



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

AGENDA

**Shangri La Hotel
Kuala Lumpur, Malaysia
24-25 May 2010**

**In partnership with:
The Government of Japan**

Hosted by:



**Minority Shareholder Watchdog Group
Malaysia**

Sponsored by:



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 spring 2005 and are the first international benchmark in this area. After a preliminary meeting held in Beijing in May 2005 to discuss a first list of priority issues regarding corporate governance of SOEs in Asia, the Guidelines were presented in the 2005 meeting of the ARCG in Bali. Discussions there underlined 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 has since then met regularly and developed 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 gather around 50 participants, including the most prominent, active and influential policy makers, practitioners and experts regarding corporate governance of SOEs in the region. They 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 also includes relevant experts from OECD countries, particularly from the OECD Working Party on State Ownership and Privatisation Practices.

The Asian Network has met four times over 2006, 2007, 2008 and 2009. The first three meetings covered the six chapters of the Guidelines. Each meeting was dedicated to comparing regional practices with one or two chapters of the Guidelines and to developing specific recommendations in this regard. The 2006 meeting, in Singapore in May 2006, focused on the first two chapters of the Guidelines, namely the legal and regulatory framework and the role of the state as an owner. The second meeting which took place in Cebu, the Philippines, in April 2007 focused on the role of the board and the relations with stakeholders. The third meeting which was held in New Delhi, India, in May 2008 and highlighted Transparency and Disclosure and Equitable Treatment of Shareholders.

To keep the dialogue purposeful and to produce tangible outcomes, the Asian Network has progressively developed 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. Accordingly, the meeting in Bangkok in May 2009 focused on implementation issues, discussing examples of good practices and discussing how to implement the recommendations as provided by the Policy Brief.

This fifth meeting of the Network in Kuala Lumpur will focus on progress with implementing the recommendations identified in the Policy Brief, drawing on the priority areas for reform announced by several Network members at last year’s meeting in Bangkok. Sessions focusing on the country experiences of Malaysia and Korea will allow for a more in-depth evaluation. In addition, there will be topical discussions on SOE-related issues of current relevance to the Asian region.

8.30 – 9.00 **Registration**

9.00 – 10.00 **Inaugural Session**

Opening Remarks

- Tan Sri Abdul Halim Ali, Chairman of the Minority Shareholder Watchdog Group (MSWG)
- John Lim, Chair of the Asian Network on Privatisation and Corporate Governance of SOEs
- Pekka Timonen, Chair of the OECD Working Party on State Ownership and Privatisation Practices

Keynote Address

- Senator Tan Sri Amirsham A. Aziz, Chairman, National Economic Advisory Council, Malaysia

10.00 – 10.15 **Break**

10.15 – 11.30 **Session 1: SOE governance reform in Malaysia: experiences and prospects**

Chair: John Lim, Chairman, Singapore Institute of Directors and Chair, Asian Network on Privatisation and Corporate Governance of SOEs

Bursa Malaysia's approach on Corporate Governance

- Selvarany Rasiah, Chief Regulatory Officer, Bursa Malaysia

The ongoing process of SOE reform in Malaysia

- Hashim Mohammed, Chief Internal Auditor, Telekom Malaysia Berhad

Developing Training Programmes for SOE Boards

- Dato' Abdul Aziz Abu Bakar, Chief Executive Officer, Malaysian Directors Academy

Open Discussion

11.30- 11.45 **Coffee/Tea Break**

11.45 - 13.00 **Session 2 : SOEs with non-commercial objectives**

Chair: Jeremias Paul Jr., Undersecretary, Ministry of Finance, Philippines

- Dr. U.D. Choubey, Director General, Standing Conference of Public Enterprises (SCOPE), India
- Antonius Alijoyo, Board Member, Forum for Corporate Governance in Indonesia
- Zhengjun Zhang, Senior Research Fellow, Enterprise Research Institute of the DRC, China

Open Discussion

Background: The aim of this session is to discuss how countries organise the corporate governance of SOEs which have non-commercial tasks (e.g. public/universal service obligations, or regional and industrial policy goals). The Policy Brief on Corporate Governance of SOEs in Asia recommends clarifying SOE objectives, making non-commercial objections explicit, and covering the costs of non-commercial objectives transparently through the state budget. Corporate social responsibility of SOEs, an area of growing interest to policy makers in many countries, may also be discussed in this session.

