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How State-Owned Enterprises Influence Government Regulations: The Case of the Government Pension Fund Global

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Abstract

The thesis analyses the roles of the state-owned enterprises (SOEs) in shaping market rules and influencing competition, with the intent of understanding whether state ownership leads to market distortions or whether its effects depend on governance structures and institutional design. The analysis is based on a qualitative approach, combining academic literature with institutional reports and it is supported by a study on the Government Pension Fund Global (GPFG) of Norway.

The study firstly defines SOEs as hybrid entities that operate at the intersection of public authority and market competition. Their dual nature allows them to pursue both commercial and public policy objectives, including economic development, provision of essential services and strategic control over key sectors. However, this duality in their role also introduces potential risks, including reduced efficiency, political interference and distortion in competitive markets.

The thesis highlights that governance plays a central role in determining the impact of SOEs on the economy and market. Indeed, a weak governance framework might lead to soft budget constraints, preferential treatment and reduce competitive pressure. There are critical elements to limit the potential distortions associated with SOEs, which include the separation between the State's role, both as shareholder and regulator, the independence of management and high standards of transparency and accountability.

Building on this foundation, the analysis aims to develop a framework that explains how SOEs influence other market outcomes and regulatory processes. Their impact arises not only from economic power but also from their institutional embeddedness and proximity to policymakers, which might enable them to have an indirect impact on market rules.

The case study of the GPFG provides a benchmark example of market-conforming state ownership. The fund operates as a long-term, globally diversified investor, characterized by a clear separation between political oversight and operational management. The findings show that the GPFG does not generate traditional forms of competitive distortion and instead contributes positively to market stability, liquidity and corporate governance. Nevertheless, its size and global presence imply a significant degree of structural influence, particularly through capital allocation and responsible investment practices.

In conclusion, the thesis determines that the impact of state ownership on competition is not defined by just considering ownership itself, but also by how it is exercised. While poorly governed SOEs might distort markets, on the other hand, well-designed institutional frameworks can be able to align state-owned entities with market principles. Therefore, the GPFG case illustrates that public ownership can coexist with competitive markets, although it cannot be considered entirely neutral.

Summary

<i>Introduction</i>	<i>4</i>
<i>Chapter 1: Definition of State-Owned Enterprise in the Economic System</i>	<i>7</i>
1.1 Definition and Characteristic of a State-Owned Enterprise	7
1.2 Role of the State as Owner	8
1.3 Reason for State Ownership	9
1.4 State-Owned Enterprise and Market Competition	10
1.5 Role of State-Owned Enterprise in the Strategic Sector	11
1.6 From Economic Power to Regulatory Influence.....	11
<i>Chapter 2: Governance Structure and Objectives in State-Owned Enterprises.....</i>	<i>13</i>
2.1 Ownership Architecture and Control Rights	13
2.2. The State as Shareholder vs The State as Regulator	13
2.3 Board of Directors and Managerial Autonomy	15
2.4 Objectives of the SOEs: Profit vs Public Mission	16
2.5 Accountability, Transparency and Reporting	17
2.6 Governance Models Across States.....	18
<i>Chapter 3: Mechanisms of Market Rule Influence by State-Owned Enterprise</i>	<i>20</i>
3.1 SOEs as Market-Shaping Actors.....	20
3.2 Competitive Distortion and Market Outcomes.....	20
3.3 Sectorial Dominance and Rule Formation	22
3.4 Institutional Embeddedness in Regulatory Processes	23
3.5 Market Power vs Regulatory Power	24
3.6 Cross-Border Influence and Global Market Rules.....	25
3.7 Efficiency, Distortion and Regulatory Trade-offs.....	26
3.8 Integrated Framework of SOE Market Influence.....	28
<i>Chapter 4: The Case of the Government Pension Fund Global.....</i>	<i>30</i>
4.1 Background and Institutional Context	30
4.2 Governance Structure and Objectives.....	31
4.3 Investment Strategies and Market Behavior	32
4.4 Mechanisms of Market Influence.....	33
4.5 Impact on Competition	34
4.6 Evaluation through Analytical Frameworks.....	36
4.7 Critical Discussion	37
4.8 Conclusion of the Case	39
<i>Conclusions.....</i>	<i>40</i>
<i>Bibliography.....</i>	<i>42</i>

Table of the Exhibits

<i>Exhibit 1 – Holding of the 100 highest emitting listed companies by type of investor</i>	<i>7</i>
<i>Exhibit 2 – Market value of the central SOEs and Employment in central SOEs</i>	<i>9</i>
<i>Exhibit 3 – Sectoral distribution of SOEs.....</i>	<i>10</i>

Introduction

In recent years, despite many countries starting the processes of liberalization and privatization, a significant role in the market has been played by state-owned enterprises (SOEs). In sectors such as energy, transportation, infrastructure and finance the Government's presence as the major shareholder remains substantial. Even if those categories of firms operate in a competitive environment alongside other private firms, they present organizational and strategic differences.

Unlike private firms, SOEs do not have as their only objective profit, but they are also expected to fulfil public and strategic goals, such as ensuring economic stability, safeguarding the environment and providing essential services (e.g., social welfare or transportation). Those goals affect the corporate governance structure, managerial decision-making process and, more generically, the strategic behavior of the enterprise.

A key aspect of this discussion concerns the relationship between state-owned enterprises and the institutional environment in which they operate. The market cannot be considered a static environment, indeed, political and regulatory decisions are in constant change and in this scenario the SOEs might take advantage and occupy a privileged position due to their close ties with public authorities and their economic and strategic importance. Therefore, regulations should not be viewed as a constraint but also as a factor that can influence corporate strategy and competitive positioning.

The purpose of this thesis is to analyze SOE enterprises as a strategic character of the economy, with particular attention to the mechanisms that they use in order to influence the regulatory framework in which they operate. Notice that the aim is not to assess the legal legitimacy of those practices, but rather to understand how their role shapes the firm's strategic choices and how this affects the market competition and industry dynamics.

To address this question, the thesis requires a qualitative approach, based on a review of managerial and economic literature, completed by an analysis of some selected case studies, for several reasons. First, the research question concerns mechanisms of institutional influence and governance dynamics, which are not easily reducible to quantitative metrics and, moreover, it requires contextual interpretation. Second, unlike a cross-country comparative analysis, a single in-depth case study allows for a more granular examination of how governance structures operate in practice, beyond what aggregate data could capture. The Government Pension Fund Global is selected as the case study because it represents an extreme case of well-governed state ownership, which is particularly suited to testing the boundaries of the theoretical framework developed in Chapter 3. This methodological choice, however, carries limitations: findings derived from a single case cannot be generalised across

all SOEs or institutional contexts and the Norwegian model reflects a specific combination of institutional quality, resource wealth and political culture that may not be replicable elsewhere.

The thesis is structured as follows: the first chapter introduces the concepts of state-owned enterprise and discusses their role within the economic system, the second chapter examines governance structure and objectives in the SOEs, the third chapter analyzes the main mechanisms through which these firms can influence market rules and finally, the fourth chapter explores the effects of these dynamics on competition through the discussion of the case study.

Chapter 1: Definition of State-Owned Enterprise in the Economic System

1.1 Definition and Characteristic of a State-Owned Enterprise

The state-owned enterprise (SOE) is a financial and non-financial company owned by the State, which also exercises a position of control (OECD, 2024; World Bank, 2014). Notice that defining an undertaking as an SOE is subordinated to the Government being the ultimate beneficial owner with the majority of the shares or exercising the same level of control. Some firms are part of the General Government, due to their non-market nature (e.g., infrastructure sector), but they still operate in competition with other private companies, especially in the utility and banking sectors. A major distinction can be made by differentiating between enterprises fully owned by the State and partially owned by the State, since the mixed-owned firms may be exposed to stronger market pressure, which might influence their management. Therefore, SOE can include the following categories (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020):

- Companies fully owned by public authorities;
- Companies where public authorities own the majority of the shares;
- Companies where public authorities hold most of the shares but still have statutory power;
- Companies where public authorities own a minority of the shares but still have statutory power, which are not considered SOEs, but have relevance in obtaining a fuller picture.

Another distinction based on how the State decide to exercise its power in the economy, where the SOE is the most common, however the State can intervene also through investments (i.e., Sovereign Wealth Funds, SWF) and financial institutions to develop long term objectives and mitigate the risk of market failure and having the resources oriented toward the strategic sector (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

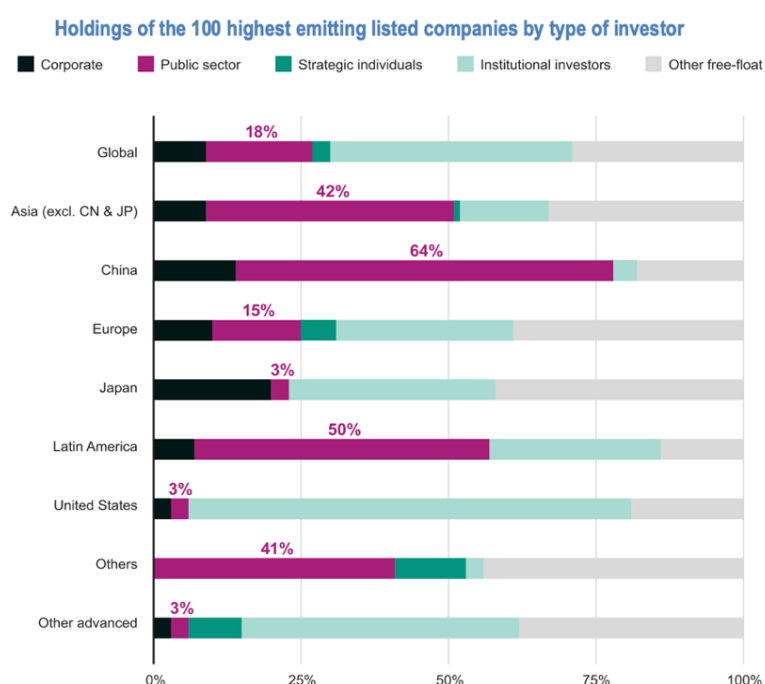


Exhibit 1 – Holding of the 100 highest emitting listed companies by type of investor
Source: OECD (2024), Global Sustainability Report 2024, OECD Publishing, Paris.
Note that “Asia” does not take into consideration China and Japan and “Other free-floating” refers to the holdings by shareholders that do not reach the threshold for mandatory disclosure of their ownership. The graph illustrate the percentage of ownership of the 100 highest emitting listed companies, showing that in most of the cases the State is the major shareholder.

