



**APEC PRIVATISATION FORUM**

**OECD PRIVATISATION NETWORK**

**THE GOVERNMENT OF INDONESIA**



**“PRIVATISATION AND CAPITAL MARKET DEVELOPMENT IN ASIA:  
A COMPARATIVE PERSPECTIVE AND LESSONS FROM THE INTERNATIONAL EXPERIENCE”**

**DENPASAR, 11-12 MAY 2000**

## **AGENDA**

**SPONSORED BY  
THE ASIAN DEVELOPMENT BANK  
THE GOVERNMENT OF JAPAN  
AND  
THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

**Joint Meeting on Privatisation and Capital Market Development in Asia:  
a Comparative Perspective and Lessons from the International Experience  
Denpasar, Indonesia, 11-12 May 2000**

*DAY 1: THURSDAY, 11 May 2000*

8:30 - 9:00      REGISTRATION

9:0 - 9:30

**OPENING SESSION**

Opening Remarks:

**Mr. Rozy Munir**, Minister of Investment and State-Owned Enterprises, Indonesia

**Prof. Vittorio Grilli**, Director of the Italian Treasury and Chairman of the OECD Privatisation Network

**Dr. Areepong Bhoocha-oom**, Director for Privatisation, Ministry of Finance, Thailand and Head of the APEC Privatisation Forum Secretariat

9:30 – 10:45

**SESSION I: PRIVATISATION IN ASIA: RECENT TRENDS AND MAIN ISSUES**

*Chair:*

**Mr. Soeroso**, Deputy Minister, Ministry of Investment and State-Owned Enterprises, Indonesia

Presentation on *Privatisation in Asia*, by **Dr. Klaus Peter Kriegsmann**, Financial Economist, Financial Sector and Industry Division, Asian Development Bank

Panel discussion:

**Dr. Areepong Bhoocha-oom**, Director for Privatisation, Ministry of Finance, Thailand and Head of the APEC Privatisation Forum Secretariat

**Mr. Erry Riana Harjapamekas**, Chief Executive Officer, PT Timah, Indonesia

General discussion

10:45 - 11:00

*Coffee break*

11:00 – 12:30

**SESSION II: PRIVATISATION AND CAPITAL MARKET DEVELOPMENT:  
THEIR INTER-RELATIONSHIP**

*Chair:*

**Mr. Anthony Kuek**, Resident Representative in Indonesia, Asian Development Bank

Presentation on *Impact of Privatisation on Capital Market Development*, by **Mr. John Thompson**, Counsellor, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

Panel discussion:

**Dr. Yuen Teen Mak**, Associate Professor, National University of Singapore

General discussion

12:30 - 14:30

*Lunch break*

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14:30 – 15:45

**SESSION III: IMPACT OF PRIVATISATION ON CORPORATE FINANCE AND GOVERNANCE**

**Chair:** *Mr. Shuhei Kishimoto*, Director, Ministry of Finance, Japan

Panel discussion on *Privatisation, Corporate Finance and Corporate Governance*.

*Mr. Stilpon Nestor*, Head of Corporate Affairs Division, OECD

*Dr. Il Chong Nam*, Fellow, Korea Development Institute

*Mr. Felipe Sandoval*, Chairman, Sistema Administrador de Empresas, Chile

General discussion

15:45 - 16:00

*Coffee break*

16:00 – 17:30

**SESSION IV: PRIVATISATION THROUGH MARKET: METHODS AND TECHNIQUES**

**Chair:** *Dr. Areepong Bhoocha-oom*, Director for Privatisation, Ministry of Finance, Thailand and Head of the APEC Privatisation Forum Secretariat

Panel discussion on the *Practical Aspects of Privatisation through the Market*

*Ms. Olimpia Cuomo, Ms. Flavia Mazzarella*, Council of Experts, Italian Treasury

*Mr. Jan Mladek*, Deputy Minister of Finance, Czech Republic

*Mr. Jürgen Siewert*, Deputy Director, Federal Ministry of Finance, Germany

General discussion

**DAY 2: FRIDAY, 12 May 2000**

9:00 – 10:45

**SESSION V: THE INDONESIAN PRIVATISATION PROGRAMME**

**Chair:** *Ms. Abha Joshi Ghani*, The World Bank, Thailand

Presentation of the Indonesian Privatisation Programme by *Mr. I Nyoman Tjager*, Ministry of State-Owned Enterprises, Indonesia

Discussion:

*Mr. John Ralph Johnson*, PriceWaterhouseCoopers, Indonesia

*Mr. Chris Scicluna*, Economist, International Finance Directorate, H M Treasury, UK

