

## Analysis of State-owned Capital Investment and Operating Companies Experimental Units

Xiaobin Lin<sup>a</sup>, Jianhui Liao<sup>b</sup>, Haiyun Song<sup>c</sup>, Xiaodong Li<sup>d</sup>

State Grid Energy Research Institute Co., Ltd., Beijing 102209, China

<sup>a</sup>linxiaobin@sgeri.sgcc.com.cn, <sup>b</sup>liaojianhui@sgeri.sgcc.com.cn

<sup>c</sup>songhaiyun@sgeri.sgcc.com.cn, <sup>d</sup>lixiaodong@sgeri.sgcc.com.cn

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**Abstract:** Restructuring the establishment of state-owned capital investment and operating companies (two types of companies) is a new attempt in the new round of state-owned enterprise reform, and an important measure to realize the supervision of state-owned assets with the management of capital. This paper first analyzes the concepts of two types of companies, and clarifies the similarities and differences between state-owned capital investment companies and state-owned capital operating companies. Then, we analyze the recent policy documents and the progress of the pilot, summarizes the pilot situation of the two types of companies, and makes judgments on the development trend.

### 1. Introduction

Restructuring the establishment of state-owned capital investment and operating companies (referred to as “two types of companies”) is a key part of the new round of state-owned assets reform, and it is an important measure to reform the state-owned capital authorization management system.

### 2. The connotation and latest development of the two types of companies

#### 2.1 The connotation of the two types of companies

From the basic concept, state-owned capital investment and operating companies are state-owned sole proprietorships that perform the duties of state-owned capital contributors within the scope of state authorization. They are a professional platform for the market-oriented operation of state-owned capital. The company uses capital as a link and property rights as the basis. Independently carry out state-owned capital operations and do not engage in specific production and operation activities.

From the perspective of functional positioning, there are certain differences between state-owned capital investment companies and state-owned capital operating companies.

State-owned capital investment companies mainly aim at serving national strategies, optimizing the layout of state-owned capital, and enhancing industrial competitiveness. In important industries and key areas that are related to national security and the lifeline of the national economy, they are based on the government-determined state-owned capital layout and structural optimization requirements, with a focus on strategic core business holdings. Through investment financing, industrial cultivation and capital operation, they play the role of investment guidance and structural adjustment, promote industrial agglomeration, resolve excess capacity and transformation and upgrading, foster core competitiveness and innovation capability, actively participate in international competition, and strive to focus on improving the control and influence of state-owned capital. At present, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) has selected 19 central enterprises as experimental units for state-owned

capital investment companies, including COFCO and SDIC.

The state-owned capital operation company mainly aims to improve the efficiency of state-owned capital operation and increase the return of state-owned capital, with financial stocks as the mainstay. Through equity operations, fund investment, incubation, value management, and orderly advancement and retreat, they revitalize the stock of state-owned assets, guide and promote the common development of social capital, and realize the rational flow and preservation of state-owned capital. At present, the SASAC has selected two central enterprises as pilots of state-owned capital operating companies, including China Guoxin and China Chengtong.

## **2.2 The latest development of the two types of companies**

On July 30, 2018, the State Council issued the "Implementation Opinions on Promoting the Pilot Reform of State-Owned Capital Investment and Operating Companies" (Guofa No. 23) to push the reform of the two types of companies into a new stage. From December 19th to 21st, the key tasks for next year as determined by the Central Economic Work Conference include accelerating the transformation from managed enterprises to managed capital, reorganizing and establishing a number of state-owned capital investment companies, forming a group of state-owned capital operating companies, and actively promoting the reform of mixed ownership. The SASAC held a kick-off meeting on December 28 and announced the second batch of 11 state-owned enterprise state-owned capital investment companies experimental units.

## **3. Analysis of the trend of two types of reform**

Guofa No. 23 clarifies the main contents of the functional positioning, construction methods, authorization mechanism, governance structure, operation mode, supervision and restraint mechanism of the two types of companies. The Central Economic Work Conference clearly reorganized the establishment of state-owned capital investment companies and operating companies as key tasks in 2019. The second batch of state-owned capital investment companies has been expanded to the second-class commercial enterprises.

First, the experimental units of the two types of companies will become the key task of the recent reform of state-owned enterprises. Both the Party's 19th National Congress Report and the 2018 Government Work Report clearly stated that it is necessary to reform the state-owned capital authorization management system and deepen the pilot of the two types of companies. The Central Economic Work Conference once again emphasized it. Central government attaches great importance to this reform work. As a supporting document for the recent reform of state-owned enterprises, Guofa No. 23 will directly promote the reform and new measures of the relevant ministries and commissions.

Second, the experimental units will enter the horizontal expansion and vertical deepening stage. Unlike the first batch of 10 central enterprises that are commercial first-class state-owned enterprises, the second batch has been expanded to the second category of business. According to the requirements of the Central Economic Work Conference, a group of state-owned capital operating companies will be formed in the near future. In conjunction with Guofa No. 23, the pilot projects of the two types of companies will be extended to the central enterprises of the Ministry of Finance and other fields. In the field of SASAC, the pilot will be further expanded, and existing pilot enterprises will gain more autonomy.

Third, the development direction of the two types of companies is becoming clearer in the reform exploration, but the whole is still in the exploration stage. The two types of companies are new things. Based on the summary of the previous experience, the State Council drafted and issued the National Development No. 23 document, which clearly clarifies the core content of the two types of companies and provides a strong guarantee for further pilots. However, this process of exploration has not been completed, and no mature experience and model that can be replicated and promoted has yet been formed.

Fourth, the possibility of other reforms such as mixed reforms based on two types of companies

is enhanced. At present, the first batch of experimental units is operating well. With the gradual maturity of the pilot, the pilot enterprises with mature conditions will be promoted to carry out in-depth reforms and carry out mixed reforms and asset securitization.

#### **4. Conclusion**

The “two types of company” reform is the center and pivotal position of state-owned enterprise reform, and has become the focus of state-owned enterprise reform in 2019. The SASAC will take the authorized operation as the core, and strive to build an upgraded version of the state-owned capital investment company from four aspects: authorization and decentralization, organizational structure, operation mode and operation mechanism. The reform involves the reform of almost all state-owned enterprises, such as modern enterprise systems, mixed reforms, market-based recruitment, etc. We should promptly introduce and implement relevant supporting policies, including focusing on the implementation of the responsibilities of investors, and orderly promoting the decentralization of state-owned capital investment and operating companies. Relevant departments need to support enterprises with state-owned capital investment and operating companies to carry out comprehensive reform pilots.

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