1.2 Role of the State as Owner

In order to define a state-owned enterprise as such, the OECD provides international (OECD, 2024) standards on how the State should exercise its ownership role. As an owner with public participation, the State has to exercise its ownership rights with transparency, professionalism and in a manner coherent with the principles of fair governance. The guidelines that represent the international standards for the policy makers, underline that the State should not act as a direct manager of operational activities, but as an active and informed owner, able to define clear objectives, expectations and long-term mandates for the firms under its ownership. This role requires the definition of an institutional and normative picture where the reasonability is linked to the property, which is directly attributed and, ideally, centralized in a single property or coordinated in a coherent method when different public organs are involved (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

The guidelines further stress the importance of a clear separation of the State's ownership role from its regulatory and policy-making functions, in order to avoid conflicts of interest and ensure a fair power in the market. When SOEs operate in competitive sectors, governments should promote competitive neutrality, provided that the state-owned enterprises do not benefit from any advantage with respect to private competitors Bruner, 2025; SSRN Working Paper, 2025).

The Government, as shareholder, exercises its voting rights in the general shareholders' meetings, ensuring that the Board of Directors (BoD) appointment processes are based on merit and transparency criteria and regularly monitors the SOEs' performance through structured reporting systems. Particularly, emphasis is given to the role and independence of the Board of Directors, which should have authority, competencies and objectives to control the managerial operations and long-term decision-making process in the interest of the enterprise. Moreover, the guidelines underline the importance of integrating sustainability consideration and responsibilities in the definition of the ownership policies, meaning that the SOEs contribute not only to the economic competitiveness but also to resilience and the creation of sustainable value in the long term (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

Additionally, the States is strongly encouraged by the guidelines to ensure high standards of disclosure and transparency at the enterprise and aggregate level, including the publication of the regulator reports on the performance and governance of the SOEs themselves. In this model, the State exercises its ownership role institutionally and competently, promoting transparency, accountability and a governance oriented towards the creation of a long-term public and social value, avoiding both excessive direct intervention in company management and undue distance from strategic decision-making processes (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

1.3 Reason for State Ownership

SOEs account for the biggest portion of assets and employment in developed economies (OECD, 2016; IMF, 2020): around USD 2 trillion of assets and more than 6 million jobs in the OECD (OECD). Those numbers exclude firms with a minority of shares owned by the States, the numbers including that kind of enterprise would be even higher by around 10%. In sectors, such as energy and transportation, the SOE represents the 40% of the total value of the SOEs and the 43% of the SOEs' jobs (exhibit 2), meaning that their performance is extremely relevant for the determination of the overturn of the rest of the economy (European Commission).

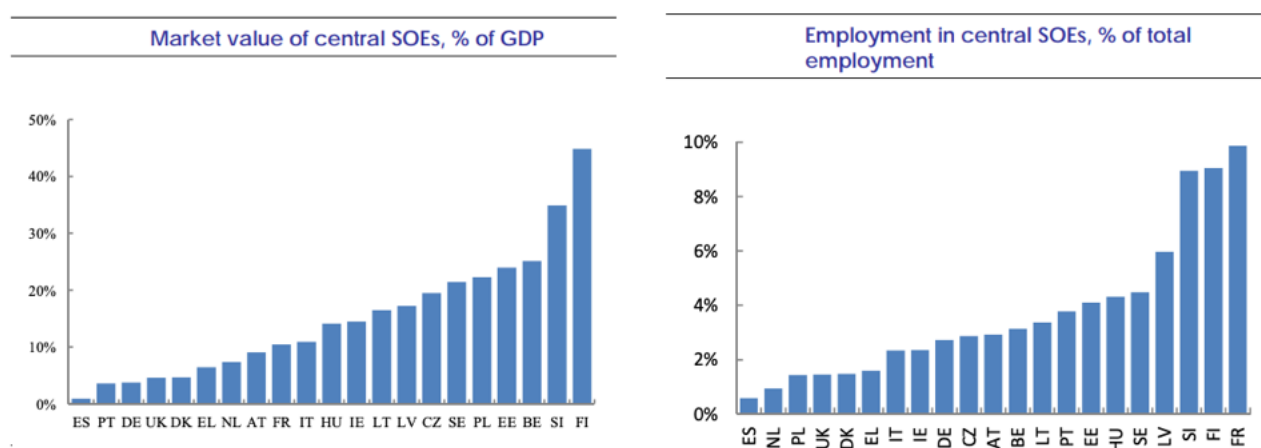


Exhibit 2 – Market value of the central SOEs and Employment in central SOEs

Source: State-owned enterprises in the EU: lessons learnt and ways forward in a post-crisis context, European Commission.

It shows the market value of the central SOEs as a percentage of GDP and their share of total employment across European countries, highlighting a significant heterogeneity across countries and the strategic economic role of the SOE in the national economies.

Evidence shows that SOEs benefit from reputation guarantees (Boubakri & Saffar, 2010; IMF, 2019) and enjoy protection for their properties and they contrast market failure by providing good and funding projects for new investments. State-owned companies have a particular and crucial role in terms of resource provision, notice that they are associated positively with debt financing (e.g., debt structure, security issuance and bank loan access). SOE, in fact, has better conditions to access credits with respect to private companies since there is an implicit association with the State and if the firms face financial distress, the Government is inclined to intervene with financial support. The higher the shares owned by the State, the higher bank financing is, this phenomenon is referred to as “soft budget constraint” (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

The identity and the structure of the ownership influence the risk-taking behavior of the firm, indeed, when State control is reduced (i.e., partial shareholding or mixed ownership), favoring private or foreign investors, risk-taking strategies increase since the focus of the firm shifts towards stronger market discipline and profit incentives (Boubakri, Cosset & Saffar, 2013). However, this structure might mitigate principal-agent issues since the corporate governance is reinforced and incentives and alignment between the owner and managers are improved. For those reasons, partial ownership might

lead to an increase in efficiency in terms of resource allocation, while allowing the Government to keep strategic influence of certain sectors (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

1.4 State-Owned Enterprise and Market Competition

The international investments done by the SOEs are generally Mergers and Acquisitions (M&A) that involve assets of existing companies and greenfield investments in new establishments, meaning that the company builds a new operation, facility or business in a new location, often in a foreign country (Kowalski et al., 2013; OECD, 2016). These investment strategies allow the SOEs to expand internationally and to access resources, technologies and new markets (OECD, 2016; European Commission, 2016; Kowalski et al., 2013; OECD, 2014).

In the past decades, some SOEs have become global players, especially in developing countries with high economic rates such as China. Cross-country evidence highlights that there is a productivity gap (OECD, 2016; Kim, 2024), meaning a difference in the productivity level, between SOEs and private companies, indeed the productivity rate of state-owned enterprise tend to be significantly lower than the productivity rate of private firms in a competitive sector, however in regulated sectors (e.g., utilities) the gap tends to be lower. This gap is usually measured in terms of final output per unit of input (e.g., labor or capital).

This interval is given by the difference in final goals, in fact, private companies put more emphasis on profit and efficiency, meaning that since the productivity has to be higher due to the goals set in SOEs, the final goal is not represented in profit and efficiency, therefore, the productivity rate will be lower. Furthermore, political interference and social objectives can lead to a higher reduction in terms of managerial incentives to maximize efficiency.

Additionally, a high presence of the government in the company is often associated with a lower level of productivity. However, this relationship is not always considered true since it depends on the country where the firm is operating and also on the quality of the management and institutional frameworks.

Sectoral distribution of SOEs, by company value

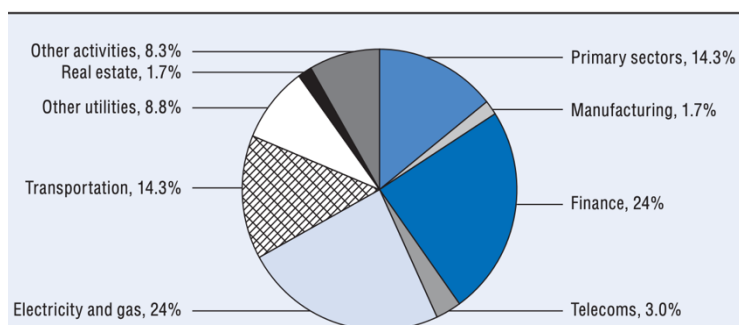


*Exhibit 3 – Sectorial distribution of SOEs
Source: OECD (2014)*

The size and sectoral distribution of state-owned enterprises in OECD and partner countries, OECD Publishing. The pie chart illustrate the share of the state-owned enterprises across major economic sectors, showing their concentration in strategic sectors, such as energy, utilities and transport.

1.5 Role of State-Owned Enterprise in the Strategic Sector

As already mentioned, SOEs operate also in strategic sectors (e.g., energy, infrastructure and finance) by providing essential public goods, ensure national security, drive development, fill market gaps where private investment is lacking and implement government policy in order to guarantee economic stability, social welfare and long-term national goals (OECD, 2016; European Commission, 2016; Kowalski et al., 2013; OECD, 2014).

In certain countries like China, Russia or Saudi Arabia, SOEs control the extraction and processing of natural resources, which enables the government to significantly influence the domestic economy and also international markets. In particular, the control that some governments impose on the SOE in the energy and natural resources sector is due to the geopolitical power that the ownership of those resources might provide to the government itself. This strategic position allows the SOEs to influence regulatory frameworks indirectly and national legislations; indeed, governments often design policies, more specifically industrial and energy, in line with the interests and objectives that the state-owned firms have (Bruner, 2025; SSRN Working Paper, 2025).