General discussion

10:45 – 11:00

*Coffee break*

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11:00 – 12:45

SESSION VI: PRIVATISATION THROUGH MARKET: THE TRANSACTION

**Chair:**

**Prof. Vittorio Grilli**, Director, Italian Treasury - OECD Privatisation Network

Presentation of Case Study: *An initial public offering from A-Z*, by **Mr. Michael J. Hutchinson**, Consultant, Elvet Associates Pty Ltd, Australia

Panel discussion:

**Prof. Christina Liu**, National Taiwan University, Consultant to the Council of Economic Planning and Development, Chinese Taipei

**Mr. Adam Young**, Managing Director, ABN AMRO Rothschild, Hong Kong - China

General discussion

12:45 - 14:00

*Lunch break*

14:00 – 15:00

CONCLUDING SESSION

**Chair:**

**Mr. Stilpon Nestor**, Head of Corporate Affairs Division, OECD

Panel discussion on *Lessons from the Workshop*, based on a summary of discussions by the chairs of each session

Concluding Remarks

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**NOTES TO THE AGENDA**

Key presentations should be limited to 20-25 minutes. Panel discussants should restrict their speeches to 15 minutes. These time constraints are important to secure sufficient time for floor discussion on each topic. All speakers are encouraged to provide their more comprehensive presentations in a written form.

The chairpersons of the sessions are requested to make a summary report for approximately 5 minutes at the concluding session.

Participants are invited to refer to these notes to the agenda as guidance for the discussion in each session.

**Session I** will review the recent development of privatisation in Asian countries and the main issues related to privatisation in the Asian context. It will start with a key presentation that will identify the major achievements and difficulties in the recent privatisation efforts of the region. The eventual effects of privatisation and its relationship with other policy objectives may also be explored. Finally, the presentation will identify key issues of interest to Asian policy makers in developing privatisation through the capital market. The presentation will be followed by interventions by APEC discussants who are expected to analyse the findings of the presentation based on their own experience, as well as to outline the key considerations in privatisation policy that may not be covered by the presentation.

**Main issues for discussion**

- *How do participants evaluate the progress to date in Asian privatisation? What are the major achievements and difficulties? Are there substantial differences among countries?*
- *What are the privatisation objectives in the Asian context? How do participants see the priorities among the objectives? What are the key issues of interests and/or considerations for Asian policy makers in designing the privatisation programme?*
- *How important are initial public offerings (IPOs) in the context of Asian privatisation? In what way may the recent financial crisis influence IPOs in the region? In what situation may other methods, especially trade sales to strategic investors, be more effective?*

**Session II** will focus on the effects of privatisation on the development of domestic capital markets. A key presentation will explore the different routes through which privatisation influences the development of domestic capital markets. It will be followed by a discussant, who will highlight certain dimensions of the linkage between privatisation and capital market development in his own country and examine certain aspects of the prerequisites for such privatisation transactions.

**Main issues for discussion**

- *How would privatisation by public offerings contribute to the development of Asian capital markets? How do participants estimate the impact of privatisation on the size, liquidity and absorption capacity of the markets? How much participation of local small investors can be expected in Asian countries? How much does privatisation in the region need to rely on international investors?*
- *What is the impact of privatisation on the activities of financial institutions in Asian markets? What is the role of foreign institutional investors?*
- *How do participants evaluate the benefits and drawbacks of offerings for privatisation at foreign markets through depository receipts? Would such offerings contribute to the development of domestic capital markets and if so, how?*
- *How do participants evaluate the development of Asian capital markets to date? Are they functioning sufficiently well for privatisation related IPOs? What measures should be taken to prepare the markets for such IPOs?*

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- *Given the current lack of sufficient capital and financial techniques in Asian markets, how could Asian governments attract foreign investors and international intermediaries to their privatisation deals? How much importance should be put on retail incentives especially targeted at domestic small investors?*
- *In the Asian context, how do participants assess the importance of other prerequisites for successful privatisation by IPOs: restructuring of the firms, effective regulatory framework and adequate privatisation policy, etc.? Are there any other preconditions for the success of IPOs of state-owned enterprises (SOEs)?*

**Session III** will explore the impact of privatisation on financing patterns of enterprises. State-owned enterprises get finance from governments, typically in the forms of direct budget expenditure and loans from (usually) state-owned or controlled banks. One of the reasons behind the privatisation drive has been the need to increase SOE access to external, market-based finance. In the process, the financial structure, leverage ratios and sources of funds for these companies may also change. In addition, privatised enterprises are subject to market discipline and put under pressure for better performance and transparency. Given that privatised companies are often the largest players in the economy, their change of behaviour and financing patterns should influence the whole corporate sector. A discussants panel will illustrate the impacts of privatisation on financing of the enterprises and discuss how the corporate governance environment and practices have been affected by privatisation.

