions.

Enterprise risk management should integrate risk registers, risk appetite, early-warning indicators, stress testing, and response plans with internal control and internal audit. Aggregated reporting should combine financial performance, asset dynamics, leverage, state support, investment results, KPIs, risks, and governance indicators.

Discussion

The proposed approach shifts the focus from direct administrative control of individual organizations to portfolio governance. This corresponds to the OECD emphasis on professional ownership, board accountability, and separation of ownership from regulation (OECD, 2024). It also complements research on integrated management and institutional transformation in Belarus, where the quality of management information and decision-making is increasingly important (Karpovich, 2022).

The model does not imply immediate privatization or universal corporatization. The institutional choice depends on the strategic purpose of ownership, economic performance, market conditions, and the possibility of achieving public objectives through alternative instruments. Partnership mechanisms can also be considered for selected assets and infrastructure projects (Karpovich & Dragun, 2023).

Implementation should proceed in three stages. During years 0–2, priorities are a unified register and classification of state assets, a common ownership policy, and clearer separation of ownership and regulatory functions. During years 2–4, professional boards, competency matrices, KPI systems, ERM, internal audit, and director training should be introduced. During years 4–6, the focus should shift to aggregated portfolio reporting, independent governance evaluation, systematic efficiency assessment, and evidence-based decisions on development, restructuring, partnership, or changes in state participation.

Conclusion

The development of corporate governance of state assets in Belarus requires a transition from fragmented administrative management to professional ownership and portfolio governance. The proposed model integrates ownership policy, a center of ownership competence, differentiated portfolio management, professional boards, KPI-based performance management, ERM, internal control, and aggregated disclosure. Its value lies in linking governance mechanisms with measurable performance and risk indicators. The proposed maturity indicator and three-stage roadmap can serve as tools for monitoring institutional progress and adjusting governance arrangements.

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