



**The 6th Meeting of the
Asia Network on Corporate Governance of State-Owned Enterprises**

DRAFT AGENDA

**The Sheraton Grande Walkerhill
Seoul, Korea
17 -18 May 2011**

**With the support of:
The Government of Korea**

**Organised jointly with:
Korea Institute of Public Finance**

Background and Objectives of the Asia 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 five times since 2006. 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. 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 last two meetings in Bangkok (2009) and Kuala Lumpur (2010) focused on implementation issues, discussing examples of good practices and the ways to implement the recommendations as provided by the Policy Brief.

The Network will continue to be a platform for a structured policy dialogue and an exchange of practical experiences in corporate governance of state-owned enterprises. Accordingly, this sixth meeting of the Network in Seoul will focus on recent progress in SOE reform; good practices in organising SOE boards of directors; and sectoral examples of SOE governance in the financial and power sectors. The meeting will also be an opportunity to take the initial steps in establishing an SOE Company Circle aiming at bringing together leading SOEs with practical experience in implementing best practices in corporate governance in the Asian context.

The main goal of the SOE Company Circle will be to provide a forum where SOE board directors and managers can discuss the challenges they face and the responses they have formulated in improving their corporate governance practices and to contribute to the work of the Network with the views and experiences of SOEs that have successfully undertaken corporate governance reforms.

Tuesday 17 May 2011

9.00 – 9.30 Registration

9.30 – 10.30 Inaugural Session

Opening Remarks

- Yun-Hi Won, President of Korea Institute of Public Finance
- John Lim, Chair of the Asia Network on Corporate Governance of SOEs
- Pekka Timonen, Chair of the OECD Working Party on State Ownership and Privatisation Practices

Keynote Address

- Sung Kull Yoo, Vice Minister of Strategy and Finance, Republic of Korea

10.30 – 11.00 Break

11.00 – 12.30 Session 1: SOE governance reform in Korea: experiences and prospects

Chair: John Lim, Chair, Asia Network on Corporate Governance of SOEs

Public Institutions Reform Cases and a Policy Direction

- Kyeong Kyu Cho, Director General, Public Institutions Policy Bureau, Ministry of Strategy and Finance

Public Disclosure of Public Institutions Management Information

- Seokho Yoon, Head of Division, Assessment & Analysis Division, Public Institutions Policy Bureau, Ministry of Strategy and Finance

Open Discussion

Background:

The objective of this session is to get an in-depth discussion of the current status and reforms in Korea. Accordingly, the current status of practices and on-going reforms in the country will be presented, and discussants from the Network will comment, based on their experiences in their respective countries. Korea has put into action a far-reaching SOE governance restructuring program since 2007 incorporating 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.

12.30 – 13.45 Lunch

13.45 – 16.00 Session 2: Progress in implementing reform priorities according to the Policy Brief

Chair : Baris Dincer, Project Manager, Asia Network on Corporate Governance of SOEs

Case Study-1: Recent Endeavour of the Philippines on drafting a new SOE Act

Presentation by Jonathan Juan Moreno, Advisor, Senate Finance Committee and Practice Leader for Corporate Governance, Palladium Group, Philippines

Discussant:

- Senator Franklin M. Drilon, Chair of the Senate Finance Committee, Philippines

Case Study-2: A new Corporate Governance Regulation for public sector entities (PSEs) in Pakistan

Presentation by Nazir Ahmed Shaheen, Executive Director, Securities and Exchange Commission of Pakistan (SECP)

Discussant:

- David Robinett, Senior Private Sector Development Specialist, World Bank

Tour de table on implementing reform priorities according to the Policy Brief

- Zhengjun Zhang, Chief of Enterprise Research Division, Development Research Center of the State Council, People's Republic of China
- Andriati Fitriningrum, Head of Division, Ministry of State-owned Enterprises, Indonesia
- Tho Hai Tran, Deputy Director, Ministry of Finance, Viet Nam
- R.K. Mishra, Chairman, Institute of Public Enterprise, India

Background:

Both Pakistan and the Philippines are in the process of issuing new SOE governance regulations. Therefore, through two case studies examining these endeavors, the Network participants will have the opportunity to exchange views, comment and advice on two comprehensive reform programs based on their own experiences.

The OECD Secretariat, further to instructions of the Asia SOE Network Chair, had invited Network participants to fill out a reporting template drafted according to the recommendations in the Asia Policy Brief. On the second part of this session, we'll hear from some of the survey respondents about the recent reform endeavours in their countries via a tour de table.

16.00- 16.30 Coffee/Tea Break

16.30 -18.00 Session 3: Competitive Neutrality: promoting efficient competition between SOEs and private businesses

Chair: Pekka Timonen, Chair of the OECD Working Party on State Ownership and Privatisation Practices

- Hans Christiansen, Senior Economist, OECD
- Jeremias Jr. Paul, Undersecretary, Department of Finance, Philippines
- Prof. Lawrence L. Lee, Commissioner of the Chinese Taipei Fair Trade Commission

Open Discussion

Background:

Due to their privileged position SOEs may negatively affect competition and it is therefore important to ensure that, to the greatest extent possible consistent with their public service responsibilities, they are subject to similar competition disciplines as private enterprises. This issue of ensuring a level-playing field with the private sector and for avoiding competitive distortions has also been addressed by the Asia Policy Brief through its recommendations such as making specific obligations and related costs transparent (Recommendation I.3) and clarifying SOE objectives and making non-commercial ones explicit (Recommendation V.1).