13.00 – 14.30 **Lunch**

14:30 –16:30 **Session 3 : Progress in SOE Governance Reforms in Asia**

Chair: Farooq Sobhan, President of Bangladesh Enterprise Institute

a) Recent experiences of Khazanah

- Dato' Mohammad Zainal Shaari, Executive Director/COO, Khazanah Nasional Berhad

b) Progress in implementing reform priorities according to the Policy Brief

Network Members who announced priorities for reform at the 4th meeting of the Network in Bangkok in May 2009 will be invited to report on their progress in implementing their priorities.

- Yongfa Qin, Deputy Head, Board Pilot Project, SASAC, China
- Karma Yonten, CEO, Druk Holding and Investment, Bhutan
- Jeremias Paul, Undersecretary, Department of Finance, Philippines

Open Discussion

Background: The Asian SOE Network has developed the Policy Brief on Corporate Governance of SOEs in Asia, providing a set of recommendations for policy reform in order to improve the corporate governance of SOEs in the economies of Asia. This will be the first meeting to take place after the finalization of this consensus document. The Policy Brief will be used to review progress in implementing the reform priorities of individual countries as announced during the Network's previous meeting in Bangkok.

16.30- 17.00 **Coffee/Tea Break**

17.00-18.00 **Session 4: Announcement or revision of reform priorities by individual members of the Network**

Chair: Karma Yonten, CEO, Druk Holding and Investments, Bhutan

- A.B.M. Khorshed Alam, Additional Secretary, Ministry of Industry, Bangladesh
(Presentation prepared by Mr Alam who was unable to attend; delivery and response to questions by Mr A.K.M Delwer Hussain and Mr Farooq Sobhan)

Open Discussion

Background: Not all countries have yet identified concrete reform priorities from among the recommendations in the Policy Brief. This session will provide a new opportunity for identifying or revising reform priorities for individual countries and commit to subsequently monitor their implementation.

**Conference dinner at Kuala Lumpur Tower
(hosted by Telekom Malaysia Berhad)**

Tuesday 25 May 2010

9.00- 10.30 **Session 5: The ongoing reform process in Korea**

Chair: Hans Christiansen, Senior Economist, Corporate Affairs Division, OECD

- Advancement of public institutions: recent development and lessons
 - Seung-Chul Lee, Director, Policy Coordination Division, Ministry of Finance and Strategy
- Management evaluation system for state-owned institutions and its performance
 - Jung-Jae Lyou, Deputy Director, Assessment & Analysis Division, Ministry of Finance and Strategy

Open discussion

Background: Korea implemented a comprehensive SOE governance reform in 2007, which included a separation of commercial SOEs from other public institutions, the establishment of a coordinating government agency to oversee public institutions and a higher degree of board autonomy in commercial SOEs. The second phase of the reform process, now ongoing, includes measures to strengthen the internal governance of SOEs including performance monitoring, oversight of management and staff relations.

10.30- 11.00 **Coffee/Tea Break**

11:00-12:30 **Session 6: Ensuring a level playing field between SOEs and private companies**

Chair: Arto Honkaniemi, Senior Financial Counsellor, Government Office, Finland

- David Robinett, Private Sector Development Specialist, the World Bank
- Fuad Azim Hashimi, CEO, Pakistan Institute of Corporate Governance, Pakistan
- Ratna Januarita, Board Member, National Committee on Governance, Indonesia

Open Discussion

Background: In Asia many SOEs are providing services in competition with private sector businesses, or in areas where private sector businesses could potentially compete. In these competitive or potentially competitive markets, competitive distortions can arise because of advantages some public sector businesses have due to their government ownership. The distortions may be accidental (e.g. cheaper finance because of the state ownership), reflect monopolies in parts of SOE value chains, or reflect direct favouritism by the state toward its own enterprises. Countries have taken a variety of regulatory and other steps to ensure a sufficient degree of “competitive neutrality” with SOEs compete directly with private companies.

12.30-13.00

Conclusions and next steps

- Pekka Timonen, Chair of the OECD Working Party on State Ownership and Privatisation Practices
- John Lim, Chair of the Asian Network on Corporate Governance of SOEs
- Tan Sri Abdul Halim Ali, Chairman of the Minority Shareholder Watchdog Group (MSWG)