



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

DRAFT AGENDA

**Four Seasons Hotel
Bangkok, Thailand
20-21 May 2009**

**In partnership with:
The Government of Japan
The Global Corporate Governance Forum**



Hosted by:

State Enterprises Policy Office, Ministry of Finance, Thailand



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. 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 include relevant experts from OECD countries, particularly from the OECD Working Group on Privatisation and Corporate Governance of State-owned Assets.

The Asian Network has met three times over 2006, 2007 and 2008 to cover 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 first meeting took place in Singapore in May 2006, hosted by the Singapore Institute of Directors. It 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 took place in Cebu, the Philippines, in April 2007, hosted by the Institute of Corporate Directors, the Office of the President and the Department of Finance. It focused on the role of the board and the relations with stakeholders. The third meeting took place in New Delhi, India, in May 2008 and focused on Transparency and Disclosure and Equitable Treatment of Shareholders. It was hosted by the Ministry of Heavy Industry and Public Enterprises, the Ministry of Corporate Affairs and the National Foundation for Corporate Governance, and the Standing Conference of Public Enterprises (SCOPE).

To keep the dialogue focused 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. This Policy Brief is the product of the Network’s deliberations and is a consensus document.

This meeting in Bangkok will focus on implementation issues, discussing examples of good practices and discussing how to implement the recommendations as provided by the Policy Brief. It will also discuss a monitoring mechanism to follow-up implementation of the Policy Brief in the years to come in Asian economies.

Wednesday 20 May 2009

“Current Reforms in the Governance of SOEs in Thailand and South East Asia”

8.30 – 9:00 **Registration**

9:00 – 9.30

Inaugural Session

Opening speech

- Minister of Finance, Thailand

Keynote Addresses

- The OECD Framework for Corporate Governance of State Owned Enterprises, Pekka Timonen, Director General of the Ownership Steering Department in Finland and Chair of the OECD Working Group on Privatisation and Corporate Governance of State-Owned Assets
- Corporate Governance for State-Owned Enterprises in Thailand, Dr. Areepong Bhoocha-oom, Director General, State Enterprise Policy Office
- The Asia SOE Network and its Policy Paper, John Lim, President, Singapore Institute of Directors and Chair, Asian Network on Corporate Governance of SOEs

9.30 – 10:30

Session 1: The Relevance of the OECD Guidelines on Corporate Governance of SOEs in Asia

Chair: Mr. John Lim, President, Singapore Institute of Directors and Chair, Asian Network on Corporate Governance of SOEs

Presentation of the OECD Guidelines and the Asia Policy Brief on Corporate Governance of SOEs

by Dr. Mathilde Mesnard, Economist, Corporate Affairs Division, OECD

Panel discussion on the relevance of the OECD Guidelines in the Asian context:

R. Bandyopadhyay, Secretary, Department of Public Enterprises, Ministry of Heavy Industry and Public Enterprises, **India**

Jeremias Paul Jr., Undersecretary, Ministry of Finance, **Philippines**

David Robinett, Private Sector Development Specialist, the World Bank

General Discussion

10:30– 11:00 **Coffee/Tea Break**

11:00 – 12:30 **Session 2: Review of Current Thai Reforms of SOE Governance**

Chair: Pekka Timonen, Chair of the OECD Working Group on Privatisation and Corporate Governance of State-Owned Assets and Director General of the Ownership Steering Department, **Finland**.

Presentation on Thai SOE governance reforms

Dr. Areepong Bhoocha-oom, Director General, State Enterprise Policy Office, **Thailand**

& Speaker tbd, Thailand,

Panel Discussion on Thai reforms:

Dr. Ahmad Radhi Nungsari, Chief Economist, Khazanah, **Malaysia**

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

Hans Christiansen, Senior Economist, Corporate Affairs, OECD

General Discussion

The objective of this session is to get an in-depth discussion of the current status and reforms in Thailand in a regional and comparative perspective. The current situation of Thailand will be discussed with regard to the different chapters of the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*. Experts from Thailand will present the current status of practices and on-going reforms in Thailand, and discussants from the Network will comment, based on their experiences in their respective countries.

12:30 – 14:00 **Lunch Break**

14:00 – 15:30 **Session 3: Landscape: Recent policy reforms and main challenges in SOE governance in South East Asia**

Chair: Dr. Areepong Bhoocha-oom, Director General, State Enterprise Policy Office, **Thailand**

◆ **Tour de table on recent policy reforms on SOE governance in South East Asia**

Singapore: Dr. Yuen Teen Mak, Director, Corporate Governance and Financial Reporting Centre, National University of Singapore

Malaysia: Rita Benoy-Bushon, CEO, Minority Shareholder Watchdog Group

Vietnam: Vu Thuy Hang, Expert, Ministry of Finance

Phillipines: *tbd*

Background: Participants from South East Asian countries will briefly present the recent policy reforms in their respective countries related to SOE governance. Each presentation will be strictly limited to 10 minutes and should focus exclusively on policy reforms. Presenters are asked to use maximum 3 slides. Presenters might also circulate in advance of the meeting or during the meeting descriptive documentation on the state owned sector.

