



Organisation for Economic Cooperation & Development



## **The 2006 Asian Roundtable on Corporate Governance**

### *Network on Corporate Governance of State-Owned Enterprises in Asia*

## **AGENDA**

**Singapore  
15-16 May 2006**

**In partnership with:**

**The Government of Japan**

**The Global Corporate Governance Forum**



**Hosted by:**

**SID**

SINGAPORE INSTITUTE OF DIRECTORS

## **Background and Objectives of the Asian SOE Network**

The Asian Roundtable on Corporate Governance (hereinafter “**ARCG**”) has decided to develop, under its auspices, a specific activity on the corporate governance of SOEs to raise awareness and promote the use in Asian economies of the OECD *Guidelines on Corporate Governance of State-Owned Enterprises* (hereinafter “**Guidelines**”). These *Guidelines* were adopted in the spring 2005 and are the first international benchmark in this area.

A preliminary meeting was held in Beijing in May 2005, gathering a limited number of countries to discuss a first list of priority issues regarding corporate governance of SOEs in Asia. This preliminary discussion underlined the significance of SOEs in Asian economies and the complexity of the policy challenges related to their corporate governance. Since then, an increasing demand for exchange of experience and policy dialogue has been received from various stakeholders and countries in the region. The Guidelines were presented in the 2005 meeting of the ARCG in Bali. Discussions there underlined further the importance of developing a specific forum to carry out a focused policy dialogue and investigate in-depth the appropriate policy options to improve the governance of SOEs in Asia.

In order to reach the appropriate audience and to properly deal with the policy challenges ahead, it has therefore been decided to set up an Asian Network on Corporate Governance of SOEs (hereinafter the “**Asian Network**”), bringing together the experience and expertise of experts from all Asian economies participating in the ARCG. The Asian Network is planned to meet regularly and develop into a high-level hub for a structured policy dialogue on corporate governance of SOEs in Asia, using the Guidelines as a framework for discussion.

The objectives of the Network are:

- to raise awareness of all concerned constituencies on the importance and challenges related to the good corporate governance of SOEs;
- to evaluate the current SOE corporate governance policy frameworks and practices, and benchmarking these against international good practice as described in the Guidelines;
- to influence policy making by providing a forum in which policy makers, practitioners and experts can share knowledge and experience among themselves and with their OECD peers;
- to support viable and effective reforms in the area of SOE corporate governance, by discussing and analysing policy options, developing relevant recommendations and agreeing on priorities for reforms adapted to the conditions in Asian economies.

Altogether, the meetings will gather around 40 participants, including the most prominent, active and influential policy makers, practitioners and experts regarding corporate governance of SOEs in the region. They would constitute a peer group that can press for legal, regulatory or other type of reform in this field. In order to provide the OECD experience and to ensure consistency with the Guidelines, the Network will also include relevant experts from OECD countries, particularly from the OECD Working Group on Privatisation and Corporate Governance of State-owned Assets.

The Asian Network is planned meet at least three times over 2006 and 2007 to cover the six chapters of the Guidelines. Each meeting will be dedicated to comparing regional practices with one or two chapters of the Guidelines and will develop specific recommendations in this regard. This first meeting will focus on the first two chapters of the Guidelines, namely the legal and regulatory framework and the role of the state as an owner. Subsequent meetings will cover the other chapters, one focusing mainly on the role of the board and the relationship with stakeholders, the other one focusing on transparency and disclosure and the equitable treatment of shareholders.

To keep the dialogue focused and to produce tangible outcomes, the Asian Network will progressively develop a Regional **Policy Brief**, providing a set of recommendations and priorities for policy reform in order to improve the corporate governance of SOEs in the economies of Asia. This Policy Brief will be the product of the Network’s deliberations and will be a consensus document.