However, it is not limited to the natural resource sector, indeed, in recent years, SOEs have tried to combine social and public goals with efficiency and competitiveness through the usage of more sophisticated governance models, including investments for innovation and participation with private capital. For those reasons, these enterprises might take active participation in policy discussions and institutional reforms, shaping laws and regulations that affect market competitions, corporate governance standards and strategic industries. This double role, economic and institutional, increased and improved the capacity of the SOEs to influence regulatory outcomes, since their operational relevance often allows them to have privileged access to the policy-making process. This influence is typically exercised through a formal mechanism of consultation, active participation in regulatory bodies and close coordination with public authorities (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

1.6 From Economic Power to Regulatory Influence

State-owned enterprises are considered an external organ of the Government: they are able to manage industries, including crucial infrastructures and natural resources, to ensure the achievement of public policy objectives. In China's critical sectors, SOEs have an administrative monopoly characterized by high barriers to entry, huge investments are required to enter, limiting the entry of both private and foreign companies, so SOEs are the only ones to have access to resources, financing methods and regulatory treatments. By acting as such, the SOEs can improve their already existing ability to share

the regulatory outcomes without exercising a direct legislative authority (Bruner, 2025; SSRN Working Paper, 2025).

Any political authority has not assigned the regulatory influence of the SOEs but comes from their hybrid structural character and economic relevance. Indeed, the concessions given by the State allow them to have continuous access to regulatory processes and the definition of public policies. By combining the commercial and public authority objectives, SOEs are able to operate between public property and market competition, which is not possible for private firms. This situation, therefore, authorises them to interact with regulators and governmental authorities as regulatory subjects and as strategic partners in their economic and industrial strategies (Bruner, 2025; SSRN Working Paper, 2025).

The operational approach grants state-owned firms the power to influence the regulatory results as they play a central role in the process of policies' development. SOEs are not allowed to directly intervene in the law-making processes, but given their technical competencies and knowledge of the sector, they are able to participate in the formal processes of consultation, advisory committees and regulatory authorities. Their importance, particularly in the energy sector, infrastructure and finance, further improves their role in the regulatory disputes since Governments tend to avoid direct intervention in activities that might compromise the economic stability and social welfare (Bruner, 2025; SSRN Working Paper, 2025).

Moreover, the presence of the SOEs in markets highly regulated or characterized by partial monopolistic structures increases their negotiating power. State-owned enterprises contribute to the definition of the regulatory policies, in terms of strict operational rigor and investment strategies. This gradual evolution of the regulatory influence is the result that comes from allowing those firms to affect market laws without officially owning direct legislative power (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

Chapter 2: Governance Structure and Objectives in State-Owned Enterprises

2.1 Ownership Architecture and Control Rights

The ownership architecture is the tool through which public authority is transferred to the company and is translated into concrete decisions influencing incentive mechanisms, strategies and the autonomy of the managers (Adebayo, 2023; Kuznetsova & Kuznetsov, 1999). Governments rarely handle directly the day-to-day operations, indeed, they rely on a system of delegation that distributes authority across multiple levels.

Influence is transmitted through a long chain that starts with political actors of the state ownership and arrives at the board of directors and managers. The presence of several public subjects usually generates coordination challenges, since the responsibilities are distributed among ministries, specialized agencies and public holdings. This fragmentation of control does not allow immediate sovereignty since it requires a more negotiated approach (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

The gap between those who own the company and those who participate in decision-making can create an imbalance similar to the one seen in private firms, however, SOEs are generally stronger due to bureaucratic complexity and political objectives. Even when the State holds most of the shares, its ability to directly influence and execute the corporate strategy depends on the effectiveness of the monitoring mechanisms adopted and the success of these mandates relies on the credibility of the managers.

Different governance structures mean different kinds and degrees of ownership, from highly centralized models to decentralized or holding-based systems. Each structure is different in terms of authority, supervision and information flow, with different transaction costs and magnitude of the State's influence over the company's behavior.

How effective this control does not depend only on the power that the State is able to exercise over the company, but also on how the institutional structure is organized. Indeed, it has to facilitate coordination and communication between those who set the goals and those who manage them, reduce uncertainty and ensure that the managers' decisions are in line with the public objectives (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

2.2. The State as Shareholder vs The State as Regulator

One of the most debated issues related to SOEs concerns the coexistence of ownership and regulatory authority within the same actor (OECD, 2024; Amico, 2019). Indeed, the State is able to act both as shareholders and rule-makers, which makes the process of corporate decisions not only driven by economic considerations, but also by political goals, social responsibilities and, in many cases,

broader strategic interests (e.g., national interests). This overlap in the roles is what makes SOEs different from privately owned enterprises since it creates an intrinsic structural tension within the company.

Additionally, public ownership also affects the incentive system. Private companies' shareholders prioritize profitability and value maximization, but Governments usually prefer to pursue a broader set of goals that include employment protection, price stabilization, industrial development and geopolitical aims. Because of this, firms often face the need to balance commercial efficiency with public policy expectations. This is not always straightforward. Having multiple objectives increases coordination and transaction costs and, at the same time, can also make the managerial goals that the company wants to pursue less clear.

From a governance perspective, SOEs are characterized by principal-agent relationships that are often quite complex. Given the multiple interests and roles of the State, authorities are rarely concentrated in a single entity, indeed the responsibilities are distributed among ministries, ownership agencies, political representatives and corporate boards. This fragmentation can weaken accountability and create coordination problems, particularly in a situation where regulatory decisions affect sectors in which the State also holds equity interests. In this scenario, the Government effectively ends up acting both as supervisor and shareholder, which complicates the decision-making process instead of simplifying it (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

Moreover, this duality in the roles increases the concerns regarding the competitive neutrality. Market participants and investors inevitably question whether Governments are truly acting with impartiality when they regulate the same markets in which they also own firms. Some of the advantages that might arise are softer budget constraints, preferential financing conditions, selective enforcement or favorable access to regulatory treatments. Even when there is no explicit favoritism, the expectations of the support given by the State might influence how the risks are perceived by the other firms in the industry and how firms behave in the market (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

Furthermore, the interaction between ownership and regulation might influence the governance of the SOEs internally. Managers might try to rely on political connections instead of market discipline and regulators might be unwilling to impose strict measures on SOEs since they are perceived as tool to reach national goals. Over time, this dependence might gradually turn regulatory supervision into something closer to a negotiated process, meaning that the rules are not based on impartiality but rather on what is best of the SOEs. Hence, instead of a pure external constraint, this situation further reinforces the links between SOEs and public authorities.

The States' duality should not be simply viewed as a combination of functions. Instead, it is better understood as a different institutional structure in which participation and supervision overlap, shaping incentives, strategic priorities and actual scope of the managerial authority (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

2.3 Board of Directors and Managerial Autonomy

The Board of Directors constitutes the central interaction between state ownership and corporate management. State-owned enterprises are expected to operate as professional and independent bodies that are able to supervise executives, define strategic priorities and ensure accountability, while still maintaining the operational autonomy needed to have an effective performance (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

A well-functioning board is essential to prevent excessive political interference in the day-to-day business decision-making process. According to the guidelines developed by the OECD, the State should exercise its ownership rights through a structured and transparent nomination process, ensuring that the board members have the necessary competencies to monitor management objectively and balance commercial efficiency with public policy objectives. To maintain credibility, increase performance and protect minority shareholders, it is important to clearly separate responsibilities between the ownership entity, the board and the executive management.

However, the formal structure of independence often coexists with more complex forms of influence (Leutert & Vortherms, 2021). The governance of SOEs frequently relies on what can be described as “personnel power”, meaning the appointment, rotation and career incentives given to managers and directors that create indirect channels through which political priorities are transmitted, even without the need for explicit intervention. Therefore, loyalty, reputation among public institutions and future career prospects can play a decisive role in influencing and deciding the managerial strategies that will be adopted (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

As a result, managerial autonomy becomes a relative concept. Even in the presence of formal delegation, executives might internalize governmental expectations, anticipating what political authorities might prefer in order to secure stability, promotion or continued access to resources. The board might function as a conduit between administrative structures and corporate strategies, rather than simply acting as a monitoring body.

The effectiveness of the governance does not depend only on the legal separation between ownership and management, but also on the informal relationships and incentive systems included in the structures used to appoint managers. This combination of independence and political influence

represents a defining feature of state-owned enterprise governance and has important implications for how these firms behave in the markets and interact with regulators (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

2.4 Objectives of the SOEs: Profit vs Public Mission

As already said, state-owned enterprises operate within a governance structure characterized by the coexistence of commercial and public policy objectives (World Bank, 2014; OECD, 2024). Privately owned companies have as their primary goal the maximization of shareholder value, while SOEs are typically entrusted with broader responsibilities that reflect the Government's priorities. These latter include ensuring employment stability, providing essential services, maintaining price control in strategic sectors, promoting industrial development and safeguarding national security interests (OECD, 2016; European Commission, 2016; Kowalski et al., 2013; OECD, 2014).

From a financial point of view, SOEs are expected to maintain both economic sustainability and operational efficiency, in particular when operating in competitive markets. The continuous generation of profits in the long-term has been highly emphasized by the international governance standards, since in the case of persistent losses, SOEs might eventually adopt public finances to cover the debts. However, public services obligations frequently call SOEs to pursue objectives that might not lead to an immediate profit (e.g., investing in infrastructure with a long payback period or operating in less profitable regions to guarantee universal and equal provision of the services). (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

Pursuing social or strategic goals might reduce short-term profitability, but at the same time, excessive efforts put into the financial performances could undermine the correct achievement of the public goals. Therefore, this duality in the mandate generates structural trade-offs. Moreover, this situation raises concerns related to the evaluation of performance and accountability, indeed, success cannot be measured only by analyzing the financial indexes. In order to minimize this distortion and preserve the neutrality of the competition, governance frameworks aim at clarifying those objectives, defining how the structures are considered transparent and distinguishing commercial activities from non-commercial public service functions (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

Therefore, the equilibrium between profit and public mission defines the managerial incentives and board decision-making process, influencing how state-owned enterprises reconcile economic efficiency with public accountability.