Competition concerns that arise in relation to the conduct of SOEs may vary depending on the form in which the state exercises its control over them and whether they occupy monopoly positions or actively compete in a market with private entities. Some SOEs may in fact simultaneously carry out activities in areas where they face competition and where they do not, in particular in public service sectors.

Wednesday 18 May 2011

9.00 – 10.30 Session 4: Corporate Governance of State Owned Power Companies

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

- Kwon Sik Park, Vice President, KEPCO Management Research Institution, Korea
- Dato' Mohammad Zainal bin Shaari, Board member of Tenaga Nasional Berhad and Executive Director of Khazanah, Malaysia
- Zheng Wenyuan, Board Secretary, China Datang Corporation, People's Republic of China
- A.K. Rastogi, General Manager & Company Secretary, NTPC Limited, India

Open Discussion

Background:

Liberalisation and re-regulation have become key forces shaping the electricity sector in many Asian countries. These forces have brought along major changes in the ownership and structure of the sector. Government-owned utilities currently have unique governance challenges. Unlike private sector firms, SOEs typically have both profit-seeking and government mandated social objectives. Due to the inherent conflict between commercial and political objectives, SOEs in general function less resourcefully than their private sector counterparts. Well thought-out corporate governance reforms, on the other hand, have the potential to enhance performance and unchain substantial value, even in situations where privatization is not a viable option for practical or political reasons.

10.30 - 11.00 Coffee/Tea Break

11.00 – 12.30 Session 5: Corporate Governance of State Owned Commercial Banks

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

- Shiva Kumar, Managing Director, State Bank of Bikaner & Jaipur (SBBJ), India
- Dr. Khondoker Bazlul Hoque, Chairman of Board of Directors, Agrani Bank Limited, Bangladesh
- Pema Nadik, Deputy CEO, Bank of Bhutan
- Kim Youl-Jung, General Manager, Planning Department, Korea Development Bank

Open Discussion

Background:

The Network in its 2009 meeting had a preliminary discussion on this subject against the background of the financial crisis and there was an agreement among the participants to further examine this issue delving into the specifics of corporate governance.

According to the Policy Brief on the Corporate Governance of Banks in Asia developed by the Asia Roundtable on Corporate Governance in 2006, the different roles of the state as (i) a regulator and supervisor, and (ii) an owner of state-owned commercial banks (SOCBs), need to be considered separately. The state should be aware of the potential risks that its intervention, either through prudential regulation or state-ownership, may result in undesirable and potentially harmful consequences. Once the state as sole shareholder has set the objectives for the SOCBs, it should let SOCBs' boards exercise their responsibilities and respect their independence.

12.30 – 13.45 Lunch

13.45- 15.15 Session 6: Designing Training Programs for SOE Directors

Chair: Dr. U.D. Choubey, Director General, Standing Conference of Public Enterprises (SCOPE), India

- Dato' Abdul Aziz Abu Bakar, Chief Executive Officer, Malaysian Directors Academy
- Ma Zhengwu, Chairman of Board of Directors, The China Chengtong Group
- F. Antonius Alijoyo, Board Member, Forum for Corporate Governance in Indonesia
- Rashedur Rahman, Project Director, Bangladesh Enterprise Institute (BEI) and Lecturer, University of Dhaka

Open Discussion

Background:

Asia Policy Brief emphasizes the importance of providing proper training for SOE board members through its Recommendation VI.6. According to the Policy Brief, it is necessary to develop training for board members, including induction training in order to improve SOE boards' competencies and practices. This requires that SOE boards have adequate resources. Professional bodies and centres of excellence (such as institutes of directors) could play a critical role in offering adequate and specific training to SOE boards. Such training should cover their roles and responsibilities, as well as specific training on relevant technical aspects, related for example to financial and non-financial disclosure.

15.15 –15.45 Coffee/Tea Break

15.45 – 17.15 Session 7: Evaluating Performance of SOE Boards

Chair: Dr. Jesus P. Estanislao, Chair, President's Governance Advisory Council, Philippines

- Shri Bhaskar Chatterjee, Secretary General, Department of Public Enterprises, India
- Li Bing, Director General, Bureau of Enterprise Restructuring, SASAC, People's Republic of China
- Gatot Trihargo, Board Commissioner, PT Adhi Karya Tbk and Deputy Director, Ministry of State-owned Enterprises, Indonesia

Open Discussion

Background:

Asia Policy Brief recommends developing performance evaluations for SOE boards (Recommendations VI.7) as a major tool for their improvement. According to the Policy Brief, reforms should not focus only on boards' "conformance" with formal rules but must also take into account more performance-related aspects and focus on board practices, processes and interactions. Enhancing SOE boards' quality and professionalism requires putting in place a systematic evaluation process. The Policy Brief also suggests that evaluation should first focus on the overall board performance. Evaluation of whole boards is less sensitive and can address some of the main weaknesses of the SOE boards in Asia.

17.15 – 18.00 Next Steps and Conclusions

The future direction of the Network will be discussed (Issues such as establishment of the Asia SOE Company Circle, designing a formal structure for the Network will be evaluated)