## Monday 15 May 2005 - Morning Session

8:45 – 9:00      **Registration**

9:00 – 9:30      **Opening remarks**

- ◆ John Lim, President, Singapore Institute of Directors
- ◆ Lars-Johan Cederlund, Senior Advisor, Division of State Enterprises, Ministry of Industry, Employment and Communications, Sweden, Chair of the OECD Working Group on Privatisation and the Corporate Governance of SOEs
- ◆ Mats Isaksson, Head, Corporate Affairs Division, OECD

9:30 – 10:30    **Landscape: Recent policy reforms in SOE governance**

**Chair:** Mathilde Mesnard, Administrator, OECD

- ◆ Selective Tour de table on recent policy reforms (*five countries / 10 minutes per country*)

*Bangladesh: Lopa Rahman, Bangladesh Enterprise Institute*

*China: Zhengjun Zhang, Development Research Centre*

*India: Dr. Yaga Ramesh Konda Reddy, Chairman, Academy of Corporate Governance, Hyderabad*

*Indonesia: Elmar Bouma, Forum for Corporate Governance in Indonesia*

*Pakistan: Jaweria Haisum, Director, Securities and Exchange Commission*

*Philippines: Jose T. Tale, Office of the President*

### **Coffee/Tea Break**

11:00 – 12:30    **Theme I: Challenges ahead to level the playing field between SOEs and the private sector**

**Chair:** John Lim, President, **Singapore** Institute of Directors

**Speakers:**

Dr. Pallapa Ruangrong, State Enterprise Policy Office, Ministry of Finance, **Thailand**

Rana Assad Amin, Joint Secretary, Ministry of Finance, **Pakistan**

### **General Discussion**

1. Is it desirable, and to which extent possible, to harmonize SOEs' legal status?
2. How to ensure a clear separation of the ownership function from regulation?
3. What are the main difficulties in disclosing SOEs' specific obligations and ensuring transparent coverage of related costs?
4. How to manage the relationship of SOEs with state-owned banks and financial institutions?

**Summary of Discussion by the Chair**

**Background:** A clear separation of the ownership function from other state functions is a “fundamental prerequisite” for ensuring a level-playing field with the private sector and for avoiding distortion of competition. This is the first Guideline in Chapter I of the *OECD Guidelines* and is also advocated by the *OECD Principles of Regulatory Reforms*.

This separation is far from being realised in a number of Asian economies. Regarding the separation of the ownership function from regulation, the situation varies from one country to another, and often from one industry to another. Regarding industrial policy, the situation is often still ambiguous, as in a number of countries the ownership entity in charge of exercising the ownership role also has clear industrial policy objectives.

Participants are invited to consider how to reinforce this separation in Asian economies and discuss other policy measures which would level the playing field between the public and private sector, including the harmonisation of SOEs’ legal status (Guideline I.B. and I.D.) and the disclosure of their specific obligations. The Guidelines indeed mandate clear disclosure of SOEs’ specific objectives, combined with adequate costing and funding (Guideline I.C.). These reforms are quite challenging. Given the scale and scope of non-commercial objectives of SOEs in a number of key Asian economies, their disclosure, transparent costing and funding could be a political sensitive issue and a complex task to implement.

12:30 – 13:30 **Lunch**

## **Monday 15 May 2005 - Afternoon Session**

13:30 – 15:30 **Theme II: The role of the state as an owner**

**Chair:** Lars-Johan Cederlund, Senior Advisor, Division of State Enterprises, Ministry of Industry, Employment and Communications, **Sweden**, Chair of the OECD Working Group on Privatisation and the Corporate Governance of SOEs

**Speakers:**

Dr Yuen teen Mak, Department of Finance and Accounting, School of Business, National University of **Singapore**

Hoang Duong Nguyen, Deputy Director, Ministry of Finance, **Viet Nam**

**General Discussion**

1. How to be an active owner without interfering in SOEs’ day-to-day management?
2. Which are the state’s main responsibilities as an owner?
3. What are the challenges related to the nomination of SOE boards?

**Summary of Discussion by the Chair**

**Background:** The state as an owner has to avoid a dual pitfall, being a passive owner or, to the contrary, interfering unduly in day-to-day management of SOEs. The Guidelines recommend the state to effectively exercise its ownership rights, by being represented in the AGMs and voting its shares, but to leave SOEs their operational autonomy (Guidelines II.B., II.C. and II.F.). Key to achieve this is for the ownership function to establish a well structured board nomination process for SOE boards and then let these boards exercise their responsibilities.