2.5 Accountability, Transparency and Reporting

When Governments provide implicit guarantees or allow soft budget constraints (i.e., an economic situation where an organization, generally an SOEs, expects an external actor, like a Government, to cover its financial losses or deficits, usually to prevent bankruptcy), the financial position of the SOEs might directly affect public finances, exposing the State to liabilities that are not always fully reflected in the national budget. Therefore, weak transparency and limited reporting standards in state-owned enterprises could generate significant fiscal and systemic risk (IMF, 2019; OECD, 2010). Insufficient disclosure of financial performances, debt structure or fiscal activities might obscure the real risks and exposures related to the public sector, which will eventually undermine the investors' confidence and also the macroeconomic stability (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

For these reasons, accountability and transparency represent the core pillars of state ownership. International governance frameworks extremely underline the need for clear reporting obligations at both the enterprise and macro-economic level. Effective and efficient accountability requires that SOEs publish audited financial statements, disclose material risk and operate under standardized accounting principles. At the ownership level, Governments are encouraged to provide consolidated reports on the overall performance and fiscal exposure of all their state-owned enterprises, ensuring monitoring by both the parliament and public attention. A clear separation of the ownership functions, regulatory and policy-making roles might further strengthen credibility and reduce most of the conflicts of interest (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

Notice that the importance of transparency becomes crucial in strategic sectors (e.g., extractive industry), where the State's participation is significant and the revenues can be substantial. In this context, disclosure of ownership structure, revenue flows and contractual arrangements is crucial to prevent corruption, political capture and resource misallocation. Consequently, international transparency initiatives, such as the one pursued by OECD and World Bank, have promoted detailed reporting methods to improve public accountability and make sure that the involvement of the State serves the national development goals and not the narrower interests (OECD, 2010; World Bank, 2014; EITI, 2025).

In conclusion, transparency mechanisms are not technical requirements but are institutional safeguards to mitigate financial risk, enhance market confidence and preserve competitive neutrality. Through the clarification and correct appointment of the responsibilities, standardization of the reporting methods and strengthening the supervision, the governance framework aims at accommodating state ownership with financial discipline and public accountability (Boubakri & Saffar; Boubakri, Cosset & Saffar, 2013; IMF, 2019; IMF, 2020).

2.6 Governance Models Across States

Governance structure of state-owned enterprises varies across countries, as it reflects the differences in legal systems, institutional frameworks and policy priorities (Dinh & Nguyen, 2025; OECD, 2024). Multiple pieces of evidence suggest that States adopt a wide range of ownership models, from highly centralized models, where a single ownership entity coordinates and supervises all the State's holdings (e.g., Temasek Holdings in Singapore), to decentralized systems in which ministries directly supervise enterprises in their respective sector (e.g., Enel in Italy). These differences are not just formal, but they affect the clarity of mandates, the level of political coordination and the overall effectiveness of the monitoring mechanisms (Dinh & Nguyen, 2025).

In many OECD economies, reforms over the past decades have focused on making state ownership more professional through the separation of the ownership function from regulatory and policy-making roles. Centralized ownership agencies or holding structures have been introduced in the market to increase transparency, strengthen board independence and limit political interference that might arise in day-to-day decisions. In more fragmented systems, responsibilities are often spread across multiple ministries, which makes coordination more difficult and, in some cases, can also weaken accountability (OECD, 2010; World Bank, 2014; EITI, 2025).

Differences also emerge in board composition and managerial autonomy. Some jurisdictions place greater emphasis on merit-based appointment procedures, the presence of independent directors and a performance-based evaluation system. By doing so, the governance of the SOEs is more closely aligned with private sector standards. In a different situation, however, board appointments remain more closely tied to political hierarchies, which further reinforces State influence over the strategic decision of the company. These differences suggest that governance outcomes depend not only on the presence of public ownership, but also on how ownership rights are exercised within the institutional framework.

Additionally, governance models reflect in some sense the State-capitalism traditions and their development strategies. Developed and developing countries clearly show this distinction. In developed countries, meaning the more advanced economies, SOEs often operate under commercial frameworks with intently defined public service obligations, on the other hand, emerging markets might play a more direct role in industrial policy and national development objectives. Therefore, what differs substantially across those countries are accountability mechanisms, reporting standards and autonomy structures (OECD, 2024; OECD, 2013; Kuznetsova & Kuznetsov, 1999; Adebayo, 2023; Amico, 2019).

Most of the questions related to the governance model adopted, including how ownership translates into control, how boards balance public and commercial goals and how enterprises interact with regulators and competitors, are answered by examining the institutional environment in which the

company endorse. Consequently, governance models must be interpreted and analyzed within while taking into consideration broader political and economic systems, rather than being evaluated through a single universal standard.

Chapter 3: Mechanisms of Market Rule Influence by State-Owned Enterprise

3.1 SOEs as Market-Shaping Actors

Scholars consider the SOEs to be autonomous institutional actors that combine both political and market systems. Indeed, SOEs take part in institutional works, including contributions to the creation, maintenance and transformation of rules, laws and practices that control economic activities. To underline this concept, there is the fact that SOEs have usually been an instrument used by the Governments to actively intervene in the economy, correct market failures or pursue public policy objectives. With this picture in mind, it is possible to say that SOEs do not just acquire the passive benefits from State directives but also possess a fair degree of agency and capabilities to actively influence the institutional environments in which they operate. Their hybrid nature positions them between public authority and market competition, enabling them to operate not only as regulated entities but also as participants that are capable of shaping the regulatory framework (Butzbach et al., 2022).

Indeed, those companies not only adapt to pre-existing market conditions but also actively influence market structures and outcomes. SOEs can intentionally shape markets by affecting key elements such as value creation processes, network configurations and institutional arrangements. These actions suggest that market structures are not external but are the result of ongoing interactions among strategic internal actors. Additionally, firms' operations have the capacity to generate consequences at the market level, including shifts in competitive structures, changes in industry standards and the redefinition of market boundaries (Nenonen et al., 2022).

When these ideas are combined, SOEs take on the form of a unique type of market-influencing actor. Unlike private companies, which are driven by strategic and competitive motives, the relationship that SOEs have with the States adds an extra layer of institutional complexity. This dual positioning enhances their ability to influence market mechanisms and regulatory settings simultaneously.

For all those reasons, SOEs can be described not only as participants in economic exchanges, but as entities that are capable of designing the evolution of market rules through their economic behaviors, strategic decisions and institutional interaction.

3.2 Competitive Distortion and Market Outcomes

The concept of competitive neutrality, as outlined by the Organization for Economic Cooperation and Development (i.e., OECD), emphasizes that firms competing in the same market should operate under equal conditions, without perks from ownership or regulation. However, when a state-owned enterprise (SOE) enters a competitive market, significant distortions might arise that change both market dynamics and outcomes. Their role is justified only because they can address market failures

and pursue public policy goals, but their structural features and institutional support might create asymmetries that give them advantages over private firms. When the principle of competitive neutrality is ignored, SOEs can benefit from preferential access to financing, implicit State guarantees, or regulatory advantages, which negatively influence competitive conditions and market performance (OECD, 2011).

These advantages can translate into concrete distortions at the market level. One of the most relevant mechanisms concerns the ability of the State-supported firms to operate under conditions that would be unsustainable for private competitors. Public support, whether direct or indirect, might allow inefficient firms to remain active in the market, contributing to structural overcapacity and reducing the overall efficiency of resource allocation. Subsidiaries, indeed, might prevent the exit of less productive firms, particularly in declining industries, consequently intensifying price competition and generating “cut-throat” market conditions (Sleuwaegen, 1999). In this scenario, competition does not necessarily lead to efficiency gains, but rather to a misallocation of resources and persistence of low-productivity structures.

In addition to these structural effects, State-support can also influence firms’ strategic behavior. Access to public resources might enable SOEs to adopt aggressive pricing strategies, including predatory pricing practices aimed at deterring entry or forcing competitors out of the market. Since those strategies require the capacity to absorb short-term losses, the availability of State support becomes a critical competitive advantage. For those reasons, potential entrants might feel discouraged from entering the market and existing competitors might face increased financial pressure, which might ultimately lead to the reduction of competition and higher market concentration in the long run. Therefore, what can be considered an initial advantage of the SOEs might ultimately turn into sustained distortions of competitive processes (Sleuwaegen, 1999).

Furthermore, the impact of SOEs on market outcomes is closely linked to the institutional and regulatory environment in which they operate. Distortive effects are more pronounced in the context characterized by a weak regulatory framework, limited competition and insufficient governance standards (World Bank, 2014). Therefore, an amplification of the inefficiencies, reduction of transparency and the obstruction of the proper functions of market mechanisms might result from the combination of state ownership and institutional weaknesses. Contrarily, in a more advanced institutional setting, the enforcement of competitive neutrality principles and robust governance standards is able to mitigate these distortions and align SOEs’ behavior more closely with market-based incentives.

The interaction between State support, market structure and institutional context, when associated with SOEs, can generate competitive distortions. Rather than being inherent to public ownership per

se, these biases depend on the degree to which those SOEs benefit from advantages that alter competitive conditions and influence strategic behavior.

3.3 Sectorial Dominance and Rule Formation

As already discussed, state-owned enterprises (SOEs) tend to concentrate their operations in sectors characterized by high relevance, such as energy, infrastructure, finance and natural resources. These industries usually have some characteristics such as high capital intensity, significant barriers to entry and strong links with national economic stability and security. Moreover, SOEs account for a substantial share of economic activity in these sectors, often occupying dominant or quasi-monopolistic positions within the domestic markets (OECD, 2024; OECD, 2016). This concentration cannot be considered accidental, indeed it reflects intentional State strategies aimed at maintaining control over critical assets and ensuring the supply of essential services.

The strategic importance of these sectors implies that SOEs play a central role not only in economic production but also in the extensive functioning of national economies. In the European context, for instance, state-owned enterprises have historically been considered key actors in the post-crisis recovery strategies and continue to operate in areas that are considered vital for long-term development and public welfare (European Commission, 2016). Similarly, global evidence suggests that SOEs are frequently used as instruments of industrial policy in order to facilitate investments in infrastructure, support strategic industries and provide short-term market incentives (Kowalski et al., 2013). Their economic weight and policy relevance position them at the core of the sectoral ecosystem.

