



International Finance Corporation



Ministry of Finance



**Organisation for Economic Cooperation &
Development**

International Corporate Governance Meeting:

Why Corporate Governance Matters for Vietnam

OECD/ World Bank Asia Roundtable on Corporate Governance

With support from:
**The Government of Japan
Global Corporate Governance Forum**

**Hanoi, Vietnam
December 6th, 2004**

Location: Sheraton Hotel, Hanoi

Welcoming Remarks
Madame Le Thi Bang Tam, Vice Minister, Ministry of Finance

**OPENING SPEECH OF MINISTRY OF FINANCE'S LEADER
AT THE INTERNATIONAL CORPORATE GOVERNANCE'S MEETING**

Hanoi, December 6, 2004

*Dear distinguish guests,
Ladies and gentlemen,*

Vietnam economic reform has been in progress so far in which considerable achievements regarding state-owned enterprises reform have been made. On one hand, enterprises' centrally planned activities have been switching over towards market based activities. SOEs' competitiveness has been improved. In addition, thousands of SOEs have been successfully transformed into joint stocks companies so far.

Beside the encouraging results, it is clear in our mind that to push up SOE reform, we will have to face with a large number of difficulties, obstacles which require our careful, in depth study to overcome. Of which, corporate governance, which attracts a variety of interest, plays a critical role over the success or failure of enterprises in all economic sectors, including SOEs, equitized enterprises etc.

The many problems that arise in SOE governance are:

- (i) There are too many authorities that may simultaneously hold a certain right over the State owned assets in enterprise.
- (ii) The person managing enterprise actively participates in the determination of the enterprise's assets without ownership of the assets.
- (iii) Job promotion, business planning and implementation etc still remain somewhat closed to administrative procedure.

As the result, SOEs management and decision making process involve a variety of steps and approval bodies which in turn creates unnecessary high cost of management, risk of business opportunity lost, brings opportunity to management and approval bodies to pursuit their own interest. Moreover, some state administration bodies also cover jobs which should have been assumed by the enterprise itself. The corporate management is not rewarded base upon the corporate performance.

Regarding to equitized enterprises, there are also issues to be studied and solved:

- (i) Conflict of interest among minority shareholders and the corporate management (i.e. Board of Management, Board of Directors and majority shareholders) in the context of lack of information transparency.
- (ii) Constant waste of State capital and assets held by the enterprise due to lack of transparent regulation on the right and obligation of representatives of the State shareholdings over the enterprise assets as well as on the power to decrease or increase the shares of the State in the enterprise.
- (iii) The equitized enterprise has too many stakeholders or some corporates gradually become privatized, which is not the purpose of SOE equitisation, as some investors seek to hold more than 50% of the corporate through buying shares from minor shareholders.

Others corporate including newly established joint stocks companies, private companies, foreign owned companies also have to deal with corporate governance issues such as out-dated management technology, lack of transparency, inefficient supervision regime, complicated dispute settlement and lack of instruments to protect interest of Vietnamese investors as well as that of minority shareholders.

Ladies and Gentlemen,

In an effort to further speed up the SOEs equitization process, the Government recently promulgated the Decree No 187/2004/ND-CP dated November 16, 2004 regulating the transforming of SOEs into joint stock companies. As directed by the Government, the equitization will be spread over and cover almost all important sectors of the economy such as banking, insurance, electricity, post and telecommunication etc in the coming time. The State will only own some important enterprises. The list of SOEs subject to 100% state owned will be determined by the Prime Minister over a certain period of time. Methods to evaluate corporate value have been improved to ensure the objectivity, transparency of the evaluation. Offers of shares issues will be publicly auctioned. The companies will be free to choose the auctioning methods, i.e. auctioning through stock trading centre or mandating the auctioning procedures to accounting and financial services providers. Therefore, the equitization is closely linked to the listing of the equitized enterprises in the Stock market once the enterprise fulfills listing requirements which in turn contributes to the development of Vietnam capital market.

With regard to the management of State capital in equitized enterprises, the Ministry of Finance is about to submit to the Prime Minister the project to establish a Vietnam Investment and Finance Corporation whose role is to represent the State shareholdings in the enterprises, to manage those shareholdings and to conduct investment of the State capital for the benefit of the State. The establishment and effective operation of the Corporation will radically change the way the State influences enterprises' business operations and create a fair, dynamic and more efficient environment for business activities.

On this very occasion, the Ministry of Finance, in collaboration with OECD and IFC, jointly holds the international advice meeting on corporate governance. The meeting aims at finding solutions to improve performance, strengthen the competitiveness of Vietnamese enterprises and prepare them for regional and international economic integration.

With participants from a variety of ministries, line ministries, cities, provinces, state owned corporations, commercial banks, accounting and auditing companies, securities companies, universities, economic institutes; the presence of domestic and international experts on corporate governance, and journalists from central and Hanoi newspapers and media, I firmly believe that the meeting will successfully come up with its expected goal.

I thank you very much for being here and wish the meeting great success.