The nomination of SOE boards is not clearly structured and lacks transparency in most Asian economies, with frequent political interference and not enough focus on competence and experience. In

only a few cases board themselves are effectively involved. However, a number of countries are undertaking reforms in this regard.

Participants are invited to comment on the main responsibilities of the state as an owner and to reflect on the current reforms to curb political interference and to improve the board nomination process.

15:30 – 16:00 **Coffee/Tea Break**

16:00 – 18:00 **Theme III: The organisation of the ownership function within the state administration**

**Chair:** John Lim, President, **Singapore** Institute of Directors

**Speakers:**

Xiaoliang JIA, Deputy Director General, Bureau of Enterprise Reform, State-owned Assets Supervision and Administration Commission of the State Council (SASAC), **China**

Andriati Fitriiningrum, Ministry of State Owned Enterprises, **Indonesia**

**General Discussion**

1. Which are the challenges associated with the different types of organisation (centralised, dual, decentralised)?
2. What are the successful conditions for building effective holdings and potential drawbacks in the Asian context?
3. How to set-up or reinforce co-ordinating entities?
4. What is the potential role of advisory units?

**Summary of Discussion by the Chair**

**Background:** The centralisation or effective coordination of the ownership function is recommended by the Guidelines (Guideline II.D.). This aims at clearly identifying the ownership function within the state administration and separating it from other state functions. It also aims at reinforcing the ownership function, through the pooling of expertise on specific technical matters and by unifying practices, thus ensuring a more consistent implementation of the state ownership policy.

Currently all the different models of organisation of the ownership function can be found in Asian economies. These models include different forms of centralised organisation, a dual model (where branch ministries share the ownership responsibilities with a “central” Ministry), and a decentralised organisation. Different types of centralisation exist, for example under a holding company, in one dedicated ministry or in a single and more or less autonomous agency. When the ownership function is decentralised in different sector ministries, a “co-ordinating entity” may play a decisive role in shaping the ownership policy.

However, a number of reforms are currently undertaken. Participants are invited to discuss on the advantages and main pitfalls of these different forms of organisation. They will reflect for example on the different modes, levels, and objectives of centralisation. They will also consider the necessary conditions for a successful holding organisation. Finally, they will also discuss the potential obstacles and difficulties encountered in setting up or reinforcing co-ordinating entities in case of decentralised organisations.

19:30 **Dinner**

## Tuesday 16 May 2005 - Morning Session

9:00 – 10:30 **Theme IV: The State ownership policy**

**Chair:** Mathilde Mesnard, Administrator, OECD

**Speaker:**

Dr. Mohammad Ayub Miah, Ministry of Industries, **Bangladesh**

### *General Discussion*

1. What are the main elements of a clear ownership policy?
2. How to develop, adopt and disclose an ownership policy?
3. What are the impacts / benefits of disclosing the state ownership policy?

### *Summary of Discussion by the Chair*

**Background:** One primary task of the state as an owner of SOEs is to define an ownership policy. The Guidelines recommend governments to develop and disclose such a policy, defining “*the overall objectives of state ownership, the state’s role in the corporate governance of SOES, and how it will implement its ownership policy*” (Guidelines II.A., p. 11). Clear and published ownership policies provide a framework for prioritizing SOEs’ objectives and are instrumental in limiting the dual pitfalls of passive ownership or excessive intervention in SOE’s management. These ownership policies should also be consistent and not be modified too often, in order to provide SOEs, the market and the general public with a clear view and understanding of the states’ objectives and a sense of predictability of the state’s behaviour as an owner.

Few countries in Asia have a clear ownership policy as such, much less a published one. In many cases, the ownership policy is laid down in very general terms, mentioning the overall objectives of SOEs in general, i.e. often combining seeking profit, providing general service to the population and supporting the development of the national economy. However, the tendency is to focus increasingly, at least in principle, on sustainable value creation or even more precisely, on shareholder value.

Participants are invited to reflect on the main elements and format of ownership policies. They are also invited to discuss the process of developing such a policy and how its disclosure may be useful in strengthening and clarifying the ownership function.