This sectoral dominance generates a structural proximity between SOEs and public authorities, which, therefore, goes beyond the mere formal relationship of ownership. Indeed, Governments often rely on these enterprises that work as key operational partners to support the implementation of economic and industrial strategies, while creating a continuous interaction between corporate decision-making and public policy processes. As a result, SOEs gain privileged access to regulatory discussions and policy design, not necessarily through direct legislative authority, but through their roles as indispensable actors inside the strategic sectors. This dynamic has been described largely as a form of indirect regulatory influence by which SOEs contribute to the design of the institutional environment through their inclusiveness in both economic and administrative structure (Bruner, 2025; SSRN Working Paper, 2025).

The transition from sectoral dominance to rule formation occurs through multiple channels. First, the operational scale and technical expertise of SOEs allow them to provide critical input in the drafting and implementation of sector-specific regulations. Their deep knowledge of industry dynamics makes

them key contributors in consultation processes, advisory bodies and regulatory agencies. Second, the alignment between regulators and enterprises often leads to the design of regulatory frameworks that are consistent with the operational models and investment strategies of SOEs. Third, in sectors characterized by limited competition or high entry barriers, the behavior of dominant SOEs might by itself establish actual market standards, influencing pricing mechanisms, technological choices and industry practices.

Hence, the ability of SOEs to shape market rules derives from the structural position they hold within strategically important sectors and their close interaction with public authorities, rather than their formal legislative power. Sectoral dominance, therefore, represents just a key mechanism used to transform economic power into institutional influence, which allows SOEs to participate in the definition of regulatory frameworks and the evolution of market structure.

3.4 Institutional Embeddedness in Regulatory Processes

State-Owned Enterprises (SOEs) are not only economic actors operating within markets but are also deeply incorporated within the institutional and regulatory frameworks that govern those markets. This embeddedness originates from their dual nature, as they are subjected at the same time to both State regulation and are directly connected to it through the ownership and strategic supervision. Therefore, SOEs are often part of the political and administrative networks, which allows them to interact continuously with policymakers and regulatory authorities. Rather than operating as external stakeholders, they often act from within the institutional environment itself, contributing to both the design and implementation of regulatory processes (Okhmatovskiy, 2020).

This structural embeddedness is reinforced by the overlapping roles of the State as both owner and regulator. Governments exercise control over SOEs through ownership rights while also defining the regulatory frameworks within which these companies operate. Those two functions represented by one entity might obscure the limits between regulatory oversight and corporate governance (OECD, 2024; OECD, 2024). In such a scenario, since their strategic decision are often coordinated with broader governmental agendas, SOEs might be able to benefit from the close links they have with the policy objectives and regulatory priorities.

Moreover, SOEs are frequently used as tools for the implementation of public policies, especially in important sectors for economic development and social welfare. Their involvement in infrastructure development, energy provision and financial intermediation makes them play a central role exploited by the Government to execute their strategies. In sectors where private sector participation is limited or where long-term investments are required (e.g., infrastructure and energy), Governments strongly depend on SOEs to implement national policy objectives. This functional role further reinforces their

embeddedness because it requires ongoing coordination with regulatory bodies and public institutions (OECD, 2015; World Bank, 2014).

The integration of the SOEs into regulatory processes also has important implications in terms of how the rules are designed and implemented. Their technical expertise, sector-specific knowledge and operational scale make them relevant contributors to policy discussions, consultations and advisory mechanisms. In many cases, regulators depend on the information and capabilities of SOEs to design effective rules, particularly in complex and capital-intensive industries. At the same time, this close interaction might generate asymmetries in accessing decision-making processes, as SOEs might have privileged channels of communication compared to private companies (World Bank, 2014; International Monetary Fund, 2020).

By operating in the middle between economic activity and public governance, these enterprises are able to participate in policy formulation and implementation in ways that go beyond the role of standard market actors. Therefore, institutional embeddedness represents a mechanism used by SOEs to influence regulatory processes. This embedded position does not necessarily imply direct control over regulatory outcomes, but it facilitates indirect influence through continuous interaction, information exchange and alignment with State objectives.

3.5 Market Power vs Regulatory Power

Traditionally, market power refers to the ability of firms to influence prices, output and competitive dynamics within a given industry and regulatory power is about the capacity to influence the rules, policies and institutional frameworks that govern those markets. In the case of SOEs, these two forms of power are often closely interconnected, indeed economic dominance can be translated into increased influence over regulatory processes. This is the reason why, the relationship between market power and regulatory power is a critical topic that needs to be addressed to understand the influence of state-owned enterprises (SOEs) in the modern economic systems.

From a market perspective, SOEs frequently operate in sectors characterized by high barriers to entry and strategic importance, such as energy, infrastructure and finance. Their scale, State backing and long-term investment capacity often allow them to achieve and sustain dominant positions within domestic markets. However, unlike private firms, their competitive behavior cannot be fully understood in isolation from the institutional context in which they operate. The reinforcement of competition law, indeed, might not always be fully neutral in the presence of state-ownership, as regulatory authorities might face political and economic incentives to protect and support state-controlled firms (OECD, 2018). This might result in an asymmetric application of the antitrust rules,

which reinforces the market position of the SOEs and potentially limits the effectiveness of the competitive mechanisms.

The existence of a high market power held by just one firm creates the conditions for the creation of regulatory power. Indeed, due to their significant economic power, firms are more likely to have access to policymakers, participate in regulatory consultations and influence the design of industry-specific rules. In the context of SOEs, this dynamic is amplified by their institutional proximity to the State. Governments might rely on these enterprises not only because they are market players, but also as strategic partners for the formulation and implementation of economic policies, meaning that they act as consultants. As a result, SOEs can exercise a non-indifferent influence over regulatory processes through both formal and informal channels, contributing to what has been defined as “undue influence” in policymaking (OECD, 2023).

Firms with stronger links with the Government institutions tend to benefit from potential access to resources, regulatory advantages and policy support, which might enhance their overall performance and strategic positioning (Deng et al., 2024). In the specific case of SOEs, those connections are intrinsic rather than incidental, indeed, through the ownership, a direct link between the enterprise and the State is created. This relationship further reduces the separation between their role as market participants and their ability to influence policies, therefore, the context allows SOEs to operate simultaneously as economic agents and quasi-institutional actors.

Bearing in mind that the interaction between market power and regulatory power does not imply direct control over regulatory outcomes. It reflects the process used to facilitate access, information exchange and alignment with policy objectives, therefore, to increase the economic significance. Through their participation in consultation, advisory bodies and industrial governance structures, SOEs might indirectly be able to shape the evolution of regulatory frameworks. This influence is often narrow and implanted within institutional processes, making it less visible than traditional forms of market dominance but equally relevant in determining market outcomes.

Different from private firms, the interaction between market and regulatory power shows the mechanism that allows the SOEs to exercise their influence beyond the conventional competitive dynamics. Their ability to combine economic strength with institutional proximity allows them to operate between markets and governance, contributing not only to the correct function of economic systems but also to the definition of the rules that structure them.

3.6 Cross-Border Influence and Global Market Rules

State-owned enterprises (SOEs) are extending their influence beyond the domestic market through cross-border investments, strategic alliances and participation in the international value chains and

they are able to insert themselves into the international environment. This expansion not only affects firm-level strategies, which must include growth and diversification, but also needs to be in line with State objectives in terms of economic diplomacy and geopolitical positioning. Also in this case, SOEs play two roles (economic and institutional players) that contribute to the definition of market dynamics and regulatory environment across national borders.

A strategy used to exercise cross-border influence is the establishment of international alliances and partnerships. Foreign firms, indeed, often exploit the role that SOEs cover in order to easily gain access to local markets, benefit from institutional support and reduce the exposure to political and regulatory risks (Huang et al., 2023). In this scenario, SOEs work as an intermediary between the domestic institutional environment and global investors, which facilitates entry into complex markets while simultaneously extending their own influence abroad. Through joint ventures and collaborative agreements, they are able to transfer capital, capabilities and institutional practices and governance models, while also participating in the contribution to the diffusion of market laws across countries. Beyond firm-level interactions, SOEs also play a strategic role in advancing the international economic objectives of their home States. This growth of the SOEs' transnational presence is closely linked to the geopolitical ambitions of their home countries, reinforcing their role as vehicles of State influence in the global economy. SOEs operate as extensions of the State's strategy, meaning they do not pursue purely profit-maximizing goals, and this is extremely evident when large-scale investment and transnational infrastructure initiatives are followed. Governments, indeed, might use SOEs to secure access to critical resources, develop infrastructure in foreign markets and strengthen economic ties with partner countries, therefore as instruments to leverage foreign economic policy (SIM, 2024). The combination of international expansion and strategic alignment with State objectives enables SOEs to contribute to the formation of global market rules. Their involvement in cross-border projects, participation in international partnerships and interactions with foreign regulatory environments create opportunities to influence standards, practices and governance frameworks beyond national jurisdiction. This influence is often indirect, emerging through the diffusion of operational models, contractual arrangement and institutional law embedded in cross-border collaborations. Over time, those processes might be able to shape the evolution of the global market structures, in particular, the one linked to the sectors where SOEs play a dominant role.

3.7 Efficiency, Distortion and Regulatory Trade-offs

The role of the state-owned enterprise (SOEs) in modern economies is inherently characterized by a fundamental trade-off between efficiency gains and potential market distortions. While SOEs might

be able to generate significant economic and social benefits, in particular in strategic sectors, their close relationship with the State might also create inefficiencies and distort competitive dynamics. By supporting long-term investments, ensuring the provision of essential services and stabilizing economic activities during periods of crisis, SOEs are able to increase economic efficiency. Their capacity to operate with longer timeframes, which are combined with access to State resources, allows them to pursue large-scale projects in infrastructure, energy and finance that might be perceived as unattractive to private investors. Indeed, SOEs can play a critical role in promoting economic developments, especially in contexts where market failure or coordination problems limit private sector participation (OECD, 2016; World Bank, 2014). Moreover, they might contribute to macroeconomic stability by acting as countercyclical instruments, supporting investments and employment during economic downturns (International Monetary Fund, 2020).