**Main issues for discussion**

- *How are state-owned enterprises financed in Asian countries? Are the financial burden to support these firms sustainable for governments? What changes were observed in the financing patterns of companies privatised in the past?*
- *How do participants expect the financing patterns of Asian privatised companies to evolve? Who would be the major contributors of financial resources to such companies? What would be the main problems of firms for their present and future expansion? In what way may the recent financial crisis influence the corporate finance pre- and post-privatisation?*
- *What are the governance practices of SOEs in Asia and how would they change due to privatisation? How have governance practices changed privatised enterprises? How do participants see the role of the state in the governance of privatised companies in the Asian context? Do participants expect that privatisation would contribute overall to better corporate governance in Asian economies?*

**Session IV** will consist of a panel of discussants who will highlight some aspects of the methods and techniques in implementing initial public offerings. The issues to be covered may include: selection of the advisor, syndicate structure, marketing to the public and pricing strategies.

**Main issues for discussion**

- *What techniques are used to maximise income for governments? How are pricing decisions made? What are the main factors impacting on pricing? What pricing strategies work best? What is the Asian experience in this respect?*
- *How are marketing campaigns designed in OECD and Asian economies? How do you co-ordinate the work of the syndicate members to create an impression of scarcity? How does communication target institutional and retail investors, domestic and foreign?*
- *How is local equity culture addressed in the offering terms? Are retail incentives successful on all occasions? What are the prerequisites for their success? What is the "right" balance between retail and institutional, domestic and foreign investors? What are the underlying considerations? What methods are used to attract foreign investors? On what occasions are shares traded on foreign stock-exchanges? What is the respective experience in Asia?*
- *What main factors need to be taken into consideration in bringing a company with a strategic investor to the market? What is the experience with companies in which the state retains residual shares? How did they perform on the market? What are the considerations behind the use of "golden shares" and stable core shareholdings? What is the experience in OECD and Asian economies? What trends are observed in this respect in both areas?*
- *How are advisors selected? What are the main criteria in this process? Do they change to reflect the specific features of the transaction?*

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In **Session V** the Indonesian government will present its privatisation programme. The presentation will focus on the challenges ahead, especially those related to capital market development and improvement of corporate finance and governance in large Indonesian firms. Discussants will offer an outside view of these issues and will place them in the context of privatisation in Asia.

**Main issues for discussion**

- *What is the history of privatisation in Indonesia? What are the main institutions in charge? What is the legal basis for privatisation? Was privatisation via the capital market one of the main privatisation methods? What are the results to date? What was the impact of privatisation on corporate governance of the former state-owned enterprises?*
- *What are the main objectives of the current privatisation programme of Indonesia? What are its main features? Are targets set in terms of number of enterprises to privatise and volume of proceeds? Is capital market development an objective of the privatisation strategy?*
- *What are the main methods to be used in privatising large state-owned enterprises? Why have they been chosen? In which cases privatisation will involve public offerings? Are the main prerequisites for the success of such transactions in place?*
- *What are the main difficulties in implementing the Indonesian privatisation programme? What are the challenges ahead?*

**Session VI** will discuss practical aspects of privatisation through the market. A case study from an OECD country will illustrate all the steps of initial public offering of a state-owned enterprise from the design of a privatisation programme to the “after-care” issues of privatised companies. Discussants will initiate the debate by identifying the key considerations in preparing a SOE for an IPO and going through the transaction, in the context of privatisation in Asia.

**Main issues for discussion**

- *For what type of companies can IPOs be used as a privatisation method? What are the main objectives addressed in privatising via the capital market?*
- *How are companies prepared for IPOs? What is the role of the state privatisation bodies in this respect? Are outside experts used in the pre-privatisation stage? What are the main steps of an IPO? What are those for a successful secondary offering? Is timing important in this respect? Under what conditions governments consider to target foreign markets? What are the main post-privatisation issues, arising after an IPO?*
- *Why are IPOs used less as a privatisation method in emerging economies? What conditions need to be met in these economies for successful IPOs?*
- *What is the importance of advisors in structuring transactions?*

Lessons from the discussions as well as future co-operation between the OECD Privatisation Network and the APEC Privatisation Forum will be discussed at the **concluding session**.