10:30 – 11:00 **Coffee/Tea Break**

11:00 – 12:30 **Theme V: The accountability of the ownership function**

**Chair:** Robert Butterworth, Division Manager, Shareholder and Asset Sales Division, Asset Management Group, Department of Finance and Administration, **Australia**

**Speakers:**

Dr. S.M. Dewan, Director General Standing Conference of Public Enterprises (SCOPE), **India**  
“Advantages and challenges associated with strong accountability to the Parliament”

Jonathan Juan DC Moreno, Executive Director, Institute of Corporate Directors (ICD), **Philippines**  
“CG scorecard for SOEs: the Philippines experience and results”

### ***General Discussion***

1. Which are the main mechanisms to ensure the ownership entity's accountability?
2. Which are the main challenges in strengthening this accountability?
3. How to manage the relationship with the state supreme audit bodies?

### ***Summary of Discussion by the Chair***

**Background:** The ownership entities should be accountable to bodies representing the interests of the general public for the way they carry out their ownership functions and therefore report (i) on the global performance of SOEs held by them and (ii) on their own performances. Mechanisms often include specific permanent or *ad hoc* parliamentary committees, parliamentary hearings or specific enquiries to investigate, in more depth, a specific aspect or event related to one SOE or the general ownership policy. Confidentiality issues might arise and, more generally, a relevant balance between accountability and autonomy must be achieved.

The mechanisms used to ensure accountability of the ownership function differ among the different Asian economies and their effectiveness varies considerably. However, there is a widespread feeling that they need to be reinforced and fine tuned in some cases to avoid undue restriction of the autonomy of the ownership entities or political interference.

Participant are invited to reflect on the different accountability mechanisms currently existing in Asian economies in order to determine if and how they need to be reinforced, fine tuned and complemented.

12:30 – 13:00 **Next steps:**

Discussion on future steps, drafting process and next meeting of the Network

13:00 – 14:30 **Lunch**

**Network on Corporate Governance of SOEs in Asia,  
2006 Asia Roundtable on Corporate Governance**

**Singapore, 15-16 May 2006**

**Organisation of the Network meeting**

This meeting will cover the **first two chapters of the OECD Guidelines** on Corporate Governance of State-owned Enterprises, namely the Chapter I on “Ensuring an Effective Legal and regulatory Framework for State-Owned Enterprises”, and the Chapter 2 “The State Acting as an Owner”.

An **introductory session** will set up the landscape of SOE governance in Asia. A selective *Tour de Table* will be organised, with one representative from six countries being asked to briefly present the recent policy reforms in his/her country related to the first two chapters of the Guidelines. Each presentation will be strictly limited to 10 minutes and should focus exclusively on policy reforms. Participants are asked to use maximum 3 slides. Participants might also circulate in advance of the meeting or during the meeting descriptive documentation on the state owned sector.

The remaining discussion has been organised around **five main themes** covering together the elements of the two first chapters of the Guidelines, namely (i) level-playing field between and SOEs and the private sector; (ii) the role of the state as an owner; (iii) the organisation of the ownership function within the state administration; (iv) the ownership policy of the state; (v) the accountability of the ownership function. For each theme, a series of more specific questions is provided in the above agenda.

**Two speakers** are invited to launch the discussion for each session. Their role is to highlight the main challenges related to the specific theme, provide some elements to answer the related questions, and illustrate with their country experience. The objective is to stimulate reflection and encourage the exchange of views and experience on these complex issues among all the Network participants. These initial presentations should last no more than 15 minutes each.

The discussion will then be open for **all Network participants** to react, expose their views and systematically discuss the issues raised in the initial presentation and related to the questions provided in the agenda. All Network members are encouraged to actively and openly participate in discussions to provide the whole Network with their country experience and vision for reforms. The objective of the discussion is to lead to a general understanding on what should be the main recommendations to be formulated in the policy brief.

**Chairs** are invited to encourage open discussion among different Network participants, to maintain the focus on the theme of their session and to be strict in managing time.

During the summer, two draft chapters of the Regional Policy Brief will be circulated to all the Network participants. They will be asked to provide the OECD Secretariat with comments and suggestions in order to submit a more advanced version to the next meeting of the Asia Corporate Governance Roundtable in the fall.