On the other side, the same features that enable SOEs to deliver these benefits might also generate distortions and inefficiencies. State ownership might lead to soft budget constraints, preferential access to financing and reduced exposure to competitive pressure, which might weaken incentives for efficiency and innovation. In addition, the enforcement of competition rules may be less stringent in the presence of state-owned firms, creating asymmetries between public and private actors (OECD, 2011; OECD, 2018). These distortions can affect market entry, pricing mechanisms and resource allocation, ultimately leading to the reduction of the overall economic efficiency. State ownership, moreover, might also influence corporate risk-taking and financial decisions in ways that deviate from purely market-driven behavior (Boubakri et al., 2013).

Regulatory frameworks must be carefully designed to ensure that state ownership does not translate into undue competitive advantages or regulatory biases. The coexistence of efficiency-enhancing and distortion-generating effects gives space for a complex regulatory trade-off. Indeed, policymakers must be able to balance strategic and social objectives, pursued through the exploitation of SOEs, with the need to preserve fair competition and efficient market functioning. This challenge is extremely relevant in sectors where SOEs play a dominant role and where their players might significantly influence the market structures.

In response to these challenges, international institutions have underlined the importance of governance mechanisms that aim at mitigating the risk associated with state ownership. Already introduced principles, such as competitive neutrality, have the objective of ensuring that SOEs operate under conditions that are comparable to those of private firms, limiting distortions and promoting an adequate level playing field (OECD, 2011). At the same time, governance frameworks continuously stress the need for a clear separation between the state's ownership and regulatory functions, to enhance transparency and strengthen accountability mechanisms (OECD, 2024; OECD, 2023). These

measures are intended to reconcile the economic and social roles of SOEs with the requirements of efficient and competitive markets.

In conclusion, the impact of SOEs depends on the institutional and regulatory environment in which they operate and cannot be assessed in just two terms as either beneficial or harmful. When properly managed, SOEs are able to successfully contribute to economic development and market stability without harming the competition. However, without the introduction of adequate safeguards, SOEs might be able to generate distortions that undermine both competition and efficiency. The key challenge for policymakers is, therefore, to manage this trade-off carefully and effectively, ensuring that the realization of the advantages that come with state ownership while minimizing the potential negative effects on market outcomes.

3.8 Integrated Framework of SOE Market Influence

To recap, the analysis developed throughout this chapter highlights that SOEs cannot be fully understood through a single analytical dimension. Indeed, the influence that they can exercise on markets comes from the interaction of multiple mechanisms that jointly shape economic outcomes and institutional structures. Based on the previous sections, this paragraph proposes an integrated framework to define the SOEs as hybrid actors that operate between market dynamics and regulatory processes.

The core of this framework is the interaction between three fundamental dimensions. Starting with the first one, economic power refers to the ability of an SOE to affect market structure using its scalability, strategic position and the capacity to finance long-term investment. As already discussed, SOEs often operate in sectors characterized by strategic importance and high barriers to entry, these aspects, despite discouraging entrance by other players, allow them to reach dominant positions and influence competitive dynamics. This economic dimension is considered the baseline on top of which the other forms of influence are built.

The second element is about the institutional embeddedness that analyzes how the structure of the SOEs is integrated within the State's organs. Differently from private firms, SOEs are able to maintain direct and continuous relationships with public authorities, which place them within policy-making and administrative networks. The embeddedness allows this kind of company to have continuous access to information, to coordinate itself with Government strategies and take an active part in regulatory processes. In this context, the distinction between regulator and regulated entity becomes more subtle. As a result, SOEs are external actors reacting to rules, but are also participants in the institutional environment and processes in which those rules are formed.

The third point concerns the regulatory influence defined as the capacity of SOEs to influence the rules that govern market activities. This bias is not necessarily direct, indeed, it might also be exercised through indirect channels (e.g., participation in consultations, provision of technical expertise and alignment with public policy objectives). As already mentioned in the previous sections, the combination of economic importance and close institutional ties allows SOEs to play an active role in the design and adaptation of regulatory frameworks, making the boundaries between market power and rule-making processes less clear.

These three dimensions are not independent but are mutually reinforcing. Economic power, indeed, facilitates access to policymakers and strengthens institutional embeddedness, this latter increases the ability of the SOE to influence regulatory processes, which further consolidates its economic positions within markets. This dynamic is circular, therefore, it creates a loop that makes SOEs able to extend their influence over time, ultimately affecting both market structure and institutional arrangements.

The framework also underlines the option of influencing a market beyond the domestic one. SOEs contribute to the diffusion of standards, practices and laws at a global level through cross-border investments and international partnerships, which reinforce their role as transnational actors. This extension fortifies the link between economic and regulatory influence, indeed, the advantages developed in the domestic institutional environments can also expand into global markets.

Finally, the impact of SOEs depends on the governance mechanisms that regulate the interaction between economic power and institutional influence. The framework, indeed, integrates the trade-off between efficiency and distortion that is associated with state ownership. On one side, SOEs generate significant benefits in terms of stability, long-term investments and strategic coordination, but their embeddedness and influence also create risks in terms of competitive distortions and regulatory bias. By combining economic, institutional and regulatory dimensions, the framework captures the complex and dynamic nature of SOEs' influence, underlining how they operate as market participants but also as actors that are able to shape the rules and structure of the economic system. In conclusion, this integrated framework provides a complete tool through which it is possible to analyze the role of SOEs in today's markets.

Chapter 4: The Case of the Government Pension Fund Global

4.1 Background and Institutional Context

The Government Pension Fund Global (GPFG) is one of the most noticeable examples of state-owned investment funds employed in global financial markets. The GPFG has the objective of mitigating the economic risks associated with resource dependence, commonly referred to as the “resource curse”, therefore, it should be interpreted within the broader framework of natural resources funds. Indeed, it was established by the Norwegian Government in 1990 and was designed to manage revenues from the country's petroleum sector, with the ultimate aim of transforming non-renewable natural resource wealth into long-term financial assets (Dymitrowska, 2023).

Thus, the primary goal of the fund is to maximize long-term financial returns while preserving wealth for future generations, meaning that it reflects an explicit intergenerational perspective in the management of the public resources (Norges Bank Investment Management). Instead of being used as a tool for short-term fiscal intervention or industrial policy, the fund is structured to operate as a long-term financial investor with a global and diversified portfolio. This orientation further contributes to the macroeconomic stability and supports sustained investment over time, reinforcing its role as a saving mechanism within the Norwegian economic system (Dymitrowska, 2023).

From an institutional perspective, the GPFG is fully owned by the Norwegian State, but its operational management is delegated to Norges Bank Investment Management (NBIM), which works as a specialized unit within the central bank. The Ministry of Finance is responsible for defining the overall investment mandate, including strategic decisions within these predefined guidelines (Norges Bank Investment Management). This institutional arrangement has been made to ensure a clear separation between political ownership and technical management, which is widely regarded as a key factor in enhancing the credibility and efficiency of the fund.

In addition to its financial objectives, the GPFG is also characterized by a strong commitment to transparency, accountability and responsible investment practices. In support of this, there is the law that obligates the fund to publicly disclose its holdings and follow strict ethical guidelines, including active ownership and monitoring of the companies in which it invests (United Nations Office on Drugs and Crime). Since the fund has a significant presence across global equity and bond markets, its scale further reinforces its relevance, indeed it is widely recognized as one of the largest sovereign wealth funds in the world (SWF Institute).

In conclusion, the GPFG represents a distinctive model of state ownership in which public capital is managed according to market-oriented principles and it is able to combine long-term financial objectives with a high degree of institutional transparency and governance discipline.

4.2 Governance Structure and Objectives

The governance structure of the Governance Pension Fund Global (GPFG) is widely regarded as a key determinant of its effectiveness and its ability to operate in line with the market principles. At the core of this structure lies a clear institutional separation between political authority and operational management, which distinguishes the GPFG from many other state-owned investment entities. While the Norwegian Ministry of Finance formally owns the fund and defines its strategic frameworks, including the investment mandate and risk parameters, the day-to-day management of the fund is delegated to Norges Bank Investment Management (NBIM), which must operate with a significant degree of professional autonomy (Ministry of Finance; Norges Bank Investment Management).

This separation ensures that political objectives do not directly interfere with the individual investment decisions, consequently the aim is to align the behaviour of the fund with that of a long-term institutional investor. The investment strategy explicitly defines the objectives, permissible asset classes and risk tolerance of the fund, creating a structured framework within which the NBIM is able to operate independently while remaining accountable to public authorities (Ministry of Finance). Such a model reflects a governance approach in which the State acts primarily as an owner setting strategy guidelines, rather than as an active manager influencing operational choices.

As already mentioned, the primary objective of the GPFG is to maximise long-term financial returns subject to an acceptable level of risk, which is in line with its intergenerational mission of preserving national wealth (Carney, 2017; Norges Bank Investment Management). This goal reinforces the fund's role as a financial investor rather than an instrument of industrial or political policy. In this sense, the GPFG differs significantly from other forms of state ownership, as it does not pursue direct control over firms nor aims at achieving sector-specific policy goals, but instead operates through diversified portfolio investments across global markets.

In addition to its financial policy, the governance framework of the GPFG is characterized by a high degree of transparency and accountability. The fund, indeed, is bound to strict reporting requirements and is obliged to publicly disclose detailed information about its investments, as a contribution to its own credibility in international markets (United Nations Office on Drugs and Crime; Centre for Public Impact). Furthermore, the integration of ethical guidelines into the investment process, including active ownership practices and monitoring of corporate behaviour, reflects an effort to combine financial performance with responsible investment principles.

From a broader perspective, the GPFG can also be understood within the theoretical framework of sovereign wealth and natural resources funds, where effective governance plays a crucial role in transforming resource revenues into stable and productive financial assets (Dymitrowska, 2023). In this context, the Norwegian model demonstrates how strong institutional design, characterized by

interdependence, transparency and clearly defined objectives, might mitigate the risks typically associated with state ownership, such as political interference or market distortions.