◆ *Highlights from the World Bank review of SOE governance in India*

By David Robinett, Private Sector Development Specialist, the World Bank

Summary of Discussion by the Chair

15:30– 16:00 **Coffee / Tea Break**

16:00 –17:00 **Session 4: Centralising the Ownership Function: lessons learnt from recent experiences in Asia**

Chair: Arto Honkaniemi, Senior Financial Counsellor, Prime Minister’s Office, Ownership Steering Department, **Finland**

Speakers:

Nanchang Liu, Deputy Director-General, SASAC, **China**

Thi Phuong Thuy Tran, Deputy Director, State Capital Investment Company (SCIC), **Vietnam**

Karma Yonten, CEO of Druk Holdings, **Bhutan**

General Discussion

1. What have been the main rationale and objectives for centralizing the ownership function?
2. What have been the key success factors in carrying out this reform and the main difficulties or obstacles?
3. Have the objectives been achieved? What are the main improvements in terms of SOE governance?
4. What advices to give to countries considering such a reform?

Summary of Discussion by the Chair

Background: The *Policy Paper on Corporate Governance of SOEs in Asia* recommends ensuring visibility, strength and consistency in the exercise of the ownership function, through centralization or effective coordination between the different ownership entities (Recommendation II.3). Some Asian economies with significant state sectors have undertaken major reforms and set up centralised ownership entities in recent years. This has been a complex process and results might begin to show. This is thus a good timing to consider whether or not these reforms have achieved their expected objectives and what lessons have been learnt during this process.

18: 00 **Dinner hosted by SEPO**

Thursday 21 May 2009

Implementing the Policy Brief: Case Studies on Good Practice

9:00 – 10:00

Session 5: Directors Selection and Nomination Process: the Directors' Pool case study.

Chair: Aimilios Stasinakis, Special Secretary for Public Enterprises and Entities, Ministry of Economy and Finance, **Greece**

Main speakers: Danucha Yindeepit, Deputy Director General, SEPO, **Thailand**

Discussant: Jesus Estanislao, Chairman, Institute of Corporate Directors, **Philippines**

General Discussion

1. How to improve the selection and nomination process for SOE boards?
2. What type of mechanisms could be developed to improve boards' composition, competence and independence?
3. How to develop pools of suitable candidates?
4. What are the respective roles of all concerned institutions in the developing such pools?

Summary of Discussion by the Chair

Background: The *Policy Paper on Corporate Governance of SOEs in Asia* recommends developing structured and transparent board nomination processes (Recommendation II.5). One main challenge in Asia is indeed to avoid political appointees, to decrease the number of state representatives and move away from the culture of complacent boards. In Thailand, the State Enterprises Policy Office has developed an interesting mechanism to implement this recommendation, i.e. a "Directors Pool". This session will discuss in depth this initiative and consider to which point it could provide inspiration for other countries in the region.

10:00 - 11:00

Section 6: SOE Boards Evaluation: how to move forward?

Chair: Min Jung Byen, Deputy Director, Ministry of Planning and Budgeting, **Korea**

Speakers:

Paul Chan, Director, **Malaysian** Association of Corporate Directors
Yongfa Qin, Deputy Head, Board Pilot Project Office, SASAC, **China**
Andriati Fitriningrum, Head of Section for Good Corporate Governance and Risk Management for Plantation Division, Ministry of State Owned Enterprises, **Indonesia**

General Discussion

1. What mechanisms are in place to evaluate SOE boards?
2. Are these mechanisms effective in improving SOE boards' performance?
3. What are the main concerns in evaluating SOE boards?
4. What are the main lessons from recent reforms in this area?

Summary of Discussion by the Chair

Background: The *Policy Paper on Corporate Governance of SOEs in Asia* recommends developing

performance evaluations for SOE boards (Recommendations VI.7) as a major tool for their improvement. This practice is still underdeveloped in many Asian economies but some ownership entities have taken key steps to generalise and strengthen it, such as specific guidance or standard questionnaires for collective, individual or Chairman evaluations. This session will discuss what can be done by key players (the ownership entity, Institutes of Directors and the SOE themselves) to encourage and improve board evaluation.

11:00 – 11:30 **Coffee/Tea Break**

11:30 – 12:30 **Session 7: The Corporate Governance of State-Owned Commercial Banks**

Chair: Toshihide Endo, Director, Inspection Bureau, Financial Services Agency, **Japan**

Speakers:

Kulit Sombatsiri, Deputy Director General, SEPO, **Thailand**

Jaseem Ahmed, Director, Governance, Finance, and Trade Division, Asian Development Bank
Octavio Peralta, Secretary General of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

General Discussion

1. What are the main issues specific to the governance of state-owned commercial banks?
2. How to apply the OECD Guidelines and the Regional Policy Brief to state-owned commercial banks?
3. Is it relevant for the Asia SOE Network to develop a specific review of or specific recommendations on the corporate governance of state-owned commercial banks in Asia? If this is the case, how this could be developed?