Therefore, the governance structure and objectives of the GPFG contribute to shaping a model of state ownership that is largely compatible with competitive market dynamics. By combining political oversight with operational independence and a clearly defined financial mandate, the fund is able to operate in a manner that closely resembles that of a private institutional investor, thus limiting potential distortion and reinforcing its role as a market-conforming State actor.

4.3 Investment Strategies and Market Behavior

The investment strategy of the Government Pension Fund Global (GPFG) is closely aligned with its objective of maximizing long-term financial returns while maintaining an acceptable level of risk. This strategy is fundamentally shaped by the fund's unique characteristics, particularly its large size, long investment horizon and absence of short-term liquidity constraints. As a result, the GPFG is able to adopt a long-term, globally diversified investment approach that distinguishes it from many other market participants (Norges Investment Management, 2023; Ministry of Finance, 2010).

At the core of the fund's investment strategy lies a high degree of diversification across asset classes, geographical region and sectors. The GPFG primarily invests in listed equities and fixed-income securities, complemented by real assets (e.g., real estate) with the objective of spreading risk and capturing global economic growth. This diversified portfolio structure is consistent with modern portfolio theories, according to which broad diversification reduces exposure to idiosyncratic risk and enhances long-term return (Ministry of Finance, 2010). The global nature of the fund's investments further reinforces its ability to mitigate country-specific risks, contributing to the overall portfolio stability.

In terms of implementation, the GPFG combines elements of passive and active management. A significant portion of the portfolio is managed through a market-index-based approach, ensuring broad exposure to global financial markets at relatively low costs. At the same time, the fund engages in selective active strategies aimed at generating excess returns, including security selection and strategic allocation adjustments (Norges Bank Investment Management, 2023). This hybrid approach allows the GPFG to balance efficiency with opportunities for value creation, leveraging its scale and informational advantages.

In recent years, the investment strategy of the GPFG has also evolved to include new asset classes, particularly through the gradual introduction of unlisted investments. While historically focused on highly liquid publicly traded assets, the fund has explored opportunities in private markets, such as unlisted equities, in order to enhance diversification and access additional sources of returns (Norges Bank Investments Management). This evolution reflects the fund's capacity to adapt its strategy in

response to changing market conditions, while maintaining a strong emphasis on risk management and transparency.

From a behavioral perspective, the GPFG operates in a manner that closely resembles that of a large institutional investor rather than a traditional state-owned enterprise. It typically holds minority stakes in thousands of companies worldwide and does not seek direct control over corporate decision-making (Norge Bank Investments Management). Instead, the fund exerts influence primarily through active ownership practices, such as voting at shareholders' meetings and engaging with firms' governance and sustainability issues. This approach minimizes the risk of market distortion and avoids the use of ownership as a tool for industrial policy (United Nations Office on Drugs and Crime).

Additionally, the investment strategy and market behavior of the GPFG reflect a model of state ownership that is largely consistent with market-oriented principles. By exploiting its long-term horizon and large-scale and global diversification, the fund is able to absorb short-term market volatility while maintaining a stable and disciplined investment approach. This further reinforces its role as a market-conforming investor and supports the broader conclusion that, under appropriate governance structures, state-owned investment entities can operate without significant distortions (Dymitrowska, 2023).

4.4 Mechanisms of Market Influence

The impact of sovereign wealth funds on competition and market functioning has been widely debated in the economic literature, as state ownership might potentially generate distortions through preferential treatments, political influence or strategic behavior. However, the case of the Government Pension Fund Global provides a significantly different perspective as its design and operational model is geared to mitigate many of these risks. In particular, the GPFG operates in a manner that is largely consistent with market-oriented principles, consequently limiting its potential to distort competitive dynamics (Dymitrowska, 2023).

From a theoretical standpoint, sovereign wealth funds might be able to influence markets through their size, investment strategies and interaction with macroeconomic policy frameworks. In the Norwegian case, the GPFG plays a crucial role in supporting fiscal stability and countercyclical policy, contributing to the efficient management of public expenditure and smoothing economic fluctuations (International Monetary Fund; European Department, 2025). This macroeconomic function indirectly enhances market stability by reducing volatility and uncertainty, creating a more predictable environment for private investors.

At microlevel, the GPFG's behavior as a diversified, long-term investor contributes and minority shareholdings across thousands of firms, reduces the likelihood of direct control or market dominance (Norge Bank Investment Management; Norge Bank Investment Management, 2023). Instead of exerting influence through ownership concentration, the fund operates primarily through market participation, providing liquidity and supporting price discovery mechanisms. Empirical evidence suggests that large institutional investors employing advanced trading strategies, including algorithmic trading, might enhance efficiency and liquidity, thereby improving overall market quality (Jarallah, 2025).

Furthermore, the GPFG exerts influence through responsible investment practices and active ownership, rather than through direct intervention or strategic control. By engaging with firms on governance, environmental and social issues and by exercising voting rights, the fund contributes to the diffusion of higher corporate governance standards without distorting competitive conditions (Nguyen et al. 2024; United Nations Office on Drugs and Crime). This form of influence is indirect and operates through market mechanisms, aligning with the behavior of large private institutional investors.

Nevertheless, the scale of the GPFG introduces potential concerns related to its systemic importance. As one of the largest investors globally, its portfolio decisions might have broader market implications, particularly in terms of asset pricing and capital allocation. While these effects are generally not the result of intentional market manipulation, they highlight the structural influence that very large institutional investors can be able to exercise on the global financial market. However, the governance framework and transparency requirements under which the GPFG operates significantly reduce the risk that such influence translates into an unfair competitive advantage (Centre for Public Impact).

The empirical evidence, therefore, suggests that the GPFG does not distort competition in the traditional sense associated with state-owned enterprises, but it contributes to market stability, liquidity and governance improvements through its scale, long-term orientation and responsible investment approach. This case supports the broader conclusion that the competitive impact of state ownership is not determined solely by ownership itself, but rather by the institutional design, governance structure and strategic objectives of the entity involved.

4.5 Impact on Competition

The impact of the Government Pension Fund Global (GPFG) on competition must be assessed by considering both its macroeconomic role and its behavior as a global institutional investor. Unlike traditional state-owned enterprises, which might directly compete in product markets, the GPFG operates primarily within financial markets, implying that its effects on competition are largely

indirect. In this respect, its influence depends less on ownership per se and more on its scale, investment strategy and integration within Norway's broader fiscal framework.

From a macroeconomic perspective, the GPFG plays a crucial role in stabilizing the Norwegian economy, thereby indirectly supporting competitive market conditions. By channelling petroleum revenues into a diversified financial portfolio and enabling counter-cyclical fiscal policies, the fund reduces economic volatility and mitigates the risks typically associated with resource-dependent economies (International Monetary Fund, European Department, 2025). This stabilization function contributes to a more predictable business environment, which is essential for fair competition as it limits the distortions that might arise from macroeconomic instability and fiscal imbalances.

At the same time, the sheer size of the GPFG introduces potential systemic implications. As one of the largest sovereign wealth funds globally, the GPFG holds a substantial share of global equities and fixed-income securities, reflecting its extensive presence across international financial markets (Norges Bank Investment Management, 2026). The fund's broad portfolio allocation, characterized by a dominant share of equities and a significant exposure to fixed-income assets, implies that its investment decision might influence asset prices and capital allocation patterns, not through deliberate market power, but as a structural consequence of its scale. In this sense, the GPFG might be considered a "systemically important investor" whose actions might have ripple effects across markets.

However, these effects do not translate into conventional forms of competitive distortion since the GPFG typically holds the minority stakes in a large number of firms and does not seek controlling ownership or direct involvement in corporate management (Norges Bank Investment Management; Norges Bank Investment Management, 2023). This investment approach limits the risk of crowding out private competitors or influencing market outcomes through strategic control. Instead, the fund's presence is primarily associated with enhanced market liquidity and improved price discovery, consistent with the behavior of large diversified institutional investors (Jarallah, 2025).

Moreover, the GPFG exerts influence through governance and ethical standards rather than through market dominance. The Norwegian government has established a comprehensive framework of ethical guidelines and active ownership practices, which include monitoring corporate conduct and excluding firms that do not meet specific environment, social and governance (ESG) criteria (Ministry of Finance, 2024). This form of influence operates through market-based mechanisms and aims at improving corporate behavior rather than distorting competition. Empirical evidence further suggests that such responsible investment strategies might generate measurable effects on a firm's practices without compromising market efficiency (Nguyen et al., 2024).

Nevertheless, the scale and visibility of the GPFG raise important considerations regarding its broader impact on global financial markets. While its governance structure and transparency requirements

significantly reduce the risk of opportunistic behavior, its large portfolio adjustments might still affect capital flows and short-term price dynamics. These effects, however, are generally unintended and reflect the structural role of large institutional investors rather than a deliberate attempt to gain a competitive advantage.

Therefore, the available evidence indicates that the GPFG does not distort competition in the traditional sense associated with state ownership. On the contrary, its role in stabilizing the macroeconomic environment, enhancing market liquidity and promoting higher governance standards suggests that its impact on competition is largely neutral or even positive.

4.6 Evaluation through Analytical Frameworks

This section applies the analytical framework introduced in section 3.8 to evaluate the impact of the Government Pension Fund Global (GPFG) on competition. In particular, the analysis is grounded in the concept of competitive neutrality, which requires that firms operate on a level playing field regardless of ownership structure, ensuring that no undue advantages arise from State involvement (Organization for Economic Co-operation and Development [OECD]). By assessing the GPFG across key dimensions such as market distortion, barriers to entry, access to finance and regulatory influence, it is possible to determine whether the fund behaves as a market-conforming or market-distorting state actor.

With respect to competitive neutrality, the GPFG exhibits a high degree of alignment with market principles. Its governance structure ensures a clear separation between political ownership and operational management, thereby limiting the risk of political interference in investment decisions (Ministry of Finance, Norges Bank Investment Management). Moreover, the fund invests globally and holds minority stakes in numerous firms, therefore it is able to avoid direct control and reduce the likelihood of preferential treatment. This suggests that the GPFG operates under conditions that are broadly consistent with the OECD's definition of a level playing field.

In terms of market distortion, the evidence indicates that the GPFG's impact is limited, indeed, unlike many state-owned enterprises, the fund does not benefit from existing explicit subsidies, regulatory protection or privileged access to domestic markets. Its investment strategy is primarily driven by financial objectives and risk-return considerations, rather than political or strategic goals (Norges Bank Investment Management, 2023; Dymitrowska, 2023). As a result, its activities do not appear to distort prices or crowd out private competitors in a systematic way. On the contrary, its diversified and long-term investment approach actively contributes to market efficiency and stability.

Concerning the barriers to entry, the GPFG does not operate in the product market and therefore does not directly affect the ability of other firms to enter or compete within specific industries. Its role as a financial investor implies that it does not create structural barriers or engage in exclusionary

practices, which distinguishes it from other forms of state ownership where firms might be able to leverage their position to restrict competition. Instead, the GPFG's presence is generally associated with increased market participation and liquidity (Jarallah, 2025).

The issue of access to finance represents a more complex and detailed dimension. In principle, state ownership, given also its backing by the Norwegian government, could provide the GPFG with advantages in terms of capital access, however, there is little evidence that such advantages are used in a way that distorts competition. The fund, indeed, operates under strict investment guidelines and transparency requirements, which constrain opportunistic behavior and align its activities with market standards (Norges Bank Investment Management, 2026; Centre for Public Impact). Consequently, any potential advantage related to its sovereign backing does not translate into unfair competitive outcomes.

Finally, for what concerns regulatory influence, the GPFG does not directly shape market rules or benefit from preferential regulatory treatment, instead, the fund is able to exercise a form of indirect influence through its active ownership and responsible investment practices. By promoting environmental, social and governance (ESG) standards and engaging with firms on corporate behavior, the fund contributes to the diffusion of best practices across the market (Nguyen et al., 2024; United Nations Office on Drugs and Crime). This type of influence operates through market mechanisms and tends to enhance, rather than distort, competitive conditions.

Therefore, given its high degree of competitive neutrality, combined with limited evidence of market distortion, absence of barriers to entry and only indirect form of influence, the fund has an impact on competition that is largely neutral or even positive. Additionally, the application of the analytical framework suggests that the GPFG might be characterized as a market-conforming state actor. Hence, these findings reinforce the broader conclusion that the effect of state ownership depends primarily on governance design and institutional context, rather than on ownership itself.

4.7 Critical Discussion

While the Government Pension Fund Global (GPFG) is widely regarded as a benchmark example of a market-conforming state-owned investment vehicle, a critical assessment reveals that its impact on competition is not entirely neutral and presents several nuanced trade-offs. Although the fund's governance structure, transparency and long-term financial orientation significantly mitigate the risks traditionally associated with state ownership, its scale, influence and strategic priorities introduce complexities that deserve closer examination.

A first critical aspect concerns the sheer size of the GPFG and its resulting systemic importance. As one of the largest sovereign wealth funds globally, its investment decisions might influence asset prices, capital allocation and market dynamics, even in the absence of any strategic intent to distort

competition (Norges Bank Investment Management, 2026). This form of structural influence is inherent to large institutional investors and raises the question of whether complete competitive neutrality is achievable when an actor holds a significant share of global financial assets. In this sense, neutrality should not be interpreted as the absence of influence, but rather as the absence of deliberate distortion.

A second dimension relates to the fund's role in promoting environmental, social and governance (ESG) standards through active ownership. While such practices contribute positively to corporate behavior and the overall quality of market competition, they also represent a form of indirect influence on firms' strategic decisions (Nguyen et al., 2024; United Nations Office on Drugs and Crime). By setting expectations and engaging with companies on non-financial criteria, the GPFG might be able to shape market outcomes in ways that go beyond purely financial considerations. Although this influence is generally aligned with widely accepted international norms, it raises questions about the extent to which responsible investment can remain fully neutral in competitive terms.

Furthermore, the effectiveness of the GPFG model is closely linked to the strength of Norway's institutional framework, since a clear separation between political ownership and operational management, which is combined with a high level of transparency and accountability, plays a crucial role in preventing opportunistic behavior and ensuring market alignment (Centre for Public Impact; Ministry of Finance). However, this institutional configuration is not easily replicable in other contexts, particularly in countries with weaker governance structures. As a result, the GPFG should be interpreted as an example of a best-case scenario rather than a universally applicable model of state ownership.

Another point of discussion is the concerns linked to the implicit advantages associated with sovereign backing. Although there is no evidence that the GPFG exploits preferential access to finance or engages in anti-competitive practices, its status as a state-owned entity might confer a degree of credibility, distorting competition, highlighting the subtle ways in which ownership structure might influence market perceptions and behavior.

In conclusion, the GPFG demonstrates that state-ownership can be largely compatible with competitive market dynamics when supported by strong governance, transparency and clearly defined objectives. However, the analysis also shows that such compatibility does not imply complete neutrality. The fund's scale, indirect influence through ESG engagement and reliance on robust institutional conditions suggest that its impact on competition is best understood as conditionally neutral. This reinforces the broader arguments that the effects of state ownership depend not only on the formal structures but also on the broader institutional and strategic context in which they operate.

4.8 Conclusion of the Case

The analysis of the Government Pension Fund Global (GPFG) provides a comprehensive illustration of how state-owned entities might operate within global financial markets without generating the distortions typically associated with public ownership. Across the different dimensions examined (governance structure, investment strategy, market behavior and impact on competition), the GPFG consistently emerges as a market-oriented investor whose actions are guided primarily by long-term financial objectives rather than political or strategic considerations.

The governance framework of the fund, characterized by a clear separation between political ownership and operational management, plays a central role in ensuring its alignment with market principles. This institutional design limits the risk of political interference and contributes to the fund's credibility, transparency and accountability. At the same time, its investment strategy, based on diversification, minority shareholding and long-term horizon, further reinforces its position as a global institutional investor rather than a traditional state-owned enterprise.

The evolution of the GPFG through the analytical framework confirms that its impact on competition is largely neutral or even positive. The fund does not create barriers to entry, does not benefit from explicit preferential treatment and does not engage with market-distorting practices. Instead, it contributes to market stability, liquidity and improved corporate governance through its scale and responsible investment approach. However, as highlighted in the critical discussions, this neutrality is not absolute. Indeed, the fund's size and its indirect influence through ESG engagement and capital allocation decisions demonstrate that even market-conforming state actors can have the ability to have structural effects on market outcomes.

To conclude, the GPFG can be interpreted as a benchmark case of “market-conforming state ownership”, where strong governance, institutional quality and clearly defined objectives mitigate the risks traditionally associated with public ownership. This case supports the broader argument that the competitive impact of state-owned entities is not determined solely by ownership structure, but rather by the way in which such entities are governed and integrated into market systems. As such, the GPFG represents not only an exception to conventional concerns about state ownership but also a reference model for how public capital can be managed in a manner consistent with competitive market dynamics.

Conclusions

This thesis has examined how state-owned enterprises influence market rules and competition. It demonstrated that the impact of SOEs depends on the way public ownership is exercised, the governance mechanisms adopted, the objectives assigned to the enterprise and the institutional context in which it operates. Therefore, the effects of state ownership cannot be understood only by looking at the ownership structure itself.

The first chapter clarified that SOEs are hybrid actors positioned between the State and the market. Meaning that their role goes beyond being purely economic entities but also instruments through which governments might pursue public objectives, manage strategic sectors, correct market failures and preserve long-term national interests. However, this hybrid nature also creates risks, especially when SOEs benefit from implicit guarantees, preferential financing, regulatory proximity or protection from market discipline.

The second chapter showed that the governance structure is not the main tool to understand whether state ownership becomes a mechanism to favor competitive markets or instead generates distortions. There are necessary safeguards that have been adopted to reduce political interference and preserve competitive neutrality, without which SOEs might operate under soft budget constraints, unclear mandates and weaker accountability (e.g., clear separation between the State as shareholder and the State as regulator, strong board autonomy, transparent reporting and well-defined objectives).

The third chapter revolves around the idea of creating an integrated framework to explain how SOEs might influence market rules which might emerge through the interaction between economic power, institutional embeddedness and regulatory proximity. In strategic sectors, SOEs are able to participate indirectly in the formation of regulatory frameworks, often possess technical expertise, operational scale and continuous access to public authorities. Therefore, SOEs can shape markets not only through pricing or output decisions, but also through their ability to affect the rules under which markets operate.

The case study on the Government Pension Fund Global provides a constraining and particularly relevant example since, unlike traditional SOEs, the GPFG does not operate directly in the product market or pursue sector-specific industrial policy objectives. Indeed, the GPFG can be interpreted as a market-conforming state-owned investor. This statement can be done because its governance model is based on a clear division between political ownership and operational management, while its investment strategy is guided by long-term financial returns, diversification, transparency and responsible investment principles.

By applying the analytical framework, it can be confirmed that the GPFG has a largely neutral and, in some sense, positive impact on competition: it does not create barriers to entry, does not rely on explicit preferential treatments and does not use ownership to control firms or distort product markets.

Instead, it contributes to macroeconomic stability, market liquidity and promotion of higher governance standards. Crucial to mention is the fact that the case also shows that neutrality does not mean absence of influence, due to its size and global presence, the GPFG can still affect capital allocation, corporate behavior and ESG standards.

Overall, the thesis supports the conclusion that state ownership is not inherently and directly linked to market distortion. Its effects depend on governance quality, institutional safeguards, transparency and the objectives that the State wants to pursue. When public ownership is combined with weak accountability, political interference and regulatory privilege, it might distort competition and influence market rules in favor of state-controlled actors. Conversely, when it is supported by strong institutions and clear mandates, as in the case of GPFG, state ownership can coexist with competitive market dynamics.

Therefore, the central finding of this thesis is that the real issue is not whether the State owns economic assets, but how this ownership is exercised. Indeed, depending on the institutional framework in which they operate, state-owned entities might either undermine or support competitive markets. The GPFG case demonstrates that public capital can be managed in a way that limits distortions and promotes market disciplines, but it also shows that even well-governed state actors remain particularly influential. For this reason, transparency, accountability and competitive neutrality should remain essential principles in the governance of state-owned enterprises and sovereign investment vehicles.

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