Summary of Discussion by the Chair

Background: The Asia Roundtable on Corporate Governance developed a Policy Brief on the Corporate Governance of Banks in Asia in 2006. One recommendation of the Policy Brief was that “*State-owned commercial banks should be a role model for good corporate governance*”. It also pointed that “*The 2005 OECD Guidelines on Corporate Governance of State-Owned Enterprises represent good practices which should also be applied to SOCBs*”. In the current financial crisis, a number of states have taken control of failing banks and financial institutions, including in Asia. It is therefore relevant and timely for the Asia SOE Network to have a preliminary discussion on this issue and decide on whether or not it should focus in the future on it, through a specific meeting or a dedicated task force.

12:30 –
14:00 **Lunch Break**

14:00 - 15:30 **Session 8: Encouraging SOE Governance Reforms**

Chair: Farooq Sobhan, President, **Bangladesh** Enterprise Institute

◆ **Developing SOE Governance Codes**

Rana Assad Amin, Joint Secretary, Corporate Finance, Ministry of Finance, **Pakistan**
K.D. Tripathi, Joint Secretary, Department of Public Enterprises,
Ministry of Heavy Industries and Public Enterprises, **India**

◆ *The impact of scorecards*

Representative of CG Scorecard & Fellows Program, Institute of Corporate Directors, **Philippines**

◆ *The role of stock exchanges*

JJ Moreno, Vice-President, **Philippines** Stock Exchange

General Discussion

1. What is the rationale for developing an SOE Governance Code?
2. What are the specific steps in developing an SOE Code (in comparison with general Codes for listed companies) and what can go wrong in the process?
3. What are the conditions for success?
4. How to reinforce the code's effectiveness? What are the enforcement mechanisms to put in place?
5. How to develop and use of governance scorecards?

Summary of Discussion by the Chair

Background: Some Asian countries, i.e. India and Pakistan, are at the forefront of developing SOE Corporate Governance Codes, as only few countries have done so on the global scene (Egypt and now Morocco). The Indian “Guidelines on Corporate Governance for Central Public Sector Enterprises”, published by the Ministry of Heavy Industry and Public Enterprises in June 2007, have been discussed in-depth together with related implementation challenges in the last Network meeting. Pakistan has now finalised its own SOE Code which is soon to be approved by the Securities Commission. It is thus timely to take stock of these experiences and figure out what lessons could be learnt for other countries in the region which would like to embark on the same journey. In doing so, the Network participants are also invited to get inspiration and guidance from the Global Corporate Governance Forum’s Toolkit on “Developing Corporate Governance Codes of Best Practice” and its “Sharing Experience on Developing Corporate Governance Codes” (Lessons Learned Series).

The *Policy Paper on Corporate Governance of SOEs in Asia* encourages governance scorecard exercises as being instrumental in getting the public attention and pushing for reforms. One country in Asia, namely the Philippines, has already developed such a scorecard and this has been discussed in the second meeting of the Network in 2007. With two years of distance now, it is probably useful to review how these scorecards have been effective in pushing for reforms.

15:30 – 16:00 **Coffee break**

16:00 - 17:30 **Session 9: Monitoring the Implementation of the Asia Policy Brief on SOE Governance**

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

Proposal on mechanisms to monitor the implementation of the Policy Brief by Dr. Mathilde Mesnard, Economist, Corporate Affairs Division, OECD.

Presentation by countries of their priorities for implementation (3 minutes per country)

Selvendran Katheerayson, Senior Vice President, Transformation Management Office, Khazanah Nasional Berhad, **Malaysia**

Tbd, **Philippines**

Dr. Areepong Bhoocha-oom, Director General, State Enterprise Policy Office, **Thailand**

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

Thi Phuong Thuy Tran, Deputy Director, State Capital Investment Company (SCIC), **Vietnam**

General discussion

A.B.M. Khurshed Alam, Additional Secretary, Ministry of Industries, **Bangladesh**

Karma Yonten, CEO of Druk Holdings, **Bhutan**

Zhengjun Zhang, DRC, **China**

U. K Dikshit, Director, SCOPE, **India**

Dr. Jos Luhukay, Chairman, **Indonesia** National Committee on Governance

Fuad Azim Hashimi, President and CEO, **Pakistan** Institute of Corporate Governance

General discussion

17:30 - 18:00

Next Steps and Conclusions

Main highlights from the meeting and presentation of the up-coming Global Network by Dr. Mathilde Mesnard, Economist, Corporate Affairs Division, OECD.

Presentation of the draft privatisation guidelines and consultation process by Hans Christiansen, Principal Administrator, Corporate Affairs Division, OECD.

Closing of the meeting by SEPO